

Climate Policy Engagement

TRANSFORMATION GUIDE

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Introduction

Transform to Net Zero is a cross-sector initiative to accelerate the transition to an inclusive net zero global economy. The initiative includes companies that are climate leaders in their industries – Danone, HSBC, Maersk, Mercedes-Benz, Microsoft, Natura & Co., Nike, Inc., Starbucks, Unilever and Wipro – plus Environmental Defense Fund as a founding NGO member, and BSR as Secretariat.

To support companies in meeting targets backed up by transformation plans to achieve net zero no later than 2050, Transform to Net Zero is publishing a series of Transformation Guides. Each Transformation Guide shares experiences and lessons learned by Transform to Net Zero members when addressing a challenging issue in net zero implementation. A Transformation Guide does not prescribe a single way to tackle net zero implementation but instead invites readers to choose between and combine different approaches depending on which is best suited to their circumstances. The fifth in the series, this Transformation Guide focuses on how companies can advocate for public policies which promote the net zero transformation.

The Problem

Voluntary actions by businesses to transition to net zero must be supported by strong and enforceable public policies, laws and regulations across the global economy. Leading companies seeking to achieve a transition to net zero have a strategic responsibility to engage in 1.5°C aligned science-based climate policy advocacy.

Policy advocacy goes beyond membership in coalitions and alliances to encompass direct engagement with policy makers on critical net zero supportive initiatives at the local, state and federal level. Engagement is critical to signal the need for setting consistent and equitable policies to address the impacts of climate change.

Responsible policy engagement is challenging. Companies must decide whether and how to engage with policy makers at the local, state, federal, and international level. Companies who choose to engage must incorporate governance structures, which integrate climate policy into decision-making across the organization,

and speak publicly with a singular voice. To do so they must align climate-related actions across the organization, including trade association relationships and philanthropic giving, and commit a sufficient level of resources to advocacy.

Importantly, alignment of policy engagement with net zero goals is becoming a point of evaluation for authentic Climate Action Transition Plans. Finally, the power balance between communities most likely to suffer from the impacts of climate change and corporations dictates that corporations committed to net zero transition must advocate for policies to promote climate justice.

In this Transformation Guide, three Transform to Net Zero Members, Environmental Defense Fund, Microsoft and Unilever, who have long advocated for proactive and positive science-based climate policy, share their approach to responsible engagement in climate policy.

The Questions

01

How do you advocate for strong public policies to promote net zero climate ambition?

02

How does your climate policy engagement align actions and spending with net zero goals across the organization?

03

What challenges have you faced in engaging in climate policy?

04

How can policies promote climate justice as an integral component of the transition to net zero?

EDF

APPROACH



EDF believes that public policy is necessary to achieve a 1.5°C future, and that corporate climate policy engagement is crucial. In 2019, EDF created the [AAA Framework for Climate Policy Leadership](#), a comprehensive leadership standard for companies to follow as they engage in climate policy to advance the goal of reaching net zero emissions by 2050. The framework, endorsed by 10 leading environmental NGOs, offers three steps for companies to take to fully and authentically engage in climate policy advocacy.

First, companies must advocate for policies consistent with achieving net zero emissions by 2050. Second, companies should work to align their trade associations' climate policy with net zero ambitions. Finally, companies should allocate the resources they spend on advocacy to advance climate positive policies and not contravene them.

ADVOCATE

Getting to net zero will require a portfolio of policies that ensure greenhouse gas (GHG) reductions across global economies. Corporate leadership in the climate crisis means identifying and advocating for a suite of science-based climate policies that are needed to meet corporate net zero goals.

Policy advocacy should support the development of strong national policies to ensure reductions in GHG emissions, spur innovation and address barriers to renewable energy, energy efficiency, and clean transportation. Leadership requires setting a science-based climate policy agenda and consistently speaking with policy makers and other stakeholders about why those climate policies are a bottom-line issue for the company.

EXAMPLES OF LEADERSHIP

1. Executives from some of America's most influential companies, including Ford and GM, [visited the White House](#) to share how the passage of clean energy and climate provisions in budget reconciliation would help their bottom line and the American economy.
2. 15 leading companies, including Danone and Microsoft, filed an [amicus brief](#) in the U.S. Supreme Court case *West Virginia v. EPA* standing up for EPA's "settled authority to regulate greenhouse gas emissions."
3. Companies like [Danone](#) and [Salesforce](#) submitted public comments in support of the Security and Exchange Commission's [proposed rule](#) that would require publicly traded companies to disclose the risks they face from climate change. Salesforce followed up its comments with a [public statement](#) urging other companies to submit constructive comments to the SEC.

