RIGHT-SIZING CORPORATE VOICE
A briefing for business on responsible political engagement

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Businesses dominate the policymaking process, mostly prioritize short-term financial interests and provide minimal transparency, creating an inherent risk of corporate policy capture that has been exacerbated by practices across lobbying, advocacy and political spending. A new approach to corporate political engagement – building on existing frameworks and based on the familiar experience of developing human rights due diligence – can tackle these issues and enable companies to align their political engagement with the protection of human rights, delivery of ambitious environmental goals, support for civic institutions and the needs of society. The briefing sets out the actions that businesses should take to achieve this.
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOREWORD</strong></td>
<td>4</td>
</tr>
<tr>
<td><strong>INTRODUCTION</strong></td>
<td>6</td>
</tr>
<tr>
<td>Reducing corporate political engagement</td>
<td>8</td>
</tr>
<tr>
<td><strong>SECTION 1 – THE CASE FOR CHANGE</strong></td>
<td>10</td>
</tr>
<tr>
<td>Inequality in political influence is driving inequality in society</td>
<td>10</td>
</tr>
<tr>
<td>Policy capture risks are exacerbated by specific practices</td>
<td>13</td>
</tr>
<tr>
<td>The current approach doesn’t work for anyone</td>
<td>17</td>
</tr>
<tr>
<td><strong>SECTION 2 – TOWARDS A NEW APPROACH</strong></td>
<td>20</td>
</tr>
<tr>
<td>Principles for responsible political engagement</td>
<td>20</td>
</tr>
<tr>
<td>Applying existing human rights processes to responsible political engagement</td>
<td>23</td>
</tr>
<tr>
<td><strong>SECTION 3 – ESSENTIAL ACTIONS FOR BUSINESS</strong></td>
<td>25</td>
</tr>
<tr>
<td>Assess</td>
<td>25</td>
</tr>
<tr>
<td>Map your current political footprint</td>
<td>25</td>
</tr>
<tr>
<td>Assess your political engagement through a human rights and environmental sustainability lens</td>
<td>26</td>
</tr>
<tr>
<td>Act and integrate</td>
<td>27</td>
</tr>
<tr>
<td>Change practices and processes to minimize the risk of policy capture</td>
<td>27</td>
</tr>
<tr>
<td>Develop policy positions on your salient human rights and environmental issues to drive positive outcomes</td>
<td>28</td>
</tr>
<tr>
<td>Ensure that political engagement by lobbyists, trade associations and business partners is aligned to your human rights and environmental commitments, and use leverage to influence others</td>
<td>29</td>
</tr>
<tr>
<td>Communicate</td>
<td>30</td>
</tr>
<tr>
<td>Publicly disclose political engagement so that stakeholders can assess your approach, priorities and impact</td>
<td>30</td>
</tr>
<tr>
<td>Engage with the debate and positively contribute to the development of responsible corporate political engagement</td>
<td>31</td>
</tr>
<tr>
<td><strong>CONCLUSION</strong></td>
<td>32</td>
</tr>
<tr>
<td><strong>NOTES</strong></td>
<td>33</td>
</tr>
</tbody>
</table>

Right-sizing Corporate Voice: A briefing for business on responsible political engagement
FOREWORD

Irit Tamir, Director of Private Sector Development, Oxfam America

Corporate power has increased in the last few decades, thanks to a decrease in unionization, new regulation and a rise in corporate lobbying. Following the Supreme Court’s ‘Citizens United’ decision in 2010, which removed constraints on political spending by US corporations, lobbying expenditures by corporations have been on the rise, reaching a record US$4.1bn in 2022.1 All of this has contributed to a lack of trust in political institutions, further polarization and an erosion of our democracy. Potential policies to tackle inequality and climate change have also been hampered by this inequality in political influence.

But this lobbying is not restricted to Washington, DC. Brussels, the home of the European Union, is second in the world for lobbying activities. Corporations spent US$3bn in lobbying EU regulation in 2021.2

Since the adoption of the UN Guiding Principles on Business and Human Rights (UNGPs),3 Oxfam has called on companies to advocate in line with their human rights responsibilities. Under the UNGPs, Principle 16 states: ‘As the basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy that: ... (e) Is reflected in operational policies and procedures necessary to embed it throughout the business enterprise.’

Furthermore, the commentary for this principle specifically states that businesses should strive for policy and procedural coherence with their responsibility to respect human rights, including through their lobbying activities. Instead, instances of misalignment between what companies state and what they lobby for continue to emerge.4
In 2018, Oxfam published *Dollars and Sense: Corporate responsibility in the era of Trump*. This report analyzed the stated policies, values and public messaging of 70 of the largest US corporations across seven sectors between November 2016 and November 2017, and compared these with their lobbying activities. Our analysis found that while many companies publicly affirmed support for addressing climate change and supported core values of diversity and inclusion, including support for refugees and migrants, most companies invested little or no resources in lobbying against bad policy rollbacks in these areas. On the other hand, companies spoke little of tax policy, yet expended significant resources to influence tax reform which resulted in a massive tax cut benefiting corporations.

For years, Oxfam allies such as OpenSecrets, Center for Political Accountability’s Zicklin Index and Corporate Europe Observatory have made strides in exposing corporate lobbying and making it more transparent. We are indebted to these groups for their critical research. This briefing for business acknowledges that corporate influence is at an all-time high and urgently needs to be curtailed. Overall, Oxfam encourages companies to reduce their influence in the political and policymaking process so that voices from other perspectives may be heard. As inequality grows, so too does the risk of corporate capture and an erosion of our democratic institutions.

At the same time, we recognize that the perspective of business is critical in policymaking. This report therefore seeks to guide companies on how to conduct advocacy and lobbying activities in line with their responsibility to respect human rights. Our hope is that this briefing will help companies manage the tensions among different business units and departments by realigning advocacy efforts with sustainability and human rights commitments. In doing so, they will make a vital contribution to transformative change at systemic level to fight inequality and eliminate poverty.
INTRODUCTION

This briefing provides a roadmap for businesses to redesign their political engagement by putting respect for human rights at its center.

