

Corporate Climate Policy Engagement and the ISSB Climate Exposure Draft

The following is presented by InfluenceMap CIC in response to the International Sustainability Standards Board Exposure Draft IFRS S2 climate-related Disclosures ([Climate Exposure Draft](#)), released for comment in March 2022 with a comment period ending July 29, 2022.

Introduction

This document details how investors and other stakeholders deem information on climate-related policy engagement to be critical to an assessment of an entity's enterprise value. Investor demand for this information combined with the inadequacy of country-level disclosure frameworks and the gaps between geographies point to a need for a comprehensive, globally consistent standard on climate-related policy engagement disclosure. A global standard would also simplify the reporting process for entities that operate across multiple geographies. In responses to country-level disclosure proposals, such as the SEC's proposed climate disclosure rule, several entities (including the [Institute of International Finance](#), the [Investment Company Institute](#), and the [Bank Policy Institute](#)) have stressed the need for global consistency on climate-related disclosure standards and encouraged national-level regulators to look toward emerging ISSB disclosure standards in shaping their own rules. InfluenceMap appreciates the opportunity to provide input on the ISSB's Climate-Related Disclosures Exposure Draft and would be happy to answer any questions about the topics raised in this submission.

Key Recommendations

InfluenceMap CIC is a global think tank providing open-source data on corporate performance on climate change to investors and other stakeholders. InfluenceMap's "LobbyMap" platform is the world's only database assessing corporate climate policy engagement, now covering over 350 companies and 150 industry associations globally.

InfluenceMap's data and investor interactions show a combination of poor disclosure by the corporate sector on climate-related policy engagement combined with robust demand from investors for detailed, accurate, and decision-useful information from companies on this topic. **InfluenceMap aims to provide the ISSB with an evidentiary base to understand why users of general purpose financial reporting consider a comprehensive picture of corporate climate policy engagement to be critical to assessments of enterprise**

value, and as such, why this information should be included in IFRS S2, *Climate-related Disclosures*. It is recommended that the final Standard require entities to disclose the following:

1. **Policy Positions** on all existing and potential future climate-related policy, regulatory and other government interventions that may affect the entity's enterprise value, including quantification of these effects.
2. **Direct Policy Engagement** conducted by the entity and its subsidiaries on positions noted in (1).
3. **Indirect Policy Engagement** on the positions noted in (1) conducted by external groups the entity funds and/or is a member of (industry associations, advocacy groups, chambers of commerce, etc.), any misalignments between the entity's own advocacy and that of its external groups, and actions taken to address misalignments.
4. **Governance** of the climate-related policy engagement process, including how policy positions are set and engagement activities are determined. Describe the role of the board and senior management in decision making and oversight.

Why Corporate Climate Policy Engagement is Material

Investors and other stakeholders have determined corporate engagement with climate policy to be essential to understanding an entity's enterprise value because poor climate policy engagement can result in investor loss or potential loss due to company risk, regulatory fines, and lawsuits. Information about policy engagement behavior also serves as a proxy for true management thinking on how a company is approaching the material risks relating to climate change.

- The automotive sector provides telling case studies as to how a deeper understanding of corporate climate policy engagement could have served to protect investors from material loss. In the Volkswagen emissions scandal beginning in 2015, often referred to as "Dieselgate," Volkswagen Group presented itself as a climate and sustainability leader while its actual policy engagement represented dramatically different behavior. A lack of understanding as to how the company (along with others in the sector) was managing regulatory risk shocked shareholders, caused Volkswagen's share prices to plummet, and resulted in an SEC lawsuit in [March 2019](#). In this case, Volkswagen chose to defraud NOx-related rules to comply with increasingly stringent and climate-motivated Corporate Average Fuel Economy standards in the US.
- Legal action has emerged as a route to address issues of policy influence 'greenwashing.' In 2019, Massachusetts Attorney General Maura Healey filed a civil suit against ExxonMobil, [Commonwealth of Massachusetts v. ExxonMobil Corporation](#), alleging a wide range of violations of the state's consumer and investor protection laws. The lawsuit accused ExxonMobil of intentionally

misleading consumers in the state about the central role its fossil fuel products play in causing climate change, and misleading Massachusetts investors about material climate-driven risks to its business, referencing InfluenceMap [research](#). In May 2022, the Massachusetts Supreme Judicial Court [rejected](#) Exxon's bid to have the lawsuit dismissed on First Amendment grounds. As [reported](#) by E&E News in May 2022, similar state-level climate liability lawsuits against fossil fuel companies may soon reach the US Supreme Court. Lawsuits may lead to fines and reputational risk that affect an entity's financial position and performance.

