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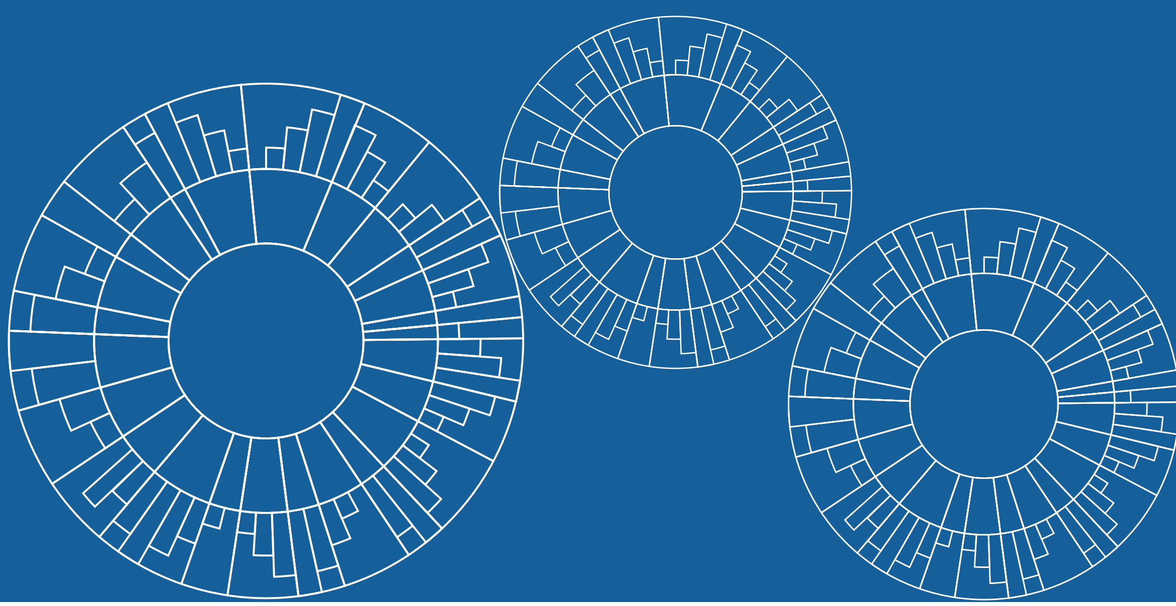
Emerging Trends and Best Practice in Climate Position Statements

How To Write a Credible, Actionable Position on Climate Change



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Emerging Trends and Best Practice in Climate Position Statements

How To Write a Credible, Actionable Position on Climate Change

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Introduction

This guide will help you to develop a credible public position on climate change and climate action. It focuses on emerging trends in climate position statements and makes use of the three-step process (explain the issue, link to your strategy, and commit to credible action) outlined in our Guide on Developing Position Statements on Sustainability Issues.

To assemble this updated guide, we reviewed over 2600 climate change position statements from a wide range of geographies and industries and spoke with over 200 corporate directors and sustainability executives involved in developing climate statements. Through our analysis, we have identified examples of how companies are explaining the issue of climate change, linking the issue of climate to their business strategy, and clarifying their climate commitments.

We hope this guide is helpful to you in constructing your own climate position statement.

Why position statements?

Companies are under increasing pressure to publicly disclose their response to a range of sustainability issues.

In the past, it has been common for companies to issue broad public positions on environmental management, sustainability, or corporate responsibility that address multiple (and often overlapping) environmental, social, and governance (ESG) issues. Too often, the result has been lengthy documents and statements that fail to make a clear strategic connection between specific issues and their implications for business decision-making.

Yet, as stakeholder and rights holder expectations for corporate social and environmental performance expand and intensify, companies are under increasing pressure to clearly convey their position on a range of important sustainability issues and particularly, climate action. Vague statements and lofty commitments are subject to increasing scrutiny. A credible climate position statement specifically addresses your company's understanding of the context in which it operates and clarifies its role and commitments to address these challenges.

In our conversations with leading directors, we heard that by developing credible position statements, focused on specific issues like climate change, boards and executive teams can deepen their understanding of these issues, clarify how they link to the company's overall strategy, provide the direction and confidence for management and employees to act, as well as clarify their position for other key stakeholders. Our conversations surfaced multiple requests for better guidance on how to develop a comprehensive yet concise position statement.

Why a climate change position statement?

The consensus on climate science is unequivocal: it is happening, it is global, the consequences are severe and intensifying, and anthropogenic causes are the driving force. Prompt and effective action from corporations, governments, and communities towards eliminating GHG emissions is not only essential – it's overdue.

The international business community is also witnessing an emergent and related trend across industries: companies voluntarily disclosing their climate-related risks in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and growing expectations by regulators, investors, other stakeholders, and the general public that they do so. As described in the section below, the TCFD aims to bring greater transparency to climate-related risks. Several jurisdictions have enacted or are developing mandatory climate disclosure requirements. In June 2021 the Group of Seven (G7) countries made a commitment to mandatory disclosure. Many other jurisdictions are likely to follow.

