Ceres

Ceres Accelerator for Sustainable Capital Markets

PRACTICING RESPONSIBLE POLICY ENGAGEMENT How large U.S. companies lobby on climate change

I: CONTEXT

The clock is ticking on the climate crisis. Record high temperatures are triggering more damaging and costlier extreme weather events, including unprecedented wildfires, hurricanes, and flooding. Global carbon dioxide emissions are rising again after falling briefly during the early days of the pandemic. Scientists say we have less than a decade to reverse emissions levels before devastating climate impacts become irreversible.

Against this backdrop, we have an unprecedented opportunity: a new U.S. administration that has made climate action a top priority. Immediately upon entering office, President Joseph Biden Jr. announced that the U.S. would rejoin the Paris Climate Agreement. In April 2021, the White House announced that the U.S. would reduce greenhouse gas pollution by 50 - 52% from 2005 levels by 2030. New and ambitious climate change policies are integral to meeting this goal.

Corporate America is uniquely positioned in this context. U.S. companies do not just power the country's economy, they also wield enormous influence both nationally and globally, and are critical messengers on climate change policy. Yet, despite growing evidence that underlines the degree to which inaction on climate change will damage the economy and corporate bottom lines, corporate lobbying for science-based climate change policies remains lackluster. Even as more large U.S. companies are taking steps to address climate change in their own operations, including setting emissions reduction goals, their advocacy for climate change policies often does not match the ambition of their individual commitments, and even more often fails to match the ambition demanded by climate science. Further, in some instances, companies and their trade associations are even lobbying against the adoption of meaningful climate policies, ultimately undermining conditions that would enable companies to meet their climate goals.

The role of the corporate community is more important than ever. To achieve a net zero emissions future and mitigate the financial impacts of a changing climate, companies need to publicly advocate for the swift passage of climate change policies and rules that appropriately recognize what is at stake. The cost of inaction is too high; staying on the sidelines or allowing climate to be framed as a partisan issue is not an option.

II: A NEW STANDARD FOR RESPONSIBLE CLIMATE POLICY ENGAGEMENT

In July 2020, Ceres released new expectations on how companies could incorporate their exposure to climate change risks into their decision-making on climate change lobbying.

The Blueprint for Responsible Policy Engagement on Climate Change (Blueprint) called for companies to practice "risk-aware and responsible" science-based climate policy advocacy. It set forth a series of steps that companies should adopt to make sure that their efforts on climate policy are calibrated to the risks that climate change poses to their businesses.

Science-based climate policies are those that are consistent with the scientific consensus regarding the decarbonization required to keep global temperature increase to 1.5°C, compared to pre-industrial levels, as called for under the Paris Agreement.

Specifically, the Blueprint calls on companies to:

- **Assess climate-related risks to the company,** including physical and transition risks
- **Systematize decision-making for climate risks,** including climate lobbying, across the company
- **Advocate** in favor of science-based climate policies
- **Engage their trade associations** to support science-based climate policies

Additional expectations on how companies can responsibly engage in policy advocacy on climate and other ESG issues can be found in the Ceres 2030 Roadmap.

III: ASSESSING COMPANIES BASED ON THE BLUEPRINT EXPECTATIONS

In this report, Practicing Responsible Policy Engagement: An assessment of large U.S. companies, Ceres has analyzed how the largest publicly traded U.S. companies perform against the expectations laid out in the 2020 Ceres Blueprint. Specifically, we conducted a detailed review of the climate change risk assessment, governance, advocacy, and engagement practices of 96 U.S. companies. (The initial focus list for this initiative was the S&P 100 as of 2019. Given mergers and other consolidations at the time of publication, this number was reduced to 96).

The results are presented through a detailed dataset showcasing corporate performance across 14 indicators, as well as a narrative analysis of trends.

This report provides the state of play on the extent to which large U.S. companies are supporting the passage of science-based climate change policies, and where their policy advocacy efforts may be undermining their own best interests, as well as the broader interests of the economy and the communities in which they operate. The analysis also provides insights into where corporate lobbying on climate change policy may be misaligned with the publicly stated goals companies are setting on climate change, and their evaluations of their own climate change risk exposure. It highlights hurdles that are preventing corporate adoption of more responsible policy engagement practices. Finally, the report includes helpful peer studies of leading best practices.

The report and dataset can be used by companies to gain a deeper understanding of their systems and performance on responsible policy engagement on climate change. Investors can use the information provided to engage their portfolio companies on both the risks and opportunities associated with climate lobbying practices.

IV. REPORT HIGHLIGHTS

Our analysis reveals the following:

While large U.S companies are putting in place the right internal systems and processes to address climate risks, companies provide minimal insight on how they consider climate change policy as a part of the overall climate risk landscape. This is a shortcoming. Given the growing number of companies making net zero commitments and setting Science Based Targets, a supportive and science-based policy environment is critical to the success of their efforts.

- Nearly all (92%) of the assessed companies plan to clean up their own operations by setting emission reduction goals*, 88% formally charge their boards with the responsibility to oversee sustainability/climate change and 74% acknowledge that climate change poses a material risk to their enterprises.
- Yet, 51% of the companies disclose climate change policy solely as an adverse event in their financial filings, indicating that they are primarily focused on short-term compliance impacts rather than the longer term, significant costs associated with unabated climate change. Companies should balance their disclo-

sure of short-term compliance costs with an analysis of the medium- and long-term costs of inaction and the financial payoffs of policies that mitigate climate change.

