

PULLING BACK THE CURTAIN

The impact of corporate lobbying
on Canadian oil and gas
climate commitments

SEPTEMBER 2022



Contents

| | |
|--|-----------|
| Executive Summary | 2 |
| 1. Introduction | 3 |
| 1.1. The disproportionate influence of lobbying groups and the costs of climate inaction | 4 |
| 1.2. The investor case for corporate lobbying in line with Paris Agreement goals | 5 |
| 1.3. Investors' expectations on climate lobbying | 6 |
| 1.4. SHARE leadership in climate lobbying engagement in the Canadian oil & gas sector | 7 |
| 2. Summary of Findings | 8 |
| 3. Indexing Climate Lobbying: Methodology | 10 |
| 4. Findings by Theme | 13 |
| 4.1 Position, Policy and Commitment | 13 |
| 4.2 Governance and Management | 15 |
| 4.3 Transparency | 17 |
| 4.4 Alignment | 19 |
| 5. Conclusion | 22 |
| Appendix | 23 |
| Bibliography | 26 |
| About SHARE | 27 |
| Acknowledgements | 27 |
| Authors | 27 |
| Contributors | 27 |



Executive summary

The effects of global warming are many and profound. A failure to reach the Paris Agreement goals would have disastrous impacts on the environment. For investors specifically, the unpredictability and cumulative consequences of climate change would represent a similarly destabilizing threat to financial markets. Institutional investors cannot shield financial markets from the negative effects of global warming. Governments and regulators must intervene if we wish to see a reduction in greenhouse gas emissions.

In 2020, SHARE published its first climate lobbying benchmark, assessing and ranking the 22 Canadian companies listed in the TSX Capped Energy Index, based on the quality of their lobbying disclosure. In this, our second climate lobbying benchmark, we are building on the methodology and objectives of the 2020 benchmark, providing additional context and guidance. On average, the companies we assessed have improved their disclosure, however, they still scored poorly in several categories. This insufficient performance may indicate that: (1) Canadian oil and gas companies are still underestimating the materiality of climate lobbying; and (2) boards' and investors' interests are not aligned when it comes to the path toward a carbon-neutral future.

As investors are increasingly working towards aligning their portfolios with a net zero future, it is imperative for companies to do their part and represent shareholders' best interests. In parallel, investors should also play a key role in promoting a more robust system of accountability for climate lobbying activities, and greater transparency.

While governments and regulators are responsible for enacting climate policy, private actors play an essential role in setting the Canadian agenda on climate change. Effective public policy and political leadership are crucial to face the challenges at the required scale and speed. Delay in the adoption and implementation of climate policies contributes to increasing the concentration of greenhouse gas emissions in the atmosphere.

Despite the various climate disclosures and commitments made by companies in the Canadian oil and gas sector, many of these same companies either promote the regulatory status quo, or limit climate action. This is being done through either direct engagement with policymakers, or by financing industry associations. Corporate lobbying against the achievement of the Paris Agreement goals contributes to the systemic risks of climate change, since delays in the adoption of effective regulation will have indirect impacts on emissions levels.

Investors increasingly recognize that there will be no successful transition without the genuine and transparent collaboration of the private sector. This is why institutional investors are deploying unprecedented efforts to push companies to support the achievement of net zero emissions goals by 2050. Not only do investors expect companies to support climate action, but they also want to see companies taking a leadership position in the fight against global warming.

The results of this report should prompt investors to engage the Canadian oil and gas sector, and communicate their expectations on responsible climate lobbying and policy advocacy.

Introduction

While the world was still battling the COVID-19 pandemic, data shows that 2021 was one of the warmest years ever recorded,¹ as predicted by climate model projections.² The consequences of climate change have been felt right here in Canada, as extreme climate events have gravely impacted British Columbia's population.

In November, B.C. saw three major climate events that provoked unprecedented flooding, forcing 15,000 people from their homes³ and generating losses estimated at \$450 million.⁴ As global temperatures continue to warm, extreme weather events are expected to continue increasing. A 2019 study from Environment and Climate Change Canada indicates that Canada experiences an increase in average temperatures that is almost twice the average observed globally. The report further asserts that "extreme warm temperatures have become hotter while extreme cold temperatures have become less cold. Such changes are projected to continue in the future, with the magnitude of change proportional to the magnitude of mean temperature change."⁵ These conclusions are echoed by the IPCC Sixth Assessment Report⁶ released this year, which reaffirms that the failure to limit global warming to 1.5°C would rapidly intensify key climate-related risks in North America by mid-century.⁷ Scientists are asserting a clear call to action: the human influence on climate is causing severe harm to our planet – and immediate actions across the board are urgently needed.

The effects of excessive global warming are not limited to adverse impacts on our environment. If the Paris Agreement goal and net zero emissions targets are not met by 2050, the unpredictability and cumulative consequences of climate change would represent a threat to financial market stability. The complexity of our economies and the interconnected-ness of markets put investors with diversified portfolios at greater risk, as they cannot "opt out" from the systemic risk of climate change. These conclusions are prompting a growing number of institutional investors to not only recognize the materiality of climate-related risks, but to also acknowledge the necessity to incorporate climate scenario analysis into their portfolio management, and to integrate constructive and effective stewardship practices.

-
- 1 The U.S. National Oceanic and Atmospheric Administration. "2021 was world's 6th-warmest year on record". January 13, 2022: <https://www.noaa.gov/news/2021-was-worlds-6th-warmest-year-on-record>
 - 2 Carbon Brief. "State of the climate: 2021 sees widespread climate extremes despite a cool start". July 26, 2021: <https://www.carbonbrief.org/state-of-the-climate-2021-sees-widespread-climate-extremes-despite-a-cool-start>
 - 3 The Globe and Mail, by Andrea Woo. "B.C. floods displaced nearly 15,000 people, province says". December 2, 2021: <https://www.theglobeandmail.com/canada/british-columbia/article-figures-show-nearly-15000-people-in-bc-displaced-by-floods/>
 - 4 Insurance Bureau of Canada. "British Columbia floods cause \$450 million in insured damage". December 9, 2021: <http://www.ibc.ca/bc/resources/media-centre/media-releases/british-columbia-floods-cause-450-million-in-insured-damage>
 - 5 Bush, E. and Lemmen, D.S., editors (2019). Government of Canada. Canada's Changing Climate Report, "Changes in Temperature and Precipitation Across Canada", Chapter 4.: <https://changingclimate.ca/CCCR2019/chapter/4-0/>
 - 6 IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Lösschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. In Press: <https://www.ipcc.ch/report/ar6/wg2/>
 - 7 IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Fact Sheet – North America: https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_FactSheet_NorthAmerica.pdf

1.1

The disproportionate influence of lobbying groups and the costs of climate inaction

Institutional investors alone cannot shield financial markets from the negative externalities of global warming. The intervention of governments and regulators is needed to meaningfully reduce greenhouse gas emissions consistently with Paris Agreement goals.

While governments and regulators are responsible for enacting climate policy, private actors also play an essential role in setting the Canadian agenda on climate change.

A growing body of evidence shows that, over the past several years, a number of companies, especially from the oil and gas sector, have disproportionately weighed into the government decision-making process in Canada.⁸ The documented effort led by the oil and gas sector to undermine the scope and effectiveness of the 2019 Impact Assessment Act illustrates how private and coordinated political actions can have tangible repercussions on the outcome of climate policy.

Public records show that lobbying groups met with government officials to discuss the Impact Assessment Act 945 times within the 12 months prior to its adoption. The Canadian Association for Petroleum Producers (CAPP) alone had more than 100 meetings over the same period. In comparison, groups representing environmental and Indigenous interests accounted for only 47 meetings altogether.⁹ As a result, environmental advocacy groups say that this effort resulted in watering down the references and considerations of climate change in the Act.¹⁰ In March 2020, the same association was

heavily criticized for its attempt to weaken, pause or delay new climate regulations. A letter from the CAPP addressed to the Natural Resources Minister of Canada requested that the federal government exclude offshore exploration drilling and in-situ oil sands projects from federal environmental assessments, delay increases to the carbon tax, and the implementation of the clean fuel standard, among other things.¹¹

The disproportionate impact that lobby groups and political polarization have on climate policy has also been condemned in the IPCC's latest report. The report finds that "rhetoric and misinformation on climate change and the deliberate undermining of science have contributed to misperceptions of the scientific consensus, uncertainty, disregarded risk and urgency, and dissent." It further asserts that "strong party affiliation and partisan opinion polarization contribute to delayed mitigation and adaptation action, most notably in the U.S. but with similar patterns in Canada."¹²

Effective public policy and political leadership are crucial to face the challenges that climate change represents at the scale and speed required. Paradoxically, the influence that the private sector has on the outcomes of government climate action and public debate has long been ignored by investors. Consequently, this lack of attention allowed many companies and lobby groups to weaken or delay effective climate action, without a system of accountability in place. While it is difficult to quantify the impact of irresponsible lobbying on global warming, there is no doubt that the time lost due to government inaction is pushing Canada further away from meeting its net zero commitments. Delay in the adoption and implementation of climate policies contributes to increasing the concentration of greenhouse gas emissions in the atmosphere. Science is unambiguous. The cost of effective and timely action outweighs the costs of inaction, as delays in the implementation of climate policy induce additional warming and considerable economic damage.¹³

