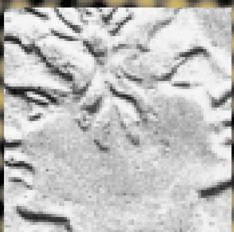
Politics and Persuasion: corporate influence on sustainable development policy



Corporate influence on sustainable development policy: the challenge ahead

The Guardian

One way forward (see pages 20-21)

In July 2000, the United Nations secretary-general, Kofi Annan, played host in New York to more than 40 corporate leaders. They included the bosses of some of the world's most powerful multinationals, many of which have themselves been implicated in serious environmental and human rights abuses in the past few years. The event was the launch of the UN's Global Compact – an attempt to spread higher standards on human rights, labour and environment throughout the corporate world.

The Compact has been seen by some as further evidence of a creeping corporate takeover of the world's governance. Others hail it as a major step in the battle for social and environmental improvements and the emerging corporate responsibility agenda. Whichever view is right, the Compact forcefully demonstrates the centrality of business in the 21st century world.

It is not just the UN that is courting corporates. Governments in the developed and developing worlds increasingly look to business for answers to their problems, and are frequently open to companies' ideas, suggestions and requirements. Multinationals are invited to special meetings with the World Trade Organisation (WTO), heads of state and senior civil servants flock to meetings such as the European 'Business Summit'. The impact of corporate and other special interest funding on politics has once again been headline news in the coverage of the US presidential elections, with the leading candidates advocating reform of the system.

The corridors of power these days are increasingly seen as being corporate corridors. Public unease with the rising power of companies was expressed memorably on the streets of Seattle in November 1999 and in other cities since, and prompted a front-page Business Week feature urging companies to take notice of this gathering business backlash. Major hotpoints include:

— Multinationals are widely viewed as the most active and vocal proponents of globalisation but the chief agent in blocking related measures aimed at protecting the planet and the poor;

— Time and time again proposals for internationally protective social and environmental measures have been blocked or delayed by business resistance, most notably in the case of the US's failure to ratify the Kyoto Convention;

— In the US, deep-pocketed companies are seen to exert undue influence on political elections, and on the decisions of policymakers; and

— Many companies have been enthusiastic public supporters of the concept of sustainable development, while privately lobbied against the development of robust regulations promoting more sustainable business practice.

The Janus Programme

This paper explores the nature and implications of corporate influence on the politics and policy of sustainable development. We cover:

— The nature of corporate influence on politics and policy in Europe and the US;

— The links between the desired outcome – corporate influence – and actual decisions and functions inside companies directed at achieving it;

— How corporate influence has impeded effective policymaking in the climate change and biotechnology arenas;

— The positive role that companies can play in achieving sound policy making;

— How companies can begin to move toward a model of best practice in their political and policy engagement.

This document is only a beginning – we aim to catalyse an active and vigorous debate about the appropriate level and type of political and policy engagement expected from responsible companies. These issues profoundly affect the interests of business and their stakeholders, governments and their constituents, and indeed the outcome of some of the most pressing social and environmental challenges facing us.

The company challenge

From the perspective of individual companies, these issues are central to protecting and promoting a reputation for responsible corporate behaviour. Stakeholders are understandably dismayed when a company taking a progressive internal stance on sustainability issues fails to align this approach with its lobbying positions and external memberships.

Much work lies ahead. Few, if any, multinationals have directly co-ordinated their approach to political and policy engagement with their increasingly ambitious public commitments to sustainable development. The most benign explanation is that of simple organisational complexity – different people in different departments are responsible for these functions, they have competing agendas, and it simply takes time to get the various functions to pull in the same direction. More worrying, of course, would be evidence of intentional deceit, bringing substance to charges that company statements around sustainable development amount to little more than greenwash.

Whatever the intention, many companies are exposed to reputational risk due to inconsistencies between what they say in public and in private, between what they say in different parts of the world, and between the resources they invest in strengthening or weakening the sustainable development policy framework. Addressing this challenge at company level will not be easy. Many companies are almost instinctively more comfortable when arguing against perceived regulatory threats than they are in promoting environmental measures, even if the end result might put them at a competitive advantage.

> ‘There is nothing more difficult to carry out, more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. For, those who would institute change have enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new order.’
>
> **Nicolo Machiavelli**

Toward corporate best practice

To date, the role of corporate influence on politics and policy has been conspicuously absent in the emerging corporate responsibility movement. Few criteria for ranking companies have directly included these aspects. Exceptions include:

— The US-based Trillium Asset Management, the company which monitors levels and recipients of corporate giving, corporate policies on political contributions and membership of industry associations as part of their background research for stock selection in their socially-responsible investment funds;

— The US-based Coalition for Environmentally Responsible Economies (CERES) has periodically challenged signatory companies on perceived discrepancies between the CERES principles and their lobbying activities; and

— SustainAbility's corporate report benchmarking methodology used in a recently released publication, *The Global Reporters*.

'Heavy industry was the loudest critic of the Kyoto deal struck three years ago. In the past year, there has been a shift, with the big chemicals and petroleum giants taking the lead.'
The Economist

On pages 18–19, we outline our view on some of the key themes that need to feature in any model of best practice, addressing both the conduct and content of companies' political and policy engagement. These include:

Legitimacy
Are the means of influence proper uses of corporate power? What policies do companies have on things like political donations, sponsorship and bribery?

Transparency
Do companies disclose their positions on key public policy issues? Do they reveal their external memberships, donations, and methods of influence?

Consistency
Do companies have systems in place to ensure that lobbying activities and positions are aligned with their environmental, social, and ethical principles, policies and commitments and that they are consistent across borders and functions?

Accountability
Do companies take responsibility for the impacts they have on public policy – through their lobbying, memberships, donations, and other activities?

Opportunity
Do companies pro-actively attempt to influence public policy to support the societal transition towards sustainable development? Have they fully explored how more effective public policy on sustainability issues could be a source of competitive advantage?

The positive role

The opportunity theme in particular is worth highlighting: many companies shy away from talking about lobbying activities directly, that they might impede constructive engagement on sustainability issues. When carried out in the right way, however, corporate engagement in public policy can be very constructive. By fostering greater openness and transparency between industry, government and society, it can help ensure that the legitimate interests of companies are taken into account – with stronger, more effective policymaking as a result.

Nor is corporate lobbying necessarily always aimed at weakening or avoiding legislation. Companies do lobby to increase the level of regulation or to raise standards, especially when it reinforces their competitive position by pushing other companies to operate above the existing minimum. Examples of companies pursuing public policies that support sustainable development are given on page 19.

