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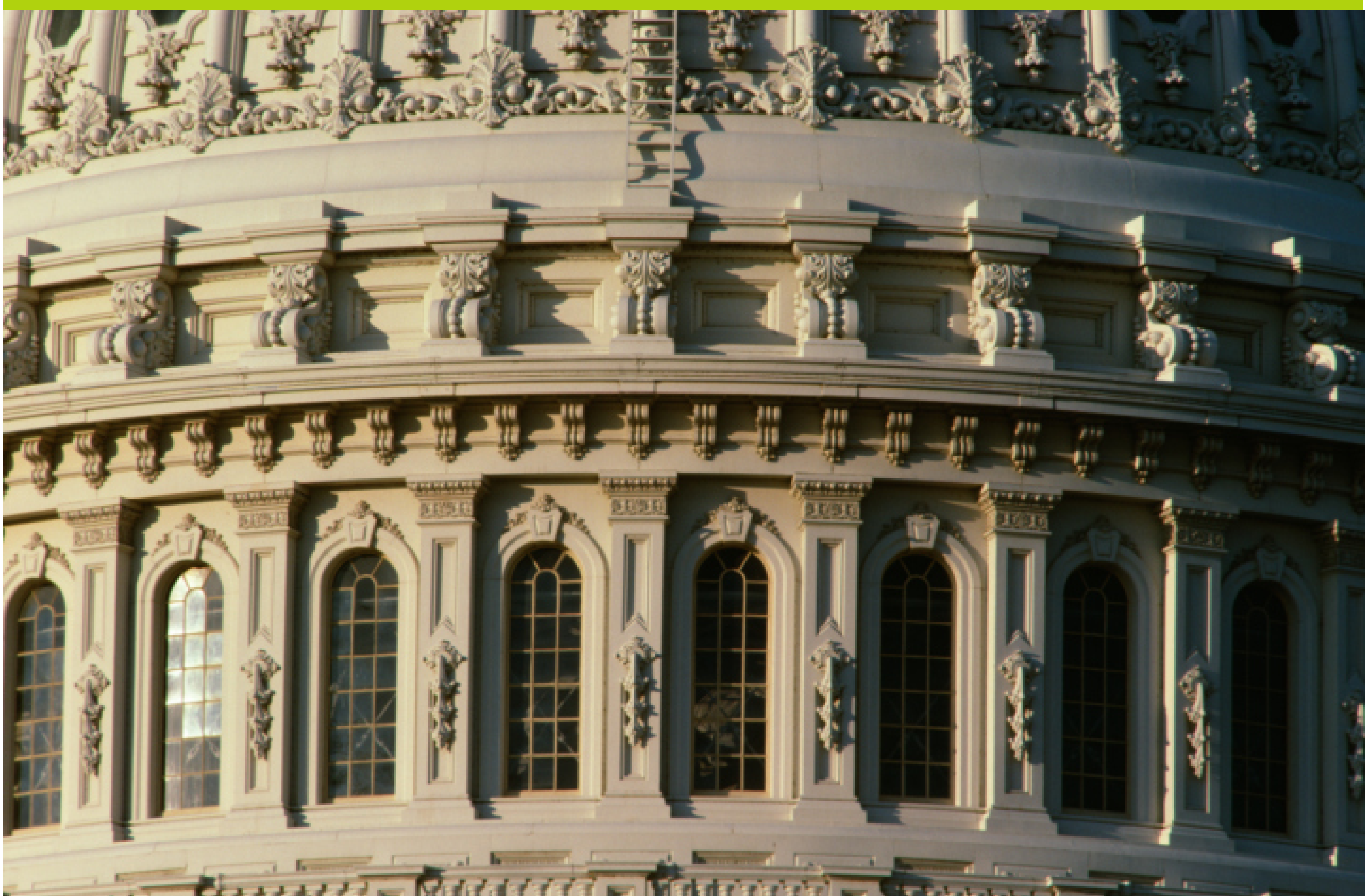
Communicating on Climate Policy Engagement

A Guide to Sustainability Reporting

March 2010



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About this Report

This report was written by Ryan Schuchard and Laura Ediger, Ph.D., with contributions from Marshall Chase, Angie Farrag, Nandini Hampole, and Danica MacAvoy. Findings are based on reviews of literature, assessments of suggested and real practices, and comments from the individuals listed below.

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Any errors that remain are those of the authors. Please direct comments or questions to Ryan Schuchard: rschuchard@bsr.org.

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Introduction

Public policy engagement has rapidly become a crucial aspect of reporting on climate change. While reporting on direct climate impacts and on risks and opportunities remains important, environmental advocates and other stakeholders are calling on companies to demonstrate how they are playing a role in climate policy development. In response, a growing number of companies are reporting on their climate policy engagement efforts, and emerging third-party measurement frameworks are providing a basis for comparison.

Huge numbers of companies are getting engaged. More than 1,000 global businesses representing US$11 trillion in market capitalization and 20 million employees—and more than 1,000 U.S.-based companies—are calling for strong and effective climate policy. [1] In the United States, lobbying focused on climate change policy at the federal level is up 70 percent from three years ago and up 300 percent from five years ago. [2] The companies involved run from large to small, and include heavy emitters such as BP, which has said that "the scale of change required to address climate change can only be achieved through government policy to drive emissions reduction and stimulate investments in low-carbon technologies."[3]

How business should report on these efforts, however, remains unclear. Until now, objective guidance has been piecemeal (see Appendix 1), even as companies grapple with the need to answer broad questions, such as those included in the Carbon Disclosure Project's (CDP) Investor Questionnaire (due May 31, 2010), which asks companies to detail their climate policy engagement efforts and how they relate to strategy.[4] To assist corporate social responsibility (CSR) practitioners in identifying key issues and developing a holistic approach to reporting on their company's climate policy engagement efforts, BSR presents this guide.

Solving Climate Change: Influence Through Policy

According to DuPont, "Effective climate legislation will provide us the certainty we need to increase our investment and accelerate development and deployment of technologies that will be critical to a low-carbon economy." The company, along with many others, is making incremental GHG reductions on its own, but company leaders believe that business needs more effective systemwide rules, incentives, and institutions to embrace clean energy substantially.

By the same token, economists tend to agree that a critical part of solving climate change is fixing markets so that pollution from energy and agriculture are priced, which would stimulate widespread investment in low-GHG alternatives and sustainable resource use.