ALIGN

Businesses engaging in net zero climate policy advocacy should take care that all trade associations where they are a

member align with the company's climate goals. This is critical because trade associations are unique in their position to exert political influence via strong policy knowledge, connections, and corporate membership funding. While trade associations can be used to positively impact a company's policy priorities, the association may also take a stance on climate that contradicts the company's values. It is crucial that companies closely follow their trade associations' policy positions and advocacy to ensure that their values are in alignment, as it is no longer tenable to pursue net zero goals while allowing a trade association to obstruct climate policies that would enable companies to meet those goals.

EXAMPLES OF LEADERSHIP

1. [Blackrock](#) lists all of the U.S trade associations where it paid fees over \$25,000 to join in 2021, and this list is updated annually.
2. When they were unsatisfied with the public advocacy of the Grocery Manufacturers Association, a group of companies (Unilever, Mars, Nestlé, and Danone) created the [Sustainable Food Policy Alliance](#) to engage in public policy on climate and sustainability issues. Danone is the convener, but the group works in a consensus model.
3. When the [Truck and Engine Manufacturers](#) filed a lawsuit on behalf of its membership to delay U.S. clean truck emissions standards that will help accelerate the transition to zero-emission vehicles, member company Ford Motor Company released a [statement](#) making it clear the EMA did not represent them in this litigation.

ALLOCATE

Direct advocacy and lobbying by trade associations are not the only ways companies influence policymakers to advance net zero policy. Political spending and funding of third-party organizations is a critical component of an overall policy engagement strategy to promote a net zero future. Corporate spending must align with a company's public policy positions – including on climate. Stakeholders, including investors, are increasingly requesting more transparency on how a company spends money to influence climate policy to ensure that spending aligns with company commitments on net zero.

Businesses should publicly disclose spending on activities designed to influence climate policy. Public disclosures should include all lobbying and political spending, direct and indirect. This includes the non-deductible portion of dues paid to trade associations and contributions to social welfare organizations (for example, 501(c)4 organizations in the U.S.) for political purposes. Companies should also disclose their policies and procedures for using corporate funds for lobbying or election-related activities. For example, Microsoft [discloses](#) on its website all policy and advocacy contributions related to public policy engagement in the U.S.

Microsoft

APPROACH

DEVELOP AN INTERNAL GOVERNANCE STRUCTURE TO GUIDE PUBLIC POLICY ENGAGEMENT

Microsoft has engaged in a concerted, strategic organizational effort to develop a coordinated and relevant approach to policy advocacy. As a first step, Microsoft created a sustainability policy department within the Environment Sustainability organization to lead the work and drive alignment both internally and externally. This department began by scoping and defining 'sustainability policy' and developing a taxonomy for engagement, which includes time-bound targets, direct investments, market mechanisms, regulation, and data, measurement, and disclosure.

The taxonomy was developed based on common levers governments use to drive sustainability policy and has provided a framework to help Microsoft identify where and how to engage on public policy efforts.

Microsoft then established priority areas and built out the internal capacity to drive these priority areas. Teams with representatives from various business functions across the company, ranging from engineering to procurement, are involved to align internally on Microsoft's policy positions. Given the complex landscape of sustainability policy, Microsoft recognizes the need to stay focused on pursuing its priority topics. As a general framework, Microsoft is focused on three areas of engagement: i) carbon disclosure, ii) carbon reductions (including carbon pricing and other tools), and iii) carbon removal.

These pillars align with Microsoft's overarching policy goal to promote initiatives that address global needs, rather than

focusing on specific markets, and engaging at the country-level only where there is a need that aligns with global goals.

ALIGN EXTERNAL ENGAGEMENT WITH INTERNAL PRINCIPLES

Microsoft leverages these principles and priorities to determine its alignment with trade associations. If positions diverge, the company explores if there is an opportunity to achieve alignment through dialogue. At the same time, the company will advocate and publicly communicate its own position. Microsoft regularly evaluates whether its membership to trade associations aligns with its internal policy priorities in order to determine the appropriate level of engagement.

Microsoft supports broad-based climate policy proposals and initiatives that align with its global goals and priority areas of engagement.

COP26

As a **Principal Partner of COP26**, Microsoft recognized the need to develop a robust strategy for the convening. Microsoft formed a team of cross-functional, regional representatives to lead the company's COP engagement. Microsoft identified three core priorities that aligned with its existing policy positions:

- The meaning of net zero: To achieve global net zero the world needs to reduce emissions as much as possible,



and physically remove the rest. Organizational commitment to net zero should align with this global requirement, and contain explicit quantitative commitments for reduction and removal specifically.

- The measurement of net zero: The world needs to simplify and streamline its carbon accounting and management, including data collection, digitization and optimization.
- The markets that will support net zero: The world needs financial and human investment across the economy. Money and jobs must flow into carbon reduction and removal markets.

