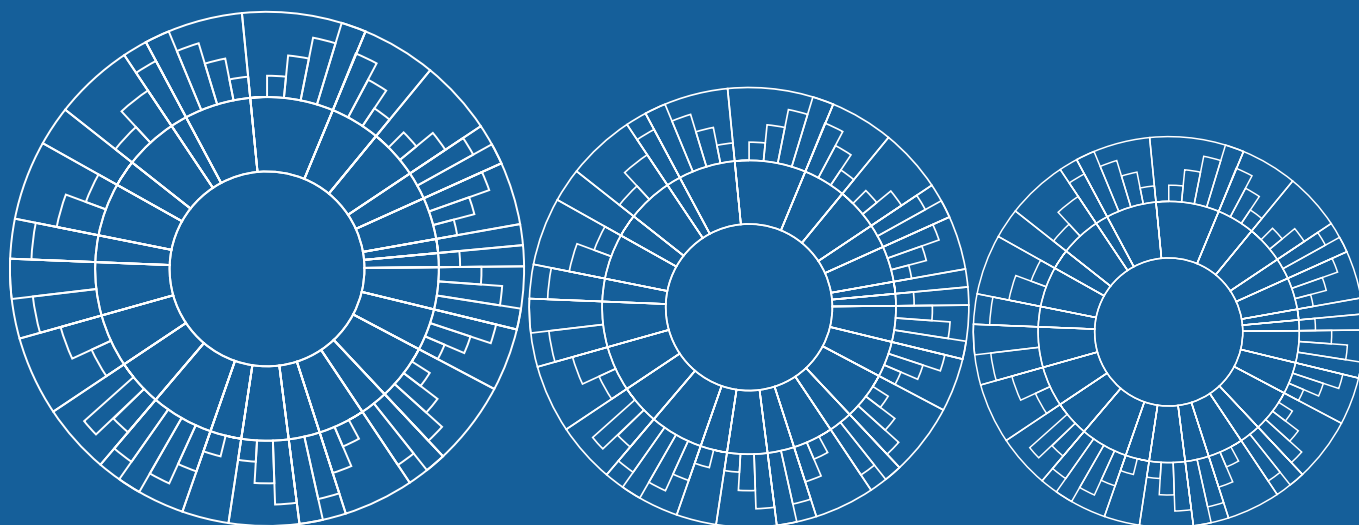


# Next Generation Governance

## Developing Position Statements on Sustainability Issues

A GUIDEBOOK FOR SUPPORTING YOUR BOARD



# Next Generation Governance: Developing Position Statements on Sustainability Issues

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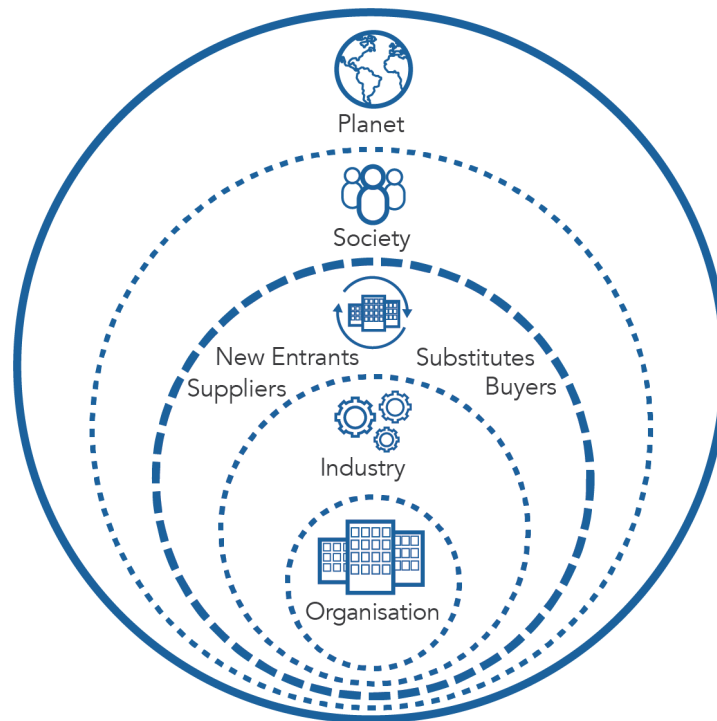
# Introduction

This guidebook supports companies and their boards as they articulate a clear position around relevant environmental, social, and governance issues that take into account the context in which that company operates. This guide has benefitted from the involvement and review of our partner companies and draws on a systematic review of over 3,200 position statements from global companies along with more than 200 interviews with CEOs, directors, and board chairs. It builds on concepts we outline in our series of resources on the Road to Context.