Therefore, being a leader in climate change increasingly means proactively promoting the systemic changes that will move the economy toward low-carbon investments in scale. By extension, policy engagement is becoming an integral part of the logical business approach to mitigating climate change—and failure to sufficiently engage leads to the risk of stakeholder disapproval and blind spots to regulatory and other changes.

Benefits of Climate Policy Reporting

Climate reporting has traditionally involved two main issues: First, the impact of the company on climate change, in terms of its greenhouse gas (GHG) emissions and efforts to reduce them. Second, the risks and opportunities created for the business by climate change. Today, the effect of new regulations and the Greenhouse Gas Protocol and the CDP are more relevant than ever. For example, a Greenhouse Gas Protocol companion standard for supply chains and products is due out later this year, and, recently, the U.S. Securities and Exchange Commission issued a law requiring companies to report on climate risks.[5]

Recently, a third reporting issue has emerged: engagement in climate policy, which is closely linked with the first two issues and is increasingly considered a topic in its own right. A greater focus on policy is being driven by the following:

» **Recognized need for "systemic" solutions to climate change:** Policy engagement is increasingly seen as one of the most influential means a company has in solving climate change. That is because public policy shapes the institutions, rules, and incentives that define the overall system. In the case of climate change, public policy offers the ability to fix energy, agriculture, and other market failures that form the root of the problem (see sidebar).

» **Strong link between policy engagement and value creation:** Public policy related to addressing climate change will affect fundamental business drivers such as the availability and price of energy and agricultural inputs, while bringing about technology and financing mechanisms that will create significant new business opportunities. Stakeholders therefore see engagement in the policy development process as evidence that a company understands—and is prepared to address—these policy-related risks and opportunities.

» **Need to go "beyond lobbying" to build trust with stakeholders:** Many stakeholders are suspicious of business' involvement in the policy process, and this is especially true with climate, where stories have painted private sector involvement as self-serving.[6] Reporting offers a practical way to advance dialogue on this issue. There is a particular opportunity for business to build trust by showing how political involvement goes beyond tit-for-tat lobbying and can serve the common good, with business being an active problem-solver in deploying wide-scale, low-carbon solutions.

Reporting Among Leaders

In response to these developments, reporting on climate policy engagement has taken off. The largest climate change reporting database, CDP, now asks companies to detail their climate policy engagement activities, and then factors that into its Climate Disclosure Leadership Index and Performance Score.[7] Climate Counts, a climate leadership scorecard started in 2007, ranks companies' policy efforts alongside their internal reduction initiatives to produce a numerical score. However, these and other frameworks (see Appendix 2) provide only clues on how to report generally. There is not yet a broadly accepted set of holistic indicators that help companies communicate in a way that represents the full picture, maximizes credibility, and advances dialogue.

Top 12 Observed Reporting Themes

Our assessment identified the following climate policy themes as most common in reporting:

- Acknowledgment of climate change as a problem and importance of climate policy for business
- Advancement of industry standards through working groups
- Advocacy to national-level policymakers for climate legislation
- Demonstration of how the industry—especially ICT and finance—are poised to be solutions providers
- Disavowal of support for trade bodies that pursue inconsistent or regressive objectives
- Joining of coalitions and signatory initiatives*
- Launching of carbon market or other quasi-government institutions
- Leadership of voter-education initiatives
- Participation in U.S. Environmental Protection Agency (EPA) and other government partnership programs**
- Publicity of unintended consequences or re-framing issues
- Sponsorship or provision of research
- Testimony to national or state law-making bodies or filing court amicus briefs

* See list at "Real Climate Leadership and the Rules of Policy Engagement" (*ClimateBiz* 2009).
** See "Business Guide to EPA Climate Partnerships" (EPA and BSR 2008).

To better understand reporting norms, BSR has assessed the published reports and related materials of 150 leading companies (see Appendix 2 for a summary).[*] Our study confirms an anecdotal observation that communicating on climate policy engagement is increasingly common among the world's largest companies, and reveals that they commonly report on such efforts through one or more of the following mechanisms:

- **CDP**: Of the 150 companies, approximately 95 percent submitted public information about climate change activities to the CDP's 2009 "Investor Questionnaire." Of those, about 80 percent reported that that they are involved in climate policy efforts—for example, testifying to the U.S. Congress about the importance of robust climate policy (question 28.1 in the survey). Descriptions ranged in length from one sentence to several pages.
- **Company website**: The second most popular channel is company websites. Around half of the sample addressed the intersection of climate strategy and policy in some way, though very few had a dedicated climate policy section. Content was found in different parts of websites, such as sustainability, government affairs, and investor relations sections.
- **Annual sustainability/CSR report**: Virtually all of the companies studied produced annual sustainability/CSR reports. Of those, around 95 percent disclosed activities related to climate change *or* public policy. However, only a handful—for example, Johnson & Johnson and Timberland—explicitly addressed climate policy engagement in their report.
- **United Nations Global Compact (UNGC) Communication on Progress (COP)**: About 20 percent of the companies reported to COP, the sustainability reporting channel for UNGC participants. About 95 percent adhered to the GRI framework, a topical index that addresses climate and policy separately. Of them, most mentioned climate and policy separately, and only a few used GRI to directly link to climate policy information.
- **Special report**: A handful of companies issued standalone publications detailing their climate strategy or addressing special issues related to climate policy, most of which emphasized climate policy engagement. These companies include Baxter, China Light & Power Ford, Hewlett-Packard, Johnson & Johnson, JP Morgan, Merck, Rio Tinto, Sasol, Timberland, Vale, Unilever, and UPS. Aspen Skiing Company publishes a standalone website on climate change.

Most companies—well over 50 percent—reported in four of the five channels, and a few, including Hewlett-Packard, Merck, and Vale, reported in all of them. Among those reporting, pharmaceutical companies communicated about climate policy efforts most fully and across the most channels. They are followed by the information and communications technology (ICT) and consumer products industries. Of the media and entertainment companies we assessed, they reported the least.

Reporting on company websites was notably richer than in formal sustainability reports—probably because climate policy efforts have developed so rapidly, and annual reports take longer to develop. Some of the most outstanding programs,

[*] Composite of industry leaders as defined by top three ranking placement in company size (Forbes Global 2000), brand value (Interbrand brand rankings), political expenditures (Center for Public Integrity's Top 100 Lobbying companies), and/or Excellent CSR Reporting (Ceres' Sustainability Reporting Awards finalists) by industry, plus notable emerging market pioneers (first and only eight China-based CDP reporters)

such as those at Aspen Skiing Company and Timberland, are not reported in prominent channels such as the CDP, which focuses on large companies.

