Climate Lobbying Assessment Feedback

InfluenceMap's Comments on Chronos Sustainability's 'Responsible Climate Change Lobbying Assessment Framework'

May 2021

Summary Comments

These comments are a summary of InfluenceMap's feedback provided to Chronos Sustainability Limited with regards to its Responsible Climate Change Lobbying Assessment Framework. Chronos has partnered with AP7, BNP Paribas Asset Management and the Church of England Pensions Board to develop a framework to assist investors and other stakeholders in assessing whether and to what extent corporate lobbying is aligned with the goals of the Paris Agreement on Climate Change. The current *public consultation* on the proposed framework is open for participation until Friday 21st May 2021.

InfluenceMap maintains a global system for tracking, assessing and scoring companies on their engagement with climate change against Paris-aligned benchmarks, currently covering around 300 companies along with 150 of their key industry associations. We have been working closely with investors and other stakeholders on the issue of climate change policy engagement since 2015.

The *proposed framework* represents a significant step forward in understanding the types of activity associated with strong corporate performance on climate change policy engagement. InfluenceMap now considers it critical to focus the framework to ensure the prioritization of robustly assessed indicators that cover 'real-world' policy engagement activities. The following comments are designed to help the finalization of the framework to this end.

(1) Prioritize 'real-world' indicators

The proposed framework includes a range of indicators covering commitments, governance, action, and reporting. While this ambitious scope is encouraging, care should be taken to ensure that the most fundamental bits of information pertaining to a company's real-world performance on climate change policy engagement are not crowded out. If all the proposed indicators are weighted equally, such an approach could open itself up to companies gaming the system to achieve pass marks by picking off 'low-hanging fruit' indicators, while ignoring more material issues.

InfluenceMap considers the most fundamental indicators of company performance on climate change policy engagement to be:

- The extent to which a company is actively engaged in seeking to influence climate change policy;
- The extent to which these activities are aligned with the goals of the Paris Agreement and/or the science of the Intergovernmental Panel on Climate Change (IPCC);
- Whether a company maintains links to third-party groups actively seeking to influence climate change policy (e.g. industry associations), and the extent to which the activities of these groups are aligned with the goals of the Paris Agreement and/or the science of the IPCC.

Accurate and independently verified assessments of the above three points are critical as a precursor to understanding many of the remaining indicators proposed in the framework. While the second point above is covered by the current framework proposal (Indicator 4), the first and third points are only partially covered.

A solution would be to either reorder or relabel the indicators to first address and then clearly prioritize the real-world information on actual company performance regarding climate policy engagement, as covered by the three indicators above.

(2) Rephrase the indicators to encourage a robust rather than simplistic assessment approach

At present, the indicators are phrased to suggest binary 'yes/no' responses in actual assessment processes. This may be possible in some of the 'Policy and Commitment' and 'Governance' indicators, where assessments can be made based on what the company says it is doing or intends to do. However, for other indicators, such a phrasing could result in an overly simplistic analysis that does not meaningfully capture corporate behavior on this issue.

InfluenceMap's analysis has found a great deal of variation amongst the corporate sector when it comes to positioning and engagement on climate policy. With an increasing number, range, and complexity of climate-related policy streams, simplistic 'yes/no' assessments of whether a company is managing its engagement processes to make sure they are in line with the Paris Agreement's goals are not workable.

InfluenceMap's analysis has shown that companies have become highly adept at disguising strategies to block climate policy action amongst reasonable sounding but often misleading arguments. InfluenceMap's analysis has also consistently shown an unwillingness amongst the corporate sector to accurately and transparently report on their climate change policy engagement activities. Binary assessments, where companies could be given the benefit of the doubt based only on a review of direct corporate reporting without external verification, would leave the assessment highly vulnerable to being gamed by companies.

This issue could be resolved reasonably simply by rephrasing some of the indicators. For example, the Action indicator (11) "Has the company undertaken a review of its direct and indirect lobbying activities?" could be usefully rephrased with no loss of meaning or effectiveness: "The quality of the company's review of its direct and indirect lobbying activities." Similarly, other indicators could be rephrased to indicate investor intent to externally verify corporate disclosures on policy engagement.

(3) Clarify the policy engagement benchmarks

At present, companies are required to align their climate policy engagement with the "goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5ºC". Such a phrasing leaves companies a wide berth to define which policy pathways they believe contribute towards these goals.

