CORPORATE POLITICAL RESPONSIBILITY

Mobilizing the Private Sector for Political Integrity

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Contents

INTRODUCTION

Corporate social responsibility, a concept whereby companies integrate social and environmental values in their business operations and interactions with their stakeholders, has become an important part of business strategies in many countries. The growing trend is that companies are expected to integrate these values into any political activities such as lobbying and political donations, as well as within their operations. Therefore, more attentions are now being paid to corporate political responsibility (CPR).

The analysis of CPR in this paper, which combines a conceptual framework with practical examples and existing measures, provides a fresh perspective on the role of business interests in the flow of money in politics. Requiring companies to assume more political responsibility is, for example, particularly relevant when discussing campaign finance regulations as corporate donations to political parties are permitted in over 70% of countries in the world. This paper puts forward a series of action points for policymakers, civil society organizations and other stakeholders to seize the opportunity on the rise of CPR for greater political integrity.

International IDEA is committed to continue consolidating its evidence-base on the role of business interests in increasing accountability and transparency in the flow of money in politics. This paper, together with ongoing work under Money in Politics programme, aims to pave the way for policymakers to design a comprehensive regulatory framework in which business interests play a constructive role in strengthening political integrity and complementing existing anti-corruption measures.

EXECUTIVE SUMMARY

Conduct by businesses in the political arena, or what is known as corporate political activity, has a substantive impact on the integrity and fairness of policymaking and policy outcomes.

More than 70 of the largest economic entities in the world are companies, not countries (Babic et al. 2017). Conduct by businesses in the political arena has a substantive, at times defining, impact on the integrity and fairness of policymaking and policy outcomes.

The conventional governance system for regulating such corporate political activity (CPA) and the influence of money in politics more broadly, faces a number of challenges, including persistent loopholes, a relatively small advocacy community and difficulties in ensuring that enforcement is pursued aggressively.

However, several dynamics are currently unfolding that advance integrity around money in politics from a very different vantage point. At the centre of these developments is the evolving role of business and the growing significance of both CPA and the responsibilities that come with it. This rise in corporate political responsibility (CPR) brings a fresh cast of stakeholders and governance mechanisms—an emergent accountability ecosystem that could be called 'business in politics'.

Three trends can be discerned that drive the rise of CPR and the emergence of a business-in-politics ecosystem:

- Globalized value chains and digitization elevate CPA from marginal capability to core strategic business function.
- A new paradigm of stakeholder capitalism highlights that more responsible business conduct is essential for society, but also good for the individual corporate bottom line.
- The climate crisis turbocharges these developments and puts CPR at the centre of many advocacy and policy efforts.

A number of very different actors and initiatives are advancing CPR, from defining new standards for responsible conduct to forging new pathways for accountability. Most importantly, this new array of actors, the extent of the resources they can deploy and the efficacy of the enforcement mechanisms on the horizon together promise great momentum towards increasing levels of political responsibility from business.

Ongoing dynamics in the business-in-politics space offer prospects for advancing a more comprehensive normative ambition for responsible lobbying, more stringent and effective disclosure regimes, many more resources devoted to monitoring and enforcing good conduct (e.g. through financial regulators and competition authorities), and different routes for more effective accountability via private and public litigation.

Policymakers and public regulators can support closer collaboration and unlock synergies between conventional money-in-politics and emergent business-in-politics governance stakeholders.

A closer collaboration between conventional money-in-politics and emergent business-in-politics governance stakeholders can unlock synergies between the two. Policymakers, public regulators and other stakeholders can support such closer collaboration and help realize these synergies through a variety of measures, including:

- upgrading corporate governance regimes to fully recognize the role of CPR and put in place commensurate expectations for internal governance, reporting and accountability;
- strengthening CPR through mandatory public reporting initiatives, firmed-up rules against misleading advertising, and an expansion of reporting requirements into private markets;
- interlinking and triangulating data streams related to both business in politics and conventional money in politics through harmonized data frameworks, common identifiers, etc.;
- plugging central money-in-politics loopholes around lobbying registries, beneficial company ownership disclosure, and expanding reporting requirements to include issue ads and non-election periods;
- strengthening the CPR performance of business associations through higher expectations for funding, membership and decision-making transparency; and
- mainstreaming CPR across business school curricula commensurate with the rising political and business importance of this issue area.

Some of these collaborative opportunities are best harvested at a national level, attuned to the specific governance context. Yet there are also many opportunities to drive these activities at a regional (e.g. European Union) or international level, with a number of bodies (e.g. Open Government Partnership (OGP), Organisation for Economic Co-operation and Development (OECD), United Nations Principles for Responsible Management Education (UN-PRME)) providing excellent platforms for collaboration, particularly in relation to ongoing policy processes (e.g. review of *OECD Principles for Transparency and Integrity in Lobbying*).

Maximizing synergies between money-in-politics and business-in-politics frameworks is therefore as urgent as it is promising.

The challenges to the integrity of political systems are intensifying around the world, and the central building blocks of the emergent business-in-politics ecosystem are still in the making. Maximizing synergies between money-in-politics and business-in-politics frameworks is therefore as urgent as it is promising.

OVERVIEW

This exploratory Discussion paper argues that there is a new ecosystem in the making, based around the corporate political responsibilities of business actors, which has great potential to complement and amplify the current governance framework for money in politics in important ways.

The Discussion paper first outlines, in Chapter 1, the overall backdrop and highlights the importance of business in the political process. Chapter 2 briefly presents several persistent challenges that the conventional system for regulating money-in-politics faces. Chapter 3 traces the rise of corporate political responsibility and introduces the dynamics that drive this process. Chapter 4 provides an overview of the emerging business-in-politics ecosystem for corporate political responsibility, mapping some of the main stakeholders and their roles and contributions. Chapter 5 summarizes a set of important dynamics and features in the force field of business in politics, as well as some of its limitations. Chapter 6 offers a number of action options and policy suggestions that could help to maximize and fully exploit the complementarities and synergies between the domains of money in politics and business in politics.

Three key terms used in this Discussion paper require clarification.

- *Money in politics*[1] s used as an umbrella term to denote all efforts by special interests to influence policymaking in their favour—from illegal bribery and support to vote-buying to legitimate influencing activities, such as political campaign finance, lobbying or securing access through revolving door practices. The governance of 'money in politics' therefore refers to the broad array of regulatory and self-regulatory efforts that are meant to bring more transparency, accountability, fairness and integrity to this policymaking and money nexus—from asset, interest and income

[1] For information on International IDEA´s work on Money in Politics, please visit <*httsp://www.idea.int/money-politics*>.

disclosures to campaign and lobbying regulations, revolving door policies, conflicts of interest or broader conduct rules.

- *Corporate political activity* (CPA) refers to all efforts by businesses to influence public policymaking, from direct lobbying to support for grassroots campaigns or public relations strategies.
- *Corporate political responsibility* (CPR) refers to how companies *should* behave in this area—the norms, standards and practices that companies should apply to guide their political activities, in order to be a responsible participant in the policymaking process.

Chapter 1

THE ROLE OF BUSINESS IN MONEY IN POLITICS

Speed read

Business is the most influential, best-resourced actor in the world of money in politics. Conduct by businesses in the political arena has a substantive impact on the integrity and fairness of policymaking and policy outcomes.

Business enterprises are among the most important economic and social actors globally, and this economic prowess sets the scene for corporate dominance in political influencing efforts.

