InfluenceMap's Response to Consultation on Climate-related Financial Disclosure

February 2023

About InfluenceMap

InfluenceMap CIC is a global think tank providing publicly available data on corporate performance on climate change to investors and other stakeholders. InfluenceMap's "LobbyMap" platform is the world's only database assessing corporate climate policy engagement, now covering over 450 companies and 200 industry associations globally.

LobbyMap analysis is used to inform the global institutional investor community on how entities are impacting climate change. InfluenceMap is part of the Technical Advisory Group for the Climate Action 100+, an investor-led initiative made up of 700 global investors who are responsible for more than $68 trillion in assets under management across 33 markets. InfluenceMap's analysis has featured in over 4,000 media articles, particularly in the financial and business press.

Introduction

Corporate policy engagement has been identified by the investment community as a major risk to company-level and system risk management on climate change. Corporate policy engagement can be associated with words including "lobbying", "advocacy" and "political activity". InfluenceMap uses the 2013 UN *Guide for Responsible Corporate Engagement in Climate Policy* which defines activities that classify as corporate climate engagement, including direct contact with regulators, social media communications, and public relations.

Despite multi-year efforts to increase disclosure of corporate policy engagement through transparency instruments and investor-led voluntary disclosure initiatives, information disclosed by the corporate sector on climate policy influencing activities remains incomplete and, at times, misleading. The following response aims to provide the Treasury with an evidentiary base to understand why a comprehensive picture of corporate climate policy engagement is material to investors and should be included in final guidance.

In its December 2022 consultation paper on "Climate-related financial disclosure", the Australian Government identified the need for disclosure obligations that "provide investors with decision-useful information about the financial risks that firms face from climate change and provide regulators with information to identify and manage systemic risks". The Treasury has set a number of "reform principles" that will guide climate-related financial disclosure reforms and the design of new requirements.

In line with these principles and strong existing investor demand, InfluenceMap proposes that corporate climate policy engagement is included as a key disclosure focus area in Australia's new climate-related financial disclosures. This paper presents detailed recommendations (Part 1), evidence of how this information would directly assist with Australia's transition to net-zero by 2050 (Part 2), the flow of information available to address climate-related risks and the materiality of this information to investors (Part 3), and its alignment with international reporting practices (Part 4).

1. Recommendations

InfluenceMap proposes that companies under Australia's climate-related financial disclosure should report on the following core areas. The following requirements are based on the *Global Standard on Responsible Climate Lobbying*, an initiative launched by investors with the aim to drive a step-change in the commitment of investors and companies to responsible climate lobbying. InfluenceMap proposes these should be considered minimum standards:

- **Policy engagement governance**: Which board and senior management representatives are responsible for oversight of climate policy engagement, and what review processes are in place to set the company's strategy for climate policy engagement.

- **Policy engagement activity**: All climate advocacy positions held by the company, and what policy engagement activity has been conducted on these positions, both directly by the company and by third parties it funds and/or is a member of, such as industry associations.

- **Policy engagement alignment**: Assessments of alignment between (i) the company's overall climate strategy and its climate policy engagement and (ii) the company's direct climate policy engagement and its indirect policy engagement conducted by third parties it funds and/or is a member of.

Net zero transition plans are emerging as the leading format for relevant climate information disclosure. For example, at COP27 the *UN High-Level Expert Group* (HLEG) delivered its *Integrity Matters* report on the net-zero commitments of non-state entities, and called on companies to provide information on external policy and engagement efforts in the context of net-zero transition plans (Recommendation 6). The UK Transition Plan Taskforce has developed a leading example of how this *disclosure framework* could be structured in a net zero transition plan context, incorporating key linkages between policy engagement and corporate-level emissions reduction planning.

InfluenceMap's recommendations below incorporate investor input and are informed by current company best practice on demonstrating alignment of policy engagement with net-zero commitments. These detailed disclosures would ensure stakeholders are able to effectively scrutinize the alignment of policy engagement activities as part of net-zero pledges.