External memberships

Lobbying is not just a matter for individual businesses. While achieving internal consistency is an unsolved challenge, ensuring consistency with messages put out by affiliated organisations is likely to be even more difficult.

The risks to corporate reputation from external affiliations are clear. As we illustrate on pages 14–15, the public outcry over companies' membership in the Global Climate Coalition eventually prompted companies to desert the pariah lobby group, which aggressively lobbies against action to reduce greenhouse gas emissions. These companies included oil and auto giants such as Shell, BP, General Motors and Ford, which said when it pulled out, that the group had become 'an impediment to pursuing credible environmental initiatives'.

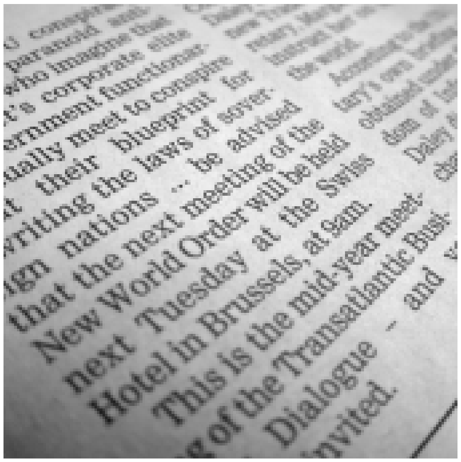
Nor – contrary to popular perception – is all corporate lobbying necessarily always aimed at weakening or avoiding legislation. Most industry bodies are more broadly focused and manage to maintain a consensus (however uneasily) among their disparate memberships.

> 'What is wrong is the way companies get away with a position diametrically opposed to the position they espouse in public by working through lobbying organisations. They use industry associations behind which they can hide their brand so it is not exposed by taking up a political position.'
> **Peter Melchett**
> Executive Director
> Greenpeace UK

But such consensus is often achieved as a lowest common denominator. The least progressive members usually appear to hold sway. Resolving this sort of inconsistency is a major challenge for many companies. The standard argument is that companies are trying to work from the inside to use their influence on the organisation. Nonetheless, their corporate reputation can suffer from the dissonance between corporate messages and the stance of the industry association.

The validity of the 'change from the inside' defence depends to some degree on size. In smaller organisations, when companies have direct membership, their views no doubt carry weight. But this is considerably more difficult with the larger international bodies. For example CEFIC, the chemical industry body at the head of a network of chemical sector lobbies, represents the views of 40,000 companies in 22 European countries.

The link with business federations such as the Confederation of British Industry (CBI) is even less direct and their memberships are more diverse. This can make life even more uncomfortable for a business that is striving to pursue sustainability policies.



The Guardian

Yet politicians and policy-makers often look first to these federations and confederations for the common view of business and consequently, they are often the most powerful business lobbies of all – on the international as well as the national stage. The Union of Industrial and Employers' Confederations of Europe (UNICE) carries similar weight in Brussels as the CBI does in London, especially on broad economic and industrial policy.

In Brussels, alongside UNICE stand the EU Committee of the American Chamber of Commerce and the European Roundtable of leading individual businessmen, mirroring the US set-up. The International Chamber of Commerce (ICC) and the TransAtlantic Business Dialogue (TABD) bridge the Atlantic, bringing business leaders and their companies close to political decision makers.

If bodies such as these resist sustainability measures, governments will hesitate and progress towards sustainability will suffer. Leading companies that are struggling to confront sustainability issues and develop appropriate strategies also struggle with this dilemma. As expectations of corporate behaviour in this area become increasingly demanding, so corporations will come under greater scrutiny and will have to work harder to demonstrate their constructive role in public policy development. Failing to do so will expose them to accusations of hypocrisy and duplicity.

How do companies influence politics and policy?

When most people think about corporate political influence, they think of lobbying for – or against – particular pieces of public policy, with particular legislators or civil servants. Yet this sort of direct lobbying is only one of many ways that companies influence the development and implementation of public policy. Indeed, developing a much better understanding of the myriad forms of influence is a pressing need. In this document, we use the terms 'Corporate Public Policy Activity' (CPPA) to describe the functions and individuals involved in making and implementing decisions that are intended to:

— Influence the outcome or direction of proposed or existing legislation;

— Influence how regulators apply or enforce the laws;

— Support external organisations – either directly or indirectly – that seek to influence public policy;

— Develop or improve the company's relationships with elected officials, civil servants, or the judiciary;

— Influence the broad direction of government policy; and

— Support political candidates or incumbents through, for example, monetary donations or other forms of support.

Many – but not all – of these decisions fall under the remit of functional departments dedicated to government and public affairs. However, influence can be – and is – exerted across a number of often seemingly unrelated functions and activities, such as:

— Contributions to external groups;

— Scientific committee memberships;

— Sponsored research;

— Corporate philanthropy; and

— 'Revolving door' appointments (in which former civil servants are hired by companies to lobby their former organisations).

The diagram on page 7 illustrates some of the various ways in which companies influence both specific policies and their implementation, as well as the underlying public policy climate. As we show, some forms of influence, such as drafting legislation or directly supporting political candidates, are closer to the heart of policymaking. Some might argue, however, that some of the more indirect forms of influence – such as the combined economic power of particular sectors – can have as much or more actual influence on the outcome of policy.

'As companies and financial institutions become bigger players they must be aware of their political responsibilities.'
Sir Leon Brittan
EU Trade Commissioner
when launching the TransAtlantic Business Dialogue

Participating in consultations

Influencing specific policy design and implementation

Influencing judiciary by funding private seminars

Submitting testimony

Altering policy implementation timetables

Drafting and submitting proposed legislation

Negotiating amendments to legislation

Public policy for sustainable development

Methods of influence

Designing and funding information campaigns

Providing financial support to political parties, candidates and lobby groups

Framing R&D agendas and sponsoring research

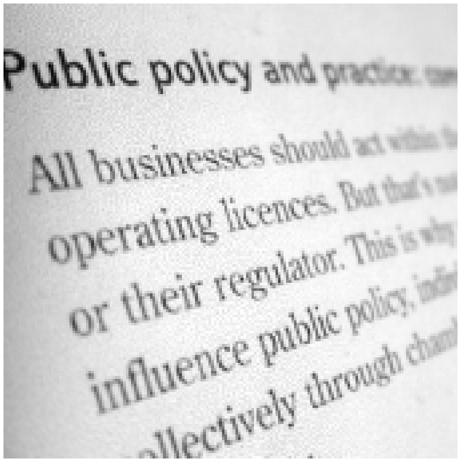
Influencing the composition of government departments

Using embodied power due to size and importance of certain sectors

Influencing the underlying policy climate

Participating in government committees

The company's perspective



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'Environmental issues provoke strong emotions, both from campaigning NGOs and from companies, but there are some fundamental guidelines [for engaging] including listening carefully, the case for dialogue and, I would suggest, the need to avoid overstatement.'
Michael Burrell
Chairman, the Association of Professional Political Consultants; Chair, Westminster Strategy

Corporate public policy activity is a broad set of actions with the overall purpose of ensuring that a company's views are listened to within government and other areas of policy debate and development. The aim is to ensure that the legislative, regulatory, and often judiciary framework protects and promotes their business, or at least does not damage it. Companies typically strive to identify potentially problematic issues as they begin to emerge, intervene with decision-makers at an early stage, set the agenda and shape policy as it is formulated.

