

A Review of CA100+ Company Disclosures on Industry Association Lobbying

Methodology Document

Introduction

Engagement with companies over their lobbying practices is now firmly on the investor agenda on climate change. It is an integral part of the *Climate Action 100+ (CA100+)* investor-engagement process (now 545 investors with a total of \$52 trillion in signatory assets under management) and has been the subject of numerous shareholder resolutions at companies such as BHP, Chevron and Woodside.

InfluenceMap maintains the world's largest database of lobbying on climate by companies and industry associations. Our ranking and scoring of CA100+ companies *can be found here*. Using this database, InfluenceMap released a *report* in April 2021 assessing the emerging trend of corporate disclosures on industry association alignment. This analysis is updated on an on-going basis as new disclosures are released, available on our dedicated CA100+ webpage *here*. This document summarizes the methodology used as part of this analysis.




Background

Several investor-representative groups (e.g. *PRI, IIGCC, and CERES*) have formalized sets of expectations regarding how companies should manage their climate policy engagement processes. These documents broadly align with the CA100+ requests of companies and can be summarized as follows:

- **Paris-Aligned Advocacy:** Adopt climate policy positions in line with the Paris Agreement and engage accordingly.
- **Disclosure:** Full transparency of climate policy positions, policy engagement, industry association memberships, misalignments on climate policy and remedial plans to address misalignment.
- **Policy Alignment Process:** Adopt good governance of climate policy engagement processes and industry association links such as audits, as well as further actions to ensure consistency between the company's stated climate goals and its policy engagement activities, including the lobbying activities of its industry associations.

In March 2021, the CA100+ released the first edition of its *Net-Zero Company Benchmark*, which assessed the focus companies on the key priorities of the initiative. This included high-level indicators determining whether a company has made a commitment to lobby in line with the goals of the Paris Agreement or to ensuring its trade associations are likewise aligned.

InfluenceMap’s *Review of CA100+ Company Disclosures on Industry Association Lobbying* focuses on the ‘Disclosure’ and ‘Policy Alignment Process’ of CA100+ companies, with the aim of providing insights on the extent to which investor expectations have been met by these disclosures and what constitutes good practice in this area. This assessment is benchmarked against the formal expectations of *PRI, IIGCC, and CERES* using the following traffic light system.

Key	Explanation
	Has broadly met investor expectations in this area.
	Has made some progress on investor expectations in this area, but with significant deficiencies.
	Has fallen short of investor expectations in this area.

The scope of this analysis is limited to CA100+ companies that have disclosed explicit **reviews of alignment** between their climate policy positions and the lobbying of their industry associations. Companies that have produced more limited disclosures, for example, only covering corporate participation within industry associations, are not included.













Assessing Disclosures

Since BHP's 2017 industry association review, around 20 major global corporates have delivered similar, specific disclosures on their industry association links in response to investor pressure. This positive momentum is undermined, however, if the resulting disclosures are of poor quality.

In its *'Investor Expectations on Corporate Climate Lobbying'* report, the PRI highlights the need for disclosure on the company's positions and activities on climate change policy engagement, as well as the positions and activities of the industry groups it supports. The PRI further requests information on the governance processes and actions taken to ensure alignment between these activities and the company's stated climate goals. *IIGCC* and *Ceres* articulate similar expectations, also requiring companies to disclose a material impact assessment of lobbying by an organization that opposes their public position. InfluenceMap uses the following assessment criteria to test the clarity, accuracy and scope of information provided by companies against four key issues:

- Detailed disclosure of the company's own climate policy positions and influencing activities beyond 'top-line' climate statements;
- Detailed disclosure of their industry associations' climate policy positions and influencing activities beyond 'top-line' climate statements;
- Disclosure of a clear framework to assess alignment with its industry associations on climate policy engagement, including a clear and detailed explanation of how it has been applied to each group;
- Disclosure of a clear framework for addressing misalignments with its industry associations, including escalating steps and clear deadlines attached (the formalized expectations outlined by *PRI*, *IIGCC* and *Ceres* include several steps a company can take to address misalignment).

