



# **CORPORATE POLITICAL ENGAGEMENT INDEX**



# **2018**

**Rating Private Sector Political Transparency**

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

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**Acknowledgements:** TI-UK would like to thank those companies who engaged with us throughout the process. We would particularly like to acknowledge those companies who provided information and improved the transparency of their political engagement either by publishing or developing policies as a response to this index. We appreciate that this has involved not only a significant commitment but also a degree of trust on their part and we hope that the result will be a global shift to new norms of business integrity.

We would like to thank Friends Provident Foundation who supported the research and publication of this index. We would also like to thank the Amberstone Trust and Joseph Rowntree Charitable Trust for supporting the Open Access Database.

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Published November 2018.

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# INTRODUCTION

Corporate political engagement is a legitimate activity. When done responsibly, it helps to shape the business environment and benefits the democratic process by providing expertise and ensuring that legitimate points of view are heard by public decision-makers. This can result in laws and regulations that are well-designed and in the public interest.

However, in the UK and many other countries, repeated political scandals and revelations of the unethical actions of a number of lobbyists have led to high levels of public mistrust in the relationship between government and so-called 'big business'.

For companies, corporate political engagement carries clear risks of bribery and corruption, conflicts of interest and reputational damage. Any interactions with the political process need careful management to avoid falling foul of anti-bribery and corruption legislation. The risks are increased by the fact that companies are vulnerable to mistakes or abuse by employees and third parties acting on their behalf such as agents, advisers and consultant lobbyists.

We believe that transparency in reporting demonstrates a company's commitment to ethical conduct and makes companies more accountable for shortcomings. By reporting publicly on relevant policies, procedures and activities, companies not only mitigate risk, but also provide the necessary information to make them accountable to investors and the public.

## Corporate Political Engagement Index

The Corporate Political Engagement Index has been launched to support companies and the wider private sector to raise standards of political engagement.

One hundred and four companies have been selected to participate in the 2018 study.

### Participants:

- Thirty-seven FTSE 100 companies - formerly assessed during the 2015 pilot study of the Corporate Political Engagement Index<sup>1</sup>

- Eighty companies in the UK Government's 'Strategic Relations Management Programme'<sup>2</sup>
- The four leading accounting and consultancy firms in the UK (the 'Big Four')

The transparency and governance of each participant's approach to political engagement has been assessed - benchmarked against our ten 'Principles of Responsible Political Engagement'.<sup>3</sup> Against a set of 20 assessment questions, across five themes, each company has received an assessment score (between 0-100) and a rating (from A-F), as indicated in Table 1.

The index has been designed to assess companies against the information that they disclose to the public. The transparent publication of information relating to political activities is important - increasing public consumer and investor confidence in the private sector and the political process. It also helps to ensure that companies' involvement in the political process is open to public scrutiny and enables companies to share and understand best practice.

## Using the results

The index provides companies with an understanding of the respective strengths and weaknesses of their current approach to political engagement. It also acts as a comparative tool for the wider private sector, as well as offering insight for other corporate stakeholders - investors, governments and civil society groups - who regularly take an interest in attitudes towards corruption risks.

This report includes the full index and company ratings against five key themes. It also offers an analysis of key areas of performance amongst all the companies surveyed, as well as offering a general picture of performance across the private sector and the opportunities that exist for all companies to strengthen performance.

Index themes:

- Control environment
- Political contributions
- Lobbying
- Revolving door
- Transparency

<sup>1</sup> These companies were the 37 largest companies on the FTSE 100 as of 30 January 2015. See Transparency International UK, *Corporate Political Engagement Index 2015*, (December 2015).

<sup>2</sup> These companies have been included because of the additional access to UK Ministers and departments they may benefit from. For a list of these companies see Appendix 1, p.26.

<sup>3</sup> These are the Transparency International principles setting ethical and transparency standards for company engagement with politicians and government officials. See p. 3 for the principles.

Band	Ranking Score	Business Performance
<b>A</b>	83.3 - 100	<b>This company demonstrates excellent standards.</b> Continuous monitoring and review is recommended to ensure standards remain high.
<b>B</b>	66.7 - 83.2	<b>This company demonstrates good standards.</b> Continuous monitoring and review is recommended and there is scope to implement some improvements.
<b>C</b>	50.0 - 66.6	<b>This company demonstrates fair standards.</b> Continuous monitoring and review is recommended and there is scope to implement a number of improvements.
<b>D</b>	33.3 - 49.9	<b>This company demonstrates fairly poor standards.</b> Review is recommended and there is scope to implement improvements across most areas.
<b>E</b>	16.7 - 33.2	<b>This company demonstrates poor standards.</b> Review is recommended and there is scope to implement improvements across the majority of areas.
<b>F</b>	0 - 16.6	<b>This company demonstrates very poor standards.</b> Prompt review is recommended and there is scope to implement improvements across all areas

Table 1: Index Key

# PRINCIPLES FOR RESPONSIBLE POLITICAL ENGAGEMENT<sup>4</sup>

<b>1. Include all forms of political activities in your management of responsible political engagement</b>	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.
<b>2. Do not make political contributions</b>	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.
<b>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.</b>	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.
<b>4. Manage relationships with trade associations to ensure their lobbying activities are aligned with your guiding principles for responsible political engagement</b>	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.
<b>5. Make sure accountability for political engagement sits in your boardroom</b>	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.
<b>6. State publicly your commitment to responsible political engagement</b>	This commitment is supported by guiding principles for responsible political engagement.
<b>7. Be consistent in your political engagement</b>	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.
<b>8. Design and implement policies and procedures for political engagement based on your company's values and risk assessment</b>	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.
<b>9. Monitor and review the implementation of the policies and procedures covering political engagement</b>	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.
<b>10. Report publicly, comprehensively and accessibly on political engagement</b>	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. Information is provided accessibly such as in a dedicated web page.

<sup>4</sup> Transparency International UK, *Wise Counsel or Dark Arts*, p.2, (December 2015).



# ADVANTAGES OF RESPONSIBLE POLITICAL ENGAGEMENT

Political corruption increases the cost of doing business. It increases uncertainty for businesses, as well as the risk of reputational damage and vulnerability to extortion. In the broader market environment, it undermines competition, leads to lost business opportunities and nurtures corrupt bureaucracies. Corruption in and by the private sector hollows out the very basis on which its own existence and success depends: the functioning and sound governance of markets.

In contrast, strong internal governance, corporate values and transparency are found to pay significant 'integrity dividends', dispelling the myth that abstaining from corrupt practices spoils business prospects. It offers a wide range of advantages for companies:

## Builds reputation

Customers and the wider public place greater trust in businesses which operate ethically and transparently. The Transparency International 2016 Global Corruption Barometer shows that 76 per cent of the public strongly believed that corporations exert undue influence on governments and action needs to be taken to stop this.<sup>5</sup>

## Competitive advantage

Ethical companies have been demonstrated to outperform the wider corporate community by more than 10 per cent over five years.<sup>6</sup> Companies with strong integrity also deliver outperformance of more than 7 per cent higher shareholder returns on average, with companies embroiled in political corruption scandals seeing their stock prices fall by as much as 20 per cent.<sup>7</sup>

## Stronger profitability

Companies with anti-corruption programmes and strong ethical guidelines are found to suffer up to 50 per cent fewer incidents of corruption than those without such programmes, minimising costs, penalties and financial losses which can be incurred as a result.<sup>8</sup>

## Responding to increasing investor expectations

Interest in how businesses engage politically is a growing trend, increasingly becoming a component of socially responsible investing, and investment more broadly. Evidence from Institutional Shareholder Services demonstrates that the overwhelming majority of resolutions filed by shareholders in 2015-2016 related to political issues, including requests to prohibit donations or to declare the business's policies on political activities.<sup>9</sup> Additionally, bodies such as the Financial Reporting Council are encouraging greater and higher-quality involvement of institutional investors by publishing guidance documents such as the UK Stewardship Code.<sup>10</sup> This code puts forward that "effective stewardship benefits companies, investors and the economy as a whole", and places board members at the centre of overseeing effective management of the company, aligning with our requirements for companies to have an integrated and strong control environment.<sup>11</sup>

<sup>5</sup> Transparency International, *Take Back Control: How big money undermines trust in politics*, (October 2016).

<sup>6</sup> Ethisphere, *2018 World's Most Ethical Companies*, (2018) [Accessed: 7 September 2018] [www.worldsmoethicalcompanies.com/honorees/](http://www.worldsmoethicalcompanies.com/honorees/).

<sup>7</sup> Patrick Gillespie, "Brazil's oil giant loses billions amid corruption scandal", *CNN Business*, (21 March 2016), [Accessed: 7 November 2018].

<sup>8</sup> Anti-Corruption Resource Centre, *The relationship between business integrity and commercial success*, (January 2018), (web), [Accessed: 9 October 2018].

<sup>9</sup> [www.trackyourcompany.org/shareholders.html](http://www.trackyourcompany.org/shareholders.html) [Accessed: 9 October 2018].

<sup>10</sup> Financial Reporting Council, *The UK Stewardship Code*, (September 2012).

<sup>11</sup> Financial Reporting Council, (2012), p. 1.

