ICGN

International Corporate Governance Network

ICGN Statement and Guidance on Political Lobbying and Donations

About ICGN

The ICGN is a global membership organisation of over 550 leaders in corporate governance based in 50 countries with investors collectively representing funds under management of around US$18 trillion. The breadth and expertise of ICGN members from investment, business, the professions and policymaking extends across global capital markets and our mission is to raise standards of corporate governance worldwide.. To join the ICGN or for more information contact the ICGN Secretariat by telephone: +44 (0) 207 612 7098 or email: secretariat@icgn.org. For more information, visit www.icgn.org.

Preamble

The ICGN Statement and Guidance on Political Lobbying and Donations addresses investor concerns about corporate involvement in the political process, as a matter of both business ethics and corporate governance. The Statement takes a multi-jurisdictional perspective on corporate political donations and lobbying, and is complemented with Guidance to help investor engagement with companies that choose to be involved in political activities. While the ICGN recognises that in many cases corporate political activity can be legitimate and positive, it also notes the potential for abuse, corrupt practice and reputational risk when companies seek political influence improperly, or in ways that are not transparent or of clear benefit to the company and its shareowners.

The Guidance and Statement presents a framework for how corporate political activity should best be governed, and provides investors with a set of talking points they can pose to investee companies when they are engaging with them. In particular, the ICGN is concerned about direct and indirect corporate financial donations to the political process. In this policy statement the ICGN generally discourages companies from making monetary political contributions, but also recognises that in most jurisdictions such contributions are allowed legally. However, for those companies that choose to make political donations, the ICGN believes that such practices should be supported by a transparent and robust governance framework. This statement details the ICGN's expectations that corporations involved with political activities should develop a robust policy and procedures framework that is publicly transparent and overseen by the Board. The ICGN also advocates shareholder votes on a company's political lobbying policy and its budget for political donations.

The ICGN Statement and Guidance on Political Lobbying and Donations has been produced by the ICGN's Business Ethics Committee, which was developed from the former ICGN Working Group on Anti-corruption Practices. The suggestion to develop the Guidance was proposed initially by the ICGN Working Group on Anti-corruption Practices in 2010, following the US Supreme Court ruling on the *Citizens United* case, and was discussed in the Working Group's meeting with members at the ICGN's 2010 Annual Conference in Toronto. The ICGN Board gave subsequent approval to the Business Ethics Committee to the Statement and Guidance on political lobbying and donations. A consultation on the first draft was circulated for ICGN member comment in April 2010. The subsequent revised version was approved by ICGN members at the 2011 Annual General Meeting in September and ratified by email.

Contents

1.0 Background

1.1 Corporate political activity, corporate governance and business ethics

A healthy system of corporate governance ensures that companies make proper use of power that is entrusted to them by their shareholders. This relates to all aspects of a company's activities, but certainly includes a company's involvement in seeking influence in the political process.

Investors understand that companies, as creations of law, can be affected significantly by public policy, law and regulation. Moreover, it can be both legitimate and beneficial to investors for companies to take an active and constructive role in helping to inform and shape the public policy debate, particularly in those areas of policy that clearly impact company interests. Interactions between companies, governments, politicians and political parties occur in markets all over the world.

There is not a uniform approach to this issue globally. For example, in France there exists an outright ban on corporate political donations. At the other extreme, in the US, the Supreme Court's 2010 *Citizens United* ruling[1] confirmed the rights of US companies to provide funding for political purposes. This court case has focused considerable attention, in the US and globally, about the appropriateness of corporate political spending. The ruling established a legal framework in the US that supports corporate contributions to the political process; this rule has the potential to lead to a much more active role by US corporations in providing political donations.[2] The controversy surrounding this split court decision and the subsequent public debate of this issue raise important questions about the legitimacy of corporate political spending and how such activities should be governed.[3] These concerns are relevant in a global context.

Conducted in the right way and for the right reasons, corporate political activity can be positive. However when corporate resources are deployed to seek political influence there is also potential for abuse. In the extreme this can lead to serious breaches of business ethics, particularly when influence is sought through corrupt practices or in ways that are not consistent with promoting the long-term interests of the company and its investors. But even in non-extreme cases there is scope for ethical lapses or disproportionate influence by corporations involved with political influence that can impact negatively a company and its investors. Consequently, it is a matter of good corporate governance for companies to ensure that any political involvement is both legitimate and transparent, and that companies and their Boards are held properly to account for their political activities.