Businesses dominate the policymaking process, mostly prioritize short-term financial interests and provide minimal transparency, creating an inherent risk of corporate policy capture that has been exacerbated by practices across lobbying, advocacy and political spending.

Extensive research by civil society, investors and others shows that this approach doesn’t work for anyone. Outcomes include:

- increased inequality – particularly gender and racial inequality;
- the undermining of civic institutions on which society and businesses depend for a stable political and economic environment;
- significant problems for businesses, including:
  - heightened risk of corruption;
  - misalignment of companies’ political engagement with their stated values and sustainability commitments;
  - costs arising from government inaction to address market failures.

A new approach to corporate political engagement – building on existing frameworks and based on the familiar experience of developing human rights due diligence – can tackle these issues and enable companies to align their political engagement with the protection of human rights, delivery of ambitious environmental goals, support for civic institutions and the needs of society. The briefing sets out the actions that businesses should take to achieve this, as summarized below.

Table 1: Essential actions for business

<table>
<thead>
<tr>
<th>Assess: Understand your current political engagement practices and their impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Map your current political footprint</td>
</tr>
<tr>
<td>Assess your political engagement through a human rights and environmental sustainability lens</td>
</tr>
</tbody>
</table>

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<tr>
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</tr>
</thead>
<tbody>
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</tr>
<tr>
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</tr>
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<th>Communicate: Be transparent about your approach and progress, and promote responsible political engagement to others</th>
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<td>Publicly disclose political engagement so that stakeholders can assess your approach, priorities and impact</td>
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<td>Engage with the debate and positively contribute to the development of responsible corporate political engagement</td>
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This briefing for business is intended for senior leaders and colleagues working in government affairs, sustainability and other departments involved in any business that performs political engagement, including those in food value chains. In particular, the briefing is intended to help multinational companies that invest large resources in influencing political outcomes. While it has a strong US focus, it is applicable in every geography where companies are engaging with governments.

We hope the briefing will be helpful to other audiences as well as businesses, including:

- lobbying companies, trade associations and other third parties that engage on behalf of business;
- civil society and investors already working in the corporate political engagement space;
- organizations looking to drive better social and environmental performance by business;
- NGOs and others that engage governments;
- local, national and supranational public bodies that are subject to political engagement.

The findings and recommendations draw on Oxfam’s experience and the significant contributions from a wide range of organizations working to highlight the challenges associated with corporate political engagement as it is currently performed.

**Box 1: Defining corporate political engagement**

For the purposes of this document, corporate political engagement refers to business activity aimed at influencing political outcomes. This includes: direct and indirect engagement with policymakers (lobbying); attempts to influence the public debate on policy issues (advocacy); and financial investments to support these activities, particularly donations to politicians and political parties (political spending). Engagement can happen throughout the policymaking process.

**Figure 1: The public policy cycle**

![Public Policy Cycle Diagram](source)

Source: Adapted from Oxfam Intermón, 2018, *The Capture Phenomenon – Unmasking Power*.9

**Lobbying** is defined by the OECD as: ‘lawfully attempting to influence the design, implementation, execution and evaluation of public policies and regulations administered by executive, legislative or judicial public officials at the local, regional or national level.’10
Advocacy refers to attempts to shape the public debate on policy issues or other items of interest to elected officials. This includes through company actions and statements, influencing the scientific debate on key issues and using the legal system to impact the ability of public bodies to make decisions in the public interest.

Political spending includes any spending on lobbying and advocacy activities as well as donations to politicians and political parties. A US-centric definition with applicability to other jurisdictions, from the Erb Institute at Michigan University, highlights: ‘Any direct or indirect contributions or expenditures, direct or indirect (from corporate treasury funds or a corporate-affiliated PAC), used to support or oppose any political campaign, on behalf of or in opposition to a candidate for public office or referenda; any payments made to trade associations or tax-exempt entities used for influencing a political campaign; and any direct or indirect political expenditure that must be reported to the Federal Election Commission, Internal Revenue Service, or state disclosure agency.’

REDUCING CORPORATE POLITICAL ENGAGEMENT

Governments, supranational institutions and others have the ability to reduce the negative impacts of corporate political engagement and ensure that policymaking happens in a transparent, accessible way that protects human rights, safeguards the environment, and drives economic progress for all.

The OECD and some parts of the UN, including the UN Working Group on Business and Human Rights, are leading calls for government to regulate political engagement, such that it:

- provides transparency to stakeholders on who is lobbying and making political donations, and what they are asking for;
- shows how political decisions are made and the impact of different stakeholders on these decisions;
- increases ethical standards for both politicians and lobbyists;
- limits or prevents policy capture mechanisms;
- improves access to the policymaking process for all stakeholders.

However, a joint OECD and Principles for Responsible Investment (PRI) report in 2022 noted that even where rules are in place, ‘these regulations still provide limited transparency on the range of measures companies use to influence public policy. In particular, regulations are ill-adapted to the 21st-century context, which is marked by the increased use of digital platforms to engage with policymaking processes, and several shortcomings in countries’ regulatory scope still exist. As a result, key areas of unregulated influence remain vulnerable to exploitation by powerful special interests.’
Despite the overall lack of progress, some encouraging precedents for policymakers looking to take action have emerged, including:

- **Enabling public policy development that protects public health and the environment.** The World Health Organization (WHO) Framework Convention on Tobacco Control, adopted in 2005, includes Article 5.3: “Protection of public health policies with respect to tobacco control from commercial and other vested interests of the tobacco industry.” The WHO refuses to engage with the tobacco industry and supports signatory countries to resist attempts to influence health policies, including by issuing detailed guidelines. While implementation remains a challenge, the model has clear applicability to the United Nations Framework Convention on Climate Change (UNFCCC) as it continues to drive the needed policy framework to tackle climate change, the United Nations Environment Programme (UNEP) and others pursuing global progress on critical long-term health and environmental challenges.