### Strengthens markets

Removing political corruption leads to an increase in the value and accessibility of public investment opportunities, while supporting the development of fair market structures, which in turn supports investment. According to the European Union (EU) Commissioner for Home Affairs an estimated **€120 billion is lost to corruption** each year throughout the 27 EU member states.<sup>12</sup> By reducing the flow of corrupt capital, more public money can be prioritised towards public projects, such as health, transport, education, agriculture and defence, as well as reducing market volatility.

### Legal and regulatory 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 increasingly 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. For example, the Financial Reporting Council has updated the **UK Corporate Governance Code** on best boardroom practice.<sup>13</sup> The code contains provisions on how board

members should ensure that policies and principles align with a company's culture and values and that these receive effective board oversight. The code's 'comply or explain' requirement makes companies go beyond financial reporting and contributes to the trend of companies being increasingly transparent about their guiding principles, and to board members being increasingly accountable for a company's values and actions.

### Supports sustainable business

Responsible political engagement results in economic and social environments where companies and societies can prosper together. When companies are transparent about political engagement, other actors, such as the media, citizens or employees, can monitor which interests are being pursued and by whom the government is being influenced by.

Responsible engagement also serves to prevent the exploitation of environmental regulations and legislation, which helps to protect precious natural resources and vulnerable eco systems.

#### INDEX HIGHLIGHT

### Importance of political accountability to investors – the International Corporate Governance Network

Members of the International Corporate Governance Network, with global assets in excess of US\$26 trillion, believe in the long-term benefits of good governance and transparency, striving to make this an integral part of their approach to business and investment.

#### Extract from the 2017 network guidelines for investors

“A healthy system of corporate governance ensures that companies make proper use of the power that is entrusted to them by their shareholders. This relates to all aspects of a company's activities and includes a company's involvement in seeking influence in the political process...Conducted in the right way and for the right reasons, corporate political activity can be positive. There is, however, the potential for abuse. In extreme cases, there is scope for ethical lapses and disproportionate influence that can have negative impacts...Consequently, it is a matter of good governance for companies to ensure that any political involvement is both legitimate and transparent, and that the companies and their boards are held properly to account for their political activities.”<sup>14</sup>

<sup>12</sup> “€120 billion lost to corruption in EU each year”, *euobserver*, (web), March 2013, [Accessed: 5 November 2018].

<sup>13</sup> Financial Reporting Council, *The UK Corporate Governance Code*, (July 2018).

<sup>14</sup> International Corporate Governance Network, *ICGN Political Lobbying and Donations*, p. 4, (2017).

# 2018 OVERALL RESULTS

Participants in the 2018 Corporate Political Engagement Index have been rated from A-F for the transparency and governance of their political engagement.

<b>A</b>	GSK		
<b>B</b>	3M Barclays Centrica IBM	National Grid Pearson Siemens Sky	SSE Standard Chartered
<b>C</b>	Anglo American Apple Inc Atkins (part of SNC Lavalin) BASF BAT BHP	Cisco Experian Iberdrola KPMG Lockheed Martin Microsoft	RWE Equinor (formerly Statoil) Telefonica Vodafone WPP
<b>D</b>	Aviva BAE Systems BT Group Coca-Cola Deloitte General Electric	Google HP Enterprise HSBC Legal & General Lloyds Nestlé	PwC RBS Roche Shire Unilever
<b>E</b>	AB InBev ABB Amazon Associated British Foods AstraZeneca Babcock Balfour Beatty BMW BP Caterpillar Compass Group CRH	DP World E.ON Eisai Facebook Glencore Imperial Tobacco Jaguar Land Rover Johnson Matthey Johnson & Johnson Novartis P&G PepsiCo	Pfizer Prudential RB Group RELX Rio Tinto Rolls-Royce Sabic Shell Syngenta Tesco Time Warner
<b>F</b>	Associated British Ports Bombardier CK Hutchinson Diageo Disney EY Ford GKN	Hitachi Honda Huawei Imagination Technologies INEOS JCB Mitsubishi Heavy Industries Mondelez International	Nissan PCCW SAGE Samsung Softbank TATA Group Toshiba Toyota

## KEY FINDINGS

Based on the survey, there are significant opportunities for companies and the wider private sector to strengthen responsible political engagement, although there are already positive signs of improvement.

**1/104**

Only one company, out of 104, is ranked in Band A ('excellent standards')

**E**

The average score is 33 per cent, which falls into Band E ('poor standards')

**73%**

Most companies assessed are rated between 'fairly poor' and 'very poor' standards (Bands D - F)

**27%**

27 per cent of companies are rated as having 'fair' and 'excellent' standards (Bands A - C).

**31%**

The average score for companies in the UK Government's Strategic Relations Programme.

**35%**

The average score for the 'Big Four'.

**10%**

10 per cent of companies rank in Band B (up from 5 per cent in 2015.)

**D**

The average ranking amongst the 37 companies assessed in 2015 and again in 2018 continues to be Band D (fairly poor standards).

**30%**

In response to our research and outreach, 30 per cent of companies selected strengthened the transparency of their political engagement based on our recommendations

**17%**

A further 17 per cent of companies involved have pledged to strengthen their transparency following their publication of the index and based on our recommendations.

# THEMATIC FINDINGS

Against the set of 20 assessment questions, across the five themes, the majority of companies received a rating between D (fairly poor standards) and F (very poor standards).<sup>15</sup>

Table 2 highlights the average rating achieved by companies for each assessment question.

		A	B	C	D	E	F
<b>CONTROL ENVIRONMENT</b>	Guiding principles						
	Integrated approach						
	Board accountability						
	Group-wide, global policies						
	Expenditure thresholds						
	Monitoring and evaluation						
<b>POLITICAL CONTRIBUTIONS</b>	Political contributions						
	Transparency contributions						
<b>RESPONSIBLE LOBBYING</b>	Lobbying policy						
	Third-party lobbying						
	Managing memberships						
	Stakeholder consultation						
	Transparency of lobbying						
	Transparency of expenditure						
	Contracted politicians						
	Transparency of memberships						
<b>REVOLVING DOOR</b>	Revolving door policy						
	'Cooling-off period'						
	Transparency of secondments						
<b>TRANSPARENCY</b>							
	Accessibility of information						

Table 2: Thematic Findings

<sup>15</sup> The full results for companies against the question set – representing the complete benchmark for 2018 – is provided in Appendix 2, p.29.

## CONTROL ENVIRONMENT

Under the control environment, companies are assessed on the extent to which they are publicly committed to ethical behaviour, integrity and responsible political engagement, alongside the policies and practices in place to deliver the company's guiding principles for such engagement.

<b>A</b>	3M Barclays Centrica GSK IBM	Lloyds Lockheed Martin National Grid Pearson RWE	Siemens Sky SSE Standard Chartered
<b>B</b>	Anglo American Apple Inc Atkins (part of SNC Lavalin) Aviva Cisco	Experian HSBC Iberdrola KPMG Legal & General	Microsoft Equinor Telefonica Vodafone WPP
<b>C</b>	AstraZeneca Babcock BAE Systems Balfour Beatty BASF BAT BHP Billiton	Caterpillar Coca-Cola Eisai Facebook General Electric HP Enterprise Johnson & Johnson	PesiCo Pfizer PwC RB Group RBS RELX Shire
<b>D</b>	AB InBev Amazon BT Group Compass Group CRH	Deloitte Glencore Google Nestlé P&G	Rio Tinto Rolls-Royce Shell Time Warner Unilever
<b>E</b>	ABB Associated British Foods Bombardier BP Diageo Disney DP World	E.ON GKN Hitachi Imperial Tobacco Jaguar Land Rover Mitsubishi Heavy Industries Prudential	Roche Sabic Softbank Syngenta TATA Group Tesco
<b>F</b>	Associated British Ports BMW CK Hutchinson EY Ford Honda Huawei	Imagination Technologies INEOS JCB Johnson Matthey Mondelez International Nissan Novartis	PCCW SAGE Samsung Toshiba Toyota

## Control environment results

The control environment is the third highest scoring theme for companies surveyed, scoring an average of 44 per cent. 48 per cent of companies score in Bands A-C.

### Areas of positive performance:

Companies show commitment to group-wide policies focusing on integrity.

- 48 per cent of companies operate with organisation principles which fully meet the Responsible Political Activities Guidelines<sup>16</sup>. 32 per cent were found to partially meet the guidelines.
- 77 per cent of companies display group-wide policies for political engagement. Five per cent have policies that at least apply to all employees.

### Areas of underperformance:

Companies do not have the procedures in place to deliver integrity and ensure ethical behaviour across all levels of the company.

- 64 per cent of companies do not demonstrate full board or senior level accountability and oversight of the company's political activities.
- 50 per cent of companies do not publish a statement of all the activities they consider to be political and show little or no evidence of a co-ordinated approach to managing political activities.
- 75 per cent of companies do not have management thresholds in place for political expenditure.
- Only 2 per cent of companies conduct and publish detailed monitoring and assurance activities for their political engagement each year.