Business enterprises are among the most important economic and social actors globally. Some examples: 71 of the 100 largest economic entities in the world are businesses, not countries (Babic et al. 2017). The combined revenue of the 10 largest corporations equals the combined public revenue of 180 countries (Global Justice Now 2016). Amazon has as many paid subscribers as Nigeria has people, while its number of active users is approaching the size of the US population.[2] The world's largest investment manager, BlackRock, controls assets worth USD9 trillion, a sum that is fast approaching the value of all foreign currency reserves held by all central banks around the world.[3]

Economic prowess sets the scene for corporate dominance in political influencing efforts. In the United States, for example, business accounted for 87 per cent of all lobbying activities at federal level in 2020 (Open Secrets n.d.). At the European Union level, business interests are found to dominate online consultations (Rasmussen and Carroll 2014), as well as expert groups (Rasmussen and Gross 2015), and they make up two-thirds of all organizations registered for lobbying (Dellis and Sondermann 2017).

Unsurprisingly, the dominating role of business in lobbying precipitates the widespread perception in many countries that business works hand in hand with political elites to shape politics and policies according to their

[2] Author's calculations. Amazon statistics for 2021: active users 300 million; prime subscribers 150 million (Petrov 2022).

[3] BlackRock assets under management are growing steadily and are expected to approach USD10 trillion in 2022 (Wigglesworth 2021), while total global currency holdings by central banks in 2019 were estimated to amount to USD11 billion (Chițu et al. 2019).

own interests in a grey zone of collusion and borderline corruption. In 2021, 73 per cent of US citizens were somewhat or very dissatisfied about the size and influence of major corporations, a sharp rise of 25 percentage points on the year before and the highest number ever recorded (Gallup 2022a). In 2020, across 17 countries in Asia, more than half of all citizens agreed that their country was run by a few big interests looking out for themselves (Transparency International 2020). In 2019, three-quarters of Europeans believed that too close ties between business and politics in their countries led to corruption (European Commission 2020). In 2020, three-quarters of Latin Americans believed that their country was run to benefit a small number of special interests. In some countries, such as Argentina, Chile and Peru, business was viewed as holding the most power in the country, well ahead of government (Corporación Latinobarómetro 2021).

Such a critical view of business involvement in politics and its impact on democracy fuels the resurgence of populist political sentiments that contrast the will of the people with the perceived hijacking of the political process by a small economic and political elite, seen to be based on self-interest and conducted with impunity. These sentiments align with and reinforce a general erosion of trust, with regard to both the economic system as a whole and particular actors in the system. For example, the entire system of capitalism was regarded as doing more harm than good by the majority of respondents in 22 out of 28 major economies around the world in one survey conducted in late 2019 (Edelman 2020). In 2021, nearly two out of three US citizens believed that only a more evolved form of capitalism or a wholesale move away from capitalism could build an economy that delivers for the common good and for future generations (Just Capital 2021). The most scathing judgement is reserved for the types of professions that directly work on the interface between business and politics. In the USA in 2021, only 5 per cent of the public regarded lobbyists as holding high standards of honesty and ethics, one of the lowest numbers for any professions, while politicians, advertisers and lawyers—other participants in the world of business and politics—also ranked in the bottom segment of public respectability (Gallup 2022b).

The dominating role of business in lobbying precipitates the widespread perception in many countries that business works hand in hand with political elites to shape politics and policies according to their own interests in a grey zone of collusion and borderline corruption.

To sum up these facts and sentiments, business plays a critical and dominant role along many dimensions in the field of money and influence in politics. Its unrivalled resource base, multi-layered socio-economic reach and outsized presence as a lobbying power make it the defining force—alongside the politicians and government officials on the receiving end of money in politics—in enabling:

- the norms and practices that characterize the transmission of interests into policy outcomes;
- the democratic inclusiveness or particularistic bent of the processes involved; and
- the prospects for equitable, fair outcomes and the overall public trust in both political and economic institutions.

Chapter 2

THE LIMITATIONS OF EXISTING APPROACHES

Speed read

The conventional governance system for regulating money in politics faces a number of challenges, including persistent loopholes, a relatively small advocacy community and difficulties in ensuring that enforcement is pursued aggressively.

Recent attention with regards to regulating the relations between politics and business has been on strengthening the integrity, transparency and accountability of the lobbying process.

Regulating the relations between politics and business so as to protect political integrity and democracy has been a longstanding concern for both policymakers and advocates. In summary, a first wave of legislation focused on shoring up the accountability and transparency of politicians and senior government officials through a variety of regulatory mechanisms, from asset, income and interest declarations to political finance and campaign transparency, and from codes of conduct to mechanisms for managing conflicts of interests. More recently, attention has shifted to strengthening the integrity and transparency of the lobbying process itself—for example, through lobbying registers, legislative footprints, increasing numbers of inclusive avenues for public participation, and, more cautiously, by strengthening accountability in lobbying, albeit largely by encouraging self-regulatory measures in the lobbying industry.

On the government side, these efforts primarily involve the bodies responsible for political finance oversight, parliamentary self-regulation and civil service ethics. Such efforts are also supported by a relatively small but efficacious band of civil society actors working on good governance issues.[4] Business is more or less involved at the margins. It is expected to live up to obligations for filing campaign finance and lobbying reports, respect the limits set in this regard and refrain from quid-pro-quo corruption. From the perspective of

4 For example, the budget and staffing of one of the largest good governance non-governmental organizations (NGOs), Transparency International, is a fraction of the resource available to large international NGOs in the areas of development, health or the environment.

business, CPR has therefore been boiled down to a segment of the compliance function, with the discretionary involvement of public affairs teams in self-regulatory efforts by the lobbying industry.

A number of challenges—some persistent, some emergent—confront the governance of money and politics. First, the toolbox for influencing is evolving rapidly, making it difficult to keep relevant rules up to date. Lobbying tactics have been continuously expanding from interactions with policy to more subtle macro-level techniques for shaping public opinion and scientific agendas, as well as micro-level activities such as engaging with policy implementation and enforcement at agency level. The arrival of big data-directed micro-targeting online and the ability to mobilize grassroots support and grass-top influencer endorsement via platform power have greatly expanded the tactical toolbox for corporate influencing. All this puts regulatory oversight into permanent catch-up mode.

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Second, important pillars of regulatory oversight in money and politics demand a discipline for self-restraint that does not bode well for frameworks with stringent rules and rule updates. Parties and parliaments, for example, enjoy a degree of—often constitutionally protected—self-regulation that makes it difficult to agree on more disclosure or to cut off external income sources. Third, and closely related, the prescribed sanctions for violating the rules are rather minor while enforcement is poorly resourced and half-heartedly executed. Fourth, many rules and regulations apply only to campaign and election periods and direct candidate endorsement, and are thus at odds with trends towards continuous campaigning or issue ads. Finally, more ambitious regulations on money in politics have begun to be successfully challenged in some jurisdictions, on freedom of expression grounds, most prominently in the USA, where the Supreme Court struck down key statutory limits on corporate political funding in its 2010 Citizen United decision. All these challenges to conventional ways of governing money in politics make the quest for complementary approaches timely and topical.

Chapter 3

THE RISE OF CORPORATE POLITICAL RESPONSIBILITY

Several dynamics are currently unfolding that advance integrity around money in politics from a very different vantage point. At the centre of these developments is the evolving role of business and the growing significance of both CPA and the responsibilities that come with it. This rise in CPR brings a fresh cast of stakeholders and governance mechanisms—an emergent accountability ecosystem that could be called 'business in politics'. This 'business-in-politics' ecosystem is thematically intertwined and highly complementary to the conventional governance systems for money in politics. There are three main trends that drive the rise of CPR and thus the emergence of this business-in-politics ecosystem (Table 1).