- **Requiring governments and public bodies to take a long-term, sustainable approach to decision-making.** The Well-being of Future Generations Act was introduced in Wales in 2015 to improve the social, economic, environmental and cultural wellbeing of the people of Wales. The Act requires all public bodies to:
  - take account of the long term;
  - help to prevent problems occurring or getting worse;
  - take an integrated approach;
  - take a collaborative approach;
  - consider and involve people of all ages and diversity.

While not specifically about the role of companies in decision-making, the framework requires public bodies to weigh corporate political influence against the long-term commitments enshrined in the Act, and it provides a template for other countries committed to tackling inequality.
SECTION 1 – THE CASE FOR CHANGE

Government action is critical to protect human rights and reverse growing inequality, including by supporting workers’ rights, ensuring the rich pay their fair share, tackling climate change and providing key services such as healthcare and social security to all citizens. A stable political environment is also vital to drive economic progress that rewards companies who pursue value creation over value extraction.

Political engagement by individuals and organizations can improve the choices governments make in ways that benefit society as a whole. These benefits assume that engagement comes from a wide range of stakeholders, who represent their views openly and honestly and do not engage in practices that intentionally or otherwise mislead policymakers. In reality, however, businesses dominate the political engagement process.

Box 2: Defining inequality

‘Inequality refers to the uneven distribution of power, resources, and opportunities among people and groups based on divides such as class, caste, age, disability, race, ethnicity, religion, education, geography, gender, and sexual orientation. It means abundance for the few and injustice for the many. Inequality keeps poor people poor and powerless; and denies millions their rights. An inequality lens acknowledges the interconnection between the multiple dimensions of inequality and consistently asks who does and does not have access to power, resources, and opportunities, and why.’


INEQUALITY IN POLITICAL INFLUENCE IS DRIVING INEQUALITY IN SOCIETY

In 2022, companies accounted for US$4.1bn – 86% of the total – in reported spending to lobby the US Congress and other federal bodies.
THE MASSIVE SCALE OF CORPORATE POLITICAL ENGAGEMENT

The dominance of political engagement by businesses accelerated in the early 1970s, when the US Chamber of Commerce adopted ‘a broader and more vigorous role in the political arena’ and the Business Roundtable was created to formalize the voice of business in Congress as a response to business perceptions that regulatory compliance costs were increasing and the economy was slowing. Alongside these developments, companies began to invest in lobbying and lobbyists, and had success in pushing back on proposed regulations.

The lobbying industry continued to grow in resources and sophistication, both in the US and around the world. In 1992, ‘more than 55 business representatives lobbied U.N. negotiators who met in New York ... to draft a global warming treaty to be signed in Rio.’ By 2023, at least 2,456 fossil fuel lobbyists alone were given official access to the COP28 summit in Dubai, including at least 166 ‘industry trade groups, think tanks and public relations agencies with a track record in climate denialism and misleading the public.’

Figure 2: Corporate influence is growing as the climate crisis accelerates

Many other industries have increased their engagement with the UN on climate change and other issues designed to drive better human rights and environmental outcomes, including biodiversity, food and plastics.

Companies may also use their inherent advantage in human and financial resources to amplify their own arguments, give an impression of support for their position beyond the reality, and crowd out other views. As Lee Drutman and Christine Mahoney put it, ‘Given the competition for limited attention, those who can speak loudest and most often are in a strong position. They can overwhelm congressional offices by constantly showing up.’

NARROW SHORT-TERM FINANCIAL PRIORITIZATION

While companies have continued to invest in their political engagement capacity, some have responded to pressure from civil society organizations, investors and others to take more accountability for their direct and indirect impacts on society. They have also committed themselves to creating long-term value for the benefit of stakeholders, in line with the Business Roundtable Statement on the Purpose of a Corporation.

However, evidence from decades of research by civil society organizations, investors and others suggests that companies have not yet integrated this broader approach into their political engagement, which appears to be driven by the Friedman doctrine developed in the 1970s. This argues that ‘there is one and only one social responsibility of business—to... increase its profits so long as it stays within the rules of the game.’ But in contrast to Friedman’s assumption that companies would stay away from politics and the ‘rules of the game’, corporate political engagement has become an exercise in attempting to change those rules for companies’ own benefit.
LACK OF MEANINGFUL DISCLOSURE

Meaningful disclosure of political engagement is needed urgently. The UN Working Group on Business and Human Rights notes that ‘Human rights harms linked to corporate political influence may be likelier to occur where legal and institutional frameworks to ensure transparency are weak or not present.’

Voluntary disclosures from companies, including in response to existing reporting frameworks and benchmarks, ‘remain poor and strategically selective.’ Even in the US and the EU, where legal requirements and civil society and investor pressure are greatest, it is extremely difficult to understand the true nature of political influence, let alone prevent policy capture. Elsewhere, while some regulations are in place – in 2020, 23 of the 41 countries analyzed by the OECD provided some level of transparency over lobbying activities – no country requires the kind of actions necessary to counter undue corporate influence.

INHERENT RISK OF CORPORATE POLICY CAPTURE

This corporate dominance of political engagement, the prioritization of narrow, short-term financial interests, and limited transparency on priorities, positions and outcomes create a systemic risk of corporate ‘policy capture’ – any situation where the decisions taken in a policy cycle mainly reflect the interests of a narrow interest group.

Figure 3: Current behaviors make corporate policy capture a systemic risk

POLICY CAPTURE RISKS ARE EXACERBATED BY SPECIFIC PRACTICES

As the UN Working Group on Human Rights and Business notes, negative outcomes from corporate political engagement can arise not just from deliberate actions but also willful blindness or lack of knowledge. The inherent risk of policy capture therefore needs to be addressed regardless of intention. Specific practices identified by Oxfam, Transparency International, the OECD, UN Working Group on Business and Human Rights, the Center for Political Accountability and others can further heighten risks, as shown on p.14.

‘An analysis of 300 academic studies showed that such abuse has led, for example, to negative health outcomes, inaction on climate policies, excessive regulation to protect incumbents, or insufficient regulation to correct market failures or distortions. In addition, the abuse of lobbying practices undermines citizens’ trust in democratic processes.’