8 Graham Nicolas, et al. Big Oil's Political Reach: Mapping fossil fuel lobbying from Harper to Trudeau. November 2019: <https://policyalternatives.ca/publications/commentary/canada%e2%80%99s-fossil-fuel-lobby-influences-policy-and-decisions-major-federal>

9 The Narwhal, by Sarah Cox and Sharon J. Riley. "Industry responsible for 80 per cent of Senate lobbying linked to Bill C-69". June 13, 2019: <https://thenarwhal.ca/industry-responsible-for-80-per-cent-of-senate-lobbying-linked-to-bill-c-69/>

10 Environmental Defence. The Single Biggest Barrier to Climate Action in Canada: the Oil and Gas Lobby, <https://environmentaldefence.ca/wp-content/uploads/2019/10/EDC-Oil-Climate-Action-Oct-2019.pdf>

11 CAPP. "CAPP Letters Submitted to the Federal Government Regarding the COVID-19 Crisis". April 17, 2020: <https://www.capp.ca/news-releases/capp-letters-submitted-to-the-federal-government-regarding-the-covid-19-crisis/>

12 IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. In Press: <https://www.ipcc.ch/report/ar6/wg2/>

13 Executive Office of the President of the United States, Council of Economic Advisers. "The Cost of Delaying Action to Stem Climate Change". July 2014

1.2

The investor case for corporate lobbying, in line with Paris Agreement goals

Investors increasingly recognize that there will be no successful transition without the genuine and transparent collaboration of the private sector. This is why institutional investors are deploying unprecedented efforts to push companies to support the achievement of net zero emissions goals by 2050.¹⁴ As stated earlier, not only do investors expect companies to support climate action, they also want to see companies taking a leadership position in the fight against global warming.¹⁵

Companies may support lobbying both directly and indirectly. Direct lobbying includes direct political advocacy by the company, its officers or its representatives, such as consultant lobbyists. Even more significant is indirect lobbying by industry-financed associations, think-tanks and other third-party organizations. Companies' input and consultation can improve government decision-making by facilitating a bottom-up flow of information and improving regulatory effectiveness. However, corporate lobbying can also lead to undue influence, unfair competition and regulatory capture, to the detriment of the public interest and effective regulation.¹⁶ Poor lobbying practices and oversight can also generate business risks, especially when inconsistent with companies' expressed goals and strategies, and run contrary to the interests of shareholders.¹⁷

In Canada, a growing number of organizations, including oil and gas companies, have made public pledges in support of climate action. For instance, in its 2021 ESG Report, Imperial Oil states that it "supports the goals of the Paris Agreement as an important framework for addressing the risks of climate change."¹⁸ In its 2021 ESG Report, MEG Energy says that it is "committed to support global and national objectives to address climate



change, in particular the goal of the Paris Agreement to limit the average global temperature increase to well below 2°C, and pursue efforts to limit it to 1.5°C. This includes the Canadian government's direction to establish domestic targets under the Paris Agreement, namely, achieving net zero GHG emissions by 2050, by way of a framework that promotes transparency and accountability."¹⁹

While these statements underscore the consensus around the materiality of climate risks for investors, the current state of disclosure does not demonstrate that corporate lobbying activities, including industry association memberships, are aligned with these statements. Evidence shows that, despite the rise of climate goals, commitments and disclosure within the oil and gas industry, many companies continue to promote the regulatory status quo or limit climate action either through direct engagement with policymakers or by financing industry associations. Corporate lobbying against the achievement of Paris Agreement goals contributes to the systemic risk of climate, as a delay in the adoption of effective regulation has indirect impacts on emissions levels. In addition, such lobbying activities can lead to reputational, legal and regulatory risks that may ultimately damage shareholders' long-term value. In this context, climate lobbying that is transparent and in line with Paris Agreement goals is key for investors to ensure that their investments are aligned with their fiduciary duty.

14 Climate Action 100+. "Shareholders Escalate Campaign Pressing Companies to 'Walk Their Talk' on Climate Lobbying". March 14, 2022: <https://www.ceres.org/news-center/press-releases/shareholders-escalate-campaign-pressing-companies-walk-their-talk>

15 Investor statement of intent: Global Standard on Responsible Climate Lobbying. 2022: https://climate-lobbying.com/wp-content/uploads/2022/03/2022_investor-statement-of-intent_GlobalStandard-Responsible-Climate-Lobbying.pdf

16 OECD. Lobbyists, Governments and Public Trust. Volume 3, Implementing the OECD Principles for transparency and integrity in lobbying, 2014, available at: <https://www.oecd.org/gov/ethics/lobbyists-governments-trust-vol-3-highlights.pdf>

17 UNPRI. Converging on Climate Lobbying: Aligning corporate practice with investor expectations. 2018, available at: https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf

18 Imperial Oil, 2021, ESG Report

19 MEG Energy, 2021, ESG Report

1.3

Investors' expectations on climate lobbying

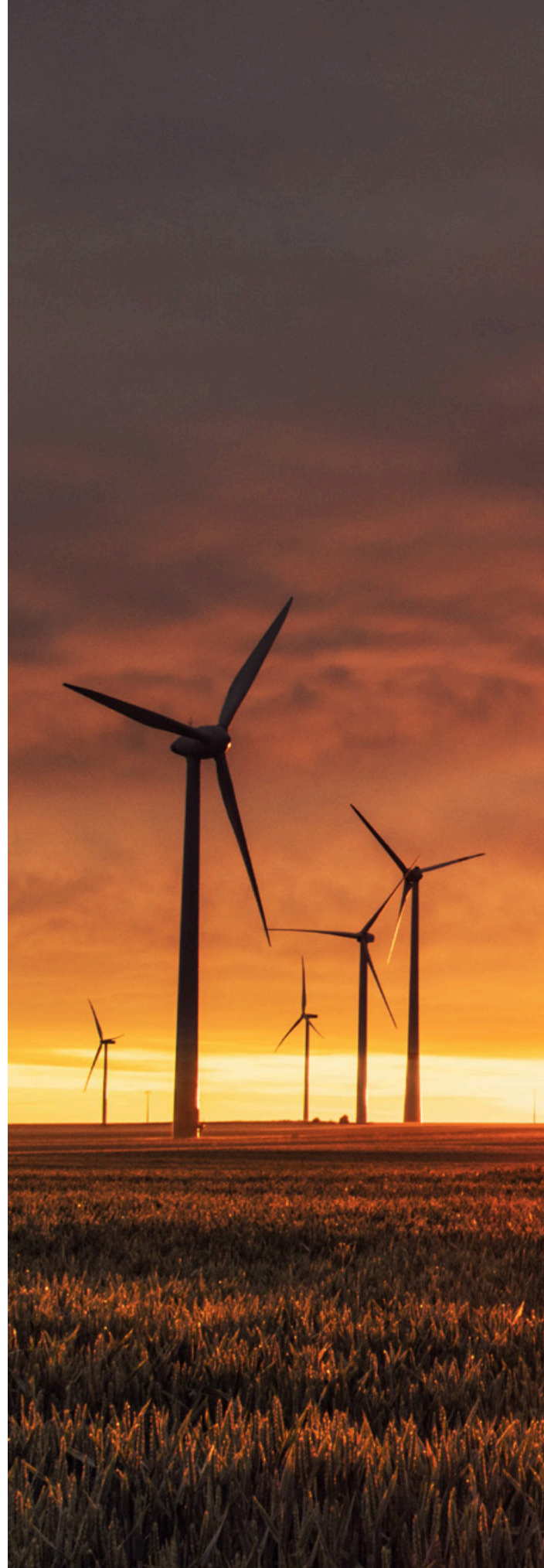
Investors expect companies to conduct their direct and indirect lobbying activities in line with Paris Agreement goals.²⁰ This means that companies must allocate their lobbying resources to support government efforts to achieve their net zero ambition consistently with the goal of 1.5°C by 2050.

Investors' expectations encompass several key aspects that are reflected within the benchmark methodology. Companies should:

1. Publicly and explicitly support Paris Agreement goals to keep the global temperature rise below 2°C from pre-industrial levels, by the end of this century, and to pursue efforts to limit the increase to below 1.5°C.
2. Commit to conduct their lobbying activities in line with Paris Agreement stated goals.
3. Establish transparent processes and a system of accountability to ensure that their direct and indirect lobbying activities, including memberships in industry associations, are aligned with Paris Agreement goals.
4. Proactively engage policymakers and industry associations to promote ambitious policy externalities in line with Paris Agreement goals.
5. Disclose the policy positions guiding its advocacy work, and clarify the legislation and regulations it seeks to influence in a transparent and timely manner.

From that perspective, corporate disclosure should allow investors to identify investee companies' key lobbying priorities and the expected policy outcomes.

