I am writing to strongly support the inclusion of **Disclosure Requirements 27 + 29(c)** within G1-5 – Political influence and lobbying activities in the EU Sustainability Reporting Standards.

- 27. "The undertaking shall provide information on the activities and commitments related to its political influence, including its lobbying activities related to its material impacts"
- 29. "The disclosure required by paragraph 27 shall include" [...] 29 (c). "the main topics covered by its lobbying activities and the undertaking's main positions on these in brief".

The detail set out in AR14 and AR15 of the Metrics section is also welcome, **however, the G1-5 standard overlooks one key element regularly highlighted by external stakeholders, including investors, as a critical area of concern: lobbying by third parties, particularly industry associations.**

Given that third parties play a vital role in policy engagement, the following amendment is proposed to **ART 14:** "In meeting the requirement in paragraph 29(c) the undertaking shall consider the alignment between its public statements on its material impacts, risks and opportunities and its lobbying activities, **[including both independent lobbying and lobbying via third parties]".**

The following key supporting arguments summarize the supporting evidence set out below.

1. **Materiality to Companies:** Sustainability-related policy and, by extension, a company's engagement with sustainability policy has financial and non-financial implications in terms of i) the regulatory and competitive landscape the company operates within, and ii) the social and environmental conditions impacted by the policies it has influenced.
2. **Investor Demand**: Investors are increasingly demanding more comprehensive and higher-quality data from companies on policy engagement, as evidenced by multiple global initiatives, including the Global Standard for Responsible Climate Lobbying, supported by members managing $133 trillion in assets. Initiatives like Climate Action 100+ have been set up to directly engage companies, including to request policy engagement disclosure.
3. **Transition Preparedness:** Disclosure of policy engagement enables a company to indicate its preparedness for the low-carbon transition, by recognizing sustainability policy-related risks and opportunities. A company's position in relation to these policies offers a clear indicator of whether the company stands to benefit from the changing regulatory landscape.
4. **Disclosure Precedent**: Disclosure of climate policy engagement is an established practice within investor expectations and voluntary climate disclosure initiatives. Companies are

familiar with requests for this information and hold the relevant information within regulatory affairs teams.

5. **Streamlined Reporting**: In the context of increasing pressure to disclosure policy engagement activity, a regulated and comprehensive disclosure could both streamline internal reporting processes and reduce external pressure over time.
6. **Reputational Opportunity**: A regulated requirement to fully disclose policy engagement would level the playing field, allowing companies that contribute to constructive sustainable policy development to be adequately credited while holding reputational accountability for companies not supporting sustainability policy.

Therefore, we judge there to be a clear role for a policy intervention to require comprehensive disclosure in line with 27 and 29(c) within G1-5. We believe that this would level the playing field for existing disclosures and enable better recognition of leading companies' low-carbon transition preparedness.

SUPPORTING MATERIAL

Materiality to Companies and Transition Preparedness

[PLACEHOLDER: suggest companies insert positive examples of engagement with policy developments that represent a business opportunity / demonstrate transition preparedness]

Investor Demand

In response to material risks to investors due to the lack of industry alignment with sustainability commitments, there has been an increasing demand from investors for information related to corporate engagement.

- Voluntary guidance frameworks have been developed that reference climate-related engagement with the public sector, highlighting clear investor concern for the issue. Examples of voluntary frameworks include the Glasgow Financial Alliance for Net Zero (GFANZ), CDP, Climate Action 100+ (CA100+). Several of these frameworks are also led by investor-representative groups (e.g. Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC), the Interfaith Center on Corporate Responsibility (ICCR), and CERES), which have formalized expectations regarding how companies should manage their climate policy engagement processes.
- In March 2022, a group of investor convenors collaborated to launch a joint Global Standard on Responsible Corporate Climate Lobbying, which calls on companies to publicly commit to aligning climate policy engagement – both directly and through the use of third party organizations – with the goals of the Paris Agreement and limiting temperature rise to 1.5C in line with net-zero by 2050. Transparency of industry association activity is a core element of the Global Standard, and in response to such investor requests, over 60 CA100+ companies have published a review of their industry associations' alignment on climate policy engagement.
- Initiatives like the ClimateAction100+ have been set up to directly engage companies to disclose policy engagement. InfluenceMap's research of policy engagement that can be sourced in the public domain creates accountability pressure. A persistent lack of transparency in this area has led to an increase in shareholder resolutions, with a significant number filed in the past two years, specifically addressing Paris-aligned policy engagement.

Disclosure Precedent and Opportunity to Streamline Reporting

Disclosure of climate policy engagement is an established practice within voluntary climate disclosure initiatives. A regulated disclosure of material climate positions on specific policies represents an opportunity to streamline these responses, which could draw on a comprehensive data-set disclosed via the ESRS.

- The CDP Climate Change questionnaire includes a section on *Public policy engagement*, which requires disclosure of activities, climate alignment and details on trade association memberships and their policy advocacy climate alignment
- The SASB Standards include metrics on corporate positions on government regulations and policy proposals related to environmental and social factors. It further includes guidance on the disclosure of industry associations' policy positions and discussion of alignment.
- The Climate Disclosure Standards Board (CDSB) Framework calls for disclosure on strategies, policies and activities related to policy engagement, as well as details on industry association memberships and related policy engagement activities.
- The Management Quality indicator from the Transition Pathway Initiative (TPI) includes an assessment of memberships to trade associations dedicated to climate issues
- The Global Reporting Initiative (GRI) has set out expectations for policy engagement disclosures in its Public Policy Standard (*GRI 415*). GRI also requires disclosure of "any differences between the organization's stated policies, goals, or other public positions on significant issues related to climate change, and the positions of the representative associations or committees.

Reputational Opportunity

Global initiatives aimed at increasing the credibility of corporate climate action are encouraging policy engagement disclosure at company level. Disclosure of policy engagement credits ambitious companies that contribute to constructive sustainability policy development while holding reputational accountability for companies blocking sustainability policy**.**

- The UN High-Level Expert Group on Net-Zero Emissions Commitments of Non-State Entities emphasized the importance of aligning policy engagement, governance, and business strategies with climate commitments in its recommendations. One of the principles referred to the need for "radical transparency" in sharing all areas of corporate plans and progress towards net-zero. It also recommends that non-state actors should disclose trade association affiliations and encourage positive climate action and advocacy with clear escalation if expectations are not met.

- The Race to Zero launched by the UN Climate Change High-Level Champions in 2020 aims to galvanize voluntary non-actor climate leadership mobilizing members to make high-quality, public commitments towards net-zero. In 2022, it updated its criteria for members to align policy advocacy activities with their net-zero objectives. Notably, the Race to Zero criteria requires disclosure of trade association affiliations and for members to ensure accountability and alignment across the associations' policy engagement activities.
- The 2022 UK Transition Plan Taskforce Disclosure Framework and Implementation Guideline include two aspects related to policy engagement, encompassing a company's direct engagement with public officials (element 3.3) and its indirect engagement through trade associations (element 3.2). Similar to the G1-5 standard, these recommendations include disclosure requirements on the alignment of policy engagement activities with the company's strategies and objectives. They also include a requirement for specific disclosure of this alignment with the indirect engagement carried out through trade associations.