Table 1. Key dynamics driving the rise of CPR

Driver	Rationale and impact
Globalization and digitalization	The challenge for companies to manage political risks across jurisdictions and new platform business models that exploit regulatory interstices elevates CPA from a marginal to a core strategic business function.
Stakeholder capitalism	A new paradigm is gaining currency that emphasizes that businesses need to assume a broader set of responsibilities beyond making profits for shareholders. It is both essential for retaining companies' social licence to operate and beneficial for their bottom line.
Climate change	The climate crisis accelerates these dynamics. It dramatically raises the stakes and demands for CPR.

Source: Created by the author.

3.1. CORPORATE POLITICAL ACTIVITY EVOLVING INTO A STRATEGIC FUNCTION

Navigating and shaping the political terrain has evolved into a central task for companies. By now, the function of CPA goes well beyond helping win public contracts or minimizing taxes. Businesses are tied into ever more complex and often globalized supply and value chains, spanning different political systems, and face a convoluted thicket of shifting regulations, as well as growing impulses for more protectionism. Consequently, CPA is evolving into a central strategic function to enable companies to steer through these choppy political waters. It serves as an early warning function to spot problems on the horizon and as an investment for creating a floor of political predictability even in weak governance environments. CPA is a much-used lever to create, protect and exploit opportunities for regulatory arbitrage across jurisdictions. It is a tool for dominant incumbents in an ever more oligopolistic marketplace to protect their monopoly profits—from railways to Internet search. Yet it is also an increasingly popular weapon for start-ups in the digital sphere to engage in what is euphemistically referred to as regulatory entrepreneurship, the deliberate exploiting of loopholes in rules and regulations to establish new business models—as with Uber or Airbnb (Pollman and Barry 2016). All this means that the political stakes for business are extraordinarily high in many industries. On average, 25 to 30 per cent of profits across sectors are estimated to be tied to applicable policy conditions and regulations (Henisz et al. 2019). As a result, CPA is increasingly recognized as a core strategic function for the business enterprise.

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3.2. GROWING EXPECTATIONS FOR CORPORATE RESPONSIBILITY

During the last two decades the conventional compass for corporate conduct—the primacy of profits and shareholder value—has been gradually supplanted with a broader idea of stakeholder capitalism. In this view, business organizations are ventures that convene and impact upon—and should therefore have regard for—a much broader group of stakeholders, from owners, employees, investors and customers to the geographic communities in which a particular company operates and the broader political communities it is embedded in. Grouped under such labels as 'corporate citizenship' or 'corporate social responsibility', a public expectation has been gaining ground that companies accept their moral responsibilities for a wider range of concerns within their sphere of influence rather than simply the narrow issue of legal compliance. Proponents of such a holistic idea of corporate responsibility have also begun to train their attention on what this means for companies' CPA (e.g. Delmas and Durand 2018), and the political turmoil in the USA in early 2021 related to the storming of the Capitol has propelled these nascent conversations to the centre stage of corporate conduct. As a result, the notion of corporate democratic responsibility has begun to take roots. What for quite some time looked largely like a matter of corporate compliance—tied to the

'Corporate citizenship' or 'corporate social responsibility' is the notion that companies accept their moral responsibilities for a wider range of concerns within their sphere of influence rather than simply the narrow issue of legal compliance.

negative responsibility to do no harm and refrain from illegal influencing—is evolving into a positive duty to support the democratic process. For business, the social licence to operate increasingly relies on responsible political behaviour.

The political and economic changes required for decarbonization will only become possible if business incumbents refrain from using their outsized political influence to deflect and stall.

3.3. THE GREEN TRANSITION AS MAJOR CATALYST

The politics of climate change are turbocharging these developments towards CPA being a core strategic function and core responsibility for business. The global task to decarbonize our societies by 2050 in order to avert the most severe repercussions of climate change requires economic and technological transformations in the next 25 years that are historically unprecedented. It is commonly accepted that business has a critical role to play in making all this happen. To monitor progress on the way to corporate net zero, an entirely new ecosystem of diagnostic methodologies, assessors, advocates, incentive systems and collective action initiatives has developed—arguably the most sophisticated, multi-faceted machinery for corporate accountability in a specific policy area that has ever emerged.

Many of the stakeholders involved have come to realize that how businesses behave politically is as important as their operational greenhouse gas record. The political and economic changes required for decarbonization will only become possible if business incumbents refrain from using their outsized political influence to deflect and stall. Yet, given the enormous stakes and high costs that decarbonization entails for a wide range of industries, there is every reason to believe that this corporate restraint is unlikely. As a result, protecting the integrity of climate policymaking by monitoring and holding companies to account for their political conduct is fast developing into a priority task on the agenda for climate governance. And as corporate political integrity moves centre stage in what is arguably the most dynamic global policy area of our times, this also means that new actors, resources, ideas and accountability mechanisms enter the fray to shape the trajectory of business and money in politics in the years to come.

Chapter 4

SCOPING THE BUSINESS-IN-POLITICS ECOSYSTEM

Speed read

A number of very different actors and initiatives are advancing CPR, from defining new standards for responsible conduct to forging new pathways for accountability. Most importantly, this new array of actors, the extent of the resources they can deploy and the efficacy of the enforcement mechanisms on the horizon together promise great momentum towards increasing levels of political responsibility from business.

What does this new ecosystem around business in politics look like? This chapter briefly presents some of the main building blocks and examples of involved stakeholders, grouped into five main contribution areas (Figure 1).

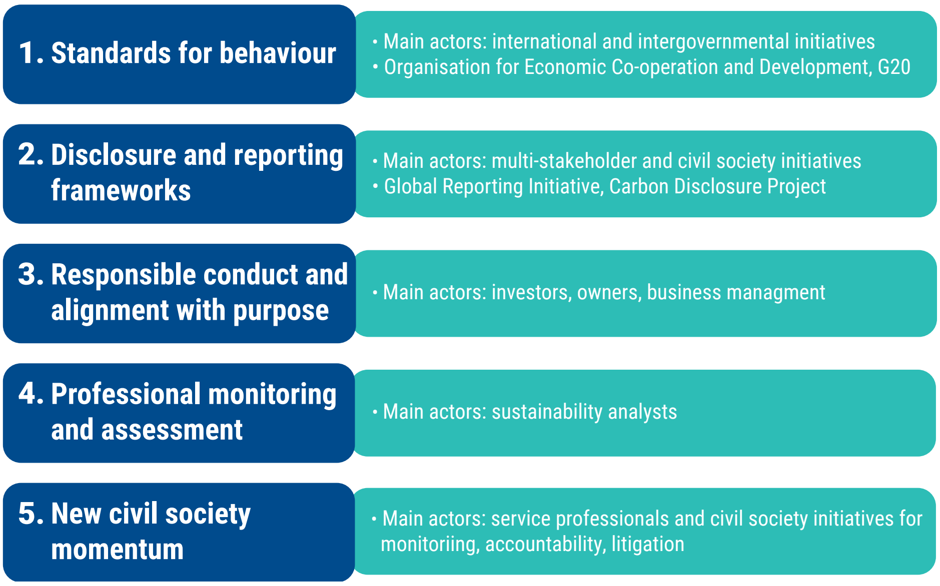
The following overview is far from comprehensive but rather exemplifies the range of initiatives and actors active in this field. For compact and easy reference, Annex A also summarizes the main actors and their features once more in table format.