While the choice of reporting mechanism and participation by industry was uneven, those that did report communicated with relatively consistent language. Most reporting companies tended to communicate about one or more of 12 themes (see sidebar on the previous page), while citing one or more of the following reasons for engagement:

1 Public policy is a main pillar of their climate approach, largely because climate change may not be solved without it.
2 Climate change is a main focus area of public policy efforts, in part because it is one of the single greatest issues of this generation.
3 Climate policy is a strategic issue, in that it is both likely to happen and likely to disrupt fundamental business drivers—both for better and for worse. The next section deals with how these themes are integrated.

Climate Policy Engagement Trends

Policy engagement is often assumed to mean one of two things: contributing funds to support candidates for public office or referenda (often called "political spending"), or influencing public officials for or against specific legislation (known as "lobbying").[8] But for sustainability reporting on climate change, stakeholders are interested in a more holistic picture of companies' efforts and influences, which companies can think about in four parts (summarized in Figure 1).

First, companies should report on their whole range of initiatives related to **calling to action** on climate policy. That covers direct and indirect political spending, including payments to trade associations and tax-exempt entities, and also lobbying at different levels of government.[9] But it need not stop with those traditional avenues. Stakeholders are interested in all of the things companies are doing to promote public climate policy, including how they are advancing policy design features without mentioning specific laws, how they are promoting the advantages of international accords, and whether they are taking actions such as filing friend-of-the-court briefs. Calls to action also include standing up publicly to end negative support. Apple did this when it left the U.S. Chamber of Commerce in 2009 because the Chamber opposed U.S. EPA efforts to limit greenhouse gasses.[10]

Figure 1. Framing Climate Policy Engagement Efforts

	Decision-Makers: those directly involved in enacting policy policymakers	**Influencers:** stakeholders and incentives
What: objectives and parameters	**1. Calling to Action**: promoting climate policy to be enacted This is relevant for industries where the government plays a strong role in regulation or defining market structure:[11] » media and ICT » oil and gas » transportation » pharmaceuticals and biotechnology » mining and extractives	**2. Informing:** solving problems in partnership with governments by sharing research and knowledge This is relevant for companies that aim to play a role as solutions-providers for climate change: » ICT » financial services » other companies that are solutions-providers and have R&D-driven insight
How: technical details and insights	**3. Enabling:** shaping decision-making inputs This is relevant for companies that have influence with stakeholders and others who influence policymakers: » consumer products » food and agriculture » other companies with global brands and networks	**4. Stage-Setting**: developing shared approaches to build from This is relevant for companies with complex business networks and that stand to gain by promoting the use of industry methods: » food and agriculture » ICT » consumer products

Second, companies can report on their efforts in **informing** policymakers by providing insight on technical issues to influence policy development. For example, in its 2009 CDP response, IBM reports that its role is not to weigh in on policy design but rather to give policymakers the confidence they need to tackle climate change with technology pathways. Unilever reports about its efforts to help policymakers understand ways to avoid unintended negative effects of biofuels. As the World Resources Institute's Eliot Metzger noted, business has a key role to play in informing governments because business can authoritatively show how strong climate policy can work most effectively and economically.

A third relevant area is **enabling** policy decisions by shaping the inputs and forces that help make these decisions possible. For example, Aspen Skiing Company, recognizing that there are gaps between the best information available about climate change and the knowledge level of the general public, has launched an education campaign aimed at encouraging voters to make more informed decisions. In this way, Aspen focuses on policy design indirectly, but in a way that it feels is a critical path for decisions being made.

Finally, engagement can include **setting the stage** for dialogue. This is a common emphasis of working groups, such as BSR's Clean Cargo or the Electronic Industry Citizenship Coalition (EICC), which are promoting standard measurement and process guidelines that allow companies to build from common language, knowledge, and processes. Another example is British Telecom, which has invented the Climate Stability Index, a framework it promotes that interprets GHG emissions in terms of global atmospheric concentrations. Setting the stage focuses the least directly on policymakers and generally requires detailed involvement. Nonetheless, such efforts can critically underpin the policy-development process.

A Brief History

Until recently, climate change reporting meant tallying emissions reductions while showing awareness of potential future impacts, and public policy disclosure amounted to showing that the company was sufficiently ethical. Over the past few years, however, it has become more common for companies to communicate broadly about climate change and public policy, while demonstrating their active participation in creating productive solutions. To understand what is expected today and where we are headed, it helps to consider where we've been.

The first of three reporting phases began around the turn of the last century, when the components of formal sustainability reporting were first developed. In 2000, the Global Reporting Initiative (GRI) became the first widely used template for writing CSR reports. That same year, the Organization for Economic Cooperation and Development (OECD) issued Guidelines for Multinational Corporations, which said that enterprises should contribute to environmentally meaningful and economically efficient public policy.[12] Then, in 2002, the Greenhouse Gas Protocol's Corporate Standard spelled out corporate GHG emissions accounting.

A second phase, which had momentum by 2005, focused on integration. The idea of "alignment" came to the fore, and stakeholders began to view the consistency between public policy and sustainability messages as a litmus test for responsibility.[13] This brought considerable attention to the idea that sustainability departments should not work one way if another part of the company was working differently—especially in secret with trade associations, which the Center for Political Accountability called the "Swiss bank account" of politics. According to the environmental group Friends of the Earth, "One of the key needs is to make sure that companies' public positions on public policy matters are in line with what they do when they are privately lobbying, whether as an individual company or through a lobby group or trade association." SustainAbility and the World Wildlife Fund called for a new generation of responsible lobbying, and the United Nations Global Compact and AccountAbility produced a guide for assessing and ensuring alignment between corporate actions and policy positions[14]

Figure 2. Timeline of Climate Policy Engagement Reporting Norms

Key:

- **Climate**: Focusing on GHG management
- **Policy**: Focus on policy-engagement systems
- **Climate Policy**: Explicit focus on climate policy engagement

2000

- **GRI Guidelines published**, leading to widespread reporting focused on workers, human rights, and products and services.[15]
- (Policy) **OECD Guidelines for Multinational Corporations** published, noting that companies are encouraged to communicate additional information that could include information on relationships with employees and other stakeholders.[16]