²⁰ Investor statement of intent: Global Standard on Responsible Climate Lobbying. 2022: https://climate-lobbying.com/wp-content/uploads/2022/03/2022_investor-statement-of-intent_GlobalStandard-Responsible-Climate-Lobbying.pdf





1.4

SHARE leadership in climate lobbying engagement, in the Canadian oil and gas sector

SHARE has longstanding engagement experience in promoting responsible climate lobbying practices, transparency and greater accountability at the board level. We concentrate our engagement efforts on the Canadian and U.S. oil and gas sector, as we believe this is where we can have the most impact. The oil and gas sector has been particularly active in the political sphere to limit government intervention on climate issues, and its negative impacts have been well-documented in both jurisdictions.²¹

In 2020, SHARE published its first climate lobbying benchmark, assessing and ranking the 22 Canadian companies listed in the TSX Capped energy index based on the quality of their lobbying disclosure.²² The objective of the report was to provide investors with an accurate overview of how transparent the Canadian oil and gas sector is regarding its climate lobbying activities. The report concluded that, while all benchmarked companies have participated in direct or indirect lobbying activities, a large majority failed to provide sufficient and meaningful information on how they influenced policy outcomes at the federal or provincial level. The poor quality of disclosure is particularly concerning, as it prevents investors from understanding the extent to which their lobbying activities are truly aligned with their interests.

In this, SHARE's second climate lobbying benchmark, we are building on the methodology and objectives of the 2020 benchmark. On average, the companies we assessed have improved their disclosure, however, they still scored poorly in several categories. Their insufficient performance may indicate that: (1) Canadian oil and gas companies are still underestimating the materiality of climate lobbying; and (2) boards' and investors' interests are not aligned when it comes to the path toward a carbon-neutral future. The results of this second edition should prompt investors to engage the Canadian oil and gas sector, and communicate their expectations on responsible climate lobbying and policy advocacy.

21 Graham Nicolas, et al. Big Oil's Political Reach: Mapping fossil fuel lobbying from Harper to Trudeau. November 2019: <https://policyalternatives.ca/publications/commentary/canada%e2%80%99s-fossil-fuel-lobby-influences-policy-and-decisions-major-federal>; InfluenceMap. "An Investor Enquiry: How Much Big Oil Spends on Climate Lobbying". April 2016: <https://influencemap.org/report/Climate-Lobbying-by-the-Fossil-Fuel-Sector>

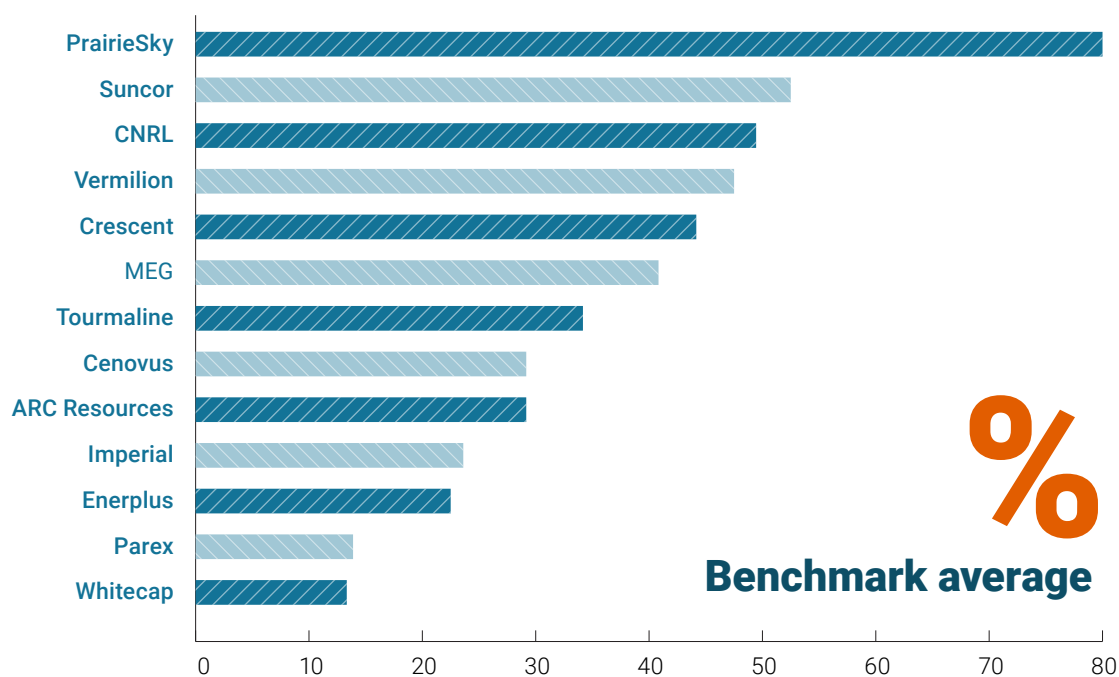
22 SHARE. Climate Lobbying in the Canadian Oil & Gas Sector: Investor Benchmark of Oversight and Disclosure. 2020: https://share.ca/wp-content/uploads/2020/09/SHARE_climate_lobbying_4.pdf

Summary of findings

In comparison to the 2020 climate lobbying benchmark, the results of this second assessment show progress on several indicators.²³ However, the average quality of disclosure in the Canadian oil and gas sector remains low. Companies scored, on average, 37% across all categories this year, compared to 24% in 2020.

Suncor and PrairieSky Royalties are the only companies that scored above 50%. While Suncor's score is steady compared to 2020, with an average score of 53%, PrairieSky Royalties has significantly improved its disclosure and received a score of 80% (See Chart 1).

CHART 1



²³ We identified the progress through an adjusted and comparable methodology. See Section 3. Indexing Climate Lobbying: Methodology

TABLE 1: SUMMARY OF FINDINGS BY THEME

| Company name | Position, Policy and Commitment | Governance and management | Transparency | Alignment | Average % |
|----------------------|---------------------------------|---------------------------|--------------|-----------|-----------|
| PrairieSky Royalties | 67% | 100% | N/A | N/A | 80% |
| Vermilion | 38% | 75% | 71% | 13% | 48% |
| Suncor | 63% | 75% | 58% | 16% | 53% |
| Crescent | 38% | 81% | 54% | 6% | 44% |
| Tourmaline | 38% | 50% | 54% | 0% | 34% |
| ARC Resources | 38% | 25% | 54% | 6% | 29% |
| Cenovus | 38% | 31% | 46% | 6% | 29% |
| CNRL | 63% | 81% | 43% | 9% | 49% |
| Imperial Oil | 44% | 16% | 39% | 0% | 24% |
| MEG Energy | 75% | 50% | 33% | 3% | 41% |
| Enerplus | 38% | 25% | 25% | 3% | 23% |
| Parex | 19% | 31% | 3% | 0% | 14% |
| Whitecap | 0% | 50% | 0% | 0% | 13% |

Among the companies that made some progress, several have meaningfully enhanced their disclosure in response to increasing shareholder appetite for climate information and data. More transparency on climate lobbying is coupled with more transparency regarding climate risks in general. However, we cannot conclude on a strong correlation either. Many factors may influence a company's disclosure – including, but not limited to, shareholder pressure and competition.



03

Indexing climate lobbying: Methodology

Objective

TABLE 2: TOP THREE COMPANY SCORES BY THEME

| Themes | Companies' average score | | Comment |
|---------------------------------|--------------------------|-----|--|
| | Top 3 | All | |
| Position, Policy and Commitment | 56% | 43% | Notably, only four companies have made statements clarifying their position vis-à-vis the Paris Agreement goals, including Suncor, MEG Energy, Canadian Natural Resources and Imperial Oil. The vast majority of companies provided meaningful information about their approach to climate-related issues, except Whitecap, which is the only company that scored 0 in this category. Similarly, all companies provided minimal information regarding their approach to lobbying, except Whitecap. While most companies received points in this specific category, the quality of disclosure on their lobbying policy remains low. There is no evidence that any company has incorporated climate lobbying considerations into its lobbying policy. |
| Governance and Management | 83% | 53% | The vast majority of companies received a full score for having set up oversight of climate change-related risks, except Imperial Oil. Only two companies have established clear board responsibilities for lobbying activities: Whitecap and Crescent Point Energy. Half of the companies we assessed provided information about the leadership responsibilities over lobbying and information about the processes in place to monitor these activities. |
| Transparency | 57% | 40% | Most companies disclosed information about their direct and indirect lobbying. Only three companies have not provided a complete list of their industry association memberships: MEG Energy, Whitecap and Parex Resources. While PrairieSky Royalties has not been scored in this category, we note that it is the only company that transparently disclosed the payment it made to the sole association it belonged to in 2020. |
| Alignment | 13% | 5% | Out of the 12 companies, four have a score of 0 and only two have a score above 10%: Vermilion (13%) and Suncor (16%). In this theme, most companies were granted points because they provided minimal information regarding the process they have implemented to ensure that their association memberships are aligned with their own climate positions. Based on public disclosure, no company conducted a review to assess the extent to which their memberships are aligned with Paris Agreement goals. Suncor is the only company that expressed a partial misalignment with CAPP on the carbon tax, and clarified the actions it is taking to address the gaps. Notably, PrairieSky Royalties is the only company that disclosed the non-renewal of its only industry association membership (CAPP). |

This report examines the level of transparency and quality of disclosure provided by a selection of Canadian oil and gas companies listed in the S&P/TSX Capped Energy Index (TTEN) as of September 2021. Our report analyzes the disclosure made publicly available by the companies we assessed, as well as those provided through private or institutional reporting platforms.²⁴

Themes, categories and criteria

SHARE reviewed relevant disclosures from the 13 Canadian oil and gas companies listed in the TSX 60 Capped Energy Index. Our review of public disclosures looked at five themes, broken down into 15 categories.

