

# Towards Responsible Lobbying

Leadership and Public Policy

## About the report

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This report has been written in close collaboration with the **United Nations Global Compact** and supported by the **Co-operative Financial Services**, **Gap Inc.**, **Novo Nordisk**, and **Telefónica**. The research and report findings are based on a series of convenings and interviews with businesses, lobbyists, civil society and public sector officials in North America, Europe, India and Brazil, backed by a review of relevant literature. In addition, the report has benefited from a series of peer reviews from those who were part of the research, as well as additional experts.

The aim of the research was to understand the way in which organizations, in particular business, influence the goals of sustainable development through their lobbying processes, and how governments in turn influence the lobbying 'supply chain'. The report defines, and offers guidance to organizations in their approach towards responsible lobbying, as well as showing policy makers how such lobbying can help shape their capacity to develop and implement policies which support sustainable development.

AccountAbility wishes to express its sincere gratitude for the insights and comments provided by the numerous people involved in the research, the UN Global Compact and its four sponsors, and convening hosts, including Burson Marsteller, EABIS and Uniethos. Of course, any errors, omissions, and views expressed are solely those of the authors.

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## Foreword

**Simon Zadek, CEO, AccountAbility**

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The right to voice our concerns and interests, and thereby influence public policy, is fundamental to democracy. It is not only individuals who have this right, but also organizations that represent collective interests. Businesses, civil society, labour organizations and public bodies do, and should, exercise their lobbying rights, whether arguing for their own interests or for a broader social, environmental and economic agenda.

Lobbying is, however, facing a crisis of legitimacy. It is big business, particularly for those representing companies and nations. Even civil society lobbying, once conducted by passionate amateurs, has become a sophisticated industry pursuing an extraordinary range of aims. The sheer numbers of lobbyists and the resources at their command threaten to overwhelm or co-opt politicians and public servants.

Beyond volume, lobbying behaviour is open to question. Sometimes, sadly, the law is not observed, certainly not its spirit. Too often, undue influence falls into too few hands, or into the hands of those with narrow commercial or nationalist interests. Or, at times, into the hands of people who leverage populist sentiments in order to advance their own views of how society should change.

There is, in short, an accountability deficit. The enormous potential of lobbying to influence the world is not balanced by ways in which the practice can be held to account.

This problem is not being solved, despite on-going debate and campaigns to reduce the influence of lobbyists or make their actions more transparent. There have been some successes. Misdemeanours have been exposed and voluntary codes of conduct implemented. Legislation has required disclosure of financial donations or records of interactions between government and lobbyists. But these successes have stemmed neither the increasing influence of lobbyists nor the practice's growing discreditable reputation.

AccountAbility, like others, believes action is needed to break the current impasse and make lobbying accountable.

The need is urgent when we consider how lobbying could tackle poverty, inequality and environmental insecurity. Business increasingly

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acknowledges these crises and commits to addressing them. The UN Global Compact, for example, mobilises thousands of businesses world-wide in the shared vision of the ten principles. Political lobbying is arguably the most important opportunity for companies to deliver on these commitments because it can reshape how economies and businesses affect people and the environment.

Although some businesses, often working with civil society partners, have used lobbying as a force for good, too often corporate commitments to sustainable development or the Millennium Development Goals evaporate in the face of lobbying for narrow commercial interests.

This is no longer acceptable. Businesses cannot continue to make high-profile commitments, and then contradict these commitments through their less-visible lobbying. If businesses are to build trust and retain their right to influence public policy, they must walk their talk.

There are equivalent issues for civil society and labour organizations who must align their claims to legitimacy with the people they actually represent. They must ensure that their media campaigns to inspire public support for their policy proposals are firmly rooted in credible evidence.

While it should be our right to influence governments by voicing our interests and concerns, this right is only legitimate if balanced by the obligation to act responsibly. AccountAbility's 'responsible lobbying' initiative, in partnership with the UN Global Compact, is one contribution to getting this balance right.

Our international consultations and discussions have confirmed that there is no easy fix. The complex relationships between governments and non-state actors, such as business, vary enormously across regions and between the local, national and international levels. They have long histories and can rarely be understood by looking at one issue, or one set of interactions.

Despite this complexity, we have developed clear recommendations and a practical framework for action, which are set out in this report.

We believe they provide valuable guidance for organizations to move towards more responsible, and so more legitimate, lobbying.

Effectiveness requires use, of course. This is where our collaboration with the UN Global Compact is particularly important. Our proposals are entirely consistent with the Compact's ten principles, and with the letter and spirit of the commitment made by the Compact's community of businesses. AccountAbility hopes that the companies associated with the Compact – as well as other businesses, civil society and labour organizations – will publicly adopt the Responsible Lobbying Framework. Such take-up would prove that lobbying can, and will, become a legitimate and valuable part of the relationship between governments, business and non-state actors.

Simon Zadek  
CEO  
AccountAbility





## Foreword

**Georg Kell, Executive Head, UNGC**

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Policy making and business interests have always been intimately connected, and at times contentiously. Lobbying on behalf of the private sector, openly or surreptitiously, may arguably be the second-oldest profession on the planet.

However, the process of globalization has drastically altered the scope and impact of lobbying over the last decades. And while corporations have broadened their reach and influence, calls for responsible business practices and more transparency have intensified. Fortunately, a growing number of businesses around the world have come to embrace the concept of corporate citizenship. The Global Compact alone, as the world's largest voluntary corporate citizenship initiative, has grown to over 2,100 participating businesses from more than 80 countries. Corporate leaders everywhere have realized that the long-term value drivers of their business, better governance and improved environmental and social performance, all reinforce each other.

Regrettably, this thinking does not seem to have spread through all areas of corporate operations. We still see a widespread disconnect between businesses' aspirations towards responsible corporate citizenship and their own lobbying efforts. It is precisely this lack of consistency that can undermine the credibility of corporate responsibility and diminish its benefits. For the Global Compact, corporate lobbying is thus naturally a key issue.

Ensuring that lobbying doesn't undercut corporate responsibility is of great importance in its own right. But probably more important is the question whether and how lobbying can become a positive force to support, or even expand, a commitment to responsible business.

Undeniably, corporations have much to gain much from lobbying for the greater good: Making a case for a successful Doha round on international trade, for more and better health and education in the poorest countries, for decisive and effective action to curb climate change, and for more tolerance and understanding between cultures and religions, to name just a few, will ultimately help to reduce market risks, foster stability and improve framework conditions.

Global corporations need to tackle global challenges. And as long as governments remain local, business and civil society are at the forefront

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of creating bonds between nations and people. Advocating the right causes, mobilizing public opinion so that policy makers are encouraged to act beyond narrow interests, and avoiding being caught up in short-term thinking, could all become important building blocks towards responsible lobbying.

We hope that this report will stimulate a constructive debate and bring about more coherence between corporate responsibility and lobbying. Furthermore, we hope it will encourage companies around the world to make their voices heard when it comes to the global challenges that threaten to undermine the long-term prospects for business and societies to grow.

Georg Kell  
Executive Head  
United Nations Global Compact

## Executive summary

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**“Business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy.”**

***Kofi Annan, United Nations Secretary-General***

***Business has an important stake in achieving the goals of sustainable development.*** Poverty, armed conflict, the AIDS crisis, human rights abuses, and corruption, all affect the ability of business and society to prosper. The challenge for public policy makers is to provide a functioning rules-based global system of governance, accompanied by enabling local environments. The positive support and interventions by the business community will be needed to achieve this.

***The business community is taking an increasingly active and visible role in public policy development and practice, and this advances the goals of sustainable development.*** The experience of the UN Global Compact and other initiatives and institutions, demonstrates the importance of this role in determining the effectiveness of the business community's contribution to achieving the Millennium Development Goals, and addressing the imperative of sustainable development more generally. As a response to the changing sphere of influence and value drivers of business, the corporate sector has increasingly addressed its performance in areas such as human rights, environmental impact, and labour standards. It has done this through individual practice, as well as engagement in multi-sector partnerships, and adherence to emergent standards and norms. But the impact of corporate responsibility is rapidly reaching a plateau and thus requires different types of interventions by a wider array of actors in setting public policy.

***The business community is approaching a crossroad in corporate responsibility.*** The role of public policy in shaping more responsible markets, and the part business plays in that process, is all-important; lobbying is hugely influential in this sphere. So business must not, as Kofi Annan says, undo through its lobbying processes, what it has achieved through other responsible practices. This requires a greater coherence and consistency between businesses' commitments and stated policies and actions in influencing public policy, what we are calling, 'responsible lobbying'. In short, it is crucial that businesses' public policy engagements are aligned with values-based frameworks such as the UN Global Compact's 10 Principles.

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***Business is not the only important actor on the lobbying stage.*** The rise of civil society organizations in particular, and the influence they have exerted on public policy in recent years, has raised questions about their accountability, as well as that of other non-business lobbyists such as labour organizations and public agencies themselves. Such actors are being challenged over approaches to campaigning against corporate practice, which some see as inconsistent with a responsible approach to lobbying. There are for example growing tensions for many activist NGOs in balancing their public policy positions and campaigns with their more intimate engagement with business and government through resourcing and partnerships.

***The practice of lobbying takes many forms and operates at many levels.*** Lobbying has been typically defined as, ‘trying to influence the thinking of legislators or other public officials for or against a specific cause’. It comes in many forms: submitting formal responses to government over proposed legislation, the employment of professional lobbyists; membership of associations that lobby for collective interests; engagement in multi-sector partnerships promoting higher standards in labour conditions; grassroots campaigns encouraging individuals to write to their elected representatives.

***Lobbying has rarely been perceived to be a force for good.*** While business lobbying is a legitimate activity in a democratic society, there is no doubt that some business lobbying has been neither transparent nor ‘progressive’, and certainly inconsistent with sustainable development. This view is reinforced by the fact that unlike other democratic activities such as voting, lobbying does not operate on a level playing field. Interests groups do not have equal influence over policy decisions, and where business is concerned there is the feeling that those ‘who pay the piper, call the tune’.

***Businesses and other users of the lobbying community have to demand changes in practices.*** Professional lobbyists are hugely influential in the world’s capitals, as well as at regional and local levels. It is the clients of lobbying, notably the business community, that can ultimately influence the actions of lobbyists by ensuring their goals and objectives are consistent with the company’s long-term strategy for success – and not simply focused on avoidance of costs and regulation.

As the primary audience for lobbying, governments can ensure that they are clear about their policy objectives and commitment to sustainable development. They can do this through rigorous controls against 'improper influence' to ensure that the conversation between business and government is focused on how best to achieve public policy goals rather than negotiating favours through 'pork barrel politics'.

***Responsible lobbying is increasingly practised by businesses which want to build successful long-term relationships with the public sector as well as civil society.*** Business engagement with public institutions is becoming more visible, making commonly agreed and acceptable approaches to lobbying increasingly important. Businesses focused on managing social and environmental opportunities and risks are evolving lobbying practices aligned to values-based policy frameworks.

***Businesses, as well as NGOs, should embrace the need for effective government and public policy, and engage responsibly in strengthening governments' capacities.*** Business engagement in public policy should, can and in some instances does help in building the capacity of governments to implement policy, as evidenced with the Business Coalition for Capacity Building in Latin America. Companies can best assist government capacity by: (i) working with countries to formulate policy, by lobbying for better regulation; (ii) push governments to fulfil aid and other commitments; (iii) build the capacity of public institutions to implement policy; and (iv) encourage governments to nurture enterprise development and capacity, such as the Growing Sustainable Business Initiative.

***Governments should be open to the positive role of business in public policy, without providing the business community with undue influence.*** This will be affected by business embracing the practice of responsible lobbying and thus eroding the jaundiced view of business involvement in public policy. Governments can best assist business involvement in public policy and capacity building by:

- ❑ Ensuring they have robust controls to prevent lobbyists from influencing policy makers by offering personal or political incentives.