2001

- (Climate) **Greenhouse Gas Protocol Corporate Standard** first published, providing first global standard for voluntary GHG-management by business.[17]

2002

- (Climate, Policy) **GRI Sustainability Reporting Guidelines second version (G2)** published, addressing GHG emissions and political expenditures.
- (Climate) **Climate Leaders** produces guidance on "comprehensive climate change strategies" that emphasize GHG management."[18]
- (Climate) **CDP** publishes first questionnaire (CDP1), focusing on GHG management.[19]

2003

- (Climate, Climate Policy) **Ceres and RiskMetrics produce Climate Change Governance Framework** that calls for board and CEO to have strong oversight of environmental affairs/climate change.[20]

2006

- (Climate) **International Standards Organization** publishes ISO 14064-I, a standard for GHG emissions inventories and verification.[21]
- (Climate, Climate Policy) **CDP's** sixth Investor Questionnaire (CDP6) published, asking: "Do you engage with policymakers on possible responses to climate change, including taxation, regulation, and carbon trading? If so, please provide details." [22]
- (Policy) **Center for Political Accountability** issues Trade Association Guidelines.[23]

2007

- (Climate, Climate Policy) **Association of Chartered Accountants** publishes "Climate Change: UK Corporate Reporting," which says disclosure of company policy commitments is the starting point for good reporting, and that companies should support climate science and binding targets for carbon-dioxide reduction.[24]
- (Climate, Climate Policy) **Association of Chartered Accountants publishes "**Improving Climate Change Reporting," which recommends disclosing policy-overseeing governance and policy activities.
- (Policy) **Center for Political** Accountability issues Corporate Political Spending Code of Conduct.[25]
- (Climate, Climate Policy) **Climate Counts** launched, ranking companies on GHG management and policy engagement.

2008

- (Climate) **Mainstreaming of emissions reporting takes place**, with supply chain initiatives led by PAS2050, EICC, Greenhouse Gas Protocol Scope 3 Guidance. Also, **Climate Stability Index launched by British Telecom**, which emphasizes greenhouse gasses as a share of global atmospheric GHG concentrations.
- (Climate, Policy, Climate Policy) **Ceres-ACCA North American Awards for Sustainability Reporting** features public policy and political accountability as a key reporting topic, noting the judges were pleased to see improved progress in the disclosure of public policy and political accountability, and highlighting AEP, GE, and Intel on climate policy reporting.[26]

2009

- (Climate Policy) Significant growth of climate reporting efforts, including CDP and many special reports.[27]
- (Climate Policy) Watchdogs now calling for climate policy engagement.[28]
- (Climate Policy) Greenpeace praises Apple for leaving U.S. Chamber of Commerce over climate policy.[29]

In the third phase, starting around 2007, companies became more proactively and openly involved in public policy related to climate change, driven in part by the following three developments:

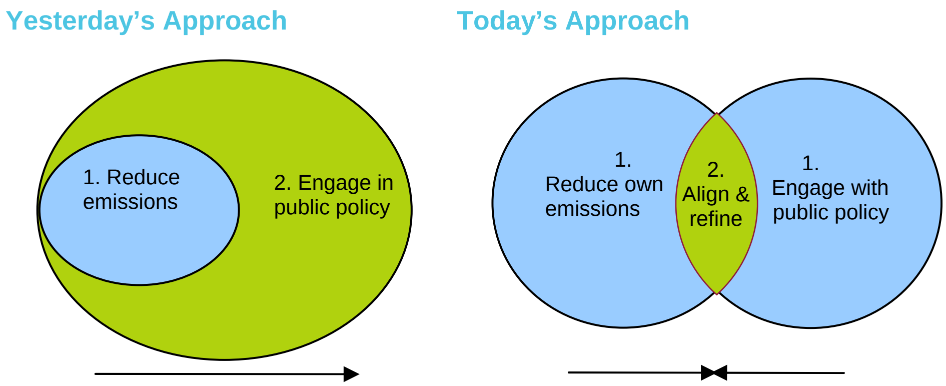
First, it became common for companies to report broadly on environmental risks and opportunities, pursuing leadership opportunities outside of their owned and controlled operations, or "beyond the fence line," similar to what happened with labor issues a decade earlier.[30] Also, the idea of moving from incremental to transformational change began to take hold among companies.[31]

Second, a surge of mainstream reports on climate change, including the film *An Inconvenient Truth* and the report "Stern Review on the Economics of Climate Change," captured the public's attention. The gap between science and public knowledge began to narrow, with more people understanding that climate change poses a threat, and that the heart of the solution is a policy-led price on GHG emissions. Climate change became seen as both the preeminent focus of sustainability reporting as well as a mainstream business issue. The Association of Chartered Certified Accountants, one of the world's largest and fastest-growing accountancy bodies, found that the increasing political importance of climate change and the opportunity this brings for corporate influence mean that disclosing company public policy positions and lobbying policies will become a critical aspect of transparency.[32]

Third, evaluation of "first generation" climate efforts led companies to see that effective policy engagement was not only about doing no wrong, but also a way to create positive impact. Ceres' began to evaluate companies for their sustainability reporting awards in part based on their overview of public policy strategy, description of activities undertaken, and views and statements.[33] This quickly came to include climate change. Now, Levi Strauss reports that "public policy is one of the most powerful tools we have for making a lasting difference."[34] Coca-Cola says that the proper role of business is threefold: address our footprint, extend our handprint, and help shape the regulatory blueprint.

Policy engagement is now seen to be one of the most powerful and direct levers that companies have for addressing climate change. Oxfam asks companies to "lobby louder and harder for world leaders to set ambitious emissions-reduction targets and to provide sufficient financing to enable poorer countries to mitigate and adapt to climate."[35] Greenpeace sees this as a rare forum for actually lauding companies. In 2009, it said "bravo" to Apple for quitting the U.S. Chamber of Commerce in order to develop a more credible position.[36]

Figure 3. Climate Policy Engagement Priorities



Previously, companies reduced emissions first, and then engaged in public policy.

Now, policy engagement is as critical, and companies start with both approaches and work for synergies.

Importantly, companies are no longer expected to defer policy engagement until they have reduced their own emissions to a more respectable level (see Figure 3). According to Wood Turner, executive director of Climate Counts, policy engagement offers one of the most influential tools that companies have for affecting climate change. As a result (and contrary to popular belief), companies should not necessarily wait to make operational emissions cuts before getting engaged in policy.

