

# WISE COUNSEL OR DARK ARTS?

Principles and Guidance for  
Responsible Corporate Political  
Engagement

**Transparency International** (TI) is the world's leading non-governmental anti-corruption organisation. With more than 100 chapters worldwide, TI has extensive global expertise and understanding of corruption.

**Transparency International UK** (TI-UK) is the UK chapter of TI. We raise awareness about corruption; advocate legal and regulatory reform at national and international levels; design practical tools for institutions, individuals and companies wishing to combat corruption; and act as a leading centre of anti-corruption expertise in the UK.

**Acknowledgements:**

We would like to thank the members of the Advisory Committee for their help in the development of this guidance: John Drysdale (Chair), Graham Baxter, Robert Barrington, Andrew Cave, Elizabeth David-Barrett and Athanasia Karananou. We are also grateful for additional advice and assistance from Steve Goodrich and Alice Shone of TI-UK and Daniel Dudid, Jacqueline de Gramont and Shruti Shah of Transparency International USA.

This publication has been kindly supported by The Joseph Rowntree Charitable Trust.

Editor: Peter van Veen

Author: Peter Wilkinson

Design: Philip Jones

© 2015 Transparency International UK. All rights reserved. Reproduction in whole or in parts is permitted, providing that full credit is given to Transparency International UK (TI-UK) and provided that any such reproduction, in whole or in parts, is not sold or incorporated in works that are sold. Written permission must be sought from Transparency International UK if any such reproduction would adapt or modify the original content.

Published December 2015.

ISBN: 978-1-910778-50-0

© Cover photo: iStock.com/ Deejpilot

Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of December 2015. Nevertheless, Transparency International UK cannot accept responsibility for the consequences of its use for other purposes or in other contexts. Policy recommendations and best practice guidance reflect Transparency International UK's opinion. They should not be taken to represent the views of those of members of the Advisory Committee. Transparency International UK assumes no liability to any third party for the information contained herein, its interpretation or for any reliance of any third party. This document should not be construed as a recommendation, endorsement, opinion or approval of any kind. This Index has been produced for information and should not be relied on for legal purposes. Legal advice should always be sought before taking action based on the information provided.

Printed on 100% recycled paper.

Transparency International UK's registered charity number is 1112842.

# Wise Counsel or Dark Arts?

Principles and guidance for responsible corporate political engagement

# Principles for responsible political engagement

## **1: Include all forms of political activities in your management of responsible political engagement**

Political engagement is not limited to political contributions and lobbying. It can also include interaction of directors, management and employees with the political process, movements and exchanges of people between the public sector and the company, and how the political process enters the workplace through board members' and employees' personal political engagement.

## **2: Do not make political contributions**

Corporate political contributions should not be made on behalf of the company other than in exceptional circumstances where they provide general support for a genuine democratic process, with full transparency and full explanation.

## **3: Ensure that all those who lobby on the company's behalf understand and align to its guiding principles, policies and procedures for responsible political engagement**

Through providing tone from the top, communications and tailored training, the company ensures that all those who lobby on behalf of the company, formally or informally, understand and implement the company's policies on responsible political engagement.

## **4: Manage relationships with trade associations to ensure their lobbying activities are aligned with your guiding principles for responsible political engagement**

The company assigns responsibility to managers for relationship management and monitoring of trade associations that lobby. It requires trade associations to be transparent about their lobbying activities and expenditure, and implements a procedure for managing issues arising when a trade association's lobbying conflicts with the company's lobbying position.

## **5: Make sure accountability for political engagement sits in your boardroom**

The board is accountable for the company's political engagement, provides direction and oversight and assigns overall responsibility for implementing political engagement activities to the chief executive or a senior manager.

## **6: State publicly your commitment to responsible political engagement**

This commitment is supported by guiding principles for responsible political engagement.

## **7: Be consistent in your political engagement**

The objectives and implementation of policies and procedures for political engagement are coordinated and managed to ensure consistency and responsibility across the company's operations, including subsidiaries. The company's activities are consistent with its public statement of guiding principles and policies for political engagement.

## **8: Design and implement policies and procedures for political engagement based on your company's values and risk assessment**

The company's values, guiding principles and the results of risk assessments underpin the design of the policies and procedures for political engagement. The company identifies and assesses the risks attached to its political activities and designs controls to counter them.

## **9: Monitor and review the implementation of the policies and procedures covering political engagement**

Monitoring makes sure that the strategy, policies and procedures for managing political engagement are working, detects and rectifies any concerns or poor practice, supporting continuous improvement.

## **10: Report publicly, comprehensively and accessibly on political engagement**

Shareholders and other stakeholders have material interests in corporate political engagement and need to know that the company is managing its political activities responsibly and effectively. The company reports fully and regularly on its guiding principles, objectives, lobbying interests, activities, contributions and expenditures and on any other issues. The information is provided accessibly such as in a dedicated web page.

# Table of contents

Principles for responsible political engagement .....	2
1. Introduction .....	5
2. Why companies should care .....	6
Responsible engagement vs reputational risk .....	6
Lack of public trust .....	6
Investor pressure .....	7
Stakeholders want responsible political engagement and transparency ..	8
Greater transparency demanded by legal requirements .....	8
Laws and regulations are tightening .....	8
3. Five forms of political activity: their scope and risks.....	10
3.1 Political donations and indirect political expenditure .....	12
3.2 Lobbying .....	17
3.3 Trade associations and business chambers.....	23
3.4 Exchanges of people between business and the public sector .....	26
3.5 Political activities and the workplace .....	31
4. The control environment.....	33
Accountability in the boardroom .....	33
Consistent approach .....	36
5. Managing responsible political engagement.....	37
Assessing the risks.....	37
Designing the organisational structure .....	40
Implementing policies and procedures .....	41

Monitoring and evaluation .....	43
Transparency and public reporting .....	44
6. Recommendations .....	45
Annex 1: Checklists.....	47
Annex 2: Glossary .....	56
Annex 3: Links to resources.....	58
Additional publications.....	60

# 1. Introduction

The aim of this publication is to provide guidance for companies on the management of responsible corporate political engagement. It is also intended to assist regulators, law makers, prosecuting agencies, lobbyists, trade bodies, investors and professional advisers that may wish to refer to a Transparency International (TI) position when forming their own approach and decisions. The guidance has been developed based on TI's extensive experience in developing corporate governance, public policy and anti-corruption practice. The guidance has also benefited from the advice and practical experience of an Advisory Committee.

The scope for this guidance is a broad spectrum of corporate activity covering political contributions, lobbying, memberships of trade associations, exchanges of people between the public and private sectors, and political activities in the workplace. While most large companies engage to some extent in political activities, the materiality and extent of engagement in these activities will necessarily vary according to a company's circumstances. Even if companies decide not to engage with the political process, they will nevertheless need policies and procedures in place to allow them to implement such policies and respond should they be drawn into public policy debate. This guidance should therefore be relevant to all large companies whatever the level of their interaction with the political process as well as smaller companies that are likely to have such interactions.

## Forms of corporate political engagement:

- Political contributions: financial and in-kind
- Lobbying
- Memberships of trade associations and business chambers
- Exchanges of people between the public and private sectors
- Political activities and the workplace

It is important to note that this guidance is based on the premise that there are sound and legitimate reasons for companies to participate in the political process.

However, careful stewardship of political engagement is needed to ensure stakeholder trust and confidence is not lost.

The foundation of TI-UK's approach is that responsible corporate political engagement is carried out within a framework of good corporate governance and commitments by the board to integrity, accountability, transparency and responsible political activities. By designing and implementing policies and procedures for their political activities, companies that wish to interact with or are otherwise drawn into the political process can ensure their activities contribute to the democratic process, benefit their business, meet the demands of a fast changing environment, are carried out with integrity and protect against risks of improper actions.

## 2. Why companies should care

### Responsible engagement vs reputational risk

**Companies engage** with the political process with the aim of benefiting the business and meeting the interests of stakeholders. This can take many forms. For example, seeking to improve the business and economic environment, create new markets and opportunities and improve, modify or even prevent legislation.

Corporate political engagement can result in laws that are well designed for their purpose and create economic and social environments where businesses and societies can prosper. Engagement can also be an expression of corporate responsibility by strengthening the democratic process in societies and providing resources and expertise.

But despite the strong business case for corporate political engagement, companies need to recognise that engagement brings legal and reputational risks. Inappropriate engagement damages public trust in business and in the political process. The consequences of improper, negligent or inadvertent engagement in political activities can be significant.

#### Risks when political activities go wrong

- Reputational damage
  - Public campaigns against the company
  - Media attention and investigation
- Legal fines and associated costs
- Debarment from public contracts (e.g. under pay-to-play laws)
- Market and financing issues
- Loss of confidence by business partners
- Increased vulnerability to bribery demands
- Damage to employee trust and morale
- Loss of key board members or executives

### Lack of public trust

Public trust of companies in this area is not high. The Global Corruption Barometer published in 2013 by Transparency International found that 54 per cent of the 107,000 people surveyed thought that their respective governments are either largely or entirely captured by self-interested groups, rather than run for the benefit of the public at large. For the UK and USA, countries with significant corporate political engagement, the figures were even higher at 59 per cent and 64 per cent respectively.

The US Security and Exchange Commission's (SEC) investigation<sup>1</sup> into the hiring of the children of Chinese officials by JPMorgan Chase and at least six other large banks highlights the risks of engaging with public officials, even indirectly through their offspring. The case has had both

---

<sup>1</sup> Ongoing at the time of publication

reputational and financial implications.<sup>2</sup> The banks are suspected of hiring officials' children in exchange for preferential treatment in China including securing deals with state-owned enterprises. The cost for JP Morgan Chase has been significant, as it felt obliged to excuse itself from two large initial public offering deals valued at around US\$4 billion<sup>3</sup> due to the ongoing investigations into its hiring practices.

By trying to gain improper influence through political activities, a company may well find itself prosecuted for bribery and contending with more than reputational damage. In fact, the Foreign Corrupt Practices Act (FCPA) - the first modern anti-bribery legislation - came into being specifically to deal with US companies bribing politicians. At the time of the Watergate investigations, more than 400 US companies admitted to making "questionable payments" to foreign officials and politicians totalling more than US\$300 million.<sup>4</sup>

A lot has changed since the FCPA came into force in 1977, not only in legislative terms but also in the expectations of stakeholders.

## Investor pressure

There is also growing investor attention to how companies interact with politicians and the risks that such interaction may bring. Increasingly, shareholder resolutions are demanding that companies prohibit political donations and declare their policies and expenditures for political activities. A US survey, the 2014 CPA-Zicklin Index, identified that 160 of the 299 companies studied (54 per cent) had been formally engaged by shareholders with a resolution on the issue of corporate political spending disclosure and accountability.<sup>5</sup> The International Corporate Governance Network has published guidance for investors with a statement and principles on political lobbying and donations.<sup>6</sup>

---

<sup>2</sup> <http://www.wsj.com/articles/banks-angling-for-china-ipo-hired-a-ceos-daughter-1406910827>

<sup>3</sup> the two IPOs were for Tianhe Chemicals and China Everbright Bank Co - <http://www.cnbc.com/2014/01/21/jpmorgan-drops-another-china-ipo-amid-princeling-probe-sources.html>

<sup>4</sup> <http://www.wsj.com/articles/SB10000872396390444752504578024791676151154>

<sup>5</sup> CPA-Zicklin Index, *2014 CPA-Zicklin Index of Corporate Political Disclosure and Accountability* (Center for Political Accountability and the Zicklin Center for Business Ethics Research, September 2014). <http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/8642>

<sup>6</sup> ICGN Statement and Guidance on Political Lobbying and Donations (International Corporate Governance Network, 2011) [https://www.responsible-investor.com/images/uploads/advertising/ICGN\\_PLD.pdf](https://www.responsible-investor.com/images/uploads/advertising/ICGN_PLD.pdf)

## Stakeholders want responsible political engagement and transparency

Other stakeholders too are encouraging increased attention to political activities and their transparency. In 2013 after extensive consultation, the Organisation for Economic Co-operation and Development (OECD) published guidance for countries and lobbyists in *Ten Principles for Transparency and Integrity in Lobbying*.<sup>7</sup> In 2015, TI-UK published a policy paper on lobbying *Lifting the Lid on Lobbying*, and the United Nations Global Compact has addressed a specific sector with its guidance for responsible corporate engagement in climate policy.<sup>8</sup> General public awareness is also higher with the internet and social media bringing unprecedented intensity and detail to scrutiny and challenges on corporate political engagement, with information shared instantaneously, globally and virally. Media attention is also intense and investigative 'stings' on politicians have exposed improper lobbying and donations.

The challenge for companies is how to respond to stakeholders on corporate political engagement. A process for constructive and regular consultation with stakeholders can help in managing expectations. But meeting expectations may not always be achievable from a corporate perspective.