## COMPANY CASE STUDY

### Barclays – Best in class for control environment over political engagement

Barclays is the strongest performing constituent of the control environment; demonstrating a wide range of policies and procedures in place to deliver the company's standards for political engagement. The company's global code of conduct, 'The Barclays Way', sets global standards of conduct and integrity for engagement with government officials and regulators - explicitly stating that, "Barclays is politically neutral; we do not participate in party political activities or make party political contributions", which applies group-wide.

The company's website further demonstrates Barclay's commitment to the Responsible Political Activities Guidelines – for example, "We are committed to ethical behaviour, integrity and responsibility ... our engagement must align to legitimate business objectives and comply with laws... Barclays is open about its political activities".

Implementation of the company's principles are integrated, with responsibility for the co-ordination of monitoring, analysis, development of policy, legislative responses and engagement with political and legislative stakeholders resting with a dedicated Government Relations team. This extends to controls over the services of public affairs agencies, which the Government Relations Team works with on a day-to-day basis to ensure oversight of the work being undertaken. This includes the use of work orders so that agencies are clear on the remit of their role. At the board level, the Deputy Chairman has oversight of the group's public relations, including relations with governments, other public organisations and the public generally.

# POLITICAL CONTRIBUTIONS

This part of the index assesses the information companies disclose about their global policies and procedures for political contributions, particularly whether they are allowed

or prohibited, the criteria for making them, controls to ensure they are not used as a subterfuge for bribery, alongside information on expenditures.

<b>A</b>	Anglo American Apple Inc Associated British Foods BHP BMW BT Group Compass Group Deloitte DP World IBM Imagination Technologies	Imperial Tobacco Johnson Matthey Legal & General Lloyds Pearson Prudential PwC RBS Rio Tinto Rolls-Royce RWE	Sage Samsung Sky SSE Standard Chartered Equinor Telefonica Tesco Unilever Vodafone
<b>B</b>	3M Atkins (part of SNC Lavalin) BAE Systems Barclays BASF BP Centrica	E.ON General Electric GKN GSK HSBC Jaguar Land Rover KPMG	Lockheed Martin Microsoft National Grid Shell Siemens
<b>C</b>	Aviva BAT Cisco Experian	Facebook Glencore Google HP Enterprise	Huawei Iberdrola RB Group Time Warner
<b>D</b>			
<b>E</b>	AB InBev ABB CRH Diageo	Hitachi P&G Pfizer Roche	Shire TATA Group WPP
<b>F</b>	Amazon Associated British Ports AstraZeneca Babcock Balfour Beatty Bombardier Caterpillar CK Hutchinson Coca-Cola Disney	Eisai EY Ford Honda INEOS Johnson & Johnson Mitsubishi Heavy Industries Mondelez International Nestlé Nissan	Novartis PCCW PepsiCo RELX Sabic Softbank Syngenta Toshiba Toyota JCB



## Political contributions results

Companies perform the best in this theme, scoring an average of 52 per cent. 61 per cent of companies score in Bands A-C, although many companies have been found not to adopt global practices.

### Areas of positive performance:

Some companies are acting as leaders in prohibiting and reporting on political contributions.

- 32 per cent of companies prohibit political donations and publish a statement that they have made none.
- 64 per cent of companies have a policy and procedure prohibiting or limiting political contributions whether made directly or indirectly.
- Of this 64 per cent, 57 per cent of companies publish details of all political contributions or made a statement that the business had made none.

### Areas of underperformance:

Overall research found significant under-reporting on global political contribution spending.

- 40 per cent of companies do not publish any details of their global political spending.
- 29 per cent of companies do not publish details of political spending and do not state that they prohibit or limit political spending and therefore score no points at all.
- 55 per cent of companies sponsor a Political Action Committee (PAC).

## COMPANY CASE STUDY

### Pearson – Making a strong statement against political donations

In view of stakeholder distrust of corporate political engagement, the potential for misguided perceptions of companies' intentions and the risk of bribery, it is understandable that many companies now prohibit all political donations. The trend towards prohibiting contributions is reinforced by the judgement of many companies that they benefit more from lobbying and other forms of expenditure and political activity. These have greater legitimacy, allow for a higher degree of management and control, and provide for easier measurement of returns.<sup>17</sup>

Pearson was amongst the positive number of companies demonstrating a robust approach to political contributions. The company was found to have global policy in place to prohibit donations or payments to political parties. This includes a decision by Pearson not to allow a Political Action Committee to operate in the US over what they describe as concerns that it "may be misconstrued and thus compromise the company's position."

### Pearson's view on political contributions

"As a company we're always happy to share our expertise with policy makers but we do not set out to make policy. Pearson expressly prohibits the use of company funds for making political contributions. Pearson does not make direct contributions or donations to political parties or candidates anywhere around the world, nor do we operate Political Action Committees."

<sup>17</sup> Transparency International UK, *Wise Counsel or Dark Arts*, p.13, (December 2015).

## INDEX HIGHLIGHT

## Political Action Committees – A loophole for corporate political donations

Over half (55) of the companies in the index permit employees in the United States (US) to operate a Political Action Committee (PAC).

While corporate contributions are prohibited at a federal level, companies operating in the US have the option of allowing employees to set up a PAC; providing a means for members to pool campaign contributions and donate funds to campaigns for or against candidates, ballot initiatives, or legislation.

PACs play a significant role in the election landscape in the US. In a recent electoral cycle, for example, US\$378 million of funding was generating by PACs<sup>18</sup>, making it amongst the largest and most influential sources of income for campaigns.

A concern for companies that have a PAC is that this will conflict with a policy not to make political donations, acting as a potential loophole for channelling financial support. Although companies are not permitted to contribute funds directly, there is scope for companies to support maintenance costs<sup>19</sup>, as well as to solicit employees to make contributions, including the use of incentives, and to host non-campaign events for federal candidates. Companies can also be explicit, should they chose, about which issues they think employees should donate to.<sup>20</sup> These are all factors that risk employees feeling pressured to donate to a PAC and choosing political causes that are in the company's interests rather than their own.

A small number of companies recognise this risk and, in line with our recommendation, prohibit all political contributions, including allowing an employee-run PAC.

In the case of companies with subsidiaries in the US, despite being subject to more stringent regulation, foreign-connected PACs also play a significant role in the election landscape. The Washington Centre for Responsive Politics reports that foreign-connected PACs accounted for over US\$21 million of donations for the 2016 US election cycle, of which 67 per cent was donated to Republican candidates.<sup>21</sup> The partisan nature and size of PAC donations is indicative of the influence PACs have over American politics. Amongst the companies assessed by the index, 29 operate foreign-connected PACs.



<sup>18</sup> Allen & Overy, *FEC Practice Guide for Corporations and Their PACs*, (web), February 2016, p. 6 [Accessed: 10 September 2018].

<sup>19</sup> Allen & Overy, 2016.

<sup>20</sup> Hertel-Fernandez, "How Companies Manipulate their Workers Into Becoming a Powerful Lobbying Force", *Fast Company* (web), 4 March 2018, [Accessed: 2 November 2018].

<sup>21</sup> [www.opensecrets.org/pacs/foreign.php?cycle=2016](http://www.opensecrets.org/pacs/foreign.php?cycle=2016) [Accessed: 10 September 2018].

# RESPONSIBLE LOBBYING

The lobbying section of the index concerns the direct and indirect work of companies to influence political decision-makers. Companies are assessed against their lobbying values, the visibility of their activities and their

involvement with membership organisations (such as trades associations or business chambers).

<b>A</b>			
<b>B</b>	Barclays GSK	National Grid Pearson	Siemens
<b>C</b>	3M Atkins (part of SNC Lavalin) BAT BHP Centrica Cisco	Iberdrola IBM KPMG Microsoft Nestlé Roche	RWE Sky SSE Standard Chartered Equinor
<b>D</b>	Anglo American Apple Inc BASF	Experian Google Telefonica	Vodafone WPP
<b>E</b>	AB InBev ABB AstraZeneca Aviva Babcock BAE Systems Balfour Beatty BMW BP BT Group	Caterpillar Coca-Cola Compass Group Deloitte E.ON General Electric Glencore HP Enterprise Imperial Tobacco Johnson & Johnson	Lockheed Martin Novartis PwC RBS Rio Tinto Rolls-Royce Shell Shire Syngenta Unilever
<b>F</b>	Amazon Associated British Foods Associated British Ports Bombardier CK Hutchinson CRH Diageo Disney DP World Eisai EY Facebook Ford GKN Hitachi	Honda HSBC Huawei Imagination Technologies INEOS Jaguar Land Rover JCB Johnson Matthey Legal & General Lloyds Mitsubishi Heavy Industries Mondelez International Nissan P&G PCCW	PepsiCo Pfizer Prudential RB Group RELX Sabic SAGE Samsung Softbank TATA Group Tesco Time Warner Toshiba Toyota

## Responsible lobbying results

Overall the companies surveyed performed poorly in this theme. The average Band is E ('poor standards') and 42 per cent of companies scored in Band F ('very poor standards'). 20 per cent of companies scored zero points, publishing no policies at all on responsible lobbying or information on the topics of which they lobby on.

### Areas of positive performance:

Some companies publish policies and procedures relating to their lobbying activities.