(*This includes any and all greenhouse gas emissions targets. Ceres advocates for companies to set science-based GHG reduction targets that align with the current science. For more information see the Ceres Roadmap 2030.)

The majority of large companies assessed have not translated their broader statements on the importance of climate change policy into consistent advocacy in favor of specific climate policies. 76% of assessed companies have publicly affirmed the science of climate change and 57% supported the need for science-based climate change policies, but only 40% engaged directly with lawmakers.

- 76% of assessed companies have publicly affirmed the science of climate change
- 40% have engaged directly with lawmakers on the importance of specific science-based policies to mitigate the impacts of a changing climate
- Further, 21% of assessed companies have lobbied in opposition to science-based climate policies. Yet at the same time, nearly all of these companies have set or committed to set emissions reduction targets. By lobbying in opposition to science-based climate policies, these companies demonstrate a troubling inconsistency, at a minimum, in their approach to climate change. Claiming credit for making operational climate change commitments while undermining the necessary policy measures to achieve those very commitments poses significant reputational and financial risks to companies.

The vast majority of the assessed companies are not holding the U.S. Chamber of Commerce accountable for its oppositional climate change track record or disclosing how they are engaging with the Chamber to support science-based climate policy.

- 73% of assessed companies have affirmed that they are members of the Chamber of Commerce
- 9% have acknowledged the Chamber's historic track record on climate change and the importance of science-based climate policies
- 7% have disclosed that they have engaged with the Chamber to evolve its climate change position to align with climate science.
- 1 company has left the Chamber over its climate stance

Calls for accountability and advocacy from its members are vital to ensure that the Chamber wields its considerable influence to support ambitious climate policies.

V: CORPORATE SUPPORT OF SCIENCE-BASED CLIMATE POLICY IS WEAK

Climate change is a systemic risk, affecting not just individual companies, key sectors, or investment portfolios, but the very stability of financial markets. A growing number of large U.S. companies are taking important steps to address the issue—for instance, by setting science-based climate targets or integrating climate change into their business strategies. However, given the enormity of the crisis and the limited time to take action, individual and voluntary actions by companies are not sufficient countermeasures. Science-based climate change policy is needed at the federal, state and global levels. Corporate support is critical to ensure the passage of such policy and to counter the narrative that robust climate change policy is bad for the economy.

Some large U.S. companies have called for ambitious science-based climate policy for years. In May 2020, a number of companies, including **Capital One, PepsiCo,** and **Visa**, joined others to call on Congress to craft a "climate smart" recovery through steps such as making investments to spur the transition to a net zero emissions economy and putting in place a price on carbon. At the regional and state level, **Biogen, DSM North America, JLL** and others called on governors of Northeastern and Mid Atlantic states to decarbonize transportation systems through strategies including investments in electrification and public transit. In early 2021, **Google, Microsoft, Ball Corporation**, and **Salesforce** publicly called on the Arizona Corporation Commission to adopt stronger clean energy standards as a way to build a robust, resilient economy.

The new Biden administration and leadership in Congress have galvanized such efforts. In April 2021, 408 businesses and investors sent an open letter to the Biden administration indicating their support for ambitious climate action and a federal emissions reduction target to meet the goals of the Paris Agreement. In May 2021, 80 large companies and investors, including **Dow, LaFargeHolcim, Siemens,** and **Salesforce**, called on lawmakers to, among other priorities, "enact policies to mitigate climate risk and meet the federal climate target of cutting emissions by at least 50% below 2005 levels by 2030, on the path to net-zero emissions by 2050." In June 2021, in a conversation with the U.S. Secretary of Energy, **Apple** expressed its support for President Biden's proposed Clean Energy Standard in the American Jobs Plan "to bring our electrical grid to 100% clean energy by 2035."

Ceres BICEP Network

Ceres BICEP Network Business for Innovative Climate and Energy Policy) provides members with the tools and knowledge they need to effectively engage with state and federal policymakers on climate and energy policies. Through in-person meetings with key lawmakers, sign-on letters, speaking engagements, and media interviews, we offer a diverse menu of options for companies to demonstrate leadership and action that will result in a stronger, more sustainable future. Ceres' BICEP Network members weigh in on a range of state and federal policies, from renewable energy issues to fuel efficiency standards, to various Clean Air Act measures to the Paris Climate Agreement. These forward-thinking companies are respected leaders in their sectors who recognize that the net zero economy will continue stimulating growth and create new jobs, while stabilizing our climate.

Yet, the analysis reveals that most large companies continue to remain silent on science-based climate policies or have even opposed these policies or supported notably weaker ones. This was particularly evident during the Trump administration's efforts to roll back climate change regulations. For example, **General Motors, Toyota, Fiat, Chrysler** and others went to court to defend the Trump Administration's regulation weakening the Obama era fuel economy/GHG standards, as well as the administration′s removal of the right of California and other states to set their own GHG vehicle standards. (After the election of President Biden, automakers withdrew from the lawsuit defending the removal of California's authority; the Biden administration declined to defend the Trump administration's action.) In 2020, though ExxonMobil took positive action in opposing the Trump administration's rollback of the Obama era methane regulations, the company also proposed a Model Regulatory Framework on methane regulations that NGOs assessed as lacking "the ambition needed to dramatically reduce oil and gas methane emissions industrywide" and was "weaker than the methane standards currently in place in several leading states as well as the Environmental Protection Agency's current requirements." (The Obama-era methane regulations have since been restored.)