While this guide offers guidelines for the content and structure of position statements, we are also developing companion guides that offer more specific guidance on particular issues such as the development of climate position statements.

## What is context and why does it matter?

While many companies now acknowledge that environmental and social factors have an impact on their strategy, a shift to 'triple bottom line' thinking has only taken them so far – too often framing key strategic choices as trade-offs. Our research reveals that an increasing number of companies have come to see their operations as part of an embedded economy in which their strategies are bounded by the social and environmental systems that surround them – reflecting a shift towards what is starting to be called 'contextual' thinking or 'acknowledging context'.



Already, hundreds of companies have set science-based climate goals<sup>1</sup> committing to do their part to limit global warming to well below 2°C above pre-industrial levels. Our Road to Context casebook profiles more than fifty global companies that have made similar contextual commitments on a range of relevant social and environmental issues such as water, human rights, financial inclusion, and community resilience.

## Why position statements?

In the past, it has been common for companies to issue broad positions on environmental management, sustainability, or corporate responsibility that address multiple (and often overlapping) environmental, social, and governance (ESG) issues. Too often, the result has been lengthy documents that fail to make a clear strategic connection between specific issues and their implications for business decision-making.

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

<sup>1</sup> <http://sciencebasedtargets.org>

While it is not necessary for companies to develop position statements on every issue, they may benefit from doing so for several key issues. For instance, there is mounting pressure for companies to clearly articulate their position on climate change. Of the 3,200 position statements we reviewed, over 2,000 were climate position statements.

In our conversations with leading directors, we heard that by developing more contextual position statements focused on specific issues, boards and executive teams can deepen their understanding of these issues, clarify how they link to the company's overall strategy, clarify their position for other key stakeholders, and provide the direction and confidence for management and employees to act. Our conversations also surfaced multiple requests for better guidance on how to develop a comprehensive yet concise position statement.

## A framework for writing position statements

This guide presents a clear framework for companies seeking to produce credible, contextual position statements on ESG issues. A concise position statement will do three things: **explain the issue**, **link it to your company's strategy**, and **clarify your commitments to take action**. We summarize these three steps here and provide more information in the pages that follow, incorporating examples of content from statements across a range of industries and global settings.



KEEP IT SHORT AND ACTIONABLE

# A checklist for writing position statements

## EXPLAIN THE ISSUE

- Explain your understanding of the issue, outlining key trends.
- Explain your understanding of the relevant environmental or social limits beyond which the resiliency of the system is threatened, referencing key sources of authority and frameworks as well as your rationale for selecting them.
- As a result of your understanding of these limits, explain what collective action needs to be undertaken at a global, national, regional, or local level.

## LINK THE ISSUE TO YOUR STRATEGY

- Link this issue to the strategic impact it could have on your own business, including relevant risks and opportunities.
- Discuss your company's understanding of its relevant direct and indirect impacts.

## CLARIFY YOUR COMMITMENTS

- Clarify your commitment(s) to operate within relevant limits, addressing those impacts that are within your direct control and acknowledge how these commitments will shape your future action.
- Clarify your commitment(s) to influence and support the actions of others in your value chain, in your industry, and/or in your investments and acknowledge how these commitments will shape your future action.
- Be clear about sign-off, oversight, implementation, and reporting.
- Where possible, articulate a pattern of decision-making.

## KEEP IT SHORT AND ACCESSIBLE

- Make sure your document is publically accessible.
- Sign and date your documents.
- Avoid reporting on short-term performance or discussing awards and accolades.
- Consider briefly addressing what motivated the statement and/or the process that led to its development.

Developing position statements will be an iterative process, and you may find that you are unable to complete every step in the checklist the first time you issue a statement. In these cases, be transparent about your limitations (for instance, you may need to improve your understanding of your direct or indirect impacts) and clarify what you will do to overcome these gaps (for instance, you may commit to gather the data you need to improve this understanding).

# Developing your position statement

These next sections help unpack this process further, providing examples to support you as you work through your own position statement.

## Explain the issue

**Explain your understanding of the issue, outlining key trends.**

Begin your position statement with a summary of the issue – what are the relevant trends, and why do they matter? This section is not meant to be company-specific. Instead, your goal is to demonstrate your understanding of the issue and its relevance to society. Outlining relevant trends helps to convey your company's understanding of the magnitude and direction of effects.

