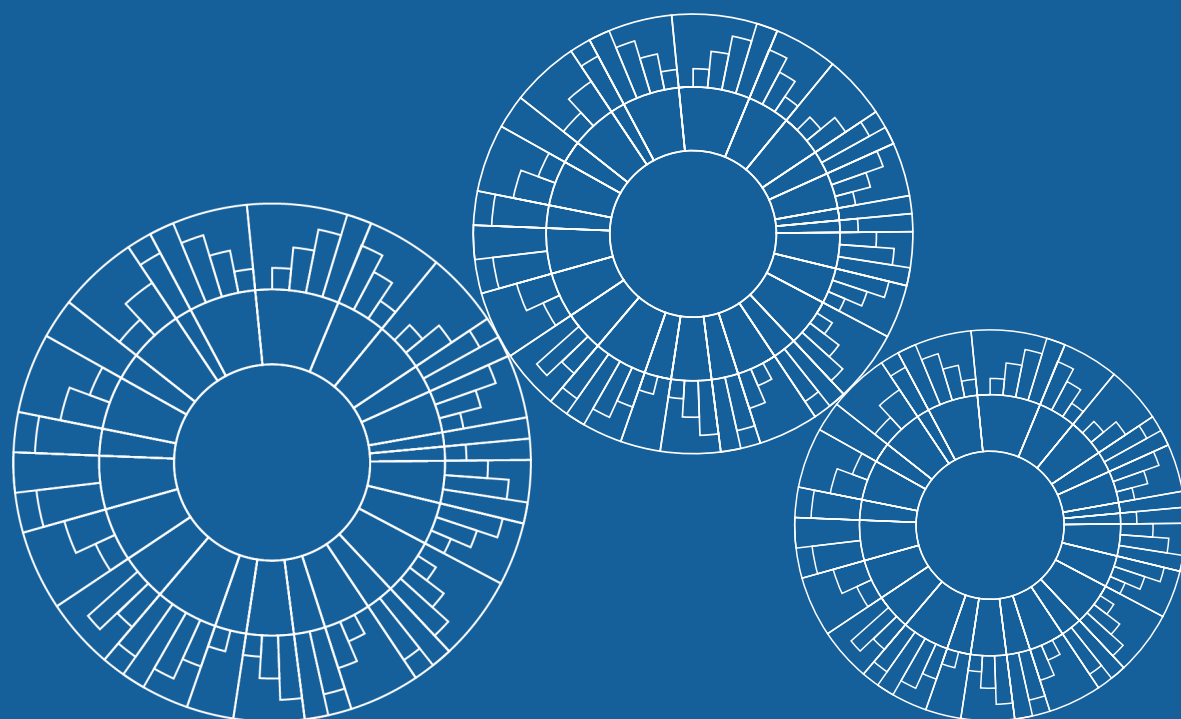


Next Generation Governance

Emerging Trends in Climate Position Statements

A GUIDE



Next Generation Governance: Emerging Trends in Climate Position Statements

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Introduction

This guide focuses on emerging trends in climate position statements and makes use of a three-step process outlined in our Guidebook on Developing Position Statements on Sustainability Issues.

To assemble this guide, we reviewed over two thousand climate change position statements from a wide range of geographies and industries and spoke with over 200 directors. Through our analysis, we have identified examples of how companies are explaining the issue of climate change, linking the issue of climate to strategy, and clarifying their climate commitments.

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

Why position statements?

In the past, it has been common for companies to issue broad 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 that fail to make a clear strategic connection between specific issues and their implications for business decision-making.

Yet, as stakeholder expectations for corporate social and environmental responsibility expand and intensify, companies are under increasing pressure to clearly convey their position on a range of important ESG issues, including specifically addressing the company's understanding of the context in which it operates and clarifying its role and commitments to address these challenges.

In our conversations with leading directors, we heard that by developing more contextual 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. We also heard 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.^{1,2} Prompt and effective action from corporations, world governments, and communities towards limiting GHG emissions is not only essential – it's overdue.

The international business community is also witnessing an emergent and related cross-industrial trend: companies voluntarily disclosing their climate-related risks in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).³ As described in the section below, the TCFD aims to bring greater transparency to climate-related risks. While currently voluntary, it is expected that regulation on mandatory climate risk disclosure is sure to follow.