- Many large, diversified asset owners such as pension funds regard negative policy engagement as a systemic portfolio risk, given that it can lead to delays to policies deemed necessary by governments to reduce the impacts of climate change. This view has been articulated, [for example](#), by a group of investors including Sweden's AP7, BNP Paribas Asset Management, and the Church of England's Pension Board. AP7 notes in its 2020 [Theme Report](#) on Climate Lobbying *"the importance of climate lobbying has become firmly established as a new norm on the sustainability agenda, but there is still much to do before negative climate lobbying is brought to an end."* The fund has blacklisted ExxonMobil, among others, based on climate policy engagement criteria. In sectors primarily or heavily driven by regulations, such as the Utilities, Energy, and Materials sectors in the Global Industry Classification Standard (GICS), policy engagement suggests true management thinking on how a company is approaching the risks relating to climate change. If companies are using policy influence to sustain outdated business models, they may be ill-prepared for the future.

Investors have led efforts to understand corporate performance on climate change, highlighting the clear investor demand for this information. In March 2022, leading international investor groups managing a collective \$130 trillion launched the new [Global Standard on Responsible Climate Lobbying](#). The goal of the Global Standard is that *"companies, investors, and other stakeholders can ensure that all lobbying efforts – whether delivered at first-hand or through an intermediary such as a trade association – are directed towards activities that positively support attainment of the Paris Goals."* The CA100+ [Net Zero Company Benchmark](#) expects companies to have a "Paris Agreement-aligned climate lobbying position" and to align all direct lobbying activities with this position. Growing investor scrutiny on corporate lobbying behavior has resulted in companies facing increasing numbers of shareholder resolutions on climate policy engagement. According to a [May 2022 InfluenceMap briefing](#), 25 shareholder resolutions on corporate climate policy engagement have been filed in 2022 so far. Often, corporate climate policy engagement resolutions state concerns about trade association lobbying that is misaligned with companies' public positions, as can be seen in the supporting statements of the resolutions filed in 2022 at [Boeing](#), [American Airlines](#), [Abbott Laboratories](#), and [Travelers Companies](#), among others.

Existing Disclosure Frameworks and Practices are Inadequate

In order to fully assess how climate-related risks affect an entity's financial position and performance, strategy and business model, and enterprise value, users of general-purpose financial information require comprehensive, timely, and directly comparable information provided on a company-by-company basis. However, existing disclosure frameworks do not fulfill investor needs, providing incomplete and sporadic information across a multitude of platforms.

Existing efforts seek to bridge these gaps and collate the available information in a format that can be used by the investment community. For example, InfluenceMap does this for 350 of the world's largest companies, supplementing disclosed policy engagement with an independent assessment of all other publicly available evidence of policy engagement. This independent analysis plays a crucial role in verifying direct company disclosures which have been found to be incomplete and often misleading. However, this effort is fundamentally limited by the scope and efficacy of lobbying disclosure regulations in different geographies.

- According to the OECD, only a *minority of countries* have addressed lobbying risks in their governance arrangements. 23 of the 41 countries analyzed in its 2021 report *Lobbying In the 21st Century* provided some level of transparency over lobbying activities.
- In areas that have addressed lobbying risks, complexity and exemptions render frameworks largely ineffectual. For example, EU-level regulatory frameworks, including the EU Transparency Register, Access to Document Regulation 1049/2001, and the "Have your say" consultation platform offer moderate coverage of influencing activities targeting EU institutions, but information is stored in different places and in some cases only available via Access to Documents requests. An investor seeking to build a complete company-level picture of influencing activities using these disclosure mechanisms would need to learn and then navigate numerous rules and disclosure routes, which could discourage investors from seeking this information and getting a full picture of entity policy engagement activity.
- InfluenceMap's *position paper* on Mandating Lobbying Disclosure in the EU Sustainability Reporting Standards details how exemptions to the existing EU disclosure rules render the lobbying transparency system largely ineffective. InfluenceMap's *submission* to the Securities and Exchange Commission details how the key US regulatory framework, the Lobbying Disclosure Act of 1995, falls short of generating comprehensive information about corporate climate policy engagement.

What Disclosure is Needed

The questions below, when comprehensively answered, would enable users of general purpose financial information to more fully assess the effects of climate-related risks on enterprise value, understand how an entity uses resources to support its response to and strategy for managing its climate-related risks, and evaluate an entity's ability to adapt its planning, business model, and operations to climate-related risks.

1. **Climate-Related Policy Positions:** Provide a full and detailed account of company advocacy positions on all existing and potential future climate-related policy, regulatory and other government interventions that may impact the entity's enterprise value, including quantification of these impacts.
2. **Direct Policy Engagement:** Describe in detail corporate engagement activities conducted directly by the registrant and its subsidiaries (with engagement defined by the [*UN Guide for Responsible Corporate Engagement in Climate Policy*](#)) on the climate-related policy positions noted in (1).
3. **Indirect Policy Engagement:** Describe in detail the engagement activities, as defined in (2) on the positions noted in (1) conducted by external groups the registrant funds and/or is a member of (industry associations, advocacy groups, chambers of commerce, etc.), any misalignments between the company's own advocacy and that of its external groups, and actions taken to address misalignments.
4. **Policy Engagement Governance:** Describe in detail governance of the climate-related policy engagement process within the company, including the process by which policy positions are set and advocacy activities are determined. Describe any internal auditing, monitoring, and review processes in place for climate-related policy engagement, including the role of the board and senior management.