## Greater transparency demanded by legal requirements

The ever more demanding environment for transparency of political activities is set within a framework of growing legislation on corporate transparency and voluntary standards. Laws and regulations require corporate transparency to go beyond financial and operating dimensions and to report to society as well as to shareholders on risks, sustainability and societal impacts. The UK Companies Act 2006 requires directors to report on environmental matters and on social and community issues. In 2014, the EU amended a directive to require companies to disclose their non-financial information, including reporting on social and anti-corruption and bribery measures.<sup>9</sup>

## Laws and regulations are tightening

Laws are restricting political donations and some countries have banned contributions. In the UK, The Political Parties, Elections and Referendums Act 2000 controls donations received by political parties. Greater transparency in lobbying has been attempted by some countries with voluntary or mandatory registration and disclosure of lobbyists. The US stands alone among countries at present in having legislated at both federal and state levels for disclosure of expenditures on lobbying. The revolving door - the exchange of politicians, public officials and business executives between the public and private sectors - is being regulated too with Germany, the UK and the USA among the countries which have introduced new rules and laws.

---

<sup>7</sup> *Principles for Transparency and Integrity in Lobbying* (OECD, 2013).

<http://www.oecd.org/gov/ethics/oecdprinciplesfortransparencyandintegrityinlobbying.htm>

<sup>8</sup> *Guide for Responsible Corporate Engagement in Climate Policy* (UN Global Compact, November 2013)

[https://www.unglobalcompact.org/docs/issues\\_doc/Environment/climate/Guide\\_Responsible\\_Corporate\\_Engagement\\_Climate\\_Policy.pdf](https://www.unglobalcompact.org/docs/issues_doc/Environment/climate/Guide_Responsible_Corporate_Engagement_Climate_Policy.pdf)

<sup>9</sup> *Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups*

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095>

## Examples of objectives for responsible corporate political engagement

- **Supporting the democratic process:** This can be particularly important in developing countries where the democratic process is fragile, although the political process also needs support in developed countries. It can also include respecting the rights of employees and enabling them to take part in the political process such as by granting flexible working arrangements to take part in local council activities or allowing employees time off to serve as independent monitors of an election process.
- **Encouraging a favourable economic and business environment:** Advancing government support to the business sector, for example through appropriate grants, concessions and incentives or improving labour skills.
- **Contributing to the development of laws governing company behaviour:** Anticipating, recommending and contributing to changes in laws on topics such as company law, accounting and financial regulations, fair trading, health and safety, transparency and reporting, equality, diversity and labour.
- **Monitoring the political environment:** Keeping track of potential legislative changes, their interpretation and application and related issues. This can be achieved through engagement with politicians and others involved in the political process.
- **Enhancing the company's reputation:** Accurately explaining what the company does and the contribution it makes to the economy and society.

**A transparent approach to political activities is not a luxury. It is the only way to convince stakeholders that a company's political activities are a genuine and legitimate part of the democratic process.**

### Case Study 1: Political engagement by the tobacco industry – 'a 50 year conspiracy'

"The tactics used by the tobacco industry to resist government regulation of its products include conducting public relations campaigns, buying scientific and other expertise to create controversy about established facts, funding political parties, hiring lobbyists to influence policy, using front groups and allied industries to oppose tobacco control measures, pre-empting strong legislation by pressing for the adoption of voluntary codes or weaker laws, and corrupting public officials. Formerly secret internal tobacco industry documents provide evidence of a 50-year conspiracy to 'resist smoking restrictions, restore smoker confidence and preserve product liability defence'. The documents reveal industry-wide collusion on legal, political and socially important issues to the tobacco industry and clearly demonstrate that the industry is not disposed to act ethically or responsibly. Societal action is therefore required to ensure that the public health takes precedence over corporate profits."

**Comment:** This is an extreme example where a long-running campaign of political engagement fundamentally undermined public trust in an entire industry to act in an ethical or responsible manner in its interactions with government and the political process.

Source: 'Tobacco industry tactics for resisting public policy on health', Bulletin of the World Health Organisation, 2000.

# 3. Five forms of political activity: their scope and risks

This section outlines the five forms of political activities in the scope of this guidance and discusses their different contexts and characteristics, the ways in which they are used by companies and the main risks involved in each.

It is important that companies clearly define the scope and various forms of political activities they undertake as there are no universally agreed definitions to rely on. A clear understanding of the scope of political activities will enable them to be carried out responsibly, consistently and effectively and will help employees to know what they should do and avoid making errors.

Definitions can be developed by consulting with legal advisers, institutional investors and shareholders, examining existing definitions in inter-governmental, national and local legislation as well as those used by trade associations, NGOs and peer companies.

## **Principle 1: Include all forms of political engagement in your management of responsible political engagement**

Political engagement is not limited to political contributions and lobbying. It can also include interaction of directors, management and employees with the political process, movements and exchanges of people between the public sector and the company and how the political process enters the workplace through board members' and employees' personal political engagement.

## **Principle 2: Do not make political contributions**

Corporate political contributions should not be made on behalf of the company other than in exceptional circumstances where they provide general support for a genuine democratic process, with full transparency and full explanation. In such cases, the company should contribute only in a balanced or proportionate way and not support campaigning or contribute to or disproportionately advantage any specific party or political viewpoint.

## Forms of corporate political activity

Activity	Description
Political donations and expenditure	<p>Contributions made directly or indirectly to a political party or its local branches, elected officials or political candidates.</p> <p>Contributions made to an organisation or activity aligned with a political cause such as a research organisation or think tank, assisting with the drafting of legislation, carrying out funding or research.</p>
Lobbying	<p>Formal advocacy carried out by in-house lobbyists, consultant lobbyists and trade associations.</p> <p>Informal advocacy by board members, senior executives or specialists.</p> <p>Lobbying activities can include meetings, position papers, communications, administration, research, drafting proposals for legislation and providing staff resources and meeting rooms for political committees, such as UK All-Party Parliamentary Groups.</p> <p>Indirect lobbying can include building supporting constituencies and initiating and funding community campaigns (so-called ‘astro-turfing’) by engaging and mobilising organisations such as research institutes, charities and action groups and initiating, funding and managing social media campaigns.</p>
Trade associations and business chambers	Memberships of trade associations and business chambers that lobby on behalf of their members.
Exchanges of people between business and the public sector	<p>Revolving door: Post-employment positions, two-way, to and from public office.</p> <p>Secondment: Long-term and short-term work experience placements in either direction.</p> <p>Associated politicians: Depending on the laws of the jurisdiction, elected politicians may be contracted as consultants to the company or appointed to the board.</p>
Political activities and the workplace	<p>Release for public office, such as carrying out duties as a local councillor.</p> <p>Unpaid leave to campaign for office.</p>

## 3.1 Political donations and indirect political expenditure

### 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. A side effect of this uncertainty is that many EU-based companies which are subject to EU-set thresholds on political contributions to European political parties, nevertheless pass resolutions at AGMs authorising them in case they inadvertently make a contribution and breach the threshold.<sup>10</sup>

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. In the USA, political expenditure has grown apace following the 2010 decision in the *Citizens United v. Federal Election Commission* case which ruled that political spending is protected under the First Amendment. This decision allows companies and unions to spend unlimited amounts of money on political activities, as long as expenditure is made independently of a party or candidate.

#### 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.

---

<sup>10</sup> The threshold will increase in 2017 from €12,000 to €18,000.

## 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. It should not be forgotten that illegal political donations were one of the reasons for introducing the US Foreign Corrupt Practices Act. 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.

*Who can seriously content that a US\$100,000 donation does not alter the way one thinks about and possibly votes on an issue? Alan K. Simpson, former Republican senator of Wyoming, 2014.*

A principle of this guidance 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.

### Case Study 2: An example of a corporate policy of non-alignment of political donations

#### Tata Group policy of political non-alignment

The Tata Group in India has a policy of political non-alignment and gives to political parties based on the ratio of seats held. Donations are made through the Tata Sons Electoral Trust, one of the biggest trusts in the country and the largest contributor to the two largest national parties.

#### Extract from the Tata Code of Conduct, Tata Group

Clause 7: A Tata company shall be committed to and support the constitution and governance systems of the country in which it operates. A Tata company shall not support any specific political party or candidate for political office. The company's conduct shall preclude any activity that could be interpreted as mutual dependence/favour with any political body or person, and it shall not offer or give any company funds or property as donations to any political party, candidate or campaign.

## 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.

## Board members' and employees' donations

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 for board and employee political contributions

- 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 initiative.
- 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.

### Case Study 3: Bank distances itself from political donations of senior executives

*The Guardian* reported in 2012 during the US presidential election year, that Barclays had privately distanced itself from its UK bankers' donations to Mitt Romney, the US Republican presidential candidate, after its executives had been accused in the UK Parliament of fundraising for political candidates instead of working to rebuild the public's trust in the wake of the Libor-setting scandal. Executives at Barclays were reported to have donated over US\$1m to Romney's presidential campaign and would be handing over more funds at a fundraising dinner in a London where tickets cost between US\$50,000 and US\$75,000. A vice-chairman of the bank and head of the UK and European government relations, said the bank was not a supporter of the presidential hopeful. In a letter he wrote that he would like to clarify that all political activity undertaken by Barclays' employees, including personal fundraising for specific candidates, was done so in a personal capacity, and not on behalf of Barclays. He stated that: 'Barclays is politically non-partisan, makes no political donations nor seeks to influence the political activities of its employees.'

Source: 'MPs tell Barclays to stop fundraising for Mitt Romney', *The Guardian*, 25 July 2012

## Examples of risks attached to political contributions

Risk	Description
Unfounded suspicion or criticism	<p><b>Public mistrust:</b> 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 exposure.</p> <p><b>Quid pro quo:</b> 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. Even if made for the right reasons, a party or politician may subsequently take a position benefiting the company that creates suspicion of improper behaviour.</p>
Inconsistency	<p><b>Conflicts with policy positions:</b> 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.</p> <p><b>Conflicts of interest:</b> A board member or senior manager donates to political causes or makes public statements in a personal capacity in conflict with the company’s political contributions policy or public policy position. Particularly where an influential business person or business owner is synonymous with their company, large personal donations may be confused with the company’s own political engagement.</p> <p><b>Lack of a clear definition of political contributions:</b> This may lead to the company failing to manage or report political activity or inadvertently breaching a policy not to make contributions.</p>
Integrity or policy breaches	<p><b>Activities driven by the interests of the board and management:</b> Campaign contributions are driven by the interests of the directors and managers rather than the business aims of the company.<sup>11</sup></p> <p><b>Opening the door to improper expenditure:</b> A policy allowing political contributions opens the door to expenditures on fundraising events, gifts, hospitality or travel by lobbyists and consultants unbeknown to the company.</p> <p><b>Employee error or negligence:</b> 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 or its policy.</p> <p><b>Indirect giving is concealed:</b> 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.</p> <p><b>Manipulation:</b> 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 or by other means.</p> <p><b>Improper influence:</b> 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.</p>

<sup>11</sup> Bloxham, Eleanor, ‘Boards Take Heat for Political Spending’, *Fortune*, 18 October, 2010.

#### Case Study 4: Conflict of candidate's position with company's policy

In 2010, Target Corp. had to defend a US\$150,000 donation to a Political Action Committee, MN Forward, which was running advertisements for a Republican candidate who opposed same-sex marriage. The Target Chief Executive Officer had to assure employees at the company's Minneapolis headquarters in an e-mail that his company's support of the gay community was 'unwavering'.

## US Political Action Committees and pay-to-play laws

**Political Action Committees:** (PACs) and Super PACs are US phenomena and relevant to foreign companies operating in the USA. Also relevant are 501(c) (4) organisations which are tax-exempt and not-for-profit organisations and do not have to disclose their donors. This creates a risk that companies may use them to route contributions to PACs and Super PACs and hide the true origin of donations.

Subsidiaries of foreign companies can have PACs under certain limited circumstances.<sup>1</sup> The US Bipartisan Campaign Reform Act (commonly called 'McCain-Feingold Law') prohibits companies from making direct contributions or expenditures in connection with federal elections but companies may sponsor a 'separate segregated fund' known as a 'connected PAC'. PACs may not be funded with corporate treasury funds, but corporate funds may be used to administer a PAC. A company may solicit employees to make voluntary contributions to its PAC and the company may choose to decide to which political candidates or parties donations are given. PACs are limited to donating US\$5,000 to a single candidate and US\$15,000 to a political party per election. Individuals can donate a maximum of US\$5,000 to a PAC per year.

**Super PACs:** A decision in 2010 by the Supreme Court in the case *Citizens United v. Federal Election Commission* and subsequent decisions led to the creation of Super PACs (Independent Expenditure-Only Political Committees) that can raise and spend unlimited amounts of money from corporations, unions and individuals for the purpose of supporting or defeating a candidate for public office with limited reporting requirements. They are not allowed to make direct contributions to political parties or politicians campaigning for office. The donors to Super PACs must be disclosed to the Federal Elections Commission. Unlike PACs, corporations can directly contribute from their treasuries to Super PACs. US subsidiaries of foreign companies cannot contribute to Super PACs but the limited requirements for disclosure risks abuse, such as routing donations through US shell companies.