1 https://www.ipcc.ch/site/assets/uploads/2018/02/AR5_SYR_FINAL_SPM.pdf

2 <https://climate.nasa.gov/evidence/>

3 <https://www.fsb-tcdf.org>

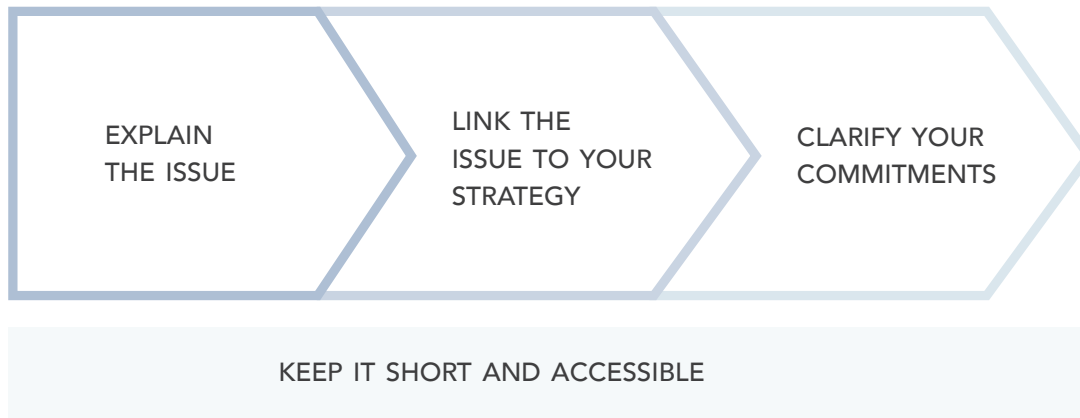
Climate Change Position Statements and TCFD Disclosure

The taskforce for climate-related financial risk disclosures (TCFD) was set up to help investors understand their financial exposure to climate risk and help companies disclose this information in a clear and consistent way within their mainstream filings. After extensive consultation, the TCFD released recommendations in 2017 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 2.0 °C or lower 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.

At the time of this guide's release, the four primary documents released by the Task Force include a recommendations report, a guide on implementing the recommendations, a technical supplement on using scenario analysis, and a 2018 status report. We recommend that you read them prior to developing or updating your climate change position statement.

Developing your position statement



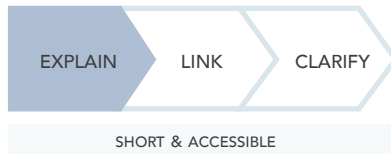
Explain the issue

Explain your understanding of climate change, outlining key trends.

From our review of over two thousand climate positions statements, we found that companies are now routinely acknowledging their acceptance of climate science. For instance, they routinely acknowledge that rising concentrations of CO₂ 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.

Example 1: "We recognise scientific work undertaken by the Inter-Governmental Panel on Climate Change in its Fifth Assessment Report. Consequently, we accept that the global climate is changing due to human actions, principally the burning of fossil fuels, and that it will continue to change throughout the 21st century"⁴ (Old Mutual)

⁴ https://www.oldmutual.com/docs/default-source/responsible-business-files/our-carbon-commitment/climate-change-position-statement.pdf?sfvrsn=c1a26cbb_2



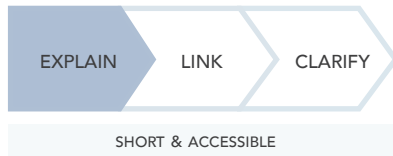
Example 2: “The accumulation of greenhouse gases (GHGs) in our atmosphere has led to noticeable changes in natural systems, including changes to migration patterns and growing seasons. Ocean acidification and increasing ocean temperatures are damaging marine ecosystems. Rising sea levels are increasing 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”⁵ (Dell)

Example 3: “According to UN’s Intergovernmental Panel on Climate Change (IPCC), the average surface temperature has risen 0.6-0.9 of a degree Celsius worldwide in the past century, and consequences have already been observed across continents and oceans. The International Monetary Fund estimates that further increases in temperature may pose the largest threat to the world economy in the 21st century, and scientists and organisations such as IPCC believe that only substantial and sustained reductions in greenhouse gases will stop global warming”⁶ (Danske Bank)

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

⁵ <https://www.dell.com/learn/us/en/uscorp1/corp-comm/climate-policy?c=us&l=en&s=corp>

⁶ <https://danskebank.com/-/media/danske-bank-com/file-cloud/2017/5/danske-bank-position-statement-climate-change.pdf>



Explain your understanding of the relevant environmental or social limits beyond which the resiliency of the system is threatened, referencing key sources of authority as well as your rationale for selecting them.