A more appropriate phrasing would be to align their climate policy engagement with "policy pathways able to deliver the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5ºC, as set out by guidance from the Intergovernmental Panel on Climate Change and proposed by government bodies mandated to implement the Paris Agreement".

Without articulating an authoritative and external benchmark, corporations that are opposed to the necessary shift away from polluting economic practices will simply pursue their own policy choices whilst subsequently claiming these adhere to the Paris Agreement. In turn, this will be used as justification to oppose government efforts that differ from these preferences. InfluenceMap's research shows that this has been an effective policy engagement playbook for parts of the corporate sector opposed to robust climate action, with the end result being scant effective climate policy in place globally.

Response to Questionnaire

Part B: Policy and Commitment

No.	Proposed indicator
1	Has the company made a specific public commitment to conduct all of its lobbying in line with the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C?
2	Does the scope of the commitment apply to all of its subsidiaries and business areas, and all operational jurisdictions?
3	Has the company publicly committed to ensure that the associations, alliances and coalitions of which it is a member lobby in line with the goals of the Paris Agreement with the stated aim of restricting global temperature rise to 1.5°C?
4	Is it objectively clear from the company's public communications that it is: (i) actively lobbying for limiting global temperature rise to 1.5°C, and that (ii) support for science-based climate policies is applied consistently in all operational geographies?

1. **Do you agree these are appropriate indicators for assessing responsible corporate climate change lobbying: policy and commitments?**

Yes

2. **Are there any indicators you would want to add?**

Part B would benefit from two additional indicators to measure a company's real-world performance with regards to engagement with climate change policy:

- The extent to which a company is actively engaged in seeking to influence climate change policy;
- Whether a company maintains links to third-party groups actively seeking to influence climate change policy (e.g. industry associations), and the extent to which the activities of these groups are aligned with the goals of the Paris Agreement and/or the science of the IPCC.

The urgency of the climate crisis requires companies – both directly and via their industry associations – to actively and positively engage in support of ambitious climate policy, not taking a backseat.

3. **Are there any amendments (e.g. change indicators, remove indicators) you would want to make to the proposed indicators?**

It could be specified that Indicator 4 and the two proposed indicators above should not be limited to an assessment of top-line corporate communications on climate change. These indicators should explicitly cover the whole spectrum of engagement activities defined by the *UN's Guide to Responsible Corporate Engagement in Climate Policy*.

Indicator 4 should also be re-phrased to encourage a nuanced, not binary, assessment. For example;

"The extent to which the company's policy engagement activities are aligned with pathways for limiting global temperature rise to 1.5C and consistently support science-based climate policies across all operational geographies."

This indicator could also be easily strengthened by clarifying the policy benchmarks (see point 3 in the summary comments above).

Part C: Governance

No.	Proposed indicator
5	Has the company assigned responsibility at corporate board level for oversight of its lobbying approach and activities?
6	Has the company assigned responsibility at senior management level for day-to-day implementation of its lobbying policies and practices?
7	Has the company undertaken an assessment of the business risks and opportunities associated with climate lobbying?
8	Has the company established monitoring and review processes to ensure that all of its direct and indirect lobbying activities are consistent across all geographies with the goals of the Paris Agreement and with the company's overall climate change strategy?
9	Has the company established a stakeholder engagement process related to setting and reviewing its climate lobbying policies, positions and activities?
10	Has the company established a clear framework for addressing misalignments between the lobbying positions adopted by its trade associations and the goals of the Paris Agreement, in particular the stated aim of restricting global temperature rise to 1.5°C.

1. **Do you agree these are appropriate indicators for assessing responsible corporate climate change lobbying: governance?**

Yes

2. **Are there any indicators you would want to add?**

No

3. **Are there any amendments (e.g. change indicators, remove indicators) you would want to make to the proposed indicators?**

There should be an explicit condition attached to each indicator in this section that the governance process and their results should be transparent and publicly disclosed.

A number of indicators (e.g. 7, 8 & 10) should be rephrased to encourage a more nuanced and less binary approach to assessment. For example, No. 10 could be:

"The quality of the company's frameworks for addressing misalignments between the lobbying positions adopted by its trade associations and the goals of the Paris Agreement...."