Key Disclosure Frameworks

As you develop your climate position statement, you will want to be aware of the evolving landscape around climate disclosure. Here we review three key players shaping the space.

TCFD (The Taskforce on Climate-related Financial Disclosures):

The Taskforce on Climate-related Financial Disclosures (TCFD) was created by the Financial Stability Board to help improve companies' and investors' understanding of the potential financial implications associated with climate-related physical risks and transitioning to a lower-carbon economy and help companies disclose this information in a clear and consistent way within their mainstream filings. After extensive consultation, the TCFD released recommendations that encourage businesses from all sectors to assess and disclose climate-related financial risks, along with their strategies for dealing with the impacts of climate change, and to voluntarily integrate this information into their financial filings and existing disclosures.

The TCFD recommendations place considerable emphasis on undertaking scenario analysis to consider how climate-related risks and opportunities may emerge and evolve to impact business strategy. Companies should describe the resilience of their strategies through climate-related scenarios, including ones that explore the requirements of a 1.5 oC emissions trajectory and the consequences of higher emissions trajectories. These scenarios include looking at the potential impact of carbon regulation and carbon pricing, increasing extreme weather events, and declining access to non-renewable energy sources.

TCFD maintains a resource library that include the recommendations, guidance on implementation, technical supplements on using scenario analysis, and annual status reports. We recommend that you review these documents prior to developing or updating your climate change position statement.

ISSB (The International Sustainability Standards Board):

The IFRS (the body responsible for setting International Financial Reporting Standards for most countries outside of the United States) created the International Sustainability Standards Board (ISSB) to work on consolidating global sustainability reporting requirements from various standards into a unified baseline for reporting.

ISSB launched a new global 'Partnership Framework' for a globally recognised baseline of reporting on climate-related disclosure standards. This framework is designed to ready preparers, investors, and other stakeholders for the implementation of the IFRS Sustainability Disclosure Standards. The IFRS plans to release two standards in 2023: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ("Sustainability Standards") and IFRS S2 Climate-related Disclosures ("Climate Standards").

These two standards aim to bring robustness, consistency, and simplicity to the metrics and targets employed for sustainability and climate-related disclosures, accounting for all of Scope 1, 2, and 3 GHG emissions. The IFRS reiterates the importance of the TCFD and the use of scenario-based reporting on climate resilience and will align with TCFD guidance, which sets out the types of scenario analysis (quantitative, partially quantitative, and qualitative), proposing that at a minimum, an entity will need to undertake a qualitative form of scenario analysis.

CDP:

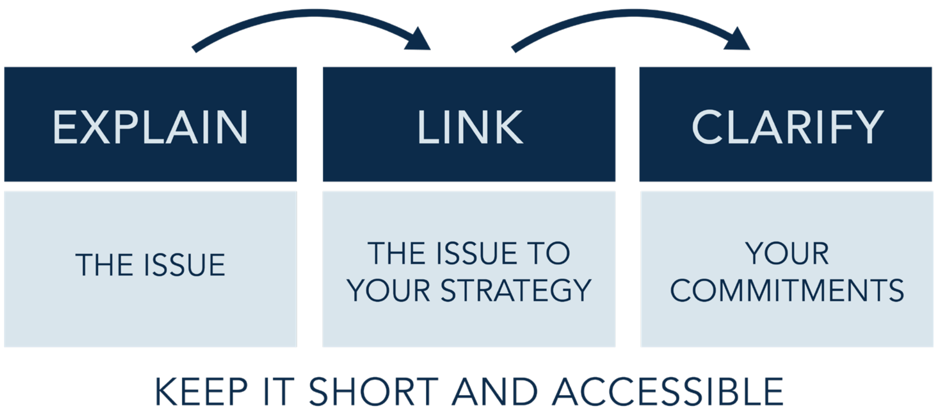
The CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, and other entities related to their environmental impacts. The CDP has announced that for consistency, it will incorporate the guidance of the ISSB into its reporting platform. This will accelerate the adoption of the guidelines and facilitate uniformity across the different disclosures.

SBTi (Science Based Targets Initiative):

The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). The SBTi helps to define and promote best practice in emissions reductions and net-zero targets that align with the recommendations of the Intergovernmental Panel on Climate Change (IPCC).

A growing number of companies are setting or committing to set an emissions reduction target in line with the SBTi's criteria. Note that some companies are choosing to use their own methods to develop their climate goals. Companies that are developing their own goals need to be very clear about how they align with thresholds or limits that support the resilience of social and/or environmental systems; the assumptions, frameworks, and learning that informed it; and how they plan to achieve their goal, including realistic interim targets and the actions and investments required to meet it.

Developing Your Climate Position Statement



Explain the issue

Explain your understanding of climate change and the crisis it creates.

From our review of over 2600 climate position statements, we found that companies now routinely acknowledge their acceptance of climate science, including that rising concentrations of carbon dioxide and other greenhouse gases are causing climate change and that human activities are driving this trend. They also acknowledge that climate change is increasing the occurrence of extreme weather events and that, as a result, the global community is now threatened by significant and potentially irreversible social, environmental, and economic repercussions. They also acknowledge that these effects will be most felt in the poorest countries that have contributed the least to climate change, and that the worst-polluting societies have a responsibility to cut emissions and finance loss and damage.