Corporate sustainability leaders are clearly articulating their understanding of the pace at which climate action needs to be taken 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. In late 2018, the IPCC⁷ announced scientific consensus on the need for a 1.5 °C target, noting that hitting the 2 °C threshold would put millions more people at risk of death, poverty, water and food shortages, and displacement from rising sea levels, while increasing the odds of irreversible changes in our climate system. In the wake of this announcement, leading companies are now committing to holding temperature rise below 1.5 °C, which includes reducing emissions from 2010 levels by 45% by 2030, and aiming to reach net zero by 2050.

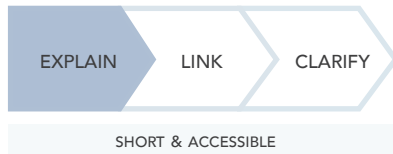
Example 1: “To reduce the risks and impacts of climate change, 194 countries signed the Paris Agreement, including and since ratified by Australia, committing to strengthen the global response to climate change by “holding the increase in global average temperatures to well below two degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius... [We] recognize the importance of limiting global warming to two degrees and that to do this global emissions need to reach net zero in the second half of his century.”⁸ (Westpac)

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.”⁹ (ASN Bank)

⁷ <http://www.ipcc.ch/report/sr15/>

⁸ <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/sustainability/WestpacCCEActionPlan.pdf>

⁹ <https://www.asnbank.nl/web/file?uuid=a9281b2d-2454-47d2-a773-ee420f5f02ed&owner=6916ad14-918d-4ea8-80ac-f71f0ff1928e&contentid=713>



Example 3: “The Carlsberg Group has worked with Carbon Trust, the independent not-for-profit expert, to set science-based targets for emission reductions at a level that would contribute to limiting global warming to 1.5 °C, the higher level of ambition contained within the Paris Agreement... ‘Just getting better is no longer good enough. Carlsberg’s ambitions go above and beyond the levels of carbon reduction that science tells us are necessary to keep global warming below 2 degrees Celsius.’”¹⁰ (Carlsberg Group)

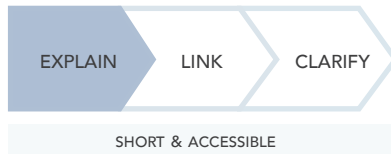
Ideally, your position statement should reference your climate scenario analyses work to explain how your company is conceptualising limits for climate change and to explain your rationale for the limits that you have selected.

As a result of your understanding of these limits, explain what collective action needs to be undertaken at a global, national, regional, or local level.

The majority of climate policy statements acknowledge that action must be taken at a global level to reduce atmospheric CO₂, 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 the 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 reduction plans.

Example 1: “To effectively address such a vast range of impacts, mitigation and adaptation strategies must link regional, national and sub-national efforts through collaboration with governments and policy bodies, public-private partnerships, and initiatives between commercial entities.”¹¹ (Dell)

¹⁰ <https://carlsberggroup.com/newsroom/carlsberg-to-achieve-zero-carbon-emissions-at-its-breweries-by-2030-as-part-of-industry-leading-sustainability-ambitions/>
¹¹ <https://i.dell.com/sites/content/corporate/corp-comm/en/Documents/DellClimatePolicyPrinciples.pdf>



Example 2: “Staying below a temperature rise of 2 °C will require a profound change in development models. This global challenge requires a multi-level approach combining governments, civil society and business efforts. Together we must cut emissions and work with farmers to build resilience to climate change.”¹² (Danone)

Example 3: “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.”¹³ (Nedbank)

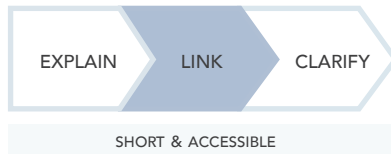
Link the issue to your strategy

Link this issue to the strategic impact it could have on your own business, including relevant risks and opportunities.

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 board 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.

¹² https://www.danone.com/content/dam/danone-corp/about-us-impact/policies-and-commitments/en/2016/2016_05_18_ClimatePolicy.pdf

¹³ <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Sustainability/Supporting%20Documents/ClimatePosition2019%20May2019.pdf>



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.”¹⁴ (General Mills)

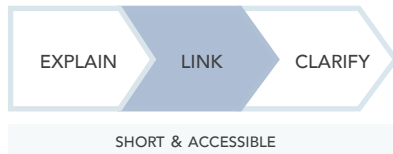
Example 2: “We have assessed the risks associated with climate change and their potential impact on our business. Physical risks include supply chain disruption due to severe weather impacting a facility, or commodity disruption for specific geographically concentrated ingredients such as cocoa from 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.”¹⁵ (General Mills)