- 45 per cent of companies have a publicly available policy on responsible lobbying. 26 per cent are companies with a detailed policy outlining how they ensure lobbying is undertaken responsibly.
- 44 per cent of companies have a policy in place to enforce the companies' standards of responsible political engagement on their third-party contracts, and 23 per cent of these companies also monitor their third-party contracts to ensure that codes of conduct around political engagement are being followed.
- 21 per cent of companies have online evidence that they consult with relevant stakeholders on all their political activities and show that they are willing to consult.

### Areas of underperformance:

- No companies report full global lobbying expenditure.
- Trade associations and chambers of commerce are an important and often preferred route for lobbying but lobbying through these types of bodies is often opaque, as they rarely publish financial information. We found that memberships are unmanaged and under-reported. 70 per cent of companies do not monitor or manage their memberships to organisations that engage in lobbying.
- Only eight per cent of companies publish a comprehensive list of organisations of which they are a member.
- 87 per cent of companies do not report details of serving politicians hired or publish a statement in order to clarify that they prohibit the hiring of serving politicians.

## COMPANY CASE STUDY

### GSK – Delivering responsible lobbying

GSK performed strongest for responsible lobbying amongst all of the companies surveyed. While they want their voice to be heard in relation to public policy developments around business and public health, the company was found to take significant responsibility for ensuring that this happens ethically and transparently, ensuring that appropriate policies and practices are in place.

The company's position is that, "inappropriate political advocacy or 'lobbying' can result in undue influence, often to the detriment of public interest and balanced public policy". As a result, it aims to safeguard the integrity of the public policy process through, "appropriate values, backed by adoption of effective standards, which ensure ethical conduct and support transparency and accountability in decision-making."<sup>22</sup>

Its values and standards have informed an approach to lobbying that closely reflect our Responsible Political Activities Guidelines – requiring, for example, that all third-party lobbyists employed by the company adhere to their policies and values.

The company was one of the few assessed by the index that was able to demonstrate a comprehensive process of consultation with stakeholders about its political objectives. A direct correlation between feedback from stakeholders and the company's public policy positions is evident.

It also recognises the importance of managing its membership of trade organisations (such as business associations and think tanks), demonstrating clearly defined processes, and was one of only eight companies surveyed to fully disclose a list of organisations of which it is a member that carry out lobbying in areas related to the company's interests.

<sup>22</sup> GSK, "Political Advocacy or "Lobbying"", *GSK Public Policy Positions*, (web), [Accessed: 5 November 2018].

## INDEX HIGHLIGHT

### Limits to financial disclosure through EU and US registers

Regulations in the United States (US) require companies to disclose US lobbying costs to the Federal Election Commission. For the European Union (EU), a voluntary Transparency Register exists for companies that elect to disclose lobbying budgets and the vested interests being pursued at the European Parliament.

Within this index, no company was found to go beyond these mechanisms and fully disclose global lobbying costs. Instead, the consistent approach by companies is to signpost to their entries on either the US and/or EU databases.

While this represents partial disclosure and a step in the right direction, it also means that company stakeholders, including investors and employees, remain largely unaware of precisely how much companies invest in lobbying around the world, the issues being pursued and, as is generally the case, how companies are benefiting from lobbying governments. This is an issue that curtails the private sector from being held to account for unethical practices.



## REVOLVING DOOR

This section of the index analyses the information companies publish about how they manage risks associated with the revolving door, particularly global

policies and procedures, including provisions for 'cooling-off periods' for former public officials and details of secondments.

<b>A</b>	GSK	Pearson	
<b>B</b>	BASF	National Grid	Vodafone
<b>C</b>	3M	WPP	
<b>D</b>	Atkins (part of SNC Lavalin) Deloitte Facebook Ford	IBM Novartis PwC RBS	Siemens SSE Telefonica
<b>E</b>	Anglo American Apple Inc Barclays BAT BHP Centrica Coca-Cola	HP Enterprise HSBC Lockheed Martin Microsoft P&G RELX Rio Tinto	Roche RWE Sabic Shell Sky Toshiba
<b>F</b>	AB InBev ABB Amazon Associated British Foods Associated British Ports AstraZeneca Aviva Babcock BAE Systems Balfour Beatty BMW Bombardier BP BT Group Caterpillar Cisco CK Hutchinson Compass Group CRH Diageo Disney DP World E.ON	Eisai Experian EY General Electric GKN Glencore Google Hitachi Honda Huawei Iberdrola Imagination Technologies Imperial Tobacco INEOS Jaguar Land Rover JCB Johnson Matthey Johnson & Johnson KPMG Legal & General Lloyds Mitsubishi Heavy Industries Mondelez Internationa	Nestlé Nissan PCCW PepsiCo Pfizer Prudential RB Group Rolls-Royce SAGE Samsung Shire Softbank Standard Chartered Equinor Syngenta TATA Group Tesco Time Warner Toyota Unilever

## Revolving door results

The companies surveyed performed very poorly under this theme. Transparency and corporate governance in relation to the revolving door, i.e. policy and practice in relation to exchanges of people between business and the public sector, is the weakest scoring theme overall.

The average Band is F ('very poor standards'), with only a fraction of companies (7) scoring within Bands A – C overall.

### Areas of positive performance:

There is evidence that the public sector is cognisant of the risks concerning the movement of high level employees between the public and private sectors.

- 33 per cent of companies have some form of controls in place on the revolving door, such as a detailed conflict of interest policy and/or a policy limiting the movements of directors and employees between positions of employment in the company and the public sector.

### Areas of underperformance:

The pervasiveness of company policies concerning the movement of staff between the public and private sector is very limited.

- Only 6 per cent of companies publish any details of secondments to or from the public sector, or publish that they prohibit secondments. This significantly limits the ability of stakeholders to understand the complete scope of support and resources provided to governments by companies.
- 85 per cent of companies do not have a publicly available procedure for implementing a 'cooling-off period' for new employees who were formerly public officials, an issue that leaves the public sector open to potential widespread conflicts of interest.

## COMPANY CASE STUDY

### National Grid – Alert to the risks of the revolving door

Movements and exchanges of people between business and the political and public sectors are an important and legitimate way for the public and private sectors to access skills and knowledge – facilitating greater understanding and cooperation. The risk, however, for companies without controls in place for the revolving door are greater public distrust and improper political engagement.

In consideration of this risk, National Grid has built on its existing standards and local best practice - working across its HR, corporate affairs and operational teams - to develop and publish an enhanced revolving door policy, applicable across the company's global operations.

Developed in response to our research and outreach, the new policy sets out principles to be followed in relation to the movement of staff between public bodies. Alongside other considerations, this imbeds the need to carefully evaluate conflicts of interest, as well as the possible need for 'cooling-off periods', when hiring into National Grid from a public body. The company also strengthened its transparency relating to secondments by publishing a full list of secondments to and from the public sector. These are a set of improvements that are a vital tool in National Grid's commitment to political transparency.

### National Grid on their revolving door policy

"Hiring people with contacts or knowledge gained from their time in government or the public sector has the potential to be seen as an attempt to buy access and influence. National Grid recognises that if such movements across sectors are not managed carefully, they might damage public trust and confidence in public office holders and the decisions they take. It could also have implications for National Grid's own reputation. Hence the need for clear guidance in this critical area."

## INDEX HIGHLIGHT

**Weaknesses within government codes for the revolving door**

In a number of cases, companies assessed for the index have referred to the United Kingdom (UK) business appointment rules – specifically those governed by the Advisory Committee of Business Appointments (ACoBA) – in relation to their approach to the revolving door and the recruitment of former public officials. It is important to note, however, that concern has been raised within the UK House of Commons and by Transparency International about ACoBA, which reveal the committee as “ineffectual”, without the “remit or resources to investigate”.<sup>23</sup>

<sup>24</sup>

Policy weaknesses within international institutions is also of significant concern. Ministers of the European Parliament, for instance, currently have no ‘cooling-off period’ and can move straight into lobbying.<sup>25</sup> An issue that is increasingly worrying, considering that the demand for policy ‘insiders’ is increasing, particularly among lobbying organisations. Numbers from the United States show that in 1974, 3 per cent of retiring Congressmen went on to work for lobbying organisations, whereas in 2012, more than half of them did.<sup>26</sup>

Given the weaknesses inherent within government standards, it is essential that companies take steps to safeguard themselves by developing and implementing their own company-wide and global policies for the revolving door. For those that fail to do so, the risk of exposure to improper political engagement and even scandal rises significantly.



<sup>23</sup> Transparency International UK, *Accountable Influence: Bringing Lobbying Out of the Shadows*, p. 18 (December 2015).

<sup>24</sup> Public Administration and Constitutional Affairs Committee (PACAC), *Managing Ministers' and officials' conflicts of interest: time for clearer values, principles and action*, House of Commons, p. 25 (April 2017).

<sup>25</sup> Transparency International EU, *Moonlighting in Brussels*, (July 2018),

<sup>26</sup> “A Confederacy of Lunches”, *New York Times* (web), (25 July 2013), [Accessed: 24 October 2018].



