GRI

The GRI Perspective

Scrutiny on the man in the middle – lobbying

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With the '*war on woke capitalism*' now officially declared, one thing is increasingly clear: the topic of corporate sustainability is up for 'influencing'. The 2030 global deadline for the Sustainable Development Goals (SDGs) is looming and hence the pressure is growing. With so many social and green commitments by organizations and governments, the stakes could not be higher. Yet what poses a significant threat when it comes to holding companies accountable for meeting these commitments? The answer is lobbying.

Investors and other stakeholders increasingly want to know if organizations practice what they preach and demand so called 'responsible policy engagements'. What is the value of a net-zero commitment if you 'lobby your way out of it' – deliberately or unintentionally – through the back door? It is time to look at the 'man in the middle'.

Why transparency on lobbying matters

Lobbying is often associated with 'negative vibes'. The truth is often very different. Going back to basics, "*lobbying is any attempt to influence another one's decision making ability*". New policies and regulations are rarely developed in isolation. Influencing can be done by individuals or private groups and is usually conducted with government officials. Responsible corporate lobbying has the potential to unlock positive action on sustainability initiatives by setting progressive regulations that create a level playing field for all.

Recently there has been increased attention on environmental lobbying, following a flurry of high-profile corporate sustainability commitments and self-imposed targets. The inconvenient truth, however, is that climate policies remains under threat from industries and trade bodies, with lobbying efforts firmly skewed towards the negative, undermining 'green deal' ambitions around the globe. Now, due to shareholder pressures, this is expanding to social and governance topics.

Lobbying often runs through trade associations and industry bodies that are the 'middlemen' between companies and governments. Lobbying against any topic is of course every organization's right. However, it becomes an issue when companies make promising sustainability commitments to the outer world that they ultimately fail to fulfill. That is greenwashing.

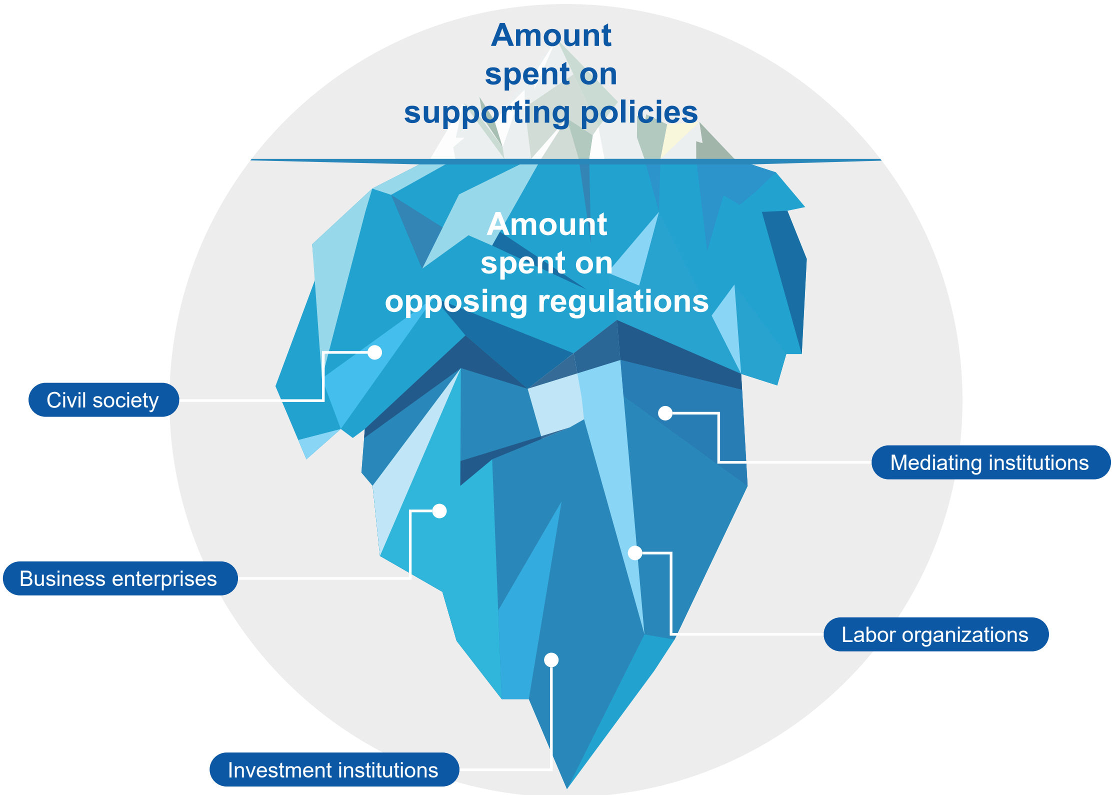
According to the monitoring agency for corporate lobbying, Influence Map, *such behavior is worryingly common*. Their research finds that many organizations (still) retain links to trade and industry groups that oppose progressive climate policy. Why does this misalignment persist?