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- ❑ Being clear in their commitment to sustainable development, and backing this by making policy decisions which do not favour short-term economic gain over social and environmental improvements, when there are difficult trade-offs to be made.
  - ❑ Ensuring that decision-making by regional and local government, as well as within individual government departments, is not governed by a silo mentality.
  - ❑ Working openly with business and civil society to address long-term issues and public policy goals.

***Responsible lobbying is defined here in two parts:***

- a) Being consistent with an organization's stated policies, commitments to stakeholders, and core strategy and actions.***
- b) Advancing the implementation of universal principles and values (such as those embodied in the UN Global Compact) in business practice.***

This two-part definition was reached through extensive consultation with business and non-business actors. It recognises the need to capture in the definition a practical balance of a substantive view of the 'good' or 'progressive', and a process view, such as transparency. The definition's demand for credible policy consistency rooted in an organization's strategies and actions, and *alignment* with universal principles and values, we believe achieves the required balance. This definition should, in our view, apply and be applied equally to business, government, and non-governmental organizations.

***The challenge is to put the definition into practice through the design of an appropriate framework for 'responsible lobbying'.*** A simple framework is needed for guiding lobbying, which encompasses a very broad set of activities carried out by business, civil society organizations, and of course public agencies themselves, within and between sovereign states. Such a framework needs to enable engagement practices that cut across sectoral boundaries to foster more collaborative approaches to public policy making.

Danger zones:		Six-step lobbying health-check:		Responsible lobbying is:
<b>Policy inconsistency</b> Are we doing one thing and saying another?	NO	<b>Alignment:</b> Are our lobbying positions in line with our strategy and actions, and universal principles and values?  <b>Materiality:</b> Are we lobbying on the important issues that affect our organization and our stakeholders?	YES	<b>Consistent with business strategy and universal principles</b>
<b>Untransparent processes</b> Does it look like we're trying to hide something?	NO	<b>Stakeholder engagement:</b> Are we open and responsive to stakeholders in developing and debating our lobbying positions?  <b>Reporting:</b> Are we transparent about our lobbying positions and practices?	YES	<b>Transparent and responsive to stakeholders</b>
<b>Poorly managed lobbying</b> Does the left hand not know what the right hand is doing?	NO	<b>People:</b> Do we know who is lobbying on our behalf and where our spheres of influence are?  <b>Processes:</b> Are management systems and guidelines in place to ensure that what we do in practice is effective and in-line with strategy and policies?	YES	<b>Effective in translating policies into practice</b>

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***All organizations can and should develop responsible lobbying over time through the adoption of a simple Responsible Lobbying Framework.*** A six-step 'lobbying health-check' has been developed drawing on existing quality, accountability and reporting standards and guidelines. These are complemented by a simple model that can be used by any organization, commercial or otherwise, in evolving a responsible approach to lobbying. Organizations associated with the UN Global Compact can show leadership through public commitments to responsible lobbying and adoption of this Framework.

In conclusion, the responsibility of governments is to decide on and implement particular policies in the interests of their citizens. However, other groups have always influenced the way in which policies are shaped and enacted but, in the past, this has taken place in the shadows. Spheres of influence and action have changed; it is now recognised that actors from one sector are increasingly involved in areas that were formerly regarded as the preserve of other sectors. The vision of responsible lobbying is not of corporations and other non-business groups being the arbiters of the public good, but of visible and legitimate multi-sector collaboration about how best to achieve the goals society holds in common.



## Lobbying at the crossroads

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***“At a time when more than one billion people are denied the very minimum requirements of human dignity, business cannot afford to be seen as the problem. Rather, it must work with governments and all other actors in society to mobilize global science, technology and knowledge to tackle the interlocking crises of hunger, disease, environmental degradation and conflict that are holding back the developing world.”***

**UN Secretary-General, Kofi Annan**

In today's inter-dependent global economy, leading companies and other high-profile organizations want to understand and manage a wider range of opportunities, impacts, relationships and risks than ever before. It is increasingly recognised that the health of the global economy depends on a foundation of global security, spreading affluence and good governance, and that the private sector's capacities and creativity can help to achieve these goals. In short, business is becoming an integral part of the governance process at all levels from the local to the global. Increasingly, therefore, companies' reputations, licence to operate, and ultimately accountability, require them to demonstrate consistency in performance on issues like human rights, environmental impacts and corporate governance. Lobbying is an important component of this accountability and consistency.

### **The tainted history of lobbying**

The history of lobbying is a controversial one, and is quite often seen as a 'dirty word'; in some languages the word 'lobbyist' has particularly negative connotations. If one looks back on developments in lobbying and the involvement of companies and other actors in politics more generally, one can begin to understand why. Companies have long been seen to defend the status quo, often accompanied by accusations that special interests operated to the detriment of wider society.

Once seen as a peculiarity of the US and European political systems, lobbying has proliferated around the world. Even when the positions are actually quite open, as in the case of Shell and the UN Norms on Human Rights (see box 8), accusations of irresponsible lobbying have now become part of the policy landscape. In discussing lobbying at the European Commission, for example, Guegen sees what he describes as 'negative' strategies – those which are in direct opposition to

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## **The scale of lobbying**

Lobbying is a well-established and growing activity.

- ◆ There are an estimated 100,000 professional lobbyists worldwide – 17,000 in Washington, 15,000 in Brussels alone.
- ◆ Lobbying presence is growing rapidly in fast-growing large economies (for example Russia, China, India, Brazil and South Africa) and around new rule-making institutions (like the WTO in Geneva).
- ◆ Legislators are often outnumbered by professional lobbyists – thirty to one in Washington DC.
- ◆ Business lobbyists outnumber NGO lobbyists by two to one in Brussels but the line between the two is a grey one, inhabited by trades unions, industry associations and other groups.
- ◆ Lobbying cultures remain distinct in different capitals, but many suggest that lobbying methods around the world are becoming more like Washington DC's K Street.
- ◆ Lobbying is not just about capitals. There is a lively lobbying scene at regional and city level, as well as virtual internet lobbying and ad hoc activities around mobile events like G8 summits.
- ◆ Lobbying is not just carried out by professional lobbyists. A wide variety of organizations and individuals within them, are involved in lobbying activities.

Commission proposals – as the great majority; the second are ‘reactive’, with public relations becoming involved; the third, and most rare, is what the author defines as ‘proactive’ strategies in which lobbyists work in partnership with the Commission (Guegen, 2002).

Today’s situation, whilst far from being radically different from the past, has seen companies becoming more engaged in ambitious public policy goals at local, national and international levels. Much of this has been due to a shift in the role and responsibilities taken on by companies and the recognition that they have a direct interest in addressing poverty, conflict, and environmental degradation.

For example, a recent report from the UN Global Compact emphasised the need of companies for a social licence to operate in vulnerable and war torn states, in order to enhance the private sector’s positive contribution to conflict prevention and reconstruction and mitigate the unintended negative impacts of trade and investment on human rights, social cohesion, environmental protection and good governance. But at the same time, it concludes that efforts thus far have been tentative and sporadic, and that there is a need for concrete actions on the part of the public policy community to support private sector efforts (Global Compact Office, 2005a).

The main change lies in the fact that whilst business is now, more than ever, a global operation, a global system of governance has failed to keep up with such developments. Corporations’ spheres of influence have expanded; we are now at the point where power and responsibility cannot be separated.

So it is time for lobbying to come out of the shadows, and for companies to take a more responsible approach that is accepted by policy makers, in the attempts of both to contribute positively to sustainable development.

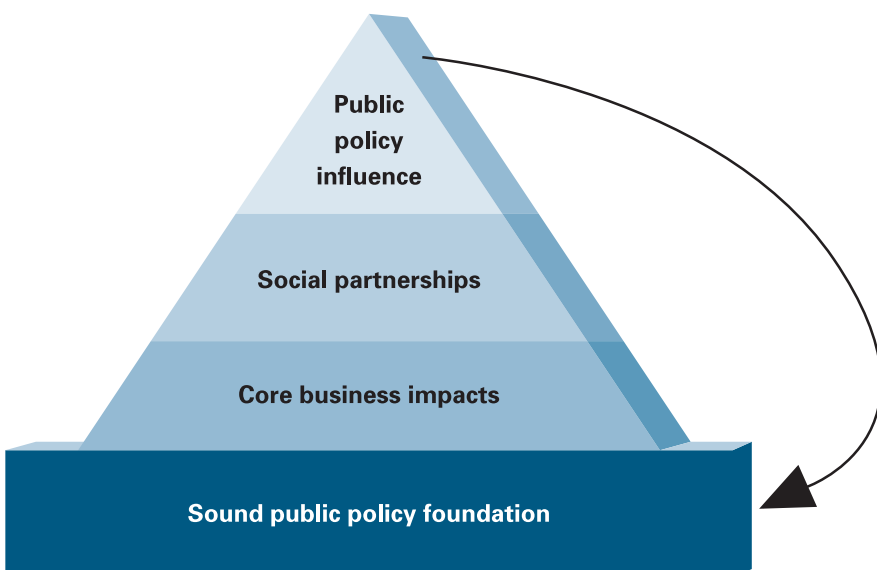
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***Responsible lobbying is thus defined as:***

- a) Being consistent with an organization's stated policies, commitments to stakeholders, and core strategy and actions.***
- b) Advancing the implementation of universal principles and values (such as those embodied in the UN Global Compact) in business practice.***

## **The Corporate Response**

The emergence of what has become known as Corporate Responsibility has been an important response to globalisation, with companies impacting at three levels (see graphic). Recently the public policy influence of corporations has taken centre stage, with claims and counter claims about the public and private faces of companies' attempts to influence relevant policy processes (Cowe, et al., 2001). However, the debate has thus far not been based on any sound public policy foundation, upon which different actors are able to clearly map the lobbying positions against the strategies and actions taken by companies.



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Today, the UN Global Compact has more than 2,100 participating companies from over 80 countries, engaging with labour and civil society organizations, governments and the UN. There are a host of other partnerships requiring proactive action and advocacy by private sector participants. Examples include:

- ❑ Sector-specific initiatives like the Extractive Industries Transparency Initiative and Fair Labor Association;
- ❑ Issue-specific activities like the Global Business Coalition on HIV/AIDS and Business Leaders Initiative on Human Rights; and
- ❑ Geographically-focused coalitions, like Business Action for Africa.

Such initiatives involve companies, non-governmental and labour organizations, as well as international agencies all working alongside government in developing practical approaches to problems such as reducing poverty, tackling corruption, environmental management and preventing the spread of HIV/AIDs. Business provides not just financial resources, management know-how and technical expertise. Increasingly, they are asked to lend credibility and voice. All the above initiatives specifically call for active business engagement in the development of public policy to address these issues at local, national and international levels.

***‘The enormous influence of corporate lobbyists undermines democracy and all too frequently results in postponing, weakening or blocking urgently needed progress in EU social, environmental and consumer protections. As the first steps in addressing these problems, the Commission should take determined action to improve transparency around lobbying and ensure that no business groups are given privileged access and influence on EU policy-making.’***

**Alliance for Lobbying Transparency and Ethics Regulation-EU, June 2005**

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### **Box 1.: Novo Nordisk and Diabetes**

As a world leader in diabetes care, we believe we have a responsibility to help people with diabetes around the globe. Chronic diseases like diabetes are complex conditions that require education and lifelong monitoring and care by the people with diabetes and their healthcare professionals. Good diabetes care is as dependent on education and awareness as it is on insulin or other pharmaceutical products. Unfortunately, most healthcare systems are geared to treating acute problems, and are not equipped to offer this essential package of education, monitoring and psychosocial support.