VI: CERTAIN LARGE TRADE ASSOCIATION HEADWINDS REMAIN A SIGNIFICANT BARRIER TO PROGRESS

Business trade associations have an enormous influence on U.S. climate policies. Groups such as the American Clean Power Association and Solar Energy Industries Association have helped drive the establishment of renewable power standards (RPS) in 30 states. The Zero Emissions Transportation Association was formed to advocate for national policies to support 100% electric vehicle sales by 2030. Yet, influential trade groups, such as the American Petroleum Institute (API), the National Association of Manufacturers (NAM), and the U.S. Chamber of Commerce, have a history of lobbying against science-based climate policies, often in direct contradiction with their corporate members′ positions on climate change.

Over the past year, amid growing pressure from a number of stakeholders, including their own corporate members, and the impact of the new Biden presidency, numerous U.S. trade groups that historically opposed climate action have evolved their policy positions. In January 2021, the U.S. Chamber of Commerce announced its support for climate policies, such as carbon taxes, carbon emission caps, and other market-based policies. One week later, the Chamber joined several other trade groups in supporting a national program to regulate methane emissions, a stark departure from earlier positions during the Trump administration.

While these policy shifts are an encouraging initial step, it is important to continue to pay attention to the specific details being advocated for, and whether they are aligned with the constraints imposed by climate science. For instance, when President Biden signed an executive order to begin halting oil and gas leasing on federal lands, the American Petroleum Institute posted a social media ad warning of hundreds of thousands of job losses and billions of losses in government revenues. Even while applauding the administration's decision to set a new Nationally Determined Contribution (NDC) under the Paris Climate Agreement, the Chamber released a document recommending that coal should continue to be a part of the energy mix pursued and has reportedly reiterated to the administration that coal is "critical to America's energy and economic security," a position that is not aligned with the IPCC's recommendations for limiting warming to 1.5°C.

VII: INVESTORS REMAIN FOCUSED ON CORPORATE CLIMATE LOBBYING

A growing number of investors see corporate lobbying that is misaligned with climate science as an investment risk and are pushing businesses to ensure that their direct lobbying and affiliated trade association engagement are in step with science-based climate policies.

Investors are driving this point through the investor-led initiative, Climate Action 100+, and investor letters. (This initiative publishes a benchmark that assesses companies on a list of indicators, including climate change lobbying. There is an overlap between companies assessed as a part of the CA100+ benchmark and this report.) In September 2020, 200 investors with $6.5 trillion in collective assets sent letters to 47 company CEOs and board chairs, urging them to ensure that all lobbying activities–both direct lobbying and trade association lobbying—are aligned with the Paris climate goals and to take corrective action where needed.

Investors are also boosting their engagement through shareholder resolutions calling for Paris-aligned lobbying. A 2020 resolution called for Chevron's board of directors to issue a report describing how the company's lobbying aligns with the Paris Agreement received 53% shareholder support–-the first time such a policy-related resolution has won majority support. Continuing this trend, in the 2021 proxy season, climate lobbying resolutions won majority support at ExxonMobil, Phillips 66, Norfolk Southern, Delta, and United Airlines. Majority support indicates that large shareholders, such as BlackRock, are throwing their support behind such resolutions.

VIII: POLITICAL CONTRIBUTIONS ARE COMING INTO SHARPER FOCUS

The deadly January 6 attack on the U.S. Capitol cast a bright light on corporate political contributions and their impacts on the political process. Dozens of Fortune 500 companies suspended political contributions to Congressional members who supported the false notion of election fraud. Dozens more went even further by pausing all political action committee (PAC) donations.

Shining a spotlight on lawmakers who supported the falsehood that the 2020 elections involved widespread fraud raised broader questions about corporate efforts to support politicians who deny factual evidence, whether related to elections or climate change. A recent analysis found a strong correlation between lawmakers who perpetuate election and climate change falsehoods: 90 of the 147 Congressional members who voted to overturn the presidential election results also deny basic climate science. Recent Public Citizen research shows that 65 fossil fuel company PACs contributed more than $8.8 million over the past three election cycles to many of these same politicians who deny climate science.

While the Ceres Blueprint does not address political contributions, the issue is clearly an integral part of responsible policy engagement. The AAA Leadership Framework, which Ceres and other nonprofit groups endorsed in 2020, calls on companies to "allocate advocacy spending in line with climate science." In January 2021, a group of 50 investors, NGOs, and labor groups called on companies to "shut down their political action committees immediately" and to end all support for the more unregulated super PACs that grew out of the monumental U.S. Supreme Court Citizens United decision in 2010.

RECOMMENDATIONS

Assess material and systemic climate risks

While many large companies have robust risk management systems in place, too often climate-related risks are siloed or considered separately from other financial risks. This is short sighted. Rather than viewing wide-ranging climate risks as niche environmental issues, they should be treated as core financial risks with potentially material implications, whether from physical impacts, transition risks, or other socio-economic ripples.

The Ceres Blueprint calls on companies to assess systemic climate-related risks using well-established internal processes, including enterprise risk management systems, materiality analyses, and robust climate scenario assessments.

Indicator assess whether:

1. **The company's 10-K recognized the physical risks of climate change as a material risk:** Provides insight into whether the company publicly recognizes the climate crisis as a risk that significantly affects the business.
2. **The company's 10-K recognized the transition risks associated with climate change as a material risk:** Provides insight into whether the company publicly recognizes the climate crisis as a risk that significantly affects the business.

Key Findings:

74% (71 of the 96 U.S. companies assessed) acknowledge that climate change poses a material risk to their enterprises.