A concern for companies that have a PAC is that this will conflict with a policy not to make political donations. Some companies have decided to eliminate this concern and eight US companies were reported in the 2014 CPA-Zicklin Index as not having an employee-funded PAC and spending little to no political money overall.

Although most UK companies prohibit political contributions, a report by *The Guardian* in October 2012 identified one in five of Britain's largest companies as having made political donations, albeit small ones, through their PACs to the 2012 US presidential election campaigns, with the biggest contributors drawn from the defence, energy, finance and pharmaceuticals sectors.<sup>1</sup> In fact, British companies contributed more money to US presidential candidates than any other non-US group. Some 14 of the top 50 most active foreign-controlled PACs had parent groups listed in London, according to Washington based Centre for Responsive Politics.

**Principle 3: Ensure that all those who lobby on the company's behalf understand and align to its guiding principles, policies and procedures for responsible political engagement**

Through providing tone from the top, communications and tailored training, the company ensures that all those who lobby on behalf of the company, formally or informally, understand and implement the company's policies on responsible political lobbying.

Companies may decide which parties should receive their PAC's contributions while others leave it to employee representatives. Even where employees decide, there may be a built-in skew towards a party and a company might find it advantageous to encourage employee donations. Examples of incentives include BP, which provides employees who donate at least 2.5 percent of their salary to the company PAC with choice parking spots in the company lot, and Wal-Mart, which gives a two-for-one match to employee donations to Wal-Mart's in-house charity for associates in need.<sup>1</sup>

**Pay-to-play laws** are being introduced in the US at federal and Securities Exchange Commission level and in many states and localities. They aim to protect fair and open competition in the public contracting process. These laws bar or restrict companies that bid or contract with public bodies from making campaign contributions to public officials and candidates responsible for awarding those contracts. They can extend not only to officers and employees of companies, but also to affiliates and family members and sometimes to PACs.<sup>1</sup>

## 3.2 Lobbying

Lobbying, whether directly or through intermediaries such as trade associations, is the main way in which companies engage with and influence the political process. Lobbying can be carried out through a wide range of activities involving both formal and informal contact with politicians and senior public officials by in-house lobbyists, consultant lobbyists, professional firms as well as board members and management.

When carried out responsibly, lobbying is a legitimate and beneficial activity, providing policy makers with information, expertise and resources and addressing the public by stimulating and contributing to public debate. According to a 2013 survey of 600 European parliamentarians and officials, 89 per cent agreed that "ethical and transparent lobbying helps policy development".<sup>12</sup> Companies are at the forefront of change and are experts in their field. They can be affected substantially by changes in laws and regulations and seek to operate in economies and societies where business can flourish. The counterpart is that the size and pervasiveness of lobbying, compounded by scandals and abuses by companies and politicians, have created deep public suspicion that companies have privileged access and behave improperly. One of the aims of a responsible approach to political engagement must be to build public trust in the company's approach and activities, including lobbying.

### Lobbying definition

Any direct or indirect communication with public officials, political decision-makers or representatives for the purposes of influencing public decision-making, and carried out by or on behalf of any organised group.

**Source:** Lifting the Lid on Lobbying: The hidden exercise of power and influence in the UK (Transparency International UK, 2015)

<sup>12</sup> *A Guide to Effective Lobbying in Europe: The View of Policymakers* (Burson Marsteller, 2013).

### Case Study 5: Greenwashing by large energy companies?

A report released in July by the Union of Concerned Scientists (UCS) claimed that six large energy companies had spent tens of millions of dollars promoting climate change denial despite having been aware of the reality of climate change for decades. These findings were reinforced by investigative reports by *Inside Climate News* and the *Los Angeles Times*, which examined internal company documents and concluded that ExxonMobil had funded a campaign to manufacture doubt about climate change in contradiction of even its own scientific research, which was found to be in line with mainstream climate science.

Following these revelations, more than 60 climate science, environmental and justice groups called on the US Department of Justice to investigate one of the companies, while House Democrats announced plans to investigate the broader fossil fuels industry to determine whether other companies had acted in a similar way.

Sources: 'Two-faced Exxon : the misinformation campaign against its own scientists', *The Guardian*, 25 November 2015

'Did ExxonMobil just admit it's still funding climate change deniers?', *The Huffington Post*, 23 November 2015

## The scale of the lobbying industry

The lobbying sector is vast and involves many people in the private sector, whether full-time, part-time or as part of other roles. UK companies carry out extensive formal lobbying in London and abroad. Lobbying activities are centred largely on Brussels and Washington, D.C. and the other capital cities in major markets. In other countries such as those in developing countries, lobbying may rely more on high level exchanges. The scale of lobbying by all types of organisation (including the private sector, NGOs, charities and trade unions) is shown by the presence of some 11,800 lobbyists in Washington, D.C. and the total spend on federal lobbying in the US of US\$3.2 billion in 2014 alone.<sup>13</sup> In Brussels, according to Corporate Europe Observatory, the number of professional lobbyists has long passed 10,000, of which a large majority promotes the interests of big business. Spending on corporate lobbying in Brussels is estimated to be up to one billion euro per year.<sup>14</sup> There is also a substantial lobbying sector in the UK, but no recent figure is available on its size.

---

<sup>13</sup> Open Secrets, <https://www.opensecrets.org/lobby/>

<sup>14</sup> <http://www.eulobbytours.org/>

## Many forms of lobbying

There are myriad ways in which lobbying can be carried out. Lobbying activities can be grouped into the following channels:

### Channels for lobbying

Public campaigning	Advocacy, promotion and consultation, such as promoting the case for a new airport runway. Audiences can range from the general public to politicians.
Government consultations	Participation by a company in a formal consultation organised by government and regulators.
Formal meetings	Formal meetings between the company, politicians and public officials.
Informal meetings and contacts	Informal meetings and contacts by the company or its advisers with politicians and public officials.
Corporate expert communications	Advocacy communications such as newsletters, position papers, training, workshops and conferences.
Promotional activities	Stands at party conferences and sponsorship of events attended by politicians and public officials.
Intermediary influencers	Trade associations or sector groups and political interest groups, such as UK All-Party Parliamentary Groups.
Constituency building	Transparent support to grass roots movements aligned to the policy position of the company.
Personal lobbying	Informal high-level contacts by board members, senior management or company subject experts. This often makes use of the interchange between business and political elites but can also be a main lobbying route in countries with a dominant leadership and weak democracy.

**A company may organise trainings, briefing events and workshops** to inform parliamentarians and public officials. Such events risk being perceived negatively as providing the company with improper or favoured access. To mitigate the risk, companies should be open about such training or workshops. They can further protect themselves by inviting other attendees, as opposed to simply public officials, to the workshops or carrying them out as part of an exchange initiative, such as the UK's Parliamentary and Industry Trust. The presence of people from other areas than politics or public service can have the benefit of adding value to the training.

### Case Study 6: Oil company-run training for officials criticised by environmental campaigners

Some 30-40 mid-to senior-level public officials from ten government departments and agencies attended training courses provided by a global company over two days at its headquarters. Freedom of Information Request (FOI), brought to light that the course was designed to give public officials an understanding of the energy industry and was an opportunity for them to hear the views of the company and its sector, meet colleagues and counterparts from other government departments and exchange views on the industry and the company's activities. The company was the only one providing such training to public officials. Environmental campaigners were angered by the extent of privileged access afforded to the oil company across Whitehall and more generally by the degree of lobbying exercised by the energy industry.

**Comment:** Training and workshops can benefit public officials and keep them up-to-date on developments and issues. Where this instance became an issue was that the information about the training was not made public but had to be requested from government. Also, the company was the only one providing such training.

**Source:** 'Government officials accused of schmooze-athon' with Shell', *The Guardian*, 17 August 2012

## Who are the lobbyists?

While it may be easy to recognise or define a third party that provides lobbying services, it is less easy to define an in-house lobbyist. Lobbying can be carried out by a company directly through a dedicated department with full or part-time lobbyists, such as a public affairs department supported by subject specialists and experts. The company can also mobilise individual contacts with politicians and public officials by board members and employees. Consultant lobbyists may be used because of their skills, subject expertise and range of contacts to outsource some of the lobbying work or to bring resources to bear at a time of pressure. Large companies are likely to rely on in-house lobbyists and only use consultant lobbyists to provide strategic and specific expertise and additional resource when needed. A survey found that in-house lobbyists of companies or other organisations account for some 40 per cent of all registered lobbyists.<sup>15</sup> In interview, one of the world's largest companies said that 90 per cent of its lobbying work was handled in-house.

Executive contacts with senior politicians, formal and informal, are an important part of lobbying. They are often the most effective form of lobbying in developing countries where there are small political and business elites which are necessarily closely intertwined.

*The energy industry in a place like China is inextricably linked with government, with national ambitions; this is not like selling a chocolate bar. You need people not only with the technical skills, but also the political relationship skills. - Chief HR and corporate officer, Shell, October 2010<sup>16</sup>*

---

<sup>15</sup> Bertrand et al., 2011, 'Is It Whom You Know or What You Know? An Empirical Assessment of the Lobbying Process'

[http://faculty.chicagobooth.edu/marianne.bertrand/research/papers/Paper\\_BBT\\_12nov2013.pdf](http://faculty.chicagobooth.edu/marianne.bertrand/research/papers/Paper_BBT_12nov2013.pdf)

<sup>16</sup> <http://www.cipd.co.uk/pm/peoplemanagement/b/weblog/archive/2013/01/29/pm-interview-hugh-mitchell-chief-hr-and-corporate-officer-shell-2010-10.aspx>

## Regulating the lobbyists

In response to public concerns about the activities of lobbyists, governments are attempting to regulate them through voluntary or mandatory registers of lobbyists. Companies must ensure they comply with the lobbyist registers in the jurisdictions in which they lobby. Registration with registers defines the scope of engagement activities and can offer benefits to lobbyists such as the right to meet EU Commissioners or ministers or attend expert groups. The EU introduced a voluntary transparency register in 2011 but, as at 5 June 2015, there were only some 7,700 registrants from a wide range of organisations including corporate in-house lobbyists.<sup>17</sup> The UK has created a statutory Register of Consultant Lobbyists which came into effect in March 2015 but it has been widely criticised for excluding in-house lobbyists and applying only to consultants communicating with a Minister of the Crown or permanent secretary.<sup>18</sup> In the USA there are complicated registration and disclosure requirements under the Lobbying Disclosure Act and state lobbying laws.<sup>19</sup> Foreign entities engaged in lobbying may be subject to additional requirements under the Foreign Agents Registration Act.<sup>20</sup>

### Case Study 7: Lobbying benefits – where to draw the line?

**Fast food freebies:** Once every year a lobbying group for a fast food company gives out thousands of tacos and nachos to Congressional staffers.

Context: The group is lobbying against expanding Obamacare to cover more of their employees which would be a great cost to small-business owners.

Source: Downtrend.com, accessed 27 July 2015

**Free parking:** British Airports Authority, which then owned Heathrow and six other UK airports, gave 475 MPs, 78 MEPs and 284 members of the House of Lords passes each worth £1,300 a year for free parking at BAA airports. BAA stopped the practice in 2004.

Context: BAA was lobbying for expansion of airports at the time a White Paper was being prepared on the subject.

**Hospitality:** An investigation by the British Medical Journal found that 38 politicians from the Conservative and Labour Parties had accepted hospitality from a foreign tobacco company for a period of several years.

Context: There was concern by the tobacco industry about proposals for legislation to introduce plain cigarette packaging. Of the MPs who accepted free hospitality, 20 voted against plain packaging.

Source: *Daily Mail*, 21 May 2015

---

<sup>17</sup> <http://ec.europa.eu/transparencyregister/public/homePage.do?redir=false&locale=en>

<sup>18</sup> *The Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014* <http://www.legislation.gov.uk/ukpga/2014/4/contents/enacted>

<sup>19</sup> *Lobbying Disclosure Act (LDA)*, 2 U.S.C. § 1605, [http://lobbyingdisclosure.house.gov/amended\\_lda\\_guide.html](http://lobbyingdisclosure.house.gov/amended_lda_guide.html)

<sup>20</sup> *Foreign Agents Registration Act of 1938, as amended*, 22 U.S.C. § 611 et seq <http://www.fara.gov/fara-faq.html#3>

### Case Study 8: Make sure the boundaries for lobbying are clear

A company bidding for a critical and very large technological contract in a UK sector subject to regulation provided the relevant regulator with travel on the company jet to see their system operating in another country. The jet was taking company executives to the facility in any case so it seemed to the company to make sense to invite the regulator to travel with them for his convenience and to save public funds. The trip attracted public criticism that the company was receiving improper access and influence. The regulator was reprimanded by the government after a review to decide whether he should resign from office.

#### Examples of risks

- A company's lobbyists use undue methods, such as bribes, gifts, excessive hospitality and trading in influence, to influence decision makers on behalf of the company.
- A company's lack of transparency about its lobbying activities leads to public criticism.
- A company creates front organisations, community movements or social media activity ('astro-turfing').
- A company manipulates data, research and reports to support a policy position.
- A company hides lobbying activities and expenditures by working through legal advisers.
- A company drafts legislation for a politician which favours the company (this is a heightened risk if it can be linked to political donations made quid pro quo).