Today, managing a comprehensive corporate climate change strategy means proactively engaging in climate policy. According to the Association of Climate Change officers, this includes "working with national, regional, and local organizations and government agencies to assist in the preparation, monitoring, and review of relevant strategic policies on climate change and sustainable energy issues, including the development of partnerships to enhance the company's working relationships with industry, environmental groups, and government agencies."[37]

Climate Policy Engagement Goals: A Starting Point

For those new to climate policy engagement, it can be hard to know not only what to report but where to focus efforts that will be reported about. Here is a starting point for companies that aligns business and societal interests:

- Promote the enactment of public policy to stabilize the climate. Make it a priority to answer the calls supported by the best available science to stabilize human-induced climate change and its effects. Currently, this means the climate should be expected to warm no more than 2°C, be stabilized at 450 parts per million GHGs, and emissions should peak in the next five to 10 years.
- Support policies that provide clear, durable, and predictable rules that give business the certainty to invest in significant and long-term carbon-reducing efforts in energy, agriculture, and technology. This is not just a nice-to-have—enabling capital deployment is critical to abating climate change.
- Make it urgent and important. The above will require significant effort. However, with uncertainty and risks looming, and the economic opportunity ahead, business should support policy changes now so companies can get on with investments. Take the imperatives above—including getting on track with a credible action plan—as a critical priority.

Elements of Climate Policy Reporting

As we have learned, companies are expected to report on climate policy efforts more thoroughly and consistently, while using an expanding range of communication channels. But while such demand grows, there has been a dearth of generally accepted practices for *how* to communicate. Some challenges that companies currently face in their efforts include:

- It is difficult to isolate "climate" among public policy activities because there are so many interdependent issues (e.g. energy, water, and agriculture), and mechanisms for tracking issue-based political expenditures are lacking.[38]
- Engagement is difficult to evaluate and compare across companies. Goals such as being more transparent or furthering "progressive" policies are difficult to put into objective terms.
- Companies are often presumed guilty of negatively and unduly influencing the political system until they prove otherwise. Many stakeholders remain critical of companies that combine policy and sustainability efforts because they feel that it is not legitimate for business to influence policy, which ultimately should serve the public good.[39]

Companies are under pressure to balance the need to be proactively engaged, while addressing challenges of doing so and reporting on efforts effectively. The following section describes a communications framework that will address these issues by promoting dialogue about the most substantive topics. It provides key elements needed for reporting in channels such as websites, CSR reports, and beyond. The framework is designed to provide a consistent approach for communicating to different stakeholders, while promoting more meaningful discussion with policymakers about how business can play an active role in climate solutions.

Governance

The foundation of climate policy engagement reporting is to illustrate its governance—that is, to show *how* the company decides what to do. Reporting on governance in the context of climate policy is critical, according to World Wildlife Fund Head of Delegation Kim Carstensen, because a key success factor with climate policy efforts will be that the objectives are deeply embedded in the value systems of companies and that these value systems are taken as the point of departure. Reporting on governance is also widely expected, according to most of the major frameworks assessed in this report (see Appendix 1). Reporting on governance is especially important for companies that are seen as high political spenders, such as those in Center for Public Integrity's Top 100 Lobbyists list.[40] Detailed governance issues include:

Accountability: Describe the decision-making process and roles for climate policy efforts, including the teams involved, and how the CEO and the board interact. Ideally, a company will have established board-level oversight for public affairs and sustainable development, and will show that the board conducts periodic review of climate change and monitors progress in implementing strategies.[41] For examples, see the most recent sustainability reports from Coca-Cola, Dell, Ecolab, IBM, Intel, Johnson & Johnson, Nike, and Tesco, which Ceres has found as leaders.[42]

Considerations: Show how the company undergoes decision-making around issues related to climate change policy engagement. Include how the company identifies issues, conducts reviews, and pursues dialogue with stakeholders.[43] Examples include Nike (2007-08 corporate responsibility report), Starbucks (public policy web page) and Levi Strauss (public policy web page), as well as Aetna, eBay, Hewlett-Packard, and Merck, which Center for Political Accountability says exceed the common standard for disclosure of political spending.[44] This is also a good place to share examples of lessons learned, especially related to challenges overcome with constructive advice for other companies. Examples of reporting on evolution over time include Apple (environmental timeline web page), Clif Bar ("Clif Bar and Company Milestones and Timelines" document), Duke (2007-08 sustainability report), Ford ("Business Impact of Climate Change" document), and Intel ("Our Climate Change Commitment" document).

Alignment: Demonstrate alignment of goals and commitments with core business strategy and actions, which is essential for credibility and effectiveness.[45] Detail the measures taken to ensure consistency across business communications on climate policy, such as between sustainability, marketing, government affairs, and executives. In particular, show how sustainability and government affairs efforts are coordinated operationally, and provide evidence that government affairs teams and their consultants are trained to understand the company's CSR policy and its implications.[46] If there are discrepancies between the organization's position and that of its relevant trade associations, don't ignore the issue—rather, understand explain what the company is doing to address it. Examples include BASF (climate protection web page), Hewlett-Packard (HP's "Climate Strategy Whitepaper" document), Merck ("Public Policy Position: Global Climate Change" document), and Symantec (2009 CDP response).

The benefits of reporting on governance include:

» Demonstrating that the company is serious about what it says by showing that commitments are made at the highest levels

Building the Plane While Flying

To start inventory of your company's reporting efforts, talk with government affairs personnel. If, as is likely, your company is involved in climate policy beyond that, look for ways that other parts of the company—such as sustainability, supply chain, and marketing teams—are involved in seemingly indirect efforts, such as working groups, educational initiatives, and external messaging about science and your climate impacts and commitments. Refer to Figure 1 to frame your questions.