4.1. EVOLVING STANDARDS FOR CORPORATE BEHAVIOUR[5]

The move from shareholder to stakeholder capitalism has been accompanied by the evolution of the principles and standards that guide corporate behaviour. Guardrails for CPA were nominally part of such principles from the beginning but only as a basic requirement to stay within the applicable law. Since then, however, they have attained more prominence and received more detailed elaboration.

[5] This chapter focuses on cross-sectoral corporate principles of behaviour and does not cover any codes of conduct for the lobbying industry.

Figure 1. The main building blocks of the business-in-politics ecosystem



Source: Developed by the author.

For example, in 1999, the *G20/OECD Principles of Corporate Governance* (updated in 2015) began to cautiously encourage companies to 'disclose policies and performance relating to business ethics ... and other public policy commitments', stressing that this 'may include disclosure of donations for political purposes, particularly where such information is not easily available through other disclosure channels' (OECD 2015: 38–39).

Building on this, the 2011 edition of the *OECD Guidelines for Multinational Enterprises* exhort multinational companies to 'abstain from any improper involvement in local political activities [and] not make illegal [political] contributions'. In addition, they stress that 'political contributions should fully comply with public disclosure requirements and should be reported to senior management'. However, what makes these guidelines very relevant to contemporary strategies for CPA that blend conventional lobbying with public relations campaigning are their rather expansive guardrails for responsible marketing. The guidelines state, for example, that companies should 'provide accurate, verifiable and clear information ... to enable consumers to make informed decisions, including ... on ... environmental attributes ... of goods and services [and that they do] not make representations or omission, nor engage in any other practices, that are deceptive, misleading, fraudulent or unfair' (OECD 2011: 20, 48, 51).

Although these principles are non-binding for companies, they come with their own specific accountability mechanism. The more than 40 signatory countries are committed to setting up official national contact points that have the mandate to receive and examine complaints and declare companies in violation of the principles, thus being able to inflict substantive reputational damages. In the last couple of years, this accountability mechanism has increasingly been used to challenge misleading 'greenwashing' PR by multinational companies (for an overview, see Clarke and Daley 2020).

4.2. NEW REPORTING AND DISCLOSURE FRAMEWORKS

By 2020, 96 per cent of the largest 250 companies in the world had begun to publish reports on sustainability issues regularly, up from just a third 20 years ago.

Corporate reporting on sustainability issues has grown rapidly over the last couple of decades. By 2020, 96 per cent of the largest 250 companies in the world (G250) had begun to publish such related information regularly, up from just a third 20 years ago. And this is not just a US and European phenomenon. More than 90 per cent of the largest 100 companies in countries such as India, Japan, Malaysia, Mexico and South Africa (N100) are already reporting on sustainability issues (KPMG 2020).

Similarly, templates for corporate reporting on environmental, social and governance (ESG) dimensions of business operations (so called ESG reporting) have also proliferated over the same time span. Most of these frameworks have taken on board and are gradually expanding metrics that relate to CPA.

The Global Reporting Initiative (GRI), for example, develops its suite of reporting templates using a multi-stakeholder approach involving both business and civil society. Globally, GRI is the most widely adopted sustainability reporting framework, used by nearly 75 per cent of G250 and by, on average, two-thirds of N100 companies across 52 major economies. GRI encourages reporting on public policy engagement when it is deemed material to the company. Where this is the case, the GRI framework includes, among other things, a description of the management approach, the issues lobbied on, and any differences made to public positions. These GRI templates and their rather granular reporting framework on CPA also serve as a reference point or direct component for a number of assessment and tracking exercises used by investors, researchers and advocates.

Another prominent example is the civil society-led Carbon Disclosure Project (CDP). CDP is focused on environmental—particularly climate-related—reporting, and provides specific reporting templates for companies, cities or regions in the form of questionnaires that can be completed and centrally filed. The CDP corporate reporting system has been used by a record 13,000 companies in 2021, representing 64 per cent of global market capitalization. CDP offers the most comprehensive reporting template on CPA, although it is only related to climate issues. It expands the existing remit in several ways:

- It is not confined to lobbying but asks about different direct and indirect engagement strategies that also include the funding of research organizations.
- It asks for a detailed policy stance on key climate policy issues, alongside a description of the specific policy solution that the company proposes.

- It solicits information on actions taken to influence any unaligned positions of trade associations that the company is a member of.

CDP exemplifies the evolution of public expectations and related reporting frameworks from basic transparency to substantive issues in CPA.

Investments that pay special attention to environment, social and governance factors, which also include responsible political action, have seen strong growth, breaking one record after another.

4.3. RESPONSIBLE CONDUCT AND ALIGNMENT WITH PURPOSE: PRESSURE FROM OWNERS AND INVESTORS, AND CHANGING MANAGEMENT REACTION

A growing number of investors want to make sure that their money is invested in ways that are not harmful to society and the environment. Investments that pay special attention to ESG factors, which also include responsible political action, have seen strong growth, breaking one record after another. In the first quarter of 2021 alone, 169 new sustainability-related funds were launched globally and an all-time peak of more than USD180 billion has poured into this area in the same period, bringing the total investments related to ESG issues close to USD2 trillion (Jessop and Murugaboopathy 2021).

Because of these dynamics, how companies decide on their lobbying and influencing strategies is being given more attention, and a new era of more accountable internal governance of political activity is coming about for different types of owners and investors.

Small investors are being offered tools and channels that make it much easier to harness their immense power in numbers. Several initiatives, such as *As You Sow* in the USA or *ShareSoc* and *ShareAction* in the UK, support and help bundle smaller investors' voices and voting power. *ShareAction*, for example, focuses on pushing companies to develop credible climate action plans, including an alignment of their policy advocacy with their decarbonization plans.

Larger institutional investors tend to engage with companies directly but also increasingly team up to push for more responsible CPA by their portfolio companies. Climate Action 100+ (CA100+), for example, convenes 600 investors from across the world with USD60 trillion in assets under management, more than half of the global asset market. CA100+ expects companies to align all their policy positions, as well as the positions taken by the trade groups they participate in, with the Paris Agreement (Climate Action 100+ 2021).

Big asset management firms that are often retained by institutional investors to handle their operational investment activities follow a similar path—as, for example, the world's largest asset manager, BlackRock, emphasizes in its expectations for companies for 2021 (BlackRock 2020):

> We will evaluate whether there is alignment between a company's public statements on policy issues that are material to its strategy and its corporate political activities, including those of the trade associations where they are active members.

This owner and investor momentum has begun to shift related norms and practices.

The evolving owner and investor momentum has begun to shift related norms and practices. Even companies that, in the past, focused on watering down their climate policies are being held accountable.

Shareholder proposals related to political spending have increased by 20 per cent between 2014 and 2018 (Nili and Kastiel 2020). And, as one analysis of shareholder voting patterns for 2019 concludes: 'Much of corporate America now believes disclosure of political donations is important to good governance' (Rosati et al. 2019). Likewise, the alignment between a company's public statements and its political engagement received particular scrutiny during the 2020 voting season in the USA (Tonello 2021).

These activities have begun to bear fruits. Even companies that have previously been focused on watering down their climate policies are being successfully pressured to: bring an unprecedented level of transparency to their political engagement; publicly examine how consistent their lobbying is with the Paris climate goals; explain how they deal with industry associations that diverge from these positions; and restructure their internal governance of political action for more oversight and accountability.