Part D: Action

No.	Proposed indicator
11	Has the company undertaken a review of its direct and indirect lobbying activities?
12	Has the company consistently taken action in situations where misalignment has been identified between the lobbying activities of its trade associations and the company's commitment to the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C?
13	Has the company made clear and timely public statements challenging its trade associations and other alliances in situations where these organisations have made statements or taken positions that differ materially from the company's commitments to the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C?
14	Has the company withdrawn its support or membership where there is a lack of alignment between the lobbying positions adopted by the trade association and the company's commitment to the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C?
15	Has the company created or participated in coalitions that lobby in support of the Paris Goals and act to counter third-parties' negative climate lobbying?

1. **Do you agree these are appropriate indicators for assessing responsible corporate climate change lobbying: action?**

Yes

2. **Are there any indicators you would want to add?**

No

3. **Are there any amendments (e.g. change indicators, remove indicators) you would want to make to the proposed indicators?**

The question of whether or not an industry association is "misaligned" under these indicators should be an objective and externally verified assessment, and not left to the judgement of the companies. InfluenceMap's recent assessment of industry association reviews found that companies consistently overlook clear cases of misalignment with industry associations actively and strategically lobbying counter to the goals of the Paris Agreement.

Many of these indicators could be rephrased to encourage more nuanced and less binary approach to assessment. For example, No. 11 could be: *"The quality of the company's review of its direct and indirect lobbying activities".*

Part E: Reporting

No.	Proposed indicator
16	Has the company published a detailed and clearly referenced breakdown of its policy positions and commitments on climate change, and on climate change lobbying?
17	Has the company published a detailed description of its lobbying activities – including those of its agents – related to climate change?
18	Has the company published information on its access to and involvement with national and sub-national climate change policy-making processes?
19	Has the company disclosed its membership of, support for and involvement in all third-party organisations, and indicated which of these it understands to be engaged in climate-related issues?
20	Has the company disclosed, for all geographies, how much it pays to trade associations and other third parties that publish research, take positions or lobby on climate-related issues?
21	Has the company published a list of any trade associations engaged in climate-related lobbying for which it has been on the board or committees, or to which it has provided funding beyond membership?
22	Has the company published a review of the climate lobbying activities of its trade associations, and has it described the actions it has taken as a result of this assessment?
23	Has the company published an overall assessment of the influence that its lobbying and the lobbying of its trade associations has had on public climate change policy?

1. Do you agree these are appropriate indicators for assessing responsible corporate climate change lobbying: reporting?

Yes

2. Are there any indicators you would want to add?

No

3. Are there any amendments (e.g. change indicators, remove indicators) you would want to make to the proposed indicators?

A number of these indicators could be rephrased to encourage more nuanced and less binary approach to assessment:

Indicators 16, 17 – these indicators should include an assessment of the quality and accuracy of disclosures on the company's direct and indirect lobbying activities. There is a risk of companies "cherry picking" nominally positive top-line data points to suggest that their direct lobbying activities, and those of their industry associations, are aligned with the Paris Agreement, while overlooking detailed and negative engagement on climate change policy.

Indicator 22 – this indicator should also include an assessment of the quality and accuracy of industry association reviews. InfluenceMap's recent *report* found that of the 24 CA100+ companies to have undertaken such a review to date, none met investor expectations.

Part F: Concluding Questions

1. In your opinion, which indicators are the most important for ensuring that corporate climate lobbying is aligned with the attainment of the Paris Goals? (You can select 4 to 6 choices)

Choice 1 – Indicator 4; Policy and Commitment; Is it objectively clear from the company's public communications that it is: (i) actively lobbying for limiting global temperature rise to 1.5°C, and that (ii) support for science-based climate policies is applied consistently in all operational geographies?

Choice 2 – Indicator 11; Action; Has the company undertaken a review of its direct and indirect lobbying activities?

Choice 3 – Indicator 12; Action; Has the company consistently taken action in situations where misalignment has been identified between the lobbying activities of its trade associations and the company's commitment to the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C?

Choice 4 – Indicator 13; Action; Has the company made clear and timely public statements challenging its trade associations and other alliances in situations where these organisations have made statements or taken positions that differ materially from the company's commitments to the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C?

Choice 5 – Indicator 14; Action; Has the company withdrawn its support or membership where there is a lack of alignment between the lobbying positions adopted by the trade association and the company's commitment to the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C?

Choice 6 – Indicator 23; Reporting; Has the company published an overall assessment of the influence that its lobbying and the lobbying of its trade associations has had on public climate change policy?

2. Do you have any additional comments about responsible climate change lobbying or a framework to assess it that you haven't yet had the chance to share?

See 'Summary Comments above.