Reputation building

This is the first part of 'making friends and influencing people'. It is about getting to know the people who matter and making sure they know a company and have a positive impression of it. Companies that do not have a good reputation within government find it harder to get their voice heard when an issue arises – the time to start is years before an issue comes to a head.

Indeed companies will aim to prevent an issue arising rather than seek to defeat a proposal once it has been formulated. Companies use Political Contact Programmes to manage relationships with Ministers, advisers, other politicians and civil servants. These programmes can also help to build alliances and engage with relevant pressure groups, think-tanks and trade unions.

The aim is above all to establish close contacts. Secondments from companies to government and vice versa – the revolving door – can help companies and government to get to know each other better, but they raise fears of undue influence and may damage officials' perceived impartiality.

Meeting and greeting people with influence is essential to building and maintaining a presence. It is often done, for example, by sponsoring meetings and receptions in London, Brussels and other centres of government, at political gatherings and conferences.

While traditionally such meetings have focused on developing relationships between policy-makers and corporations, increasingly other stakeholders such as public interest groups are also being involved – a critical feature in attempts at developing longer-term and more meaningful partnerships between companies and their stakeholders.

Sponsoring research and funding think-tanks also helps to produce material that may be useful to politicians and opinion-formers. Where carried out with rigour – and where the sponsorship is non-partisan – such work can add some gravitas to a company's views. The UK government, and in particular 'New Labour', are very keen to use their favourite think-tanks as idea breeding grounds.

One of the most important uses of think-tanks for government is as a type of front for 'out of the box' thinking. Many of the past political ideology reforms have been initiated in think-tanks as a safe place for politicos to test out-of-party ideological reform. In this way the political system, often with input from the highest levels, can nurture the development of new ideas, language and a climate for reform in an environment out of the gaze of mainstream party politics.

Companies can also take advantage of this opportunity to float ideas they may have within think-tank programmes. By influencing the debate going on in think-tanks, companies can directly access and influence government thinking at the very highest level. This is particularly true if companies focus on issues which have salience to current government thinking, future policy needs and where they can be useful in helping fund or back research.

Fundamentally, then, these reputation-building activities help to create the presence and credibility that is essential for an organisation's opinions to matter. This foundation then makes effective lobbying possible on specific measures or proposals.

Intelligence gathering

Monitoring political issues is a critical element of CPPA activity. This covers current legislative proceedings, as well as informal policy activity, in order to provide early warning of emerging issues. Companies need to understand the macro-policy framework as well as the specific areas of interest to the company on a day to day basis. Policy analysis on specific issues, such as climate change, require a detailed understanding of the policy evolution, political pressures and opportunities for changing proposals.

A huge variety of initiatives and consultations are often in play at any one time across a range of government departments. Intelligence gathering acts as an early warning service on relevant consultations, inquiries and policy initiatives. Good radar systems also help to identify suitable opportunities for companies to comment publicly and privately on policy developments.

> 'Pioneers don't fight hard enough for the win-win-win outcomes that would help so much along the road to sustainability, and more often than not the reprobates are ably supported by a host of trade associations that are only too happy to plumb the depths of the lowest common denominator amongst their members.'

Jonathon Porritt
Programme Director, Forum for the Future

Issue lobbying

Even the largest multinationals cannot act on the full range of current and emerging issues. Companies focus on a few key issues that are most important commercially, but also where they are most likely to be able to exert influence. While some companies may insist on pursuing lost causes, most aim to recognise when it is time to move on to the next battle.

The company viewpoint is expressed at formal and informal meetings, including testimony at committee hearings. Formal submissions include briefing documents and position papers, responses to official proposals, and direct contact with central or local government officials. In some cases, companies or corporate-sponsored groups have been brought directly into the process of actually drafting legislation.

The New York Times

Collective action

Few individual companies are powerful enough to make a difference on their own. But an industry speaking with a common voice, through its trade association, generally has significant influence. As a general rule, the net effect is to prevent, weaken or delay environmental legislation, as industries that might benefit from higher standards tend to be relatively small and poorly organised.

In the UK, for example, the Environmental Industries Commission (a lobby group for environmental industries) has less than 200 members and a tiny budget compared to the established energy and energy use industries. Such industry groups tend to be less progressive than leading individual companies – the ‘lowest common denominator’ effect, and their stance often reflects the pace of their slowest member.

Some see this as a deliberate tactic. Peter Melchett, head of Greenpeace UK says ‘What is wrong is the way companies get away with a position diametrically opposed to the position they espouse in public. They use industry associations behind which they can hide their brand so it is not exposed by taking up a political position.’ By way of example, he cites the UK Offshore (oil) Operators Association, whose stance on oil rig disposal is much more aggressive than the positions individual members would take in public. “I have no objection to industry lobbying but it has to be open and transparent. Public views should be the same as private views, or to put it another way companies should be prepared to defend in public the positions they take in private.”

Among the strategies that large trade associations have pursued on particular issues have included:

— Creating a sufficiently strong negative climate that governments do not even contemplate action – as in the US on energy prices;

— Threatening loss of jobs because members will cut costs or even relocate if a government pursues a particular line. The national interest is usually conceived in broad economic terms so that the defence of the interests of key industries are regarded as synonymous with the protection of the public and state interest;

— Arguing against the adoption of limits because of competitiveness issues with other countries (sometimes then supplemented by arguing that developing countries should not accept limits because it would affect their development);

— Watering down international agreements when it comes to national negotiations;

— Lobbying for exemption from national legislation for a particular industry; and,

— Offering industry expert advisors when last minute changes to legislation are being made.