> *Example 1: "The climate emergency will affect all of us, changing the way we live, work and play. However, some of us are more vulnerable to its impacts, and will bear more of its burdens, while others are better positioned to adapt their lives to the clean economy of the future."*[1] *(Vancity)*

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[1] This position can be found in our Position Database.
Supporting information for this position can be found here.

Example 2: "From wildfires to flooding to extreme heat events and droughts, the impacts of climate-related weather events were felt around the world in 2021. Calls for action on climate change continued to grow, with the World Economic Forum's 2021 Global Risks Report identifying climate action failure as the most impactful long-term risk facing the world."[2] *(Teck)*

Example 3: "The accumulation of greenhouse gases (GHGs) in our atmosphere has led to noticeable changes in natural systems, including changes to migration patterns and growing seasons. Ocean acidification and increasing ocean temperatures are damaging marine ecosystems. Rising sea levels are increasing risks to coastal communities and commercial facilities. Further still, the increased frequency and severity of extreme weather events are putting many more at greater risk, irrespective of location."[3] *(Dell)*

Example 4: "Our shared home, planet Earth, is under growing pressure from climate change caused by increasing concentrations of greenhouse gases in the atmosphere. Global temperatures have already risen 1.1°C since the pre- industrial period, and 18 of the 19 warmest years on record have occurred since 2000, with average temperatures over the past 4 years being the highest ever recorded. Our climate and the conditions for life on Earth are changing, and it is scientifically proven that man-made global warming is responsible for many of these changes. We are already experiencing the consequences of climate change: more wildfires, droughts, floods, extreme heat, accelerated sea level rise, crop failures, irreversible loss of biodiversity and signs of increased migration. According to the IPCC, the frequency and intensity of these events are only going to increase as temperatures rise. To avoid catastrophic consequences for nature, humans, the economy, and our societies, we all have to drastically accelerate action to mitigate climate change. Without further action, temperature increases are on track to reach 1.5°C between 2030 and 2052, and exceed 3°C by 2100 – if not sooner."[4] *(Ørsted)*

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Example 5: "To limit global warming to a maximum of 1.5°C, the world must radically reduce its CO2 emissions starting right now. The warmer climate already affects natural and human systems around the world, such as more temperature extremes, rising sea levels, more heavy rainfall and more frequent and intense droughts. This results in desertification, land degradation, scarcity of clean water, loss of biodiversity, acidification of oceans, declining food security, more inequality – to mention a few. And they all require action. The severity of the changes in our systems will depend on how much the world will heat up. To put it simply, increased global warming will affect this planet more. An increase of 1.5°C will already have an enormous impact on our planet and the effects will significantly be worse with an increase of 2.0°C."[5] (Triodos)

Climate position statements that do not explicitly acknowledge their acceptance of climate change and its impacts are viewed with skepticism by stakeholders, including investors. Further, as more municipalities, regions, and nations declare climate emergencies, companies are facing growing pressure to articulate a position on how they will respond.

Explain the limits that safeguard resilience.

Corporate sustainability leaders are clearly articulating their understanding of the urgency for rapid climate action and the scale of the global transition required to achieve it. Companies now routinely reference the International Panel on Climate Change (IPCC) scenarios, the Paris Agreement, and/or national climate reduction targets when explaining their understanding of relevant limits. Companies are acknowledging the urgency to cut global emissions by 50% by 2030 and to reach net-zero carbon emissions by 2050, and increasingly, net-zero by 2040, as well as making investments in adaptation. Given the outcomes of COP27 and COP28, we anticipate that companies will now increasingly address climate justice, including their role in historical emissions and the need to address loss and damage for the most vulnerable.

Example 1: As the scientific community has concluded, human activity has released more than 2 trillion metric tons of greenhouse gases into the Earth's atmosphere since the start of the First Industrial Revolution in the mid- 1700s. Over three-quarters of this is carbon dioxide, with most of this carbon emitted since the mid-1950s. This is more carbon than nature can re-absorb, and every year humanity

[5] This position can be found in our Position Database.
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pumps more than 50 billion metric tons of additional greenhouse gases into the air. This isn't a problem that lasts a few years or even a decade. Once excess carbon enters the atmosphere it can take thousands of years to dissipate. The world's climate experts agree that the world must take urgent action to bring down emissions. Ultimately, we must reach "net zero" emissions, meaning that humanity must remove as much carbon as it emits each year."[6] (Microsoft)

The 2022 IPCC report, one of the most comprehensive to date, highlights that climate change is already impacting many areas around the world, in ways that are far worse than previously anticipated. The report demonstrates that we are currently on a trajectory to pass the 1.5° limit by 2040 and experience increasingly catastrophic, unavoidable, and irreversible climate impacts. To avoid these impacts, we need to reduce greenhouse gas emissions by 50% by 2030. We also need to adapt to prepare for future disasters and fund loss and damage for disasters that have already happened.