**The use of consultant lobbyists** increases lobbying risks because the company is reliant on a third party and has less control. A company with best practice policies and procedures in place internally for management of its political engagement will require its consultant lobbyists to match this standard.

Based on risk assessments, the company should design and implement policies and procedures for managing external lobbyists. The programme will also include the policies and procedures set out in the anti-bribery programme.

In order to manage its third party lobbyists, the company should know who they are. The company should arrive at its own definition of what constitutes a consultant lobbyist (this process should also include defining in-house lobbyists, who may need to be registered in statutory registers). The definition will include lobbying agencies and consultants, professional firms such as lawyers or accountants and, if allowed as in the UK, parliamentarians. Agents who sell or market on behalf of the company may also become engaged in lobbying when building relationships with public officials and politicians.

In requiring a consultant lobbyist to comply with its political engagement policies and procedures, the company should recognise that the lobbyist will most likely will be acting for multiple clients whether on a particular issue or in meetings and relationships with politicians and public officials. The company will have to ensure that when acting for other clients the lobbyist does not cause the company to be drawn into association with practices that conflict with the company's policies. In carrying out pre-appointment due diligence on lobbyists the company should check the standards of their other clients and that there are no conflicts or risks.

**Principle 4: Manage relationships with trade associations to ensure their lobbying activities are aligned with your guiding principles for responsible political engagement**

The company assigns responsibility to managers for relationship management and monitoring of trade associations that lobby. It requires trade associations to be transparent about their lobbying activities and expenditure, and implements a procedure for managing issues arising when a trade association's lobbying conflicts with the company's lobbying position.

### 3.3 Trade associations and business chambers

Trade associations and business chambers of commerce are a powerful and common route for corporate lobbying but can present various risks. For example, a trade association's lobbying positions may not be consistent with those of the company, while the opacity of their lobbying activities and spending may not live up to the company's commitment to transparency. Companies should manage these risks by ensuring responsibility is assigned for managing relationships with trade associations, requiring and monitoring that trade associations align to the company's guiding principles for responsible political engagement and implementing a procedure for managing cases where the lobbying of a trade association does not match the policy position of the company.

A 2015 report by the Policy Studies Institute (PSI) revealed that businesses use trade associations to lobby on climate policy more than any other approach, even more than direct contact with policymakers. Data from the Carbon Disclosure Project found that 61 per cent of all companies responding to its surveys and 77 per cent of the largest 500 companies in the world used trade associations to lobby on climate policy.<sup>21</sup>

The sums spent by trade associations can be considerable. According to US Federal Election Commission records of lobbyists required reporting of expenditures, the US Chamber of Commerce spent more than \$35 million in 2014 on general political spending for the 2014 Federal Elections.<sup>22</sup> This expenditure did not include political advertising, which also can be considerable.

---

<sup>21</sup> Ben Fagan-Watson et alia, Lobbying by Trade Associations on EU Climate Policy (Policy Studies Unit, March 2015).

<sup>22</sup> Center for Responsive Politics as at 13 May 2015  
<https://www.opensecrets.org/outsidespending/detail.php?cmte=US+Chamber+of+Commerce>

## Risks and benefits

Trade bodies bring several advantages to companies, including a wide reach of monitoring, access to politicians, expertise, authority, research, resources and collective power. Lobbying through a trade association, when properly aligned with the company's lobbying objectives, may have greater legitimacy as it is not only in a single company's interest. It may also be more effective, as government is more likely to listen to a group of companies than a single voice. Depending on their approach trade associations can also provide an independent and impartial viewpoint. They can be attractive as a shield to protect from the glare of attention that can arise when a company lobbies on its own.

However, lobbying by membership bodies may be opaque, risk undue influence and can conflict with the lobbying positions of the member company. The aforementioned PSI report found that many major multinational companies with strong sustainability policies are at the same time members of trade associations that are lobbying against EU climate policy.<sup>23</sup>

### Lobbying through a trade association can be a blunt instrument

- An association's lobbying positions may represent the lowest common denominator among members.
- If a trade association is taking a robust public policy position on an issue it will inevitably not reflect the positions of all its members.
- A trade association may take a position that only represents the view of those members most fiercely opposed to an issue.
- An association's lobbying position may contradict that of a member company.
- A company's voice and policy position may lose out to pressures from larger companies.
- An association's advocacy may not reflect nuances in a member's policy position.
- An association of which the company is a member has an array of positions on a key issue and the company's public position on the issue becomes confused.
- The company may be a member of several trade associations with contradictory policy positions on an issue.
- The association may be opaque about its activities and conflict with a company's commitment to transparency.
- It may be difficult to track and monitor the lobbying positions of trade associations.
- A trade association may not have controls to ensure responsible lobbying or counter corruption to the same standards as the member company.
- The association's advocacy on a topic may associate the company with an issue unrelated to the company but which nevertheless brings reputational damage.

An example of a membership organisation not reflecting the positions of all its members is BusinessEurope, which lobbied in 2012 for a reduction in EU environmental targets. This clashed with the green positions of several member companies.<sup>24</sup> A company in this position has to resolve how it can distance itself from the association's position on the issue and not weaken its own lobbying efforts. The ultimate step is to discontinue membership. For example, Apple resigned from membership of the US Chamber of Commerce in 2009 as a result of the chamber's climate change position.

---

<sup>23</sup> *Lobbying by Trade Associations on EU Climate Policy* (Policy Studies Institute, March 2015).  
[http://www.psi.org.uk/press\\_preview/lobbying\\_report](http://www.psi.org.uk/press_preview/lobbying_report)

<sup>24</sup> Business and Human Rights Resource Centre, 26 August 013.  
<http://business-humanrights.org/en/unilever-quits-businesseurope-following-tensions-over-lobby-groups-stance-on-environment-climate-change>

## Climate change: balancing investors' interests with lobbying by trade associations

“As long-term investors, we recognise the threat of climate change to our investments and the need to limit warming to no more than two degrees Celsius to avoid potentially catastrophic impacts on the global economy. We further recognise that public policy has a critical role to play in enabling us to respond effectively to climate change and have made our support for appropriate policy measures to mitigate climate risks clear via the Global Investor Statement on Climate Change Companies, as influential political stakeholders, also have a critical role to play.

Our expectation is that, when companies engage with public policy makers, they will support cost-effective policy measures to mitigate climate change risks and support an orderly transition to a low carbon economy. While an increasing number of companies have robust climate change policies and position statements and play a constructive role in policy discussions, we are concerned that many are also members or supporters of trade associations, think tanks and other third party organisations who lobby against policies to mitigate climate risks in a way that is inconsistent with our goal of maximising long-term portfolio value.”

– Principles for Responsible Investment

Source: *Investor expectations on corporate climate lobbying* (Principles for Responsible Investment, 2015)

[http://www.unpri.org/wp-content/uploads/Investor-Expectations-on-Corporate-Climate-Lobbying\\_en-GB.pdf](http://www.unpri.org/wp-content/uploads/Investor-Expectations-on-Corporate-Climate-Lobbying_en-GB.pdf)

Trade associations may not be as transparent as their members and may fail to report publicly fees or funds they receive from members to spend on political activity. This may be attractive for companies that wish to be opaque about their lobbying spends, but for companies committed to transparency it represents a contradiction and reputational risk.<sup>25</sup> Some companies in the USA have a policy to seek information from trade associations about the portion of their dues and payments used for lobbying. Eight leading US companies have a policy to inform trade associations that their membership dues should not be applied to lobbying or other political activities. There is a significant move to transparency, according to the 2014 CPA-Zicklin Index, which reported that almost half of companies in the top levels of the S&P 500 had opened up about payments made to trade associations.<sup>26</sup>

---

<sup>25</sup> However, in the USA, associations have an incentive to inform companies of the portion of their dues and other contributions used for political and lobbying activities as these are not deductible, otherwise the associations are liable to tax payments.

<sup>26</sup> 2014 CPA-Zicklin

## 3.4 Exchanges of people between business and the public sector

Movements and exchanges of people between business and the political and public sectors are a legitimate way for the public and private sectors to build and access skills and knowledge. Such movements can also facilitate understanding and cooperation. These movements can also be used to further the lobbying aims of companies but, if not managed to acceptable criteria and transparency, run risks of public distrust, scandal or even improper engagement. The main forms of such movements are described below. They are not limited to moves between the public sector and the company directly but also include moves of a politician or public official to a consultant lobbyist position or to a professional firm advising a company.

### Forms of exchange

- Revolving door
- Board appointments
- Appointments to government or public office
- Secondments
- Short-term assignments to gain experience of another sector
- Consultancy services by politicians

### The revolving door

The term 'revolving door' refers to the movement of high-level employees between the public and private sectors. These movements can be in either direction and they bring risks of improper access or influence, whether intentional or inadvertent. Movements tend to be from the public sector to the private sector. But in the USA, it is common for private sector leaders to enter the executive and later return to the private sector. In the UK, all public agencies and government departments must have a board similar to the board of a company and these include non-executive directors mostly drawn from the private sector. Movements in either direction should be managed by companies within the wider framework of policies and procedures for political engagement.

### Movements are two-way

- **Public office to the private sector:** Politicians, legislators, regulators, public officials or political advisers become directors, employees, lobbyists or consultants for the industries they once acted as policy makers or regulators, or otherwise contracted with. 60 per cent of US lawmakers join a company board within a year of leaving their position as a senator or governor, according to research by Professor Maxwell Palmer from Boston University and Benjamin Scheer from Harvard University.<sup>27</sup>
- **Private sector to public office:** Private sector leaders or specialists are appointed to government, a regulatory body or political party (e.g. as a special adviser). Appointments to full-time senior civil service positions from the private sector can also be significant.
- **Career movements:** A natural process of career movement whereby people take up positions at various times in government and the public and private sectors.

---

<sup>27</sup> *Germany to regulate switch from politics to business* (DW, 4 February 2015).  
<http://www.dw.de/germany-to-regulate-switch-from-politics-to-business/a-18233998>

## Risks of the revolving door

Ministers and public officials while in office:	Favour the company, with a view to future employment
Former politicians and public officials who have accepted employment in a company:	Influence their former colleagues to make decisions that favour the public policy positions of their new employer  Use confidential information to benefit their new employers  Trade in influence by providing introductions to and favours from their former contacts
Directors or employees who move to public office from a company:	Favour their previous employer  Allow the lobbying agenda of their previous private sector employer to influence their government work  Bring insider information with them if they return to their former company

In light of these risks, governments have sought to regulate the revolving door in several ways:

- **Employment cooling-off period:** A cooling-off period is a time-limited restriction on the ability of former public officials to accept employment in the private sector.
- **Restrictions on negotiating private sector employment:** The USA requires senior officers and employees in the federal government to report any ongoing negotiations for subsequent private sector employment to their ethics offices and to recuse themselves from any governmental matter for which such negotiations may create a conflict of interest.<sup>28</sup>
- **Post-employment scrutiny:** Monitoring of post-employment behaviour and sanctions to check they comply with the law and sanctioning of non-compliance.
- **Restrictions on high-risk roles:** Restrictions on specific jobs or activities where risks of improper influence are high. Restrictions are usually on lobbying but can also apply to procurement and, in the USA, roles such as bank examiners.
  - **Lobbying:** In the UK, ministers are banned from engaging in lobbying activities for two years after leaving office.<sup>29</sup> The USA has a range of restrictions on federal employees including a lifetime ban on a former federal official representing a private party on the same 'particular matter', involving identified parties, on which they had worked personally and substantially for the government.<sup>30</sup>

<sup>28</sup> Public Law, 126 Stat. 291 April 4, 2012

<sup>29</sup> Crown servants: new jobs and business appointments

<https://www.gov.uk/guidance/crown-servants-new-jobs-and-business-appointments>

<sup>30</sup> Maskell, Jack, *Post-Employment, "Revolving Door," Laws for Federal Personnel*, (Congressional Research Service, 7 January 2014)

<https://www.fas.org/sgp/crs/misc/R42728.pdf>

- **Procurement:** Procurement personnel in US federal agencies are not only limited in their post-employment representational or lobbying activities after leaving government service, but they are also prohibited from receiving compensation from certain private contractors for a period of time after being responsible for procurement on certain large contracts as government officials. Procurement personnel also have additional rules on reporting 'contacts' from prospective employers who are government contractors. Australia has guidelines specifically for employees managing outsourcing and undertaking market testing.
- **Disclosure:** Requiring public disclosure where former public officials are engaged in lobbying. For example, the Canadian Lobbying Act includes a mandatory lobby register requiring entities to list the names of their lobbyists as well as any former public offices held by them, as identified on their registration.

A rigid limit for a cooling-off period must necessarily be a blunt instrument as the potential for risk of abuse varies according to factors such as the life span of a public policy issue, intellectual property and contacts held by the individual. The risk attached to a move also varies according to factors such as the seniority and role the individual held before the move, the nature of their new responsibilities, the rate at which the value of knowledge and contracts will diminish over time, and the extent to which the public or political process is vulnerable to the improper use of influence.