Example 3: “Climate change influences our global business strategy due to its direct impact, risks, and opportunities. Our energy and climate change strategy fosters value creation in the long term through effective risk management and by taking advantage of the opportunities... The most significant risks are related to extreme weather events and, in the midterm, temperature increase. An increase in temperature could affect the energy consumption of our infrastructures for additional cooling needs, but also we could have indirect risks related with a potential increase in the energy costs, dependent on the hydroelectric power in some countries.”¹⁶ (Telefónica)

¹⁴ <https://www.generalmills.com/en/News/Issues/climate-policy>

¹⁵ https://globalresponsibility.generalmills.com/HTML1/general_mills-global_responsibility_2019_0026.htm#3

¹⁶ https://www.telefonica.com/en/web/responsible-business/environment/energy-and-climate-change-2?p_p_id=2_WAR_kaleodesignerportlet&p_p_lifecycle=0



In alignment with the TCFD recommendations, your company should identify the climate-related risks it has identified over the short, medium, and long term. Explain the strategic impact these risks and opportunities could have on your business and describe the resilience of your company by taking into consideration different climate-related scenarios, including a 2° C limit or lower scenario.

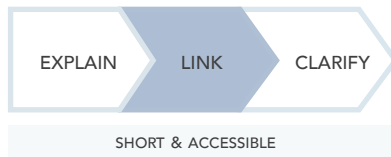
Example: “We use scenario planning to assess the future and believe that the “autonomy” scenario best represents the technology and policy context that would be essential to meet “450 ppm.” However, all of our scenarios point to the need for us to continue to aggressively lower costs and carbon intensity throughout our business. This is not only good for the environment but we believe it is also good for business.”¹⁷ (Suncor)

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 particularly for evaluating present and future potential risks and opportunities. They enhance the flexibility and resiliency of corporate climate strategies and inform stakeholders of the ways in which your company is positioning itself in light of future climate-related uncertainty.

Discuss your company’s understanding of its relevant direct and indirect impacts.

Companies are becoming increasingly transparent when reporting on their contributions to the issue of climate change, and in explaining how they determined what is within their responsibility to address. For example, thousands of organisations around the world are using the Greenhouse Gas Protocol’s concept of Scope 1, 2, and 3 emissions, with many now highlighting their most impactful activities. Companies leading in sustainability are also exploring and reporting on the full lifecycle implications of their products and services, from material sourcing to disposal or repurposing and releasing more detailed data on their direct and indirect impacts on climate change.

¹⁷ [https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/energy-resources/Suncors_Climate_Report_\(2017\)_-_Resilience_Through_Strategy.pdf](https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/energy/energy-resources/Suncors_Climate_Report_(2017)_-_Resilience_Through_Strategy.pdf)



Example 1: “General Mills has assessed that 92 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.”¹⁸ (General Mills)

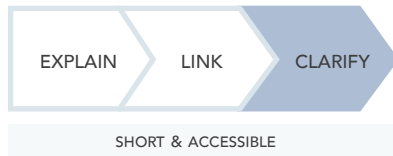
Example 2: “We recognize that upstream agriculture emissions and our manufacturing are the largest sources of emissions in our value chain and will focus on efforts on achieving emissions reductions in these two areas.”¹⁹ (Kellogg’s)

Example 3: “Mars’ full value chain GHG emissions in 2015 were estimated at 26.2 million tonnes of carbon dioxide equivalent (MtCO₂e) – approximately equivalent to the emissions of Panama (WRI, 2017). While energy use is a significant driver of our operational emissions, agriculture and land use change emissions make up the lion’s share – approximately 75% – of our full value chain emissions.”²⁰ (Mars)

¹⁸ <https://www.generalmills.com/en/News/Issues/climate-policy>

¹⁹ [crreport.kelloggcompany.com/download/Kellogg+Climate+Policy+Methodology.pdf](https://www.kelloggcompany.com/download/Kellogg+Climate+Policy+Methodology.pdf)

²⁰ <https://www.mars.com/global/about-us/policies-and-practices/climate-action-position-statement>



Clarify your commitments

Clarify your commitment(s) to operate within relevant limits, addressing those impacts that are within your direct control and acknowledge how these commitments will shape your future action.