By working together with governments and other partners to improve diabetes care, we use our expertise and competence in diabetes to address some of these issues. Examples of our engagement with politicians, regulators and other officials include:

- ▲ Novo Nordisk, together with the University of Oxford, has created the Oxford Health Alliance, which aims to raise awareness and change behaviours, policies and perspectives at every level of society regarding chronic disease prevention. This involves direct engagement with governments, and the coordination of advocacy initiatives among numerous stakeholder groups. [www.oxha.org](http://www.oxha.org)
- ▲ The World Diabetes Foundation was created by Novo Nordisk in 2001 through an investment of \$100m to address diabetes in the developing world. The 55 projects funded by the WDF until June 2005 are expected to directly influence the diabetes treatment of 23 million people in the coming 3-4 years. The majority of WDF projects include engagement with local politicians or other policy makers. [www.worlddiabetesfoundation.org](http://www.worlddiabetesfoundation.org)
- ▲ The DAWN programme is a global initiative to overcome the psychosocial barriers to effective self-management and good quality of life. DAWN includes a focus on advocacy, and has engaged with politicians, officials and regulators in the Australia, Denmark, Egypt, France, Italy, UK, US, and

the European Parliament to promote patient involvement in diabetes care. [www.dawnstudy.com](http://www.dawnstudy.com)

- ▲ Novo Nordisk has partnered with other stakeholders to organise EU Diabetes Week meetings in Brussels annually since 2002, which aim to engage MEPs and EU officials in awareness raising and policy discussion.
- ▲ Novo Nordisk is actively supporting a joint WHO and IDF initiative to develop the African Declaration on Diabetes, with a view to focussing attention on diabetes and inspiring governments and other stakeholders to take action.

[Source: Novo Nordisk A/S]

Such areas of activity, which were not formally seen as the responsibility of companies, are increasingly recognised as being important for their long-term success. Where there is poverty and conflict, there is instability and an environment not conducive to business. As Mark Malloch Brown has said in the context of the MDGs: *“For many companies, meeting the Millennium Development Goals also involves even more immediate opportunities. If appropriate, accessible and affordable products and services can be provided right now, there is already an urgent and great demand in areas such as healthcare, housing, energy and electricity, food and nutrition, water, sanitation, information and communications technologies, basic banking services and education. These areas are all central to the Millennium Development Goals and cannot realistically be achieved without involvement by at least some degree of private enterprise.”* (Forstater, et al, 2002). The business case for engagement in poverty reduction and other goals embodied in the MDG, is becoming clearer and the private sector is beginning to take action.

However, UN Secretary General Kofi Annan, speaking at the UN Global Compact Summit in New York on 24th June 2004, reiterated his call for business to take a progressive and significant role in the formulation of

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public policy but not to undo its achievements in corporate citizenship. *“Business must restrain itself from taking away, by its lobbying activities, what it offers through corporate responsibility and philanthropy.”*

President Lula of Brazil, also speaking at the Summit, reinforced this view by calling for corporations to join with governments in formulating and implementing initiatives aimed at furthering the public good as well as delivering business benefits. He also made the case for companies to lobby their governments in relation to subsidies and protection of Northern markets, *“It’s very important that each business leader and entrepreneur be able to call their government’s attention to the serious distortions and injustice provoked by protectionism.”*

Many businesses have responded positively to the challenge. For example, Business Action for Sustainable Development, an initiative of the World Business Council on Sustainable Development (WBCSD) and International Chamber of Commerce (ICC) has lobbied extensively for the removal of distorting agricultural subsidies in OECD countries. Even though at the same time the ICC has been criticised for its active campaign against the UN Norms on Human Rights (see Shell case, box 8).

Meanwhile, Anita Roddick at The Body Shop and Ray Anderson at Interface Carpets are well-known examples of the ‘CEO lobbyist’. CEO lobbyists act individually, or jointly. The key to securing support for the 1999 OECD Anti-Bribery Convention was ‘the support of large companies’, says Peter Eigen, founder and Chairman of Transparency International (TI). ‘No fewer than 20 European companies signed a letter drafted by TI, encouraging government ministers in their respective countries to sign the convention, which outlaws the bribing of foreign public officials’. CEO lobbying is becoming more common and more forceful, as illustrated by the case of the Corporate Leaders Group on Climate Change.



### **Box 2:. Corporate Leaders Group on Climate Change**

In May 2005, the chief executives of 13 large companies wrote to UK Prime Minister Tony Blair. The Corporate Leaders Group on Climate Change is comprised of ABN Amro, AWG, BAA, BP, Cisco Systems, F&C Asset Management, HSBC, John Lewis Partnership, Johnson Matthey, Scottish Power, Shell, Standard Chartered Bank, Sun Microsystems.

The Group warned that the private sector and governments are caught in a 'Catch 22' situation with regard to tackling climate change. 'Governments tend to feel limited in their ability to introduce new policies for reducing emissions because they fear business resistance, while companies are unable to take their investments in low carbon solutions to scale because of lack of long-term policies.' The Confederation of British Industry (CBI) has successfully lobbied against proposed carbon cuts, claiming they would harm British business. The Department of Trade and Industry and the Prime Minister have to date backed the position of the CBI.

To break this impasse, the Group called on the UK government to provide greater certainty on future targets and more incentives, to reduce policy inconsistencies, and to use government procurement to develop low carbon technology markets. The Group specifically offered to help with policy design, communications and, importantly, engaging in dialogue with India and China.

The International Energy Agency has estimated that the need for additional infrastructure will amount to \$16 trillion over the next 25 years. Members of the Group, which has a combined turnover of \$817 billion, say they are 'directly involved in the development of international carbon markets, and believe that the value of these markets could be in the order of tens of billions of Euros,' provided there is a clear, long-term UK and EU policy framework.

[Source: The Prince of Wales' Business and the Environment Programme, May 2005, <http://www.cpi.cam.ac.uk/bep/>]

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These developments have taken place as a result of a shift in the relationships and responsibilities of governments and business. With state-run industries now privatised, public-private partnerships the preferred method of delivering many public services, and an increasing intensity and professionalism of business lobbying, the private sector's 'sphere of influence' – defined as 'the individuals to whom the company has a certain political, contractual, economic or geographic proximity' (UNGC/UNHCHR, 2004) – is growing.

Critics of corporate lobbying challenge this new role, some because they doubt corporate legitimacy, others because they do not see it as linked to core business strategy. But there are five areas in which business and civil society lobbyists can and should improve public policy making. They can:

- 1) Provide technical and scientific analysis that helps policy-makers in increasingly complex policy arenas.
- 2) Identify the likely economic, social and environmental impacts of public policies at local, national and global levels.
- 3) Act as brokers, synthesising disparate policy positions for officials, easing information flows and seeking potential compromises.
- 4) Mitigate the short-term approach to policy-making imposed by electoral cycles, opinion polls, focus groups and institutional rivalries.
- 5) Provide a voice for those unable or unwilling to participate in decision-making directly.

***"It is fine for business leaders to express their views about political issues, in the same way that it is fine for the captain of Manchester United football team to express his views. But they have neither the right, nor the legitimacy, to express those views on the part of their organizations."***

**John Kay, leading economist**

### **Box 3:. Lobbying under the spotlight in Brazil**

In Brazil, businesses are now involved in public policy-making as never before. They are a key delivery mechanism for the ambitious Zero Hunger initiative, and are also being drawn in to projects to help deliver the Millennium Development Goals at the local level.

One example is the *Fórum Empresarial de Apoio ao Município* – a business forum designed to support local government. The initiative was launched by Instituto Ethos, the country's leading organization for business and social responsibility, in March 2005.

Each forum is based on four key concepts: a) ethics and transparency; b) credibility and visibility; c) benefits for town and population; and d) buy-in from stakeholders. To date, there are forums in three municipalities: São Paulo (SP), Grande ABC (SP), and Jaraguá do Sul (SC).

At the same time, there is a lively debate on 'good' and 'bad' lobbying. Lobbying is unregulated and has negative connotations to many observers in Brazil. But with 140 professional lobbying groups now active in Brasilia, there are calls from outside and within the profession to clean up lobbying practices. Some believe that voluntary standards will work. "Credibility and trust are fundamental in our profession," says Guilherme Farhat Ferraz, head of Semprel, 'we cannot put that at risk'.

Others argue for regulation. "Our work is very different from that of the obscure professional that works on the mobile and trafficks influence to survive. We have addresses and identity numbers', says Eduardo Carlos Ricardo, founder and director of lobby shop Patri, 'and we want to see regulations on this activity.'

Senator Marco Maciel has tabled proposed regulations on lobbying in the National Congress, although for the time being these proposals are stalled in the Chamber of Deputies.

[Source: Exame, June 2005; Instituto Ethos].

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The business community is subsequently deeply involved in many dimensions of public policy, some involving regulation and others not, covering everything from corporate governance, patent legislation, the delivery of effective education, to environmental management, poverty alleviation and trade policy. In addition, businesses and voluntary organizations are now also becoming more closely involved in meeting challenging and widely agreed international goals on development and sustainability.

According to a recent survey by SustainAbility and WWF, 'transparency around lobbying has increased markedly in the last few years', with 49 of the world's largest 100 companies reporting on lobbying, 18 of them in some detail. But much of the reporting is defensive in tone. Company influence over multilateral initiatives like the Extractive Industries Review of the World Bank or the development of UN norms on human rights was rarely addressed in any detail (SustainAbility/WWF, 2005). John Elkington, Chair of SustainAbility, warns of "a real risk for companies which are doing extensive reporting and engagement if they are unaware of lobbying activity, or are not imposing quality control." The problem is that there is little guidance on how to make sure that business engagement in public policy is responsible; i.e. that it is aligned to the goals of sustainable development.

# Understanding lobbying

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## Emerging Drivers

Many companies have made ambitious commitments to helping deliver sustainable development, but the challenge remains of embedding this in their approach to politics and policy engagement and to understand the kinds of process and substantive changes this might entail. For example, many companies have taken the step of publicly ruling out political donations. A recent study by the Institute of Business Ethics (IBE), showed that although still an important part of lobbying in the US, political donations in the UK have fallen sharply over recent years due to adverse public opinion, and in France, political giving has been banned since 1995 (IBE, 2005).

A number of key drivers are therefore now creating pressure for more innovative and constructive proposals on managing and accounting for public policy influence:

- (a) **Recognition that lobbying offers a significant opportunity for enhancing a company's positive impact on society.** Lobbying is undergoing a dramatic change, from elite influence to the proactive support of grassroots campaigns. Public influence increasingly forms an important part of an organization's wider impacts and should therefore be managed and reported as part of its overall commitment to sustainable development.
- (b) **There is an opportunity for business and NGOs to go beyond the issues and help strengthen the capacity of governments to deliver public policy.** As the Corporate Leaders Group on Climate Change has shown, as well as initiatives such as the Business Coalition for Capacity Building, in Latin America, business has an important role in supporting governments' ability to deliver public policy. This involves being more collaborative with and supportive of government in the process of policy making itself.
- (c) **Need to ensure lobbying is effective and aligned to corporate strategic direction.** Lobbyists deeply involved in the policy-making 'bubble' are criticised for being isolated from corporate headquarters, setting unrealistic performance targets. They are

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also expected to achieve short-term results on high-profile issues as they emerge. For global companies, the difficulties are magnified by the problem of aligning regional in-house and consultant lobbyists working in very different cultures.

- (d) **Emergence of new challenges and risks associated with lobbying in emerging markets.** Companies are increasing their lobbying activities in developing countries, and with UN and other international agencies, as their attentions move from established to emerging markets. Environics Executive Opinion Surveys show that conditions for effective lobbying vary widely in the 105 countries surveyed. The Milken Institute has devised an Opacity Index to warn companies of differing cultural, legal and public policy norms but there are few 'rules of engagement' in many countries. This uncertainty brings risks to business as well as government and civil society.

***'It is imperative that the private sector ... initiate and implement a strategy for enhanced advocacy to recast and present the realities and opportunities in African economies to the global communities'.***  
**President Olusegun Obasanjo of Nigeria, January 2005**

#### **Box 4.: Promoting revenue transparency in the extractive industry**

The Extractive Industries Transparency Initiative (EITI) aims to ensure that the revenues from extractive industries contribute to sustainable development and poverty reduction. Founded in 2002 by the UK Department for International Development (DFID), with the World Bank Group and a wide range of governments, companies and NGOs, it is a voluntary effort to encourage 'revenue transparency' whereby host governments publish the details of concession payments made by extractive industry companies. By mid-2005, 19 countries had endorsed the initiative, and eight were publicly committed to implementing it.