# TRANSPARENCY

In this section, the accessibility of information about companies' political activities have been reviewed. In particular, whether a company provides a dedicated web page or online report, with consolidated information

about guiding principles, strategy and policies for political activities, in addition to regular updates about implementation and results.

<h2>A</h2>	<ul style="list-style-type: none"> <li>3M</li> <li>Aviva</li> <li>Barclays</li> <li>BASF</li> <li>BAT</li> <li>BH</li> <li>Centrica</li> <li>Cisco</li> </ul>	<ul style="list-style-type: none"> <li>Experian</li> <li>Google</li> <li>GSK</li> <li>HP Enterprise</li> <li>Iberdrola</li> <li>Microsoft</li> <li>National Grid</li> <li>Pearson</li> </ul>	<ul style="list-style-type: none"> <li>Siemens</li> <li>Sky</li> <li>SSE</li> <li>Standard Chartered</li> <li>Equinor</li> <li>Telefonica</li> <li>Vodafone</li> </ul>
<h2>B</h2>			
<h2>C</h2>	<ul style="list-style-type: none"> <li>AB InBev</li> <li>ABB</li> <li>Amazon</li> <li>Anglo American</li> <li>Apple Inc</li> <li>AstraZeneca</li> <li>Atkins</li> <li>Babcock</li> <li>BAE Systems</li> <li>Balfour Beatty</li> <li>BMW</li> <li>BP</li> <li>BT Group</li> <li>Caterpillar</li> <li>Coca-Cola</li> <li>Compass Group</li> <li>Deloitte</li> <li>Diageo</li> <li>Disney</li> </ul>	<ul style="list-style-type: none"> <li>DP World</li> <li>E.ON</li> <li>Eisai</li> <li>Facebook</li> <li>Ford</li> <li>General Electric</li> <li>Glencore</li> <li>HSBC</li> <li>IBM</li> <li>Imperial Tobacco</li> <li>Jaguar Land Rover</li> <li>Johnson Matthey</li> <li>Johnson &amp; Johnson</li> <li>KPMG</li> <li>Legal &amp; General</li> <li>Lockheed Martin</li> <li>Nestlé</li> <li>Novartis</li> <li>P&amp;G</li> </ul>	<ul style="list-style-type: none"> <li>PepsiCo</li> <li>Pfizer</li> <li>PwC</li> <li>RB Group</li> <li>RBS</li> <li>RELX</li> <li>Rio Tinto</li> <li>Roche</li> <li>Rolls-Royce</li> <li>RWE</li> <li>Sabir</li> <li>Samsung</li> <li>Shell</li> <li>Shire</li> <li>Syngenta</li> <li>Time Warner</li> <li>Unilever</li> <li>WPP</li> </ul>
<h2>D</h2>			
<h2>E</h2>			
<h2>F</h2>	<ul style="list-style-type: none"> <li>Associated British Foods</li> <li>Associated British Ports</li> <li>Bombardier</li> <li>CK Hutchison</li> <li>CRH</li> <li>EY</li> <li>GKN</li> <li>Hitachi</li> <li>Honda</li> </ul>	<ul style="list-style-type: none"> <li>Huawei</li> <li>Imagination Technologies</li> <li>INEOS</li> <li>JCB</li> <li>Lloyds</li> <li>Mitsubishi Heavy Industries</li> <li>Mondelez International</li> <li>Nissan</li> <li>PCCW</li> </ul>	<ul style="list-style-type: none"> <li>Prudential</li> <li>SAGE</li> <li>Softbank</li> <li>TATA Group</li> <li>Tesco</li> <li>Toshiba</li> <li>Toyota</li> </ul>

## Transparency results

Overall, transparency is the second highest scoring theme, with companies scoring an average of 49 per cent (Band D).

### Areas of positive performance:

- 22 per cent of companies maintain a dedicated webpage or report which explicitly details their approach to political engagement and the activities conducted by the company.
- 29 per cent of companies took the opportunity to review and update their public facing information during the research and engagement phase of the index.

### Areas of underperformance:

- Over three quarters of companies (78 per cent) fail to publish consolidated information about their approach to political engagement and the activities conducted. In the majority of cases, information was spread across several places and thereby challenging to assimilate.
- A quarter of businesses (24 per cent) fall short by disclosing no information about their political activities.

## COMPANY CASE STUDY

### Experian – Transforming political transparency

Experian has sought to tackle a lack of disclosure around its political engagement. Until recently, the company's approach was solely documented within internal policies or displayed across a range of public facing reports – limiting its ability to inform and reassure stakeholders of its approach to political engagement. It is primarily for these reasons that many of the companies surveyed failed to demonstrate high levels of transparency.

In response to our research and outreach, Experian took the opportunity to consolidate all of its relevant existing policies and procedures into a new and dedicated online report. In doing so, the company aims to strengthen public awareness of its approach to governments, regulators and other policymakers, as well as to clarify its policy objectives and the governance framework it implements in order to strive for ethical political engagement. This includes its controls over the services of public affairs consultancies who, it reassures stakeholders, must adhere to good ethical and transparent practice.

Experian is also able to clarify that the company's Executive Committee has oversight of all government and regulatory relations, helping to assure groups with a vested interest, such as investors, that the company has appropriate governance in place.

### Experian's view on transparency

“Setting up the website was a relatively easy process for us and we feel it's an important step to take in responsible political engagement. In recent years, the company's pro-active engagement in policy related activities has developed to a point where we believe it's important that we put into place a transparent structure, with a view to informing staff, investors and customers, about where we are seeking to share our experiences and business background with those creating public policy for our sector.”

**INDEX HIGHLIGHT**

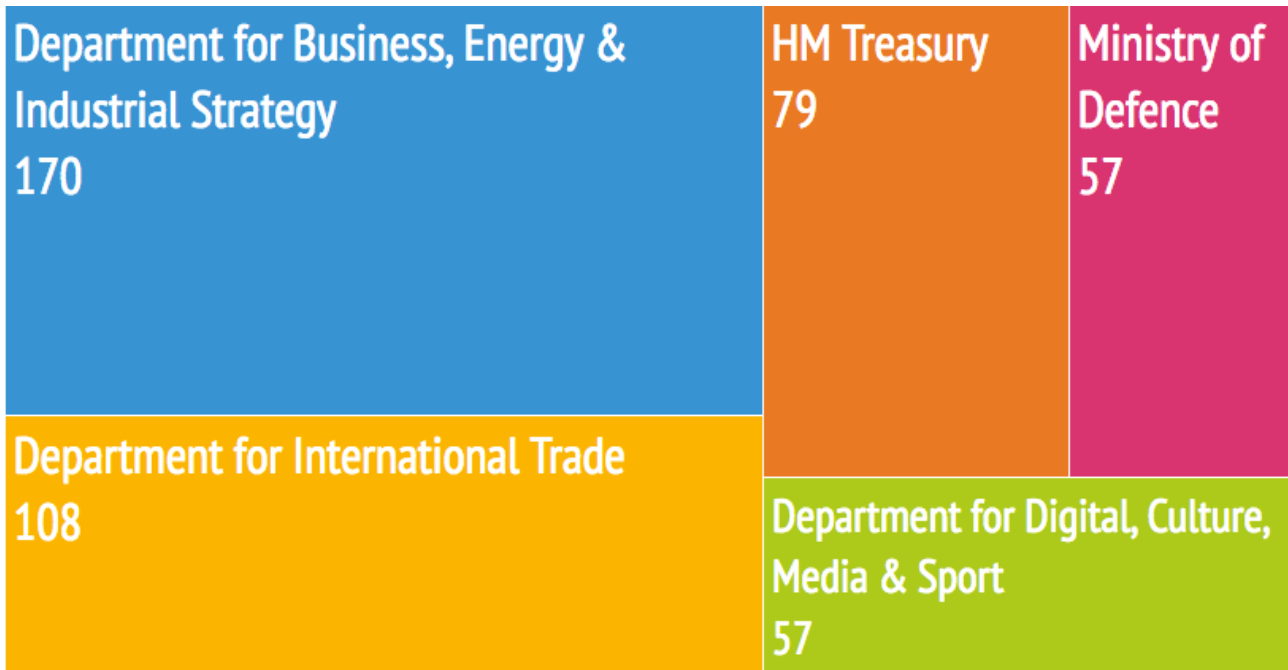
**The level of political engagement by index participants**

The Transparency International Open Access database collates details of meetings between UK Government ministers and lobbyists, including companies.<sup>27</sup> While the UK Government publishes this data, it is scattered in different locations across the gov.uk website and difficult for the lay user to access, search or analyse. Open Access allows users to interrogate these interactions through an intuitive and interactive online visualisation and search function.

Open Access reveals that, in 2017, of the 7,104 meetings reported by Government Departments, over one in ten (736) were attended by the 104 companies surveyed within this index. This includes 170 meetings with the Department for Business, Energy & Industrial Strategy and 108 meetings

with ministers from the Department for International Trade (Table 3). Companies within the index also had direct discussions with the Prime Minister, the Secretary of State and the Chancellor of the Exchequer.

