

Executive Summary

Summary

The involvement of companies in politics has become increasingly controversial following scandals over political donations and heavy-handed lobbying by organised business groups. However, business has a legitimate interest in political debate, and governments need to hear what business has to say in the increasingly regulated economic environment. This creates a need for agreed standards of practice to ensure that the relationship between business and politics can evolve in a healthy and constructive manner.

This report uses the experience of more than 30 companies based in three countries with very different traditions of corporate political activity – the US, the UK and France – to identify the challenges in corporate political donations and lobbying, and seek out solutions that work.

The most active of the three countries is the US where the practice of political giving and lobbying is highly developed, and where companies see themselves “*participating*” in the political process, not just influence-seeking. In the UK, corporate political giving has fallen off sharply in recent years, partly in response to new legislation, but also to an adverse shift in public opinion. However, this has to some extent been balanced by a growth in lobbying activity. In France, political giving has been banned since 1995, and companies are wary of becoming politically involved, even through lobbying.

Although many companies have policies on political activity, there is a marked absence of widely accepted standards of corporate behaviour to which they can subscribe. This report seeks to fill this gap by proposing **a set of good practice guidelines** which may be widely applied. These are based on the view that openness, consistency and accountability in companies can reduce the mistrust that surrounds their involvement in politics, and provide reassurance to shareholders, government and the community at large that corporate political activity is being conducted responsibly.

These recommendations also apply to trade associations which play an increasingly important role in business’s relations with government.

The main recommendations are:

- Companies should have clear, openly-stated and enforceable policies on the objectives and practice of their political involvement.
- If companies want to make political donations, they should obtain shareholder approval for the policy as well as for their donations budget. They should also explain how and why political donation decisions are made.
- Companies should give, in annual reports, details of all political donations made, and evaluate their worth.
- Lobbying is an activity which needs to have its own set of company policies and standards, rather than a patchwork assembled from general principles. Companies should provide these.

- In lobbying, companies should be open about their objectives, and make position papers publicly available to demonstrate consistency.
- Companies' lobbying activities should be proportionate to the issues involved, non-partisan and governed by appropriate policies and standards.
- Companies should ensure that the trade associations and pressure groups to which they belong, operate to the same high standards. Membership of such organisations should be disclosed.
- Companies operating in the US, where employees have the right to set up Political Action Committees (PACs), should have in place policies which protect their independence, and keep their activities at arm's length.

The report also recognises that the regulation and practice of political involvement varies – often widely – between countries. Company policies therefore need to build in flexibility. This is particularly the case for foreign companies operating in the US with subsidiaries having PACs which use the company name.

Although few companies have fully developed policies in all these areas, this report finds a growing awareness in business of the need for well-grounded principles to support political activity.