I am writing to strongly support the inclusion of **Disclosure Requirements 27 + 29(c)** within G1-5 – Political influence and lobbying activities in the European 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 the investment community and a key element of the Global Standard for Responsible Climate Lobbying: 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. **Investor Materiality**: Transparent governance of sustainability-related lobbying (hereafter "policy engagement") is vital for investors to manage risk, engage with companies, and make decisions about capital allocation.
2. **Investor Demand**: Demand for this information is evidenced by multiple global investor initiatives, including the Global Standard for Responsible Climate Lobbying, supported by members managing $133 trillion in assets.
3. **Disclosure Precedent**: Disclosure of climate policy engagement is an established practice within investor expectations and voluntary climate disclosure initiatives, including the Climate Disclosure Project (CDP) and the Transition Pathway Initiative.
4. **Disclosure Limitations**: However, voluntary disclosures have proven misleading or incomplete, undermining the possibility of investors acting on the results. This has led to research organizations like InfluenceMap being set up to investigate independently.

5. **Increasing Pressure**: Initiatives like Climate Action 100+ have been set up to directly engage companies to disclose policy engagement. InfluenceMap's research of policy engagement which can be sourced in the public domain creates accountability pressure.
6. **Streamlined Reporting**: Companies are responding to the pressure set out above with increasing detail in disclosures, however while there are cases of leading practice, InfluenceMap analysis of these disclosures demonstrates a continued trend of obfuscation.

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 significantly strengthen the supply of material information for investors, while reducing the effort required from companies to respond to this demand.

A regulatory requirement to disclose would address failures in the current system and improve the current company reporting experience by:

- Providing comprehensive and reliable information to investors, currently lacking
- Streamlining disclosure processes for companies, currently multiplying
- Reducing investor pressure on companies for greater transparency, currently increasing

SUPPORTING MATERIAL

Investor Materiality

As early as 2011, researchers from Harvard Business School argued that understanding physical emissions from a company represents an incomplete picture and that corporate policy impact could far outweigh that of its emissions. InfluenceMap's concept of a company's Corporate Carbon Policy Footprint (2017) and subsequent analysis from 2022 has provided increasing clarity on the material impact of policy engagement.

- **Company risk assessment and portfolio management**. Understanding a company's policy engagement behavior regarding climate change can provide insights into their management's approach to related risks and opportunities. For example, in order to assess company risk, the San Francisco Employees' Retirement System (SFERS) and financial company Storebrand utilize InfluenceMap's metrics to assess and manage its fossil fuel holdings, and Legal & General Investment Management incorporates the metrics in its Climate Impact Pledge scoring to steer companies to net-zero by 2050.
- **Systemic risk**. Many large, diversified investors (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. For example, AP7 has stated that 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.

Investor Demand

In response to these material risks posed, there has been an increasing demand from investors for information related to corporate engagement with climate policy, especially as policy responses to climate change materialize.

- 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 sets of 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.
- Additionally, lack of transparency in this area has led to an increase in shareholder resolutions, increasing from 8 in 2018 to 23 so far in 2023, many addressing Paris-aligned policy engagement. For instance, in June 2023, three major asset owners filed the first climate policy engagement resolution in Asia Toyota for the company to conduct an annual review of alignment of lobbying practices with the Paris Agreement. The resolution was an escalation from continuous investor engagement, which investors highlighted as a risk for the company to be "missing out on profits from soaring EV sales, jeopardizing its valuable brand, and cementing its global laggard status". An emerging trend of investors is also targeting management resolutions such as director re-elections and remuneration reports on the basis of negative policy engagement.
- InfluenceMap engages extensively with investors directly on the topic of climate policy engagement, with over 600 site registrations in 2022 and over 500 meetings with the investment community. Feedback from investor networks and investors have consistently highlighted the value of comprehensive data around corporate climate policy engagement in assisting engagement with companies.

Disclosure Precedent

Disclosure of climate policy engagement is an established practice within voluntary climate disclosure initiatives.

- 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.
- 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.

Disclosure Limitations

InfluenceMap finds that disclosure on policy engagement through voluntary frameworks is often incomplete when compared to independent research, with companies often failing to provide complete information on their activities. InfluenceMap analysis of over 350 2022 CDP disclosures found that only 4% companies fully disclosed their direct engagement with climate policy. Disclosure was even less comprehensive for indirect policy engagement via industry associations, with only 3% providing full disclosures. This low success rate appears to be due to a lack of an incentive structure to ensure companies disclose accurately on these questions.

- The key disclosure mechanisms – the EU Transparency Register (EU-TR), Access to Document Regulation 1049/2001 (ATD-R), and the "Have your say" consultation platform ("Have your say") offer moderate coverage of influencing activities targeting EU institutions, but crucial exemptions render the system as a whole of limited use to investors (see case study in InfluenceMap's February 2022 policy position).

- In the absence of a comprehensive disclosure framework for policy engagement at public sector level, voluntary guidance frameworks like CDP have been developed that reference climate-related engagement with the public sector. However, InfluenceMap's analysis has shown that disclosure via these voluntary frameworks tends to be seriously insufficient, with companies failing to provide robust and transparent information on their policy engagement activities to the investment community.

Increasing Pressure

In response to the demand for this information and the limitations of voluntary disclosures, global initiatives aimed at increasing the credibility of corporate climate action are encouraging policy engagement disclosure at company level.

- 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. Additionally, 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 includes two aspects related to policy engagement, encompassing a company's indirect engagement through trade associations (element 3.2) and its direct engagement with public officials (element 3.3). 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.

Opportunity to Streamline Reporting

A regulated disclosure of material climate positions on specific policies represents an opportunity for investors to access a comprehensive overview of this information across all their portfolio companies disclosed via the ESRS.