- 46% acknowledge that they are impacted by both the physical and transition risks of climate change
- 16% disclose solely physical climate risks
- 12% disclose solely transition climate risks
- 26% do not identify climate change as a material risk

However, 26% of the large public U.S. companies assessed still do not make any reference to climate change in their financial filings—a state of play that is at odds with growing investor and regulatory focus on climate change as a systemic risk.

While the data on the face of it seems to indicate that a preponderance of large U.S. companies are starting to come to terms with the significant impacts posed by climate change to their business, the details of the disclosure in financial filings reveals a more complex picture. More than half, or **51% (49 of the 96 companies assessed), identify climate policies as something that could negatively affect the organization.** Examples of narrative language in financial filing describing climate change policy include "Increased regulation of GHG emissions could impose significant additional costs" or "Climate change and further regulation of greenhouse gas emissions may adversely affect the company's operations or results."

The persistence of these types of disclosures seems to indicate that companies are still focused on the short-term compliance costs of climate policies, rather than the longer term and much larger costs of unabated climate change on businesses. Given the importance of science-based policy to address climate risks, companies should change this narrative and approach science-based climate policies as a positive force for their enterprises, providing important policy certainty for future investments, as well as a roadmap for resilient operations.

In its 2020 10-K, **Exelon** disclosed the physical and transition risks that climate change poses to its business. The filing also includes a thoughtful discussion of climate change policy. Exelon reiterates that the company supports federal climate legislation. In the narrative underlining the connection between science-based policy and the company's own business model, Exelon noted that federal climate legislation would increase the value of Exelon's low-carbon fleet and reiterated: "Continued inaction would negatively impact the value of Exelon's low-carbon fleet."

It is important to keep in mind that affirmations of materiality in financial filings present a limited picture of the robustness of corporate climate risk management efforts. A growing number of companies are starting to conduct climate change scenario analyses—assessing the resilience of their business models against a range of climate change impact baselines. **Most of the companies that we assessed had performed some kind of climate change scenario analysis, indicating the growing acceptance of this practice among large U.S. companies, including through a TCFD report.** However, as there is a lack of consistency on scenarios used and resultant disclosures, we were unable to compare corporate approaches across our focus companies. Therefore, this indicator is not included in our dataset.

Systematize decision-making for climate risks

After analyzing the wide-ranging risks they face from climate change, companies need to integrate this understanding across internal decision-making structures, including all decision-making on public policy.

The Blueprint addresses decision-making at two levels. At the management level, the Blueprint calls on companies to establish cross-organizational teams to ensure that the policy positions being staked out by the company—either directly or through trade associations—are informed by the company's risk exposure to the climate crisis and the impacts of unabated climate change. Such teams should include sustainability, government affairs, legal, financial, and risk management teams.

" It is past time for corporations that champion a clean-energy vision to incorporate the work into their government relations departments to press for the bold, equitable climate policies that our future demands."

—Bill Weihl, executive director of ClimateVoice and a former corporate sustainability official at Google and Facebook

The Blueprint also calls on the board of directors to explicitly oversee climate change. Assigning formal oversight at the board committee level ensures that the company's climate-related risks are systematically raised at the board level and considered within discussions on strategic planning and risk management. In addition, management should ensure that boards are kept informed on climate change risks, including the relevant policy context.

Indicator assesses whether:

1. The board has assigned formal oversight of climate change and/or sustainability to one or more standing committees: Provides insight into whether climate change is a priority at the oversight and leadership level.

Key Findings:

88% (84 of the 96 companies assessed) formally charge their boards with the responsibility to oversee sus-

tainability issues.

- 71% formally charge their boards with the responsibility to oversee sustainability
- 17% formally charge their boards with the responsibility to oversee climate change specifically
- 12% do not formally charge their boards with the responsibility to oversee ESG issues.

The data on board involvement on climate change combined with the data on materiality (74% of large companies assessed acknowledge that climate change is a material risk) suggests that large companies are paying heed to the calls from investors and other stakeholders to treat the climate crisis as a corporate priority and address their climate risk exposures. The parallel existence of risk assessment and governance systems for climate change indicates that large companies are putting in place the right internal infrastructure to allow for risk-informed decisions on climate change writ large.

However, the data—and underlying corporate disclosures—largely does not address whether and how corporate leadership addresses climate change policy as a part of the broader climate risk landscape. Robust science-based climate policies serve to mitigate corporate climate risk exposure in the short, medium and long term and should be discussed at the board level through such a risk mitigation lens.

Ford's Sustainability and Innovation Board Committee oversees climate change, as well as the company's lobbying efforts, allowing for integrated consideration of both issues. In fact, Ford's Charter specifically tasks the committee to: "Discuss and advise management regarding the development of strategies, policies, and practices that assist the Company in addressing public sentiment and shaping policy in the areas of energy consumption, climate change, greenhouse gas and other criteria pollutant emissions, waste disposal, and water use."

Verizon has disclosed how each of its four board committees are engaged on climate change. For instance, the company noted that in 2019, the Audit Committee discussed operational and financial risks relating to energy management and the company's renewable energy and carbon neutral commitments, maintaining network reliability during catastrophic and weather-related events, and possible changes in carbon policy.

There is little to no consistent disclosure on how companies systematize decision-making on climate change lobbying at the management level—and therefore we could not include this issue in our dataset. Our analysis indicates that some companies do have cross functional committees and teams in place to coordinate on the company's climate strategy writ large, but there remains limited disclosure on corporate systems and processes for ensuring that corporate decision-making on policy advocacy is informed by climate science.