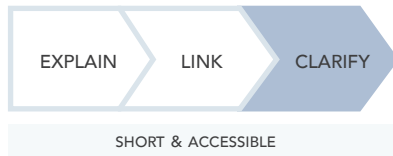
Senior executives and directors have become increasingly aware of how important transparency and precision are when clarifying commitments. While many of the older climate position statements that we reviewed did not include specific commitments, more recently published position statements generally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

Example 1: "The company has committed to reduce by 32% the emissions of scopes 1 and 2 (those generated by its own activity) until 2030, using 2009 as its base year. This is equivalent to reducing emissions by 42.9% for every million euros of revenue. It also undertakes to reduce scope 3 emissions (indirect, excluding capital goods, purchased goods and services) by 20% until 2030, using 2012 as the base year."²¹ (Ferrovial)

Example 2: "We have committed to setting science-based targets line with the globally agreed 2 °C. Our commitment is to reduce our relative footprint by 50% by 2020 from a 2004 baseline. This will be enabled by taking up opportunities to invest in and implement processes and technologies within our operations to reduce our overall carbon footprint. We will also leverage on the successes of some of our current projects to further reduce energy use in our direct operations."²² (Woolworths)

²¹ <https://www.ferrovial.com/en/our-commitment/environment/climate-change/carbon-reduction-objectives/>

²² https://www.woolworths.co.za/images/elasticera/New_Site/Corporate/Woolworths_Climate_Change_Position_Statement.pdf



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 your commitment(s) to influence and support the actions of others in your value chain, in your industry, and/or in your investments and acknowledge how these commitments will shape your future action.

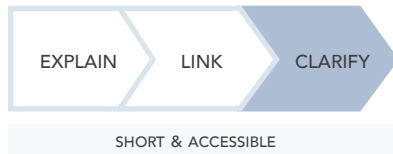
Leading companies are clarifying their role and responsibility in helping others within their value chain to also adhere to limits in order to reduce the impact of their indirect activities. Hundreds of organisations have determined their Scope 3 emissions, and a growing number are disclosing their investments and funding initiatives whose activities align with their climate commitments.

Example 1: “In order to be Sustainable in a Generation, we’ve looked at the best-available science. It tells us we must reduce the total GHG emissions across our value chain by 27% by 2025 and 67% by 2050 (from 2015 levels) in order to do our part to keep the planet from warming beyond two degrees. So, that’s our goal.”²³ (Mars)

Example 3: “We are directing a significant and growing proportion of our funding to help transform the economy at a rate that is commensurate with UNFCCC objectives. Since the African continent is extremely vulnerable to the negative impacts of climate change, our response includes both mitigation and adaptation components, comprising decarbonisation of our lending book in line with the required trajectory and increased funding to enable sustainable development, including provision of modern energy services, clean water and sanitation, climate- resilient infrastructure and sustainable cities.”²⁴ (Nedbank)

²³ <https://mars.no/sustainable-in-a-generation-plan/healthy-planet/climate-action>

²⁴ <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Sustainability/Supporting%20Documents/ClimatePosition2018.pdf>



Be clear about sign-off, oversight, implementation, and reporting.

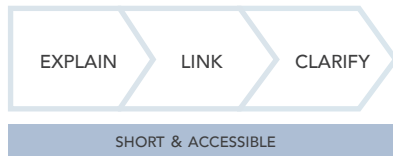
Unfortunately, in the vast majority of climate change position statements that we reviewed, there was no indication of who signed off on the statement or when the statement came into effect. Be explicit about whether your position statement has received the endorsement of management and/or the Board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

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: "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."²⁵ (Teck)

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

25 https://www.teck.com/media/teck_approach_to_energy_climate_change.pdf



Keep it short and accessible

Where possible, articulate a pattern of decision-making.

Finally, you can provide examples of prior decisions that are aligned with your commitment(s) to help create a compelling and credible narrative that conveys a pattern of acknowledging the issue and acting to do your part in addressing it. Consider highlighting and explaining initiatives, memberships, partnerships, and early or external commitments that help illustrate the maturation arc of your company's climate strategy.

Example: "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%."²⁶ (Kellogg's)

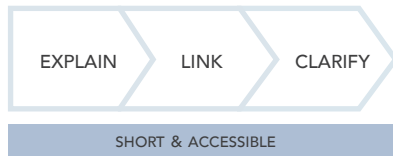
Position statements should provide clear guidance and direction to your company with respect to relevant environmental, social, or governance issues. A common problem with position statements we reviewed is that they were hard to locate, too long (sometimes dozens of pages), difficult to navigate, and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

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 statement should be publicly available, for instance by including it in the sustainability and/or governance section of your company's website.

Example: 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."²⁷ (Dupont)

²⁶ crreport.kelloggcompany.com/download/Kellogg+Climate+Policy+Methodology.pdf
²⁷ <http://www.dupont.com/corporate-functions/our-company/insights/articles/position-statements.html>



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 statement 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 statement 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.”

Is your company in the process of developing or revising an ESG 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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