Open Access further reveals that of the 1,110 times companies met with government ministers, 75 per cent (830) of these exchanges were with companies who have low rankings in the index, i.e. the 76 companies within Bands D to F.<sup>28</sup> These are companies whose index rankings indicate that they have low levels of transparency and lack internal controls over their political activities. 55 of the 76 lowest scoring companies are also part of the UK Government Strategic Relations Management Programme and have been given privileged access to government ministers.



**Table 3: The Top 5 Government Department Meetings with CPEI Companies in 2017**

<sup>27</sup> [www.openaccess.transparency.org.uk/](http://www.openaccess.transparency.org.uk/), [Accessed: 20 November 2018].

<sup>28</sup> It is important to note that because more than one company can be present in a meeting, while there were 736 meetings attended by companies in this index in 2017, when we calculated how many times companies in the index attended a meeting we found this to be higher, at 1110.

## CONTRASTING RESULTS FROM PILOT STUDY

The average rating amongst the 37 companies assessed in 2015 and again in 2018 continues to be Band D (fairly poor standards). A contrast of the results between the 2015 sample group and the larger 2018 benchmark (Table 4), serves to highlight a number of consistent areas of positive performance and entrenched under performance amongst participants of the index.

In a number of areas, levels of performance amongst the sample groups have also changed, although a full comparison of the results of companies surveyed in both 2015 and 2018 is not applicable due to enhancements made to the research methodology for the 2018 index, based on learning from the preceding pilot.

	Consistent Performance	Consistent Underperformance
<b>Control Environment</b>	<ul style="list-style-type: none"> <li>Organisational principles for political engagement: 80 per cent fully or partially meet the Responsible Political Activities Guidelines in 2018, 78 per cent in 2015.</li> <li>Group-wide policies for political engagement: 77 per cent in 2018, 93 per cent in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and reporting political engagement: 2 per cent in 2018, 5 per cent in 2015.</li> <li>Lack of full board accountability: 36 per cent in 2018, 8 per cent in 2015.</li> </ul>
<b>Political Contributions</b>	<ul style="list-style-type: none"> <li>Policies in place for political contributions: 64 per cent in 2018, 93 per cent in 2015.</li> <li>Publication of political contributions or statement that company had made none: 57 per cent in 2018, 58 per cent in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting of political contributions limited to certain jurisdictions, such as the United States, UK and EU.</li> </ul>
<b>Responsible Lobbying</b>	<ul style="list-style-type: none"> <li>Publicly available policy on responsible lobbying: 45 per cent in 2018, 30 per cent in 2015.</li> <li>Policy in place to enforce a company's standards of responsible political engagement on third-party contracts: 44 per cent in 2018, 22 per cent in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of full details on global lobbying expenditure: 0 per cent in 2018, 0 per cent in 2015.</li> <li>Full disclose of memberships of trade bodies and associations at a global level: 8 per cent in 2018, 7 per cent in 2015.</li> </ul>
<b>Revolving Door</b>	<ul style="list-style-type: none"> <li>Evidence of some form of controls in place for the revolving door: 33 per cent in 2018, 8 per cent in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Full or partial publication of secondments: 6 per cent in 2018, 0 per cent in 2015.</li> <li>Implementation of 'cooling-off periods' for political appointees: 14 per cent for 2018 and 14 per cent in 2015.</li> </ul>
<b>Transparency in Reporting</b>	<ul style="list-style-type: none"> <li>Dedicated webpage or report which covers political activities: 22 per cent in 2018, 30 per cent in 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Companies that publish no information about political activities: 24 per cent in 2018, 30 per cent in 2015.</li> </ul>

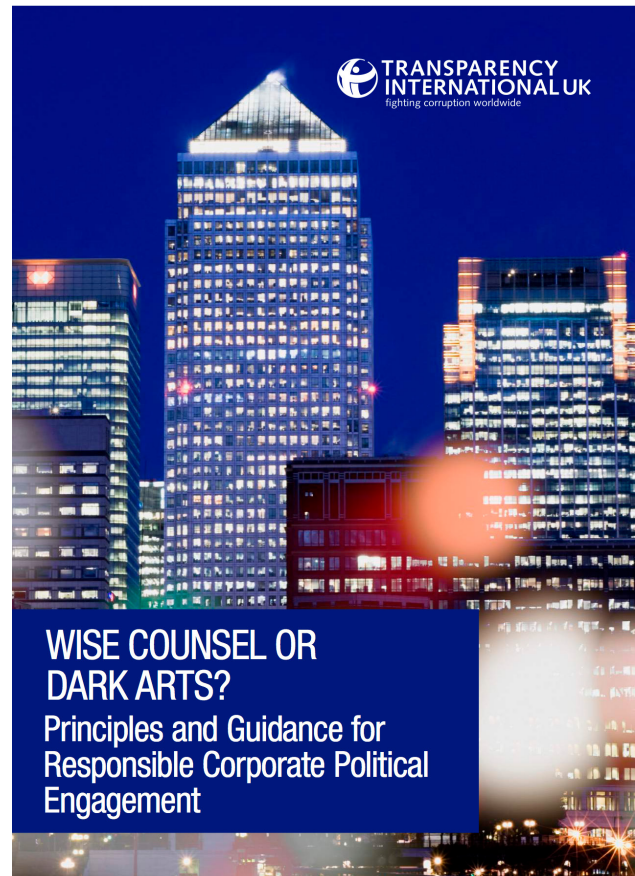
Table 4: Contrasting 2015/2018 Results

# RECOMMENDATIONS

For the private sector to implement the ten principles of responsible corporate political engagement, led by companies and reinforced by investors.

Through the design, implementation and continuous stewardship of policies and procedures that meet the ten principles, companies that wish to interact with or are otherwise drawn into the political process can take a leadership role - preventing corruption, safeguarding the democratic process and benefiting the economy as a whole.

1. Include all forms of political activities in your management of responsible political engagement.
2. Do not make political contributions.
3. Ensure that all those who lobby on the company's behalf understand and align to your guiding principles, policies and procedures for responsible political engagement.
4. Manage relationships with trade associations to ensure their lobbying activities are aligned with your guiding principles for responsible political engagement.
5. Make sure accountability for political engagement sits in your boardroom.
6. State publicly your commitment to responsible political engagement.
7. Be consistent in your political engagement.
8. Design and implement policies and procedures for political engagement based on your company's values and risk assessment.
9. Monitor and review the implementation of the policies and procedures covering political engagement.
10. Report publicly, comprehensively and accessibly on political engagement.



For further information, see the Transparency International guide [Wise Counsel or Dark Arts? Principles and guidance for responsible corporate political engagement](#)<sup>29</sup>, which includes practical tools and checklists to help companies raise global standards in this area.

<sup>29</sup> Transparency International, (December 2015).

# COMPANY ENGAGEMENT

As a result of company engagement, the average index assessment score increased from 27 per cent to 33 per cent. This was primarily due to companies publishing information that had previously been held internally or developing policies based on advice and collaboration with Transparency International. Some companies were also able to highlight already available reports and information.

## Company involvement in research

### Among the 104 businesses surveyed:

- 52% - responded to their assessment report.
- 41% - provided additional evidence to support their company assessment.
- 30% - strengthened policies on political engagement based on our research and engagement (Table 6).
- 15% - average score increase amongst companies that strengthened policies.
- 17% - pledged to strengthen practices based on our research and engagement.

## Results from participant survey

Companies surveyed in 2018 had the opportunity to complete a feedback questionnaire. The following represents the feedback received from 16 companies.

### Areas of positive performance:

- 82% - welcomed their inclusion to the 2018 Corporate Political Engagement Index.
- 69% - agreed that the index has helped their company to be increasingly aware of risks associated with political engagement.
- 88% - found the guidance and recommendations provided helpful.
- 75% - agreed that the overall assessment process was clear and transparent.

### Areas of development:

- 31% - found the global element of the index challenging and reported feeling 'Neutral' about whether participation in the index strengthened their worldwide approach or not.
- 19% - did not find the guidance in the report helpful.
- 10% - did not increase their score despite receiving input/feedback from TI.

26

Companies who moved up one or more ratings

+65%

Largest score increase by a company

12 to 27

Increase in A - C ratings

92 to 77

Drop in D - F ratings

# APPENDIX 1: COMPANY LIST

Company	Included in Strategic Relations Programme <sup>30</sup>	Surveyed in 2015 (Pilot Study)
3M	✓	
Anheuser-Busch InBev	✓	
ABB Group	✓	
Amazon.com, Inc	✓	
Anglo American plc		✓
Apple Inc	✓	
Associated British Foods plc	✓	✓
Associated British Ports Holdings Ltd	✓	
AstraZeneca plc	✓	✓
WS Atkins plc (part of SNC Lavalin)	✓	
Aviva plc	✓	✓
Babcock International	✓	
BAE Systems plc	✓	✓
Balfour Beatty plc	✓	
Barclays plc	✓	✓
BASF SE	✓	
British American Tobacco plc		✓
BHP		✓
BMW	✓	
Bombardier Inc.	✓	
BP plc	✓	✓
BT Group plc	✓	✓
Caterpillar Inc	✓	
Centrica plc	✓	✓
Cisco Systems, Inc.	✓	
CK Hutchinson Holdings Limited	✓	
The Coca-Cola Company	✓	
Compass Group Plc		✓
CRH plc		✓
Deloitte UK		
Diageo plc	✓	✓
The Walt Disney Company	✓	

<sup>30</sup> [www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2018-01-08/HL4475/](http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Lords/2018-01-08/HL4475/) [Accessed January 2018].