These categories and themes are based on the Investors' Expectations on Climate Lobbying²⁵ and the PRI guide for responsible climate lobbying.²⁶

In addition, to reflect the most up-to-date investor expectations on responsible climate lobbying, our analysis took into account the 2021 Responsible Climate Change Lobbying Consultation on Assessment Framework organized by Chronos Sustainability.²⁷ The consultation objective was to collect input from a diverse base of stakeholders, including investors, to develop a framework to "assist investors and other stakeholders in assessing whether and to what extent corporate lobbying is aligned with the goals of the Paris Agreement on Climate Change."²⁸ This consultation led to the Global Standard on Responsible Climate Lobbying, which consists of a set of expectations "intended to achieve a step-change in the commitment of investors and companies to responsible climate lobbying in practice."²⁹ This unprecedented effort initiated by the Church of England, AP7 and BNP Paribas, and supported by several investor networks including SHARE, gathered

support from investors representing collectively USD 130 trillion dollars in assets under management.³⁰

The 15 categories follow a set of criteria, awarding one point each. Companies have been evaluated based on the following themes and guidance:

1. **Position, Policy and Commitment:** Does the company clarify its stance on the Paris Agreement and provide general information on its approach to climate policies? Has the company established a clear framework to guide its lobbying activities, including the development of a lobbying policy with climate lobbying provisions?
2. **Governance and Management:** Has the company established a clear structure of accountability for its lobbying activities?
3. **Transparency:** Does the company provide meaningful information on its direct and indirect lobbying activities, including payments made to third-party organizations?
4. **Alignment:** Does the company conduct a periodic review to assess the extent to which its association memberships are aligned with the Paris Agreement goals?

The themes and indicators of this benchmark have been adjusted and reorganized compared to the 2020 climate lobbying benchmark, to simplify the structure of the report and reflect investors' expectations regarding alignment with the Paris Agreement. For instance, in the 2020 benchmark, the Alignment category evaluated whether companies disclosed information about the procedures in place to ensure the alignment of their lobbying activities with Paris Agreement goals and climate-related position. In the 2022 edition, the Alignment category does not place as much importance on companies that conduct an assessment of their lobbying efforts with their own internal climate goals and objectives; this change is in line with the consensus that companies should align their own goals with a net zero ambition.

24 **Note:** These platforms include companies' individual 2021 CDP Climate Change questionnaire responses (the CDP is a UK-based organization that supports companies, cities, states and regions to measure and manage their risks and opportunities on a broad range of environmental topics, including climate change. Each year, some companies are invited to provide data and information about their carbon footprint through a comprehensive questionnaire. It also includes questions related to political engagement), the Alberta Lobbyist Registry, the Canadian Federal Registry of Lobbyists and The Center for Responsive Politics Opensecrets.org database. In rare instances, we took into account the 2020 CDP Climate Change questionnaire responses if the 2021 CDP Climate Change questionnaire responses were not available due to particular reasons. **Note:** As corporate public disclosures are updated on a regular basis, the benchmark results may not reflect the most up-to-date disclosures, commitments and practices.

25 Investor Expectations on Corporate Climate Lobbying. 2019. Available at: https://www.unpri.org/Uploads/i/k/t/Investor-Expectations-on-Corporate-Climate-Lobbying_enGB.pdf

26 UNPRI. Converging on Climate Lobbying: Aligning corporate practice with investor expectations. 2018, available at: https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf

27 Chronos Sustainability and Church of England Pensions Board. Responsible Climate Change Lobbying Assessment Framework Consultation Draft. April 2021: <https://www.chronossustainability.com/s/Assessment-framework-and-indicators.pdf>

28 Chronos Sustainability. "Responsible climate change lobbying Consultation on assessment framework". 2021: <https://www.chronossustainability.com/climate-change-lobbying-consultation-on-assessment-framework>

29 Responsible Climate Lobbying: the Global Standard: <https://climate-lobbying.com/>

30 Responsible Climate Lobbying: the Global Standard: <https://climate-lobbying.com/about/supporters/>



Scope

The companies selected include petroleum producers and pipeline operators, among others. The range of activities represented in our analysis allows us to draw conclusions that are not only reflective of the state of practice in the Canadian oil and gas industry, but also relevant to investors with diversified portfolios in the oil and gas sector.

Remark: There is a notable change in the number of companies benchmarked, compared to the 2021 Climate lobbying benchmark. In 2021, we assessed the disclosure of 22 companies, while the 2022 edition includes the assessment of 13 companies. This difference can be explained by a meaningful change in the number of companies listed in the TSX 60 Capped Energy Index. In the past couple of years, the sector has seen a number of consolidations, and suffered from low revenue and outlooks, which contributed to the removal of several oil and gas companies from the Index.

SHARE reached out to benchmarked companies in November 2021 and invited them to review our initial findings. We provided them with an opportunity to clarify certain aspects of their disclosure, and to learn more about investors' expectations on climate lobbying. Several companies offered further information based on our inquiries or offered to meet. Where appropriate, findings were adjusted.

For additional details regarding the themes, categories and scoring methodology, see Appendix 1.



Findings by theme

This section presents and discusses the benchmark results by theme, and highlights the industry-leading practices that we have identified.

4.1

Position, policy and commitment

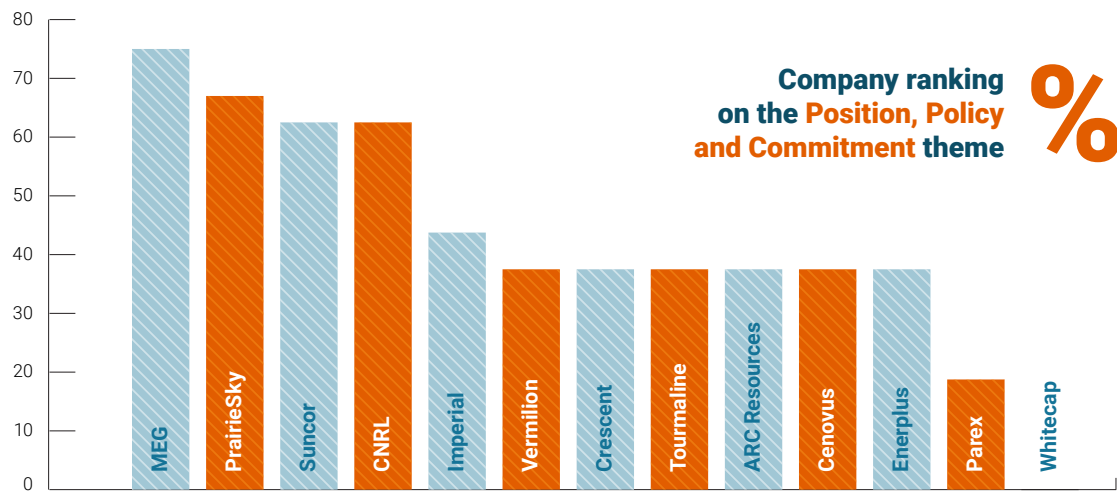
Institutional investors increasingly incorporate climate risks into their portfolio management.

This requires that companies provide material and timely information on how they approach climate-related issues, including how they adjust to the transforming economy and how their activities impact global warming. From this perspective, it is crucial for investors to understand how companies position themselves on climate issues, especially the Paris Agreement. Information regarding a company's approach to climate, including position, policy and commitment, constitutes the first step toward transparency.

Our assessment of the Position, Policy and Commitment theme is based on four criteria:

1. **Position on the Paris Agreement:** the company (a) publicly endorses the Paris Agreement; OR (b) publicly supports government actions to develop and implement climate change policy and regulation.
2. **Approach to climate policies:** The company provides a comprehensive analysis of current and emerging specific climate policies and regulations, including the associated risks and opportunities for the company (e.g., discussion of position, strategy and response).
3. **Lobbying policy:** (a) The company has a publicly available lobbying policy or policy that includes provisions addressing specifically lobbying; and (b) the company has made a public statement that addresses its direct engagement with policymakers, indirect engagement through third-party organizations, and approach to political donations.
4. **Climate lobbying policy:** (a) The company has made a specific public commitment to conduct all of its lobbying in line with the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C; and (b) the company has publicly committed to ensure that the associations, alliances and coalitions of which it is a member lobby in line with the goals of the Paris Agreement.

CHART 2



On average, the 13 companies we assessed scored 40%, while the top three companies stand out with an average score of 68%. PrairieSky Royalties (67%), Suncor (63%), Canadian Natural Resources (63%) and MEG Energy (75%) performed better than the 10 other companies –partially due to the fact they are among the four companies that provided a clear statement in support of the Paris Agreement goal, alongside Imperial Oil. MEG Energy is the only company that explicitly mentions its public commitment the 1.5°C.