The establishment of the cross-functional, regional team has allowed Microsoft to extend the dialogue beyond the convening. Following this approach, Microsoft is currently forming a team of representatives from its markets in the Middle East to establish its priorities and drive continuous engagement in the region ahead of COP27 in Sharm el-Sheikh and COP28 in Dubai. At Microsoft, COP engagement has become a company-wide approach.

EU FIT FOR 55

Microsoft communicated its support for the European Union's **Fit for 55 Framework**, which sets out rules and policies aimed at reducing EU greenhouse gas emission by 55 percent by 2030. In its advocacy, Microsoft emphasizes the need for policies which accelerate markets' reduction and removal of carbon, advance standards for carbon measurement, and deliver on climate equity and a just transition.

U.S. SEC ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS

Building on long-term efforts to accurately account for and disclose greenhouse gas emissions via the Carbon Disclosure Project (CDP), Microsoft recently provided comments to the U.S. Security and Exchange Commission (SEC) on the commission's role in setting standards for climate-related disclosures. Microsoft's comments emphasize: 1) the increasing importance of climate risk disclosure to investors, 2) the need to have a framework for disclosure, comprised of standard metrics and measurement methods, and 3) the need to set flexible rules based on the principle of materiality.

SUPPORT POLICIES TO PROMOTE CLIMATE JUSTICE

Supporting an equitable transition through a dual commitment to net zero and climate justice is one of Microsoft's priorities. The company is currently exploring how to integrate climate justice into national and international approaches and is engaging with a variety of organizations to explore how others are addressing the topic. Microsoft's current approach is to implement projects and leverage learnings. For example, **Microsoft partnered with Sol Systems** to invest in solar energy projects in communities most affected by climate change. The EPA recently recognized Microsoft for its efforts, awarding it a Green Power Leadership Award. This engagement has informed Microsoft's efforts related to climate justice policy advocacy.

Unilever

APPROACH

AN INTEGRATED APPROACH

Unilever uses policy advocacy at different levels to create business-policy ambition loops – business ambition gives government the impetus to put in place an enabling policy environment, which in turn gives businesses the clarity and confidence to take meaningful climate action and set even bolder targets in an increasingly impactful virtual cycle.

Sustainability, including climate action, is integrated into the company's business strategy – the Unilever Compass. This elevates Unilever's climate priorities to the highest levels within the company and throughout its day-to-day operations. A consistent message on climate is baked into company culture from the top. For example, Unilever CEO Alan Jope and other senior leaders hold regular virtual town halls with the entire organization, and company leaders incorporate a sustainability lens into their objectives.

INTERNAL ADVOCACY TO STRENGTHEN EXTERNAL ADVOCACY

The Global Sustainability team supports Communications & Corporate Affairs teams around the world with expertise, advice, resources and information. For COP26, Unilever's Global Sustainability team created a climate advocacy toolkit to support market-led policy advocacy. Supported by the toolkit, the India team published an op-ed calling for higher ambition in the fight against climate change and the Australian team gave media interviews to communicate Unilever's global and local policy messages.

SELECT ISSUES AND GEOGRAPHIES IN WHICH TO ENGAGE

Unilever's Global Sustainability team recommends coalitions to join where Unilever can make the most difference. Unilever's decision to join the Transform to Net Zero platform and to become a member of the United Nations Global Compact Just Transition Think Lab are examples.

Global policy engagement is steered by the global team, which supports Unilever's 400+ brands and market teams to conduct their own advocacy. In some markets with a long tradition of local advocacy and engagement, for example in India, seasoned teams and local leaders are encouraged to incorporate Unilever's global advocacy priorities when engaging with policy actors at different levels. In markets with less capacity, the Global Sustainability team supports more proactively, with agreed-upon messaging and briefings to empower local leaders to engage effectively.

DEVELOP A FRAMEWORK FOR BROAD-BASED INFLUENCE ON CLIMATE POLICY

Unilever has long worked with civil society organizations and others to advance a proactive, positive environmental policy agenda. The company's approach to advocacy and partnerships on climate policy, as detailed in its [Climate Transition Action Plan](#), incorporates four activities:

1. High-Level Activity in Support of the Goals of the Paris Agreement

Unilever engages with global partners, such as the UN Global Compact, the World Economic Forum, the World Business Council for Sustainable Development, the We Mean Business Coalition, and the Consumer Goods Forum to advocate for climate positive policies.

In 2021, Unilever took on a leadership role as a **Principal Partner** of COP26 in Glasgow. During the summit, the company convened high-level government, business and civil society leaders to discuss priority advocacy issues, and participated in events organized by others.

