



SUSTAINABLE  
ECONOMY  
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**GLOBAL100**  
COUNCIL

# Action Declaration **Explainer & FAQs**



# **ACTION DECLARATION ON CLIMATE POLICY ENGAGEMENT**

An Initiative of Corporate Knights and the Global 100 Council  
Released November 8, 2022, at COP27

The Action Declaration on Climate Policy Engagement outlines how industry leaders in the movement to decarbonize the economy will support ambitious action to close the say-do gap on countries' emission reductions by:

Supporting climate action aligned with the Paris Agreement when engaging with policy-makers

Working with their major industry/trade associations to advance alignment with the Paris Agreement

Monitoring and disclosing climate policy alignment for their companies and their major industry/trade associations

## **PURPOSE OF THIS DOCUMENT**

This document acts as an explainer to support understanding and interpretation of the Action Declaration. It also offers a series of FAQs to clarify specifics to ensure signatory companies and other stakeholders have a clear sense of the Action Declaration's intent and requirements.

## **KEY DRIVERS**

1. Companies and industry associations that lobby against climate policy are limiting governments' capacity to act. To develop and implement ambitious climate policy, governments need the visible support of the private sector.
2. To achieve nationally determined contributions (currently insufficient to meet Paris Agreement targets), governments need to enact more ambitious climate policies aimed at limiting global warming. These policies must align with the Paris Agreement.
3. As the global decarbonization movement accelerates, stronger disclosure from companies and industry associations is critical. Without disclosure, we cannot accurately measure and ensure progress.

## **CURRENT GLOBAL CONTEXT**

The global community of scientists under the United Nations' Intergovernmental Panel on Climate Change estimates there is less than one decade in which to act decisively before irreversible warming and its consequences unfold. The current trajectory of targets and nationally determined contributions (NDCs) have the world on a warming pathway of 2.1°C to 2.4°C, clearly insufficient to meet the goals of the Paris Agreement and the renewed commitments under the Glasgow Climate Pact.



Bending this trajectory will take monumental effort from governments and corporations, supported by good public policy. But **for governments to enact the policy needed to make real progress on climate change, they need the visible support of the private sector.**

**Many climate action collaborations now require companies to commit to new climate-policy engagement standards**, like those set out in the UN Principles for Responsible Investment's Investor Expectations on Corporate Climate Lobbying or the Global Standard on Responsible Climate Lobbying. Race to Zero recently announced changes to its baseline and leadership requirements whereby companies must align their "external policy and engagement, including membership in associations, to the goal of halving emissions by 2030 and reaching global (net) zero by 2050" within 12 months of joining.

***This Action Declaration is an early voluntary commitment by companies to take steps toward aligning to emerging climate-policy engagement standards.***

- **The Action Declaration aims to...**

The Corporate Knights/Global 100 Council Action Declaration on Climate Policy Engagement aims to accelerate the global decarbonization movement by ensuring that current and future industry leaders' climate policy engagements align with the Paris Agreement. **While corporate and industry climate action is critical, making it easy for industries and corporations to align their actions toward a shared vision is paramount.**

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- **The Action Declaration mandates that signatories...**

Geographic or regulatory factors, among others, mean that corporations and industries around the world are facing their own unique challenges on the road to decarbonization. As a result, policy engagements and business strategies are sure to vary. For this reason, we've chosen not to mandate exactly how industry leaders conduct their policy engagements, beyond **requiring that signatories' climate policy engagements be Paris-aligned, in addition to requiring monitoring and disclosure from companies of their own and their major industry/trade associations.**

- **The Action Declaration requires signatories to act by...**

Signatories will support ambitious action to close the say-do gap on countries' emission reductions by **working with governments to advance impactful climate policy aligned with the Paris Agreement when engaging with them on climate policy, working with their major industry/trade associations to advance alignment with the Paris Agreement, and monitoring and disclosing** (by the end of 2023) on how their companies' and their industry/trade associations' policy engagements align with the Paris Agreement.



## WHY DID CORPORATE KNIGHTS INITIATE THE ACTION DECLARATION?

Two key issues laid the foundation for this declaration. Nationally Determined Contributions are currently insufficient if we are to achieve the emissions targets committed to under the Paris Agreement and the Glasgow Climate Pact. Achieving these targets will require countries to enact ambitious policies. Corporate Knights sees an opportunity for corporations and industry associations to jointly demonstrate their commitment to working with governments and policy-makers to progress effective public policy that aligns with and advances the Paris Agreement goals.

## WHO WROTE THE ACTION DECLARATION?

After two rounds of consultations and input from a total of 30 companies and other stakeholders, Corporate Knights wrote the final declaration.

## HOW IS THIS ACTION DECLARATION DIFFERENT FROM OTHER DECLARATIONS?

This Action Declaration urges signatories to intentionally align their climate policy engagement with the Paris Agreement and to demonstrate to others that they are doing so. Corporate Knights examined many declarations signed by corporate entities over the last five years and encountered many high-level statements in support of addressing climate change, but with few details pertaining to corporate action. Many declarations focused on how governments should intervene but failed to highlight how companies could/would support governments to advance effective policy. This Action Declaration not only names support for climate action, it requires companies to align their climate policy engagement with the Paris Agreement and to engage their associations in these policy-alignment efforts. The support of business, as expressed by the Action Declaration, will ultimately support governments in developing and implementing effective climate policy.

## WHAT ARE SIGNATORIES COMMITTING TO BY SIGNING THE ACTION DECLARATION?

Signatories must commit to aligning their companies' climate-policy engagement activities with the Paris Agreement. Actions will include (1) when engaging with governments on climate policy, companies will work with them to advance impactful climate policy aligned with the Paris Agreement, (2) working with their major industry/trade associations to advance alignment with the Paris Agreement, and (3) monitoring and disclosing (by the end of 2023) on how companies' and their industry/trade associations' policy engagements aligned with the Paris Agreement.