- Removing mystery from the company's approach, which, in turn, builds trust with stakeholders
- Clarifying decision-making processes, which enables stakeholders to know where and how to support the company's efforts
- Meeting the growing expectation among investors and other stakeholders, who see good governance as an indicator of credible sustainability efforts

Strategy

With the foundations laid, define the company's overall climate policy engagement intent and approach. This is how to show that efforts are part of a logical, organized, and diversified portfolio that supports stated objectives, which differentiates serious efforts from those that seem "bolted on." Reflecting on strategy is especially important for companies with investors who care about why and how they expect to create value with policy efforts. For example, CDP now asks companies to detail their efforts and how they fit into the overall strategy—and stakeholders that want to see how the company's efforts relate to a company's overall sustainability objectives.[47] Detailed strategy issues include:

> **Objectives:** Explain what you hope to achieve with climate policy engagement, in terms of specific impacts on climate policy and, on a higher level, stabilization of the climate (see sidebar for a general climate stability framework). Also show how policy engagement ties into the company's overall climate strategy—for example, by facilitating networking and promoting a level playing field. For examples, see Aspen Skiing Company (save snow website), Baxter (position statement on climate change and energy web page), IBM (position and policy web page), and Vale ("Corporate Guidelines on Climate Changes and Carbon" document).
>
> **Levers:** Share why and how you have chosen to be involved at various policy levels (e.g. international, national, and sub-national), and show which ones you are involved with. Then demonstrate what capabilities you are using to further your efforts: For example, your company may have relatively strong relational, technological, or marketing resources that can be applied. It may help to borrow from the advancing-informing-enabling framework mentioned in the previous section. Examples of companies discussing forums they are involved with include: Cummins (2009 sustainability report), Hewlett-Packard ("Climate Strategy" document), Samsung (climate strategy web page), and Timberland ("Timberland Climate Strategy" publication).
>
> **Preparedness:** Communicate how your company plans to create value in a world where carbon is constrained and expensive. Do this by showing business models, strategies, and diversification change under climate policy scenarios, and what those changes mean for the bottom line. Similarly, illustrate how the lack of strong climate policy is a problem—for example, because persistent regulatory uncertainty in the face of climate policy expected at some point hampers the ability to invest. Examples include companies adopting BICEP principles,[48] British Telecom ("Changing World: Sustained Values" report), China Light & Power ("Climate Vision 2050" document), DuPont (congressional testimony),[49] Stonyfield (CEO statement),[50] Timberland (CEO statement),[51] and Unilever (CEO statement).[52]

The benefits of reporting on strategy include:

- Building credibility with stakeholders that are suspicious of lobbying activities
- Providing a compass for efficiently and consistently guiding communication

Reporting as an Engagement Platform

Reporting on climate policy can be an engagement initiative itself. Companies can use the opportunity of showing what they are doing to connect with audiences who may not yet understand how climate change is a business issue today, or who may not realize that the lack of policy is a problem.

This is relevant because business is one of the most credible messengers in showing that climate change is an important, fixable problem. As one anonymous expert from Capitol Hill told BSR: "Anything that companies do to talk with their customers will be picked up by campaigners and lobbying groups in D.C.—for free, no retainer necessary."

- Satisfying investors and regulators (such as the U.S. Securities and Exchange Commission, which recently began requiring disclosure of climate risks, including impacts of legislation, regulation, and international accords), who increasingly expect to understand how engagement creates value
- Increasing the legitimacy of involvement in climate policy by showing that business can create value as a constructive partner in the policy process

Activities

Detail the company's climate policy initiatives. This provides the most tangible explanation of what the company is seen as actually doing, and is the focus of frameworks like GRI, which asks for policy-related reporting in questions SO5 and SO6, as well as those in Climate Counts. Show business initiatives over time, both historical and expected, and summarize or provide a link to disclosures about lobbying-related activities that are legally required. One way to segment activates is by:

Focus areas: List activities in groups based on their area of focus—for example, calling to action, informing, enabling, and setting the stage (see Figure 1). Start with the most measurable impacts on the most direct policy decision-makers, describing financial and in-kind contributions to political parties, politicians, and related institutions by country. Also, show affiliations to trade associations and other alliances, and their potential work. Include money spent on lobbyists or organizations, and describe their aims, efforts, and expenditures, which should be made available as part of membership.[53] From there, include less direct activities, like advocacy (that is, calling for climate policy without naming specific legislation), as well as more indirect efforts like funding climate-related research, working with networks to educate the voting public, and supporting the development of standards in working groups. Finally, disclose less direct but potentially influential initiatives like position statements.[54] Good examples include 2009 CDP submissions by Deutsche Bank, Exelon, FPL Group, Oracle, and PepsiCo.

Collective orientation: Label or restate your activities to describe multi-stakeholder engagements or other processes that promote advancement of societal, business, and other collective good. This is a key way to differentiate "lobbying" from work toward the public good. Illustrate your company's participation in call-to-action campaigns, involvement in working groups, or support of policy through trade associations that may be engaging on behalf of the company. Also include efforts to *disengage* from negative group activities, like Apple's resignation from the U.S. Chamber of Commerce, based on the Chamber's regressive positions. And include one-on-one initiatives with legislators, making sure to show how the goals of those activities are rooted in collective interests. For examples, see Hewlett-Packard (climate change global issue web page), JP Morgan (environmental policy web page), and Timberland ("Timberland Climate Strategy" publication). For a list of collective initiatives, see "Real Climate Leadership and the Rules of Policy Engagement."[55]

Policy cycle stages: While policy engagement is often perceived as focusing on shaping policy at the design stage, companies have stories to share about involvement before and after that process. This includes influencing how issues are framed, developing protocols and standards, and calling attention to problems such as the certain risks carbon markets face from gaming or unintended consequences resulting from incentives or subsidies. For example, Hewlett-Packard and Intel are co-leading an initiative of the EICC to develop a standard industry approach to measuring GHG emissions in supply chains, which shows how policies can address information at the operations level across borders. Also, once policy has been formulated, companies can engage in implementation in various ways. As another example, the EPA offers 30-plus business partnership programs, to which companies such as Dell have subscribed, that offer feedback for further policy development.[56]

The benefits of reporting on activities include:

» Covering the “meat” of climate policy reporting by providing an account of the company’s projects and programs
» Making an account of the company’s initiatives easily accessible and comprehensible
» Offering proxies for performance by linking the company’s efforts to policy-related outcomes

Appendix 1: Selected Guidance Frameworks

The following guide covers existing reporting frameworks on climate policy engagement. Many frameworks address only partial aspects of climate policy engagement, such as policy engagement only. Frameworks can be referenced by the color-coded key. Frameworks that do not have a color code, such as the Ceres and ACCA Sustainability Awards criteria, are relevant to sustainability.