Companies should ensure they have policies and procedures for appointing or using former politicians and public officials. The procedures can cover negotiations before an official leaves office and controls for potential conflicts of interest once they take up their appointment with the company, or with a third party acting on the company's behalf such as a lobbying firm. These controls include setting the scope of work for the former public official so that it prevents any conflict of interest for the new employee or board member.

The company should also consider how it manages potential conflicts of interest related to employees or board members moving to public or elected office. The company should ensure that it is not at risk of using - or being perceived as using - its former employee or board member to gain improper access or influence.

### Case Study 9: US Securities and Exchange Commission revolving doors

Between 2006 and 2010, at least 219 former Securities and Exchange Commission (SEC) staff appeared before their former agency on behalf of private-sector clients in 800 different matters.

In 2009, SEC Chairman Mary Schapiro said that the SEC must seek to avoid the conflicts created by SEC employees 'walking out the door and going to a firm and leaving everybody to wonder whether they showed some favour to that firm during their time at the SEC.'

These efforts were not entirely successful. In December 2012, Mary Schapiro left her position as Chair of the SEC to take up a position just three months later, at Promontory Financial Group, a financial consulting and lobbying firm with a record of hiring former financial regulators.

## Secondments

Secondments are another area which the company should consider in its policies for political engagement. Secondments are temporary placements of managers or employees in another organisation and can be two-way between the public and private sectors. Their benefits include the training and development of people, providing essential technical and specialist skills for a particular project or providing resources to expedite completion of a project or programme of activity. Short-term assignments are used to give parliamentarians or business people an understanding of how the other sector works. In the UK, exchanges are facilitated by The Whitehall and Industry Group (civil servants) and The Industry and Parliament Trust (parliamentarians). The risks are that secondments can be seen as allowing improper influence or placing secondees in a position where there is a potential conflict of interest, such as designing specifications for contract tenders.

### Case Study 10: Professional firms providing pro bono secondments

In July 2012, *The Guardian* reported that, based on Electoral Commission records, the 'big four' accounting firms had given donations of 'staff costs' worth £1.36m and consultancy work totalling almost £500,000 to the then three leading political parties since May 2009. The firms had also 'lent' staff to the government: in the previous year 15 staff from top accountancy firms had been seconded to the Treasury alone. Employees from the firms had been sent to work with MPs, political party offices and government departments. The article said that there was wide concern that these secondments provided leading accountancy firms with access and influence under the radar. A senior corporate finance accountant from a leading accountancy firm outside the big four said: 'It's not so much that they'll get awarded contracts because the government has a transparent tendering process. But by having secondees working with politicians they will have an insider advantage, knowing when contracts are coming up and even getting themselves on a tender list. Undoubtedly having insider information is beneficial. That is why the big four second staff.' Asked to comment, one of the accounting firms stated it had a policy of seconding senior members of staff to all three major political parties, to underpin the fact that it has a strong interest in good and practical public policy'.

**Source:** 'Big four accountancy firms donate £1.9m in services to political parties since 2009', *The Guardian*, 10 July 2012

## Board membership and consultant roles

In some countries elected politicians are permitted to sit on boards or receive fees for consultancy work as long as it is declared and does not involve lobbying. In 2014, it was reported that more than a third of the Canadian Senate held positions on either public and private boards of directors.<sup>31</sup> In the House of Commons, the Register of Members' Interests allows MPs to declare any interests that they hold outside Parliament. Interests include outside jobs or consultancy work, gifts or membership of organisations that might affect their position in Parliament. In the House of Lords, the Register of Lords' Interests is where Members of the House of Lords declare their outside interests, including consultancy work involving payment and financial interests in businesses that are involved in lobbying Parliament. Board appointments or consultancies for elected officials clearly present significant risks of conflict of interest which require careful management.

### Case Study 11: MP breaches code of conduct with offer of paid lobbying services

In November 2015, the former Conservative MP Tim Yeo lost a libel case against the *Sunday Times* over a report that he breached parliamentary codes of conduct by telling undercover reporters that he could promote business interests for a daily fee of £7,000. The two reporters, who were posing as representatives of a solar energy business in Asia, reported that Mr Yeo – then chairman of the Energy and Climate Change Select Committee – had offered to advocate for new laws to benefit their business.

Sources: 'Former MP Tim Yeo loses Sunday Times clash amid libel claim', *BBC News*, 25 November 2015

'Tim Yeo loses 'cash-for-advocacy' libel case against Sunday Times', *The Guardian*, 25 November 2015

---

<sup>31</sup> 'Private interests' in the Senate: How business conflicts are everywhere in Canada's top legislative body', *National Post*, 18 April 2014.  
<http://news.nationalpost.com/news/canada/canadian-politics/private-interests-in-the-senate-how-business-conflicts-are-everywhere-in-canadas-top-legislative-body>

## 3.5 Political activities and the workplace

The need for a policy covering workplace activities can be overlooked by companies. A 2008 survey of US companies by the Society for Human Resource Management revealed that only about 25 per cent had a written policy on political activities. To comply with a policy of responsible political engagement, a company needs to map and manage some types of political activities in the workplace and assess associated risks. The company should ensure its policy for workplace political engagement supports and does not detract from any commitment to support the democratic process and the rights of the individual. The overall management of political activities and the workplace usually falls under the personnel function and is governed by laws such as such as employment laws, human rights and equality laws and the right for time off to vote.

### Examples of how the political process can enter the workplace

A director or employee:	<ul style="list-style-type: none"> <li>• Is campaigning for political office</li> <li>• Is serving in political office such as a local councillor</li> </ul>
Employees in the workplace:	<ul style="list-style-type: none"> <li>• Promote a political view or party</li> <li>• Engage in political fundraising from colleagues</li> <li>• Distribute party political promotional literature in the office</li> <li>• Use office resources and facilities for party political purposes</li> </ul>

While it is not suggested that the following areas should automatically provide grounds for concern, and individuals' rights and freedom of expression should always be respected, a company should also be prepared to encounter the following situations:

- A director or employee: is an officer or widely known as an active member of a political party; publicly supports a controversial public policy issue; has a prominent current or past political reputation; has a familial or other close connection with a politician; donates significant funds to political causes in conflict with the company's policy position.

## Risks or uncertainties associated with politics in the workplace

- **Legal uncertainty** as to whether release without pay for campaigning constitutes political expenditure
- **Variations in laws** on time off for voting: it is now a right in nearly two-thirds of states in the USA for employees to have time off to vote (and, in some states, paid leave). This is not the case in the UK. In countries where there is no legal right, it is up to the company to decide if it will provide time off but it must take care that it does not discriminate by allowing time off to some employees but not others.
- **Political affiliations of board members and senior management:**
  - A board member or senior manager is married to a cabinet minister or influential politician.
  - A board member is a former politician in a ministry of interest to the company – this is seen externally as providing privileged access to government.
  - A director, manager or influential employee harasses or bullies employees to donate to or publicly support a political party.
- **Political affiliations of employees:**
  - An employee uses, unbeknown to the company, company facilities and resources for political activities.
  - An employee is known to hold extreme political views with which the company does not wish to be associated. This presents a difficult situation as the company will need to consider both a fair course of action and applicable laws carefully before taking dismissal or disciplinary action on the basis of an employee's political affiliation.
  - An employee posts a political statement on personal social media that could be identified with the employer. This could conflict with the company's political or public policy position, lead to reputational damage for the company, alienate customers or even risk threats to the company and its employees.

# 4. The control environment

## Accountability in the boardroom

### Principle 5: Make sure accountability for political engagement sits in your boardroom

The board is accountable for the company's political engagement, provides direction and oversight and assigns overall responsibility for implementing political engagement activities to the chief executive or a senior manager.

The board has a central role in the governance of political activities, providing accountability and oversight.<sup>32</sup> The 2014 CPA-Zicklin identified an increased level of corporate board oversight of corporate political spending with 55 percent of the S&P 500 companies reporting that their boards of directors regularly oversee corporate political spending.<sup>33</sup> Even so, given the risks attached to political engagement, it is surprising that board oversight is not practised more generally than shown in the survey. In TI-UK's *Corporate Political Engagement Index 2015*, which assesses the reporting of the 40 largest companies in the FTSE 100 Index on their political engagement, the figure was even lower, with only ten companies (25 per cent) reporting that the board or a designated board committee oversee their political activities and receive regular reports from management.

When deciding how to exercise oversight and accountability for political engagement, the board should understand fully its legal duties and requirements. For political engagement, this means that the board should approve the policies for the various forms of political activity, ensure that the policies align to the company's values, provide oversight of political expenditures and assess whether expenditures are appropriate and value obtained. The policy on conflicts of interest will also be important as board members may have outside interests touching on the political process or may make their own political donations. The board should also be informed about the relevant aspects of the anti-bribery programme as its controls will contribute to preventing improper political activities.

The board provides governance and assigns authority and responsibilities to management for carrying out its directives. The distinction between oversight and management should be precise. The board will approve the scope, aims and strategy for political engagement and review the results of implementation but it will not be responsible for approving individual expenditures. It may be asked for approval or guidance when issues occur or risks cannot be addressed but ultimately expenditures are management's responsibility. In small companies this distinction between governance and management may need to be modified, with executive directors taking a more hands-on role in the company's political engagement activities.

---

<sup>32</sup> In the case of two-tier boards, accountability will rest with the supervisory board.

<sup>33</sup> 2015 CPA Index p.21

## Considerations for a board on the company's participation in the political process

- Corporate laws and regulations governing fiduciary duties of the board, including a duty to exercise reasonable care, skill and diligence
- Expectations and material interests of shareholders and other stakeholders
- Commitments of the company to values, including ethical behaviour, integrity, corporate responsibility, fair trading and transparency and responsible political activities
- Deciding on the scope, guiding principles and objectives for political activities
- Understanding the risks attached to political activities
- Deciding the oversight and accountability duties of the board
- Assigning responsibility for implementation to senior management
- Requiring effective controls to be implemented to ensure political activities conform to corporate values, commitments and policies and are adequate to counter assessed risks
- Ensuring that controls are aligned to those for countering bribery and corruption

A particular concern for the board will be its accountability to shareholders. Investor activism is rising with investors increasingly uneasy about risks from corporate political engagement that could lead to reputational damage or litigation. Boards need to understand the interests and concerns of investors and related advocacy bodies and review whether the policies and procedures for political activities should be modified to meet these concerns and expectations.

## Commitment and guiding principles for responsible political engagement

### Principle 6: State publicly your commitment to responsible political engagement

This commitment is supported by guiding principles for responsible participation in the political process.

The starting point for the board's review of political engagement is to ensure it has approved a public commitment to responsible political activities and agreed guiding principles on how the company will participate in the political process. The guiding principles will be the framework for responsible political engagement and are suggested in this guidance as integrity, legitimacy, accountability and oversight, consistency and transparency.

- **Integrity:** The company is committed to ethical behaviour, integrity and responsibility in political engagement; its policies and procedures for political activities are designed to meet these values as well as the laws, norms and expectations of stakeholders for integrity and ethical behaviour.
- **Legitimacy:** The company's political engagement activities meet business objectives, serve the interests of the company, and not those of the directors or management, and comply with laws. Stakeholders view the company as having a valid voice, expertise and a contribution to make to the political process, and that the company's political engagement addresses their material interests and the company's impact on society.
- **Accountability and oversight:** The board is accountable to shareholders and other stakeholders for the company's political engagement. The board sets the guiding principles and scope for political engagement, agrees the objectives and strategy, provides direction and guidance to management, and receives reports on the implementation of the policies and procedures for political engagement.

- **Consistency:** The company carries out its political engagement activities consistent with its values, guiding principles and policies. It also ensures that its political engagement activities are carried out consistently across its organisation and third parties acting on its behalf.
- **Transparency:** The company is open about the guiding principles, objectives, policies and procedures of its political engagement and reports regularly to stakeholders on activities, performance and expenditures. Information is provided comprehensively and is easily accessible.

#### Example: A corporate statement on responsible engagement

'We it is our responsibility to work with policy makers and other stakeholders to explain our views ethically and transparently.

We are believe committed to participating constructively and responsibly in the political process, and to providing clarifying analysis and information on the issues that affect our business and patient care.

A major element of our corporate responsibility approach is our public policy advocacy work and our outreach to stakeholders. In this section, we describe how we inform and advocate for public policies that foster research into innovative medicines and that improve access to medicines, vaccines and healthcare.

We also describe our approach to engaging with stakeholders. We believe this engagement is fundamental to our understanding of—and response to—society's expectations of our company. From drug discovery and development to distribution, our engagement with stakeholders guides our business strategy and decisions, and strengthens stakeholders' understanding of - and trust in - our business.'

**Source:** <http://www.merckresponsibility.com/our-approach/public-policy-advocacy/>  
[accessed 28 July 2015]

## Approving the objectives for political activities

Management will propose objectives for political engagement to the board for approval. The objectives will shape the form and scale of political activities and the board should satisfy itself that the objectives conform to the commitment to responsible political activities and the guiding principles.