[1] *Citizens United v Federal Election Commission*, 130 S.Ct. 876 (2010). This was a 5-4 Supreme Court ruling that confirmed the right of corporations to provide funding for political purposes, as legal "persons" whose freedom of speech is protected by the U.S. Constitution's First Amendment.

[2] A recent study has found that close to 60% of U.S. companies in the S&P 500 index make political contributions. See "How Companies Influence Elections: Political Lobbying and Oversight at America's Largest Companies." Authors: Heidi Welsh and Robin Young. Published by the Sustainable Investments Institute and IRRC Institute, October 2010. Also, U.S. corporate political spending is not only made directly by companies, but also through Political Action Committees (PACs),-- where contributions come not from the company's own financial resources but from the company's employees.

[3] In the U.S., political contributions are the subject of the greatest number of shareholder resolutions lined up for 2011. These resolutions typically call for the disclosure of the company's policies and procedures for political contributions and expenditures (both direct and indirect) made with corporate funds. As of February 2011, 60 such resolutions were pending. In 2010, 31 resolutions went to a vote, attracting 28.7% support. This is a comparatively high level of support for shareholder resolutions, and reflects growing investor concern about this issue. See "Corporate Social Issues: A 2011 Proxy Season Preview, United States". Published by ISS, 3 February 2011.

1.2 Corporate political activity and relevance to investors

At a macro level, corporate political activities can grant undue influence to corporations relative to other interest groups.[4] The concentrated wealth and access to financial resources by companies can provide them with disproportionate power and create a non-level playing field. While many political activities may be permitted by law, and may in some cases have broad societal value, it is also the case that concentrations of political influence can create distortions that can impair not only civil society, but also the efficient operation of markets and the interests of investors.

At a micro, or company-specific level, corporate political activity also may not be in the ultimate interest of the company and its shareholders. Indeed, there is some academic evidence suggesting that corporate political involvement may be negatively related to firm value.[5] The greatest concern is when company resources are deployed in a way that is either corrupt or where the primary beneficiaries of corporate political activity are the company's managers or individual shareholders, and not the company as a whole. Even when corporate political involvement is supported by a clear business case, the risk of inappropriate activity can create reputational risks with unintended consequences for the company and its investors.

1.3 Key concepts and definitions

For purposes of this Statement and Guidance, several key concepts warrant definition. These are presented below in order of increasing severity in terms of how political involvement can create risks and negatively impact the company and its shareholders.

Corporate political lobbying. Corporate lobbying is a common practice which seeks to inform and influence political decisions, regulation, legislation and policies according to the interests of an individual corporation, a sector or grouping of businesses, or business-at-large. Corporations that devote monetary or other resources to lobbying activity typically do so to promote the interests of the company, and ultimately its investors. In some cases it could be argued that informational input is a social responsibility of business, particularly when there is important corporate knowledge about issues or technologies that can help to inform intelligent legislation and public policy.[6] However, while corporate lobbying can be positive in certain contexts, concerns could arise when businesses seek to apply pressure to government officials or abuse their expertise in their advocacy. Hence, in this Statement and Guidance, the focus is on ensuring that any corporations involved with lobbying avoid seeking undue influence and that corporate lobbying is clearly and legitimately linked to corporate interests.

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[4] For example, the Stanford Social Innovation Review cites that U.S. companies spent $2.6 billion on federal lobbying in 2006, as compared with $222 million spent from 1998-2004 by not-for-profit organisations. This same review cites that in the European Union corporate lobbying spend tends to range between €750 million and €1 billion per year. "Lobbying for Good". Authors: Kyle Peterson and Marc Pfizer. Stanford Social Innovation Review, Winter 2009.

[5] In a 2010 study of companies in the United States, corporate political activity was found to be negatively correlated to both shareholder-friendly governance practices and to shareholder value. "Corporate Political Activity: What Effect Will *Citizen's United* have on Shareholder Wealth?" Author: John C. Coates, IV, Harvard Law School, September 2010. Another academic study covering the period from 1991-2004 draws similar conclusions: Rajash K. Aggarwal, Felix Meschke and Tracy Yue Wang: "Corporate Political Contributions: Investment or Agency?" *SSRN*. August 11, 2008. However the evidence is mixed, as a study dating back to an earlier period of time (1979-2004) suggests positive correlations between political activity and corporate returns: Michael J. Cooper, Huseyin Gulen and Alexei V. Ovtchinnikov. "Corporate Political Contributions and Stock Returns." *SSRN*. September 26, 2008.