Highlight: In its 2021 ESG Report, **MEG Energy** says: “We have committed to support global and national objectives to address climate change, in particular the goal of the Paris Agreement to limit the average global temperature increase to well below 2°C, and pursue efforts to limit it to 1.5°C. This includes the Canadian Government’s direction to establish domestic targets under the Paris Agreement, namely, achieving net zero GHG emissions by 2050, by way of a framework that promotes transparency and accountability.”³¹

Highlight: In its 2021 Sustainability report, Suncor states: “We are committed to supporting a number of aligned initiatives, including: the ambition of the Paris Climate Agreement and contributing to development of low-carbon policies, such as the Pan-Canadian.”³²

Highlight: On its website, Canadian Natural Resources states that it “supports Canada’s leadership in the Paris Agreement as a pathway to reduce emissions and drive innovation. We also support federal and provincial government goals to reduce methane emissions by 45% by 2025.”³³

The increase in shareholder demands for more robust commitment in line with the Paris Agreement goals in Canada and internationally is likely one of the drivers for Canadian oil and gas companies making public commitments in favour of Paris goals. In addition, the CAPP, one of the most prominent industry associations defending the interests of the oil and gas sector in Canada, has revised its climate position within the past couple of years. In its “Industry’s Climate Commitment”, the CAPP states that it “will work with government(s) to meet emissions reduction objectives and the ambition of the Paris Agreement, to which Canada is a signatory, as a global framework for addressing the risk of climate change.

31 MEG Energy. 2021 ESG Report. <https://www.megenergy.com/sites/default/files/MEG%20Energy%20ESG%20Report%202021.pdf>

32 Suncor. 2021 Sustainability Report. <https://sustainability-prd-cdn.suncor.com/-/media/project/ros/shared/documents/reports-on-sustainability/2021-report-on-sustainability-en.pdf?modified=20211126194217>

33 Canadian Natural Resources. Climate Change Leadership. <https://www.cnrl.com/corporate-responsibility/environment/climate-change>. Consulted on March 29, 2022.

This includes defining net zero and the most efficient and cost-effective manner to achieve it with the least impact to society.”³⁴ The CAPP being a member-driven organization, its public stance also reveals a change within its constituency – and, while the CAPP’s updated position on climate remains vague at best, it gives more room to its members to position themselves favourably with the Paris accord.

We also noted that a majority of companies have disclosed substantial information on how they approach current and potential climate regulations that may impact their business activities. This state of disclosure translates into a corporate consensus around the materiality of climate regulatory and operational risks. While this indicator is not specifically related to corporate lobbying, it also helps investors understand the key climate regulations that may impact companies’ businesses the most. It indicates where companies may focus their lobbying efforts to minimize or delay impacts on their activities.

Lastly, while most companies provided minimal information or statements addressing some aspects of their lobbying activities – including direct engagement with policymakers, indirect engagement through third-party organizations, or approach to political donations – only MEG Energy has made public its lobbying policy, addressing all the points above. Notably, our research shows that no company has made a specific public commitment to conduct all of its lobbying, including its memberships in line with the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C.

4.2

Governance and management

Boards have the responsibility to represent shareholders’ best interests, and act as the stewards of the company’s long-term performance.

In that regard, they have an obligation to identify and oversee the risks that may have a material impact on a company’s long-term value, and provide strategic guidance to help management navigate these existing and potential risks. Given the risks and opportunities associated with climate lobbying, it is crucial for companies to establish a robust system of accountability, including oversight and monitoring of engagement with policymakers, and funding of third-party organizations that conduct political advocacy on behalf of the company.

v



Boards of directors should exercise adequate oversight over management to ensure that the company’s climate positions are in line with shareholders’ best interests, and that management does not externalize the cost of lobbying to the broader society. Consequently, boards should press management to take meaningful climate positions aligned with Paris Agreement goals, and ensure that the company’s and their industry associations’ inputs to policymakers do not contravene these positions.

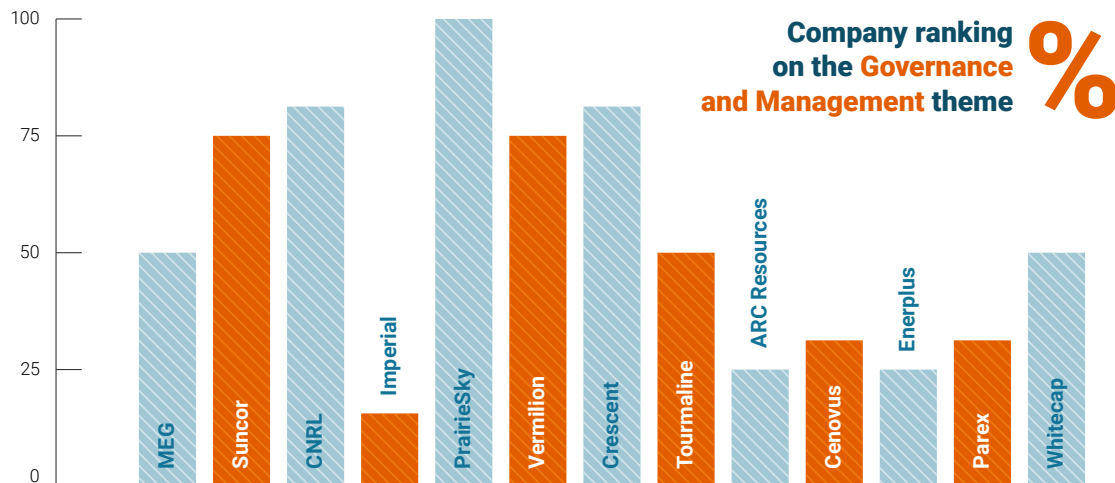
Therefore, investors expect comprehensive disclosure clarifying the roles and responsibilities of the board and management to oversee climate risks, including risks associated with poor lobbying practices. These responsibilities should be formalized in the appropriate board committee charter and explained in a public document.

Our assessment of the theme Governance and Management is based on four criteria:

1. **Oversight of climate change-related risks:** The company: (a) describes the oversight and monitoring of climate risks; and (b) identifies the senior leadership person or board committee responsible for climate oversight.
2. **Board accountability:** The company has assigned board oversight for its lobbying activities.
3. **Senior leadership responsibility:** The company has assigned the management of lobbying to a member of the senior leadership.
4. **General lobbying oversight and monitoring:** The company describes the oversight and monitoring of lobbying activities.

34 CAPP. Industry’s Climate Commitment. <https://www.capp.ca/explore/industrys-climate-commitment/> Consulted on March 29, 2022

CHART 3



Most of the companies we assessed scored above 50%, which can be explained by the standardization of climate-related risk oversight. All companies except Imperial Oil clarified in their public disclosure or in the CDP questionnaire the oversight and monitoring structure of climate risks, including the distribution of responsibilities between management and the board. However, climate lobbying oversight is a rare feature of board accountability among Canadian oil and gas companies. Only Crescent Point Energy and Whitecap have clearly described their board's responsibility for lobbying activities.

Highlight: Crescent Point Energy has attributed the oversight of lobbying activities and political contributions to the Governance and Nominating Board Committee.³⁵

Highlight: Whitecap has set up a Sustainability and Advocacy Committee at the board level.³⁶

Our research indicates that companies are more inclined to disclose which member of the senior leadership team has responsibility for lobbying activities, and provide a description of general lobbying and monitoring procedures.

Highlight: Vermilion provides a comprehensive disclosure on the distribution of lobbying responsibilities, from the highest level of the Management Team, to the Business Units directors. Notably, Vermilion's disclosure consists of a very detailed description of all the persons responsible for public engagement, including the President, CFO and Vice President Investor Relation; and the process it employs to ensure consistency between external engagement and its internal guidelines.³⁷

35 Crescent Point Energy. 2021 ESG Report

36 Whitecap. Mandate and Term of Reference for the Sustainability and Advocacy Committee: https://www.wcap.ca/download_file/view/489

37 Vermilion. 2021 CDP Climate Questionnaire

4.3

Transparency

While large public companies may have sufficient in-house and consultant resources to engage with policymakers directly and set their own political agendas, most find value in pooling their resources and coordinating efforts through industry associations to promote policy outcomes that would benefit the company and the industry at-large.

These lobby groups constitute a cost-effective alternative to advance industry-specific issues, and a platform for best-practice sharing. However, lobbying conducted by these organizations is not publicly disclosed by its members. This opacity creates a blind spot for investors, as they cannot assess the merit of the resources allocated to these organizations.

Therefore, to be comprehensive, corporate lobbying disclosure should not only disclose lobbying priorities, but also industry association memberships and payments made to third-party organizations.

Our assessment of the theme

Transparency is based on three criteria:

1. **Direct lobbying:** (a) The company provides the general topics of its lobbying priorities (e.g., climate change, Indigenous communities, taxes, etc.); (b) the company provides a detailed and comprehensive list of its lobbying priorities on climate change (e.g., carbon tax, methane regulations, GHG emissions, technology, etc.); and (c) the company clearly states the specific climate-related legislation it has directly engaged in over the previous year, including its position in support of or in opposition to the legislation.
2. **Industry association memberships:** The company: (a) discloses its membership in, support for and involvement in industry and trade associations; and (b) clarifies which of these organizations is involved in climate-related lobbying.
3. **Payments:** The company: (a) discloses the total amount of lobbying expenses, including those devoted to direct lobbying and indirect lobbying; and (b) discloses the total amount of lobbying expenses devoted to the funding of trade associations and other third-party organizations that publish research, take positions or lobby on climate-related issues.