Coca-Cola's cross functional team, which includes representatives from sustainability, legal, public affairs, procurement, geographical Operating Units, and others, meets monthly to discuss the company's global climate strategy, climate policy and engagement activities, and stakeholder engagement. The team reviews all direct and indirect climate-related policy engagement activities to ensure they are supportive and consistent with the Company's "climate protection strategy."

Advocate for science-based climate policy

Once a company assesses its climate risks and uses that assessment to appropriately inform internal decision-making, the next step is to use its influence to publicly support science-based climate policies. Science-based climate policies will help drive the creation of a policy and regulatory environment that best positions the company for resilient growth. They are critical to helping companies successfully meet their science-based climate change targets or net zero goals. Public corporate support will be crucial to passing the legislation needed for the U.S. to meet its new and ambitious climate change target of cutting greenhouse gas emissions by 50 - 52% by 2030 and mitigate the most devastating impacts of climate change. When large companies publicly engage in science-based climate advocacy, it creates a "safe place" for other businesses to do the same.

The Ceres Blueprint calls on companies to first publicly affirm climate science and the goals of the Paris Agreement. This affirmation is important given the unfortunate continued politicization of climate change as a "special interest" issue. Building on this, the Blueprint calls on companies to publicly and consistently advocate for relevant science-based policies across all of their engagement platforms.

"What is Science-Based Climate Policy?"

Many around the world are already feeling the severe impacts from climate change, including record-shattering floods, wildfires, droughts, heatwaves, and hurricane seasons. And the latest climate science from the International Panel on Climate Change shows that we must limit global average temperature increase to 1.5° C above pre-industrial levels if we are to avoid the most extreme consequences of a changing climate. To achieve this goal, we must cut global emissions by nearly half by 2030 and reach net zero emissions by 2050, which requires immediate and rapid emissions reductions in every sector of the economy.

Science-based climate policies are those that are in line with decarbonization pathways to limit global temperature rise to 1.5°C.In June 2021, the AAA Framework, endorsed by leading NGOs including Ceres, released the top climate policy priorities for corporate advocacy in 2021, which include:

- Decarbonize electricity
- Decarbonize transportation
- Limit methane emissions
- Advance nature-based climate solutions
- Enact an economy-wide carbon price
- Mandate climate risk disclosure

Our collective understanding of the actions demanded by climate science is constantly evolving. Companies need to keep this in mind when considering policies to support. In May 2021, a new report from the International Energy Agency emphasized that to achieve net zero emissions by 2050, investment in new coal mines and oil and gas developments must stop immediately and, by 2035, there must be no sales of new internal combustion engine passenger cars.

Indicators assess whether:

1. **The company has publicly affirmed the science of climate change:** Provides insight into whether the company recognizes the science of climate change in order to counterbalance the outdated narrative of climate science denialism in the U.S.
2. **The company has made statements supporting the need for ambitious climate policies:** Provides insight into whether the company has signaled its broad support for the need and value of climate change legislation and regulation that is aligned with climate science.
3. **The company has publicly supported the Paris Agreement:** Provides insight into whether the company recognizes the need for science to inform policy making and the importance of U.S. participation in a coordinated global approach.
4. **The company has publicly joined a group of companies to advocate for specific science-based climate policies:** Provides insight into whether the company is engaging with policymakers to advocate for the promulgation of specific rules or passage of legislation in alignment with climate science as a part of a corporate cohort, demonstrating broad corporate support for the importance of science-based climate policies.

5. **The company has publicly and individually supported specific science-based climate policies:** Provides insight into whether the company is engaging with policymakers to advocate for the issuance of specific rules and legislation in alignment with climate science.
6. **The company has not engaged in opposition to science based climate policies in the past five years:** Provides insight into whether the company has engaged in a constructive manner on climate policies across the enterprise's positions and over time.

Key Findings:

76% (73 of the 96 companies assessed) have publicly affirmed the science of climate change. Such affirmation from large corporations, which are among the most trusted institutions in the country, is critical to countering the continued perpetuation of climate science denialism, as well as affirm the need for urgent action.

For instance, **Biogen** notes: "To prevent the worst impacts of climate change, we need to keep the global temperature rise below 1.5°C. Without immediate, significant and sustained action to reduce anthropogenic greenhouse gas (GHG) emissions, the global temperature rise will exceed the 1.5° target, which is likely to have severe consequences for human health and broader ecological well-being."

In a similar vein, **57% (55 of the 96 companies assessed) have broadly supported the need for science-based climate change policies**, once again reflecting the broader trend of companies evolving their public disclosures on climate change and related policies.

52% (50 of the 96 companies assessed) publicly support the Paris Climate Agreement. We believe that this is a significant indicator as the period of our assessment (2016-2021) covered the years in which former President Trump announced his intention to withdraw the U.S. from the Paris Climate Agreement. Corporate voices supporting the Agreement were crucial during that period. For example, in May 2017 companies including The **Walt Disney Company, JPMorgan Chase,** and **Morgan Stanley** wrote to former President Trump to express their strong support for the U.S. remaining in the Paris Climate Agreement, outlining the benefits of a coordinated approach to reducing global GHG emissions.

Continued corporate support for the Paris Agreement remains important, especially in light of current efforts to ramp up the ambition of the Agreement. In the lead up to the Biden administration's Leaders Summit on Climate, over 400 businesses and investors, including **Starbucks, Target,** and **Johnson & Johnson,** called on the administration to adopt a highly ambitious 2030 emissions reduction target, or Nationally Determined Contribution (NDC) under the Paris Agreement, in pursuit of reaching net-zero emissions by 2050.