## Addressing the risks

Boards have a responsibility to address risks and this requires defining the risk approach, understanding the risks attached to the company's political activities, and designing and implementing effective policies and procedures to counter risks. The board should consider its policies for political activities in the context of its risk approach and the results of risk assessments. Interactions with the political process can carry significant legal, business and reputational risks and there may be risks of individual liability for directors, as well as for the company.

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems. – *Financial Reporting Council, The UK Corporate Governance Code, p7, June 2010*

## Assigning oversight and responsibility for implementation

Boards can choose to take different approaches to exercising their accountability and duty of care in respect of political engagement. Some may assign responsibilities to a board committee while others may concentrate on the core elements and assign aspects of oversight to senior management. The role of non-executive directors is critical and can be exercised directly in the board or through a board sub-committee. The board should ensure due attention to oversight of political engagement, including reviewing reports from the relevant board committee and senior management and suggestions for actions and questioning of approaches.

The board will also need to ensure that the policies for responsible political engagement are implemented effectively. This can be done by assigning overall responsibility for implementation to a senior manager. Some companies might wish to allocate responsibilities for different forms of activity to different managers. In this case, care should be taken to coordinate implementation and to provide reports to the board so that an overall view can be taken.

## Compliance with laws

The board should ensure there is a policy to comply with laws, supported by a procedure to identify and monitor relevant laws. There will be considerable variation in legal approaches, depending for example on jurisdiction: some countries prohibit corporate political donations while others permit them, and some countries maintain lobbyist registers, which may be mandatory, voluntary or limited in scope. Anti-bribery legislation such as the UK Bribery Act or the US Foreign Corrupt Practices Act (FCPA) contain provisions relating to foreign public officials, which should be taken into account.

## Tone from the top

Board members and senior management should provide tone from the top to relevant employees, investors, business associates and the public to demonstrate that the company is serious about its commitment to responsible political engagement. Tone from the top can include public statements by the chair, directors and senior management, media interviews, personal behaviour in line with corporate commitments and a demonstrated interest in the application of the policies and procedures for political activities.

## Consistent approach

A company's objectives for participation in the political process can be achieved through various activities and channels. A principle of this guidance is that political activities are managed consistently. This means that the guiding principles for responsible political engagement and the policies and procedures for political activities are carried out consistently across the company's operations, including subsidiaries and third parties such as lobbyists and agents. It also means that the company's public statements and activities, direct and indirect, should be consistent with its guiding principles and policy positions.

The company needs to consider the organisational aspects of how it manages consistency and coordination of its political activities. In larger companies, overall responsibility for managing public policy lies with public affairs or a similar function. For companies operating globally there are equivalent functions at regional and country levels with a communication line to the head office function.

### Principle 7: Be consistent in your political engagement

The objectives and implementation of policies and procedures for political engagement are coordinated and managed to ensure consistency and responsibility across the company's operations, including subsidiaries. The company's activities are consistent with its public statement of guiding principles and policies for political engagement.

# 5. Managing responsible political engagement

## Assessing the risks

Risk assessment provides the basis for the design of controls to prevent violations of company policies, including bribery or improper behaviour arising from a conflict of interest. This section outlines a risk assessment process based on the comprehensive best practice set out in the publication *Diagnosing Bribery Risk* published by TI-UK.<sup>34</sup> Although the publication deals with anti-bribery risk assessment, the underlying methodology is generic and applicable to risk assessment for political engagement. Risk can never be reduced to zero and the scale and depth of controls will be set according to the company's circumstances and risk approach. The Ministry of Justice Guidance to the UK Bribery Act attempts to deal with this problem by stipulating that a company's risk assessment should be reasonable and proportionate to the risk.

In assessing risks related to political activities, there may be internal risk factors which provide a context that could lead to breaches of policy. A 'risk factor' is a circumstance (internal or external to the organisation) which tends to increase the likelihood of an adverse event occurring.

### Principle 8: Design and implement policies and procedures for political engagement based on your company's values and risk assessment

The company's values, guiding principles and the results of risk assessments underpin the design of the policies and procedures for political engagement. The company identifies and assesses the risks attached to its political activities and designs controls to counter them.

---

<sup>34</sup> *Diagnosing Bribery Risk* (Transparency International UK, 2013).

<http://www.transparency.org.uk/publications/15-publications/678-diagnosing-bribery-risk>

## Examples of internal risk factors for political engagement

- **Corruption:** The company's people are driven or tempted by factors such as business opportunity or survival, financial pressures, personal gain, extortion or harassment.
- **Negligence:** The casual implementation of policies and procedures is a major cause of breaches. The main measures to counter these risks are communication, training, appraisal, checks and balances, monitoring and evaluation.
- **Uncertainty or ignorance:** Employees are unsure of their responsibilities, the company policies, what constitutes improper behaviour or how to deal with issues. In such circumstances, there may be inadvertent political activity in breach of company policy.
- **Conflict of interest:** This is a risk that runs through all the forms of political engagement. A clear example is board members and employees with links or affiliations to political parties at variance with the company's public policy interests.
- **Overconfidence:** Management believe their controls for political activities are better than they actually are.
- **Coercion:** An individual or associate is pressured, blackmailed or threatened to behave improperly.
- **Inherited practices:** These are brought into the company through mergers or acquisitions or take the form of operations which continue to be carried out in traditional ways ('we have always done it this way').
- **Dilution of the corporate integrity culture:** Caused by rapid growth or new projects with extensive recruitment of contractors.

There are also external risk factors which create an environment where risks are more likely.

#### External risk factors for political engagement

Countries prone to corruption and conflicts of interest	<p>Weak governance and legislative systems with high levels of political corruption.</p> <p>Public contracts, concessions, contracts and licences are commonly awarded through political influence and corruption.</p> <p>Countries with histories of political corruption.</p> <p>Political donations and/or lobbying are large-scale, pervasive and influential in the political process.</p>
Interchangeable political and business elites	<p>Political and business elites exist not only in small or developing countries, but are also found in large developed countries. Exchanges between the two can lead to the blurring of roles and affiliations as well as cronyism and trading in influence.</p>
Legal and regulatory environments	<p>Laws and regulations for political activities are ill-defined in their scope or may be applied arbitrarily or with adverse intent by a government and carry significant sanctions if breached.</p> <p>A dynamic legal and regulatory environment with changes to anti-bribery and lobbying laws and reporting requirements. A changed or tighter legal context raises risks of breaching or failing to meet laws.</p>
Uncertain definitions of political activities	<p>Despite legal definitions, there are uncertainties about what constitutes political activities. The dividing line between direct and indirect political contributions may be indistinct. Companies, employees and associated third parties may inadvertently or negligently undertake activities which are subsequently judged to be improper or to have failed to meet reporting requirements.</p>
Poor sector standards	<p>Other companies operating in a sector do not observe adequate standards for political activities, creating a climate for improper demands and actions by politicians and/or dragging down the reputation of the sector.</p>
Improper behaviour by consultant lobbyists and intermediaries	<p>Consultant lobbyists and other intermediaries such as agents do not live up to the company's standards and carry out political activities improperly. This can happen because of ingrained practices, the fact that the delivery of their services is built on use of bribery and improper influence or the fact that they have inadequate or poorly implemented policies and procedures.</p>
Public concern and criticism of corporate political engagement	<p>Corporate political activities are viewed with suspicion, resulting in reputational damage even when suspicion is misplaced.</p>

Having identified the key internal and external risk factors for political activities, the company can then identify its particular risks. The components of the process for identifying risks are:

- **Comprehensive:** The assessment covers all the company's operations and draws upon a wide range of good sources of information. The resource demands of assessments can be spread by using a rolling programme.
- **Information is obtained:** This can be carried out by consulting employees, lobbyists, business associates and institutional shareholders as well as peer companies, professional firms, politicians, media, opinion formers and experts.
- **Assessment:** Once risks are identified, they are assessed and prioritised for their likelihood and potential impact.
- **Design of controls:** Policies and procedures are designed and implemented to counter the prioritised risks by changing the way political activities are carried out or withdrawing from or working around certain activities.

**The design and investment in controls** will be shaped by the company's risk approach and resources as determined by the board. Sometimes controls cannot be designed or resources found to counter an assessed risk. This residual risk should be brought to the attention of the board with suggestions for resolution. Risk assessment is a continuing process as external factors and the company's business will change. The risk assessments should be documented as this information will be needed to guide further assessments and will be an important reference if an incident occurs.

## Designing the organisational structure

Implementation of political activities is expressed through an organisational structure in which responsibilities, objectives and measures of performance are precisely defined. An integrated approach requires that a manager be appointed to take an overall view or coordinate the company's political activities. The management structure for political activities is influenced by the organisational approach of the company, whether it is a diversified or centralised organisation, a portfolio company controlling subsidiaries or one reliant on third parties and outsourcing.

Responsibilities also lie elsewhere in the organisation. Senior management may have their own routes to politicians and government departments; human resources have an interest in politics in the workplace; country, business unit or location managers may have responsibilities for representing the company to governments, ministries or local politicians. Memberships of trade associations may be handled by a variety of people. The manager with overall responsibility for political engagement needs to map how the company is engaged in political engagement activities, who is responsible, what forms of political activity are being used and bring organisation and coordination to all of this.

## Cross-functional working

Cross-functional working brings together functions such as corporate responsibility, sustainability management, public affairs, corporate programmes, communications, legal and internal audit as well as functions interested in a particular public policy topic, such as a regulatory issue. Cross-business unit working, communications and training are important for companies operating globally as these provide consistency of approach and build the commitment of country teams to responsible political engagement.

The structure should also ensure alignment of political activities with other areas related to corporate responsibility commitments. If not aligned, the company risks having countervailing positions on issues such as climate change, human rights, communities and transparency.

## External factors

External factors in the jurisdictions and communities in which the company operates will shape the organisational structure for managing political engagement. A large presence in the EU or US will expose the company to wide-ranging and highly developed political engagement practices. A presence in developing countries will introduce new dimensions such as local cultures, interlinked political and business elites and risks of weak political governance. Political engagement practices will vary across countries as will the most effective forms of engagement for the company. For example, in a small developing country, it might rely heavily on local senior management to conduct political engagement supported by visits from senior management.

## Implementing policies and procedures

Policies and procedures will be designed and implemented to meet the company's commitments to overall corporate values, the guiding principles for responsible political engagement and to achieve its business objectives. They will also include controls to counter the prioritised risks identified through risk assessments. This section outlines the main areas to be covered by the company's policies and procedures.

## Stakeholder engagement

Stakeholder engagement can play an important role in providing information for designing and implementing policies and procedures for political activities. The company should decide which stakeholders are important to consult. These can include institutional shareholders, customers, employee interest groups, NGOs, community representatives, thought leaders, think tanks, politicians and public officials. Consultation on management of political engagement can form part of a wider approach to stakeholder consultation or it can be a specific consultation on political activities. The consultation process should be carried out using a procedure which provides regular reviews, captures and analyses information in a systematic way and protects the privacy of participants. The results of consultations can be used to design the policies and procedures, to provide input into the risk assessment process, identify concerns and issues, evaluate reputation and test advocacy and policy positions.

## Countering bribery

Bribery is a risk in political activities and the anti-bribery programme should be designed to counter any assessed risks related to political activities. The risk assessment process for political engagement will identify the main forms of corruption risk and these can be countered by designing specific controls. Good practice for countering bribery is described fully in the TI-UK publication *Adequate Procedures - Guidance to the UK Bribery Act 2010*.<sup>35</sup>

---

<sup>35</sup> *Adequate Procedures - Guidance to the UK Bribery Act 2010* (Transparency International UK, 2010). <http://www.transparency.org.uk/our-work/publications/10-publications/95-adequate-procedures-guidance-to-the-uk-bribery-act-2010>

## Communications and training

Through communications and training, the company should ensure that its employees and relevant third parties, such as its consultant lobbyists, comply with the company's policies and procedures for political engagement activities. Training is an area given insufficient attention by companies, as indicated by a Vigeo study published in 2013. It found that training for those engaged in political lobbying was seldom carried out in European and US companies.<sup>36</sup> Communications and training enables employees and others to be skilled and efficient in their performance, to understand the political process and changing environment, and be encouraged in their continuous development. Political activities can be hard to define, recognise and manage. If employees do not have the relevant skills and knowledge, they risk making errors or acting improperly.

## Raising concerns and providing advice

Whistleblowing channels are an important safety valve for the company and can be used by employees or third parties to raise concerns about aspects of the company's political activities. Whistleblowers may be concerned they will be penalised and a company should give them confidence that use of its channel will not expose or endanger them. This can be a confidential or anonymous channel depending on the laws of local jurisdictions. Employees should know that it is their duty not just to resist demands or solicitation for corrupt behaviour, but to report any concern to senior management.

Advice lines communicate and provide interpretations of the policies and procedures for political engagement as well as the anti-corruption programme. This can be of particular value for a global company where it might not be feasible to provide on-the-spot support or advice to a local manager or employee handling political engagement.