### Table 2: Practices that exacerbate the risk of corporate policy capture

<table>
<thead>
<tr>
<th>Risks</th>
<th>Example(s)</th>
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<td><strong>Lobbying</strong></td>
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<td>• Internal misalignment</td>
<td>There may be misalignment between a company’s stated purpose or social and environmental commitments and its corporate political engagement, or between different geographies and public institutions. Al companies reportedly lobbied the EU to water down AI regulations, while publicly stating that stronger protections were needed. A food and drink company criticized the use of sachets, while lobbying against potential bans and restrictions in Sri Lanka, India and the Philippines.</td>
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<tr>
<td>• External misalignment</td>
<td>Businesses may cause, contribute to or be linked to political engagement by third parties that are misaligned with their own positions and commitments. These include: lobbyist; trade associations; business partners and suppliers; foreign governments; other consultants. An annual trust survey from a communications company has been criticized for reaching conclusions that supported clients in the fossil fuels industry and authoritarian governments. Influence Map and Ceres have found many examples of misalignment between trade association engagement in relevant legislation and member companies’ commitments to net-zero policies. Commodity traders’ commitments and actions on climate change are behind those of major food and drink company customers. A management consultancy was accused of using its status as an adviser to the UAE government for COP28 to push the agenda of its biggest fossil fuel clients.</td>
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<td>• Revolving door</td>
<td>Public officials may be influenced by the implicit or explicit prospect of a future lucrative position in the private sector, and public officials-turned-lobbyists may have a degree of access to information and lawmakers that is not available to others. The Corporate Europe Observatory has highlighted a revolving door with minimal safeguards in place between the EU and businesses across several industries, including fossil fuels and technology, with potentially negative impacts on EU decision-making.</td>
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The movement of people from business to government also presents risks if those people are seen to prioritize the financial performance of their prior employers over the responsibilities and function of their governmental role. In the US, the Environmental Protection Agency appointed former oil executives and climate change skeptics to senior roles in the organization, prompting concerns that the Agency’s commitment to climate change would be weakened.\(^5\)\(^9\)

**Advocacy**

- **Influence on the public debate**
  Company activities may reinforce misleading narratives on policy issues and the level of public support to new and existing policy proposals, including through communications such as social media, speeches by senior leaders and formal statements on public issues.
  In Brazil, an internet search company used its own website to reach the public in opposing a proposed law to tackle ‘fake news’, which would have required decisive action by technology companies to remove criminal content posted on their platforms.\(^6\)\(^0\)

- **Influence on science and academia**
  A study by Bath University found five consistent approaches adopted by companies across eight different industries to support company policy positions that opposed regulation to tackle social and environmental challenges\(^6\)\(^1\) (Figure 4).
  The tobacco industry\(^6\)\(^2\) and the oil and gas industry\(^6\)\(^3\) privately knew about the dangers of smoking and climate change for decades, while denying the risks to governments to try to prevent restrictive regulations on their core business.

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**Figure 4: The Science for Profit Model**

| Influence using the judiciary | Companies may use legal instruments to influence individual policies or the overall regulatory environment in negative ways, including by: | Oxfam has published guidance on how companies should respond to threats to human rights defenders. The Business and Human Rights Resource Centre (BHRRC) and International Service for Human Rights (ISHR) set out the risks and obligations of business to protect civic space in the report Shared Space Under Pressure. According to the UN, ‘Foreign investors use the dispute settlement process to seek exorbitant compensation from States that strengthen environmental protection, with the fossil fuel and mining industries already winning over $100 billion in awards.’

The National Association of Manufacturers is seeking to restrict the power of the US Securities and Exchange Commission (SEC) to enforce shareholder resolutions, and the Commission must now pause implementation of the long-awaited climate change related financial disclosure rule after several attorney generals, the US Chamber of Commerce, and others are legally challenging the rule.|

<p>| Donations to political parties, individuals and causes (direct spending) | Contributions to politicians, political parties or political causes are legal in some countries but may heighten the risk ‘that some parties and candidates, once in office, will be more responsive to the interests of a particular group of donors rather than to the wider public interest.’ Companies may spend money to influence the outcome of ballot proposals in ways that run counter to their stated values and commitments. They may also donate to politicians and parties that actively undermine effective, accountable and inclusive institutions (as set out in SDG 16), and therefore put at risk a stable political and economic environment in which to do business. | The Center for Political Accountability (CPA) measures company performance and disclosure on political spending out of the corporate treasury through its CPA-Zicklin Index, and has issued a Model Code of Conduct for companies to adopt as a baseline for good practice. Working through shareholder resolutions and direct engagement with companies, the CPA has effectively established a voluntary norm of disclosure by two-thirds of the S&amp;P 500. Accountable.US tracked at least US$4.6m in donations between April and June 2023 alone from companies and trade associations to the 147 Members of Congress and eight US Senators that voted against certifying the 2020 presidential election results in some states. |</p>
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<th><strong>Donations to third parties (indirect spending)</strong></th>
<th>Companies may financially contribute to third parties that provide funding for political parties, politicians and causes, and conduct lobbying and advocacy. These include trade associations, civil society groups, think tanks and grassroots organizations (see ‘Astroturfing’ below).</th>
<th>In the US, companies may contribute to organizations that are politically active and choose not to disclose their donors. These ‘dark money’ organizations, including Super PACs (political action committees) and social welfare groups (often referred to by their Inland Revenue code – 501[c][4] organizations) are estimated to have spent over US$1bn to influence elections since this became legal following the Citizens United court case in 2010.79 Donations may be direct from businesses or indirect through trade associations and other organizations. Such funding risks distorting election results.80</th>
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<td><strong>Astroturfing</strong></td>
<td>‘Astroturfing’ is the funding of purportedly non-profit, grassroots organizations that in reality advance business agendas. Such organizations are often quoted in the media and elsewhere as independent authorities. As the UN Working Group on Business and Human Rights states, this tactic aims to ‘create a false or inflated impression of grass-roots support behind a political issue.’81</td>
<td>Examples are prevalent in a number of industries, including fossil fuels in relation to climate change82 and technology in relation to privacy restrictions.83</td>
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**THE CURRENT APPROACH DOESN’T WORK FOR ANYONE**

The overall impact of corporate political engagement in its current form is hurting society, civic institutions and businesses themselves by causing or contributing to:

- **Negative human rights and environmental impacts for society** – Many companies publicly recognize the importance of policy frameworks to deliver social and environmental progress,84 while simultaneously undermining government attempts to deliver them. As a result, regulations and actions that are developed and implemented are often insufficient to drive positive outcomes, and risk harms including exacerbating gender and racial inequality.