Example 1: "Recent reports have highlighted that the world is falling short of the greenhouse gas emission reductions needed and that the next decade represents a critical window to reduce emissions and be on a path to limiting temperature increase to 1.5°C. That task will get much harder if society doesn't start curbing emissions before the decade ends. By 2050, carbon emissions must fall to zero, or close to it. Failure to act now will put future generations at greater risk from climate change impacts and make achieving the global targets of the Paris Accord more difficult."[7] (P&G)

Example 2: "...[A] growing number of scientists point out that the safe upper limit of global warming is 1.5 degrees Celsius, or around 350 ppm. Scientific research has revealed that the damage caused at a temperature rise of 2 degrees Celsius or more may be much greater than previously assumed."[8] (ASN Bank)

Example 3: "Further, the sixth assessment report from the Intergovernmental Panel on Climate Change (IPCC) signals that climate change is widespread, rapid and intensifying, and predicts that, without drastic action, average global warming of 1.5°C will be reached before 2040."[9] (Teck)

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To help companies set credible net zero targets, the International Organisation for Standardisation (ISO) published a net zero guidelines paper. This paper sets out a common definition for net zero, and high-level principles and reporting criteria.

Ideally, your position statement should explain how your company is conceptualising limits for climate change and your rationale for the limits that you have selected.

> Example 1: "SBTi criteria for setting targets to align the temperature rating of corporate debt and equity portfolios with the ambition of the Paris Agreement include:
>
> - Aligning portfolio scope 1 and 2 temperature score with a minimum well-below 2°C scenario, and in addition aligning portfolio to a minimum 2°C scenario for the scope 1, 2 and 3 by 2040. Alignment with more ambitious scenarios is encouraged. At Danske Bank, we have chosen a 1.5°C trajectory.
> - Committing to reducing portfolio temperature scores so that the bank is on a linear path to the sated goal by 2040."[10] *(Danske Bank)*

Finally, based on your understanding of these limits and the systemic nature of the issue of climate change, you should explain the collective action that needs to be undertaken at a global, national, regional, or local level and what role your own company should play.

Most climate policy statements acknowledge that action must be taken at a global level to reduce atmospheric carbon dioxide, with many companies calling upon governments to create policy frameworks or voicing the need for industry-wide action. We found that leading statements were more specific about their company's role in influencing and collaborating with communities, governments, partners, and competitors, both towards building capacity to address climate change (internally, and within their value chain) and in developing, implementing, sharing, and encouraging emissions reduction plans.

> Example 1: "Industry organisation initiatives provide Dell an opportunity to work with our peers on climate issues. Collaboration can also take the form of collective industry engagement with other climate actors, most notably governmental and policy organisations, and mission-based non-governmental organisations (NGOs). Engagement in other commercial initiatives directly supports Dell's programmatic

[10] This position can be found in our Position Database.
Supporting information for this position can be found here.

goals, as well as enables Dell to support the efforts of key external stakeholders. Lastly, engagement in public-sector and civil society initiatives demonstrates our commitment to supporting global efforts and creates opportunities for us to assist those directly... The scale of climate issues is such that global progress requires significant cooperation between the private and public sectors. Engagement with policymakers and regulators enables Dell to learn how it can best support global efforts, to communicate where external support can make Dell's work on climate more effective, and to work with governments to develop and implement climate solutions."[11] *(Dell)*

Example 2: "All African countries in which Nedbank operates have formally committed to addressing climate change as signatories to the Paris Agreement. South Africa in particular has unacceptably high carbon emissions and urgently needs to reduce its dependence on fossil fuels while adapting to unavoidable climate change impacts. It is the responsibility of all businesses – whether they are carbon-intensive or not – to collaborate with government and other stakeholders to help meet domestic and international objectives."[12] *(Nedbank)*

Note that with rising pressure to disclose Scope 3 (value chain) emissions, expectations will also rise for companies to address how they will collaborate with value chain partners on rapid decarbonisation.

Example 1: "Ørsted will engage its suppliers to reduce carbon emissions from the manufacture and installation of offshore wind farms, run on renewable energy, and set emissions reduction targets aligned with climate science."[13] *(Ørsted)*

Example 2: "We will begin to implement new procurement processes and tools to enable and incentivize our suppliers to reduce their scope 1, 2, and 3 emissions. We will work with our suppliers to implement consistent and accurate reporting and pursue effective steps to make progress against scientifically based targets."[14] *(Microsoft)*

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Link the issue to your strategy

Identify the strategic implications of climate change for your business, including key constraints.

A growing number of companies are realising that they must move beyond the mindset of 'what can we do?' to 'what do we need to do?' and are transparently articulating the impact that climate change could have on their strategy. Industry leaders are acknowledging the constraints and opportunities that may result from adhering to limits, and the unavoidable risks that will result from inaction. In our conversations with senior executives and corporate directors, many expressed strong support for this level of transparency and emphasised the importance of publicly declaring how their company's long-term success is dependent on operating within sustainable social and environmental limits.