## WHAT DOES IT MEAN TO BE "PARIS-ALIGNED"? MUST SIGNATORIES HAVE COMMITTED TO NET-ZERO EMISSIONS?

To be Paris-aligned is to be aligned with the goals and targets of the Paris Agreement, which includes keeping global warming well below 2°C. Corporate Knights understands that not all sustainability leaders can commit to reducing greenhouse gas emissions at the same speed or scale, but by aligning the way they engage in policy activities, companies can avoid promoting ideas, regulations, practices or policies that will halt or retract from the Paris Agreement goals.



## **DO COMPANIES HAVE TO AGREE WITH ALL CLIMATE POLICY GOVERNMENTS PROPOSE?**

The Action Declaration aims to foster a Paris-aligned enabling policy environment but does not require companies to support or (re)focus their climate-policy engagement activities on specific policies. Rather, policy engagements undertaken by companies should align with the goals set out in the Paris Agreement. Companies may not agree with every climate policy proposal but should engage thoughtfully to help identify policy solutions that work for both companies and the climate, rather than opposing climate policy proposals altogether.

## **WHO CAN SIGN THE ACTION DECLARATION?**

Corporate Knights invited sustainability leaders to sign the Action Declaration. These include corporations that have demonstrated a clear commitment to addressing climate change, including corporations from Corporate Knights' flagship rankings, the Global 100 Most Sustainable Corporations and the Best 50 Corporate Citizens in Canada.

## **WHY DID CORPORATE KNIGHTS FOCUS ON SUSTAINABILITY LEADERS AND NOT THE LAGGARDS?**

Focused attention on climate-policy engagement activities is still a relatively new tool for advancing sustainability practice in support of decarbonization. The Action Declaration urges a critical number of leaders in the decarbonization movement to leverage this tool and produce a report (by the end of 2023) that discloses their climate-policy engagement activities, as well as those of their major industry/trade associations. As industry leaders, these companies are already committed to climate action and experienced with public disclosure. Corporate Knights is now raising the bar on how companies monitor, report on and take corrective action to ensure that their and their industry/trade associations' climate policy engagement helps advance the Paris Agreement. By increasing the number of quality climate-policy engagement reports, Corporate Knights aims to normalize policy-engagement transparency.

## **DO CORPORATIONS PAY TO SIGN THE ACTION DECLARATION?**

No, the Action Declaration is an early voluntary commitment by companies to take steps toward aligning to emerging climate-policy engagement standards.

## **HOW WILL SIGNATORIES ENSURE THEY ARE WORKING TOWARD A SHARED VISION?**

To be Paris-aligned is to be aligned with the goals and targets of the Paris Agreement, which includes keeping global warming well below 2°C. Corporate Knights understands that not all sustainability leaders can commit to reducing greenhouse gas emissions at the same speed or scale, but by aligning the way they engage in policy activities, companies can avoid promoting ideas, regulations, practices or policies that will halt or retract from the Paris Agreement goals.





## **HOW WILL SIGNATORIES SUPPORT “CLIMATE ACTION ALIGNED WITH THE PARIS AGREEMENT WHEN ENGAGING WITH POLICY-MAKERS”?**

It is important for signatories to assess whether their own climate policy positions are truly Paris-aligned. To begin, signatories should consider how the policies, regulations and practices for which they advocate will advance or inhibit the efforts of national and global groups working toward Paris Agreement goals. They should assess their industry associations’ policy positions in the same way, to determine where they can support and influence change within both their own organizations and the associations with whom they’ve coalesced.

## **HOW CAN SIGNATORIES WORK “WITH THEIR MAJOR INDUSTRY/TRADE ASSOCIATIONS TO ADVANCE ALIGNMENT WITH THE PARIS AGREEMENT”?**

After assessing their industry associations’ policy positions, companies can pursue numerous modes of engagement. For example, companies may choose to write letters to their industry associations highlighting opportunities for them to become more Paris-aligned. Alternatively, they may select representatives to join committees or assume board leadership positions in an effort to create change from within. Corporate Knights acknowledges that some companies are associated with hundreds or even thousands of industry associations and will need to prioritize engagement with those most active in climate policy.

## **HOW WILL SIGNATORIES MONITOR AND DISCLOSE “CLIMATE POLICY ALIGNMENT FOR THEIR COMPANIES AND THEIR MAJOR INDUSTRY/TRADE ASSOCIATIONS”?**

Signatories will develop their own monitoring systems and disclosure formats. To meet the requirements of the Action Declaration, company disclosures must be made public by the end of 2023. By allowing companies to determine their own approaches to monitoring and disclosure, Corporate Knights anticipates the emergence of new practices and tools that can be shared and replicated by others. The Action Declaration is as much about progress as it is about sharing learnings and new practices.

## **WHAT DOES “MAJOR” INDUSTRY/TRADE ASSOCIATIONS MEAN?**

Corporate Knights acknowledges that some companies are associated with hundreds or even thousands of industry associations and will need to prioritize engagement with those most active in climate policy. Companies are expected to identify the major industry/trade associations that they are members of that are actively engaged on climate policy. This should include both industry/sector-specific associations, large and small, as well as cross-sector associations. Criteria for companies to determine which of their industry/trade associations they should focus on engaging include, for example, whether the association is active on climate policy engagement, the importance of the association to their industry, and the association’s potential policy influence (especially relevant to cross-sector associations).