[6] For a granular taxonomy of forms of lobbying, see Chapter 11 of Business Ethics: Managing corporate citizenship and sustainability in the age of globalization, third edition. Andrew Crane and Dirk Matten, Oxford University Press, September 2010.

***Corporate political donations*.** Political donations can be regarded as providing corporate monetary resources, services, or other gifts-in-kind, directly or indirectly, to a political party, candidate, trade association, charity or other third-party. While donations, by definition, are typically provided without return consideration, the nature of political donations is such that some degree of influence can be sought through donations, both legitimately and illegitimately. Political donations are legal in most jurisdictions, however the risks of impropriety are arguably greater with political donations than with corporate lobbying. This calls for particular attention and scrutiny by Boards and investors for those companies that choose to make political donations, especially in the case of donations to political parties and individual candidates. It is important for both Boards and investors to understand the intent and business rationale for political donations.

***Corruption*.** As in the ICGN Statement and Guidance on Anti-Corruption Practices, we make reference to the definition of corruption by Transparency International, a leading civil society group. This defines corruption as "the misuse of entrusted power for private gain." In the context of corporate political activity, corrupt practices can occur when a company seeks influence illegally, or when a corporation's lobbying or donations serve individual interests and not the interests of the company and its investors as a whole. As such, corporate political activities that involve bribery or are corrupt in other contexts are clearly the most severe, and the ICGN anti-corruption statement has made clear that investors should not accept any form of corrupt practice by companies.

1.4 Different jurisdictional approaches to corporate political activity

Political activity by corporations varies considerably among countries. While it is beyond the scope of this document to provide a comprehensive global analysis of corporate political activity, Annex 1 presents a comparative review of some illustrative countries, and shows how approaches to political activity may differ[7]. As noted above, in France political donations by corporations are prohibited. In many other countries, such as the US, political donations by corporations are permissible. In those markets where political donations are relatively unrestricted, Germany, for example, a history of public funding of elections reduces the prevalence of corporate money in the political process. In other markets, like Australia, there are strict donation limits, which in recent years have become lower in the context of a changing political environment. In the UK, political donations are not a common practice; however they are allowable by law. The UK Companies Act of 2006 requires shareholders to approve an aggregate sum for any political expenditure. Hence, even for those companies whose own policy is not to make political donations, it is not uncommon to see resolutions on shareholder meeting ballots seeking approval for political expenditures up to a specified limit.

Disclosure requirements may also act as a deterrent to large political spending by corporations. For example, in Germany any donation of €50,000 must be reported to the Head of the Federal Parliament, producing an almost de facto ceiling on large political donations. Donations above €10,000 must be disclosed in an annual report by the political party in receipt of the donation, but this is less significant in impacting a decision to donate. Generally speaking, many countries require annual disclosure of donations or only after an election, rules which mean disclosure will usually not have an immediate effect on the corporation's reputation.

[7] In the case of France, its approach towards political donations was influenced by a corruption scandal involving a major French oil company in the 1990s (Elf Acquitaine) in which corporate funds were abused by senior company officials to seek political favours.

~~Practices also vary when it comes to making donations to individual candidates. For example, in Japan it is permissible to donate to a political party or a political fund raising entity, but not to an individual candidate. In the US, following the *Citizens United* case, donations may be made by corporations to individual candidates. The issue of direct donations to candidates is probably the most fraught. Such donations can be interpreted as being closer to a bribe or a corrupt practice than donations to a political party or other entity. While direct donations may be made to a candidate supporting a position that is favourable to the corporation, the candidate's position on other unrelated issues may cause reputational risks for the corporation that are unexpected. Making a donation to a particular candidate can lead to "guilt by association" for the corporation. While this is also quite possible for party donations, it carries even higher risk for individual candidate donations.~~

For example, in Japan it is permissible to donate to a political party or a political fund raising entity, but not to an individual candidate. However, in the United States, following the *Citizens United* case, indirect independent expenditures may be made by corporations in elections for federal office to support individual candidates.[8] The issue of direct or indirect financial support to individual candidates is probably the most fraught. While financial expenditures may be made independently to support a candidate based on the candidate's positions on issues that that are favourable to the corporation, the candidate's position on other unrelated issues may cause reputational risks for the corporation. Making a donation to a particular candidate can lead to "guilt by association" for the corporation. While this is also quite possible for party donations, it carries even higher risk for direct or indirect support to individual candidates standing for election.