Source	Indicator(s)
	Key: ● (red) **Climate**: focus on GHG management ● (orange) **Policy**: focus on policy-engagement systems ● (green) **Climate Policy**: focus on climate-policy engagement
Association of Chartered Certified Accountants (ACCA) ● ● ●	"Improving Climate Change Reporting" general recommendation (2007):[57] » Disclose what governance structures are in place to oversee the company's lobbying activities and approaches, public statements on any specific lobbying views held, and an overview of what climate-change-related lobbying activities have occurred during the reporting period. "Climate Change: U.K. Corporate Reporting" (2007) says disclosure of company policy commitments is the starting point for good reporting, and that good practice requires supporting climate change science and supporting binding targets for carbon-dioxide reduction.[58]
CDP ● ● ●	Investor Questionnaire (2010) selected questions: » Describe your company's process for identifying significant risks and/or opportunities from climate change and assessing the degree to which they could affect your business, including the financial implications. (2.1) » Does climate change present other significant risks (current and/or anticipated) for your company? (5.1) » Describe how your overall group business strategy links with actions taken on risks and opportunities, including any emissions-reduction targets or achievements, public-policy engagements, and external communications. (9.1) » Do you engage with policymakers on possible responses to climate change, including taxation, regulation, and carbon trading? If so, please describe (9.10 and 9.11) Climate Disclosure Leadership Index (2009) selected question: » Do you engage with policymakers on possible responses to climate change, including taxation, regulation, and carbon trading? If so, please provide details. Performance Score (2009) selected question: » If there is evidence in the company's response that it is engaging with policymakers in such a way as to encourage mitigation of climate change?
Center for Political Accountability ●	Hidden Rivers Trade Association Guidelines (2006)[59] » Adopt principles for political spending to guide the conduct of management and the board. » Report annually to shareholders on payments they make to trade associations and other tax-exempt organizations that are used for political purposes. » Inform their boards of directors of the specific political spending and political activities of trade associations of which the company is a member. » Require that their boards of directors oversee and approve this spending. » Insist that trade associations of which they are members inform and consult them of the group's political activities and spending. Companies should drop their memberships in associations that refuse to comply. » Demand that the political spending and activities of trade associations be consistent with the interests of member companies and that they do not pose potential or actual conflicts. » Require trade associations in which they participate to adopt procedures for approval, disclosure, and accounting of their political expenditures. Those procedures should allow a company to know and to withhold support for specific political activity. Code of Conduct for Corporate Political Spending » Political spending shall reflect the company's interests and not those of its individual officers or directors.

- » The company will disclose publicly all expenditures of corporate funds on political activities. The disclosure will include regular reports on the company's website.
- » The company will disclose dues and other payments made to trade associations and other tax-exempt organizations that are or that it anticipates will be used for political expenditures. The disclosures shall describe the political activities undertaken. In the case of trade association payments, the disclosures will involve some element of pro-rating of the company's payments that are or will be used for political purposes.
- » Company disclosure of political expenditures shall include direct and indirect political contributions (including in-kind contributions) to candidates, political parties, or political organizations; independent expenditures; electioneering communications on behalf of a federal, state, or local candidate; and the use of company time and resources for political activity.
- » The board of directors or a committee of the board shall monitor the company's political spending, receive regular reports from corporate officers responsible for the spending, supervise policies and procedures regulating the spending, and review the purpose and benefits of the expenditures.
- » All corporate political expenditures must receive prior written approval from the general counsel or legal department, and the company shall identify all senior management officials responsible for approving corporate political expenditures.
- » In general, the company will follow a preferred policy of making its political expenditures directly rather than through third-party groups. In the event that the company is unable to exercise direct control, the company will monitor the use of its dues or payments to other organizations for political purposes to assure consistency with the company's stated policies, practices, values, and long-term interests.
- » No contribution will be given in anticipation of, in recognition of, or in return for an official act.
- » Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.
- » The company will not pressure or coerce employees to make any personal political expenditure or take any retaliatory action against employees who do not.
- » The company shall report annually on its website on its adherence to its code for corporate political spending.

Political Transparency and Accountability Profile Questions:

Basic Disclosure:
- » Information disclosed on the company website
- » Political contributions policies
- » Political contributions
- » Trade association memberships and affiliations with other tax-exempt organizations

Standards and Oversight Procedures: Do company policies explicitly include the following items?
- » The use of corporate funds for political purposes is prohibited.
- » Political contributions are permitted only through voluntary, employee-funded political action committee contributions.
- » No contribution will be given in anticipation of, in recognition of, or in return for an official act.
- » Company will not reimburse employees directly or indirectly for political donations or expenses.
- » No employees will be pressured to make any personal political expenditure.
- » Political contribution policies are included in a code of conduct.
- » Political contribution policies are disclosed elsewhere on the company website.
- » Political contribution policies include specific criteria for approval of political donations.
- » Prior approval is required for political contributions.

Best in Disclosure Traits (acknowledgments to Aetna, eBay, Hewlett-Packard, and/or Merck for exceeding the common standard for disclosure of political spending):
- » Criteria for assessing candidates
- » Payments to trade associations
- » Political contributions policies

» Standards of business conduct
» Code of conduct
» Contributions to 527 organizations
» Contributions to U.S. state candidates and committees
» Corporate political contributions
» Internal practices and policies regarding lobbying and political activities
» Membership trade associations and payments used for political purposes
» Political contributions and disclosures
» Political contributions and related activity report
» Political contributions policy
» Political (527) organization memberships and dues
» Trade association and coalition memberships and dues

Ceres and ACCA

Sustainability Awards Criteria (2009)[60]

» Publish in CSR/sustainability report an overview of public policy strategy, description of activities undertaken, and views/ statements (Indicator 1.13 for strategy element under "completeness" category [40 percent of total])

Ceres and RiskMetrics

Ceres/RiskMetrics Climate Change Governance Framework[61]

Board Oversight Weight

» Board has explicit oversight responsibility for environmental affairs/climate change.
» Board conducts periodic review of climate change and monitors progress in implementing strategies.

Management Execution

» Chairman/CEO clearly articulates company's views on climate change and GHG-control measures.
» Executive officers are in key positions to monitor climate change and manage response strategies.
» Executive officers' compensation is linked to attainment of environmental goals and GHG targets.

Public Disclosure

» Securities filings and/or Management Discussion and Analysis (MD&A) identify material risks and opportunities posed by climate change.
» Public communications offer comprehensive and transparent presentation of response measures.