## 27 Corporate Political Engagement Index

DP World	✓	
E.ON SE	✓	
Eisai Co., Ltd.	✓	
Experian plc		✓
EY UK		
Facebook, Inc.	✓	
Ford Motor Company	✓	
General Electric Company	✓	
GKN plc	✓	
Glencore plc		✓
Google LLC	✓	
GlaxoSmithKline plc	✓	✓
Hitachi, Ltd	✓	
Honda Motor Company, Ltd.	✓	
Hewlett Packard Enterprise Company	✓	
HSBC Bank plc		✓
Huawei Technologies Co., Ltd	✓	
Iberdrola	✓	
International Business Mahines	✓	
Imagination Technologies Group plc	✓	
Imperial Tobacco		✓
INEOS	✓	
Jaguar Land Rover Automative plc	✓	
J. C. Bamford Excavators Limited	✓	
Johnson Matthey	✓	
Johnston & Johnston	✓	
KPMG UK		
Legal & General Group plc		✓
Lloyds Bank plc		✓
Lockheed Martin Corporation	✓	
Microsoft Corporation	✓	
Mitsubishi Heavy Industries, Ltd.	✓	
Mondelez International, Inc.	✓	
National Grid plc	✓	✓
Nestlé S.A.	✓	
Nissan Motor Company Ltd.	✓	
Novartis International AG	✓	
The Proctor & Gamble Company	✓	
PCCW Limited	✓	



Pearson Education	✓	
PepsiCo, Inc.	✓	
Pfizer Inc.	✓	
Prudential plc	✓	✓
PwC UK		
Reckitt Benckiser Group plc		✓
Royal Bank of Scotland		✓
RELX Group		✓
Rio Tinto Group		✓
Roche Holding AG	✓	
Rolls-Royce plc	✓	✓
RWE AG	✓	
SABIC	✓	
Sage Group plc	✓	
Samsung Group	✓	
Royal Dutch Shell plc	✓	✓
Shire plc		✓
Siemens AG	✓	
Sky plc		✓
SoftBank Group Corp	✓	
SSE plc	✓	✓
Standard Chartered plc		✓
Equinor ASA (formerly Statoil)	✓	
Syngenta AG	✓	
TATA Group	✓	
Telefonica, S.A.	✓	
Tesco plc		✓
WarnerMedia	✓	
Toshiba Corporation	✓	
Toyota Motor Corporation	✓	
Unilever	✓	✓
Vodafone Group plc		✓
WPP plc	✓	✓

## APPENDIX 2: 2018 BENCHMARK

The 2018 index represents the first full benchmark by Transparency International on the practices of the companies surveyed against the ten principles for responsible political engagement.

Principles for responsible political engagement	Index assessment criteria	Benchmark
Publish information on the global principles which underpin political activities, ensuring that contracted third-parties comply with the ethical policies and procedures in place.	Companies whose stated principles fully meet the Transparency International Responsible Political Engagement guidelines	48%
	Companies with group wide policies for political engagement	77%
Ensure the board or a specified board committee is accountable for political engagement, providing direction and oversight of an integrated approach.	Companies with full board accountability	36%
	Companies that demonstrate an integrated approach to managing political engagement	50%
Conduct monitoring and assurance activities to ensure compliance with all policies and procedures for political engagement, with designated thresholds in place for political expenditure.	Companies that fully conduct and publish monitoring and assurance activities for political activities annually	2%
	Companies with management thresholds for political expenditure	25%
Prohibit or only allow political contributions in exceptional circumstances, with clear criteria that support a genuine democratic process.	Companies with a policy and procedure prohibiting or limiting political contributions whether made directly or indirectly	64%
Report political contributions	Companies that publish details of all political contributions or made a statement that the business had made none	57%

<p><b>Maintain a policy and procedure covering responsible lobbying, publishing details of the company’s public policy aims, global lobbying expenditure, the contracted services of politicians and the lobbying activities carried out.</b></p>	Companies with a public lobbying policy	45%
	Companies that require lobbyist to comply with the company's code of conduct	44%
	Companies that consult with their stakeholders about their political activities	21%
	Companies that are fully transparent about their lobbying aims	20%
	Companies that publish details of global expenditure on lobbying	0%
	Companies that are transparent about their approach to hiring serving politicians	13%
<p><b>Ensure a policy and procedure is in place for managing relationships with trade associations and business chambers, with full disclosure of the active relationships in place.</b></p>	Companies that monitor or manage their memberships to organisations that engage in lobbying	30%
	Companies that publish a comprehensive list of organisations of which they are a member	8%
<p><b>Adopt policies and procedures for the ‘revolving door’, covering the hiring of former politicians and public officials by the company and the movement of former employees to public sector positions. Implement a ‘cooling-off period’ where needed.</b></p>	Companies with controls in place to manage the ‘revolving door’	33%
	Companies with a public policy for a ‘cooling-off period’ when employing former public officials	15%
<p><b>Publicly disclose secondments to and from the public sector, including information on the locations of secondments, the numbers of secondees, and the purpose of particular secondments.</b></p>	Companies that publish partial or full details of secondments to or from the public sector, or published that they prohibit secondments	6%
<p><b>Publish a dedicated web page or report on 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.</b></p>	Companies that publish a dedicated webpage or report which covers political activities	22%

## APPENDIX 3: METHODOLOGY

The purpose of the index is to raise standards among companies in the UK and globally, to promote good practice in preventing political corruption, and to increase transparency of reporting of corporate political engagement. In order to achieve this, the index seeks to:

- Accurately gauge the transparency of policies, procedures and practices of corporate political engagement in the UK's largest publicly listed companies, previously assessed in the 2015 CPEI, the companies on the Government Strategic Relations List and the four leading accounting and consultancy firms.
- Categorise evidence into five themes to highlight companies' areas of strength and weaknesses:
  1. Control Environment
  2. Political Contributions
  3. Lobbying
  4. Revolving Door
  5. Transparency
- Assess companies based on evidence that is global in nature and from publicly available sources.
- Enable comparison of companies by boards of directors, investors, analysts and other stakeholders, providing them with a tool to raise standards and prevent corruption.
- To provide an audit function for companies to review their practices around corporate political engagement.

In conducting the research, TI-UK did not investigate the veracity or completeness of the published information and did not make any judgement about the integrity of the information or practices disclosed.

TI-UK greatly appreciates company engagement in this process as it contributes to the high quality of data and the improvement of company policies.

### Underlying principles

TI-UK's question-set is based on a set of best practice principles for companies, as published in our guide, [Wise Counsel or Dark Arts? Principles and guidance for responsible corporate political engagement<sup>31</sup>](#), and summarised here:

- Include all forms of political activities in your management of responsible political engagement.
- Do not make political contributions.
- 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.
- Manage relationships with trade associations to ensure their lobbying activities are aligned with your guiding principles for responsible political engagement.
- Make sure accountability for political engagement sits in your boardroom.
- State publicly your commitment to responsible political engagement.
- Be consistent in your political engagement.
- Design and implement policies and procedures for political engagement based on your company's values and risk assessment.
- Monitor and review the implementation of the policies and procedures covering political engagement.
- Report publicly, comprehensively and accessibly on political engagement.

<sup>31</sup> Transparency International UK, (December 2015).

## Process

TI-UK Business Integrity Team reviewed the pilot 2015 Corporate Political Engagement Index and, with input from company feedback, refined the question set.

The index is now based on 20 questions organised into five themes:

1. Control environment
2. Political contributions
3. Responsible lobbying
4. Revolving door
5. Transparency in reporting

The questions cover what TI-UK regards as the basic capabilities that a global business should have in place to manage political engagement effectively. In TI-UK's view, the information to answer these questions should be available on companies' websites as a matter of good practice and public accountability.

## Scoring

Each question is worth a total of two points. The general principles underlying the scoring guidance are:

- 2 - The business fully meets the expectation of the question and there is evidence to substantiate this expectation.
- 1 - The business falls short of the benchmark response set under Score 2 in some regard.
- 0 - The business fails to meet the expectation of the question. The evidence is so weak that it cannot reasonably be said to be effective or there is no evidence.

Each question has equal value towards a ranking score:

## Companies Assessed

Expanding from the 2015 pilot index, the 2018 index included 37 of the largest publicly listed companies previously assessed, the companies involved in the UK Government's 'Strategic Relationship Management Programme', as of 18 January 2018, and the big four accounting firms.

The companies on the Government Strategic Relationship Management list were included because of the additional access to UK Ministers and Departments that members of the Strategic Relationship Management programme benefit from. We believe it is important that companies in this position, regardless of turnover, engage in responsible political engagement and are transparent about the activities they undertake.

