TRANSPARENCY INTERNATIONAL UK
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Quick Guide

POLITICAL CONTRIBUTIONS

DEFINING POLITICAL DONATIONS AND INDIRECT POLITICAL EXPENDITURE

In drawing up the policy for political donations and indirect political expenditure, the company must decide their scope since laws provide only broad definitions.

Corporate political donations can be general party support or campaign funding to support a party, politician or a candidate. Political expenditure can be to support or oppose a party, candidate or referendum issue.

The laws governing political contributions vary by jurisdiction. For instance, the UK and USA permit political donations, while they are prohibited in Belgium and France.

Definitions

Political donations: Expenditures, cash or in kind, made directly or indirectly to a political party or its local branches, elected officials or political candidates. Expenditures can be for general party support or for political campaigning.

Indirect political expenditure: Any independent campaign spending that is not a political contribution which is expended on activities such as advertising and communications that reasonably can be seen as intended to influence who or what people vote for at a poll

Forms of political contributions

- Financial donations
- Secondments to political parties
- Loans of money at less than market interest rates
- Fees or rates for products, services or loans at less than commercial terms
- Sponsorship of an event or publication
- Subscriptions or affiliation payments
- Free or discounted use of facilities or services such as offices, transport, printing, telecommunications, advertising and media coverage
- Sponsorship or support for fundraising events, such as a fundraising dinner

Examples of grey areas

- Release of employees without pay for political campaigning
- Travel for public officials on company planes or vehicles.
- Purchasing a display space or event at a party conference
- Honoraria for politicians or civil servants to speak at company events or sponsored events

DECIDING THE POLICY

The board needs to decide its position on political contributions and indirect expenditures by considering their purpose, benefits, risks and boundaries. By definition, a donation is a gift made without expectation of return and any political contributions must benefit the political process and not be linked in any way to a direct business benefit.

In view of stakeholder distrust of corporate political engagement, the potential for misguided perceptions of companies' intentions and the risk of bribery, it is understandable that many companies now prohibit all political donations. The trend towards prohibiting contributions is reinforced by the judgement of many companies that they benefit more from lobbying and other forms of expenditure and political activity. These have greater legitimacy, allow for a higher degree of management and control, and provide for easier measurement of returns.

A principle is that companies should not make political donations. But if, in exceptional circumstances, political donations are made, they should be only as an expression of corporate responsibility, providing general support on a balanced and proportionate basis to the main political parties to support a genuine democratic process. This will typically be in emerging or fragile democracies when, for example, a company is dominant in a market and there is agreement by the international community that funding for fledgling parties would strengthen the democratic process.

If a company nevertheless decides to allow political donations as a general policy, it should ensure that there is clear space between the provision of general support and any immediate business advantage for the company.

For this reason, the policy should exclude campaign financing, which is more likely than other forms of donation to influence political decisions of immediate benefit to the company, such as legislation or regulations, licences and concessions, investments and contracts. The company's policies and procedures for political contributions must ensure that they are not made to influence a party or politician, improperly gain undue access, or to influence the award or retention of business contracts.

ENSURING COMPLIANCE WITH THE POLICY

Whatever the policy for political contributions, the company must ensure that expenditures are not made in breach of the policy, whether in error or through corrupt behaviour. In particular, the company must implement anti-bribery controls to prevent contributions being made to obtain an improper business benefit, such as winning a public contract or securing changes to laws or regulations. The controls should be tailored and based on a risk assessment of the company's political activities.

The board should also consider developing a policy on political donations by directors and employees. Balancing the company's wish to respect the rights of individuals to their political views and affiliations, while managing any potential conflict with the company's political support and lobbying positions is a complex area. Some aspects to be considered in drawing up a policy are listed below.

POSSIBLE CONTENT FOR POLICIES

- Respect for the right of the individual to have personal political affiliations and to make personal contributions.
- The company will not coerce or require board members or employees to contribute to a political party, politician or candidate.
- Political activities of a director or employee must not be associated with the company or be capable of being seen as such.
- Directors and employees must not use their position with the company to suggest, influence, coerce or pressure others (including directors, employees, associated third parties) to make contributions to or to support or oppose any political candidate, election or ballot.
- In the case of a potential conflict of interest relating to political activity, the director or employee should follow the conflict of interest procedure and report the conflict to management.
- The company will not reimburse, directly or indirectly, directors or employees for any personal political contributions they make.

EXAMPLES OF RISKS

Public mistrust: Even though a company's political engagement is conducted responsibly, a general climate of public mistrust of corporate political engagement may lead to the company's activities being subject to public concern or adverse media.

Quid pro quo: Campaign contributions are seen by the public as made in exchange for a direct return such as changing a law, gaining a licence or trading in influence.

Conflicts with policy positions: Support for a campaign or an individual politician can draw the company inadvertently into association with a candidate or elected politician espousing a position contrary to the company's policy on a particular issue.

Lack of a clear definition of political contributions: This may lead to the company failing to manage or report political activity or inadvertently breaching a policy not to make contributions.

Activities driven by the interests of the board and management: Campaign contributions are driven by the interests of the directors and managers rather than the business aims of the company.

Employee negligence: An employee supports a political cause by attending a fundraising or political celebration event or makes a statement that can be construed as support for a political party.

Indirect giving is concealed: Funds are given to foundations or associations affiliated with or linked to a political party and such payments are not subject to the transparency and accountability requirements for political contributions.

Manipulation: Financial or in-kind support is made, in breach of the company's policy, to a politician or party and concealed in accounts, off the books.

Improper influence: A contribution is made to a charity or association where a politician of relevance to the company is on the board or otherwise closely connected.

For further information, see the Transparency International Guide Wise Counsel or Dark Arts? Principles and guidance for responsible corporate political engagement, 2015