CHART 4



Our research indicates the companies we assessed have improved transparency when it comes to their lobbying priorities. On average, companies scored 41%. Most companies disclosed the general topics of their climate policy focus, and several provided a detailed overview of the policies on which they concentrate their advocacy efforts.

Highlight: Suncor disclosed the list of specific policies and regulations it advocated, including the Pan-Canadian Framework on Clean Growth and Climate Change; the Clean Fuels Standard (CFS) in Canada; the Greenhouse Gas Pollution Pricing Act (GGPPA), which encompasses the development of the consumer fuel tax and the industrial output-based pricing system and associated emissions trading program; the Net-Zero by 2050 and Just Transition legislation, both under development; Alberta's Technology Innovation and Emissions Reduction Regulation; Quebec's cap-and-trade program and Energy Transition Action Plan; Ontario's Emission Performance Standard and renewable fuel regulations; and British Columbia's Clean BC Climate Action Plan and Renewable & Low Carbon Fuel Requirements Regulation.³⁸

This evolution is noteworthy, as Canadian companies generally prioritize compliance with federal and provincial lobbying reporting obligations. While existing public registries in Canada allow stakeholders to access minimal information about the actors involved and the high-level issues discussed, they do not provide sufficient information on corporate interactions to allow investors to appreciate a company's approach to policy. In that regard, it is imperative that companies give investors a higher level of transparency so that investors can evaluate if a company's direct or indirect lobbying do not run contrary to its best interests or beneficiaries.

Companies overwhelmingly disclosed the list of the industry associations they belong to; however, many did not specify which of these associations are involved in climate-related issues.

Finally, no company we assessed disclosed the funding allocated to financing industry groups, in-house lobbyist and other third-party organizations, including consultants. While PrairieSky Royalties is not scored in this specific category, it is the only company that disclosed the total amount of lobbying expenses and payments made to industry associations.

38 Suncor. 2021 CDP Climate Questionnaire

4.4

Alignment

Over the past few years, industry group lobbying has become a key climate issue for institutional investors.

As investors are increasingly wary of the impact that additional delays in the development and implementation of climate policies may have on global warming, companies are facing mounting pressure to align their lobbying strategies, including industry association memberships, with the Paris Agreement goals. And, in the past few years, oil and gas companies have been more prone to take public positions in support of the achievement of Paris goals; however, these public stances do not always match their political and lobbying spending. The discrepancies between corporate public promises and policy advocacy may not only represent a reputational risk for the company, but also hinder governments' ability to meet their climate targets – and, consequently, threaten shareholders' long-term value. In parallel, institutional investors also recognize the opportunity that corporate lobbying represents for effective climate action, as corporate advocacy in support of ambitious climate policy can accelerate the transition toward a net zero future.

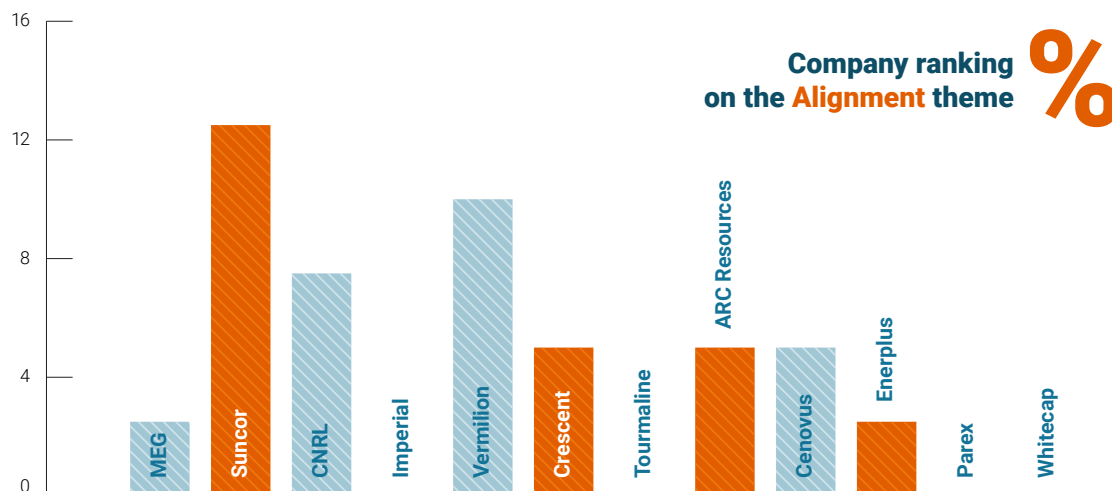
Our assessment of the theme

Alignment is based on four criteria:

1. **Process:** The company: (a) discloses a periodical review of its trade associations' lobbying activities, including positions and statements; and (b) has established a clear process or framework for identifying and addressing misalignments between the lobbying positions taken by the trade associations it finances and the goals of the Paris Agreement.
2. **Identification of misalignments:** The company (a) publicly discloses all the misalignments it has identified regarding trade associations and Paris Agreement goals; and (b) clearly identifies the positions that differ from Paris Agreement goals.
3. **Corrective actions:** The company identifies the range of actions to be taken when it identifies a material misalignment with a position supported by a trade association it finances.
4. **Evidence:** The company has publicly withdrawn, OR publicly committed to withdraw, its support or membership where it identified a lack of alignment between the lobbying positions adopted by the trade association and Paris Agreement goals.



CHART 5



On average, the 13 companies benchmarked received a score of 5% on the Alignment theme. Notably, four companies failed to provide any information on any of the items of this indicator, including Imperial Oil, Tourmaline, Parex Resources and Whitecap Energy. No company except PrairieSky Royalties, which is not scored in this category, disclosed their intention to not renew their industry association memberships. This is particularly disappointing, as we know that, over the past few years, certain companies among this benchmark have made the decision to distance themselves from some associations due to climate position misalignment or other reasons.

While we acknowledge the industry's progress over the past couple of years to provide greater transparency on corporate climate lobbying, all companies failed to explain how their lobbying strategies and memberships align with Paris Agreement goals.

This poor performance highlights the disconnect between corporate disclosure and investors' expectations of lobbying strategies. This lack of transparency contrasts with the progress observed recently in the U.S. and Europe, within and outside the oil and gas sector. As an illustration, in 2021, several large U.S. GHG emitters, including Exxon Mobil,³⁹ have published a stand-alone report reviewing the alignment of their industry association memberships with the Paris ambition in response to investor pressure.

To be meaningful, these reports should explain the process and framework implemented by companies to monitor industry associations' positions on climate issues, and identify and address potential misalignment with Paris Agreement goals. In addition, these reports should publicly disclose the result of this assessment, to inform investors of any misalignment found by companies and the remediation actions taken to address them. Suncor received the highest score (16%), as it is the only company that recognized it is not aligned with the CAPP's position on carbon pricing. However, this disclosure was not sufficient to award the company a full point, as it does not indicate the existence of a review process vis-à-vis Paris goals. We also note that, despite this misalignment, Suncor revealed its intention to remain an active member of the CAPP and continue working on its communication within the industry group to advance the carbon pricing policy issue.

39 Exxon Mobil. 2021 Climate Lobbying Report. <https://corporate.exxonmobil.com/-/media/Global/Files/policy/Climate-lobbying/2021-Climate-Lobbying-Report.pdf>



CASE STUDY

Shell's approach to industry associations climate review 2021

Since 2019, Shell publishes an annual review of its industry association memberships with the Paris Agreement goals. The quality of this lobbying report puts Shell in an international leadership position.

Shell states without ambiguity that it “fully supports the goal of the Paris Agreement on climate change to limit the rise in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit it to 1.5°C.” It also mentions that its current strategy, called Powering Progress, has a political dimension, as it “includes supporting policies, legislation and regulation to accelerate the move to low-carbon energy, including in industries that are hard to decarbonize, sector by sector.”

In its annual report, the company reviews 36 associations' policy and advocacy positions with the stated goal of limiting the temperature increase to 1.5°C. While the company claims that it is aligned with 28 associations, it recognizes that its positions are inconsistent with the remaining eight. Shell identified material misalignment with the Queensland Resources Council and some misalignment with seven other associations, including the American Petroleum Institute, the Chamber of Minerals and Energy of Western Australia, the Electric Power Supply Association, the National Association of Manufacturers, the Texas Oil & Gas Association, the U.S. Chamber of Commerce and WindEurope.

In addition, Shell explains the key climate policy stances of each of the evaluated associations and compares them with its own position aligned with the 1.5°C ambition. To allow investors and stakeholders to understand its assessment framework, the company provides a detailed summary of its advocacy priorities, including on the Paris Agreement, net zero emissions, carbon pricing, the energy transition carbon sinks and other policies.