> *Example 1: "As a global food company, General Mills recognizes the risks that climate change presents to humanity, our environment and our livelihoods. Changes in climate not only affect global food security but also impact General Mills' raw material supply which, in turn, affects our ability to deliver quality, finished product to our consumers and ultimately, value to our shareholders."*[15] *(General Mills)*

> *Example 2: "We have assessed the risks associated with climate change and their potential impact on our business. Physical risks include supply chain disruption due to severe weather impacting a facility, or commodity disruption for specific geographically concentrated ingredients such as cocoa from West Africa or almonds from California. We have active mitigation plans in place to address and minimize these types of disruptions. Reputational risks could arise from not addressing the emissions in our supply chain. We are doing our part to reach an aggressive greenhouse gas (GHG) emissions reduction target and positively influence the broader value chain."*[16] *(General Mills)*

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Example 3: "The increased frequency and severity of climate-related events, such as extreme weather events, and changes to natural cycles — e.g. rising sea levels, warmer and drier growing seasons and drought — could impact both the Firm's physical assets as well as the physical assets, business models and supply chains of our clients and customers. Losses from these types of climate-related factors are captured through the Firm's operational risk management processes. Our resiliency planning approach focuses on preparing for the impacts to locations, people, technology and vendors. Because JPMorgan Chase has more than 256,000 employees in over 60 countries across more than 5,500 properties, covering nearly 75 million square feet of real estate, extreme weather events have the potential to shut down our branches and office buildings and impact our data centers. Our firmwide business resiliency program assesses, responds to and manages recovery from these types of disruptions. It includes the development and maintenance of resiliency plans, ongoing testing to ensure those resiliency plans work, education of our employees about how they can support and enhance preparedness, and engagement with senior management on all aspects of these efforts."[17] *(JP MorganChase)*

Example 4: "Our changing climate is hindering farmers' ability to grow food for a rapidly-increasing population. Changes in temperature and the frequency and severity of droughts and floods can reduce crop yields. Warmer, wetter climates allow weeds, pests and fungi to thrive, threatening yields. Rising CO2 levels reduce the nutritional value of major food crops."[18] *(Syngenta)*

In alignment with the TCFD recommendations, your company should disclose the climate-related risks it has identified over the short, medium, and long term. It should also explain the strategic impact these risks and opportunities could have on your business and describe not only the climate-resilience of your company under different climate-related scenarios, including a 1.5°C scenario, but also the resilience of your value chain and the environmental and social systems around you.

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> *Example 1: "We analysed three temperature increase scenarios. The first envisages a successful transition to a low-carbon economy in time to keep the temperature rise to 1-2°C by 2100, and assumes a variety of decarbonisation challenges and opportunities relating to ingredients, energy, packaging and transport costs, and changes in demand for our products (to 2030 and 2050). The other two look at the likely effects of varying degrees of continued warming, and the impacts that will arise from the physical risks this presents (to 2030 and 2050). We looked at a moderate warming scenario (temperature rise of 2-3°C), and a severe warming scenario (temperature rise of 4-5°C). For both these warming scenarios, we assessed our assets, supply chain and critical ingredients for financial vulnerability to physical risk… it is highly likely that we will be exposed to both transition and physical risks, and therefore should be prepared for both; and [] that the main impacts on our business, under any of these scenarios, are likely to come from water stress, the cost of decarbonisation and consumer demand for more sustainable offerings."*[19] *(Diageo)*

Your position statement will benefit from performing scenario analysis both prior to and during development. Scenarios are a useful and well-established tool for developing input for strategic planning and enhancing the robustness of corporate climate strategies, particularly when evaluating present and future potential risks and opportunities and exploring potential corporate actions in light of future climate-related uncertainty.

When undertaking scenario analysis, it is important to going beyond testing your own company's resilience under different scenarios to also consider the varying impacts on the environmental and social systems around you.

Discuss your direct operational and value chain impacts on climate change.

Companies are becoming increasingly transparent when reporting on their impacts on climate change, and in explaining how they determined what is within their responsibility to address. For example, the vast majority of large companies around the world are using the Greenhouse Gas Protocol's concept of Scope 1, 2, and 3 emissions, with many now disclosing their most impactful activities across their

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value chain. Companies leading in sustainability are reporting on the full lifecycle implications of their products and services, from material sourcing to disposal or repurposing, and are releasing more detailed data on their direct and indirect impacts on climate change.