1. Publish an **annual disclosure of the company's engagement with existing climate policy globally**, including: (a) direct policy engagement - the advocacy positions on all climate policies material to its operations (b) indirect policy engagement - the climate advocacy positions of third parties (e.g. industry associations) the actor is a member of, (c) an assessment of any misalignment between the company's direct engagement and the activity of industry associations, including actions

taken to address these misalignments, (d) governance of the organization's policy engagement process, including the role of boards and senior management in decision-making and oversight.

2. Describe what **future climate policy assumptions** underpin the company's net-zero plan and the company's position in relation to these policies, including: (a) a list of future policies by 2030 and 2050 that the company supports e.g. specific carbon price, phase out of internal combustion engine vehicles / fossil gas boilers, (b) a description of how the policies would impact the company's ability to reach net-zero, including if a policy did not materialize. Companies should ensure their policy assumptions are aligned with the goal of restricting global temperature rise to 1.5C above preindustrial levels and the IPCC's guidance on the policies and transition pathways required to meet it.

The following sections go into detail how the recommendations and inclusion of corporate climate policy engagement respond to the Treasury's "reform principles" and why it should inform the design of the new regulatory framework.

2. Support Australia's transition to net-zero by 2050

The IPCC's 2018 *special report* on 1.5C warming, noted that moving towards 1.5C pathways, or the equivalent of achieving net-zero carbon dioxide emissions globally in the early 2050s, implies "stringent and integrated policy interventions", while the IPCC's 2022 AR6 working group three report provides detailed, sector by sector guidance on the sorts of policies, incentives and regulations likely to be needed to deliver the Paris Agreement's goals. The IPCC has also identified "opposition from status quo interests" and "incumbent" fossil fuel interests "exerting political influence" over the policymaking process (Mitigation of Climate Change, April 2022) as a key barrier to progress towards delivering the Paris Agreement's goals. This finding has also been identified by international organizations, such as the OECD, in its 2021 *report* "Lobbying in the 21st Century".

This opposition is not uniform, and some companies have adopted leadership roles *advocating* for increased climate policy ambition. However, InfluenceMap's analysis of the largest companies globally finds a trend of statements made by companies and industry associations communicating support for net-zero emissions by 2050, while engaging against science-based pathways to achieve this goal. In January 2022, 52% of the 167 ClimateAction100+ focus companies (representing up to 80% of global corporate industrial greenhouse gas emissions) had *adopted* a net-zero commitment, yet InfluenceMap's analysis of these entities' climate policy engagement *found* that only 6% of ClimateAction100+ focus companies are fully aligned with the Paris Agreement in their policy engagement activities. InfluenceMap's analysis has also *shown* that, out of the 25 most negative and influential companies globally, a total of 20 have also communicated net-zero targets.

In Australia, InfluenceMap's research shows corporate policy engagement is having significant, negative consequences for climate policy. For example, of the 14 policies used as case studies and analyzed by

InfluenceMap[1], 6 have been repealed, weakened, or blocked from ambitious reform following overwhelmingly negative policy engagement from the corporate sector. InfluenceMap's *policy tracker page* shows the quantitative discrepancies in support / opposition for federal and state-level policies, using aggregated publicly available evidence since 2017. Without these policies to facilitate green markets, companies are very unlikely to be able to align their future business strategies with their own climate or net-zero targets, with very significant implications for their companies.

Australia Case Study

A recent example of negative policy corporate engagement in Australia is the Safeguard Mechanism Reforms, the main climate policy in Australia. This policy aimed to apply a greenhouse gas emissions limit to the country's largest industrial emitters, and obliged facilities to purchase Australian Carbon Credit Units (ACCU) if they exceed this limit. The *original consultation paper*, released in August 2022, stated that there may not be a need for further price stability measures to be included to protect participants from future rising compliance costs. However, the *proposed reform* released in January 2023, includes a price cap of $75 per ton on Australian Carbon Credit Units (ACCU's), which can be used to meet Safeguard obligations. The inclusion of a price cap appears to be a response to positions advocated by industry to limit the ambition of the policy. For instance, in *Whitehaven's initial consultation response*, it refers to the lack of details on how price risk will be managed, and then suggests this could take the form of a price cap. The Minerals Council of Australia also *advocated* for a price cap in its consultation submission, and then *welcomed* the announcement of the inclusion of a price cap. Glencore also *called* for a price cap in its initial consultation submission.