Our data reveals that only 40% (38 of the 96 companies assessed) are engaging lawmakers on the importance of science-based climate policies.

- 76% of assessed companies have publicly affirmed the science of climate change
- 40% have engaged directly with lawmakers on the importance of specific science-based policies to mitigate the impacts of a changing climate.

Such advocacy leveraging the company's influential brand is critical to persuade lawmakers to advance the needed policies and demonstrate that their broader statements on climate change are genuine. As noted elsewhere, ambitious climate policy engagement is also an important risk management tool for the companies in question.

Those companies that are engaging are doing so in a range of ways:

- 60% do not directly engage with policymakers to advocate specific science-based policies.
- Of the 40% who do:

- 8% of companies have advocated for science-based climate policies solely through individual efforts
- 14% have advocated solely as a part of corporate cohorts
- 18% have engaged both individually and as a group.

Companies should publicly advocate for science-based climate policies using all tools at their disposal, including writing (or co-signing) statements directed at policymakers on policy options, meeting with policymakers and disclosing the details, and providing testimony on policy options at the federal and state level. While private meetings with legislators can be effective, there is no public record of what was said, making it difficult to understand the nuances of the corporate position and the response from the legislator.

Having direct, open, and transparent conversations with lawmakers (either through hearings, meetings virtually or in person) at the federal and state levels is a vital way for companies to signal their support for specific science-based climate change policy proposals. Since 2009, Ceres has organized countless opportunities for corporations to meet with lawmakers on both sides of the aisle to champion their support for science-based policy measures. Hundreds of businesses have collectively participated in such efforts in the last few years.

Companies in action

Given the absence of proposals at the federal level in the past four years, examples of corporate action are largely focused on state and regional policies. For instance, in February 2020, **Nike** testified at the Oregon Senate Committee on Environment and Natural Resources in support of Oregon's greenhouse gas emissions cap-and-trade bill.

Large companies have also supported policies by sending letters to lawmakers and of group advocacy. For example, **American Express** wrote to the Arizona Corporate Commission in 2019 to express its support of increasing Arizona's renewable energy standards. In 2020, **Etsy** sent a letter to the California Air Resources Board in support of the proposed Advanced Clean Truck (ACT) regulations, which were adopted by the state, setting the world's first zero-emission commercial truck requirements. In July 2020, companies, including **Adobe, McDonald's,** and **PepsiCo,** sent a letter to congressional leaders, urging them to combat climate change as part of the COVID-19 stimulus package, and to "double down on clean energy infrastructure to put Americans back to work and come back stronger and cleaner." **AT&T, Exelon** and other members of the Corporate Electric Vehicle Alliance (CEVA), wrote to the EPA and the National Highway Traffic Safety Administration applauding the administration's decision to revisit the rollback of the fuel economy and greenhouse gas (GHG) standards and urging them to adopt stronger replacement standards that are aligned with climate science and consistent with 100% zero emission vehicle (ZEV) sales in 2035. **Adobe, Nike,** and **PayPal** have called for expanding cap-and-invest programs along the Pacific Coast.

Companies have also contributed to litigation supporting science-based policies. In 2016, Google, Amazon, Apple, and Microsoft filed a joint amicus brief in support of the Clean Power Plan.

How to advocate for science-based climate policies

The AAA Framework for Climate Policy Leadership encourages companies to engage in science-based climate policy by:

- Talking to policymakers about why climate change is a business risk for the company, how they are reducing their own emissions, and which climate policies they support.
- Bringing up climate policy whenever they meet with elected officials, agencies and regulators–not just when environmental groups invite them.
- Testifying at hearings and filing written comments.

- Talking publicly about why climate policy is a bottom-line issue for their company.
- Addressing climate change and climate policy in every public forum they can and create new forums to talk about it.
- Mobilizing their networks–employees, suppliers, peers and customers–to advance climate policy, as they would for any other top advocacy priority.

21% (20 of the 96 companies assessed) have lobbied in opposition to science-based climate policies in the past five years. Yet, nearly all of them (17) have set or committed to set emissions reduction targets. The climate lobbying practices of these 20 companies presents deeply contradictory behavior that directly contributes to the slow pace of progress on climate action both on Capitol Hill and in states across the country. Such practices also place the individual companies at risk of significant reputational damage, decreased investor confidence, and higher compliance costs down the road if action to address climate change is delayed now.

Investors are paying attention and are increasingly leaning on companies that exhibit such profound misalignment with a 1.5 degree future. This has come into sharp focus in the 2021 proxy season, particularly in the case of ExxonMobil. In addition to a 63.8% vote on a proposal asking the company to report on how its climate lobbying aligns with the goals of the Paris Agreement, ExxonMobil's shareholders voted to replace three of the oil major's board of directors with an alternative slate of candidates experienced in clean energy and energy transitions.

"Corporations have a significant impact on climate policy, directly and through their trade associations. This string of majority votes is strong recognition by investors that these efforts must be fully aligned with the "well below 2 degrees" goal of the Paris Agreement." said Adam Kanzer, Head of Stewardship for the Americas at BNP Paribas Asset Management

Over half (12) of the companies that lobbied in opposition to science-based climate policies in the past five years also lobbied for science-based climate policies. The mixed climate lobbying records of these companies presents a complex narrative. A sector specific lens is important in this regard, particularly in evaluating any progress going forward.