Both business and NGOs have been actively lobbying around the initiative. Save the Children Fund, a member of the NGO coalition

Publish What You Pay, has produced detailed corporate scorecards monitoring the progress of companies moving beyond rhetoric on revenue transparency.

In 2004, the Angolan government – which had not formally committed to implementing EITI – publicly announced a US\$210 million signing bonus and additional US\$80 million social bonus by ChevronTexaco, the world's fifth largest oil company, for the extension of the Block 0 concession. Part of the social bonus will be targeted specifically at Cabinda Province.

ChevronTexaco's chief executive David J O'Reilly has stated that 'business must advocate for trade reform, debt relief and good governance and other global issues that impact the poor.' Fighting poverty through good governance is, he believes, the right thing to do – and is also good business. Observers are now waiting to see if ChevronTexaco maintains momentum by helping other governments to make revenue announcements. Meanwhile, scepticism about their actions remains amongst NGOs such as Human Rights Watch, which is still not allowed to visit the company's facilities in Cabinda.

[Sources: <http://www.eitransparency.org/>; 2003 CSR update, [http://www.chevron.com/cr\\_report/2003/download\\_report.asp](http://www.chevron.com/cr_report/2003/download_report.asp); Publish What You Pay, 2005; [http://www.chevron.com/news/speeches/2004/23jan2004\\_oreilly.asp](http://www.chevron.com/news/speeches/2004/23jan2004_oreilly.asp)].

- (e) **Need for effective international guidance.** The regulation of lobbying has extended as far as mandatory lobbyist registration (USA, Canada, Germany, and probably the EU in late 2005). There are also a number of voluntary codes of conduct for individual lobbyists in some countries. But there is little in the way of guidelines for companies. Nor is there a system of regulation at the international level where lobbying increasingly takes place. Essentially, there has been no analysis of the inter-relationship between mandatory and voluntary forms of regulation, or of their effectiveness.

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(f) **Public focus on ‘proper influence’.** Policy makers are under the spotlight about their dealings with interest groups, most notably with the corporate sector but also NGOs, and need to ensure ‘proper influence’ in decision-making processes. This affects local, national and regional government policy-makers but also the new breed of international partnerships and global policy networks that are trying to develop global systems of governance and cooperation. Rules cover gifts, donations and ‘revolving doors’ but say little on other aspects of the relationship. Lobbying is also a two-way street – with companies in many countries saying that it is difficult to make their voice heard by legislators. For example, a study in Russia asked Russian business managers: "During the preparation of new laws or normative acts by the federal/regional/local government that are important for your business, how often is your firm able to have influence on the final version of the document?" A large majority of firms 76-88 percent answered "almost never." 10-20 percent of firms said "sometimes"; and a small minority (1-5%) said "almost always". (Frye, 2002).

(g) **Trade associations are tasked with representing the views of their members,** but sometimes lack mechanisms for agreeing on public policy priorities and reporting progress on achieving them, although, some of the larger associations have elaborate, some might say labyrinthine, processes for determining policy. Members may be uncomfortable with the public positions taken by their trade associations. But in many countries, membership is obligatory, and although members prefer to remain in trade associations, often change is difficult to achieve from within. There are however, notable examples of companies leaving trade bodies, such as when leading oil and automotive companies pulled out of the Global Climate Coalition.

***‘We’re totally disenchanted with the lowest common denominator approach – and the secrecy of the trade association. No one goes to the meetings. But what would we miss – and how would it look – if we dropped out?’***

**Corporate lobbyist, London**



**(h) Civil society is increasingly alert to business inconsistency.**

Lifeworth Annual Review of Corporate Responsibility 2002 concluded that “Corporate lobbying is becoming a key business risk”, adding that “NGOs are gearing-up to place the political activities of corporations and their associations firmly on top of the corporate responsibility agenda” (Caulkin & Collins, 2003). Watchdog NGOs operate in Washington DC, Brussels and elsewhere, with a particular focus on lobbying through trade associations and often using internet-searchable lobbyist registers.

- (i) The accountability of civil society lobbying is also under question.** With the growth in their influence, the advocacy role of NGOs has come under increasing scrutiny and challenge. NGOs distribute a great deal of information on how to lobby, but is not part of an objective reporting process. They also have little ‘trade association’ representation and so tend to group together on particular issues and in different ways (e.g. joint letters, campaigns, protests, or reports).

***‘We can’t get away with saying things that are fundamentally different on different sides of the planet – governments actually talk to each other these days.’***

**Corporate lobbyist, Brussels**

### **Addressing the Questions**

The series of workshops and discussions in Brazil, Washington DC, London, Brussels and India raised the following questions to be addressed:

- ❖ *Global, national or local?* Although key centres of lobbying are K Street in Washington, the ‘Brussels Bubble’ and in other capital cities, lobbying also takes place locally, involving dialogue with local government officials as well as at international fora like the WTO, and in a multinational context such as in relation to the Millennium Development Goals. For example,

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### **Box 5.: Chinese businesses and HIV/AIDS**

AIDS is having a devastating impact on the workplace and surrounding communities, not only in Sub-Saharan Africa but in other countries where the prevalence of the disease is growing. In March 2005, The Chinese Ministry of Health organized a joint summit with the Global Business Coalition on HIV/AIDS (GBC). Vice-Premier Wu Yi committed the government to updating laws and regulations, increasing financial input and ensuring free treatment and care for HIV patients.

She also urged that ‘To prevent and control HIV/AIDS is not only the obligation of the Chinese Government, but also the common responsibility of the entire society including the business sector.’ This call for business involvement in health policy is a significant development in China, where individual advocacy and interest-group activity has only recently been accepted as legitimate (Kennedy, 2005).

The GBC encourages the leaders of its 200 plus member businesses specifically to ‘promote change and influence policy. Within their companies, senior management can address stigma and discrimination, send a clear message on non-discrimination, and promote behaviour that prevent spread of the disease, and ensure that those infected are effectively managed. Business leaders also have a role in public health and community policies.’

The GBC’s joint action plan with the Chinese Ministry of Health has mobilised 26 companies, both multinationals and Chinese firms. The initiative is a clear sign that businesses are increasingly expected to play a role in policy development in China. ‘To ensure corporate social responsibility programs address practical problems that the government cares about and will endorse,’ writes Stephanie Yan in China Daily, ‘there has to be an alignment with government priorities’.

[Source: ‘Companies in China urged to help HIV carriers’, Guan Xiaofeng, China Daily, 19 May 2005, GBC Business AIDS Methodology principles; UNGA (2005) *Progress made in the implementation of the Declaration of Commitment on HIV/AIDS: Report of the Secretary-General*, UN General Assembly A/59/765, April 2005, New York.]

lobbying on software protection has become multinational with China's domestic software industry, and notably the founder of Kingsoft, Qui Bojun, taking a public position on enforcing copyrights and helping found the China Software Alliance (Kennedy, 2005). Responsible lobbying should be applicable internationally but be able to adapt to the different ways in which lobbying is viewed in different societies.

- ❖ *Sectoral or across-the-board?* Some of the most effective initiatives on the interface between corporate responsibility and public policy have been sector-specific (e.g. the ETI, Kimberley Process and Extractive Industries Transparency Initiative). Should responsible lobbying *concentrate* on sectors where lobbying has been especially controversial – tobacco, oil, pharmaceuticals, automotive, chemical, banking – or is the lobbying here no different really from other sectors? A drawback of such an approach is that as the number of such initiatives increase, there is the potential for confusion or 'shopping around' for easier standards. An across the board approach based on broadly applicable principles could be focused on individual sectors, as has been the case with the Global Reporting Initiative.

***"Business has too much voice already. Why would I want to increase that voice, just because supposedly business might lobby on behalf of the goals of sustainable development."***

**Workshop participant, Washington DC**

- ❖ *What is the lobbying mandate?* Lobbying is increasingly accepted as part of the democratic process, even in countries where until recently it was an unfamiliar phenomenon. In countries with a strongly developed culture of lobbying, companies now actively encourage the views of employees, customers and citizens' groups. But some argue that 'grassroots' lobbying often involves lobbyists claiming to represent a wider constituency than is really the case. Sectoral or national trade and employers' associations, for instance, sometimes claim to

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represent the interests of ‘the economy as a whole’, while some NGOs will argue on behalf of ‘society’, ‘humanity’ or even ‘the planet’.

- ❖ *Organizational or individual?* There are a number of mandatory and voluntary systems, which regulate some aspects of lobbying, often focused on codes of conduct for individual consultant lobbyists. Could these be strengthened, for example with monitoring and sanctions? Could they be used to provide incentives for wider uptake of best practises in responsible lobbying? Could companies require their staff to join such initiatives, as some consulting firms do? What is the future of such schemes as multinationals like IBM increasingly in-source their lobbying expertise? A recent study by McKinsey showed that successful multinationals in India’s fast-moving mobile telecommunications sector don’t rely on third-party legislation managers or joint-venture partners to address regulatory issues. Identifying and understanding the key policy makers, formulating a sound strategy, and building support from state governments, industry associations and NGOs is a major commitment. ‘If regulations are a crucial factor for an industry the CEO needs to spend a lot of time managing them.’ (Jain et al, 2005).

Again, what runs through the answers to many of these questions is the issue of consistency. There needs to be clarity and subsequent understanding of the position taken by companies in their approach to public policy and business operations. It is must also be emphasised that it is not always consistency between policy and actions that is important, but between different policies themselves as the Shell example demonstrates (see Box 8).

For these reasons, it is an opportune moment to examine good practice in responsible lobbying and to begin to develop a framework, which integrates lobbying into the overall management and reporting of organizational performance and impact.

Corporate responsibility in recent years has focused on improving the ways in which companies listen, respond to and are held to account by

their diverse stakeholders. However, this approach to stakeholder engagement or a company's 'sphere of influence', has not yet focused sufficiently on the positive impact business can make, let alone the management of and accounting for the way companies engage with government officials and politicians. What lies at the heart of this challenge therefore, is the question *how can business be more effectively mobilised to intervene appropriately, both at a global and national level, in the development of public policy aimed at sustainable development and at addressing the crises facing society today?*

Responsible lobbying is the missing jigsaw piece in the corporate responsibility puzzle.

#### **Box 6:. Telefónica and Transparent Stakeholder Relations**

Telefónica works with some international institutions that are leading the CSR debate and developing tools, research, and frameworks, as one of the main working lines in its CSR strategy. The purpose of participating in CSR public and private initiatives is twofold: to gather information on stakeholders expectations and establish a dialogue on future trends, guidelines and regulatory aspects affecting CSR aspects, such as certification, assurance or accountability.

Telefónica's relations with its stakeholders offer the company a way of not only developing their policies aligned to stakeholder interests, but also influencing the direction different initiatives take. In their 2004 Corporate Responsibility report, the following initiatives were outlined:

- As well as being a signatory of the Global Compact, the company sits on the Executive Committee of the Spanish Global Compact Association (ASEPAM). It has participated in the Communication on Progress Pocket Guide and it assisted in the development of the report by the OHCHR, on the responsibilities of Transnational Corporations and other Business Enterprises.

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- Telefónica has closely monitored the European Commission's activity with regard to Corporate Social Responsibility, both through its Regulatory Office in Brussels and the other forums it takes an active part in: the Spanish Confederation of Employers (CEOE), the International Chamber of Commerce (ICC), and the Global Reporting Initiative (GRI). It was also one of the practical case studies in the European Multistakeholder Forum.
  - Within the sector, the Company joined the environment and health and safety groups of the European Telecommunication Network Operators (ETNO), and the Global e-Sustainability Initiative (GeSI) in 2002. GeSI is presently working in responsible practise across supply chains, amongst others.
  - Telefónica is a member of the CEOE's Social Responsibility Commission, which analyses trends and the progress made in social responsibility by Spanish companies. Through CEOE, it also presented its position to the International Confederation of Employers (OIE).
  - It was a member of the drafting committee for the Spanish Association of Accounting and Business Administration's (AECA) Conceptual Framework for Social Responsibility, published in 2004.

This working line has been reinforced in recent years, leading to specific partnerships and commitments between the Company and representatives of its stakeholders.

[Source: Telefónica, S.A]

## Can lobbying be responsible?

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It is clear that there is a need for more effective, strategically aligned lobbying if business is going to make a more significant contribution to sustainable development.

### What is generally meant by lobbying?

A general definition of lobbying is: *“To try to influence the thinking of legislators or other public officials for or against a specific cause.”* It includes both direct lobbying in relation to a specific piece of legislation and more general ‘atmosphere setting’ around an issue or public debate. This takes a number of different forms:

- ☐ Face-to-face meetings with politicians or civil servants.
- ☐ Communication with politicians (letters, memos, etc.)
- ☐ Serving on government advisory groups or regulation drafting groups
- ☐ Making formal submissions to Government consultations (e.g. Green Papers and other preparatory legislative measures)
- ☐ Presentations at conferences
- ☐ Commissioning business impact assessments to support or oppose proposed legislation.
- ☐ Writing letters to newspapers, public bodies, etc.
- ☐ Giving evidence to Select and Congressional Committees
- ☐ Organizational participation of Multi-sector Partnership (especially in relation to standard setting)
- ☐ Providing or sponsoring research/information to policy-makers.

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- ❑ Financial donations and gifts, arranging visits and trips.
  - ❑ Grassroots and public relations campaigns encouraging employees, customers and other individuals to contact their government representatives

A lobbyist, then, is someone who spends a significant proportion of their time (often defined as more than one day a week) trying to influence the direction taken by policy makers. Their ranks include:

- ❑ Consultant lobbyists – representing clients, normally paid (but could be unpaid).
- ❑ In-house lobbyists (public affairs) – this may be a formal role within the organization or undertaken informally by people inside an organization from the CEO down.
- ❑ Group lobbyists – in-house lobbyists within trade associations for specific campaigns on behalf of a sector or group of companies.

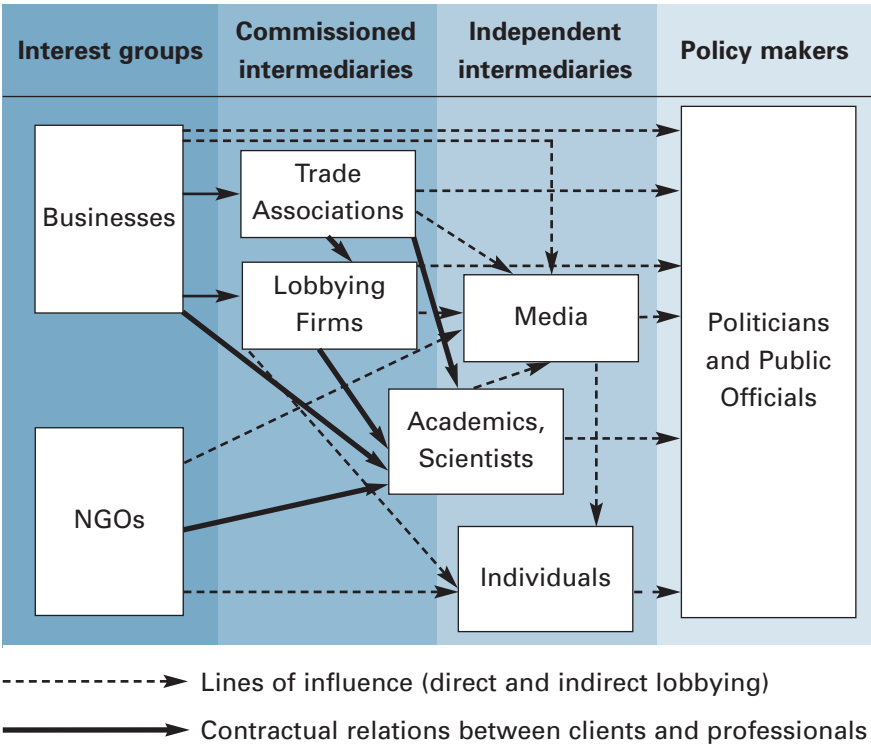
Finally, and central to this report, is the purpose of lobbying. This tends to fall into three, not always mutually exclusive, categories.

1. Self-interest lobbying (lobbying to advance organization's position)
2. Public interest lobbying (not necessarily solely practiced by NGOs)
3. Self/Public interest lobbying (that which advances the goals of the organization and society)



The ‘supply chain’ of lobbying involves a number of different stakeholders, from companies and NGOs (the buyers and suppliers), through to trade associations, professional lobbyists, the media, and academics (the suppliers) to policy makers (the consumers), and the resultant impact on society.

Figure 1: The Lobbying Supply Chain



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The challenge and the vision of responsible lobbying is to ensure that an organization's social and environmental goals are reflected in their lobbying positions and practices so that they are driven not by short-term and reactive objectives, but by a real understanding of what is needed to enable the organization to achieve its long-term strategic goals, *as well as positively* contribute to sustainable development.

Thus far, critiques of lobbying have tended to focus on the lobbyists themselves, be they lobbying firms or internal public affairs managers. But the graphic below shows how things may go wrong between the actors at the opposite ends of the chain, as well as offering a pathway to responsible lobbying.

It should be borne in mind that NGOs, although often considered to be promoting a 'progressive' agenda, also fall into the same traps of short-termism and siloism in their approach to lobbying.

To turn the perception and practice of lobbying around, from negative to positive, it is necessary to focus on the different ends of the supply chain; at one end are the companies and other non-business groups who seek to influence policy makers. At the other you have the policy makers themselves and responsible lobbying can only be achieved by the change in practice of both.

***"Responsible lobbying sounds like a contradiction in terms to me."***  
**Workshop participant, Washington DC**

Past attempts to define responsible lobbying have tended to take one of two approaches – either focusing on the openness and transparency of the lobbying process, or on whether its aims are seen as in the best interests of citizens:

1. **Is it transparent?** Most attempts to regulate or self-regulate the relationship between lobbyists and policy makers have focused on the transparency and integrity of lobbying. These include a range of voluntary and mandatory disclosure requirements, registration schemes, codes of conduct on behaviour

**Figure 2: Obstacles and pathways to responsible lobbying**

Obstacles to responsible lobbying	Government	Business	Pathways to responsible lobbying
<b>Short-term outlook</b>	⊗ Policy makers and officials chasing <b>personal or political incentives</b> rather than public policy objectives – e.g.: corruption, pork barrel politics.	⊗ Public affairs departments and industry body <b>lobbyists isolated</b> from other department policies and actions.  ⊗ Lobbying concentrates on <b>short-term cost alleviation and avoidance of responsibility</b> not long-term business goals.	<b>Accountability</b>
	☺ “ <b>Clean government</b> ” policies i.e. openness, transparency, anti-corruption policies.	☺ “ <b>Clean lobbying</b> ” policies i.e.: business principles, lobbying codes of conduct.  ☺ <b>Strategic direction and consistency</b> governing lobbying positions	
<b>‘Siloism’</b>	⊗ Nations, government departments and regional authorities address own priorities – <b>sustainable development is no one’s top priority.</b>	⊗ <b>Competitiveness obstructs</b> working towards solving global problems.	<b>Collaborative governance</b>
	☺ Participation in <b>international initiatives and partnerships.</b>  ☺ <b>Cross government targets</b> and collaboration on sustainable development.	☺ <b>Sector wide</b> and multi-sector working and policy debate.  ☺ <b>Support for effective regulation</b> to prevent competition driving down standards of sustainability performance.	
<b>Lack of commitment to sustainable development</b>	⊗ Governments <b>lack commitment to sustainable development</b> either because they are unresponsive to societal interests and concerns or because of disagreements about what sustainable development entails.	⊗ Companies view <b>sustainable development as a drag on business success</b> and take a defensive approach to proposed legislation.	<b>Commitment to sustainable development</b>
	☺ <b>Democratic government</b>  ☺ <b>Rigorous research, debate and communication</b> on sustainable development issues and controversies.	☺ <b>Principle-based approach</b> to responsible business, aligning business operations with universal values.	

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and more accessible consultation processes with support for less powerful stakeholders (see Annex). Examples of these components are found in a number of countries and supranational entities, but there is no existing example of an integrated package. Professional lobbyists on all sides say that although lobbying *activities* can be readily defined (as above), it can be counter-productive to seek transparency of lobbying *tactics*, particularly during the process.

2. **Is it 'progressive'?** Much of the public debate about lobbying, whilst sometimes couched in terms of transparency is actually concerned with issues of moral controversy (such as stem cell research) or the balance of losers and winners from a particular policy outcome. Campaigning groups argue for more transparency principally, it is alleged, to obtain ammunition in fighting for a normative position (An example is the debate over the proposed REACH chemical directive in Brussels. Environmental groups say that the chemical industry has improper influence, whereas critics of the green lobbyists argue they would be unhappy with the industry position no matter what tactics it used). And people have very different views as to what constitutes being progressive.

There are obstacles to both of these approaches.

Firstly, the idea of a process-based model for responsible lobbying has its attractions for both sides of the debate. But there is an inherent difficulty in defining a process standard which would make both corporate lobbyists and their clients happy, while at the same time assuaging the concerns of those with opposing viewpoints on substantive issues. Secondly, lobbying is by its very nature an informal process and thus often opaque, and in many instances defies reporting and regulation. For example, how does one begin to report on, let alone regulate frequent, informal, high-level meetings between public officials and executives? This does not mean that it is beyond regulation or auditing, but that doing so raises a number of challenges.

Secondly, transparency and responsibility are not the same thing. For example, many people would disapprove of a company lobbying against

restrictions on tobacco sales to minors, even if done openly and acceptably within a country's legal framework. Conversely, the cause of sustainable development could be served by a negotiation to end the inequality of trade regimes even if it was a closed and opaque process relying on 'political horse trading'. Many lobbyists argue that transparency and effectiveness in lobbying are sometimes incompatible, given the variable timescales, informality and inherent confidentiality of their profession.

Thirdly, any regulation in terms of either of the above approaches is only seen to work if it prevents lobbyists achieving what they want, which naturally makes them hostile to such regulation. Neither approach gives a clear business case for adoption. This explains why voluntary codes have either been faulted for having few teeth, or have achieved low levels of take up (or both at the same time). Lobbyists argue that reputation is a more powerful incentive than any code of conduct, but with phrases like 'viciously effective' being used to describe top lobbyists, it is not clear that professional reputation is a driver for greater trans-

#### **Box 7:. Canadian Lobbying Register and Code of Conduct**

One of the most thorough systems is the Canadian lobbying register and code of conduct. The Lobbyists Registration Act was enacted in 1988 and revised in 2005. It sets out basic requirements including that consultant lobbyists are to provide information on themselves, their clients, the subjects on which they are lobbying and the government departments they target. The Registrar produces an annual report and manages a searchable database. The database received 40,000 enquiries in 2004.

Registered lobbyists are also expected to abide by a code of ethical conduct. Watchdog groups like Democracy Watch can refer cases of suspected improper influence to the Registrar. To date, no lobbyist has been penalised for infringing the code. Whether that is a sign of its success or not is open to question.

Some NGOs suggest the scheme could be improved by requiring disclosure of financial disbursements.

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parency. Mandatory regulation or process-based reporting of generic indicators such as clients represented, objectives sought, staff employed and sums expended have been welcomed by NGOs and appear not to be excessively burdensome, but do not shed much light on the link with business strategy.

Building on this position, a third option is to focus on policy consistency:

3. Is it consistent? In practice, critiques of lobbying often focus on whether lobbyists are saying the same thing as other parts of the organization. If they are not, the discrepancy is often irresponsible and always inefficient. A focus on policy consistency allows 'responsible lobbying' principles to get beyond the quagmire of moral relativism. It does this by allowing an assessment of the extent to which organizations' lobbying positions are consistent with global policy commitments (such as the Universal Declaration of Human Rights and the ten principles of the UN Global Compact), sector-specific principles and initiatives (such as the Extractive Industries Transparency Initiative), and corporate mission statements, codes of conduct and whether these are translated into the actions of the organization.