Lastly, Shell provides a meaningful description of the actions it takes to address the misalignment it has identified, and clarifies the position it is defending when it chooses to remain within the misaligned association. For instance, Shell urges the Queensland Resources Council to “explicitly support the goal of the Paris Agreement; explicitly support carbon pricing; explicitly support policies to encourage fuel-switching to lower-emissions energy sources in power generation; and include a position that it will not advocate any new unabated coal-fired power generation.” Furthermore, it encourages the association to “state support for the direct regulation of methane emissions and reductions in methane emissions throughout the natural gas supply chain, as well as framing its support for carbon capture and storage in the context of support for the goal of the Paris Agreement and net zero emissions.”



Conclusion

Evidence shows that, over the past several decades, misleading rhetoric on climate change perpetuated by fossil fuel companies and their industry groups has undermined public trust in scientific consensus. The disproportionate influence of the private sector, especially oil and gas, on the climate public agenda has also generated irreversible delays in the adoption of effective climate legislation and regulation.

These consequences contribute to the systemic risk of climate change that investors alone cannot manage. A pathway consistent with a 1.5°C ambition is only possible if the private sector – especially actors that contribute the most to global warming, like oil and gas companies – redirect their lobbying efforts to actively support government climate action.

The current state of disclosure in the Canadian oil and gas sector is particularly concerning, as research has highlighted the weight it has on climate policy outcomes. Our findings show that, while companies have made progress to address some disclosure gaps by providing often high-level information on their lobbying priorities and strategies, all companies fail to demonstrate how their association memberships align with Paris Agreement goals.

In the context of the Ukraine war, it is even more important for investors to increase scrutiny on corporate lobbying. As the humanitarian crisis is rapidly deteriorating and oil supply chain challenges continue growing, the industry has been promoting fossil fuel expansion despite clear warning that such policies would have severe consequences on global warming. The geopolitical tensions have created an opportunity for the industry to promote globally Canadian “ethical oil” over Russian “conflict oil.”⁴⁰ According to an Op-ed published by the Canadian Energy Center, “Canadians must rethink energy policy. The humanitarian approach to global peace and security is to produce more oil and gas, not persecute it.”⁴¹ Tim McMillan, former President and CEO of CAPP wrote in March 2022 that “the industry – and Canadians – need a clear commitment from the federal government to grow Canadian oil and natural gas development and exports.”⁴² However, while the supply chain disruptions should invite regulators and legislators to re-think energy policies, it should not distract Canada from its net zero commitment. To the contrary, as European nations are focusing on reducing their dependence to oil and gas, there is an opportunity for Canada to strengthen its climate commitments while increasing the country’s energy and climate resilience.

As investors are increasingly working toward aligning their portfolios with the net zero future while navigating the uncertainties of global warming, it is imperative for companies to do their part and represent shareholders’ best interests. In parallel, investors should also play a key role in promoting a more robust system of accountability for climate lobbying activities, and greater transparency.

40 <https://theconversation.com/calls-for-ethical-oil-are-pushing-canada-to-become-a-petro-state-182844>; <https://www.aljazeera.com/news/2022/3/8/canada-petro-provinces-see-opportunity-russia-ukraine-war>; <https://www.politico.com/newsletters/ottawa-playbook/2022/03/01/the-new-ethical-oil-debate-00012659>

41 <https://www.canadianenergycentre.ca/yager-will-ukraines-crisis-finally-force-canada-to-rethink-its-energy-policies/>

42 <https://context.capp.ca/articles/2022/commentary-europes-energy-crisis-set-the-stage-for-war-in-ukraine/>

Appendix

| Theme | Category # | Category | Indicator |
|---|------------|--|---|
| 1. Position, Policy and Commitment | 1.1 | Position on the Paris Agreement | The company:(a) publicly endorses the Paris Agreement; OR (b) publicly supports government actions to develop and implement climate change policy and regulation. |
| | 1.2 | Approach to climate policies | The company provides a comprehensive analysis of current and emerging specific climate policies and regulations, including the associated risks and opportunities for the company (e.g., discussion of position, strategy and response). |
| | 1.3 | Lobbying policy | (a) The company has a publicly available lobbying policy or policy that includes provisions specifically addressing lobbying; and (b) the company has made a public statement that addresses its direct engagement with policymakers, indirect engagement through third-party organizations, and approach to political donations. |
| | 1.4 | Climate lobbying policy | (a) The company made a specific public commitment to conduct all of its lobbying in line with the goals of the Paris Agreement, with the stated aim of restricting global temperature rise to 1.5°C; and (b) The company publicly committed to ensure that the associations, alliances and coalitions of which it is a member lobby in line with the goals of the Paris Agreement. |

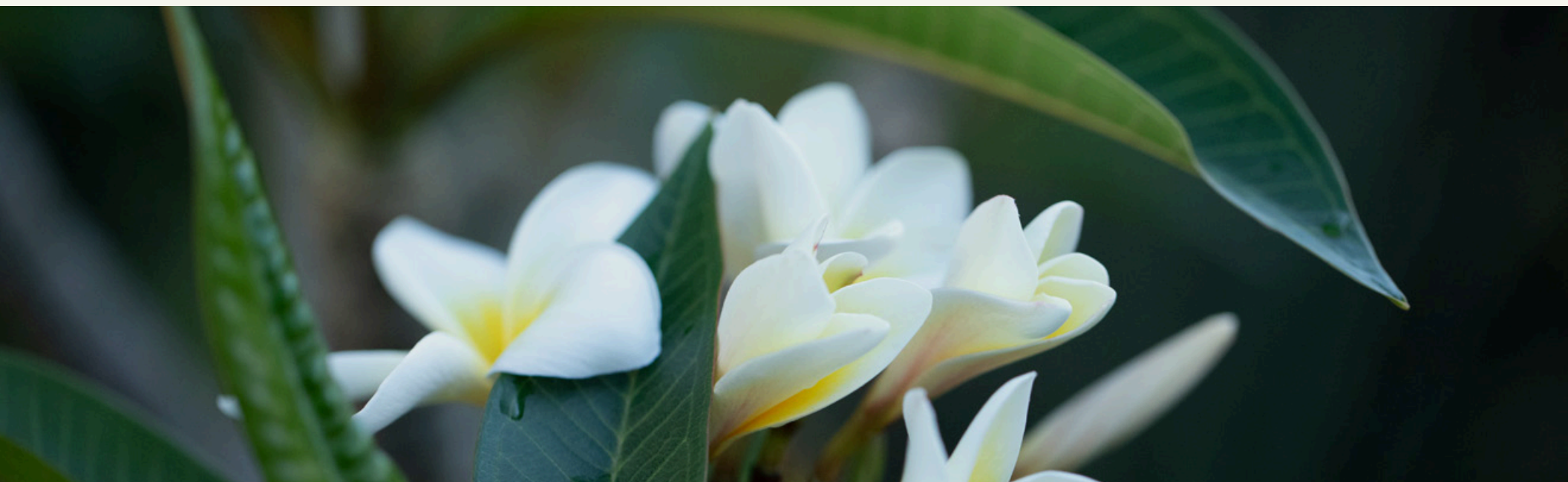
CONTINUED

| | | | |
|-------------------------------------|-----|--|---|
| 2. Governance and Management | 2.1 | Oversight of climate change-related risks | The company:(a) describes the oversight and monitoring of climate risks; and (b) identifies the senior leadership person or board committee responsible for climate oversight. |
| | 2.2 | Board accountability | The company has assigned board oversight for its lobbying activities. |
| | 2.3 | Senior leadership responsibility | The company has assigned the management of lobbying to a member of the senior leadership. |
| | 2.4 | General lobbying oversight & monitoring | The company describes the oversight and monitoring of lobbying activities. |
| 3. Transparency | 3.1 | Direct lobbying | (a) The company provides the general topics of its lobbying priorities (e.g., climate change, Indigenous communities, taxes, etc.); (b) the company provides a detailed and comprehensive list of its lobbying priorities on climate change (e.g., carbon tax, methane regulations, GHG emissions, technology etc.); and (c) the company clearly states specific climate-related legislation it has directly engaged in over the previous year, including its position in support of or in opposition to the legislation. |
| | 3.2 | Industry association memberships | The company: (a) discloses its membership of, support for and involvement in industry and trade associations; and (b) clarifies which of these organizations is involved in climate-related lobbying. |
| | 3.3 | Payments | The company: (a) discloses the total amount of lobbying expenses, including those devoted to direct lobbying and indirect lobbying; and (b) discloses the total amount of lobbying expenses devoted to the funding of trade associations and other third-party organizations that publish research, take positions or lobby on climate-related issues. |

CONTINUED

4. Alignment

| | | |
|-----|--|---|
| 4.1 | Process | The company: (a) discloses a periodical review of its trade associations' lobbying activities, including positions and statements; and (b) has established a clear process or framework for identifying and addressing misalignments between the lobbying positions taken by the trade associations it finance and the goals of the Paris Agreement. |
| 4.2 | Identification of misalignments | The company:(a) publicly discloses all the misalignments it has identified regarding trade associations and Paris Agreement goals; and (b) clearly identifies the positions that differ from Paris Agreement goals. |
| 4.3 | Corrective actions | The company identifies the range of actions to be taken when it identifies a material misalignment with a position supported by a trade association it finances. |
| 4.4 | Evidence | The company has publicly withdrawn, OR publicly committed to withdraw, its support or membership where it identified a lack of alignment between the lobbying positions adopted by the trade association and Paris Agreement goals. |