## Internal controls

Internal controls aim to ensure that transactions related to political activities are valid, effective and free from improper practice. Political activities can involve a wide range of financial transactions including political contributions or political expenditures in support of a political party or candidates. Other expenditures include contracts with lobbyists and third parties, research, hospitality, events, and communications. As part of their oversight and accountability responsibilities, the board must ensure that internal control policies and procedures are designed and implemented to provide reasonable assurance regarding the achievement of objectives for the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations.<sup>37</sup>

---

<sup>36</sup> European and North-American Best Performers In Terms of Integrity and Transparency of Lobbying Practices (Vigeo, 2013), P. 5.

<http://www.csrhub.com/files/Vigeo%20Thematic%20Report%20sample.pdf>

<sup>37</sup> *Internal Control Integrated Framework 2013*, (The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013).

<http://www.coso.org/IC.htm>

## Monitoring and evaluation

Monitoring and evaluation is the penultimate step in the process of implementing policies and procedures for political engagement activities. Monitoring is the means of checking that the strategy, policies and procedures for managing political activities are working, detecting any concerns or malpractice and striving for continuous improvement. It allows the company to check that the programme is being implemented effectively and is meeting the objectives set by management and agreed by the board.

Companies operate in extraordinarily dynamic environments, both internally and externally. Therefore, policies and procedures may not remain adequate to achieve their objectives or they may be operating less than effectively. In such cases this needs to be identified to senior management and the board for review and corrective action.

Monitoring also provides the information for communications to shareholders, employees and other stakeholders that the enterprise has a well-designed and effective programme for responsible political engagement. Monitoring and evaluation should extend to all the political activities of the company, including those of the company itself and its controlled entities as well as lobbyists and other relevant intermediaries. The monitoring exercises and their results should be documented. Rigorous and constant monitoring, including internal audits, is, in itself, a message that the company is serious and vigilant about responsible political engagement and preventing any improper or corrupt practices. In the event of an incident and investigation by authorities they will wish to see that monitoring has been carried out.

The board's role in monitoring and evaluation is to assure itself that the monitoring process has been comprehensive and thorough, that the right conclusions have been drawn, that actions are taken if concerns are identified, improvements put in place and appropriate communication of the results made to stakeholders. The board should also review any political donations and other expenditures on political activities.

### Principle 9: Monitor and review the implementation of the policies and procedures covering political engagement

Monitoring makes sure that the strategy, policies and procedures for managing political engagement are working, detects and rectifies any concerns or poor practice, supporting continuous improvement.

## Transparency and public reporting

Greater transparency is being demanded by legislators and stakeholders for corporate behaviour and this extends to corporate political engagement. One of the pillars of implementing responsible political engagement is that the company is transparent about its activities and thereby expresses its accountability to shareholders and other stakeholders. In making its commitment to responsible political engagement, the company should assess the implications for transparency and public reporting. This means looking at the potential benefits to the company and the resources demanded, how it satisfies shareholders' and other stakeholders' requirements across jurisdictions and meets norms for reporting set by laws, voluntary codes and peer behaviour.

Being transparent means that the company is open about the guiding principles and objectives for its political engagement and reports publicly in an accessible way on the results of risk assessments, the design of policies and procedures, their implementation and progress, related expenditures and outcomes. Through public reporting the company can report to investors and other stakeholders on matters of material interest identified through discussions and other interactions with them. Additionally, the reporting process forms an important part of the process for organisational improvement as it will be based on objectives, targets, indicators and measures of success and progress.

Reporting is a formal communication to shareholders and other stakeholders. The frequency of reporting can range from annual reports to continuous reporting where information is updated dynamically on web pages to reflect changes in policies and activities or to address stakeholder issues and concerns.

As well as legal reporting requirements, non-financial and sustainability reporting is being shaped by voluntary standards, surveys and indices. Standards include the Global Reporting Initiative's Sustainability Reporting Framework and the UN Global Compact's annual Communication on Progress. TI produces reports on transparency of corporate anti-corruption reporting. The Center for Political Activity with the Zicklin Center for Business Ethics publishes an annual index of reporting by the S&P 500 companies and TI-UK launched its *Corporate Political Activities Index 2015* in December 2015 reviewing reporting on political activities of leading UK-based companies.

### Dedicated web page

Information on the political engagement programme should be provided in an easily accessible way and this can best be done by providing comprehensive information in a standardised manner on a dedicated web page supported by reporting in annual reports and sustainability or social reports. The 2014 CPA Zicklin survey reported that 66 per cent of the companies surveyed (197 out of 299) provided a dedicated web page or similar space on their corporate websites to address corporate political spending and disclosure. However, there is no measure of how satisfied users were with the ease of access or quality of the content. Only 30 per cent of the 40 companies assessed in TI-UK's *Corporate Political Engagement Index 2015* published a dedicated web page covering their political activities in detail, indicating that reporting practices in the UK are less developed than the USA.

#### Principle 10: Report publicly, comprehensively and accessibly on political engagement

Shareholders and other stakeholders have material interests in corporate political engagement and need to know that the company is managing its political activities responsibly and effectively. The company reports fully and regularly on its guiding principles, objectives, lobbying interests, activities, contributions and expenditures and on any other issues. The information is provided accessibly such as in a dedicated web page.

# 6. Recommendations

## Control environment

1. The board or a designated board committee should be accountable for a company's political engagement, providing direction and oversight and assigning overall responsibility to a senior manager.
2. Companies should consult with stakeholders on their policies, procedures and any activities related to political engagement and report to stakeholders on the topics raised with government and any steps taken.

## Reporting

3. Companies should publish their internal information on their principles, policies, procedures and activities in relation to political engagement.
4. Companies should publish a dedicated web page or report on their political engagement, granting stakeholders a total view of the company's material issues and activities without having to search multiple reports or consult external sources.

## Political contributions

5. Political contributions should not be made. If companies allow them by exception, they should clearly state the criteria for making them, which should include providing general support for a genuine democratic process, with full transparency and full explanation.
6. Companies should report contributions in every country where they operate whether or not it is a legal requirement.
7. Companies should put robust controls in place to ensure that contributions are not made in violation of a company's policy and that any inadvertent political expenditure is detected, investigated and reported.

## Lobbying

8. Companies should report expenditures on lobbying activities, the main topics on which they lobby and the ways in which lobbying is carried out.
9. Companies should implement and publish specific policies and procedures for responsible lobbying and should require third party lobbyists to comply with them.
10. Companies should disclose which lobbyist registers they are registered with, including in-house and consultant lobbyists.

## Memberships

11. Companies should publish their policies and procedures for managing relationships with trade associations. These should be group-wide and memberships should be overseen at central level.
12. Both companies and trade associations should be transparent about membership fees, expenditure on lobbying activities, the main topics for lobbying and the ways in which lobbying is carried out.

## Revolving door

13. Companies should devise specific policies and procedures for the revolving door through cross-organisational collaboration between functions such as corporate affairs, public affairs, government relations and human resources.
14. In devising their policies, companies should go beyond compliance with laws governing the post-public employment of public officials to ensure responsible practices and mitigate associated risks.
15. Policies for the revolving door should cover both the hiring of former politicians and public officials by the company and the movement of former employees to public sector positions.
16. Companies should publish details of secondments to and from the public sector, including information on the locations of secondments, the numbers of secondees, and the purpose of particular secondments.

# Annex 1: Checklists

The following checklists were designed by TI-UK as a practical tool for companies to help you manage the various aspects of political engagement covered in this guidance. For ease of reference, all checklists are cross-referenced with the relevant sections above.

## Political donations and indirect political expenditure

	Indicator	Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
1	Is there a publicly available policy covering political contributions whether made directly or indirectly?							
2	Does the company have a procedure to implement its policy for political contributions?							
3	If political contributions are allowed, are controls implemented with thresholds for approval and counter-signatures?							
4	Does the policy for political contributions apply across all the company's entities including subsidiaries?							
5	If the policy is to prohibit political contributions, does this include not running a company PAC if the company operates in the US?							
6	Does the procedure for managing conflicts of interest cover personal political contributions by board members and senior employee which could conflict with their role in the company?							
7	Does the anti-bribery programme include controls to counter the risk of use of political contributions as subterfuges for bribery?							
8	Is there a procedure to record accurately in the books any political contributions or expenditures (even if there is a policy of prohibition, some may be made in breach of the policy)?							

## Lobbying

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
9	Is there a publicly available policy and procedure covering responsible lobbying?							
10	Does the company publish details of the aims and significant topics of its public policy development and lobbying, and the activities carried out?							
11	Has a senior manager been appointed with overall authority for implementing the company's lobbying policy?							
12	Are lobbyists and others who carry out lobbying for the company required contractually to align to the company's policies for lobbying and anti-corruption?							
13	Is there a procedure for documentation of formal and informal meetings and contacts with politicians and officials?							
14	Does the company check that there are consistent standards of responsible lobbying across all the company's operations including subsidiaries?							
15	Has the company formally decided how it uses in-house consultants, consultant lobbyists and others who have responsibilities for aspects of political activities?							
16	Has the company assigned responsibilities for relationship management of consultant lobbyists?							
17	Does the company ensure there is a business case for appointment of consultant lobbyists?							
18	Is there a procedure to ensure fees and expenses are appropriate for the consultant lobbyists' activities and do not allow room for improper expenditures?							
19	Is there a procedure to carry out due diligence on consultant lobbyists before appointment or on reappointment?							
20	Is there a procedure for review and approval by management of appointment or reappointment of consultant lobbyists?							

21	Does the company maintain a register of lobbyists?							
22	Does the company implement a procedure to ensure that organisations contracted to lobby on the company's behalf comply with the company's policy for political lobbying?							
23	Does the company ensure its lobbyists comply with lobbying laws and registers?							
24	Do contractual requirements include observing the policies and procedures for political activities with right to audit books and records and provision for termination in the event of breach of the contract?							
25	Are expenditures by lobbyists recorded in the books with clear statement of purpose and supported by documentation to provide an audit trail?							

#### Trade associations and business chambers

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
26	Has a senior manager been made responsible for the company's trade association memberships and assigning responsibilities for managing the relationships?							
27	Is due diligence carried out on trade associations before taking out membership and periodically on renewal to check their governance, advocacy procedures and positions and that they are transparent including publishing source and disposal of funds for lobbying?							
28	Are there approval thresholds and counter signatures for new memberships or renewals?							
29	Does the company have a procedure to ensure it monitors and engages in shaping the lobbying activities of the associations of which it is a member?							
30	Does the company communicate publicly that a membership does not mean that the company endorses all the public policy positions of the trade association?							
31	Does the company communicate its responsible lobbying policy to its trade associations?							

## Exchanges of people between business and the public sector

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
32	Is there a publicly available policy and procedure covering 'revolving doors', the movements of directors and employees between the company and the public sector?							
33	Does the company have a procedure for implementing a 'cooling-off period' for discussions on behalf of the company by current directors and employees <u>recruited from public office</u> or the public sector with their former organisation or department?							
34	Does the company have a procedure for implementing a 'cooling-off period' for discussions on behalf of the company by current directors and employees <u>recruited from public office</u> or the public sector with their former organisation or department?							
35	Is there a code of conduct for those joining from the public sector?							
36	Are the recruitment policies and procedures designed to ensure that no public official is induced to perform improperly in the prospect that there might be a Board appointment or employment with the company?							
37	Does the company have a cooling-off period for discussions on its business by board directors and employees appointed from the public sector?							
38	Does the company have a cooling-off period for discussions on its business with former employees hired by the public sector or appointed/elected to political office?							
39	Does the company report publicly on any movements between the company, politics and public service?							
40	Is there a policy and procedure for secondments to and from the public sector including short term work placements?							
41	Does the company have a policy and criteria for the appointment of parliamentarians to the board or use in consultancies whether directly with the company or indirectly through a lobbying consultant?							

### Political activities and the workplace

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
42	Are the human resources, legal and communications functions involved in developing the policies for employee political engagement?							
43	Has the company developed written policies and procedures for workplace political activities?							
44	Are communications, training and advice given to relevant employees about participation by employees in political activities including the need not to attach the company's name to the employee's activities?							
45	Does the company document fully discussions or actions with employees about their political activities?							
46	Is there a procedure to ensure directors, managers and supervisors do not share with or impose on their employees their political views and opinions?							

### Designing the organisational structure

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
60	Has the company assigned authority to a designated senior manager for ensuring that its political activities are carried out consistently?							
61	Is cross-functional working been built into the organisational structure?							
62	Are political activities coordinated with the function responsible for corporate responsibility?							
63	Are the policies for political activities applied group-wide, globally and consistently?							
65	Does the company require its contracted business associates to act in a manner consistent with the company's guiding principles, policies and procedures for political activities in the services they carry out on its behalf?							
66	Does the head office function responsible for political engagement activities ensure consistency in subsidiaries and local business units on its global advocacy positions and the handling of local public policy concerns and opportunities?							