## Assessment

The index assessed companies on policies and procedures which are global in nature. This is based on the proposition that business operations at a national level, in our experience, are usually guided and implemented in line with a business's overarching global strategy and framework. Where this is not the case, however, such as where a global business has an entirely independent approach in the UK, including separate governance arrangements for political activities, our index looked at those distinct national ways of working.

The index also only assessed evidence from publicly available sources. We deem transparent publication of information relating to political activities to be highly important. This is because it increases customer and investor confidence in the business and the political process, ensures the details of companies' involvement in the political process is open to public scrutiny and enables companies to share and understand best practice.

In particular, we reviewed businesses websites, including downloadable reports, for evidence of reporting on political engagement as well as any functioning hyperlinks to other materials companies included on their website. In reviewing a business's materials, we assessed the

Section	Number of Questions	Maximum score	Percentage of total question
Control environment	6	12	30%
Political contributions	2	4	10%
Responsible lobbying	8	16	40%
Revolving door	3	6	15%
Transparency	1	2	5%
<b>Total</b>	<b>20</b>	<b>40</b>	<b>100%</b>

Table 6: Score Breakdown per Section

### 33 Corporate Political Engagement Index

completeness and accessibility of the information, in particular:

- The amount of information a business published about their overall approach to political engagement.
- The issues and topics of material interest to them and to their stakeholders.
- The specific activities they undertake.
- Key expenditures figures.

## Feedback

In providing feedback and allowing a right-to-reply period we incorporated a stronger focus on providing companies with recommendations throughout the review process. We worked collaboratively to improve companies' practices, to develop their policies and to encourage companies to publish further information relating to their political engagement.

## Ranking

Companies are placed into one of six bands, from A to F, based on their scores. The bands reflect the extent of public evidence and the completeness of policies and procedures for political activities.

## Timeline

Transparency International wrote to the 104 companies in January 2018 informing them of the index, inviting them to appoint a point of contact and to indicate whether they wished to submit evidence for the report. The research team reviewed evidence submitted by companies, assessed online material for each business, and undertook consistency checks on the research process.

From July 2018 onwards draft reports and findings were shared with the companies. Each business was given the opportunity to review its own data and provide feedback, propose corrections and engage with us to improve the evidence available and/or the availability of evidence. Those companies that did not respond were contacted multiple times by email and telephone. The report was launched in November 2018 and each company was sent an online copy of the final version of the report.

Band	Ranking Score	Business Performance
<b>A</b>	83.3 - 100	<b>This company demonstrates excellent standards.</b> Continuous monitoring and review is recommended to ensure standards remain high.
<b>B</b>	66.7 - 83.2	<b>This company demonstrates good standards.</b> Continuous monitoring and review is recommended and there is scope to implement some improvements.
<b>C</b>	50.0 - 66.6	<b>This company demonstrates fair standards.</b> Continuous monitoring and review is recommended and there is scope to implement a number of improvements.
<b>D</b>	33.3 - 49.9	<b>This company demonstrates fairly poor standards.</b> Review is recommended and there is scope to implement improvements across most areas.
<b>E</b>	16.7 - 33.2	<b>This company demonstrates poor standards.</b> Review is recommended and there is scope to implement improvements across the majority of areas.
<b>F</b>	0 - 16.6	<b>This company demonstrates very poor standards.</b> Prompt review is recommended and there is scope to implement improvements across all areas.

Table 7: Index Key

# APPENDIX 4: QUESTION SET

## Control Environment

- Q1** Does the company have guiding principles which underpin its political activities?
- Q2** Does the company have an integrated approach to managing its political activities?
- Q3** Does the board have accountability for and oversight of the company's political activities either directly or through a specified board committee?
- Q4** Are the company's policies for political activities group-wide, global and consistent?
- Q5** Does the company require expenditure on any political activities to be approved by managers in accordance with designated thresholds of approval?
- Q6** Does the company conduct monitoring and assurance activities to ensure compliance with its policies and procedures on political activities?

## Political Contributions

- Q7** Is there a publicly available policy and procedures prohibiting political contributions whether made directly or indirectly?
- Q8** Does the company publish details of all political contributions made by the company and its subsidiaries or a statement that it has made none?

## Responsible Lobbying

- Q9** Is there a publicly available policy and procedure covering responsible lobbying?
- Q10** Does the company implement a policy and procedure to ensure that organisations contracted to lobby on the company's behalf comply with the company's policy for lobbying?

- Q11** Is there a procedure for identifying and managing the company's memberships of organisations that engage in lobbying?
- Q12** Does the company consult with stakeholders about its lobbying activities?
- Q13** Does the company publish the aims and significant topics of its public policy development and lobbying and the activities it carries out?
- Q14** Does the company publish full details of its global lobbying expenditure?
- Q15** Does the company report details of the contracted services of serving politicians to the company?
- Q16** Does the company publish a comprehensive list of organisations of which it is a member that lobby on topics relevant to the company?

## Revolving Door

- Q17** Is there a publicly available policy and procedure covering the 'revolving door', The movements of directors and employees between positions of employment in the company and the public sector?
- Q18** For company staff who were formerly public officials, does the company have a procedure for implementing a 'cooling-off period' before they are able to hold discussions on the company's behalf with their former organisation.
- Q19** Does the company publish details of secondments to or from the public sector?

## Transparency in Reporting

- Q20** Is the information on the company's political activities provided in an accessible way?

## APPENDIX 5: GLOSSARY

**Association lobbying** - Lobbying conducted by trade associations, think tanks, law firms or other organisations not typically classified as lobbying firms.

**Integrated approach** - An approach which identifies all the political activities of a company, its related entities and establishes a framework which ensures those activities are managed consistently across the corporate group and with central oversight.

**Responsible Political Activities (RPA)** - Responsibility in political activities is based on values of integrity, legitimacy, materiality, accountability and oversight, consistency and transparency.

- **Integrity:** The company is committed to ethical behaviour, integrity and responsibility in its political activities. Its policies and procedures for political activities are designed to meet these values and the laws, norms and stakeholder expectations for integrity and ethical behaviour.
- **Legitimacy:** The company's political activities meet legitimate business objectives, serve the interests of the company 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 activities address 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 activities. The board sets the guiding principles and scope for political activities, agrees the objectives and strategy, provides direction and guidance to management and receives reports on the implementation of the policies and procedures for political activities.
- **Consistency:** The company carries out its political activities consistent with its values, guiding principles, policies and procedures. It also ensures that its political activities are carried out consistently across its corporate group and third parties acting on its behalf.
- **Transparency:** The company is open about the guiding principles, objectives, policies and procedures of its political activities and reports regularly to stakeholders on activities, performance and expenditures. Material information is comprehensively made public and is easily accessible.

**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. Lobbying can also include direct or indirect attempts to influence public opinion, outside of normal advertising and marketing activity, with a view to impacting public decision making.

**Lobbyist** - A person or organisation which engages in lobbying on behalf of the company, including both employees and officers of the company and third parties acting on behalf of the company.

**Political activities** - The ways in which a company contributes to or participates in the political process. This can include 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 to or from the public sector, and political activities by staff supported by or encouraged by the company (e.g. via Political Action Committees).

**Political contribution** - Money and in kind gifts transferred to a political party, politician or political candidate, including but not limited to sponsorships, subscriptions and affiliation fees, money to meet expenses, loans, property, services and other facilities at less than market value.

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

**Stakeholder engagement** - The process used by an organisation to engage relevant stakeholders for a purpose to achieve accepted outcomes.

**Secondment** - The temporary placement of a company employee in a public position or from the public sector to 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



## APPENDIX 6: TI ASSOCIATED PUBLICATIONS AND FURTHER READING

Businesses' lobbying practices (Transparency International Anti-Corruption Helpdesk, October 2018)

Moonlighting in Brussels: Side Jobs and Ethics Concerns at the European Parliament (Transparency International EU, July 2018)

The relationship between business integrity and commercial success (Anti-Corruption Resource Centre, January 2018)

Access All Areas – When EU politicians become lobbyists (Transparency International EU, January 2017)

People and Corruption: Citizens' Voices from Around the World, Global Corruption Barometer 2017 (Transparency International, November 2017)

10 Anti-Corruption Principles for State-Owned Enterprises (Transparency International, November 2017)

The Business Case for 'Speaking Up': How Internal Reporting Mechanisms Strengthen Private-Sector Organisations (Transparency International, July 2017)

Take Back Control: How Big Money Undermines Trust in Politics (Transparency International UK, October 2016)

Managing Third Party Risk: Only as Strong as Your Weakest Link (Transparency International UK and Transparency International USA, June 2016)

Wise Counsel or Dark Arts? Principles and Guidance for Responsible Corporate Political Engagement (Transparency International UK, December 2015)

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

Accountable Influence: Bringing Lobbying out of the Shadows (Transparency International UK, September 2015)

Cooling-Off Periods: Regulating the Revolving Door (Transparency International Anti-Corruption Helpdesk, June 2015)

Lobbying in Europe: Hidden Influence, Privileged Access (Transparency International Secretariat, April 2015)

Europe: A Playground for Special Interests and Lax Lobbying Rules (Transparency International, April 2015)

Lifting the Lid on Lobbying: The Hidden Exercise of Power and Influence in the UK (Transparency International UK, February 2015)

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

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

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