Bibliography

The U.S. National Oceanic and Atmospheric Administration. "2021 was world's 6th-warmest year on record". January 13, 2022: <https://www.noaa.gov/news/2021-was-worlds-6th-warmest-year-on-record>

Carbon Brief. "State of the climate: 2021 sees widespread climate extremes despite a cool start". July 26, 2021: <https://www.carbonbrief.org/state-of-the-climate-2021-sees-widespread-climate-extremes-despite-a-cool-start>

The Globe and Mail, by Andrea Woo. "B.C. floods displaced nearly 15,000 people, province says". December 2, 2021: <https://www.theglobeandmail.com/canada/british-columbia/article-figures-show-nearly-15000-people-in-bc-displaced-by-floods/>

Insurance Bureau of Canada. "British Columbia floods cause \$450 million in insured damage". December 9, 2021: <http://www.ibc.ca/bc/resources/media-centre/media-releases/british-columbia-floods-cause-450-million-in-insured-damage>

Bush, E. and Lemmen, D.S., editors (2019). Government of Canada. Canada's Changing Climate Report, "Changes in Temperature and Precipitation Across Canada", Chapter 4.: <https://changingclimate.ca/CCCR2019/chapter/4-0/>

IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. In Press: <https://www.ipcc.ch/report/ar6/wg2/>

IPCC, 2022: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Fact Sheet – North America: https://report.ipcc.ch/ar6wg2/pdf/IPCC_AR6_WGII_FactSheet_NorthAmerica.pdf

Graham Nicolas, et al. Big Oil's Political Reach: Mapping fossil fuel lobbying from Harper to Trudeau. November 2019: <https://policyalternatives.ca/publications/commentary/canada%e2%80%99s-fossil-fuel-lobby-influences-policy-and-decisions-major-federal>

The Narwhal, by Sarah Cox and Sharon J. Riley. "Industry responsible for 80 per cent of Senate lobbying linked to Bill C-69". June 13, 2019: <https://thenarwhal.ca/industry-responsible-for-80-per-cent-of-senate-lobbying-linked-to-bill-c-69/>

Environmental Defence. The Single Biggest Barrier to Climate Action in Canada: the Oil and Gas Lobby. October 2019: <https://environmentaldefence.ca/wp-content/uploads/2019/10/EDC-Oil-Climate-Action-Oct-2019.pdf>

CAPP. "CAPP Letters Submitted to the Federal Government Regarding the COVID-19 Crisis". April 17, 2020: <https://www.capp.ca/news-releases/capp-letters-submitted-to-the-federal-government-regarding-the-covid-19-crisis/>

Executive Office of the President of the United States, Council of Economic Advisers. "The Cost of Delaying Action to Stem Climate Change". July 2014

Climate Action 100+. "Shareholders Escalate Campaign Pressing Companies to 'Walk Their Talk' on Climate Lobbying". March 14, 2022: <https://www.ceres.org/news-center/press-releases/shareholders-escalate-campaign-pressing-companies-walk-their-talk>

Investor statement of intent: Global Standard on Responsible Climate Lobbying. 2022: https://climate-lobbying.com/wp-content/uploads/2022/03/2022_investor-statement-of-intent_GlobalStandard-Responsible-Climate-Lobbying.pdf

OECD. Lobbyists, Governments and Public Trust. Volume 3, Implementing the OECD Principles for transparency and integrity in lobbying, 2014, available at: <https://www.oecd.org/gov/ethics/lobbyists-governments-trust-vol-3-highlights.pdf>

UNPRI. Converging on Climate Lobbying: Aligning corporate practice with investor expectations. 2018, available at: https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf

Investor statement of intent: Global Standard on Responsible Climate Lobbying. 2022: https://climate-lobbying.com/wp-content/uploads/2022/03/2022_investor-statement-of-intent_GlobalStandard-Responsible-Climate-Lobbying.pdf

InfluenceMap. "An Investor Enquiry: How Much Big Oil Spends on Climate Lobbying". April 2016: <https://influencemap.org/report/Climate-Lobbying-by-the-Fossil-Fuel-Sector>

SHARE. Climate Lobbying in the Canadian Oil & Gas Sector: Investor Benchmark of Oversight and Disclosure. 2020: https://share.ca/wp-content/uploads/2020/09/SHARE_climate_lobbying_4.pdf

"Investor Expectations on Corporate Climate Lobbying". 2019: https://www.unpri.org/Uploads/i/k/t/Investor-Expectations-on-Corporate-Climate-Lobbying_enGB.pdf

Chronos Sustainability and Church of England Pensions Board. Responsible Climate Change Lobbying Assessment Framework Consultation Draft. April 2021: <https://www.chronossustainability.com/s/Assessment-framework-and-indicators.pdf>

Chronos Sustainability. "Responsible climate change lobbying Consultation on assessment framework". 2021: <https://www.chronossustainability.com/climate-change-lobbying-consultation-on-assessment-framework>

Responsible Climate Lobbying: the Global Standard: <https://climate-lobbying.com/>

CAPP. "Industry's Climate Commitment". <https://www.capp.ca/explore/industrys-climate-commitment/> Consulted on March 29, 2022

About SHARE

Using shareholder engagement, advisory services, research and education, SHARE—the Shareholder Association for Research and Education—helps investors steward their assets in ways that contribute to positive social and environmental outcomes.

Through our investor services and diverse investor initiatives, SHARE has built a network of institutional investors with more than \$90 billion in assets under management. With SHARE's support, these organizations are advocating for better corporate sustainability practices, exercising their proxy voting rights responsibly, and promoting greater transparency and accountability across capital markets.

SHARE acts as the engagement secretariat for Climate Engagement Canada, Climate Engagement Canada is a finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy. There are 29 investor participants, with more than 3.6 trillion in assets engaging 40 of the top emitting Canadian companies through CEC.

Acknowledgements

This report has been prepared by SHARE. The report's methodology builds on existing leading standards and research on climate lobbying, including The Global Standard on Responsible Climate Lobbying developed by The Church of England Pension Board, BNP Paribas Asset Management and AP7 and supported by several investor networks including SHARE.

SHARE also acknowledges the significant contributions of Joanne Lau, Nicole Chafe, and Cathy McKim.

Authors

Sarah Couturier-Tanoh

Manager Corporate Engagement & Advocacy

Sarah is a Manager in SHARE's award-winning corporate engagement program, where she leads engagements with Canadian, US, and global issuers on decent work, human rights, and lobbying. With expertise in corporate research and lobbying, and a background in non-financial auditing, Sarah is a sought-after speaker on a wide-range of ESG issues.

Contributors

Mike Toulch

Engagement Research Specialist

Prior to joining SHARE, Mike worked for an international corporate sustainability ratings provider as a sustainability analyst, specializing in supply chain human rights and business ethics. Mike has also practiced as a civil litigator in Vancouver, with a focus on administrative, commercial and insurance law, and as a corporate sustainability consultant in Europe.

Anthony Schein

Director of Shareholder Advocacy

Anthony is director of SHARE's corporate engagement and policy advocacy programs. Under his direction, SHARE represents a network of 75 Canadian institutional investors with more than 90 billion in assets under management. In 2021, SHARE engaged 151 companies on more than a dozen leading ESG issues, including climate, human rights and reconciliation. SHARE's effective advocacy is recognized for delivering meaningful commitments from companies to improve disclosure, governance, and policy alignment.

Jennifer Story

Associate Director Climate Advocacy

Jennifer Story leads SHARE's climate advocacy work. She is responsible for engagement with Canadian and US issuers on climate-change commitments. Jennifer oversees SHARE's role as the engagement secretariat for Climate Engagement Canada, and coordinates the University Network for Investor Engagement. As an investor network, UNIE engages companies in the investment portfolios of university pension plans, foundations and endowments. Our engagements focus on accelerating the transition to a low-carbon economy in key sectors where advocacy can make the biggest difference. Jennifer brings 25 years of experience with environmental, labour and political leadership on projects and campaigns to build a more green, just and inclusive economy.

Published by the Shareholder Association for
Research and Education, September 2022

SHARE mobilizes investor leadership for a more sustainable, productive and inclusive economy. We do this by building responsible investment leadership among asset owners and amplifying investor voices in support of improved corporate sustainability practices and better rules and regulations that govern capital markets. SHARE's impact-oriented shareholder engagement, proxy voting and policy advocacy programs are focused on achieving changes in corporate policy and practice that not only mitigate risks at the company level, but also contribute to building a sustainable, inclusive and productive economy upon which long-term investment incomes depend.



© 2022. Shareholder Association for Research and Education. All Rights Reserved. / Design & Layout: JC Ospino Alliter CCG / www.alliter.com

VANCOUVER, BC

Suite 440, 789 West Pender Street, Vancouver, BC V6C 1H2

T: 604.408.2456

Unceded territory of the xmθkwym (Musqueam), Skwxwú7mesh (Squamish),
and slílwta (Tsleil-Waututh) Nations

TORONTO, ON

257 – 401 Richmond Street West, Toronto, ON M5V 3A8

Territories of the Mississaugas of the Credit, Anishnabeg, Chippewa, Haude-
nosaunee and Wendat peoples

www.share.ca