Example 1: "General Mills has assessed that over 90 percent of the GHG emissions associated with our value chain can be considered Scope 3 - occurring in entities not owned or controlled by the company. Nearly 2/3 of the GHG emissions and 99 percent of water use throughout our value chain occur upstream of our direct operations in agriculture, ingredients and packaging. This is where we can achieve the greatest reduction in our environmental footprint while ensuring the long-term availability of ingredients."[20] *(General Mills)*

Example 2: "Dell Technologies contributes to climate change through the carbon footprint of our operations and products. In the long-term, our footprint will shrink as the world moves to a low-carbon economy. In the interim, however, Dell is responsible for understanding, measuring, and, to the best of our ability, managing that footprint. Dell's carbon footprint involves all parts of our value chain. The largest contributions to Dell's footprint come from our supply chain and the energy used by our customers to operate our products. Dell addresses these contributions through our commitment to our long-term sustainability goals, and through various initiatives and actions to make progress against those goals. Additionally, Dell believes the ambition level of these goals must be aligned with the most aggressive global targets for managing climate change."[21] *(Dell)*

Example 3: "The 1 percent of our emissions driven by our owned- and-operated facilities is also known as Scope 1 and 2 emissions. Scope 1 includes direct emissions, which are generated from the on-site combustion of fuels at LS&Co. facilities (boilers, furnaces, heaters, etc.). Scope 2 includes indirect emissions generated from the purchase of electricity, steam, heating, or cooling. In other words, Scope 1 includes energy we burn and Scope 2 includes energy we buy. The majority of emissions, however, are in our global supply chain. Cotton cultivation represents 10 percent of our total value chain emissions. Fabric production (the stage of the value chain where cotton is spun into thread, weaved

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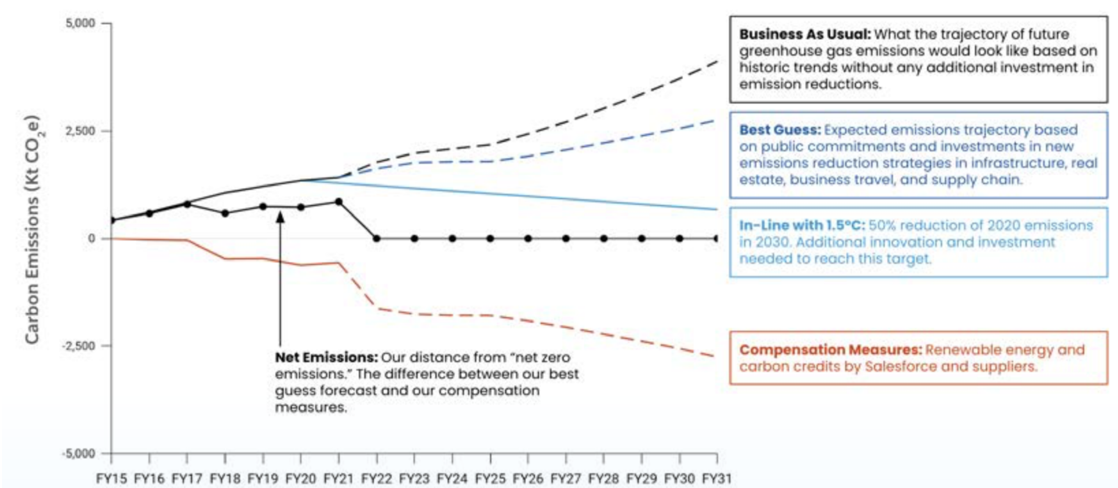
at a mill into fabric, and dyed) represents the most significant source of emissions at 31 percent. Garment assembly (also known as cut-and-sew and/or finishing) represents 9 percent of emissions. Sundries, representing 6 percent of emissions, include the manufacturing of items such as buttons, zippers, rivets, snaps, and stitching."[22] (Levi's)

Example 4: "The largest part of our exposure to carbon emissions comes from the investments we manage for our clients. This is also where the greatest challenges and opportunities lie, and therefore the main focus of our climate transition plan is on that investment exposure. We are under no illusions about the scale of the challenge. Our financed emissions – the indirect exposure to carbon we have through the investments we make – equated to 39 million tonnes of CO2e in 2019, based on mandatory in-scope asset classes for SBTi, which represented 62% of our AUM. If we were to extrapolate and estimate this for our full AUM, it could equate to 63 million tonnes of CO2e. That volume of emissions implies significant exposure and influence; it is greater than the emissions of American Airlines (59Mt), or the national emissions of Singapore (67Mt) or Ireland (62Mt)."[23] (Schroeder's)

Example 5: Salesforce has used scenario analysis to graph their future carbon emissions against different actions and investments taken to reduce them.[24]



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Clarify your commitments

Clarify how you will do your part to address the impacts of your direct operations.

Senior executives and corporate directors have become increasingly aware of how important transparency and precision are when clarifying commitments. While many of the older climate position statements that we reviewed did not include specific commitments, more recently published position statements generally include credible, context-specific commitments to align with a 1.5°C climate trajectory, the Paris Agreement, and/or national commitments.