Given that corporate policy engagement has the potential to undermine or weaken policies to deliver Australia's net zero target, investors need granular information on this element of corporate climate activity. Investor demand for this material information is covered in detail in the section below.

3. Improve information flows and materiality to investors

In the Call for Evidence, the Treasury acknowledges the need for reforms to "deliver clear improvements in the quantity, quality, and comparability of disclosures" and "strengthen transparency and improve the flow of useful information to investors". Understanding corporate engagement with climate policy represents increasingly material information for investors.

i. Materiality of the issue to companies

[1] The 14 policies selected represent policies with a high level of public engagement from companies and industry associations according to InfluenceMap's database both at federal and state-level from 2009 to 2022.

As early as 2011, researchers from Harvard Business School argued[2] that understanding physical emissions from a company represents an incomplete picture and that corporate policy impact could far outweigh that of its emissions. A series of recent developments, bulleted below, highlight the materiality of the issue as a material risk for both companies directly and investors through exposure to these companies:

- InfluenceMap's concept of a company's *Corporate Carbon Policy Footprint* (2017) and subsequent *analysis* from 2022 has provided increasing clarity on the material impact of policy engagement. For example, the 2019 report Trade Groups and their Carbon Footprints showed the huge economic and social impact of industry-led climate regulatory rollbacks in the US from 2016-2019, utilizing analysis from the NYU School of Law. In the same year, Kyle C. Meng and Ashwin Rode calculated[3] that policy engagement on the U.S. Waxman-Markey Bill in 2009 has so far resulted in $60 billion in climate costs to society.

- The automotive sector, particularly in the wake of the "Dieselgate" scandals, provides telling case studies as to how a deeper understanding of corporate policy engagement could have served to protect investors from material loss. While the Volkswagen Group presented itself as a climate and sustainability leader, its actual policy engagement represented dramatically different behavior. A lack of understanding as to how the company (along with others in the sector) was managing regulatory risk shocked shareholders and resulted in an SEC lawsuit (March 2019). It is noted that Volkswagen chose to defraud NOx related rules to comply with increasingly stringent and climate-motivated CAFE efficiency standards in the US.

- Legal action has emerged as a route to address issues stemming from corporate communications around climate action, for example emerging cases that relate to 'greenwashing'. In 2019, Massachusetts Attorney General Maura Healey filed a civil suit against ExxonMobil, *Commonwealth of Massachusetts v. ExxonMobil Corporation* (October 2019), alleging a wide range of violations of the state's consumer and investor protection laws. The lawsuit accuses ExxonMobil of intentionally misleading consumers in the state about the central role its fossil fuel products play in causing climate change and misleading Massachusetts investors about material climate-driven risks to its business, referencing InfluenceMap *research*. A similar lawsuit was *filed* in France against Total Energies in 2022, which alleged that Total Energy's advertising campaign misled French consumers and that its claims to aim for net-zero by 2050 were false. In another lawsuit *filed* in Australia in 2022, Santos is being taken to court over similar claims. These followed similar approaches, for example *City of Oakland and City and County of San Francisco v. BP, Chevron Corporation, ConocoPhillips, ExxonMobil, Royal Dutch Shell (RDS)* (October 2017) and *Petition to the Commission on Human Rights of the Philippines Requesting for Investigation of the Responsibility of the Carbon Majors for Human Rights Violations or Threats of Violations Resulting from the Impacts of Climate Change* (Dec 2015).