1. **Intentionally**: companies focus their strategic lobbying on a small number of issues that they perceive to affect their business. For the fossil fuel economy, for example, it is mainly climate policy, while for big tech and gig economy firms it is employment conditions.

2. **Unintentionally**: organizations support bodies that hold policy positions of which they are unaware. Think, for example, on member associations that can be progressive on environmental topics but have divergent stances towards social issues.

Although both can be detrimental to the organization and the causes they are trying to support, the latter is more concerning as it happens unconsciously. Whatever the form may be, investors and other stakeholders are demanding transparency from organizations on their direct and indirect corporate lobbying activities, particularly as it might dilute their ESG commitments.

The 'iceberg' of lobbying spending



What to do next?

For effective oversight, organizations need guidance on how to map out their lobbying activities and stakeholders need the tools to analyze and monitor it. GRI's *Public Policy Standard* (*GRI 415)* sets out expectations for organizations to disclose their lobbying activities, including any financial or in-kind political contributions, and the significant issues that are the focus of their public policy lobbying.

Furthermore, the *Universal Standards*, which apply to all organizations reporting through the GRI Standards, require policy activities to be listed as part of their 'stakeholder engagement'. Stakeholder engagement covers a great deal of lobbying activities but not all. There is a call for increased disclosure, to hold companies accountable for their lobbying and make visible the gap between rhetoric and actual actions. We are currently considering how GRI 415 can be updated to respond to these demands.

There are also various initiatives that allow for more transparency on climate lobbying activities:

- **Lobbying guidelines:** In 2013, UN Global Compact published the *Guide for Responsible Corporate Engagement in Climate Policy*, setting baseline expectations for companies to provide proactive and constructive input to governments to advocate for the creation of effective climate policies.

- **Self assessment:** The Ceres *Blueprint for Responsible Policy Engagement on Climate Change*, published in 2020, supports organizations to address climate change as a systemic risk and integrate this understanding into their lobbying on climate policies. It is primarily designed for governance and legal departments charged with determining the structures to oversee risk responses.

- **Reporting:** In March 2022, the first *Global Standard on Responsible Climate Lobbying* was launched by a group of investors, including BNP Paribas Asset Management, the Church of England Pensions Board and AP7. It contains 14 key metrics for organizations to report to ensure corporate lobbying and political engagement align with global climate goals.

- **Investor led monitoring:** There are various groups such as *Influence Maps, We Mean Business Coalition* and the *Climate Action 100+* corralling the power of the world's largest institutional shareholders to assess misalignments in organizational climate positioning and their associations with industry and trade organizations.

Towards ESG lobbying transparency

It is clear that more work needs to be done as the current initiatives tend to focus only on climate. Just like assessment through the supply and value chains to look for energy efficiencies or human rights violations, organizations might do well by vetting their policy value chain – and not just on the ‘E’ but also on the ‘S’ and ‘G’.

The GRI Standards enable all stakeholders on a global basis to have a discussion on impacts, based on facts and not on perceptions, providing the necessary data for informed dialogue and decision making. Lobbying creates an impact that needs to be reported on. Political capital needs to be deployed in ways that are in line with the ESG commitments companies make. That is not ‘woke’ but simply an essential part of good governance.

How we can help

We recognize that effectively applying the GRI Standards requires support. *The GRI Academy* offers specific training on the GRI Standards, including the 2021 update of the Universal Standards that come in to effect for all reporting from January 2023.

You can also keep up to date with *GRI events* that cover policy engagement, standards developments and more. Learn more about the full range of *our services and tools* that are here for you.

Our ask

We are an international non-profit organization that reflects multi-stakeholder interests by developing and setting world-class sustainability reporting standards.

Our standards are free to use, but not free to develop. Creating and maintaining standards is time and resource intensive. To enable us to keep up the good work and stay on the leading edge of corporate sustainability reporting **we need your support!**

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