2. National and Regional Climate Policy Engagement

Unilever engages with climate policy advocacy organizations such as the Climate Leadership Council and HRH The Prince of Wales's Corporate Leaders Group on Climate Change. Working with different groups allows Unilever to tailor advocacy priorities and messages to the relevant national or regional contexts.

3. Issue-Specific Policy Engagement

In addition to engaging on the climate issues that are most relevant to the company's business context, such as natural climate solutions and renewable energy, Unilever also works across broader issues that are important for the net zero transition, for example carbon pricing and global ambition to deliver the goals of the Paris Agreement.

4. Industry Partnerships

Unilever participates in a number of groups that focus on learning from others, sharing experiences and developing best practices. This allows organizations to tackle common challenges and accelerate the broader transition to net zero. Unilever seeks to use its voice within groups to amplify progressive policy advocacy messages.

TACKLE TRADE ASSOCIATION ALIGNMENT

Unilever has asked its trade associations to confirm that their lobbying positions on climate policy are consistent with the Paris Agreement's goals, and committed to publishing an annual list of principal trade associations and a policy to assess renewals.

In reality, full alignment with trade associations is challenging and Unilever has left some trade associations in which climate policy alignment did not exist. In other cases, it has re-joined when positions have shifted. Unilever recognizes that its voice is influential and in some cases advocates publicly for a position that is more progressive than that of a trade association. Unilever's current position is that it will do everything it can within the trade association to promote alignment with limiting global heating to 1.5°C, and when it diverges, the company will reconsider its membership or ask for a public clarification that the organization does not speak for Unilever.

INCORPORATE CLIMATE JUSTICE INTO NET ZERO POLICY ADVOCACY

Unilever recognizes that the transition to a net zero future needs to be just. As well as efforts centered on the company's value chain, Unilever's leaders are increasingly also considering positions on issues such as resilience and adaptation, which often lie beyond the company's own value chain and with communities suffering from climate change impacts. This is a new frontier for climate advocacy, but one which Unilever believes will become increasingly important.



Key Takeaways

1. Define what climate policy engagement means to your company.

Sustainability policy is not always clearly defined, and the public policy landscape is large, complex, and can be difficult to navigate. Defining the scope of sustainability policy for your company, including levels of engagement (i.e., global advocacy, participation in trade associations, direct engagement with policymakers, etc.) and priority areas and jurisdictions, can help develop a clear roadmap for more successful policy engagement.

2. Align policy engagement across all functions with climate priorities.

Ensuring that policy efforts across the company are aligned with a 1.5°C future is essential. Sustainability policy advocacy creates the environments that enable businesses to make meaningful transformations required to achieve net zero targets. Policy engagements across functions should support each other where possible, but must avoid conflicting with each other, at the least.

3. Be transparent about your engagements.

Transparency is important to maintain accountability and validate existing efforts. Beyond just disclosing involvement with trade associations, publicly stating when your company's position diverges from that of a trade association you are a member of is important to ensure ongoing alignment of policy engagements with climate priorities. Being transparent about your company's position and vocalizing non-alignment can encourage others to follow and will send a strong signal to coalitions and policy makers in support of climate-aligned actions.

4. Incorporate a justice lens into your climate policy engagement.

Sustainability policy is expanding beyond mitigation to include adaptation and resilience efforts that consider those who are disproportionately impacted by climate change. It is necessary to always consider how policy engagements will impact communities and identify ways in which these can be designed to support those most vulnerable.

Checklist

- ✓ Determine policy positions on key climate topics that will enable the company and wider value chain to transform to net zero emissions.
- ✓ Gain internal alignment on policy positions from the executive suite, and engage internally on how public policy will help meet corporate sustainability goals.
- ✓ Identify a determined internal champion, armed with a clear business case for engaging in public policy advocacy, to help overcome internal review processes.
- ✓ Publicly disclose all trade associations in which the company has a membership to meet investors' and stakeholders' interests in transparency.
- ✓ Audit trade associations' climate lobbying activities to ensure that the association's advocacy on climate policy continues to align with the organizational net zero vision.
- ✓ Join or create climate-aligned taskforces committed to climate policy advocacy better aligned with corporate goals.
- ✓ Publicly disclose spending on activities designed to influence climate policy, including all lobbying and political spending, direct and indirect.
- ✓ Disclose policies and procedures for using corporate funds for lobbying or election-related activities.

Additional Resources

[EDF AAA Framework for Climate Policy Leadership](#)

[US Federal Climate Policy Priorities](#)

[CEO Letter on Budget Reconciliation](#)

[Guide for Responsible Corporate Engagement in Climate Policy](#)

[Microsoft Public Input to SEC on Climate Change Disclosures](#)

[CERES Blueprint for Responsible Engagement on Climate Change](#)

[Unilever Climate Transition Action Plan](#)

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