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[2] What Environmental Ratings Miss, Auden Schendler and Mike Toffel, October 2011
[3] The social cost of lobbying over climate policy, Kyle C. Meng and Ashwin Rode, May 2019

- In similar lines, addressing greenwashing has been a global regulatory priority during 2022. In May 2022, the Securities and Exchange Commission (SEC) in the US proposed *rule changes* to categorize ESG strategies and require enhanced disclosure by funds and advisers. The SEC also proposed *rule changes* to address fund names that "are likely to mislead investors about a fund's investments and risks". In October 2022, the UK's *Financial Conduct Authority* (FCA) proposed new measures including investment product sustainability labels and restrictions and how terms like ESG, green and sustainability can be used. In November 2022, the *European Supervisory Authorities* (ESAs) started gathering stakeholder input on greenwashing and how to understand the drivers and risks associated with the objective of informing policy making and supervision and ensuring reliability of sustainability-related claims in the EU.

ii. Materiality to investors

Therefore, accurate information on corporate climate policy engagement is in demand by investors for a variety of reasons and use-cases. InfluenceMap's public facing analysis and scoring of companies on climate policy engagement and its robust uptake by the global investment community suggests corporate policy engagement can be quantified and effectively used by investors. The bullets below provide examples of situations where information on corporate policy engagement is already in use by investors:

- Company risk assessment and portfolio management: The Volkswagen case illustrates the value of understanding accurate policy engagement behavior as a proxy for true management thinking on how the company is approaching risks/opportunities relating to climate change. This is especially true in sectors primarily or heavily driven by regulations such as the Global Industry Classification Standard top level sectors Utilities, Energy, and Materials. For example, the San Francisco Employees' Retirement System (SFERS) utilizes InfluenceMap's metrics to *assess and manage* its oil & gas holdings, and Legal & General Investment Management *incorporates the metrics* in its Climate Impact Pledge scoring.

- Managing systemic risk: Many large, diversified investors (such as pension funds) regard negative policy engagement as a systemic portfolio risk, given that it can lead to delays to policies deemed necessary by governments to reduce the impacts of climate change. This view has been articulated, for example, by a *group of investors* including Sweden's AP7, BNP Paribas Asset Management and the Church of England's Pension Board. AP7 notes: "The importance of climate lobbying has become firmly established as a new norm on the sustainability agenda, but there is still much to do before negative climate lobbying is brought to an end." The fund has blacklisted ExxonMobil, among others, based on climate policy engagement criteria.

- The engagement process: Engagement with companies on their climate policy engagement is a strategic element within the framework of the *Climate Action 100+* (CA100+) investor process, which comprises 700 investors with a total of over $68 trillion in signatory assets under management. 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 expectations require companies to align their policy engagement with Paris targets and ensure good governance, including full disclosure of the entire policy engagement process. In its latest update of its *Investment Stewardship* on corporate political activities in February 2022, the world's largest asset manager BlackRock highlighted that corporate political activities can “create material risks for companies, including certain reputational risks as well as other risks that can arise from the complex legal, regulatory, and compliance considerations associated with corporate direct or indirect (through trade associations) political spending and lobbying activities”.

- The shareholder resolution process: The issue of policy engagement by companies, and the lack of transparency in this area, has driven an increasing number of shareholder resolutions. 38 shareholder resolutions were *filed* on policy engagement in the US, with 17 specifically on Paris-aligned policy engagement. Many of these were withdrawn before the AGMs due to a commitment from the company. Additionally, there were four shareholder resolutions on climate-related policy engagement or advocacy filed in Australia at *Santos*, *Woodside Petroleum*, *Rio Tinto* and *BHP Group* during 2022. So far in 2023, five resolutions have been filed in the US on Paris- or net zero-aligned policy engagement.

iii. Investor demand

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

- Investor recognition of policy engagement as an unaccounted risk has increased sharply, the CEO of the UN Principles of Responsible investment *stating* in August 2021 that “it’s clear the time has come to go further on reforming negative corporate climate lobbying”. In its ongoing *Inevitable Policy Response* project, the Principles for Responsible Investment (PRI) coalition of investors notes that "financial markets today have not adequately priced-in the likely near-term policy response to climate change." The launch of the *Climate Action 100+* in December 2017 established the largest ever global investor engagement initiative on climate change, now comprising 700 investors, responsible for over $68 trillion in assets under management. Focusing on 166 target companies, accounting for over 80 percent of corporate industrial greenhouse gas emissions, the initiative is specifically prioritizing policy engagement disclosure in their *benchmark assessments*, using InfluenceMap analysis as part of its evaluation.