Concern about political spending in the United States prompted a petition to the US Securities and Exchange Commission (SEC) in August 2011 by the Committee on Disclosure of Corporate Political Spending, a group of ten prominent US academics focusing on corporate and securities law. This petition calls for the SEC to initiate a rulemaking project to require disclosure of corporate political spending by listed US corporates.[9]

A specific feature of the US framework is Political Action Committees (PACs), a mechanism dating back to the 1940s, which enables interest groups, which can include corporations[10], to raise money from individuals to support specific legislation, political candidates or an issue more generally. Corporations often serve as sponsors of PACs in which they can collect donations from employees and their families and from shareholders. While such donations are intended to be voluntary by nature, it can be the case that companies encourage employee contributions to PACs. Individual donations are limited in size, and PACs must be registered with and provide disclosures to the US Federal Election Commission.

While this document is intended to be of relevance to companies in all jurisdictions globally, authoritarian regimes pose particular challenges for companies. In such regimes, where rule of law is often limited, corporate lobbying and influence-seeking may be essential for businesses

[8] However, more generally, direct corporate contributions to politicians remain prohibited in the US, at least for the time being. In the *Citizens United ruling*, the US Supreme Court reserved the issue of direct contributions to candidates for another day, and lower US courts are divided as to whether *Citizens United* requires that corporations be allowed to make donations directly to individuals.

[9] Petition for Rulemaking, Committee on Disclosure of Corporate Political Spending. Co-chairs: Lucian A. Bebchuk and Robert J. Jackson. Letter sent to United States Securities and Exchange Commission, 3 August 2011.

[10] PACs can also be sponsored by unions, political parties and political candidates.

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Formatted: Font: (Default) Arial, 8 pt to operate, but arguably run the greatest risk of corruption. Yet business can also play an important role in influencing positively public policy in such jurisdictions.[11]

[11] For example, it may be of interest to companies to engage with governments to support the protection of an efficient democracy and human rights in accordance with Principles 1 and 2 of the UN Global Compact (UNGC) and the "Protect, Respect and Remedy" framework proposed by John Ruggie, the Special Representative of the UN Secretary-General on the issue of human rights and transnational corporations and other business enterprises.

2.0 ICGN Policy Statement

2.1 Guiding Principles

The ICGN does not have a prescriptive policy position as to whether or not companies should become actively involved in seeking political influence. Its policy on political lobbying and donations is principles-based. These guiding principles are:

Legitimacy - clearly serves the interests of the company as a whole and its investors;

Transparency -clarity on the policy framework and exactly what the company is doing, who the decision makers are, when and how the company seeks to influence public policy and the political process. Transparency should also cover the direct and indirect costs of political activity;

Accountability - company managers involved with political activity are held accountable by the company's Board. The Board, in turn, is held accountable by the company's shareholders for the company's political policies and their implementation; and

Responsibility - political influence is sought within the constraints of legal and ethical norms and does not seek undue influence for special interest groups at the expense of broader public welfare.

The ICGN recognises that there are differing legal frameworks and cultural norms in countries around the world that govern corporate political activity, and that many companies have a clear business case for seeking to inform or influence the public policy process. However the ICGN also recognises that abuse of political influence can be detrimental to public welfare, can squander corporate resources and negatively impact corporate reputation. As such, the ICGN focus is on ensuring that any political activities undertaken by companies have appropriate ethical and legal foundations, are in the long term interests of the company, and are governed according to these guiding principles in a way that manages potential risks robustly and serves the interests of all investors.[12]

2.2 What corporate political activities are legitimate and what are not?

Legitimate corporate political activities are those that are conducted legally and transparently, are clearly linked to a company's business purposes and strategic intent and carry the support of its shareholders. Such activities serve the interests of the company as a whole, not interests specific to individual managers or shareholders. Legitimacy is enhanced when corporate political activities occur within a clear policy framework that is overseen by the company's Board and carries investor support.

Illegitimate political activities have the opposite characteristics. Corrupt political activity is a breach of business ethics and can also be in violation of the law. This should be avoided in all instances. But often there may be shades of grey, where nominally legal political activity may be an inefficient use of company resources or only serve narrow interests. Company support of

[12] One example of corporate best practice is the Center for Political Accountability's Model Code of Conduct. This is found in Appendix 4 of the "Handbook on Corporate Political Activity". Authors: Paul De Nicola, Bruce F. Freed, Stefan C. Passantino, and Karl J. Sandstrom. Published by The Conference Board, November 2010: http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/id/4084

generic political issues, candidates or parties can be less compelling to investor interests than political involvement that seeks to influence or support specific strategic or corporate objectives. Moreover, donating that is non-specific leads to concerns about the misuse of corporate funds for the political objectives of individuals within the corporation rather the interests of investors.

The practice of monetary donations, or donations of other company resources, comes under particular scrutiny, both in terms of direct corporate donations to political parties or candidates, but also in terms of indirect donations through trade associations or other third parties. While corporate political donations are permitted in many jurisdictions, the fact that they are not permitted in some jurisdictions suggests that this is an area of potential controversy and abuse. *As a general principle the ICGN discourages companies from making monetary political donations either directly or through third-party organisations/trade associations.* In particular donations to individual candidates should not be undertaken without careful consideration of the risks involved and without specific Board approval.

The legitimacy of corporate political activity can be enhanced by shareholder support. For example, shareholder proposals that provide shareholders a chance to vote on political lobbying and spending practices are an increasingly common feature in US annual meetings.

It is also important to stress that companies should not discourage employees from participating in the political process on their own behalf, whatever their political conviction, even if that contradicts the political views advocated by official company lobbying or donations. Companies should neither inhibit nor penalise such employee activity; nor should they pressure in any way individuals to support particular political positions or make donations against their will.

2.3 Policy position

Corporate involvement in public policy and the political process is a matter of corporate governance. When justified by a clear business case, it can be legitimate to corporate interests and of benefit to shareholders. However there is considerable scope for illegitimate political activity and influence seeking, which can be breaches of basic business ethics and good corporate governance. As with good corporate governance, a company's political involvement must have a strong ethical and cultural foundation, supported by adequate procedures and controls to avoid inappropriate activities.

While the ICGN discourages monetary political donations, to the extent that companies choose to make such donations, these should be supported by a transparent policy framework, a business rationale, shareholder support, robust Board oversight and clear public disclosures.

Political lobbying can be a legitimate activity, but only if companies seek to influence public policy, legislation and regulation in ways that are transparent, appropriately controlled, linked to the company's strategy, clearly supportive of shareholders' interests and conducted within an ethical policy framework.

3.0 ICGN Guidance

This Guidance is intended for companies and investors alike when entering into dialogue around corporate engagement in political lobbying and donations activity.

3.1 Policy framework

Given reputational risks associated with monetary political donations, the parent company should set the policy framework and exercise oversight over its subsidiaries in this domain. Companies that take part in political activity should do so on the basis of a clearly articulated policy framework which should take into consideration the following:.

- It should be grounded in a code of conduct that reflects the company's broader approach to business ethics.
- It should clearly establish that any company political activity is conducted for the purpose of promoting the commercial interests of the company as a whole and is in the interests of its investors.
- Bearing in mind the overarching principle of responsibility, company lobbying and political activity should be conducted within the constraints of legal and ethical norms and should not seek undue benefits for special interest groups at the expense of broader public welfare. The names of lobbyist firms retained should be publicly disclosed.
- It should commit the company to public disclosures of its lobbying activities and any direct or indirect expenditure beyond a *de minimis* level.[13] For any donations to individual political candidates, disclosure should be made, even if this falls below a *de minimis* level.
- It should also articulate how any political spending occurs and who within the company is responsible for making spending decisions.
- It should pertain to direct political donations as well as to third-party organisations or trade associations that might in turn make political donations.
- It should apply to all company employees, including company agents and external representatives.
- It should clarify the Board's ultimate accountability both for approving the company's policies for political activity and for overseeing the implementation of these policies.

3.2 Procedures

- The company policy towards political lobbying and donations should be communicated clearly by company management throughout the organisation, and should apply to company agents and external representatives when representing company interests.
- Training in company policies should be given on a regular basis for all company representatives who engage in corporate political activity.
- The company should establish robust internal controls and reporting processes as part of a risk management system to monitor compliance with its policies on corporate political activity. Clear sanctions should be in place for individuals who are found to be in breach of these policies.
- Material breaches of company political activity policies should be brought to the attention of the Board, and the Board should have defined policies for dealing with material breaches.

