THE CHURCH OF ENGLAND

An influential $2 trillion group of investors, led by the Church of England Pensions Board and Swedish national pension fund AP7, have today challenged 55 large European companies on their approach to climate lobbying. The move comes just two weeks after the IPCC Special Report predicted that the world is heading towards warming of 3°C.

The 55 high-emitting companies have been assessed by InfluenceMap (an independent NGO that monitors lobbying activity by companies). The worst performers in seven industry sectors will be the focus of the investors' engagement. Companies were scored by InfluenceMap for their overall position on climate policy, the extent of their influence on policy-makers and on whether publicly-stated corporate climate policies matched those of the trade associations acting on their behalf. One of the worst performing sectors was the auto sector.

In the run up to the key United Nations climate negotiations in 2020, the funds have targeted this group of 55 European companies due to their high greenhouse gas emissions and significant role in energy intensive sectors. Each company has been asked to review relationships with key trade associations and lobbying organisations, to ensure alignment with their formal company positions supporting implementation of the Paris climate agreement. A set of 'investor expectations' outlining best practice on lobbying has been sent to each company.

The letter to the Chair of each company states: 'We would ask you to review the lobbying positions being adopted by the organisations of which you are a member. If these lobbying positions are inconsistent with the goals of the Paris Agreement, we would encourage you to ensure they adopt positions which are in line with these goals. More generally, we would ask you to ensure that your lobbying practices align with the 'Investor Expectations' document you have been sent, and that you are transparent about your own policy positions and how you ensure these are implemented in your direct and in-direct lobbying activities.'

Adam Matthews, Director of Ethics & Engagement, Church of England Pensions Board, said: "Misleading and misaligned corporate lobbying practices undermine the ability of governments to act on climate change and meet the goals of the Paris Agreement. The influence of trade associations is often exerted behind closed doors and can be deeply insidious to public policy making on climate change. As the recent report from the IPCC clearly highlighted, the stakes are high and time is against us. It is therefore right that investors are challenging Europe's most high-emitting companies to ensure consistency in their lobbying practices."

Charlotta Dawidowski Sydstrand, Sweden's AP7 Pension Fund, said: "AP7 has identified that weaknesses in current climate policy globally pose a risk to the long-term value growth of our pension portfolios. At this point in time we find it unacceptable that companies counteract ambitious climate policy, either directly or through their business organisations. Lobbying on climate issues should be evaluated, managed and reported on transparently. We are hoping this will become a natural component of companies' sustainability reporting."

Stephanie Pfeiffer, CEO of the Institutional Investors Group on Climate Change (IIGCC), commenting on the action taken by the pension funds explains: "Long-term investors have a clear interest in the Paris Agreement being implemented to support the necessary transition to a low-carbon global economy. Shareholders should rightly expect companies in which they invest to advocate for the climate policy required for this to happen. This includes ensuring the trade bodies of which they are members are working to the same end."

The IIGCC is the European forum for investor collaboration on climate action with over 160 investor members and €21 trillion in assets collectively under management.

Alice Garton, lawyer at ClientEarth who are supportive of the shareholder engagement, said: "Fossil fuel companies are seeing the energy transition bite and their executives are starting to panic. Coal and diesel in particular are seeing an existential threat. But aggressively lobbying to keep these outdated business models intact while public-facing statements assure shareholders the business cares about the climate is deeply hypocritical – and as we've seen in the US, puts businesses at real risk of litigation. You cannot say you are actively working to tackle climate change while pouring money into campaigns that seek to maintain a high-carbon economy. It is misleading and a threat to the value of investors' shares. We commend these investors for their leadership in taking this issue to the boardrooms of major emitters."

The letter to the companies outlines three key reasons why corporate lobbying activities that are inconsistent with meeting the goals of the Paris Agreement present financial risks to investors:

1. Regulatory risks: Delay in action now is likely to result in the need for stronger and more drastic regulatory interventions later, leading to much higher costs for companies.
2. Systemic economic risks: Delay in the implementation of the Paris Agreement increases the physical risks of climate change, posing a systemic risk to economic stability, and introducing uncertainty and volatility into investor portfolios.
3. Reputational and legal risks: Companies may face backlash from their consumers, investors or other stakeholders if they or the organisations that they support are seen to be delaying or blocking effective climate policy. This may also lead to legal risk, particularly for companies which continue to invest in high-carbon projects, or whose corporate disclosures are alleged to be misleading.

The investor action follows the news of a leaked document in September that suggested that BusinessEurope, a large confederation representing trade bodies across the EU, was planning to “oppose” greater EU ambition on climate policy.

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