- The *OECD's Lobbying In the 21st Century report* (2021) highlighted the extent of investor attention on climate policy engagement, and found that “This higher level of scrutiny needs to be accompanied by better standards and accountability mechanisms to ensure that lobbying activities do not conflict with companies’ broader societal engagements. While numerous benchmarks are used to measure companies, if applied inconsistently, they can prevent forming a coherent and comprehensive approach, leaving too many companies with too many risks and uncertainties”.

- In the absence of an effective disclosure framework for policy engagement at public sector level, a broad spectrum of voluntary guidance frameworks have been developed that reference climate-related engagement with the public sector. The emergence of these frameworks highlights the clear investor concern for the issue of climate policy engagement. Examples of voluntary frameworks include the *Glasgow Financial Alliance for Net Zero* (GFANZ), *CDP*, *Climate Action 100+* (CA100+). Several of these frameworks are also led by investor-representative groups (e.g. *Principles for Responsible Investment* (PRI),the *Institutional Investors Group on Climate Change* (IIGCC), the *Interfaith Center on Corporate Responsibility* (ICCR), and *CERES*, which have formalized sets of expectations regarding how companies should manage their climate policy engagement processes. In March 2022, a group of investor convenors collaborated to launch a joint *Global Standard on Responsible Corporate Climate Lobbying*, which calls on companies to publicly commit to aligning climate policy engagement – both directly and through the use of third party organizations – with the goals of the Paris Agreement and limiting temperature rise to 1.5C in line with net-zero by 2050.

- InfluenceMap engages extensively with investors directly on the topic of climate policy engagement, with over 600 site registrations in 2022 and over 480 meetings with the investment community. *Feedback* from investor networks and investors have consistently highlighted the value of comprehensive data around corporate climate policy engagement in assisting engagement with companies. The *Investor Group on Climate Change* (IGCC), a collaboration of Australian and New Zealand institutional investors, has highlighted the increasing investor scrutiny around "corporate lobbying practices and [in assessing] whether their portfolio companies and industry associations are supporting or attempting to weaken climate policies". HSBC has also highlighted the practical use of this information given that "[b]eyond engagement, corporate behavior in key areas such as lobbying is also taken into account when we consider voting at AGMs."

iv. Regulated policy engagement disclosures in Australia

In order to effectively undertake effective climate policy engagement stewardship, investors require comprehensive, timely and directly comparable information, provided on a company-by-company basis. However, while some voluntary initiatives show promise in certain areas, existing disclosure frameworks do not fulfil investor needs, providing incomplete and sporadic information across a multitude of platforms (regulated and voluntary).

Existing efforts seek to bridge these gaps and collate the available information in a format that can be used by the investment community. For example, InfluenceMap does this for 450 of the world’s largest companies, supplementing disclosed policy engagement with an independent assessment of all other publicly available evidence of policy engagement. This independent analysis plays a crucial role in verifying direct company disclosures which have been found to be incomplete and often misleading. However, this effort is fundamentally limited by i) the scope and efficacy of regulated policymaker-level policy engagement registers in different geographies, (ii) the extent of participation in and quality of voluntary disclosures, and (iii) the lack of mandatory policy engagement disclosure within company reporting.

As *noted* by the OECD, all Australian jurisdictions but the Northern Territory have introduced policy engagement disclosure frameworks for third-party lobbyists. For instance, the latest was introduced in New South Wales in 2018, including a Lobbyist Code of Conduct and a Register of Third-Party Lobbyists. However, huge gaps still exist in the extent of disclosure of policy engagement activities. For example, the OECD has highlighted that transparency requirements in Australia explicitly exempt communications made in response to a public official strictly requesting factual information as well as communications in which all elements of the consultative process are made public (e.g. parliamentary committee hearings). Most importantly, the narrow coverage of Australian policy engagement regulation is restricted to third party lobbyists, which *excludes* up to 80% of those who lobby government.