[13] What constitutes a *de minimis* political donation can be subject for debate and interpretation. For purposes of this guidance note we will suggest this as a contribution equal to or less than $10,000, or its equivalent in other currencies.

- The Board should also monitor the effectiveness of political lobbying and donations in terms of how this investment of time and resources benefits the long-term interests of the company.

3.3 Board oversight

- It is the responsibility of the Board to understand and explicitly approve the company's policies with regard to political lobbying and donations. This includes charitable donations and donations to trade associations or related third-party organisations.
- The Board should appreciate the legal and reputational risks associated with improper political activity and be responsible for oversight of political activity. This could come under the purview of Board corporate governance or risk management committee, and includes monitoring and approving political and related charitable donations.
- In its monitoring the Board should ensure that lobbying and political spending do not reflect narrow political preferences of the company's executives that have little or no bearing on the company's own commercial performance.

3.4 Transparency and disclosure

- Company policies on political activity should be publicly disclosed and easily found in a company's website.
- Companies should disclose lobbying positions on key policy issues and how these are reflected in written submissions to politicians, regulators, political parties or civil society groups. Companies should identify key relationships with trade associations that engage in lobbying on the corporation's behalf. [14]
- Companies should disclose their policies and processes for giving. Direct and indirect political spending by corporations beyond a *de minimis* amount should be publicly disclosed and reported annually in terms of amount and stated purpose of the donation.[15] The timing of such disclosures should also be disclosed, particularly in cases surrounding the election of political officials or legislative voting on key policy decisions.[16] The intent and business rationale for any donations should also be disclosed.
- Given the sometimes "revolving doors" between business and politics, companies should be transparent about the issue of accepting employees, including Board directors, have or have had influential roles in politics

3.5 Shareholder approval

- Shareholders should be able to vote on a company's political donations policy, preferably through a company-proposed resolution or, secondly, through a shareholder resolution.
- Shareholders should be able to vote on the maximum amount of company donations for political purposes.
- Shareholders also should be in a position to vote on material changes to the company's donations policy.

[14] For U.S. companies with Political Action Committees (PACs), the details of political donations by the PAC should be made publicly available in a company's annual reporting.
[15] For U.S. companies, disclosure should include all state and local donations including gifts to "rule 527" organizations and ballot initiatives.
[16] For example, as noted in Annex 2, donations above €50,000 must be reported to the head of the Federal Parliament within one week.

4.0 Annexes

Annex 4.1: Review of Corporate Political Lobbying and Donations Practices in Differing Jurisdictions (as of June 2011)

Country	Are corporate donations legal?	Must they be disclosed?	Are there sanctions for non-compliance?	If donations are legal, are they tax deductible?	Notes
Australia	Yes, although there are limits, ranging by state from A$2,000 to A$50,000	Rules vary by state, but New South Wales is the most strict, requiring disclosure by the company of any donations of A$1,000 or more within a financial year.	Yes. Rules vary by state, but can include fines, recovery of amounts over the limits, and event imprisonment for a false declaration.	No	Gifts in kind or indirect contributions are also limited or prohibited, depending on the state. Rules allow Australian companies to make donations in other countries.
Brazil	Yes, although there is a limit, at 2 percent of sales for a corporation.	Listed companies must record donations to political parties in the Superior Electoral Court. Disclosure is made after the election.	Yes, fines range between 5 and 10 times the amount above the limit, and companies may be prohibited from public tenders or government contracts for five years.	No	Brazilian regulation requires companies to disclose donations only if there are considered material.
France	No	N/A	Yes	N/A	Contributions from foreign companies and government are also prohibited.
Germany	Yes	Donations above €10,000 must be disclosed in the political party's annual report. Donations above €50,000 must be reported to the head of the Federal Parliament within one week.	Yes, fines to the party are generally double the amount of the original donation.	No	Trade associations are considered a legal person under German law and have the same restrictions.