Money and politics in the USA

In the US, election campaigns are long, and inordinately expensive. This leaves candidates for Congress and the White House eager to use corporate funding, and therefore open to subsequent demands to repay the favours in legislative kind. Direct funding is channeled through Political Action Committees (PACs). Although it is now very visible and controlled, the low limits ($5,000) are avoided by bundling contributions from different groups.

But ‘soft money’ remains a critical issue. This refers to indirect donations to political parties, to study groups, advertising purporting to be about individual issues rather than candidates, and voter registration outreach programs. Such funds pay for campaigns but escape funding limits because of a 1996 Supreme Court decision that indirect support did not come within the ambit of the federal election laws.

The political parties raised $256 million in soft money between January 1999 and June 2000, according to the campaign and research group Common Cause. That was 82% more than in the first 18 months of the last cycle.

Popular discontent with the way campaigns are financed in the US has fuelled a growing movement for reform — and banning soft money donations is at the top of the agenda. This movement draws strong support from a number of environmental NGOs, such as the Sierra Club, along with a host of ‘good government’ advocacy groups, such as the Center for Public Integrity, the Center for Responsive Politics, Public Campaign, and Public Citizen.

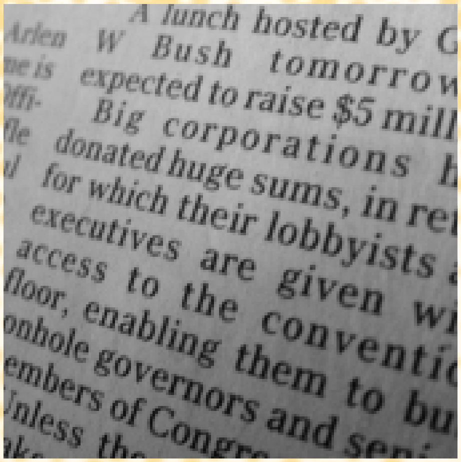
More recently, new players have spoken up. The Committee for Economic Development (CED), a bipartisan business-led think-tank, came out in favour of campaign finance reform, including eliminating the soft money loophole. A number of companies – among them GM, Time Warner, Honeywell, and IBM – have policies that prohibit soft money contributions. Indeed, in the recent US presidential election, the issue was so topical that most of the candidates felt compelled to publicly support reform, no matter what level of benefit they had personally derived from the present system.

Using the legal system in the USA

The importance of the judiciary in interpreting environmental legislation makes this governmental branch a prime target of influence. Companies have long used the courts to challenge or delay legislation.

Recently, there has been public outcry over attempts to influence judges directly, through privately funded, judicial education seminars. Typically run by private, often ideologically extreme groups, the seminars seek to persuade participating judges to apply often obscure legal principles to active court cases. Individual companies have participated in these seminars, and often provide financial backing to the organisations.

> ‘Corporate leaders recognize the importance to the business sector of a transparent and well functioning political system. As such, many corporations are reassessing their political contributions policies and becoming more vocal in the campaign finance reform debate, which is currently focused primarily on soft money.’
> **Business for Social Responsibility**



The Wall Street Journal

Case study

The biotechnology battle

The Biotechnology Patenting Directive is widely viewed as being the most intensively lobbied directive in the history of the European Parliament. One senior Parliamentarian remarked: ‘We have been lobbied from all sides and I personally am receiving about 20 letters per day. It has got to the point where people are no longer reading the material or listening to the arguments’.

The directive set out to harmonise national patent laws relating to biotech inventions. But it sparked furious controversy because it formalised regulation on difficult and ethical issues such as patenting life forms.

Both sides enlisted the support of stakeholder groups ranging from patients to health workers and farmers. The role of patient groups was particularly important. As one observer put it: ‘The parameters of the debate have been changed by the presence of patient groups. By focusing on the potential medical benefits of biotechnology, they have added an extra dimension to the economic arguments of finance and jobs which industry is advancing in support of patent legislation.’

SustainAbility

But Green Members of the European Parliament (MEPs) questioned the integrity of some patient organisations lobbying for the Directive. They claimed financial support had been provided by life science companies to these groups in order to lend weight to their own arguments.

One of the leading campaigners against the Directive, Thomas Schweiger from Global 2000, explained the tactics: ‘We started by sending twice weekly faxes to about 250 MEPs on the six key committees. Since then we have developed our personal contacts and attended parliamentary committee meetings listening to and analysing developments.’

A particularly interesting feature of the progress of this directive was the way in which the Commission worked closely with industry groups supporting the directive, coordinating with them on which issues to lobby, which MEPs to be lobbied, and timing and aspects on which to focus. The Commission even went so far as ensuring a steady and privileged flow of information about deliberations in the Council’s working group to supporters of the directive. In effect, Commission officials acted to some extent as the hub of an informal communications network linking parliamentarians, national officials and industrial, commercial and other interests supporting the directive.

Leaked Monsanto report

A Monsanto report leaked in September 2000 demonstrates the potential reach of corporate influence on the international debate about genetically modified organisms (GMOs). The report reveals that Monsanto:

— was instrumental in ensuring that key internationally recognized, sympathetic scientific experts were nominated to the UN expert consultation on food safety in Geneva in August 2000;