For example, BP opted to respond to public and shareholder pressure as an early mover in comparison with some of its peers in the oil and gas sector. In outlining its new strategy in 2020, it devoted considerable attention to issues of CPA and committed to redirecting resources to active advocacy for progressive climate policies. Other oil and gas companies have withdrawn from industry associations that pursue incompatible policy aims (see, for example, Bousso 2021). Similar corporate dynamics are picking up across the world. Consumer product companies, such as Unilever and IKEA, have actively lobbied for the removal of fossil fuel subsidies in Europe. The car manufacturer Tesla and some utilities companies, such as PG&E and Edison International, have actively supported clean energy standards in the USA. The retailer Aeon in Japan is pushing for more ambitious climate policies (InfluenceMap 2021).

4.4. MONITORING AND ASSESSMENT OF CORPORATE POLITICAL ACTIVITY: THE SUSTAINABILITY ANALYTICS INDUSTRY

Propelled by the interest in responsible investment and the non-financial corporate footprints, an entire industry of so-called sustainability (or ESG) analytics firms has developed, which offer a wide range of market intelligence products from individual company reports or comparative scorings to investment screening and fully fledged sustainable investment indices. They typically build on some of the reporting and disclosure frameworks outlined in Section 4.2 and complement these with their own in-depth research. Monitoring and assessment of CPA is an integral part of these analytics. The market intelligence provider Refinitiv, for example, seeks to measure the exposure of companies to controversies, including the number of controversies published in the media linked to business ethics in general, political contributions, bribery and corruption, or dubious marketing practices (Refinitiv n.d.). Other data providers include criteria for 'responsible lobbying' in their scoring methodologies (Vigeo Eiris 2021), or check whether companies have policies for political involvement and consider lobbying and public policy events in their assessments (Sustainalytics 2021).

The immense resources and advanced data analytics that these sustainability analysts deploy take the tracking and assessment of the corporate political footprint to a new level of scale and scope. Due to their leverage via steering investment allocations or lending decisions, these analysts can also encourage companies to share information beyond legally mandated disclosures. And they create a new private accountability loop for business in politics, where bad scores on corporate political integrity depress the eligibility of a company for specific investment classes and loans. On the downside, most of the information collected remains proprietary and expensive and thus does not help strengthen more direct public visibility and public accountability for businesses' bad behaviour in politics.

4.5. **NEW CIVIL SOCIETY MOMENTUM**

Growing attention to the roles and responsibilities of business in politics has encouraged good governance groups to expand their work in the area of corporate political transparency and accountability.

Growing attention to the roles and responsibilities of business in politics has encouraged conventional good governance groups to expand their work in this area. Transparency International UK, for example, has developed a methodology to assess the corporate transparency of a more broadly defined concept of political engagement, one that not only pertains to political spending but also covers responsible lobbying and, rather uniquely, an often-overlooked leverage mechanism for business in politics—revolving door practices. This refers to the extent to which, and with what level of disclosure and guided by what policies, companies manage staff secondments and job transitions into the public sector and the hiring in of former government or political officials (Transparency International 2018). In the USA, the Center for Political Accountability publishes its annual CPA-Zicklin Index of Corporate Political Disclosure and Accountability, which examines in great detail the disclosure of political spending by S&P500 companies (Center for Political Accountability n.d.).

Sustainability analytics take tracking and assessment of the corporate political footprint to a new level.

New groups focused on climate and environmental governance are complementing and expanding these efforts. Perhaps the most prominent, boundary-pushing example is the research and advocacy group InfluenceMap (see Box 1).

The climate crisis has also boosted the ingenuity of the strategic litigation deployed by civil society groups to hold companies to account for their climate-related conduct, including aspects of CPA. The weapons of choice are laws and lawsuits that protect against misleading claims in advertising, as well as misleading information or failing stewardship with regard to investors. These strategies are also opening up interesting new pathways for holding companies much more effectively to account for their political conduct, because they offer at least two advantages. First, commercial speech, for example advertising and some segments of public relation work, does not enjoy the same level of freedom of speech protection as political speech does. Misleading information presented to customers and investors is held to much higher standards of truthfulness and due diligence. Second, the available remedies and sanctions for such lawsuits can, in principle, be much more effective as a deterrent than the measly resources and weak reprimands that are deployed to enforce compliance with lobbying disclosure filings. Examples of approaches and cases that recently or currently have wound their way through the court system include:

- *Misleading communication:* In Australia, a shareholder action group is suing an Australian oil and gas company under consumer protection and corporate governance statutes for greenwashing and untruthful climate communication, specifically for misleading or deceptive communication on the climate impact of gas and on the efficacy of the company's net-zero pledge (ACCR 2021). Similar complaints about misleading green advertising are regularly accepted by regulatory authorities in the USA, UK and other countries (Macchi 2021).
- *Omission of important risks:* Greenpeace Canada requested the Alberta Securities Commission to halt the initial public offering of a company that had not fully disclosed its climate risk exposure in its official communication to potential investors. The Commission refused to dismiss the complaint and the company amended its prospectus accordingly (Solana 2020).

Box 1. InfluenceMap: **Towards a 360-degree, science-led account of CPA**

InfluenceMap, a non-profit research and advocacy think tank founded in 2015, conducts the most comprehensive data collection exercise with regard to how business enterprises engage on climate policies. It combines conventional money-in-politics data, such as lobbying filings, with information published through various green and climate-related reporting frameworks, alongside an analysis of social media posts, advertising campaigns and media coverage. The result is a close to 360-degree view of CPA on climate issues. InfluenceMap's methodology breaks new ground with how it derives its criteria for assessing the content and impact of CPA: it compares the positions on specific climate policy issues that a company adopts to what the best scientific evidence suggests would be necessary to undertake in order to reach the Paris Agreement's climate goals. The result is an aggregated policy commitment gap for each company, which is partly derived from a scientifically determined benchmark (InfluenceMap n.d.). Furthermore, with a presence in Asia, InfluenceMap can identify emerging climate policy leadership outside the EU/USA—for example, in Japan with the retailer Aeon whose executives have been lobbying for ambitious national climate targets or the industry association Japan Climate Leaders' Partnership showing promising levels of alignment and engagement on positive climate policy action (InfluenceMap 2021).

Chapter 5

CPR AND MONEY IN POLITICS: MAKING CONNECTIONS

Speed read

- A number of virtuous dynamics have been identified that are likely to raise the quality and relevance of CPA reporting, governance and monitoring, and therefore promise to further incentivize and enhance responsible conduct in the future.
- However, CPR is not a silver bullet. Uneven global spread, fragmented reporting standards and persistent grey zones of behaviour are some of the major challenges for CPR moving forward.
- A closer collaboration between the governance stakeholders for conventional money in politics and emergent business in politics can unlock great synergies between the two. Policymakers can support such closer collaboration and help to realize these synergies through a variety of measures.

This Discussion paper has provided a high-level mapping of some of the key dynamics and stakeholders that drive the rapid evolution of 'business in politics', and how the expectations, incentives and practices for corporate integrity and responsibility evolve alongside this. This chapter provides a recap of the main dynamics, notes a few caveats and limitations, and draws out some of the main implications for policymakers.

5.1. **EXPECTATIONS FOR AND PRACTICE OF CORPORATE POLITICAL RESPONSIBILITY**

- Expectations by business stakeholders and the public at large about what issues businesses should care about and be held responsible for are progressively expanding from a narrow focus on profits to a broader regard for environmental and social impacts, as well as a distinctive corporate democratic responsibility in the face of democratic backsliding, the misinformation epidemic and rising populism. Such a focus on democratic responsibilities directly brings into focus corporate engagement with politics—from political finance to lobbying and beyond.