Additionally, the OECD's report clearly highlights the extent to which the current regulatory framework falls well below what is necessary regarding climate policy engagement. More specifically, it highlights the extent of investor attention on climate policy engagement and finds that a “higher level of scrutiny needs to be accompanied by better standards and accountability mechanisms to ensure that policy engagement activities do not conflict with companies’ broader societal engagements. While numerous benchmarks are used to measure companies, if applied inconsistently, they can prevent forming a coherent and comprehensive approach, leaving too many companies with too many risks and uncertainties”.

v. Limitations of voluntary disclosures

As referred to above, in the absence of an effective disclosure framework for policy engagement at public sector level, voluntary guidance frameworks have been developed that reference climate-related engagement with the public sector. However, InfluenceMap’s analysis has shown that disclosure via these voluntary frameworks tends to be seriously insufficient, with companies failing to provide robust and transparent information on their policy engagement activities to the investment community. InfluenceMap’s assessments of over 450 companies found that less than 5% of companies fully disclosed their policy engagement activities in 2021, while over 80% provided disclosures that were largely unsatisfactory, incomplete or hard to access. This low success rate appears to be due to a lack of an incentive structure to ensure companies disclose accurately on these questions.

Progress is being made on this front by the Climate Action 100+ initiative, which combines voluntary disclosures with independent assessments by InfluenceMap to test the disclosures and verify their accuracy. This information is used by investors, in the initiative in their engagement activities and shareholder resolutions, to drive better corporate standards on policy engagement. By combining disclosure with independent verification, this approach attempts to create an incentive structure for the companies to disclose accurately. This approach would be significantly strengthened by robust standards for policy engagement disclosure, as companies would have a regulatory incentive to disclose fully, with heightened implications if the disclosure was found by independent assessments to be incomplete.

As an example of corporate responses to investor pressure for increased transparency on climate change policy engagement and alignment between the company and its industry associations' positions, companies have started conducting industry association alignment reviews. Overall, 60 CA100+ companies (including 7 in Australia) have now *conducted an industry association review*, up from 9 at the start of 2020, demonstrating significant uptake of this disclosure route by companies in response to investor demands.

However, InfluenceMap analysis (*here*) indicates that the quality of corporate disclosures on climate policy engagement varies significantly across CA100+ companies, and largely still falls significantly short of investor expectations stipulated by the *Global Standard on Responsible Climate Lobbying*, and additional statements by *PRI*, *IIGCC* and *Ceres* (members of the CA100+ secretariat). This lack of appropriate disclosure from the companies would benefit from a regulatory incentive that would improve this information flow to investors.

Two Australian companies - BHP and Rio Tinto - were the first companies to publish a review following calls from investors for increased transparency over their governance and review processes, in 2017 and 2018 respectively. Both companies have published annual updates to their reviews, and have faced shareholder pressure to strengthen their review processes and take appropriate action at misaligned industry associations. However, both BHP (Review Score of 43/100) and Rio Tinto (50/100) consistently fail to demonstrate to investors that they have a robust and effective process to monitor and review alignment between their climate policy engagement and the 1.5C goal of the Paris Agreement. As a result, BHP and Rio Tinto have failed to identify and take action on misalignments with key industry associations that are actively and strategically holding back ambitious climate policy, both in Australia and globally.

4. Emerging regulatory initiatives to mandate policy engagement disclosure

In response to the demand for this information and the limitations of voluntary disclosures, regulatory initiatives are emerging to mandate policy engagement disclosure at company level.

- The 2022 *UK Transition Plan Taskforce Disclosure Framework* and *Implementation Guideline*, which sets out recommendations for key components of a transition plan, includes two sub-elements referring to policy engagement: one in relation to a company's indirect policy engagement through trade associations ("Engagement with industry", sub-element 3.2) and one in relation to the company's direct policy engagement to public officials ("Engagement with government, public sector and civil society", sub-element 3.3). These recommendations include disclosure requirements around trade association memberships, as well as disclosure on the company's current and planned engagement activities (both directly and through its trade associations) and how these are aligned with the company's strategies and objectives as set out in the transition plan (UK TPT Disclosure Framework, 2022).