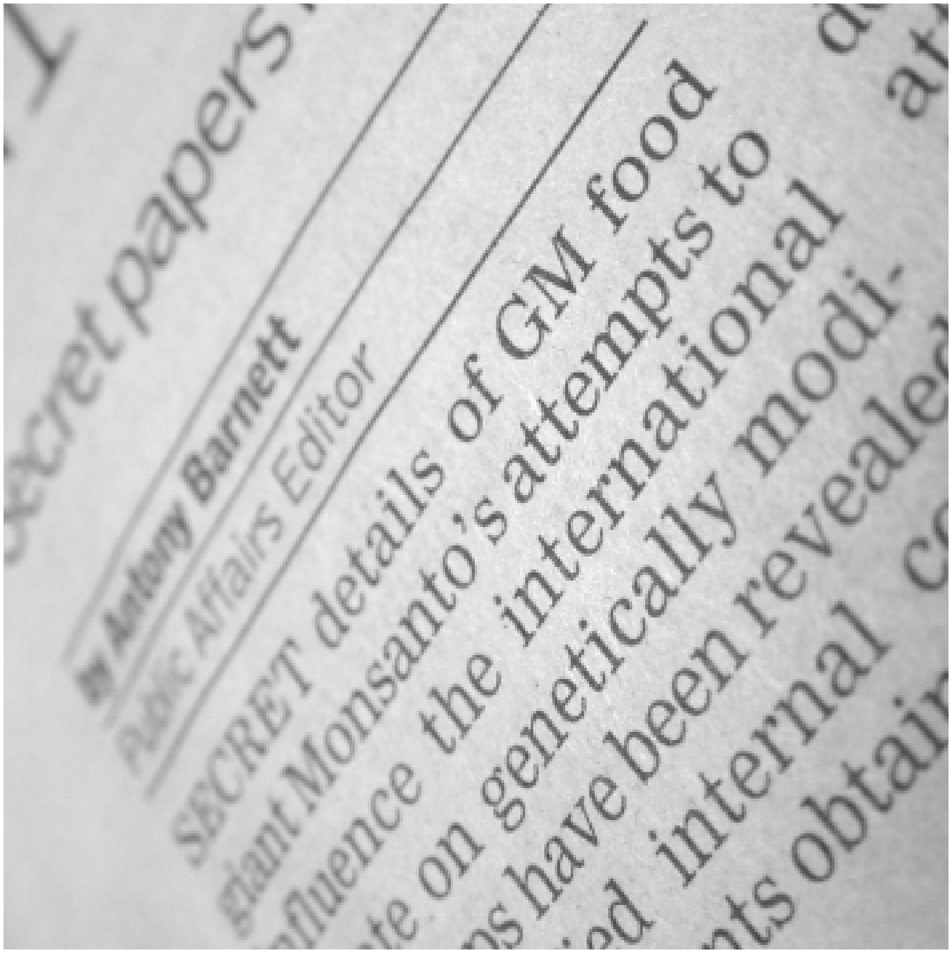
— supplied recommendations for scientific experts and topics for a New York Academy of Sciences session designed to brief key journalists and media on biotechnology issues;

— helped finance the establishment of a GMO detection lab by the Thailand Ministry of Public Health;

— encouraged senior academics to collaborate in drafting articles that demonstrate the absence of links between GM foods and cancers as part of what the company described as outreach efforts to physicians;

— started a series of research initiatives with third party institutions to support the safety and benefits of biotechnology crops; and

— also claims to have been successful in lobbying the UN committee on food safety to ensure that food labeling in third world countries should continue to be voluntary, not compulsory.



The Guardian

Case Study

The Auto-Oil Programme

Industry does not necessarily speak with one voice on environmental issues, as the EU Auto-Oil Programme demonstrated. The programme commenced in 1993, with the aim of tightening emission standards for petrol and diesel (its provisions include the abolition of lead in petrol from the start of 2000). After three years of debate with the oil and automotive industries, a proposal emerged which was widely criticised because it permitted significant levels of benzene and sulphur to remain beyond 2005.

Both the European Parliament and the Council of Ministers called for tougher standards, prompting a huge lobbying effort by Europia, the oil industry body, which argued that oil refineries would have to close because of the costs of producing cleaner fuels. In this case the oil industry was at odds with the automotive industry, which would have been prepared to accept tougher standards, making life difficult for the cross-industry body UNICE. Increasingly we are likely to see examples of inter-industry conflicts as the business world becomes more fractured in the way it responds to the challenge of sustainable development.

'The alliance between oil and auto companies is one of the most powerful alliances in the world. It can paralyse governments.'

Mustafa Tolba

Former Head of the United Nations Environment Programme (UNEP)

Case Study

Climate Change

The development of public policy on climate change provides an interesting illustration of how lobbying by powerful industry groups has hampered efforts to tackle the challenge of global warming.

Most prominent among the industry groups that have lobbied in defence of the status quo has been the Global Climate Coalition (GCC). This US body was formed in 1989 in the run-up to the Rio Earth Summit. Oil producers and users dominate it, but since it also embraces associations such as the US Chamber of Commerce it can lay claim to representing almost all of the business world.

The GCC says all its members have a common interest in ‘maintaining the abundant and inexpensive energy that keeps American standards of living the envy of the world’. It has pursued this interest by vigorously challenging the emerging science of climate change and by raising fears about the costs of any action to combat global warming.

As a result of the lobbying efforts of the GCC, similar bodies and individual corporations with influence in Washington, the US approached the Rio Summit from the start intent on protecting the interests of fossil fuel industries.

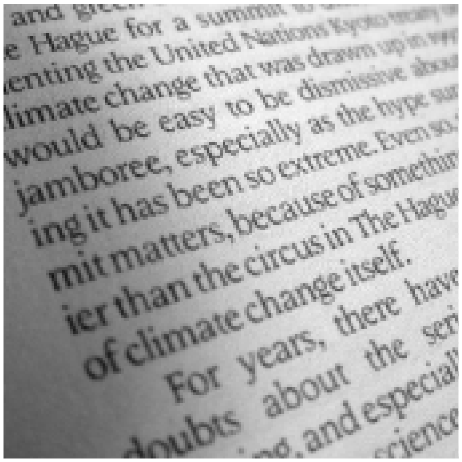
That stance has continued, both at the GCC and other, less prominent, bodies. Throughout 1990s negotiations, US business interests formed a powerful alliance with the oil-producing OPEC countries. According to one account, the lobbyist Don Pearlman (a Washington lawyer) was central to this link, sometimes too central.

At a vital late-night session of talks in New York in February 1995, Pearlman had so blatantly ferried instructions to the OPEC delegations that shocked governments had complained and all lobbyists were told to quit the negotiating floor. Pearlman refused, forcing a UN official to threaten having guards throw him out.

The aggressive stance of the GCC demonstrates the scale of the lobbying dilemma facing progressive companies. BP and Shell eventually concluded that membership was incompatible with their environmental policies, and they have been followed by other oil companies as well as leading car makers. But the oil majors are still members indirectly through the American Petroleum Institute. Likewise a swathe of individual companies are associated with the GCC through membership of the American Forest and Pulp Association, the American Iron and Steel Institute, the Chemical Manufacturers Association and the US Chamber of Commerce.

In Europe similar considerations apply, although European business has generally accepted the need for climate change action. Nevertheless, European governments while at the forefront of measures to tackle climate change, have had to resist fierce pressure individually and through the European Commission from industry groups. UNICE, the European employers’ body, and the International Chamber of Commerce (ICC), were both instrumental in watering down the EU carbon tax proposals.

‘Business can play an essential role in the ratification process and can influence the political acceptability of the Kyoto Protocol. Companies can play a constructive and progressive role in moving this issue forward.’
David Sandlow
US Assistant Secretary of State, Oceans and International Environment and Scientific Affairs



The Economist

A key element of the draft proposal that was introduced following business pressure was the ‘conditionality’ test – the proposal was dependent on similar actions being adopted by industrial competitors in the US and Japan. Carlo Ripa di Meana, then EC Environment Commissioner, described the lobbying as a `violent assault’. The ICC has justified its opposition by arguing industry’s central role: ‘It is industry that will meet the growing demands of consumers for goods and services. It is industry that develops and disseminates most of the world’s technology. It is industry therefore that will be called upon to implement and finance a substantial part of governments’ ‘climate change policies’.

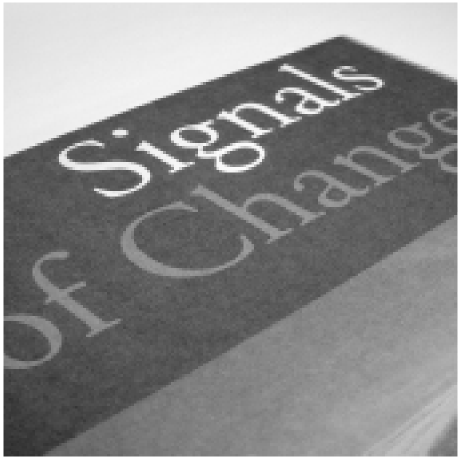
‘Business and industry recognise that an effective response to climate change will be achieved only by involving and motivating all stakeholders. To deliver this, the commitment of policy-makers and opinion-formers is essential.’

European Roundtable of Industrialists (ERT)

‘In a recent European Commission reshuffle, Greenpeace has argued that a key pro-environment official who it praised as having “brought about a major change in EU environmental protection” has been removed from his office because of “extreme lobby pressure from industry.” “Industry must be having parties,”commented Axel Singhofen.’
ENDS Daily

The environmental imperative

'Rewriting our nation's most important environmental laws is being done by the major corporate interests whose practices created much of the problem in the first place.'
Michael Bean
Environmental Defence Fund



WBCSD

The 1990s saw the widespread acceptance by European governments of the need for action on a range of environmental issues. US Administration has been unable to go as far as Europeans on climate change, they have taken strong action on other environmental issues such as air and water pollution.

While industry often plays a positive role in making legislation more practical and robust, there is a perception in the green movement and in many civil society groups, that whenever action is seen as needed, industry stands in the way, resisting where possible and delaying if not. For example, the chemical industry's typical stance is described by one weary campaigner as: 'First, deny there is a problem. Then deny there is a solution. Then deny anything can be done cost-effectively. They always argue we need more research, more impartial assessment, a holistic approach, knowing everything about everything before making a decision.'

Many leading companies now report on their environmental impacts and many are also members of groups such as the World Business Council on Sustainable Development (WBCSD) which aims to encourage high standards of environmental management in business and to demonstrate best practice in environmental and resource management.

This dichotomy between corporate progress and industry obduracy is dangerous both for the environment and for the companies concerned. To return to the climate change debate, reduction of greenhouse gas emissions is accepted by the vast majority of the world's top scientists as being urgently needed. Nonetheless, industry organisations such as the American Petroleum Institute (API) continue to be roadblocks.

Its infamous cousin, the Global Climate Coalition (GCC), has shielded the API from the spotlight. Yet it is a member of the GCC and appears to promote the same scepticism about the climate threat. The API position is: 'targets and timetables for reducing greenhouse gases contained in the Kyoto Protocol would exact too heavy an economic price given our current understanding of the evolving science of climate change.'

Despite the reports of the UN's Intergovernmental Panel on Climate Change (IPCC), which have quantified the threat, and international agreements from Rio to Kyoto, the API still maintains that "scientists disagree on whether or when the problem will become a potential threat to mankind" and "no such consensus exists" [for accepting the costs of acting on global warming].

Of course, any organisation is entitled to dispute the IPCC consensus. But, the balance of power is such that the possible impacts are enormous. Industry lobbies have powerful voices in Washington and Brussels – as one illustration, the API president and chief executive, Red Cavaney, served in the White House under presidents Nixon, Ford and Reagan.

As discussed above, membership in such groups can clearly damage individual companies. BP and Shell continue to be members of the API even though they have withdrawn from the GCC. Indeed, the API statements quoted above contrast sharply with the environmental positions of the two leading European oil companies.

BP has volunteered for a Kyoto-style 10% cut (from 1990 levels) in its own emissions by 2010, saying: ‘BP believes that adopting a precautionary approach to climate change is the only sensible way forward’. Shell aims to meet its 10% carbon dioxide reductions by 2002, and argues in direct contradiction of the API position: ‘The flexible economic mechanisms agreed in the Kyoto protocol can, if designed and operated according to market principles, help to achieve these aims and to minimise the overall cost to society of reducing greenhouse gas emissions.’

The API case is not an isolated incident. Staying with the GCC, its industry members also include the Chemical Manufacturers Association, embracing all the major European chemical companies – almost all of which have progressive public positions on environmental issues.

Climate change is probably the most significant environmental challenge, but there are many others which governments are trying to face, often against the opposition of industry. The European Commission is launching its 6th Environmental Action Programme and a first Sustainable Action Programme. It has continued the recent approach of setting policy objectives and leaving stakeholders (i.e. industry and NGOs) to fight over the best means to achieve them.

Some of the upcoming issues include national emission ceilings for acidifying gases such as sulphur dioxide, transport (especially urban), integrated product policy (IPP), eco-labeling, waste management (including product take back requirements) and chemicals assessments. In the US, battles will continue over the Clean Air Act (including vehicle emissions limits), implementation of the Clean Water Act, and pesticide regulation among others.

‘In Kyoto, corporations came to block action. In the Hague they contributed constructively.’
Frank Loy
Chief US Negotiator

Emerging Best Practice

	Legitimacy Are the company's methods of political engagement broadly accepted?	Transparency Are the company's public policy positions and actions open to public scrutiny?
Best practice might include	— Auditing methods in use at company; — Developing company-specific guidelines; and — Tracking compliance with guidelines.	— Publishing internal guidelines and compliance records; and — Disclosing company affiliations, political funding, policy positions advocated on key issues.
Selected company examples	United Utilities Publishes principles of political engagement. Shell Operates and publicises a policy of 'no political payments'. Rio Tinto States that they present their views to governments and other third parties on matters which 'affect their business interests and the interests of shareholders, employees and others involved in their business and operations', but does not participate in party politics and does not make payments to political parties.	BT Publishes responses to UK Government consultations on issues affecting their core businesses. AstraZeneca Discloses on its website its funding of the patients lobby group - the 'Genetic Interest Group'. Novartis Publishes on its website position papers on the 'Biosafety Protocol' and 'Novartis Code of Conduct' which set out corporate behaviour in relation to regulators and Government.
Unsolved challenges	— Developing robust definitions around what is – and is not – legitimate under different political systems and cultures.	— Company concerns over confidentiality, misuse of information.