The report now examines the process of implementing responsible lobbying. This must be based on consistency with policies, commitments and strategies, and founded in an understanding of what is important to a company's long-term performance.

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**Box 8: Shell and the challenges of demonstrating public policy consistency**

Having learned many lessons from the controversies surrounding the disposing of the Brent Spar oil rig in the North Atlantic, and the treatment of the Ogoni people in Nigeria, Shell has come to be regarded as one of the leading companies in corporate responsibility.

As part of Shell's stakeholder dialogue process, the company decided to withdraw from the Global Climate Coalition, which was seen by environmental pressure groups as a positive one. It was also one of the first companies to sign up to the UN Global Compact's principles, and has encouraged others to replicate its successful Livewire entrepreneurial support program.

In 2004 the International Chamber of Commerce (ICC) ran an active campaign against the proposed UN Norms on Business and Human Rights. The ICC's clearly stated position was that the proposed Norms were excessively legalistic and would shift responsibility for human rights away from governments to companies. At the same time member companies still believed they had responsibilities in relation to human rights, and Shell itself didn't actively campaign against the draft norms.

The ICC's Commission on Business in Society was chaired by Robin Aram, Vice-President of External Relations, Policy and Social Responsibility at Shell. A number of NGOs did not agree with the ICC position, but directed much of their criticism at Shell, and at Aram personally. In what became a highly charged debate, each side accused the other of irresponsible lobbying.

Whether Shell could have avoided the controversy surrounding this issue is a moot, and probably unanswerable, point. Shell would claim that it was not being inconsistent and that since adopting human rights in its business principles in 1997, it has been active in their practical implementation. However, membership and active involvement of trade bodies, brings with it responsibilities and thus perceived inconsistencies and accusations of hypocrisy, all of which demonstrate the difficulties that bedevil a deeply divided area of lobbying.





## Implementing responsible lobbying

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How can organizations move towards responsible lobbying, ensuring that their process of influencing public policy is consistent with their policies, commitments to stakeholders and business strategies?

In our discussions, people working in the field have stressed that this is a dynamic process. From their experiences we have identified six areas where companies and other organizations have made progress in implementing more responsible lobbying. Correspondingly we have laid out six-steps, which any organization can take, firstly to assess the responsibility of their lobbying activities and secondly, identify the key areas where they need to make improvements:

Each of the steps is outlined in more detail below, including the key questions organizations need to ask themselves, the analytical and management tools available to help at each stage, and case study examples highlighting the ways that some organizations have gone about addressing each of these areas. These are based on past research (UNGC/SustainAbility, 2004) and the AA1000 Principles, which effectively lend themselves to building a quality framework for responsible lobbying, illustrated below (AccountAbility, 1999).

Six-Step Lobbying Health-Check

Danger zones:		Six-step lobbying health-check:		Responsible lobbying is:
<b>Policy inconsistency</b> Are we doing one thing and saying another?	NO	<b>Alignment:</b> Are our lobbying positions in line with our strategy and actions, and universal principles and values?  <b>Materiality:</b> Are we lobbying on the important issues that affect our organization and our stakeholders?	YES	<b>Consistent with business strategy and universal principles</b>
<b>Untransparent processes</b> Does it look like we're trying to hide something?	NO	<b>Stakeholder engagement:</b> Are we open and responsive to stakeholders in developing and debating our lobbying positions?  <b>Reporting:</b> Are we transparent about our lobbying positions and practices?	YES	<b>Transparent and responsive to stakeholders</b>
<b>Poorly managed lobbying</b> Does the left hand not know what the right hand is doing?	NO	<b>People:</b> Do we know who is lobbying on our behalf and where our spheres of influence are?  <b>Processes:</b> Are management systems and guidelines in place to ensure that what we do in practice is effective and in-line with strategy and policies?	YES	<b>Effective in translating policies into practice</b>

Principle	In relation to responsible lobbying
● Inclusivity	▶ Organizations should reflect and take into account the views and perspectives of all stakeholder groups affected by any impact on public policy.
● Materiality	▶ Organizations should be able to identify how issues material to stakeholders are affected by their lobbying activities.
● Completeness	▶ Organizations should fully understand the impacts of their public policy influence.
● Responsiveness	▶ Organizations should explain to stakeholders their public policy positions and influencing approach, clarifying in what ways it responds to their concerns.

**Step 1: Alignment of goals and commitments with core business strategy and actions, and universal principles and values.**

*What are we lobbying for? Are those objectives in line with our business strategy and actions?*

Are there any inconsistencies (or perceived inconsistencies) between a company’s public policy position and its actions or commitments, or even between policy positions themselves? For example, if a company is committed to reducing its negative effect on climate change, is this reflected in the organization’s policy positions and those of any lobbying groups it is part of. Sometimes the organization will hold a firm position on a public issue even though it may not undertake specific activities from year to year.

But there is also a need to go beyond strategic consistency to include alignment with universal principles and values. As the UN Global Compact and SustainAbility concluded in their ‘Gearing Up’ report, ‘there is a clear and growing need for companies to speak out in favour of policies that deal proactively with sustainable development issues – and an increasingly robust case for doing so’. However, the report notes

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the risk that ‘Single interest lobbies fighting small points of policy can undermine the achievement of widely held environmental and social objectives. Companies that support CR should, at a minimum, not be advocating lower environmental and social standards where these conflict with such objectives’ (UNGC/SustainAbility, 2004).

The case study below, highlights one inconsistency between public policy stances identified by Co-operative Financial Services when it began to include lobbying activities within its overall sustainability management and reporting process.

#### **Box 9:. CFS: reporting and auditing material activities and positions**

Co-operative Financial Services (CFS) identified a potential inconsistency in the stances it takes regarding equity in insurance policies. On the one hand CFS was the first insurer to state that it would not require customers to disclose details of any genetic test results when applying for life insurance. However, it was against an EC proposal to enforce the principle of the equal treatment of men and women in access to goods and the supply of services, making it illegal to offer discounted motor insurance premiums for women or higher annuity rates for men – a position supported by the Assurance of British Insurers.

In the view of their auditor, these policy positions, and thus lobbying approaches, appeared to be inconsistent and require further consideration on the part of CFS. As stated in the assurance statement: “The insurance industry is faced with rising expectations for social equity and ethical performance at the same time as ever more sophisticated techniques which can discriminate risks are being developed. The lobbying positions CFS has taken appear to reflect these conflicting pressures, for example in relation to sex and genetic discrimination. It would be helpful for CFS to address this issue more directly, ideally setting out its view of what equity in insurance means.”

[Source: Co-operative Financial Services Sustainability Reports, 2003 & 2004; plus interviews with Paul Monaghan of CFS <http://www.cfs.co.uk/sustainability2003/sgm/>] and Adrian Henriques of *justassurance* <http://www.justassurance.org>]

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## Step 2: Assessing Materiality

*Are we lobbying on the important issues that affect our business and our stakeholders? Are there obstacles outside our direct control and which interfere with the achievement of corporate goals where we could use our influence to help address these issues?*

Identifying those issues which are material to the concerns of the business and its stakeholders will help to ensure that the positions and strategies taken by the company in its engagement with public policy support the achievement of its overall business objectives.

Companies will not be able to map, manage or report on every lobbying engagement they make. Understanding which issues are 'material' is crucial to better lobbying, and supports the long-term ability of a company to prosper. By demonstrating policy consistency as part of the normal reporting cycle, companies gain credibility and enhance their future lobbying potential.

The case study below highlights the way that GE has dealt with the relative materiality of anti-corruption and green technology development as public policy issues relevant to its business.

### **Box 10: 'Green is Green': GE advocacy for clean technologies**

In May 2005, Jeffery Immelt of GE, the world's largest corporation, launched Ecoimagination. Immelt stressed that the clean technology initiative is neither a response to government pressure nor a personal hobby. The world needs green technology like it once needed light bulbs, believes Immelt. 'We are in this to make money'.

GE commits itself to integrity in its interactions with regulators, media and communities. In the past the company has been criticized for its lobbying across a range of issues. 'While differences on policy issues are a hallmark of free societies,' says its 2005 Citizenship report, 'GE seeks to advance positions that are responsibly developed and responsibly presented'. One example: the company has been a corporate advocate on anti-corruption. It is one of 15 corporate

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members on the steering committee of Transparency International and Social Accountability International's Business Principles for Countering Bribery. Some may question the centrality of this anti-corruption position to the company's core business strategy, however. 'While generally beneficial', says Ben Heineman, Senior Vice President, Law and Public Affairs, it 'is less directly in our immediate interest than other positions we may take'.

Not so Ecoimagination, a major push to develop GE's leadership in renewable energy technologies, cleaner energy production and transportation systems and water treatment. The company committed publicly to doubling its investments in cleaner technologies by 2010, and to double revenues of products and services that provide 'significant and measurable environmental performance advantages to customers', from \$10 billion in 2004 to \$20 billion by 2010. Importantly, to qualify as Ecoimagination, these products and services must also improve customers' operating performance. GE also pledged to report on progress towards these targets.

The *Wall Street Journal* and *Financial Times* were sceptical of the initiative's business case, and NGOs like CorpWatch will remain critical of the company's military and nuclear activities. But environmental groups have been more enthusiastic. Ecoimagination 'is not only visionary, but in the absence of coherent national policies rewarding emissions reductions and encouraging energy efficiency and use of renewable energy,' according to Jonathan Lash of the World Resources Institute, 'it is just plain gutsy.'

[Sources: <http://ge.ecomagination.com/>; 'Why General Electric is gambling on green', *Financial Times*, 9 May 2005; [http://www.transparency.org/building\\_coalitions/private\\_sector/business\\_principles.html](http://www.transparency.org/building_coalitions/private_sector/business_principles.html) [http://newsroom.wri.org/newsrelease\\_text.cfm?NewsReleaseID=326](http://newsroom.wri.org/newsrelease_text.cfm?NewsReleaseID=326)]

### **Step 3: Stakeholder Engagement**

*Are we open and responsive to stakeholders (both internal and external) in developing and debating our lobbying positions? Are we opening up, and contributing to a wider debate on relevant issues?*

To better understand where inconsistencies lie, as well as develop a more holistic approach to public policy positions and processes, engagement with stakeholders is crucial. Organisations should reflect and take into account the views and perspectives of all stakeholder groups who affect or are affected by their public policy impact (AccountAbility, 2003). Do sustainability positions and commitments to societal goals have full support from the rest of the company and from other stakeholders such as policy-makers, customers, peers, investors, media, and advocacy groups? What are the risks of stakeholder controversy? What are the opportunities?

Integrating consideration of public policy positions with other stakeholder engagement processes might take various forms, from a narrow economic impact argument where lobbying is presented as being on behalf of employees, to a broader ‘pro bono publico’ argument which might stretch from consideration of actual or potential customers all the way up to national or even global beneficiaries.

Looked at in one way, lobbying itself is a form of stakeholder engagement, where the stakeholder in question is the government. Integrating lobbying with other stakeholder engagement processes can mean either directly engaging with key stakeholders in developing policy positions, gaining feedback on them and advocating them, or it can mean contributing to relevant public policy debates with stakeholders more broadly focusing on the issues and problems rather than a single company’s policies. The case study below highlights the case of The Gap Inc, and the number and range of organizations and stakeholders it is actively engaged with over manufacturing labour standards.

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### Box 11:. Gap Inc. & Responsible Engagement

The clothing company Gap Inc's approach to lobbying involves engagement with a wide variety of organizations and individuals, through traditional contacts with politicians and membership of trade associations, to more recent involvement in multi-sector partnerships, particularly those aimed at advancing issues relating to human rights and labour standards in global supply chains.