*Example: "Humanity's greenhouse gas (GHG) emissions have changed the composition of our atmosphere and the climate that surrounds us. Around the world, people are beginning to feel the effects, from increased average and extreme temperatures, to changes in rainfall patterns, to more severe and less predictable storms." (Mars)*

You may also consider discussing relevant international, national, or regional commitments on the part of governments or others.



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

Identify and explain what your company sees as the limit (what others sometimes call the ‘tipping point’, threshold, or boundary) for which there is a compelling need for action. It can be helpful to reference key sources of authority, as well as your rationale for choosing them, as this can help clarify your company’s understanding of the issue and its limits - helping your readers to quickly gauge your company’s approach to this issue.

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

In addition to sources of authority, you can also identify any frameworks or initiatives that you subscribe to or participate in and explain why you chose them. For instance, companies are beginning to reference frameworks such as the UN Sustainable Development Goals, The Planetary Boundaries Framework, The Doughnut of Social and Planetary Boundaries, The Natural Step’s Four System Conditions of a Sustainable Society, or The Future-Fit Business Benchmark to support their understanding of relevant social and environmental trends and their associated limits.

For more information on these frameworks, how they support contextual thinking, and how they might apply to your business, consult our Road to Context guidebook. <https://embeddingproject.org/resources/the-road-to-context>

*Example: “The Co-operators is proud of our ongoing relationship with The Natural Step Canada, which has been vital to our journey towards becoming a sustainable organization... Since 1989, they’ve worked with thousands of corporations, municipalities, academic institutions and not-for-profit organizations that have proven that moving strategically toward sustainability leads to new opportunities, reduced costs, and dramatically reduced ecological and social impacts.”* (The Co-operators)

This section is also a good place to explain your understanding of how this issue may be linked with other issues or limits.

*Example: "Population growth and economic activity mean that water is being used faster than it can be replenished by nature. Climate change is also responsible for creating temporary water shortages or surpluses, with their attendant droughts and flooding." (ACTIAM)*

For more guidance on understanding and defining environmental and social limits, consult our resources on the Road to Context:

<https://embeddingproject.org/resources/the-road-to-context>

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

Finally, help your reader understand what collective action is needed to effect meaningful change, and explain the geographic scope in which this change is required. Outline the kinds of action required by companies, communities, governments, and others within the system.

*Example: "Responding to climate change presents a significant challenge that will require concerted global action by individuals, businesses and national, state, and local governments... All major emitting nations will need to play a role if we are to successfully address the global challenge of climate change. Effective global climate policy will help drive the market changes that are needed to stimulate and efficiently deploy new innovations in science and technology, while maintaining open and competitive global markets." (DuPont)*

## Link the issue to your strategy

Having shared your understanding of the social and/or environmental issue, including what action is required to adhere to relevant limits, the next step is to link the issue to your business strategy by explaining why the issue matters to your company, and the impact your company is having on the issue.

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

Here you need to demonstrate that you understand the strategic importance of this issue, including the risks and opportunities that it presents to your company's long-term strategy. Could it impact access to raw materials, or perhaps threaten operations within a specific region?

*Example: "As a global food company, General Mills recognizes the risks that climate change presents to humanity, our environment and our livelihoods. Changes in climate not only affect global food security but also impact General Mills' raw material supply which, in turn, affects our ability to deliver quality, finished product to our consumers and ultimately, value to our shareholders." (General Mills)*

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

Provide a concise description of your company's direct and indirect impacts and identify which activities generate the greatest impact or offer the greatest potential for influencing positive change.

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

Transparently outline how you determined both the direct impact of your own company's operations and the indirect impacts from your value chain and investments. If your company is still developing its understanding of its impacts then outline how you plan to gather the information you need.

*Example: “Since 2009, Mars has published a GHG emissions inventory annually... We use public data sources, such as the U.S. Environmental Protection Agency’s eGRID, the U.K. Department of Environment, Food and Rural Affairs database, and ecoinvent, to supply the impact factors used in our calculations when available, and we apply them consistent with publicly available methods. We utilized these methodologies and data sources to calculate our 2015 total value chain emissions as 25.6 MtCO<sub>2</sub>-e. We will continue to invest in the collective development of better methods and data availability and work with our suppliers to apply a better understanding of their emissions to drive reductions.” (Mars)*

## Clarify your commitments

In this section, you will be distinguishing between the limit for action and your company’s “allocation” or “share” of the responsibility to respond. You will also address how you will approach the impacts that are within your sphere of control and how you will support or influence others in your value chain, in your industry, and/or in the companies in which you invest.