Breakdown of corporate advocacy on climate change

- 8 companies have solely lobbied in opposition to science-based climate policies in the past five years
- 12 companies have lobbied both for and against climate policies
- 26 companies have been consistently positive in their advocacy for science-based climate policies

For example, while some oil and gas companies receive credit under our assessment for coming out in support of a price on carbon, the intensity of their oppositional engagements on climate policies still far outweighs any apparent support for certain climate policies. For instance, many have also advocated for the repeal or weakening of low-carbon and renewable fuel standards, lobbied policymakers to expand oil and gas exploration and production on U.S. federal lands, including Alaska, and, up until 2021, lobbied for the rollback of methane regulations—lobbying that runs counter to a science-based policy agenda. As a result, the validity of their alleged support for carbon pricing has come under scrutiny. In fact, just recently a senior lobbyist from ExxonMobil was quoted saying that the company's support of a carbon pricing policy is a "good talking point," though he does not believe the policy has any real chance to actually become law.

On the other hand, **Ford Motor Company** presents an interesting case study in the context of a company that has lobbied both against and for science-based climate policies in the past five years. After Trump was elected, the company's then-CEO called for the weakening of the Obama-era Corporate Average Fuel Economy (CAFE) standards. However, the company subsequently rejected the weak Trump standards. In July 2019, Ford moved away from the positioning of its trade association and other automakers, and reached an agreement with the state of California to comply with greenhouse gas standards for light-duty vehicles that were more stringent than the Trump administration's final rule.

"We committed to the California framework because it was the right thing to do – for people, for the planet and for our business. Our leadership on environmental issues is critical to address the urgency of climate change, and to ensure we're fulfilling our purpose to build a better world, both now and for the future," said Bob Holycross, Ford's vice president of sustainability, environment and safety engineering.

Engage trade associations on science-based climate policy

Large trade associations play extraordinarily influential roles on public policy at all levels, including climate policy. Companies that are members of a given trade association are uniquely positioned to influence their climate positions and advocacy practices so that they correspond with the companies' own best interests and reflect the risks that companies face from the climate crisis. Such influence is especially important at major trade groups, such as the U.S. Chamber of Commerce, which have played a pivotal and obstructionist role in recent decades on climate science and climate policies.

The Ceres Blueprint calls on companies to assess the extent to which their various trade groups engage on climate policy and whether that engagement aligns with climate science. Based on the results of such an assessment, companies should publicly engage with their trade groups to ensure their positions are aligned.

Why focus on the Chamber of Commerce?

The U.S. Chamber of Commerce is one of the largest and most influential trade associations in the world. It also has a long track record of playing a historically obstructionist role on science-based climate policies. Wide-ranging research by the InfluenceMap, Chamber of Commerce Watch, and other groups reveals how the Chamber has consistently worked to undermine ambitious U.S. climate policies over the past two decades.

Among the examples of the Chambers oppositional tactics:

- Debunked research criticizing the Paris climate accord
- Litigation to repeal the U.S. Clean Power Plan
- Opposition to GHG regulatory efforts through existing statutes
- Support for the Trump administration's rollback of federal vehicle emissions standards

Numerous state chamber groups reflect a similar history. For instance, the California Chamber of Commerce has opposed cap-and-trade efforts and efforts to phase out gasoline-powered vehicles by 2035. In January 2021, the Minnesota Chamber of Commerce sent a letter to the House of Representatives opposing the state's Energy Conservation and Optimization (ECO) Act. The act was proposed as part of the state's plan to achieve 100% clean energy by 2040.

Over the past three years, amid growing pressure from its own corporate members, the Chamber has taken steps to evolve its policy position on climate change. For example, it formed a climate task force in 2019 to inform its approach on climate legislations, helped passed legislation in 2020 to reduce hydrofluorocarbon (HFC) pollution, a potent greenhouse gas used in refrigeration, and offered broad support in 2021 for a "market-based approach" to accelerate GHG reductions.

Yet, such steps forward have been followed by inconsistent actions that are more in line with the Chamber's traditional positioning. For instance, citing research from the Change the Change Coalition, the Chamber in 2021 opposed the White House's halt of the Keystone XL Pipeline. The Chamber also recently partnered with API (American Petroleum Institute) to oppose the federal government's moratorium on new oil and gas leases on public lands.

Vigilance and engagement by U.S. corporations that are Chamber members are essential to ensure that the Chamber's actions begin to more closely align with their new stated intentions. Given the Chamber's enormous influence, the likelihood of passing ambitious climate change policy at the federal level will greatly increase with its full-fledged support. Members of the Chamber, particularly large U.S. companies, have a critical role to play in ensuring that the Chamber is acting in their best interests.

Indicators assess whether:

1. **The company has disclosed a list of its trade association memberships:** Provides insight into whether a company is transparent about its trade association memberships.
2. **The company has conducted an audit of its trade associations for science-based climate policy alignment:** Provides insight into whether a company is actively considering whether its trade association is acting in a manner that is consistent with climate change and the company's own risk exposure.
3. **The company is a member of the U.S. Chamber of Commerce:** Provides insight into whether the company is a member of a trade association that has an oppositional climate change track record.
4. **If a member of the Chamber, the company has disclosed its understanding that the Chamber has a record of lobbying in misalignment with climate science:** Provides insight into whether the company indicates awareness of the Chamber's oppositional climate change track record on climate policies and is distinguishing themselves from those positions.
5. **If a member of the Chamber, the company has disclosed its engagements to evolve the Chamber's climate change positions and lobbying:** Provides insight into whether the company has engaged with the Chamber on its climate change position and activities to bring it in alignment with climate science.

Key Findings:

84% (81 of the 96 assessed companies) have disclosed their trade association memberships. While U.S. companies are not legally required to disclose this information, investors are intensely interested in corporate trade association memberships. Because trade associations themselves often do not disclose the names of their members, it is important for companies to provide comprehensive information to allow investors and other stakeholders to have a clear sense of the groups that companies are involved with, given the outsized influence that trade associations have on policies, including climate change policies.

A deeper examination of the data reveals some variations in the thresholds that companies use to disclose trade association memberships:

- 17% (16/96) do not provide clarity on the criteria that they use in disclosing trade association memberships.
- 13% (13/96) disclose comprehensive trade association membership lists
- 21% (20/96) disclose memberships in organizations to whom they pay $25,000 or above on annual dues
- 33% (31/96) disclose trade associations memberships at a dues threshold of $50,000 or above
- 16% do not disclose any list of their trade association memberships

Only 4% (4 of the 96 assessed companies) provided an explicit assessment of their trade associations' positions on climate change. The 4% number, while disappointing, is not surprising. Investors have amplified the need for "trade association audits" largely over the past few years. While some large U.S. companies provided broad statements that they review the positions of their trade associations on climate change, a very limited number, including Ford, Chevron, ConocoPhillips, and Duke Energy have publicly disclosed assessments of their trade associations' climate lobbying. However, analysis by independent think tank, InfluenceMap, finds that these assessments do not fully meet investor expectations. Going forward, investors should not only engage companies on the need for conducting climate lobbying audits, but should also pay close attention to the results of the analysis and whether they present a complete and accurate picture of the associations in question.

Royal Dutch Shell published industry association reviews in 2019 and 2021. Following the 2019 review, Shell published a report in 2020 detailing the actions it had taken to address differences in climate-related policy positions with the nine industry associations where misalignments had been found. In Shell's 2021 review, the company discloses its climate-related policy positions and advocacy, including its recognition of the IPCC findings and support for the goals of the Paris Agreement, its methodology for assessing alignment with industry associations, the results of the review of 36 of its trade associations, and the steps it plans to take to address the misalignments it found.

TotalEnergies reviews the climate stances of its most significant industry associations against six key criteria, including support for the Paris Agreement, carbon pricing, and the development of renewable energies. Following its 2019 analysis, Total withdrew its membership from the American Fuel & Petrochemical Manufacturers (AFPM) due to a "diverging commitment to the climate" and the company withdrew from the American Petroleum Institute in January 2021 over a number of API's positions, including the trade group's support for the rollback of U.S. regulation on methane emissions at the time, and its opposition to electric vehicle subsidies.

73% (70 of the 96 assessed companies) have affirmed that they are members of the Chamber of Commerce, underscoring the breadth of the Chamber's representation.

- 73% of assessed companies have affirmed that they are members of the Chamber of Commerce
- 19% of the assessed companies' memberships are unclear (they did not provide sufficient information to determine whether they were members of the Chamber or not)
- 8% are confirmed to not be members

Given investor and other stakeholder interest in the Chamber, companies should clarify whether or not they are members. Additionally, companies should encourage the Chamber to disclose the names of its members to provide important transparency to stakeholders.

The vast majority of the assessed companies are not holding the U.S. Chamber of Commerce accountable for its climate change track record or disclosing how they are engaging with the Chamber.

- 73% of assessed companies have affirmed that they are members of the U.S. Chamber of Commerce
- 9% have acknowledged the Chamber's historic track record on climate change and the importance of science-based climate policies
- 7% have disclosed that they have engaged with the Chamber to evolve its climate change position to align with climate science.
- 1% has left the Chamber over its climate stance

The data demonstrates a serious liability on the part of large U.S. companies. It is critical for Chamber members, particularly large companies, to use their voice and power within the Chamber to ensure that the association lobbies in support of science-based climate change policies. Disclosure and engagement provide important accountability checks in this regard.

Further, **36% (25 of the 70 companies that are members of the U.S. Chamber of Commerce) have directly engaged lawmakers on science-based policies, yet have not publicly distinguished themselves from the Chamber's position on climate nor engaged to ensure that the Chamber reflects its science-based position.** By not calling on their trade association to represent and reinforce their own science-based positions and advocacy on climate change, these companies are in effect working against themselves.

Companies that have distinguished themselves from the Chamber and engaged the association are doing so in a variety of ways.

Citi's disclosures include a strong assessment of the Chamber's climate change lobbying record, noting that the association has: "historically either opposed a robust U.S. federal policy framework addressing climate change or has not taken opportunities to advocate for such a framework." Citi also acknowledges the Chamber's updated climate change statements, but notes that "their policy and litigation positions continue to be contrary in many respects to the ambitious climate action steps necessary to achieve the goals of the Paris Agreement."

In 2017, a handful of Chamber members, including **DSM North America, Bank of America, Citi, UPS,** and **Pfizer,** spearheaded the creation of the Climate Solutions Working Group with the goal of evolving the U.S. Chamber of Commerce's position and lobbying on climate change. The group's efforts contributed to the Chamber's updated climate change position statement and the establishment of a task force on climate action to engage its broader membership on climate change.

In Oct 2020, **The Coca-Cola Company** sent a letter encouraging the Chamber to embrace the Business Roundtable's Climate Change Principles and Policies (Coca-Cola is a member of both organizations.)

In 2009, **Apple** left the U.S. Chamber of Commerce, explicitly citing the association's negative stance on climate change policy as its reason for resigning its membership.