Japan	Yes	Donations above 50,000 yen must be disclosed in the political party's annual report, which is sent to the local Election Commission or the Minister of Internal Affairs. Reports include names of all corporate and individual donors. Corporations do not have to disclose themselves.	Yes. Penalties range up to one million yen and include imprisonment.	Yes. Donations are generally deductible up to half of the amount of the sum of 2.5% of taxable income plus 0.25% of capital.	Contributions from foreign entities and citizens are prohibited. Anonymous contributions are also prohibited. Companies and labour unions cannot donate to individual politicians, but only to parties and political fundraising entities.
Netherlands	Yes	Political parties must disclose donations received above €4537 in the political party's annual report to the electoral committee. There is no requirement for companies to disclose.	No. In such cases political parties only have to refund the person who made the donation.	Yes, up to a maximum of 10 percent of profit.	
United States	Yes	Direct donations to a political party must be disclosed by the company; however donations to tax-exempt advocacy groups or trade associations need not be disclosed.	Yes.	No	Donations are allowed provided they are within company policy and do not represent a bribe or result in preferential treatment
United Kingdom	Yes	Donations need to be declared, and approved by shareholders if above £5,000. (And will	Directors failing to meet these requirements will be personally liable. And intent to breach the Political Parties	No	Shareholder approval needs to be renewed every 4 years. Approval is usually given

		be declared by the political party if above £7,500.)	Act 2000 carries much greater sanction, (including terms in jail).		by asking for “up to a maximum” the amount that could be spent.

Annex 2: Resources/Bibliography

There is a substantial literature on corporate political influence. Some of the key publications in this area that have helped to inform this Statement and Guidance are as follows:

- Petition for Rulemaking, Committee on Disclosure of Corporate Political Spending. Co-chairs: Lucian A. Bebchuk and Robert J. Jackson. Letter sent to United States Securities and Exchange Commission, 3 August 2011.
- Corporate Social Issues: A 2011 Proxy Season Preview, United States. Authors: Carolyn Mathiasen and Erik Mell. Published by ISS, 3 February 2011.
- Handbook on Corporate Political Activity. Authors: Paul De Nicola, Bruce F. Freed, Stefan C. Passantino, and Karl J. Sandstrom. Published by The Conference Board, November 2010.
- How Companies Influence Elections: Political Lobbying and Oversight at America's Largest Companies. Authors: Heidi Welsh and Robin Young. Published by the Sustainable Investments Institute and IRRC Institute, October 2010.
- Corporate Political Activity: What Effect Will *Citizen's United* have on Shareholder Wealth? Author: John C. Coates, IV, Harvard Law School, September 2010.
- Business Ethics: Managing corporate citizenship and sustainability in the age of globalization, third edition. Andrew Crane and Dirk Matten, Oxford University Press, September 2010.
- Corporate Governance after *Citizens United*. Testimony of Ann Yerger, Executive Director, Council of Institutional Investors, before the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises of the United States House of Representatives Committee on Financial Services. Council of Institutional Investors, 11 March 2010.
- Corporate Political Speech is Bad for Shareholders. Author: Lucian Bebchuk, Harvard Law School. Published by the Harvard Law School Forum on Corporate Governance and Political Regulation, 25 February 2010.
- Chief Justice Roberts: Judicial Activist for Corporate Power. Authors: Robert A.G. Monks and Peter L. Murray. www.ragm.com , August 2009.
- Controlling Corporate Lobbying and Financing of Political Activities. Published by Transparency International, June 2009.
- Lobbying for Good. Authors: Kyle Peterson and Marc Pfizer. Published by Stanford Social Innovation Review, Winter 2009.
- Michael J. Cooper, Huseyin Gulen and Alexei V. Ovtchinnikov. "Corporate Political Contributions and Stock Returns." *SSRN*. September 26, 2008.
- Rajash K. Aggarwal, Felix Meschke and Tracy Yue Wang. "Corporate Political Contributions: Investment or Agency?" *SSRN*. August 11, 2008.
- EU Principles for the Ethical Conduct of Lobbying. Author: Christian de Fouloy, President, Association of Accredited Lobbying to the European Parliament, November 2005.
- F&C Corporate Governance Policy & Voting Guidelines: revised policy on Political Lobbying and Donations. Published by F&C Investments: www.fandc.com/governance. September 2005.
- The Ethics of Influence: political donations and lobbying. David Lascelles. Published by Institute of Business Ethics, London, June 2005.

Annex 3: Acknowledgements

The ICGN is grateful to the members of the Business Ethics Committee in developing the ICGN Statement and Guidance on Political Lobbying and Donations. This includes: Melsa Ararat, Phil Armstrong, George Dallas, John Jarrett, Marjorie Knowles, David Pitt-Watson, Kerrie Waring and Carl Rosén.

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Annex 4: Contacts

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