Consistency	Accountability	Opportunity
Are the company's public policy positions and actions aligned across the organisation – and with sustainable development commitments?	Are the company's public policy positions and actions aligned with external expectations around corporate responsibility?	Do the company's public policy positions and actions build the foundation for it to become a more sustainable enterprise?
— Assessing public policy implications of sustainable development; — Testing company's assessment of implications with stakeholders; and — Identifying areas of inconsistency.	— Publishing responses to government consultations; — Publishing membership and sponsorship of external organisations; — Discussing public policy positions with stakeholder groups; and — Developing joint statements with external stakeholders.	— Developing a long-term company sustainability transition plan; — Identifying opportunities for raising regulatory standards; — Identifying relevant public policy barriers; and, — Sharing company's sustainability vision with policymakers and the public.
Sunoco Aligns responsibilities for public policy and sustainable development in one vice-president position. BP Uses an intranet to publish position papers and provide guidance for government and public affairs staff around the world.	ScottishPower Invites external comment on its public policy stances at Environmental Forum meetings. General Motors Works with stakeholders to address key patient safety issues.	Electrolux Publicly endorses the need for strict producer responsibility for electrical goods. Ford Motor Company Lobbies for higher gasoline taxes in the US, as reported in the company's 1999 Corporate Citizenship Report. BIFFA Publishes policy paper encouraging government to ban disposal of hazardous waste in landfill sites. Landcare Research Publishes sustainable development policy recommendations for New Zealand policymakers.
— Translating broad sustainable development commitments into tangible policy positions.	— Diversity of expectations across stakeholder groups.	— Developing a long-term company sustainability plan reconciling short- and long-term objectives; and — Identifying opportunities for raising regulatory standards

Towards transparency: the Corporate Public Policy Report 2002

One way for companies to achieve greater transparency around their corporate public policy activities is to produce a regular status report, either as a stand-alone item or as part of their regular sustainability reporting. At a minimum, the company should publicly present their own view of what is – and is not – considered responsible corporate behaviour in this arena, and the steps they are taking to ensure compliance with these principles.

In addition, the company might include things like external affiliations, major policy contributions of the year, and any discussion of major challenges the company is facing. Below, we illustrate some of the components that might feature in a web-based report. As has been the case with environmental, social, and now sustainability reporting, we would expect a period of experimentation and diversity in what and how companies choose to report. At present, however, actual examples of corporate transparency in this area are few and far between.

FutureTech Highlights | Issues | Policies | Governance | Members | Sponsors | Challenges

FutureTech 2002
Corporate Public Policy Report
Highlights

1
FutureTech's Chairman attended the annual **UN Global Compact** meeting in Jakarta.

2
FutureTech's annual stakeholder convention was held at the NEC in Birmingham.

3
FutureTech's corporate policy board committee has approved a new policy statement of business principles.

4
FutureTech submitted a joint response with **Environmental Action International** to the UK Government's paper on decarbonising.

5
FutureTech has made presentations to the European parliament committee on toxic waste incineration controls.

Details

FutureTech Highlights | Issues | Policies | Governance | Members | Sponsors | Challenges

FutureTech 2002
Corporate Public Policy Report
Policies

FutureTech is fully aware of its corporate responsibilities to society, and sees these not as a burden, but as an opportunity to bring economic, environmental and social value to the communities in which we work.

Key responsibilities are to be accountable and transparent in the way we influence the development of public policy. We strongly believe that we have a legitimate role to play in communicating our position on public policy issues, but recognise that this brings with it certain responsibilities.

In addressing our **Corporate Public Policy Activities** (CPPA) we have defined a series of five policies to govern our behaviour:

1 Legitimacy
2 Transparency
3 Accountability
4 Consistency
5 Opportunity

Details

FutureTech Highlights | Issues | Policies | Governance | Members | Sponsors | Challenges

FutureTech 2002
Corporate Public Policy Report
Issues

The UK Government's Consultation on the Decarbonisation of the British Economy

As part of the UK Government's commitment to sustainable development, draft plans aimed at decarbonising the UK economy were launched recently by the **Department for Ecological Restructuring** in mid-February 2002. Draft plans have been submitted to interested external parties including the business and civil society communities. FutureTech, in partnership with the environmental consultancy group **Environmental Action International** (EAI), has submitted a response on the detail of these proposals.

Details

FutureTech Highlights | Issues | Policies | Governance | Members | Sponsors | Challenges

FutureTech 2002
Corporate Public Policy Report
Governance

Responsibility for Corporate Public Policy Activity (CPPA)

Corporate public policy activity is the ultimate responsibility of the Board. At Board level, Eleanor Evesham has direct responsibility for **Stakeholder Relations** including relations with government, the media, employees and public civil society groups. For day to day issues, Director of **Corporate Policy** Tony Tarragon has management responsibility. With a background in marketing and spent most of his career working for civil society groups, Tony has controlled corporate policy development and implementation since 2002. The public policy unit also employs five full-time consultants who support the business units in operating countries.

Details

FutureTech | Highlights | Issues | Policies | Governance | **Members** | Sponsors | Challenges

FutureTech 2002
Corporate Public Policy Report
Membership

FutureTech has been a corporate member of these organisations during 2002.
Dates given indicate commencement of membership (or resignation).

1
Institute of Big British Business
2001

2
Association of High Technology Industries
2002

3
Public Affairs Group for Sustainable Development
2002

4
Industry for a Sustainable Future
2002

5
TransAtlantic Dialogue for Sound Science
2001
Membership resigned due to irreconcilable differences on regulatory policies

Details

FutureTech | Highlights | Issues | Policies | Governance | Members | Sponsors | **Challenges**

FutureTech 2002
Corporate Public Policy Report
Challenges

The Institute for Big British Business (IBBB)

Traditionally this trade association has focused primarily on lobbying regulators for less but more effective legislation. As a member, FutureTech has been an active supporter of this work. Increasingly, however, we believe that there may be a greater role for regulation, particularly in the area of decarbonisation (see Issues). We are now working with IBBB to encourage a more positive response within this association and among its membership. The latest FutureTech-sponsored report **Energising Industry for Sustainable Development** discusses some of these issues in more detail.