- The draft *European Sustainability Reporting Standards* (ESRS), which has been prepared by the European Financial Reporting Advisory Group (EFRAG) and published in 2022, will inform mandatory sustainability disclosure requirements at the EU level. It includes a disclosure requirement under the Governance standard referring to “Political influence and lobbying activities”, asking for disclosure on policy engagement activities, main topics and positions being advocated on.

- The UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities published a *report* at COP27, focusing on policy engagement in one of its 10 recommendations. It states "Non-state actors cannot lobby to undermine ambitious government climate policies either directly or through trade associations or other bodies. Instead they must align their advocacy, as well as their governance and business strategies with their climate commitments." The report also proposed setting up a Taskforce for Net-Zero Regulation to coordinate global initiatives regulating companies on net zero commitments.

5. Conclusion

In conclusion, mandatory disclosure on corporate climate-related policy engagement likely falls within the Treasury’s mandate to deliver guidelines with the purpose of enabling standardized and actionable climate-related disclosures in Australia. Company transparency on climate-related policy engagement enables investors to manage risk, engage with companies, and make decisions about capital allocation. As demonstrated by global initiatives and a strong investor push to streamline disclosures on policy engagement in line with climate goals and objectives, policy engagement disclosure is a key consideration that should inform the design of this new regulatory framework.

As set out in the introduction, InfluenceMap proposes that companies under Australia’s climate-related financial disclosure should report on the following core areas as minimum standards:

- **Policy engagement governance**: Which board and senior management representatives are responsible for oversight of climate policy engagement, and what review processes are in place to set the company’s strategy for climate policy engagement.

- **Policy engagement activity**: All climate advocacy positions held by the company, and what policy engagement activity has been conducted on these positions, both directly by the company and by third parties it funds and/or is a member of, such as industry associations.

- **Policy engagement alignment**: Assessments of alignment between (i) the company’s overall climate strategy and its climate policy engagement and (ii) the company’s direct climate policy engagement and its indirect policy engagement conducted by third parties it funds and/or is a member of.

Transition plans are emerging as the leading format for relevant climate information disclosure. For example, at COP27 the *UN High-Level Expert Group* (HLEG) delivered its *Integrity Matters* report on the net-zero commitments of non-state entities, and called on companies to provide information on external policy and engagement efforts in the context of net-zero transition plans (Recommendation 6).

The UK has developed a leading example of how this *disclosure framework* could be structured, incorporating key linkages between policy engagement and corporate-level emissions reduction planning within transition plans. Similar to the UK TPT's approach, InfluenceMap's recommendations below incorporate investor input and are informed by current company best practice on demonstrating alignment of policy engagement with the Paris Agreement. These detailed disclosures would ensure stakeholders are able to effectively scrutinize the alignment of policy engagement activities as part of net-zero pledges:

- Publish an **annual disclosure of the company's engagement with existing climate policy globally**, including: (a) direct policy engagement - the advocacy positions on all climate policies material to its operations (b) indirect policy engagement - the climate advocacy positions of third parties (e.g. industry associations) the company is a member of, (c) an assessment of any misalignment between the company's direct engagement and the activity of industry associations, including actions taken to address these misalignments, (d) governance of the organization's policy engagement process, including the role of boards and senior management in decision-making and oversight.

- Describe what **future climate policy assumptions** underpin the company's net-zero plan and the company's position in relation to these policies, including: (a) a list of future policies by 2030 and 2050 that the company supports (b) a description of how the policies would impact the company's ability to reach net-zero, including if a policy did not materialize. Companies should ensure their policy assumptions are aligned with the goal of restricting global temperature rise to 1.5C above preindustrial levels and the IPCC's guidance on the policies and transition pathways required to meet it.