- The rise of civil society watchdogs on corporate climate conduct and the emergence of an entire multi-billion-dollar business intelligence industry focused on corporate sustainability has led to a proliferation of new diagnostic tools and, most importantly, a step change in the amount of resources invested in accountability data generation. These new data sources and insights are highly complementary to the data generated in conventional money in politics, such as lobbying filings and political expenditures. There are excellent opportunities for researchers, advocates, watchdogs, journalists and regulators to fill the gaps, to blend and triangulate data to gain new insights, track good and bad developments, identify discrepancies and gather valuable evidence for further adaptations of the governance of both business in politics and money in politics.

- The expectations and practical norms about what constitutes responsible corporate political conduct have been continuously expanding, most recently driven by the climate emergency and emerging decarbonization frameworks. As business accounts for the bulk of political engagement by organized interests, this is de facto also changing some of the major norms and standards that characterize the business-in-politics world and it opens the door for further spillover effects as money-in-politics advocates or progressive business leaders find new templates and alliances for inspiration.

The expectations and practical norms about what constitutes responsible corporate political conduct have been continuously expanding, most recently driven by the climate emergency and emerging decarbonization frameworks.

5.2. **FROM ASPIRATIONAL TALK TO ACCOUNTABLE COMMUNICATION**

- Aggressive public relations, one of the most proactive forms of corporate political engagement, has so far largely been shielded from regulation and private litigation challenges, as it had previously been legally considered to be mere 'puffery'—statements that would not be material or misleading for an average investor (Ajax and Strauss 2018). However, this defence is crumbling. A growing number of responsible investors consider some of the specific attributes included in a company's public presentation as consequential to their investment decision, while even conventional investors feel the material repercussions of misleading ESG reporting via the reputational damage and consumer/investor boycotts that it can cause.[6] As a consequence, many types of sustainability communication by companies are becoming evidently material to the average investor.

- Most importantly, regulators in many jurisdictions are increasingly contemplating the integration of mandatory standards for truthful, certified ESG reporting into conventional financial reporting. This is likely to remove any remaining doubts that such information is legally considered more

[6] There is early evidence that such activities do indeed affect the stock price of related businesses (see, for example, Gantchev et al. 2019).

than marketing speak and needs to live up to high standards of accuracy and completeness (Saad and Strauss 2020; Lipton 2019).

- Proactive businesses are already front-running some of these developments towards materiality and accountability. Around 70 per cent of the largest 250 global companies are already applying some sort of external quality assurance to their sustainability reporting, thus voluntarily raising these disclosures on key aspects of CPA to a higher level of quality and materiality (*Financial Times* 2021).

5.3. **INEVITABLE LIMITATIONS**

While the major dynamics that drive the rise of corporate political accountability are very encouraging, a number of challenges and limitations should also be noted:

- *Limited scope:* Most of the action is currently taking place in the USA and EU. And while there are already indications that global investors, multinational companies and international reporting frameworks propagate new norms and governance frameworks for CPA through their investment portfolios, supply chains and global standards respectively, the uptake can be expected to be more gradual in other regions.

Around 70 per cent of the largest 250 global companies are already applying some sort of external quality assurance to their sustainability reporting.

- *Persistent outliers:* Some companies will buck this trend towards more responsible CPA and continue operating in legal and moral grey zones, perhaps hiding more sinister conduct behind a veneer of transparent reporting. Privately owned companies, insulated from investor pressures and reporting mandates for listed companies, may be particularly tempted to do so.

- *Fragmentation:* A lack of universally accepted taxonomies, assessment methodologies and reporting standards raise implementation costs for companies, dilute comparative assessments and open additional loopholes for window-dressing.

While publicly listed companies are subject to full range of disclosure and internal governance requirements, privately owned companies are not always obligated to fulfil those requirements.

- *Opaque private markets:* Publicly listed companies are subject to a full range of disclosure and internal governance requirements. But very few of these rules apply to private markets and privately owned companies, while the share held by these types of companies and markets is rising.

- *Active policy resistance:* There is likely to be a continuing push-back by industry associations on both the lobbying and the litigation front to slow down the shift towards mandatory standards in this area.

All this means that the rise of CPR is neither inevitable nor a recipe for solving all problems related to money in politics. Instead, it can be viewed as potentially highly complementary to and, in parts, transformational for conventional money-in-politics governance, provided that these two ecosystems can be systematically interconnected.

Chapter 6
RECOMMENDATIONS

With the rise of the business-in-politics governance ecosystem, a new set of regulators and policy instruments are entering the fray. Where detailed rule-making and enforcement in money in politics is the domain of electoral management bodies, ethics councils or other entities in parliamentary self-regulation, business in politics brings a fresh cast of authorities to the table. Consumer protection agencies, securities and financial regulators, competition authorities and the prosecutorial powers to investigate fraud, financial crimes and corporate misconduct are all potentially relevant, and may have some remit to deal with aspects of business in politics and help raise the integrity of corporate political conduct. The civil and criminal penalties that can potentially be brought to bear on misconduct in business in politics are much more aggressive deterrents than the reprimands or small fines for administrative rule violations that often accompany money-in-politics violations.

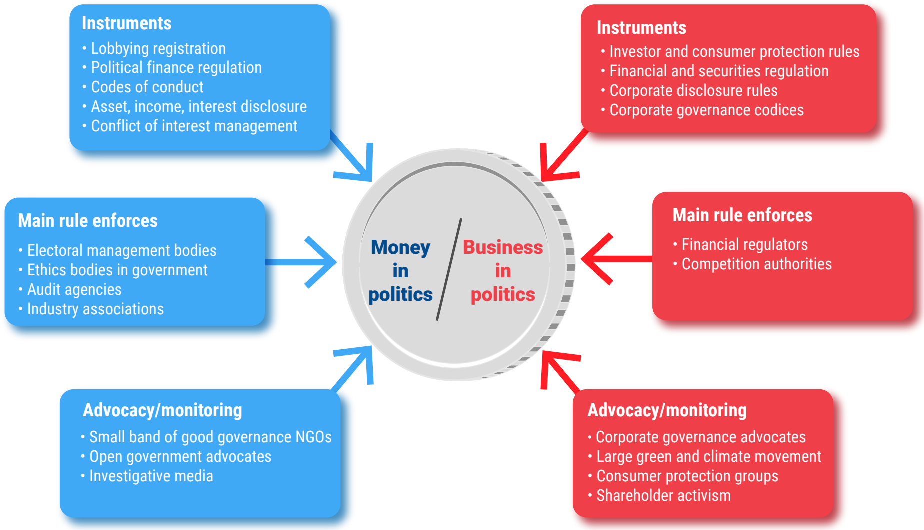
Business in politics brings under its remit a range of stakeholders ranging from consumer protection agencies, securities and financial regulators, to competition authorities, who help raise the integrity of corporate political conduct.

The matrix of interests at play in business in politics is more conducive to effective action than in the conventional sphere of money in politics. For business in politics, the damages caused and potentially recouped by litigants are pertain to private individuals rather than the general public. Consumers and investors are directly harmed and can seek redress. In contrast, misconduct in money in politics is perceived to cause more elusive and primarily dispersed damages. The citizenry at large and the democratic system are being harmed and therefore breaches are responded to by oversight bodies on behalf of the public. This means that in business in politics there are strong incentives and many more opportunities for private litigants to take action and explore creative avenues for strategic litigation—opportunities that are only available to a much lesser degree (if at all) in conventional money-in-politics issues.