As Gap's senior director of government affairs and public policy, Tamsin Randlett states: *"Advocacy is an important element of citizenship – for companies as well as individual citizens. For instance, Gap Inc. is active in a business-led effort to build capacity around issues like labor standards and rule of law in collaboration with governments, civil society and international institutions. There is great insight to be gained, however, in better understanding and framing the elements of responsible engagement."*

According to the company's most recent social responsibility report, the purpose of these external engagement activities is to leverage the experience of others to develop and achieve common objectives to improve working conditions across the industry. "We've had our differences with Gap in the past, and we may in the future," says Bruce Raynor of UNITE "but when we started talking with them, we realized we could work together and create positive change for workers".

"We are convinced that collaborative, multi-stakeholder engagement is the only way to create sustainable change industry-wide", affirms Gap CEO Paul Pressler.

The range of multi-stakeholder initiatives have included the Global Alliance for Workers and Communities (2000), Public Reporting Working Group and Cambodian Labor Training Coalition (2002), Social Accountability Initiative's Corporate Involvement Program, the UN Global Compact (2003) and the Ethical Trading Initiative (2004). Most recently Gap Inc has been involved in a forum for mitigating the social consequences of the ending of the Multi-fibre Arrangement.



The company is also involved in a number of business coalitions, such as the Business Coalition for Capacity Building (BCCB), which has lobbied Congress on the need for more and better coordinated development assistance to promote economic opportunities and raise living standards. Tamsin Randlett for example, gave evidence to a Congressional Committee on the importance of capacity building in promoting economic development and raising living standards. Also in the same region, Gap is participating in the Continuous Improvements in the Central American Workplace (CIMCAW) partnership, whose aim is to improve the competitiveness of the textiles and apparel sector in the region, by ensuring compliance with international and national labour laws and standards.

Finally, Gap Inc, like most companies, is a member of a number of trade associations. These include the National Retail Federation (NRF) and the Retail Industry Leaders Association (RILA). The company believes that membership of trade associations, as well as advancing their own interests, is a mechanism for influencing members on such issues as labour standards. And although positions sometimes taken by the trade association do not always reflect the stance of more progressive members, Gap believes remaining as a member, even when there may be a difference of opinion over a particular policy, is the best means of leveraging influence. For example, Gap is a member of the US Council for International Business (USCIB), which raised objections to aspects of the UN Norms, as originally drafted. However, at the same time the company is also a member of the Business Leaders Initiative on Human Rights and with ten other companies actively reported on its human rights activities in 2004.

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## Step 4: Reporting on Influence

*Are we transparent about our lobbying positions and practices?*

‘Transparency will always be limited by the constraints of the law and commercial confidentiality requirements, but even the best companies could do more to make their policy positions clear on key issues’ (SustainAbility/UNGC, 2004).

Identify the most effective methods of reporting – from annual reports to a regularly updated web site. For each material issue, is there a clear expression of the organization’s position? Identify a limited number of input and output indicators for lobbying activity on the area. Can the outcomes be measured and reported?

Existing corporate responsibility reporting and accountability frameworks such as the Global Reporting Initiative and AA1000 offer the basis for a more focused approach to reporting on lobbying (GRI, 2002; AccountAbility, 2003). The GRI already has a set of indicators (the approach to be taken by GRI’s forthcoming Reporting Guidelines, ‘G3’, are not yet available) pertaining to the lobbying process of a company in terms of its involvement in political contributions, notably:

- ☐ SO3: Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.
- ☐ SO5: Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.

This has encouraged many companies using the GRI framework to begin the process of incorporating lobbying into corporate responsibility and sustainability reports. A number of examples are given of specific company actions on the 10th UN Global Compact principle on corruption in the recent practical guide to communication on progress, jointly produced by the Global Compact Office, Telefónica, GRI, Ethos and others (Global Compact Office, 2005b).

Measurement and reporting of performance have been key tools in improving the management of corporate social and environmental impacts. However, lobbyists argue that simple input-output indicators are meaningless because lobbying is inherently informal, often confidential and operates on either very short (24 hour) or very long (5-7 year) timescales that defy quarterly or annual reporting. Would the addition to sustainability reports of input indicators such as number of phone calls to, face to face meetings with, and dollars disbursed to, policy-makers shed much light on the impacts of lobbying? Are other qualitative indicators more suitable?

The case study below describes how Co-operative Financial Services (CFS) have gone about integrating lobbying into their sustainability reporting and assurance processes.

#### **Box 12:. Co-operative Financial Services: Reporting on influence**

Some businesses are going beyond reporting on political donations, to describe their lobbying activities and positions on 'sustainability' issues. Co-operative Financial Services (made up of Co-operative Insurance Society (CIS) and The Co-operative Bank) *Sustainability Reports 2003 & 2004* included information on their 'influence and action'.

In a first for CFS, the Reports contain details of CIS' and The Co-operative Bank's public policy lobbying activities; including, for example, the position taken on financial services issues, such as the provision of insurance in areas of high flood risk. Instances where CIS and The Co-operative Bank have sought to promote wider social and environmental ends, such as calling for measures that would curtail the trade in 'conflict diamonds' or promoting the use of 'safer chemicals', are also disclosed.

Such developments have the backing of leading environmental commentator Jonathon Porritt, who states: "This move (on safer chemicals) addresses a major concern of NGOs. There's still far too much corporate lobbying that is inconsistent with companies' stated policies and aspirations, and it would be good to see other companies following CFS' example." Under the banner of 'Influence and action,' examples of CFS' public policy lobbying activities are

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detailed throughout the Report. CIS also takes public positions on companies it invests in. For example, CIS opposed the re-election of Lee Raymond as Chief Executive of Exxon Mobil because of its 'head in the sand' stance on climate change. And in 2002, CIS became the first UK institutional investor to put its voting record online.

Paul Monaghan, in charge of sustainability reporting at CFS and Head of Sustainable Development, was surprised to discover the sheer scale and variety of the business' lobbying activities. To prevent reporting becoming a daunting task it is necessary to decide which public policy activities and positions are 'material' to the sustainability strategy. In future, it will be necessary to provide information to auditors verifying this process to ensure that potentially awkward activities have not been dismissed as 'immaterial'.

The auditing of CFS' lobbying activities is done in line with the overall audit process carried out by CFS' auditors, *justassurance*. There are limits to what can be assured when it comes to sustainability overall, and lobbying is no different. As with any lobbying process undertaken by a company, there are things, which simply can't be audited in any one single year such as tracing the outcomes of meetings with officials, the effect of campaigns on public opinion etc., beyond a change in the law, which may often come some way down the line. Adrian Henriques of *justassurance* believes that "whilst all lobbying activity that can be audited, should be audited, at present the furthest reaches of lobbying may be shrouded in secrecy; in the absence of disclosure auditing is not possible." But what the auditor can do is ensure there is transparency of lobbying processes, membership of trade associations and political donations are declared, and most importantly there is clarity and consistency in public policy positions.

For *justassurance*, one starting point is what is stated in the draft report presented to them as auditors. From there, they will examine the extent to which there are inconsistencies with any public positions taken by CFS, as they would do with any company. Although at present there is no register of the company's lobbying activities in line with public positions, equally there is no requirement that the company should be lobbying in all areas. What is material to the

company and both timely and apposite in terms of proposed legislation (for example for the past five years, CFS has consistently lobbied for mandatory social and environmental reporting for all large UK businesses) should be reported.

### **Step 5: Mapping the people involved in lobbying activities**

*Do we know who is lobbying on our behalf and where our spheres of influence are?*

A company can gain many benefits from mapping its networks and spheres of influence in relation to size of in-house lobbying function; engagement of consultant lobbyists; membership of trade associations; engagement with government officials and politicians, as well as membership of multi-stakeholder partnerships.

Mapping can be done with varying degrees of sophistication (and cost), from informal interviews, to staff surveys, to specialised computer programmes performing social network analysis. A number of large multinational companies run annual global meetings for all their in-house and consultant lobbyists.

One good place to start a mapping exercise is by listing memberships of trade associations and other bodies. Companies such as HP now list their main memberships in their annual citizenship reports. In the case of AWG (below), the company tried to identify *all* the organizations it belongs to.

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### Box 13:. Mapping influence at AWG

Water utility **AWG** has been mapping all the organizations to which it belongs. This task is not as simple as it sounds in a large company, but it is an important part of reputation management.

AWG identified membership of 39 organizations, ranging from local initiatives like the Cambridgeshire Sustainable Development Round Table and Peterborough Rogue Trader and Bogus Caller Task Force to national business lobby groups like Water UK, the Whitehall and Industry Group, Confederation of British Industry and Institute of Directors. The company also supports international NGOs like Water Aid, and has non-membership links such as research contracts with think tanks and academia.

Who is involved in lobbying? The company concluded that every member of staff who is in contact with external people when in 'work mode' is in an influencing position. In 'non-work mode' (e.g. socialising after work), almost everybody in the company is involved. For this reason AWG believes it is less useful to try to define who is involved in delivering key messages and more productive to focus on ensuring that key messages are aligned and consistent so that everybody has the opportunity to put the message across.

[Source: AWG annual CSR report]

'While 'mandated trade associations' may represent the lowest common denominator, company membership of such associations is believed to be essential. Leading companies, however, need to ensure that their message to their association is consistent with their CR goals. As Stephen Tindale from Greenpeace UK has put it, 'One of the largest reputational risks a company can face is exposure as a hypocrite'.

In addition, some companies may feel uncomfortable about the idea that so many staff are involved in lobbying.

## **Step 6: Ensuring robust management of lobbying activities**

*Are management systems, in-house employment contracts, codes of conduct and other guidance and guidelines, in place to ensure that what we do in practice is effective and in line with strategy and policies?*

Are all those undertaking lobbying activities covered by internal or professional guidelines? Are there relevant national or international associations of lobbyists that the lobbying team could be encouraged to join? A wide range of codes of conduct is now available, either for key lobbyists to join through professional membership or for adaptation organization-wide (See Appendix for some examples).

For example, Thames Water ensure that in-house lobbyists comply with the laws and regulations applicable to corporate lobbying in the UK and require consultant lobbyists to adhere to the Association of Professional Political Consultants' (APPC) lobbying code.

### **Box 14:. Thames Water Utilities: 'Influencing Others'**

'As a regulated business our licence to operate is impacted by the decisions and choices of policy makers. Thames Water Utilities engages in regular dialogue with Government officials, advisers and the wider political community to ascertain their views and expectations in order to inform business priorities. We make our views known, both directly, and through our trade association, Water UK, and other representative business organizations and policy groups, such as London First and the Green Alliance.

We employ public affairs and community liaison professionals, who specialise in Government relations and public policy. These employees must comply with the laws and regulations applicable to corporate lobbying in the UK. We also retain specialist public affairs agencies that adhere to the Association of Professional Political Consultants (APPC) lobbying code ([www.appc.org.uk](http://www.appc.org.uk)). During 2003 Thames Water Utilities has lobbied on a range of topics to a variety of governmental and political stakeholders. These issues included the Water Act 2003, the Water Framework Directive, skills shortages,

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water charges and investment levels for 2005-10, and industry financing. Dialogue has taken place with ministers from across Government departments, including the Department for the Environment, Food and Rural Affairs (DEFRA), Department of Trade and Industry (DTI) and HM Treasury, their advisers and officials, Parliamentarians and representatives from local government. In turn we also received representations from political stakeholders on topics relating to operational and environmental performance. Thames Water Utilities does not make donations to political parties, candidates or their affiliated organizations.’

*[Source: Thames Water Utilities, Corporate Responsibility Report, 2003]*

However, effective management of lobbying must go beyond ensuring it is within the law. Building on the identification of material issues and the development of consistent public policy positions, objectives must be set for substantive policy outcomes that reflect strategic priorities. These will have to reconcile the short, reactive and long-term timescales, which lobbying typically works to, with the need to produce measurable stages on a regular basis to ensure that lobbying is in line with strategic organizational direction.

The six-steps will provide the necessary assurance to an organization’s stakeholders that their lobbying process is consistent with strategies and actions and aligned to universal values and principles (Zadek & Raynard, 2004).



## Conclusions

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Corporate and non-governmental organizations exert a growing influence over public policy formulation at local, national and international levels. Many see this as a legitimate and necessary means of promoting and defending the interests of organizations and their stakeholders. US-style professional lobbying has proliferated, first in Europe and then in the developing world.