> *Example 1: "Recognizing the urgency of the climate crisis, Pfizer has established a science-based target to become carbon neutral by 2030; this includes 46 percent absolute emissions reductions across direct emissions, 100 percent renewable energy procurement for indirect emissions from electricity purchased, and additional targets across all other indirect emissions."*[25] *(Pfizer)*

> *Example 2: "The network's net zero goal includes a science based target aligned with a 1.5°C trajectory. PwC commits to reducing its total greenhouse gas emissions by 50% in absolute terms by 2030. This includes a switch to 100% renewable electricity in all territories, as well as energy efficiency improvements in our offices and halving the emissions associated with business travel and accommodation within a decade."*[26] *(PwC)*

> *Example 3: "Ørsted wants to be carbon neutral by 2025 in energy generation and company operations (scope 1 and 2) and commits to reduce indirect emissions by 50% in 2032 (scope 3)…The most important levers that will get Ørsted to carbon neutrality in 2025 are a complete phase-out of coal by 2023 and to install 20GW of offshore wind, onshore wind and solar by 2025.*[27] *(Ørsted)*

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[26] This position can be found in our Position Database.
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Example 4: "Johnson & Johnson is committed to the following actions: Establish strategies and programs to reduce the carbon footprint of our operations, supply chain and products by improving energy and water efficiency, addressing commodity-driven deforestation, and increasing our use of renewable energy; Set both short- and long-term science-based goals for GHG emission reductions with an ambition to reach net zero across our value chain, and work toward powering 100% of our operations with renewable energy; Ensure the availability of information and resources to meet our goals, and report regularly and transparently on our progress toward those goals; Review business risks associated with a changing climate and integrate them into our risk mitigation programs, business continuity and capital planning programs to ensure that we can continue to meet our patient and customer needs.."[28] *(Johnson & Johnson)*

Example 5: "By 2030 Microsoft will be carbon negative, and by 2050 Microsoft will remove from the environment all the carbon the company has emitted either directly or by electrical consumption since it was founded in 1975."[29] *(Microsoft)*

In alignment with TCFD recommendations, your position statement should identify the metrics used by your company to assess climate-related risks and opportunities, such as tonnes of carbon dioxide equivalent (tCO2e) per unit of production. Your position statement should also explain the targets used to manage climate-related risks and opportunities and performance against these targets.

Clarify how you will do your part to address the impacts of your value chain.

Leading companies are clarifying their role and responsibility to collaborate with their value chain to support rapid decarbonisation. Companies are increasingly clarifying how they will take action to reduce and/or eliminate their Scope 3 emissions through support, collaboration, investments, and funding initiatives.

Example 1: "Grupo Bimbo… announced today its commitment to achieve Net Zero Carbon emissions by 2050. This commitment considers emissions for its entire value chain, covering all Scope 1, 2, and 3, across all activities of operation, logistics, sales, procurement, and marketing. The goal was developed following Science Based Targets initiative's framework, and then validated by this organisation, which follows

[28] This position can be found in our Position Database
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Supporting information for this position can be found here.

a well-recognized and standardized methodology focused on reducing emissions consistent with limiting climate warming to 1.5°C above pre-industrial levels to limit irreversible damage to our planet… the company plans to strengthen measures to prevent, reduce, or eliminate at least 90% of the carbon emissions in its value chain."[30] *(Grupo Bimbo)*

Example 2: "…Mars Incorporated has set a new science-based climate target to achieve net zero greenhouse gas (GHG) emissions across Mars full value chain by 2050, including all scope 3 emissions such as those created by agriculture and suppliers, through to emissions from consumers using its iconic household brands. This stepped-up commitment follows findings in the July 2021 Intergovernmental Panel on Climate Change (IPCC) report which reinforced the urgency of achieving net zero globally to prevent the worst impacts of global warming. Mars has also joined the Science Based Targets Initiative's (SBTi) 'Business Ambition for 1.5C pledge' and the Race to Zero, as the company accelerates its work to achieve net zero emissions."[31] *(Mars)*

Clarify how you will support positive systems change.

Demonstrate how you will use your company's influence to create systems change by taking action on climate change. Advocacy, training, capacity building, investment, and the creation of publicly available resources are all ways that companies can address climate change beyond their operations and value chains.

Example 1: "Solving our planet's carbon issues will require technology that does not exist today. That's why a significant part of our endeavor involves putting Microsoft's balance sheet to work to stimulate and accelerate the development of carbon removal technology. Our new Climate Innovation Fund will commit to invest $1 billion over the next four years into new technologies and expand access to capital around the world to people working to solve this problem. We understand that this is just a fraction of the investment needed, but our hope is that it spurs more governments and companies to invest in new ways as well."[32] *(Microsoft)*

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[30] This position can be found in our Position Database.
Supporting information for this position can be found here.
[31] This position can be found in our Position Database.
Supporting information for this position can be found here.
[32] This position can be found in our Position Database.
Supporting information for this position can be found here.

Articulate a pattern of past decision-making and clarify future accountability.

Finally, you can demonstrate a track record of taking proactive action by sharing examples of prior strategic decisions that align with your commitment(s). Doing so helps to create a compelling and credible narrative that conveys a pattern of acknowledging the issue and taking action to do your part in addressing it. Consider highlighting and explaining initiatives, memberships, partnerships, and even past external commitments that help illustrate the maturation arc of your company's climate strategy.