- **Damage to public institutions and civic space** – SDG 16 calls on everyone to help build effective, inclusive and accountable institutions at all levels.85 Corporate political engagement can undermine these objectives and risk the erosion of a stable political environment in which individuals and businesses can flourish. The shared civic space that enables people and organizations to hold governments to account is also shrinking.86
• The Erb Institute at Michigan University has developed a set of principles for businesses to follow in support of responsible political engagement; it recognizes the role of companies in maintaining and strengthening constitutional democracy in the US.87

• **Increased costs to businesses** through:
  
  - **A heightened risk of corruption** – Organizations such as the OECD88 and Transparency International89 have shown how negative practices in political engagement increase the risk of corruption for both governments and business, leading to legal and financial penalties, reputational damage and governance not in the public interest.
  
  - **Misalignment with stated values and sustainability commitments** – Investors are challenging companies on the misalignment of their political engagement with their sustainability commitments through direct engagement with companies,90 shareholder resolutions91 and advice to other investors,92 and on the need for political donations.93 This misalignment is damaging to businesses trying to navigate the hyper-political world94 they now operate in. As a result, companies are wasting internal resources and contradicting their stated sustainability commitments.
  
  - **Government inaction to address market failures** – As some companies and sectors attempt to tailor the rules of the game to suit their own short-term financial performance, the ability of governments to address wider risks such as monopolies and environmental impacts is diminished. This is resulting in increased costs to society in general and other businesses in particular.

In 2022, the UN Working Group on Business and Human Rights released a report on how corporate political engagement contributes to human rights harms and negatively affects the state duty to protect, and the business duty to respect, human rights.95 Aligning political engagement with protection of human rights as well as climate change and other social and environmental issues should be a critical driver of priorities, and provides both a precedent and an approach that companies can adopt.

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<th>Box 3: Corporate political engagement and climate change</th>
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<td>The UN and civil society organizations have recognized the importance of political engagement by business and climate policy since at least 2013.96 Since then, a wide range of organizations have sought to drive responsible corporate political engagement on climate change, including by:</td>
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<td>• <strong>Creating frameworks</strong> and guidelines97 that call on businesses to:</td>
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<td>- prioritize climate change as a political engagement priority;</td>
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<td>- adopt positive advocacy for ambitious policy outcomes;</td>
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<td>- ensure that companies align their political engagement with needed policies to deliver the Paris Agreement on Climate Change, particularly by their trade associations;</td>
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<td>- ensure governance oversight at senior management and board level;</td>
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<td>- provide transparency on policy positions, positive advocacy and misalignment.</td>
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• **Putting pressure on businesses** to act by integrating political engagement into investor engagement on climate change, such as industry initiatives and shareholder resolutions.98

• **Providing practical help** and good practice guides for companies seeking to make progress, and examining barriers to adopting a positive and aligned approach.99

• **Measuring progress** by companies, and calling out companies whose public commitment to deliver ambitious climate change goals in their own operations is misaligned with their political engagement, either directly or indirectly through trade associations and other businesses.100

Some companies are responding positively to this pressure by increasing advocacy for policies that align with the Paris Agreement. For example, businesses in the cocoa sector101 and among European branded goods manufacturers102 publicly supported the EU Deforestation Regulation, despite opposition from other businesses.

However, there are many businesses that have not committed to aligning their policy engagement with needed action on climate change. An assessment for Oxfam of the climate performance of agribusiness companies, including their political engagement, found that ‘none of the assessed companies has an explicit commitment to conduct external engagement or lobbying activities in line with Paris Agreement goals, and for three companies, third party reports suggest engagement in conflicting activities.’103
SECTION 2 – TOWARDS A NEW APPROACH

PRINCIPLES FOR RESPONSIBLE POLITICAL ENGAGEMENT

The current approach to corporate political engagement – dominant, short-termist, secretive and misaligned with company commitments and external expectations – is deeply entrenched. Companies need to fundamentally re-examine how they undertake political engagement and ensure it is anchored in principles that address these problems. There is emerging consensus among investors, civil society, and other actors that those principles should be based on: 105

- **Legitimacy:** Businesses need to have an authentic reason to engage politically. This may be on the basis of their contribution to an issue, and the consequences of the issue for their commitments and the systems they rely on, including government institutions and civic space. Their engagement should always be justifiable in the public interest.

- **Accountability:** Responsibility for corporate political engagement, and specifically political spending and trade association memberships, should be subject to board oversight. Senior management should review the strategy and approach, and companies should ensure that all relevant departments as well as external stakeholders are involved.

- **Consistency:** Political engagement should be aligned with the company’s stated purpose, values and commitments, across geographies, and include third parties, particularly trade associations. Clearly articulated mechanisms to address misalignment should be established.

- **Responsibility:** Companies must be aware of their impact and ensure that their political engagement:
  - does not contribute to adverse human rights and environmental impacts;
  - supports the integrity of government institutions and the policymaking processes on which we all rely, in line with SDG 16;
  - engages in advocacy and civic discourse in good faith;
  - allows governments to correct market failures.

Companies should also look for opportunities to support multi-stakeholder groups pursuing positive economic and social outcomes, and for ways to engage other groups in the policymaking process. Their engagement should always be justifiable in the public interest.

- **Transparency:** Companies should report regularly, comprehensively, openly and honestly about their political activities to promote informed stakeholder decision-making and public trust. This should be done globally and at all levels of government where political engagement happens, and include comments on both the intended outcomes of the engagement undertaken and the results.
EMERGING COMPANY PRACTICES

Some companies across a number of sectors are beginning to put these principles into practice through specific actions, although they continue to be limited in scope and effectiveness. Nevertheless, these examples give proof of concept to other companies, showing that such actions are possible.