Table 1: Assessment criteria for assessing disclosures

Disclosure Item	Score	InfluenceMap's Assessment Criteria
Corporate climate policy positions and influencing activities		The company has disclosed a detailed and clearly referenced breakdown of its own climate policy positions and influencing activities beyond 'top-line' climate statements. This includes descriptions of the company's positions and policy engagement activities on specific items of regulation and legislation which are material to the company's operations, business sector, and/or the region(s) in which it operates.
		The company has disclosed a breakdown of its own climate policy positions and influencing activities. However, the company's description of its positions and policy engagement activities on specific items of regulation and legislation lacks detail, and/or the company has not disclosed its position and engagement activities on key items of regulation and legislation which are material to its operations, business sector, and/or the region(s) in which it operates.
		The company has made no attempt to disclose its climate policy positions and influencing activities, or the company's disclosure is limited to a brief overview of its 'top-line' climate statements and operational commitments without reference to specific items of regulation and legislation.
Industry association climate policy positions and influencing activities		The company has disclosed a detailed and accurate account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, including descriptions of positions and policy engagement activities on specific items of regulation and legislation beyond 'top-line' statements.
		The company has disclosed an account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, beyond 'top-line' statements. However, the disclosure lacks detail on positions and policy engagement activities on specific items of regulation and legislation, and/or does not disclose evidence of negative climate lobbying by one or more of its industry associations.
		The company has not disclosed the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, and/or the company's disclosure is limited to a brief overview of 'top-line' climate statements without reference to specific items of regulation and legislation.
Alignment assessment method		The company has: (1) disclosed a clear and detailed framework for assessing alignment with its industry associations across all relevant areas of policy engagement; (2) consistently applied this framework across <i>all</i> industry associations; and (3) provided a clear and detailed explanation behind each evaluation.
		The company has disclosed a framework for assessing alignment with its industry associations but the disclosure lacks detail regarding <i>one</i> of the above steps (1-3).
		The company has not disclosed a framework for assessing alignment with industry associations, or it has disclosed a framework but the disclosure lacks detail regarding <i>more than one</i> of the above steps (1-3).
Framework for addressing misalignment		The company has disclosed a clear and detailed framework for addressing misalignments with its industry associations including escalation steps and clear deadlines for industry associations which do not amend misaligned practices.
		The company has disclosed a clear and detailed framework for addressing misalignments with its industry associations including escalation steps, but there are no clear deadlines for industry associations which do not amend misaligned practices.
		The company has not disclosed a framework for addressing misalignments with its industry associations, or the company has disclosed a framework but the steps are ambiguous and lack sufficient detail.

Assessing Policy Alignment Process

As well as transparent disclosures on industry group links and lobbying activities, the investor expectations communicated by *PRI*, *IIGCC* and *Ceres* also set out the need for robust processes to ensure alignment between the company's stated policy positions and the positions and lobbying activities of their industry groups. These processes consist of the following three elements:

- **Identify and Assess:** Undertake an initial review process to identify and assess alignment between the company's climate positions and the climate positions of its industry associations. It is clear from the investors' stated principles that companies are expected to identify and assess where their industry associations are lobbying in a way counter to the Paris Agreement. InfluenceMap, with reference to its own database that covers over 150 key industry associations actively lobbying on climate-related policy globally, has scored companies on the quality of these assessments.
- **Monitor and Review:** Companies should have ongoing processes to monitor and review its industry associations' lobbying activities and alignment with its own climate positions. This review process should take place at least once a year and the results should be disclosed publicly.
- **Act:** Companies should demonstrate evidence of action to address all cases of potential misalignment. InfluenceMap has scored companies with reference to its own database on corporate and industry group climate change lobbying, using a benchmark of Paris-aligned climate policy.

Table 2: Assessment criteria for assessing policy alignment process

Alignment Process	Score	InfluenceMap's Assessment Criteria
Identify & Assess	Green	The company has identified all cases of misalignment with its industry associations and the Paris Agreement in line with InfluenceMap's <i>database</i> on corporate lobbying.
	Yellow	The company has not identified key cases of misalignment with the Paris Agreement in line with InfluenceMap's <i>database</i> on corporate lobbying. Companies are scored in this category if they miss up to three cases of "potential" misalignment (industry associations with Organization Scores 51-75 in InfluenceMap's database).
	Red	The company has not identified key cases of misalignment with the Paris Agreement in line with InfluenceMap's <i>database</i> on corporate lobbying. Companies are scored in this category if they miss one case of misalignment (industry associations with Organization Scores 0-50) or more than three cases of "potential" misalignment (industry associations with Organization Scores 51-75 in InfluenceMap's database).
Monitor & Review	Green	The company has published a review of industry associations on an annual basis, has committed to do so at least once a year, or is/has committed to disclose regular updates on its review and alignment process. Updates should accurately report on relevant material and on-going lobbying activities of potentially misaligned industry associations, as well as the company's alignment and engagement with the industry association concerning these activities.
	Yellow	The company has committed to publish an update to its review of industry associations but not an annual basis or not specified a timeframe.
	Red	The company has not committed to any follow-up processes as part of its review of industry associations.
Act	Green	The company has shown evidence of action to address all cases of misalignment with its industry associations and the Paris Agreement, in line with InfluenceMap's <i>database</i> on corporate lobbying. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations.
	Yellow	The company has shown some evidence of action to address cases of misalignment with its industry associations and the Paris Agreement, but has not addressed key cases of misalignment or "potential" misalignment identified by InfluenceMap's <i>database</i> on corporate lobbying, i.e. industry associations with Organization Scores 0-75 in InfluenceMap's database. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations.
	Red	The company has shown no or limited evidence of action to address cases of misalignment with its industry associations and the Paris Agreement, missing key cases of misalignment or potential misalignment identified in InfluenceMap's <i>database</i> on corporate lobbying, i.e. industry associations with Organization Scores 0-75. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Action will be scored under this category if it does not include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations.