INVESTOR EXPECTATIONS ON CORPORATE LOBBYING ON CLIMATE CHANGE

INVESTOR EXPECTATIONS:

Our expectation is that when companies engage with public policy makers, they will support cost-effective policy measures to mitigate climate change risks and support an orderly transition to a low carbon economy. We believe that companies should be consistent in their policy engagement in all geographic regions and that they should ensure any engagement conducted on their behalf or with their support is aligned with an interest in a safe climate, in turn protecting the long-term value in our portfolios across all sectors and asset classes. The following expectations are informed by the Principles for Responsible Investment report into corporate lobbying, as well as recent engagements on the issue, and the Global Reporting Initiative’s Standards for Public Policy Reports.

INVESTOR PRINCIPLES ON LOBBYING:

As long-term institutional investors, we expect those companies that engage with policy makers directly or indirectly through trade associations, lobbying organizations described as charitable organizations that include policy advocacy, or think-tanks taking positions on climate change-related issues to:

i. Lobby Positively in Line with the Paris Agreement

Support and lobby for effective measures across all areas of public policy that aim to mitigate climate change risks and limit temperature rise to well below 2 degrees Celsius. This support should apply to all engagement conducted by the company in all geographic regions, and to policy engagement conducted indirectly via third party organizations acting on the company’s behalf or with the company’s financial support.

ii. Establish Robust Governance Procedures

Establish robust governance processes to ensure that all direct and indirect public policy engagement supported by the company is aligned with the company’s climate change commitments and supports appropriate policy measures to mitigate climate risks. We expect companies to establish a clear framework that has:

- **Board oversight**: Ensuring accountability by assigning responsibility for governance at board and senior management level.
- **Monitoring and Review**: Establishing processes for monitoring and reviewing climate policy engagement, including identifying all climate change policy engagement being conducted by the company either directly or indirectly, across all geographic regions.
• **Consistency**: Establishing a transparent process to ensure consistency between the company’s public policy positions and its direct and indirect engagement with climate policy, including through third parties. This process should include an assessment of the company’s working relationships with third party organizations, and define actions to be taken where material differences have been identified to ensure alignment.

iii. **Act When Unaligned**
Act in situations where policy engagement is not aligned with company policy, or with the goals of the Paris Agreement. For engagement undertaken on the company’s behalf or with its financial support by third party organizations, actions could include:
● Making clear public statements where there is a material difference between the company and third-party organization’s position;
● Working within the organization to make the case for constructive engagement;
● Requiring the organization to stop lobbying on issues where there is not alignment amongst all members;
● Discontinuing membership or support for the organization; and
● Forming proactive coalitions to counter the organization’s lobbying.

iv. **Be Transparent**
The governance framework established under principle II should be disclosed to ensure investor and public confidence in the practice and processes of the company. Actions undertaken in accordance with principle III should also be made public. Appropriate reporting could include details of:
● The company’s position on climate change and policies to mitigate climate risks;
● The company’s direct and indirect lobbying on climate change policies;
● The company’s membership in, or support for, third party organizations that engage on climate change issues (including political organizations);
● The specific climate change policy positions adopted by these third-party organizations, including discussion of whether these align with the company’s climate change policies and positions; and
● The assessment that the company has made of the material impact of lobbying by the organization taking a contrary position to the public position of the company.