• **Political spending**

  Mars and Unilever have clear policies that they do not make contributions to political parties or candidates. The former states: ‘Mars does not make financial contributions to candidates, or to political parties or committees. We also do not contribute corporate funds to support electioneering communications. We do not have an employee PAC. We respect the right of our Associates to contribute to a candidate or cause of their choice on their personal time and with their personal funds.’

  This is in line with the Responsible Lobbying Framework and the Erb Principles for Corporate Political Responsibility, which recommend that companies do not make political contributions.

• **Trade association review**

  Nestlé and Unilever have published reviews of their trade association memberships and alignment of these organizations with the Paris Agreement on Climate Change. The reviews set out the companies’ own policy positions related to climate change, the criteria for selecting the trade associations that were reviewed, and their assessment of alignment. Nestlé found that while no trade association had material misalignment with the Paris Agreement, several did not have a public position; Nestlé will encourage those organizations to adopt a position aligned with the objectives of the Paris Agreement. Unilever noted a few examples of misalignment, which it is asking those trade associations to address; it will also encourage others to be more active in adopting positive policy positions on climate.

  This approach reflects indicators 6 to 11 of The Global Standard on Corporate Climate Lobbying, which call for companies to review and ensure alignment of their stakeholders’ political engagement with the Paris Agreement.

• **Scientific research**

  PepsiCo has published a detailed position on its conduct of scientific research, as well as a list of all academic papers that receive funding from the company. The policy recognizes that PepsiCo may ask for edits to these papers to protect commercial confidentiality and ask for a delay if there is a related patent application, but states that:

  - ‘PepsiCo will not edit, delay or prevent publication because of the nature or favorability of experimental outcomes.
  - The role of PepsiCo will at all times be made public through disclosure of the source of funding.’

  To support transparency, PepsiCo publishes all academic research it has been involved in on a dedicated website.
This approach moves PepsiCo towards the Erb Principles for Corporate Political Responsibility’s recommendation that: ‘Companies’ contributions to policy-making and civic discourse are made in good faith, based on evidence and respect for independent, peer-reviewed science.’

- **Policy positions**

General Mills provides stakeholders with an overview of its policy positions on key topics across environmental and health and wellness issues, and how it has engaged policymakers in the US on those topics. This provides stakeholders with meaningful information on both what General Mills is trying to achieve and how the company is going about it.

Both the Erb Principles and Responsible Lobbying Framework ask companies to set out their policy positions in a substantive way that allows stakeholders to understand what companies are asking of policymakers, and to provide information on how and where companies engage policymakers.

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**Box 4: Industry collaboration to tackle human rights abuses in the Thai fishing industry**

In response to ongoing reports and media articles about human trafficking and other severe human rights abuses in Thailand’s fishing industry, food companies including manufacturers, retailers, brands and suppliers, with technical support from civil society organizations, formed what would become the Seafood Taskforce. Companies including Mars and Nestlé also developed action plans to tackle the risks in their supply chains and in the industry more generally. These actions brought together multi-stakeholder groups to work with the Thai government with the aim of improving legislation to support workers, particularly vulnerable migrant workers from Myanmar and Cambodia.

The increased awareness of the issues and steps taken by the government, such as ratification of the ILO Protocol of the Forced Labor Convention (P29) in 2018 and the ILO Work in Fishing Convention (No. 188) in 2019 – with support from the industry, including suppliers to Mars and Nestlé – helped to drive improvements in human rights for workers. This subsequently led to the EU lifting its yellow card in Thailand for Illegal Unreported and Unregulated (IUU) Fishing.

However, in response to ongoing concerns raised by the trade association for the Thai fishing industry, the Thai government is proposing to roll back many of the steps taken to improve conditions for workers. Proposed new laws would allow boats to transfer crews to other boats and support a return to day-rate payments, both of which were identified as driving human rights abuses. As NGOs urge the government to reconsider its plans, there is an opportunity for manufacturers and retailers to engage positively and in line with their human rights commitments.
APPLYING EXISTING HUMAN RIGHTS PROCESSES TO RESPONSIBLE POLITICAL ENGAGEMENT

While taking a new approach to political engagement might feel challenging, businesses have done something similar before. More than a decade after the adoption of the UNGPs by the UN Human Rights Council, an increasing number of companies have begun to apply human rights due diligence to assess risks, take action, integrate human rights across their business, track progress and communicate both their approach and the results. The principles provide an adaptable model for corporate political engagement.

Figure 5: Human rights due diligence

The parallels between the establishment of how businesses should tackle human rights and the need to redesign corporate political engagement are considerable:

- In the absence of information from business there was significant evidence from civil society and others that company actions (or inactions) were causing, contributing, or linked to harms to society, and especially to vulnerable populations. The latter include people located in rural areas with high levels of poverty and at risk from the impacts of climate change, as well as more commonly neglected groups such as Indigenous People, women, youth and others.
- A framework was developed to create a collective understanding of the issue, business scope and expectations.
- When the UNGPs codified the business requirement to respect human rights in 2011, including by ‘knowing and showing’ problems and addressing impacts, many businesses felt that it could not – and should not – be done. Many were fearful of commercial, financial, legal and reputational impacts.

However, some businesses began to engage and saw that embracing respect for human rights:
- did not lead to the risks that businesses assumed;
- better aligned their stated values and commitments with their actions;
- gave them new insights into areas of their business and their business relationships;
- provided a positive response to stakeholder expectations;
- put them in a better position to respond to increasing regulatory actions by the EU and governments.

The same foundation is in place for businesses to update their approach to corporate political engagement in a manageable and comprehensive way, based on the human rights due diligence framework. This includes applying a saliency lens (based on risk to people and the environment rather than materiality, which focuses on risks to business), and engaging potentially affected rights-holders as participants in the development of company priorities and actions. Putting risk to people, the environment and the political systems that businesses rely on at the heart of political engagement would drive alignment to the concept of long-term business value and a company’s social and environmental commitments.
SECTION 3 – ESSENTIAL ACTIONS FOR BUSINESS

The essential actions for business set out below are intended to guide companies in developing a responsible approach to corporate political engagement that supports better policy outcomes to deliver social and environmental progress. This includes by:

- tackling inequality, including racial and gender inequality;
- aligning political engagement with the company’s stated purpose, values and commitments;
- reducing reputational, financial and other risks linked to corruption and impropriety;
- contributing to a stable and political economic environment by not undermining government institutions or civic space.