Details

FutureTech | Highlights | Issues | Policies | Governance | Members | **Sponsors** | Challenges

FutureTech 2002
Corporate Public Policy Report
Sponsorship

FutureTech sponsors a number of public interest and non-governmental groups that support our own policy objectives.
Figures indicate levels of sponsorship.

1
UK Consumer Organisations
£50,000

2
Young Entrepreneurs in England
£10,000

3
Local Community Development Funds
£10,000

4
Local Schools Organisations
£10,000

5
UK Conservation Volunteers Trusts
£5,000

Details

The Janus Programme: A SustainAbility-GPC partnership

Text
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Programme Details

The past few years have seen a significant change in society's expectations of corporate behaviour. These expectations, particularly in western, developed nations, have risen rapidly and are likely to continue rising for the forseeable future, particularly with the steadily growing backlash against globalisation. The initial pressure for improved environmental performance has expanded to embrace the whole sustainable development agenda and now includes an ever-growing range of social, ethical, and human rights issues. Best practice companies now have comprehensive, stakeholder-informed systems for identifying, assessing, measuring, monitoring, and reporting on their impacts across the triple bottom line.

For many of these companies, the major challenge is now internal – aligning the many parts of often vast and complicated organisations behind their sustainable development strategies. The conduct and content of corporate lobbying – and corporate public policy activity more generally – is likely to come under particularly close scrutiny. In particular, companies that have made explicit public commitments to contribute to sustainable development, while adopting less constructive positions with regulatory and political audiences, are putting their valuable reputations at risk.

It is for some an area of acute vulnerability. Many companies pursue a wide-ranging and often fragmented public policy agenda, in response to – and in anticipation of – emerging policy developments across their many functions and areas of operation. Frequently, no one individual or group within a company is even aware of, much less in control of, the company's full scope of activities.

Areas that are potentially at risk of conflict exist when there are inconsistencies between:

— public statements and private positions (which become public);

— a company's position and those of organisations of which it is a member;

— what a company says in one part of its activities or one part of the world and another (e.g. public affairs / production, Europe / Asia);

— what it does in the short term on specific proposals, and what it says it stands for in the long term (e.g. its vision of sustainability in its industry); and

— the emphasis on lobbying against environmental proposals which might raise costs, compared to supporting proposals which might boost competitive advantage.

Consultancy Services

Janus consultancy services are intended to assist interested organisations in controlling these risks by moving toward best practice in public policy activity, based on the five dimensions outlined on page 18–19. Participation in Janus will help companies remain at the cutting edge of these issues, while also providing a company-specific understanding of how well their corporate public policy positioning is aligned with their own sustainable development strategies.

We expect that participating companies would reap the following direct benefits:

— to more fully understand external expectations around corporate political influence – and how the company's own activities might be perceived;

— a greater awareness of the company's full public policy agenda, across major world regions and across functionally diverse areas such as legislative lobbying, affiliations, political donations, public relations, and corporate philanthropy;

— to be more aware of specific areas of inconsistency – perceived and actual – between corporate commitments to sustainable development and the company's own public policy activities, and the risks associated with these gaps; and

— to have a sound basis for moving ahead to integrate CPPA activities with sustainable development commitments.

Consultancy services are likely to include some combination of the following basic components:

Baseline Assessment
to understand the company's current and planned commitments to sustainable development;

Integration Assessment
to assess the extent to which sustainable development commitments have been translated into operational guidance and actions within the public policy activities of the company;

Alliance Audit
to assess the potential reputational risks and benefits associated with the activities and positioning of external partners and alliances;

Leadership Assessment
to provide companies with a detailed understanding of the extent and sophistication of the company's overall public policy package with regard to sustainable development;

Business Case Opportunities
to highlight the specific policy road-blocks that are hindering further progress in developing markets for sustainable products and services and to point out opportunities for raising regulatory standards.

Janus Research Programme

The Janus research programme will aim to catalyse a wider debate amongst governments, companies, and civil society organisations around the appropriate role of business in creating effective sustainable development policy. We aim to produce a series of short issue papers, available on SustainAbility's website, to spotlight particular aspects of the debate. Topics might include:

— A mapping of the various ways in which companies exert influence on public policy, across major world regions;

— The hotly debated issue of corporate contributions to political campaigns, and the diversity of company policies on such donations;

— The lobbying role of trade associations and other multi-company groupings;

— The main public policy leverage points in target regions;

— The importance of specific sectors for sustainable development;

— The primary ways in which specific sectors influence these leverage points; and

— How companies and industry associations in particular sectors operate, and the positions they have taken or plan to take.

Janus

Janus was the two-faced Roman god whose head was carved above ceremonial arches, doors and gateways. His two faces represented past and future, coming and going, ending and beginning. Appropriately for a new project such as this, he is seen by some as the god of all beginnings, hence January being the first month of the year.

In the corporate context we interpret these two directions as the views from the border between company and society. Public policy activity sits on this border, looking in to the company as well as outwards to government and others. It is a vital link between the two, especially on social and environmental issues.

The Janus programme aims to catalyse debate on how companies can more closely integrate their public policy activities with their public statements on sustainable development. We encourage you to contribute your views directly to the SustainAbility website at www.sustainability.co.uk

SustainAbility

SustainAbility is an award winning strategic management consultancy and think-tank. Founded in 1987, it is the longest established international consultancy dedicated to promoting the business case for sustainable development. Our three main areas of operation are foresight, agenda setting and change management.

Our strength as a consultancy is based, in part, on a thorough knowledge and understanding of current and emerging sustainability issues and of stakeholder perceptions – and on our ability to interpret and communicate these appropriately and effectively.

Much of our work focuses on the ‘triple bottom line’ of sustainable development – exploring how companies can simultaneously pursue economic prosperity, environmental quality, and social equity in delivering win-win-win business solutions. We work to implement this vision with a wide range of national and international government agencies, non-governmental organisations and corporate sector clients, but our work is mainly focused on business.

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GPC

Government Policy Consultants (GPC) is an international leader in public policy, government relations and strategic communications. With 500 consultants in offices in London, Brussels and throughout Europe, the USA and Canada, GPC offer a uniquely global service.

GPC is a founding member of the Association of Professional Political Consultants in the UK and a founding signatory to the European Commission’s Code of Conduct for public affairs practitioners in Brussels.

GPC is engaged to assist clients in identifying and responding to public policy and strategic communications issues affecting their commercial interests before they emerge in the government or political arena – that is before they pose challenges or become problems. GPC is unrivalled in its ability to assist organisations in managing the two-way process of communication with government. We assist some of the world’s most successful companies to understand better the public policy environment in which they operate. And we work together with those companies to shape that environment going forward.

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