## Implementing policies and procedures

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
<b>Stakeholder engagement</b>								
67	Does the company consult with stakeholders about its political engagement activities and expenditures?							
68	Has the company identified its stakeholders for consultation relevant to each of its key advocacy issues?							
69	Are the results of consultations used in designing the policies and procedures for political engagement activities?							
<b>Anti-bribery programme</b>								
70	Have the bribery risks related to political engagement activities been assessed through the risk assessment process?							
71	Has the anti-bribery programme been designed to address identified risks related to political engagement activities?							
72	Are the anti-bribery controls for political engagement activities implemented across the company's operations including consultants and other relevant third parties?							
<b>Communications and training</b>								
73	Is tailored training given to employees and consultant lobbyists on the policies and procedures for responsible political engagement and the anti-bribery programme?							
74	Are tailored communications and training provided to consultant lobbyists including guidance on the company's policies related to risk areas such as gifts, hospitality and travel expenses?							
75	Are employees and contracted parties advised of the consequences if they act improperly or negligently?							
76	Is guidance given on issues and risks that may be encountered?							

Raising concerns and seeking advice							
77	Is a whistleblowing channel provided for employees and third parties?						
78	Is an advice line provided for employees and third parties?						
79	Are whistleblowing /advice lines provided in the main local languages?						
Internal controls							
80	Do the internal financial and accounting controls allow monitoring of policies and procedures to check that they are followed, that procedures are effective, and that control objectives for responsible political activities are met and continuous improvement can take place?						
81	Is there a policy and procedure requiring political contributions and expenditures on political activities to be approved by appointed managers against designated thresholds of approval?						
82	Do the internal control procedures provide for checks and balances in the approval of payments, maintaining accurate books and records available for inspection and audits and ensuring an audit trail for transactions?						
83	Are the policies and procedures for gifts, hospitality and travel expenses applied to lobbying?						
84	Is there a procedure to record transactions for political activities accurately in the books including any political contributions (if the company prohibits donations, these include payments made inadvertently in breach of the policy)?						
85	Do internal audits support the internal controls system for political activities?						

### Monitoring and evaluation

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
86	Does the company have a procedure to monitor and review its political engagement activities regularly?							
87	Are the results of monitoring reviewed by senior management?							
88	Does the board receive regular reports from management on the implementation of political engagement activities?							
89	Are breaches of policy reported to senior management and the board?							

## Transparency and public reporting

Indicator		Y	N	Un-clear	In plan?	Plan date	Comment	Ref no:
90	Does the company publish full information on its approach for political engagement and the topics on which it engages?							
91	Is the information on the company's political engagement activities provided in an accessible way such as sustainability reports and publications in local languages?							
92	Does the company report on its political engagement activities using a dedicated web page?							
93	Does the company publish up-to-date details of all political contributions made by the company and its subsidiaries or a statement that it has made none?							
94	Does the company report publicly on its lobbying activities, key issues lobbied on, activities and expenditures?							
95	Does the company report on its participation in registers of lobbyists?							
96	Does the company publish full details of its global lobbying expenditure?							
97	Does the company publish a list of organisations of which it is a member that lobby on topics relevant to the company?							
98	Does the company publish full details of fees and payments to organisations of which it is a member that lobby on topics relevant to the company?							
99	Does the company report publicly details of the movements in either direction of senior people from the public sector to the company?							
100	Does the company report on details of the contracted services of serving politicians acting as consultants to the company including details of the fees?							
101	Does the company publish details of secondments to or from the public sector?							
102	Does the company report publicly details of its policies for political activities in the workplace?							
103	Does the company report on the measures it takes to counter risks of corruption in political activities?							

# Annex 2: Glossary

**Cooling-off period:** Time-limited restrictions on the ability of former public officials to accept appointments to positions in the private sector.

**Enterprise risk management (ERM):** A process, effected by the entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of objectives (COSO's Enterprise Risk Management – Integrated Framework 2004).

**Lobbying:** Any direct or indirect communication with public officials, political decision makers or representatives for the purposes of influencing public decision-making, and carried out by or on behalf of any organised group. (*Lifting the Lid on Lobbying*, Transparency International UK 2015).

**Lobbyist:** A consultant lobbyist or in-house lobbyist who spends a significant proportion of time on lobbying.

**Political engagement:** The ways in which a company contributes to or participates in the political process. This includes but is not limited to activities such as political contributions, indirect political expenditure, lobbying, advocacy through trade associations and other membership bodies, the revolving door, secondments, training and workshops for public sector officials and politicians and political activities related to the workplace.

**Political contributions:** Money and in kind gifts transferred to a political party, politician or political candidate, including sponsorships, subscriptions and affiliation fees, money to meet expenses, and loans, property, services and other facilities at less than market value.

**(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.

**Public policy:** A course or principle of action adopted or proposed by government agencies and bodies. In total, public policy encompasses the system of laws, regulatory measures, administrative mechanisms, courses of action and funding priorities concerning a given topic implemented by a governmental entity or its representatives (The case for investor engagement in public policy, Principles for Responsible Investment 2014.)

**Responsible political engagement:** Responsibility in political engagement is based on values of integrity, legitimacy, accountability and oversight, consistency and transparency.

- **Integrity:** The company is committed to ethical behaviour, integrity and responsibility in political engagement; its policies and procedures for political activities are designed to meet these values and the laws, norms and expectations of stakeholders for integrity and ethical behaviour.
- **Legitimacy:** The company's political engagement activities meet business objectives, serve the interests of the company - and not those of the directors or management - and comply with laws. Stakeholders view the company as having a valid voice, expertise and contribution to make to the political process and that the company's political engagement addresses their material interests and the company's impact on society.
- **Accountability and oversight:** The board is accountable to shareholders and other stakeholders for the company's political engagement. The board sets the guiding principles and scope for political engagement, agrees the objectives and strategy, provides direction and guidance to management and receives reports on the implementation of the policies and procedures for political engagement.

- **Consistency:** The company carries out its political engagement activities consistent with its values, guiding principles and policies. It also ensures that its political engagement activities are carried out consistently across its organisation and third parties acting on its behalf.
- **Transparency:** The company is open about the guiding principles, objectives, policies and procedures of its political engagement and reports regularly to stakeholders on activities, performance and expenditures. Information is provided comprehensively and is easily accessible.

**Revolving door:** The movement of individuals between positions of public office and jobs in the private sector, in either direction.

**Secondment:** The temporary placement of a company employee in a public position or a public sector employee into the private sector. Typically, placements vary in length from a few weeks to even a year or more. There are also secondment schemes for MPs to gain work experience in UK companies.

**Stakeholder engagement:** The process used by an organisation to engage relevant stakeholders for a purpose to achieve accepted outcomes (AccountAbility, 2013).

# Annex 3: Links to resources

## Political engagement

[Handbook on Corporate Political Activity: Emerging Corporate Governance Issue](http://www.conference-board.org/publications/publicationdetail.cfm?publicationid=1867) (The Conference Board, November 2010)  
<http://www.conference-board.org/publications/publicationdetail.cfm?publicationid=1867>

[ICGN Statement and Guidance on Political Lobbying and Donations](https://www.responsible-investor.com/images/uploads/advertising/ICGN_PLD.pdf) (International Corporate Governance Network, 2011)  
[https://www.responsible-investor.com/images/uploads/advertising/ICGN\\_PLD.pdf](https://www.responsible-investor.com/images/uploads/advertising/ICGN_PLD.pdf)

[CPA-Zicklin Index of Corporate Political Disclosure and Accountability](http://www.politicalaccountability.net/) (Center for Political Accountability)  
<http://www.politicalaccountability.net/>

## Lobbying

[Principles for Transparency and Integrity in Lobbying](http://www.oecd.org/gov/ethics/oecdprinciplesfortransparencyandintegrityinlobbying.htm) (OECD, 2013)  
<http://www.oecd.org/gov/ethics/oecdprinciplesfortransparencyandintegrityinlobbying.htm>

[Handbook on Corporate Political Activity: Emerging Corporate Governance Issue](http://www.conference-board.org/publications/publicationdetail.cfm?publicationid=1867) (The Conference Board, November 2010)  
<http://www.conference-board.org/publications/publicationdetail.cfm?publicationid=1867>

[Towards responsible lobbying](https://www.unglobalcompact.org/library/254) (UN Global Compact, 2005)  
<https://www.unglobalcompact.org/library/254>

[Towards Responsible Lobbying – Leadership and public policy](http://www.accountability.org/about-us/publications/towards.html) (AccountAbility, 2005)  
<http://www.accountability.org/about-us/publications/towards.html>

[The case for investor engagement in public policy](http://www.unpri.org/wp-content/uploads/PRI_Case-for-Investor-Engagement.pdf) (Principles for Responsible Investment, 2014)  
[http://www.unpri.org/wp-content/uploads/PRI\\_Case-for-Investor-Engagement.pdf](http://www.unpri.org/wp-content/uploads/PRI_Case-for-Investor-Engagement.pdf)

[Guide for responsible corporate engagement in climate policy](http://www.unep.org/climatechange/Portals/5/documents/Guide-RespCorpEng.pdf) (UN Global Compact and others, 2013)  
<http://www.unep.org/climatechange/Portals/5/documents/Guide-RespCorpEng.pdf>

[European and North-American Best Performers In Terms of Integrity and Transparency of Lobbying Practices](http://www.csrhub.com/files/Vigeo%20Thematic%20Report%20sample.pdf) (Vigeo, 2013)  
<http://www.csrhub.com/files/Vigeo%20Thematic%20Report%20sample.pdf>

## Revolving door

[The revolving door and the Corporate Colonisation of UK Politics](http://www.barrowcadbury.org.uk/wp-content/uploads/2015/03/REVOLVING-DOOR_High_Pay_Centre_report.pdf), (The High Pay Centre, 2014)  
[http://www.barrowcadbury.org.uk/wp-content/uploads/2015/03/REVOLVING-DOOR\\_High\\_Pay\\_Centre\\_report.pdf](http://www.barrowcadbury.org.uk/wp-content/uploads/2015/03/REVOLVING-DOOR_High_Pay_Centre_report.pdf)

## Anti-bribery codes and guidance

[OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions](http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm) (OECD, 2009)  
<http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm>

[OECD Good Practice Guidance on Internal Controls, Ethics and Compliance](http://www.oecd.org/corruption/keyoecdanti-corruptiondocuments.htm) (OECD, 2013)  
<http://www.oecd.org/corruption/keyoecdanti-corruptiondocuments.htm>

[Anti-Corruption Ethics and Compliance Handbook for Business](http://www.oecd.org/corruption/anti-corruption-ethics-and-compliance-handbook-for-business.htm) (OECD, 2013)  
<http://www.oecd.org/corruption/anti-corruption-ethics-and-compliance-handbook-for-business.htm>  
<http://www.oecd.org/corruption/Anti-CorruptionEthicsComplianceHandbook.pdf>

[A Resource Guide to the U.S. Foreign Corrupt Practices Act](http://www.justice.gov/criminal-fraud/fcpa-guidance) (Department of Justice, November 2012)  
<http://www.justice.gov/criminal-fraud/fcpa-guidance>

[ICGN Statement and Guidance on Anti-Corruption Practices](http://www.re-assurance.co.uk/resource-centre/international-principles--standards/icgn-statement-and-guidance-on-anti-corruption-practices/) (International Corporate Governance Network, 2009)  
<http://www.re-assurance.co.uk/resource-centre/international-principles--standards/icgn-statement-and-guidance-on-anti-corruption-practices/>

## **Corporate governance**

[Global Corporate Governance Principles, Fourth edition](https://www.icgn.org/images/Global_Governance_Principles_2014.pdf) (International Corporate Governance Network, 2014)  
[https://www.icgn.org/images/Global\\_Governance\\_Principles\\_2014.pdf](https://www.icgn.org/images/Global_Governance_Principles_2014.pdf)

[The UK Corporate Governance Code](https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf) (The Financial Reporting Council Limited. September 2014), p.7.  
<https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>

## **Risk assessment**

[Guide for Anti-Corruption Risk Assessment](http://www.unglobalcompact.org/resources/411) (UN Global Compact, 2013)  
<http://www.unglobalcompact.org/resources/411>

# Additional publications

Corporate Political Engagement Index 2015 (Transparency International UK, 2015)

Accountable Influence: Bringing lobbying out of the shadows (Transparency International UK, 2015)

Lobbying in Europe: Hidden influence, privileged access (Transparency International, 2015)

Lifting the lid on lobbying: the hidden exercise of power and influence in the UK (Transparency International UK, 2015)

Lobbying and democracy representing interests in Italy (Transparency International Italy, 2014)

How to Bribe: A Typology of Bribe-Paying and How to Stop It (Transparency International UK, 2014)

Business Principles for Countering Bribery, third edition (Transparency International, 2013)

Diagnosing Bribery Risk (Transparency International UK, 2013)

Doing Business without Bribery (Transparency International UK, 2012)

Towards transparent and democratic lobbying (Transparency International France, 2012)

Cabs for Hire? Fixing the revolving door between government and business (Transparency International UK, 2011)

Adequate Procedures: Guidance to the UK Bribery Act 2010 (Transparency International UK, 2010)

Available from [www.transparency.org](http://www.transparency.org) and [www.transparency.org.uk](http://www.transparency.org.uk)