The actions are organized under the categories ‘Assess’, ‘Act and Integrate’ and ‘Communicate’, taken from the human rights due diligence process.

ASSESS

MAP YOUR CURRENT POLITICAL FOOTPRINT

Before companies can understand and address the risks of their political engagement, they need to be sure they know their current political footprint. This encompasses what they are trying to achieve, how they do it, where they do it and through whom. For businesses that already have this documented, this could be a simple exercise. But it is important to be thorough in terms of the many touchpoints a business may have with the policymaking process, whether through lobbying, advocacy or political spending.

Companies should consider and document the following in mapping out the ecosystem of their current approach:

| Objectives | • What are we trying to achieve through our political engagement?  
|            | • How did we decide these objectives and prioritize them? 
|            | • What stakeholders have we consulted to set our objectives? 
|            | • How do we measure success? |
| Policy positions | • What are the policy positions we have developed to meet our objectives? 
|                | • How consistently are we in applying them to different audiences? 
|                | • How well communicated are they to the people who engage on our behalf? |
### People
- Who lobbies on our behalf internally, including departments, subject-matter experts and senior management?
- Who lobbies externally, including lobbyists, trade associations and business partners?
- Are there additional people involved in advocacy?

### Practices
- What practices do we use to lobby and advocate for our positions?
- What practices are used by others who lobby on our behalf?
- What is our approach to political spending?

### Processes
- What internal policies do we have in place related to political engagement?
- Who is in the scope of these policies?
- What training is given in relation to political engagement, and to whom?

### Impacts
- What are the desired impacts of our engagement?
- What other impacts could happen?
- What data do we have?
- Who are the intended beneficiaries of the engagement?
- Who else might be impacted?
- Where will the impacts occur?
- What plans and processes are in place if something goes wrong?

It is important to apply this framework at a local, national and supranational level to all geographies where the business is linked to corporate political engagement, and not just those where disclosure requirements or expectations are highest.

Better corporate practice is to:

- Build a thorough footprint of your existing political engagement, including objectives, policy positions, people, practices, processes and impacts.
- Identify your priority governments/geographies based on objectives and current resource allocation.
- Share the footprint with relevant internal stakeholders and commit to using it as the basis for moving towards a responsible approach.

### ASSESS YOUR POLITICAL ENGAGEMENT THROUGH A HUMAN RIGHTS AND ENVIRONMENTAL SUSTAINABILITY LENS

Companies should review the risks that their political engagement poses to human rights and the environment. They can do this by ensuring that political engagement is included in key aspects of their human rights approach, including identification of salient issues and when undertaking human rights and environmental impact assessments, in line with the approach set out in the UNGPs. The impacts of political engagement should be prioritized in the consideration of both potential and actual harms, and the actions that should be undertaken in response. Oxfam has set out additional guidance on good practice for human rights assessments.
This approach will enable companies to better assess their political engagement in the context of their full human rights and environmental impacts, including by identifying misaligned policy positions, practices that exacerbate the risk of policy capture and third parties that are conducting political engagement in harmful ways. In addition to salient human rights and environmental issues including climate change and gender equality, companies should consider the impact on the public good, including services that the business relies on (such as the strength and credibility of public institutions), in line with SDG 16. They should also consider the integrity of and access to the policymaking process, especially for groups that are currently marginalized.

Better corporate practice is to:

- Make political engagement a core consideration of your human rights and environmental risk and impact assessments at both a macro and issue-specific level.
- Engage with colleagues in human rights and other departments with due diligence expertise, and meaningfully engage with external stakeholders, including actual and potentially affected rights-holders, to build a credible process for integrating political engagement and human rights.
- Share the results internally with senior management and externally with stakeholders, including actual and potentially affected rights-holders, to understand the most pressing needs for action and integration, including any unintended impacts on vulnerable groups.

**ACT AND INTEGRATE**

**CHANGE PRACTICES AND PROCESSES TO MINIMIZE THE RISK OF POLICY CAPTURE**

Businesses should review practices undertaken by themselves and others in their political ecosystem so that they minimize the risk of policy capture and other negative outcomes. This could be done by conducting a ‘Stop-Start-Continue’ review of potential practices undertaken by the company, lobbyists, trade associations and business partners that could exacerbate the risk of policy capture. To help drive initial action, companies should prioritize improved actions across lobbying, advocacy and political spending, based on the biggest risks identified in their assessment of current practices.
Better corporate practice is to:

- Review and update the use of practices related to lobbying, advocacy and political spending to stop those that automatically increase the risk of policy capture; take actions to lower the risk where it occurs and promote good practice.
- Ensure that internal policies, training and governance are set up to support a responsible approach to political engagement.
- Engage stakeholders to review your priorities and provide help in embedding this new approach, including with external parties.

DEVELOP POLICY POSITIONS ON YOUR SALIENT HUMAN RIGHTS AND ENVIRONMENTAL ISSUES TO DRIVE POSITIVE OUTCOMES

Most companies fail to articulate their policy priorities in ways that enable stakeholders to understand what they are trying to achieve through their political engagement, and how they are helping or hindering specific policy proposals. Companies need to ensure that they have substantive policy positions in place on their salient sustainability issues. This includes aligning these positions with commitments that tackle inequality, such as to respect human rights, as set out in the UNGPs, and address climate change in line with the Paris Agreement.