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

Clearly state your commitment to ‘doing your part’ by working within relevant limits. Be clear on both your starting point and your desired endpoint, and the timeframe it will take to get there. Explain your approach to determining your responsibility and be explicit about your rationale and key assumptions. Outline what portion of the gap your company will tackle through changes within its own operations, discuss how this commitment will shape your strategy going forward, and acknowledge where you will need to collaborate with others in order to achieve this.

*Example: “While we have long history of reclaiming lands after mining, we know that further progress can be made. That’s why, in 2011, we established a long-term vision of achieving a net positive impact on biodiversity in areas affected by our activities. For Teck, Net Positive Impact (NPI) means that ecosystems and biodiversity are better off at the end of mining than when we found them. Working towards NPI happens throughout the mining life cycle, and it starts with determining the key elements and pre-mining baseline.” (Teck, website)*

*Example: “Danone will set a trajectory to reduce GHG emissions consistent with the 2°C scenario and contribute to establish a decarbonized economy. We want to target zero net emissions in Danone’s related full scope of carbon emissions in the long term.” (Danone)*

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

Articulate clear commitments to leverage your influence to help others operate within social or environmental limits and discuss how this commitment will shape your strategy going forward. These commitments should align with your understanding of the issue and your company’s potential for influencing its value chain and investments.

*Example: “Mars’ climate change targets are to reduce our total GHG emissions from our full value chain by 27% by 2025 and by 67% by 2050, from 2015 levels.” (Mars)*

*Example: “Mars’ water stewardship goal is to ensure water use in our value chain is within annually renewable levels by watershed. We chose this target because it is context-based, and so focuses on playing our part in solving water availability issues in the watersheds we operate in or source from... Over time, we will cascade our water targets to our suppliers. We will encourage them to be transparent about their water impacts, such as through the CDP water disclosure, and to participate in water stewardship initiatives and collaboration platforms.” (Mars)*

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

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

Also identify the parties responsible for overseeing any commitments made in the statement as well as any expectations around reporting and/or links to compensation. Finally, commit to a transparent cycle of review and include a timeline for the next review of this statement.

*Example: “An annual review of progress on the commitments made in this policy will be presented to the Enbridge Executive Leadership Team and Board and publicly disclosed in the company’s Annual CSR report.” (Enbridge)*

### **Where possible, articulate a pattern of decision-making.**

Finally, you can signal your organization’s commitment by providing examples of prior decisions that help to convey a pattern of acknowledging the issue and acting to do your part in addressing it.

*Example: “From 2005 – 2014, we have already delivered Scope 1 and 2 absolute emissions reductions from manufacturing of approximately 12%, which aligns to the science-based sector targets outlined in the 3% Solution proposed by World Wildlife Fund (WWF) and CDP... [and] In August 2014, we renewed our commitment to reducing our manufacturing GHG emissions by an additional 15 percent (per metric tonne of food produced) by 2020 from our 2015 performance.” (Kellogg’s)*

## **Keep it concise and accessible**

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

### **Avoid reporting on short-term performance or discussing awards or accolades.**

While it is important to reference overall trends in your past performance and patterns of decision-making, we recommend that you save reporting on recent performance, achievements to date, awards and accolades, and unrelated sustainability initiatives for your annual sustainability reports or your website.

### Consider briefly addressing what motivated the statement and/or the process that led to its development.

Consider including a section that outlines the motivation for this position statement and/or the process that led to its development. Provide a brief background on why and how the position statement came to be. Were there specific questions, learning outcomes, or impacts that motivated this statement? For instance, some position statements are a response to investor demands.

*For example, the following language and content outlines the motivation for the creation of a position statement: "This position statement was motivated by shareholder concerns over the strategic impact that climate change and extreme weather events may have on our strategy and future success."*

### Make sure your document is publicly accessible.

Position statements should be concise and accessible, both in terms of the language used and also in terms of locating them. Your position statements should be publicly available, for instance by including them in the sustainability and/or governance sections of your company's website.

*Example: DuPont consolidates its position statements into a single web-page, noting "Position statements represent DuPont's informed views and opinions on industry-related issues. They cover a range of topics that reinforce our commitment to sustainable growth and are important to stakeholders."*

Is your company in the process of developing or revising an ESG position statement? Or has your company recently developed one?

Either way, reach out to us. We would love to hear from you!

[community@embeddingproject.org](mailto:community@embeddingproject.org)

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