Emissions Accounting

» Company conducts annual inventory of direct and indirect GHG emissions and publicly reports results.
» Company has set an emissions baseline by which to gauge future GHG emissions trends.
» Company has third-party verification process for GHG emissions data.

Strategic Planning and Performance

» Company sets aggressive, absolute GHG-emissions-reduction targets for facilities, energy use, business travel, and other operations, and achieves these targets on schedule.
» Company has implemented companywide programs to improve the energy efficiency of its operations.
» Company currently purchases renewable energy for a significant portion of its energy use and has set targets to increase future renewable energy purchases.
» Company pursues strategies to maximize opportunities from product and service offerings related to climate change.
» Company has assessed supply chain GHG emissions, engaged with suppliers on controlling emissions, addressed climate impacts of materials/packaging, and improved logistics to reduce emissions.

Climate Counts

Policy Stance Component 2009 (10 percent of overall score):

» Opposes mandatory climate action by business (-10 points)
» Silent on the issue of mandatory climate action by business (0 points)

	» Generally supports reduction-oriented climate policy, or is active in local, state, regional, or federal programs for goal-setting and GHG emissions tracking (e.g. EPA Climate Leaders, California Climate Action Registry, etc.) (1 point) » Has supported local policy initiatives on mandatory corporate climate action (2 points for a single substantive local initiative; 3 points for multiple local initiatives) » Has supported state or provincial policy initiatives on mandatory corporate climate action (4 points for a single, substantive state/provincial initiative; 5 points for multiple state/provincial initiatives; 6 points for large-scale regional initiative) » Has supported mandatory corporate climate action through one major federal-level initiative (e.g. USCAP, BICEP, or lobbying for federal legislation) (7 points), two federal-level initiatives (8 points), three federal-level initiatives (9 points) » Has shown its support for mandatory corporate climate action through a major international initiative (10 points)
GRI	Selected reporting guidelines: » Total direct and indirect GHG missions by weight (EN16, core) » Other relevant indirect GHG emissions by weight (EN17, core) » Initiatives to reduce GHG emissions and reductions achieved (EN18, additional) » Public policy positions and participation in public policy development and lobbying (SO5, core) » Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country (SO6, additional)
Green Alliance	General suggested disclosures on company website: » Affiliations to trade associations and other alliances » Position in relation to trade associations where there are significant discrepancies with company CSR policy » All consultation submissions » Policy positions advocated on environmental and social issues material to the core business, with a justification of their definition of materiality
Institutional Investors Group on Climate Change	Climate Risk Disclosure Initiative (outline of general guide): » Emissions disclosure » Strategic analysis of climate risk and emissions management » Regulatory risks » Other risks
SEC's Global Framework for Climate Risk Disclosure	SEC 10-K report areas with potential climate risk and mitigation relevance: » Appendix » Item 1 (Rule S-K Item 101) » Item 1A (Key Risks) » Item 7 (Rule S-K Item 303) (MD&A)
United Nations Global Compact and AccountAbility	"Reporting in Influence" general recommendation: » Identify the most effective methods of reporting (e.g. annual reports, regularly updated website), then identify a limited number of input and output indicators for lobbying activity on the area, and then use existing GRI approach

Appendix 2: Reporting Practices by Industry

The following is a partial list of companies assessed for this report, which represents policy- and climate-related industry influence.[†]

Company	Headquarters	Reporting Framework					Reporting Channel								
		Annual Report (climate OR policy)	Website (climate policy)	CDP "CDP7" Submission	UNGC "COP" Submission	Special Report	Policy Overview ("Code of Conduct")	Policy Overview ("Policy-as-CSR-Lever")	Climate Overview	Climate Policy Overview	CDP "28.1" Climate Policy Response	GRI G3 Index	GRI G3: GHG Emissions (EN16-8 or similar)	GRI G3: Public Policy (SO5-6)	GRI G3: Public Policy (SO5-6), link to climate
Agriculture, Food, and Beverage															
Starbucks	US	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
Unilever	UK	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting limited	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
Consumer Products															
Nike	US	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting not evident	Reporting limited	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
Gap Inc.	US	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting not evident	Reporting limited	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
Energy															
PG&E	US	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting not evident
Sasol	ZA	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting not evident
Financial Services															
Deutsche Bank	DE	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
HSBC Holdings	UK	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting not evident	Reporting limited	Reporting not evident	Reporting limited	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
Info. & Communications Technology															
Nokia	FI	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
Canon	JP	Reporting evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting not evident	Reporting not evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting not evident	Reporting evident	Reporting evident	Reporting limited	Reporting not evident
Media & Entertainment															
News Corp	US	Reporting not evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting not evident	Reporting not evident	Reporting not evident
Vivendi	FR	Reporting evident	Reporting not evident	Reporting evident	Reporting not evident	Reporting not evident	Reporting not evident	Reporting not evident	Reporting not evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting not evident
Mining & Industrial Processing															
Rio Tinto	UK/AU	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident
Vale	BR	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting evident	Reporting not evident

Key:

- Reporting evident
- Reporting limited
- Reporting not evident

[†] Composite of industry leaders as defined by top three ranking placement in company size (Forbes Global 2000), brand value (Interbrand brand rankings), political expenditures (Center for Public Integrity's Top 100 Lobbying companies), and/or Excellent CSR Reporting (Ceres' Sustainability Reporting Awards finalists) by industry, plus notable emerging market pioneers (first and only eight China-based CDP reporters).

Reporting Practices by Industry (continued)

Company	Headquarters	Reporting Framework: Annual Report (climate or policy)	Website (climate policy)	CDP "CDP7" Submission	UNGC "COP" Submission	Special Report	Reporting Channel: Policy Overview ("Code of Conduct")	Policy Overview ("Policy-as-CSR-Lever")	Climate Overview	Climate Policy Overview	CDP "28.1" Climate Policy Response	GRI G3 Index	GRI G3: GHG Emissions (EN16-8 or similar)	GRI G3: Public Policy (SO5-6)	GRI G3: Public Policy (SO5-6), link to climate
Pharmaceuticals & Biotechnology															
Bayer	DE														
Bristol-Myers Squibb	US														
Transportation & Logistics															
Deutsche Post World Net	DE														
A.P. Moller-Maersk	DK														
Industrial & Conglomerate															
General Electric	US														
BROAD Air Conditioning	CN														

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