Better corporate practice is to:

- Create substantive policy positions on all priority political engagement issues.
- Regardless of prioritization, create substantive policy positions on your salient human rights and environmental risks, including gender inequality and climate change.
- Review policy positions to ensure alignment with each other, with the company’s stated purpose, values and commitments, and with its responsibilities to society and government institutions.
ENSURE THAT POLITICAL ENGAGEMENT BY LOBBYISTS, TRADE ASSOCIATIONS AND BUSINESS PARTNERS IS ALIGNED TO YOUR HUMAN RIGHTS AND ENVIRONMENTAL COMMITMENTS, AND USE LEVERAGE TO INFLUENCE OTHERS

Membership of trade associations puts companies at particular risk of misalignment between their publicly stated position and commitments, and political engagement they are associated with. It is not enough for them to acknowledge the possibility of different views, effectively shrugging their shoulders at potential issues. As with suppliers associated with human rights and environmental harms, companies should seek to use their leverage to stop misalignment from happening. This could be through the trade association changing its position or no longer lobbying on the issue. If a change cannot be achieved, the company should have a process for exiting the trade association.

Box 5: Addressing trade association misalignment

There are already several examples of companies acting on misalignment between trade association positions and their own stated commitments. Businesses have exited the US Chamber of Commerce and oil and gas companies have left the American Petroleum Institute over misalignment on climate change positions.129

Within the food and drink industry, The Coca Cola Company and PepsiCo left the Plastics Industry Association over its lobbying approach.131 Companies including Mars, Unilever and Nestlé left the Grocery Manufacturers Association, the primary group for food manufacturers operating in the US, to form the Sustainable Food Policy Alliance so they could represent more progressive policy positions on health, environmental and social issues.

Companies should also consider the opportunity to develop plans to tackle potential misalignment with other organizations they are linked to, including business partners such as joint ventures and joint venture partner companies, think tanks and management consultants.

Better corporate practice is to:

• Conduct a complete review of trade associations in all countries to understand alignment with policy positions and objectives, especially related to human rights and environmental priorities.

• Develop and implement a plan to tackle misalignment; this should include substantive actions if alignment cannot be achieved, including to exit the association.

• Develop a similar approach for other organizations in your political ecosystem including business partners, think tanks, academia, civil society and management consultants.
PUBLICLY DISCLOSE POLITICAL ENGAGEMENT SO THAT STAKEHOLDERS CAN ASSESS YOUR APPROACH, PRIORITIES AND IMPACT

Currently, businesses provide very limited disclosure, are vague in their statements – particularly on their lobbying positions – and admit that their disclosures are mostly driven ‘where required by law.’ This approach risks undermining the political process and upending a near universal desire by business for a stable political and economic environment in which to operate.

Companies should provide meaningful transparency to government, employees and other stakeholders, including actual and potentially affected rights-holders. This means providing complete information on the objectives, policies, people, practices, processes and outcomes of their political engagement. Where companies are selective in providing information, this should be based on salience, and the criteria for including or excluding information should be disclosed.

Businesses should also provide much more information on their lobbying in priority countries, especially in lower- and middle-income countries. Much of the focus of corporate political engagement is on the US and Europe, where disclosure requirements are highest. Companies would gain credibility for highlighting their priority countries for political engagement and providing high levels of disclosure there, regardless of regulatory requirements.

Better corporate practice is to:

- Develop comprehensive and robust reporting on political engagement that enables stakeholders to understand the company’s political engagement approach, objectives and impacts globally, not just where required by law.
- Ensure that human rights reporting covers political engagement and assesses if and how this has impacted actual and potentially affected rights-holders, and the company’s ability to respect human rights and ensure gender and racial equality.
- Support higher disclosure standards by governments around the world to increase transparency in the policymaking process.
ENGAGE WITH THE DEBATE AND POSITIVELY CONTRIBUTE TO THE DEVELOPMENT OF RESPONSIBLE CORPORATE POLITICAL ENGAGEMENT

Corporate political engagement is a rapidly growing field. Companies have the opportunity to engage and take action early, before they, their peers and value chains are forced into sweeping action that they may not be ready for. Engaging with experts and those driving the debate to improve the company’s knowledge will improve the overall approach and help ensure that the business successfully incorporates responsible political engagement.

Companies can also use their leverage within their own value chains, and with trade associations and others to introduce them to the debate and encourage them to prioritize understanding and action. Multinational companies have a powerful convening opportunity within the business community and with governments, investors, civil society, academia and other stakeholders. They can also help to bring together the disparate drivers for action into a consolidated approach that works for all.

The importance of protecting government institutions and civic space also provides companies and their foundations with an opportunity to address the access gap for non-businesses in the policymaking process.

Better corporate practice is to:

• Positively engage organizations working on responsible political engagement to improve understanding, share insights and champion the issue.

• Convene supply chain companies, business partners, trade associations and others to highlight responsible corporate political engagement and encourage them to prioritize it.

• Develop ways in which a company and its foundation can help improve the share of voice that underrepresented groups have in the policymaking process.
CONCLUSION

Every large company has a political footprint that it needs to take responsibility for. The collective impact of corporate political engagement has been overwhelmingly negative for society. In order to meet the challenges of our time, businesses must help governments to create the policy frameworks needed to reduce inequality and tackle climate change. This is a significant shift from the short-termist, secretive and misaligned approach seen today. But it is possible.

Companies are already beginning to adopt pockets of good practice and there are supportive developments to adopt a responsible approach to political engagement. The essential actions outlined in this briefing are designed to help businesses assess their impact, act to improve and integrate their approach, and communicate their priorities and progress.

Putting risk to people, environment and the political systems that businesses rely on at the heart of political engagement would drive alignment with companies’ social and environmental commitments, and truly position businesses as positive players in tackling inequality, climate change and the other major issues of our time. Oxfam stands ready to engage with and support companies willing to champion responsible political engagement.

‘Ultimately, no company can declare itself sustainable unless it fully accounts for not only its environmental and social footprint, but also its political impact.’

NOTES


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GML Project. Shana is one of the world’s most important cocoa producers. Photo by Ahtziri Gonzalez/CIFOR. Licence: Attribution-NonCommercial-NoDerivs (CC BY-NC-ND 2.0). https://flic.kr/p/2hKhgAp


To be comprehensive, the policy should also apply to third-party organizations that PepsiCo financially supports; it is not clear if this is the case.


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