The main components of the combined money-in-politics/business-in-politics ecosystem that results are summarized in Figure 2.

Overall, the governance dynamics of business in politics drive a diversification and expansion of accountability channels for corporate political behaviour.

Figure 2. The money-in-politics/business-in-politics ecosystem: **A simplified overview**



Source: Developed by the author.

Investors, consumers and shareholders can all find new ways to make companies answerable on certain aspects of their political strategies. It is noteworthy, however, that some of these new channels for accountability are more private than public—for example, with regard to proprietary company assessments by business intelligence firms or private lawsuits. It might be worthwhile exploring how more of this proprietary information can be made available to the public and the broader money-in-politics community.

Policymakers and practitioners interested in preserving and raising the governance of money in politics can find new allies and forge new strategic alliances. Right now, there is still a bit of a disconnect between the business-in-politics and money-in-politics communities of practice, despite a great potential for mutual learning and collaborative ways forward. Opportunities to collaborate include:

There is a disconnect between the business-in-politics and money-in-politics communities of practice, despite a great potential for mutual learning and collaborative ways forward.

- **Build more institutional touchpoints and forge cross-domain networks.** At the most basic level, it is important to offer more interaction opportunities for the business-in-politics and money-in-politics communities. This could include convening a series of thematic events to compare notes, work towards common principles and expectations for CPR, explore complementarities in reporting frameworks, and develop joint policy proposals. More touchpoints are needed horizontally between policymakers and experts with these two different professional specializations, between regulatory authorities from both domains and also between civil society groups focusing on these two issue areas. And touchpoints are also needed vertically to bring together experts, practitioners and advocates around this joint theme.

- **Re-examine and upgrade the internal corporate governance of business in politics.** Fresh ideas for making internal decision-making on CPA more transparent and accountable are being launched from several vantage points. The first signature bill introduced by the Biden administration in the USA, for example, proposed an innovative clause that business executives should not only explain their company's political strategy at shareholder meetings but also poll all shareholders on key elements beforehand and then explain why management opted to diverge or comply with the owners' opinions (United States 2021). Tasking a specialized board committee with oversight over corporate political strategy is evolving into a good-practice norm and helps firm up the accountability and fiduciary oversight in this area. More 'say on political play' is also a growing area for employee engagement, as a new cohort of workers are more readily calling out management on hypocrisy when lofty purpose and actual political conduct diverge. A close collaboration between money-in-politics practitioners and corporate governance experts could help to finetune the internal corporate governance architecture to make related decisions more inclusive, transparent and accountable. Policymakers and business regulators together with investors can drive these changes in a corporate governance landscape that is evolving very dynamically—more than 90 per cent of major economies have updated their relevant laws and codes between 2015 and 2020 (OECD 2021). Company and securities laws can be amended, listing requirements on stock exchanges adapted, and corporate governance principles/codes that complement these regulations in many jurisdictions can be updated to recognize the growing importance of CPR and to incorporate relevant rules and principles. At an international level, governments can also work towards recognizing CPR in a more comprehensive manner in the next round of refreshing the *G20/OECD Principles of Corporate Governance* (OECD 2015), as well as the *OECD Guidelines for Multinational Enterprises* (OECD 2011).

Competition and market regulators should look into strengthening rules against misleading advertising, so that these rules take full account of greenwashing and other public relation spin tactics that are common in CPA strategies.

- **Further incentivize and strengthen responsible corporate political conduct.** This could, for example, include provisions in public procurement and public–private partnerships to further encourage climate disclosure (including on public policy engagement) by white-listing compliant private sector partners. Another focus for policymakers could be to expand mandatory reporting and the required level of external assurance, thereby expediting the shift towards higher-quality corporate communication around CPA issues. Competition and market regulators should look into strengthening rules against misleading advertising, so that these rules take full account of greenwashing and other public relation spin tactics that are common in advanced CPA strategies. And they can clearly establish that corporate reporting on sustainability is of material importance for the contemporary investor, thereby establishing clear duties for the scope and accuracy of relevant communications. In addition, market regulators should also respond to the growth in private markets and privately owned companies, and extend disclosure requirements to these actors and institutions, which increasingly also handle pension funds and other publicly dispersed investments.

Working towards the aspiration of data sets in corporate and money-in-politics reporting that build on common identifier systems or are directly interlinked could offer substantive benefits.

Implementing granular income and interest disclosure systems for senior officials would help trace the matrix of influence and interests in business in politics in a much more comprehensive manner.

- **Better interlink data sets from money in politics and business in politics.** An important step here is to make existing data in money in politics more easily searchable and analysable for company-related information. Right now, most filing systems are primarily geared towards shedding light on the recipient end, the senior politicians, government officials or policymaking processes that are targeted by influencing strategies. Triangulating what companies report in the context of their business-in-politics responsibilities with what influencing targets report about their interactions with and financial support from businesses is still very difficult, yet offers many opportunities for stronger transparency and public accountability going forward. In the medium term, working towards the aspiration of data sets in corporate and money-in-politics reporting that build on common identifier systems and/or are directly interlinked could offer substantive benefits. This would be the gold standard for fully harnessing the synergies between money in politics and business in politics at the data level. Collective action for realizing such ambitions needs to involve the competent authorities that oversee lobbying filings and other related data collections, NGOs specialized in processing and interlinking political integrity data, and business regulators that coordinate the filing of company disclosures. Also relevant could be the expertise and data holdings of social media platforms that already maintain repositories of what are often micro-targeted political ads and campaigns, bearing testament to the growing relevance of online political and corporate campaigning. Given that the EU is developing a set of ambitious standards and rules frameworks around digital political advertising, as well as mandatory corporate sustainability reporting, it might also serve as a good forum to facilitate a broader policy discourse around future developments in this space.

Policymakers can encourage reforms at a national level by supporting the development of good-practice principles for business associations in relation to lobbying registration, funding disclosure, and transparent and inclusive member participation in lobby target-setting.

- **Plug major loopholes in money-in-politics reporting.** This can entail establishing lobbying registers or setting up legislative footprints to keep track of all inputs to the development process of each specific law and regulation. Similarly, expanding reporting requirements to include non-election periods and issue advertising (ads that advance political viewpoints but do not directly endorse a particular candidate) could also be very useful in this context. And implementing effective transparency regimes for the beneficial ownership of companies and property, as well as more granular and comprehensive asset, income and interest disclosure systems for senior officials, would add some more critical pieces to the puzzle and help trace the matrix of influence and interests in business in politics in a much more comprehensive manner. Depending on specific governance contexts, policymakers and/or regulators could take the initiative on specific aspects. The Open Government Partnership, which has a thematic focus on both political integrity and beneficial ownership transparency, can be a good platform for governments to lock in relevant reforms as commitments in their national action plans and to compare notes across borders on evolving practices.

- **Strengthen the transparency and accountability of collective corporate interest representation.** Business associations are very important conduits for CPA, yet their influence and salience stand in stark contrast to the opacity of their internal organization. Their funding, membership composition and decision-making are typically poorly disclosed, while their lobbying aims in important instances fundamentally diverge from the stated policy positions of companies that they claim to represent. Higher expectations for what constitutes responsible, transparent and well-governed CPA also need to be applied to business associations. Policymakers can encourage reforms at a national level—for example, by amending lobbying registration requirements accordingly. Or they could support the development of good-practice principles for business associations with regard to funding disclosure, transparent and inclusive member participation in lobby target-setting etc., in the context of the OECD Working Party of Senior Public Integrity Officials and its ongoing review of the 2011 *OECD Principles for Responsible Lobbying* (OECD 2022). At least equally important, companies can leverage their membership in these associations to push for relevant governance reforms.