> Example 1: "In 2008, Kellogg committed to reducing our normalized energy usage, greenhouse gas (GHG) emissions, water usage, and waste to landfill 15-20% by 2015 (from a 2005 baseline)... Through these commitments, we have already delivered Scope 1 and 2 absolute emissions reductions from manufacturing of approximately 12%... Since 2015, Kellogg has reduced scope 1 (direct) & scope 2 (indirect) greenhouse gas (GHG) absolute emissions in its manufacturing plants and offices by 30%, and exceeded one year ahead of schedule its goal to reduce GHG emissions by 15% per pound of food produced in our manufacturing plants."[33] *(Kellogg's)*

Position statements should provide clear guidance and direction to your company with respect to relevant environmental, social, or governance issues. A common problem with the position statements we review is that they are hard to locate, too long (sometimes dozens of pages), difficult to navigate, and often contain too much unnecessary information.

Unfortunately, in the vast majority of climate change position statements that we reviewed, there was no indication of who signed off on the statement or when the statement came into effect. Be explicit about whether your position statement has received the endorsement of management and/or the Board and include the date of sign-off.

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[33] This position can be found in our Position Database.
Supporting information for this position can be found here.

In alignment with the TCFD recommendations, your position statement should identify the parties responsible for overseeing any commitments made in the statement and should clarify management's role in assessing and managing climate- related risks and opportunities. Your position statement should also clarify any expectations around reporting and/or links to compensation.

> Example 1: "The following senior leaders are involved in implementing the management of energy and greenhouse gas emissions: The Senior Vice President, Sustainability and External Affairs reports directly to our CEO and is responsible for sustainability, health and safety, environment and community affairs, including energy and greenhouse gas emissions. The Vice President, Environment oversees compliance with environmental standards for projects, operations and our legacy properties, and regularly reviews environmental performance risks and strategic issues. The Vice President, Community and Government Relations is involved in engaging provincial and federal governments on climate policy. The Manager of Sustainability Implementation and Carbon Strategy coordinates the risk and opportunity management for climate-related risks and the implementation of our climate action strategy and energy and GHG reduction goals."[34]
> *(Teck)*

Commit to a transparent cycle of review and if possible, include a timeline for the next review of this statement.

[34] This position can be found in our Position Database
Supporting information for this position can be found here.

Keep it short and accessible

Make sure your document is publicly accessible.

Position statements should be concise and accessible, both in terms of the language used and also in terms of locating them. Your climate change position should be publicly available, for instance by including it in the sustainability and/or governance section of your company's website.

> Example 1: "DuPont consolidates its position statements into a single web-page, noting 'Position statements represent DuPont's informed views and opinions on industry-related issues. They cover a range of topics that reinforce our commitment to sustainable growth and are important to stakeholders.'"[35]
> *(Dupont)*

Avoid reporting on short-term performance or discussing awards or accolades.

While it is important to reference overall trends in your past performance and patterns of decision-making, we recommend that you save reporting on recent performance, achievements to date, awards and accolades, and unrelated sustainability initiatives in your annual sustainability reports or your website.

Consider briefly addressing what motivated the statement and/or the process that led to its development.

Consider including a section that outlines the motivation for this position and/or the process that led to its development. Provide a brief background on why and how the position statement came to be. Were there specific questions, learning outcomes, or impacts that motivated this statement? For instance, if your position was created in response to investor demands, you might include: "This position statement was motivated by shareholder concerns over the strategic impact and financial implications that climate change and extreme weather events may have on our future success."

[35] This position can be found in our Position Database.
Supporting information for this position can be found here.

A checklist for writing position statements

Use the checklist below to evaluate your position statement. Explore our Position Database for examples.

EXPLAIN THE ISSUE

☐ Explain your understanding of climate change and the crisis it creates

☐ Explain the limits that safeguard resilience

LINK THE ISSUE TO YOUR STRATEGY

☐ Identify the strategic implications of climate change for your business, including key constraints

☐ Discuss your direct operational and value chain impacts on climate change

CLARIFY YOUR COMMITMENTS

☐ Clarify how you will do your part to address the impacts of your direct operations

☐ Clarify how you will do your part to address the impacts of your value chain

☐ Clarify how you will support positive systems change

☐ Articulate a pattern of past decision-making and clarify future accountability

KEEP IT SHORT AND ACCESSIBLE

☐ Make sure your position is publically accessible

☐ Avoid reporting on short-term performance or discussing awards and accolades

☐ Address your motivation and the process of statement development

Credible climate statements support credible climate action

Creating a credible climate change position statement is a crucial part of your climate action plan. Through taking the time to develop a credible statement, your company will better understand the relevance of climate change; the implications for your company, your value chain, the environment, and society; gain clarity about how climate change is linked to your strategy; and clarify what it will look like for your company to take credible climate action.

While this guide was developed to help you create a position statement on climate change, we encourage you to develop credible positions for all of your key material sustainability issues. Our guide on Developing Position Statements on Sustainability Issues uses similar principles to help you create position statements on a range of sustainability issues. We also maintain a position database, with leading position statements from companies in a variety of industries.

Is your company in the process of developing or revising a position statement? Or has your company recently developed one? Either way, reach out to us. We would love to hear from you! community@embeddingproject.org

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