Many organizations are vociferous and effective advocates in shaping public policy, in ways that now go well beyond the narrow short-term defence of their own interests. Policy makers increasingly accept and often actively solicit the views of business and NGOs in shaping public policy on major economic, social, environmental and ethical challenges worldwide.

At the same time, lobbying has never been more controversial. Even those who accept the value of lobbying believe that many organizations now exert disproportionate or 'improper' influence. Regulation is widely promoted as a solution, and there are strong calls for North American-style registers of lobbyists in Europe and elsewhere. Such regulation can do little to limit the extent of lobbying influence, however.

Large companies and NGOs are also beginning to explain their lobbying positions in published reports (SustainAbility/WWF, 2005). As a result of both regulation and voluntary reporting, lobbying is increasingly transparent. However, lobbyists warn that there can be a trade-off between effectiveness and transparency when it comes to lobbying tactics.

Transparency can highlight issues of consistency between stated commitments, on-the-ground influencing activity and corporate strategy. But as the case studies illustrate, the issue of lobbying transparency is seldom straightforward. Critics have a tendency to accuse organizations of 'irresponsible lobbying' when in fact they disagree with the public position taken.

The report shows that growing numbers of businesses and NGOs are now advocates for ambitious policy development on issues from carbon trading and anti-corruption to healthcare promotion and poverty reduction. Hundreds of companies and other organizations participate in the UN Global Compact, support the Millennium Development Goals and

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join other initiatives. But there is no consensus on the particular package of 'progressive' issues an individual organization should lobby on. Some companies sign up to commitments that appear to be in conflict with their core business strategy, creating a dilemma for lobbyists.

For these reasons, the debate on corporate responsibility increasingly focuses on lobbying practices. But the debate is polarised and stalled.

Organizations seeking to manage and explain their role in shaping the policy environment face two obstacles. The first is the often conflicting views of consultant lobbyists, in-house public affairs staff, trade associations, policy-makers and civil society observers on what responsible lobbying means. The second is the difficulty of putting a vision of responsible lobbying into practice.

This report is the result of a broad international consultation on responsible lobbying. While views on responsible lobbying vary around the world, there is in fact broad acceptance that transparency is a necessary – but not sufficient – component.

There are also conflicting views about the areas of public policy development that it is appropriate for private and non-profit groups to influence. However, most people accept that lobbying is here to stay and many believe that responsible lobbying can and should be part of the solution in tackling many global, national and local challenges.

Organizations involved in lobbying can begin to resolve these tensions by ensuring and demonstrating that their lobbying is consistent with its stated policies, commitments, and core strategy and actions. In addition, that these policies are advancing the universal principles and values set out in the UN Global Compact.

For companies and non-business organizations this means not only following the recommended six-step lobbying health check, but also understanding that their relationship with government not only concerns influencing particular policies; it also involves help developing the capacity of governments to deliver these policies. This will require them to: (i) work with countries to formulate policy, by for example lobbying for better regulation; (ii) push governments to fulfil aid and other

commitments; (iii) build the capacity of public institutions to implement policy; and (iv) encourage governments to nurture enterprise development and capacity, such as the Growing Sustainable Business Initiative.

### Box 15:. The Growing Sustainable Business (GSB) Initiative

The Growing Sustainable Business initiative was initiated by the UN Global Compact and is administered by the UN Development Program (UNDP). It facilitates business-led enterprise solutions to poverty in advancement of the Millennium Development Goals (MDGs). These enterprise solutions accelerate and sustain access to needed goods/services and livelihoods opportunities.

The GSB initiative engages the private sector in innovative partnerships grounded in market-based incentives, often around new business models, to accelerate progress towards the MDGs. It leverages UNDP's unique capacity to create a neutral "space" at country level where information can be shared, issues raised, and appropriate local partners brought together to solve a specific problem. The GSB facilitates "enterprise solutions", where profit and incentives justify real investment and where financial sustainability is embedded in the design.

The Growing Sustainable Business initiative recognizes that...

- ❖ The **Millennium Development Goals** will not be achieved without sustainable investment by and growth of the private sector;
- ❖ Little **investment** is reaching rural and other less developed regions of developing countries;
- ❖ **Market opportunities** in developing countries remain untapped;
- ❖ Maximizing **development and business benefits** (creating social and shareholder value) will be the key to poverty reduction;

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- ❖ Multi-stakeholder and cross-sector partnerships can greatly assist enterprise solutions to poverty;
  - ❖ The opposite of poverty is prosperity.

[Source: <http://www.undp.org/business/gsb/about.htm>]

At the same time, governments must be open to the positive role of business in public policy, without offering favoured industries or the business community in general, undue influence in relation to other stakeholders. Responsible lobbying will change the jaundiced view of business involvement in public policy. Governments can best assist business involvement in public policy and capacity building by:

- ▲ Ensuring they have robust controls to prevent lobbyists influencing policy makers by offering personal or political incentives.
- ▲ Being clear in their commitment to sustainable development, and backing this by making policy decisions which do not favour short-term economic ends over social and environmental improvements, when there are difficult trade-offs to be made.
- ▲ Ensuring that decision-making by regional and local government, as well as within individual government departments, is not governed by a silo mentality, which encourages policy makers to concentrate on meeting shortsighted targets that allow for negative externalities to be imposed in other's 'back yards'.
- ▲ Working openly with business and civil society actors to address long-term issues and public policy goals.

This will set them on the road towards responsible lobbying.

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## Annex 1: Examples of lobbying Codes of Conduct, Registration Acts, etc..

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### 1. Principles for the Ethical Conduct of Lobbying: “The Woodstock Principles” (2001)

“These Principles are intended to provide practical guidance to persons who engage in the process of lobbying. They reflect the essential considerations that a participant in this process should address and evaluate in order to perform the functions of a lobbyist with professional competence, personal integrity and civic responsibility.” It is not clear the extent to which these principles have been taken up by those involved in lobbying.

[http://www.georgetown.edu/centers/woodstock/programs/Woodstock\\_principles.htm](http://www.georgetown.edu/centers/woodstock/programs/Woodstock_principles.htm)

### 2. Society of European Affairs Professionals Code of Conduct (2005 revised)

“European affairs professionals are a vital part of the democratic process, acting as a link between the world of business and civil society and European policy makers. As such, these professionals must undertake to observe the highest of professional standards. SEAP, the Society of European Affairs Professionals, aims to provide guidance thereon, by setting high standards. The SEAP code of conduct is the result of thorough discussions by SEAP members. It commits members to the rules laid down therein, sets standards and acts as a benchmark for all European affairs professionals and encourages third parties to respond to SEAP with their views on the code.” The code has recently been revised so that it now includes sanctions of exclusion from the Society for non-compliant members.

The code can be accessed at: <http://www.seap.nu/code.php>

### 3. US Lobbying Disclosure Act (1995)

The 1995 Lobbying Disclosure Act ‘establishes clearer criteria and thresholds for determining when an organization or firm should register its employees or staff as lobbyists’. It includes a stipulation of semi-annual reporting identifying lobbyist, client, issue lobbied on, and estimate of lobbying cost. The legislation is directed at professional lobbyists.

[http://www.senate.gov/legislative/common/briefing/lobby\\_disc\\_briefing.htm#1](http://www.senate.gov/legislative/common/briefing/lobby_disc_briefing.htm#1)

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#### **4. Canadian Federalist Lobbyists Registration (2005)**

The Lobbyists Registration Act was first enacted in 1989. It set basic requirements including that lobbyists were to provide information on themselves and on the subjects on which they were lobbying. History and details of the Act can be accessed at, <http://strategis.ic.gc.ca/epic/internet/inlr-el.nsf/en/lr20034e.html>

#### **5. Association of Professional Political Consultants, UK (2005)**

This Code of Conduct covers the activities of regulated political consultants (defined as APPC member companies, their staff and non-executive consultants) in relation to all United Kingdom, English, Welsh, Scottish and Northern Ireland central, regional and local government bodies and agencies, public bodies and political parties (hereinafter "institutions of Government"). This Code applies equally to all clients, whether or not fee-paying.

Details of the code can be accessed at <http://www.appc.org.uk/code.html>

#### **6. American League of Lobbyists' Code of Ethics (2000)**

"The American League of Lobbyists ("ALL"), has adopted the "Code of Lobbying Ethics" to provide basic guidelines and standards for lobbyists' conduct. In general, this Code is intended to apply to independent lobbyists who are retained to represent third party clients' interests and to lobbyists employed on the staff of corporations, labor organizations, associations and other entities where their employer is in effect their "client." Lobbyists are strongly urged to comply with this Code and to seek always to practice the highest ethical conduct in their lobbying endeavors. Individual members of American League of Lobbyists affirm their commitment to abide by this code." <http://www.alldc.org/ethic-score.htm>

## Annex 2: About the Global Compact

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The United Nations Global Compact brings companies together with UN agencies, labour, civil society and governments to advance universal environmental and social principles in support of a more sustainable and inclusive world economy.

First proposed by UN Secretary-General Kofi Annan at the 1999 World Economic Forum in Davos, the Global Compact has become the world's largest and most widely embraced corporate citizenship initiative. Today, over 2,000 companies from more than 80 countries, as well as many international labour and civil society organizations, are engaged in the Global Compact.

Companies participating in the Global Compact are expected to:

1. Embrace, support and enact, within their sphere of influence, a set of ten principles in the areas of human rights, labour standards, environmental sustainability and anti-corruption; and
2. Engage with other partners in projects that give concrete expression to the Global Compact principles, in addition to advancing the broader development goals of the UN.

In addition to its rapid growth, the Global Compact has achieved significant impact by fostering worldwide company engagement on pressing global corporate citizenship issues. The Global Compact's comparative advantage rests in the universality of its ten principles, the international legitimacy and convening power of the United Nations, and the Compact's potential to be a truly global platform with appeal not only in industrialized countries, but also in the developing world.

As it has grown, the Compact has developed a value proposition for participating companies based on multi-stakeholder dialogue, learning and implementation of multi-sector partnerships. Through activities in these areas, the Global Compact Office has sought to promote the principles and support company efforts to internalize them.

One of the most significant elements in the evolution of the Global Compact has been the organic development of more than 40 country (and regional) networks. These self-generated networks have grown in a

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variety of ways, but in all cases have been driven by local companies' need to translate the Global Compact's global principles into local action. In many cases they have actively helped build local participants and some have facilitated learning activities, dialogues and partnership activities with other stakeholders.

The Global Compact, through its voluntary nature and promotion of values-based markets via "responsible global corporate citizenship", has helped redefine the broader relationship between the UN and business. This has been successful in large measure due to a powerful convergence of UN priorities and principles with business interests and objectives. Because of globalization and expanding supply chains, many companies – especially multinationals – are confronting a range of social and environmental issues. And they see that the ways in which they address these problems relate to corporate risk management, as well as to the development of stable and growing markets.

Political lobbying is arguably the most controversial and secretive of all business practices.

In this new era of corporate responsibility, it is one of the few activities still to have escaped close scrutiny. Yet, the world's 100,000+ professional lobbyists seem to exert ever-increasing influence over public policy in virtually all areas: from global trade to local planning, climate change to HIV/AIDS, marketing laws to labour laws.

***Towards Responsible Lobbying*** takes a realistic and constructive look at the hard questions: Does lobbying have a legitimate role in our 21st century world? Is "responsible lobbying" a contradiction in terms? If lobbying can be made responsible, how will this happen?

This report examines the current issues around political lobbying and sets out to reinvigorate the debate. It also proposes a comprehensive framework which companies and NGOs can use to assess the responsibility of their own lobbying activities and to identify areas for improvement.

***Towards Responsible Lobbying*** has been written in close collaboration with the **United Nations Global Compact**, and been produced with the support of **Co-Operative Financial Services, Gap, Inc., Novo Nordisk** and **Teléfonoica**.

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This report is also available online from [www.accountability.org.uk](http://www.accountability.org.uk) and [www.unglobalcompact.org](http://www.unglobalcompact.org)