- **Promote a stronger integration of CPA and CPR into the core curricula of business schools.** Right now, some aspects of these issues are being included, primarily in course modules on non-market strategy, business ethics or public relations, yet a more systematic mainstreaming of these issues would be commensurate with their growing importance. Business, academic and government stakeholders could, for example, advance these issues under the umbrella and strong global network of the United Nations' initiative on Principles for Responsible Management Education (UN-PRME).

Table 2 summarizes the main policy recommendations. All these options highlight that policymakers can play a crucial role in maximizing the highly complementary benefits that the emerging business-in-politics ecosystem can bring to curbing undue influence in money in politics and to establishing strong standards for responsible political engagement. The opportunities are considerable. And taking action while the fundamentals of the business-in-politics ecosystem are still in the making is both timely and topical.

Policymakers can play a crucial role in maximizing the highly complementary benefits that the emerging business-in-politics ecosystem can bring to curbing undue influence in money in politics and to establishing strong standards for responsible political engagement.

Table 2. A summary of recommended action options

Main driver/which platform	What
Building more links between business-in-politics and money-in-politics communities	
Experts, regulators, policymakers from both money-in-politics and business governance side Platform: many possible convenors, e.g., OECD, Open Government Partnership	Convene joint events to compare notes, develop shared principles, explore complementarities and work towards some harmonization where possible.
Adapting corporate governance (company/securities laws, listing requirements, governance code)	
Government, market regulators, stock exchanges, corporate code custodians Platform: national, OECD/G20	Recognize CPA as a strategic function and as material to investors. Establish clear board oversight and transparent decision-making and integrate reporting of CPA into standard shareholder communications. Elaborate good-practice expectations for CPR, including revolving door policies, responsible public relations, etc.
Incentivizing and strengthening CPR	
Procurement agencies, business regulators, competition authorities Platform: national, regional (EU)	Consider a firm's CPR policies in public procurement and public–private partnerships. Include reporting on CPA in emerging mandatory reporting frameworks on corporate sustainability. Strengthen rules and rule enforcement against misleading advertising. Expand corporate disclosure and reporting duties to private markets and privately owned companies.
Interlinking and triangulating data sets	
Regulators, data experts, technology providers, open government groups Platform: national, regional (EU)	Explore development of common identifier systems, compatible reporting standards and inter-linkable data sets. Explore involvement and role for social media companies to interlink political ad repositories.
Close loopholes in money-in-politics transparency	
Policymakers, political integrity oversight bodies Platform: national, Open Government Partnership	Expand reporting to include issue advertising and non-election periods. Establish or strengthen lobbying registries, legislative footprints and income/interest/asset disclosure regimes. Establish beneficial ownership registries for companies and property.
Strengthen CPR for business associations	
Government, regulatory, investors' associations, companies Platform: National, OECD	Require more transparency on funding, membership and internal governance. Develop CPR principles for business associations.
Mainstream CPR into business school curricula	
Business schools, companies Platform: UN-PRME	Encourage peer learning among business schools, thematic network formation and curricula development.

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Annex A. A bird's eye view on the emerging business-in-politics ecosystem

A number of very different actors and initiatives are advancing CPR, from defining new standards for responsible conduct to forging new pathways for accountability. Most importantly, this new array of actors, the extent of the resources they can deploy and the efficacy of the enforcement mechanisms on the horizon together promise great momentum towards increasing levels of political responsibility from business.

For compact and easy reference, Table 3 summarizes the main actors and their features presented in Chapter 4. It provides an overview of some of the main building blocks and examples of involved stakeholders, grouped into five main contribution areas. This overview is far from comprehensive but rather exemplifies the range of initiatives and actors active in this field.

Table 3. Emerging business-in-politics ecosystem

Initiatives	Type of initiative	Relevant provisions	Characteristics	Coverage
	Defining standards for behaviour/governance			
G20/OECD Principles of Corporate Governance	Intergovernmental/ international organization	Disclose policies on business ethics, public policy commitments	Main international benchmark for corporate governance	Endorsed by OECD Council and G20 Leaders' Summit
OECD Guidelines for Multinational Enterprises	International organization	Abstain from improper local political activities/ illegal contributions No deceptive, misleading, unfair PR	Non-binding for companies, but national complaints mechanism increasingly used for 'shaming' deceptive advertising	49 adhering countries
	Devising disclosure and reporting frameworks			
Global Reporting Initiative	NGO-led, multi-stakeholder	Lobbying goals, targets, positions taken Differences between lobbying stance and other policies	Most widely used sustainability reporting framework for public audience	75% of 250 largest global firms; 2/3 of 100 largest firms in 52 countries
Carbon Disclosure Project	NGO	Lobbying and indirect engagements with research, etc. Very detailed policy stance and engagement with industry associations	Most comprehensive voluntary reporting framework on climate policies	> 9,500 companies
	Crafting responsible conduct and alignment with purpose			
Climate Action 100+	Large investor collective action	Align all policy positions with Paris Agreement	Active, direct engagement with investees	600 investors with USD 60 trillion under management
Examples: ShareAction, As You Sow	Small investor collective action	Make CPA more transparent and responsible	Public advocacy and pushing shareholder resolutions	Increasing number of and support for shareholder resolution on CPR in USA, Europe
Examples: IKEA, Unilever, Aeon, Edison International	Individual companies	Align political engagement with climate goals Actively support green policies	Management devising and reporting on commitments for responsible corporate political conduct	A growing number of companies

Table 3. Emerging business-in-politics ecosystem (cont.)

Initiatives	Type of initiative	Relevant provisions	Characteristics	Coverage
	Professional monitoring and assessment			
Examples: Refinitiv, Vigeo Eiris, Sustainalytics	Business intelligence providers on corporate sustainability	Responsible lobbying, absence of scandals as criteria in assessing and scoring businesses	Vast apparatus for monitoring CPR Crucial for a company's access to responsible investment funds	Varies by provider, but taken together covering most large companies, albeit data often proprietary
	Multi-level engagement for integrity and accountability by civil society			
InfluenceMap	NGO	Most comprehensive CPR assessment exercise Science-led benchmarks	Drawing on multiple data sources and covering finance, lobbying, public relations activities	350 global companies and 150 industry associations

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ABOUT INTERNATIONAL IDEA

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with the mission to advance democracy worldwide, as a universal human aspiration and enabler of sustainable development. We do this by supporting the building, strengthening and safeguarding of democratic political institutions and processes at all levels. Our vision is a world in which democratic processes, actors and institutions are inclusive and accountable and deliver sustainable development to all.

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How business acts in the political arena has a substantive, at times defining, impact on the integrity and fairness of policymaking and policy outcomes. Unfortunately, the conventional approach for regulating corporate conduct in this area faces a number of persistent challenges.

A confluence of several important dynamics, however, offers the promise that responsible corporate political conduct can be encouraged and advanced from a very different vantage point—a new ecosystem for corporate political responsibility is in the making. This ecosystem comes with a new cast of actors, new soft and hard accountability mechanisms and a trove of new resources, tools and collective action initiatives.

This Discussion paper presents an overview of this new governance regime, identifies the dynamics that drive its evolution, describes its main building blocks and discusses its limitations. Most importantly it lays out several suggestions for policymakers and practitioners for how the potential of this new accountability regime can be fully utilized to support political integrity and how it can be most productively interlinked with conventional money-in-politics regulations for maximum benefit.

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