ICGN Statement of Shared Climate Change Responsibilities in Response to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change

27 March 2023

The Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report (AR6) on 20 March 2023 on the state of scientific, technical, and socio-economic knowledge.[1] The report is a key input for the upcoming Conference of the Parties 28 conference that will take place this year between 30 November and12 December in Dubai. In this decisive decade for climate action the conference will seek to advance a bold, practical, and ambitious plan to address the most pressing global challenge of our time.

The AR6 states that human activity has unequivocally caused global warming and is adversely impacting weather and causing climate extremes in every region around the world. Climate change on this scale presents multiple threats to human well-being and planetary health. We risk exceeding the 1.5 degree threshold and require deep, rapid and sustained action to reduce emissions and establish adaptation strategies to minimise and manage climate extremes. "Humanity is on thin ice" says United Nations Secretary General António Guterres, "and that ice is melting fast."

Yet, there is hope. There is growing global consensus on how to respond to climate change and the need for companies, investors, advisors and policy makers to undertake immediate action to mitigate and adapt operations and practices. We now have the technology to address the challenge in every sector and every region. We have acknowledged and increasingly understand the complex and dynamic relationship between climate change and biodiversity. We are exploring and implementing nature-based solutions, including reforestation and afforestation. We recognise the need to integrate Indigenous Knowledge into science and climate policy. We celebrate that many of the best conservation initiatives and nature-based climate solutions are now led by Indigenous Peoples. We have acknowledged the heavy and inequitable impacts of climate change on developing economies and disadvantaged communities, recognised the need for an inclusive and just transition to a net zero carbon economy, and are taking steps to support adaptation and provide financing to cover loss and damages. Crucially, we recognise the critical role played by capital markets in accelerating a transition to a net zero carbon economy upon which current and future generations rely.

ICGN Recommendations

As we advance our collective efforts towards a just transition, strong corporate governance and investor stewardship, supported by globally harmonised corporate sustainability reporting standards and assurance, will be critical. Corporate boards, management, investors, the auditing profession, standard setters and others have unique responsibilities to clearly identify challenges, determine solutions, and implement assertive action. In the context of AR6, ICGN offers the following recommendations.

For Investors:

- Publicly commit to science-based carbon emission reduction targets (including credible interim targets) on how investment portfolios will achieve net zero carbon emissions by 2050. Transition plans should include guidance or commentary on the operational and strategic changes (if any)

[1] AR 6 Synthesis Report, IPCC

the company must consider to achieve goals and targets. Where feasible, investors should collaborate to leverage influence with companies, standards-setters and policymakers.

- Ensure the authenticity of climate-related public disclosure including marketing materials associated with 'sustainability' related investment products, investment policies, proxy voting and submissions to regulatory authorities.

- Comprehensively integrate financial, natural, and human capital considerations into stewardship activities including company monitoring across all asset classes, company engagement, voting on company resolutions and investment decision-making. Prime consideration should be given to ensuring that boards of directors have acquired or have access to suitable expertise and are held to account for achieving progress towards establishing and achieving climate related goals and just transition plans.

- Work with investor associations to engage stakeholders such as multilateral development banks, governments, and charitable organisations to deepen understanding of developments in blended finance strategies. This will help leverage public and philanthropic capital to improve the risk profiles of investment opportunities, thereby catalysing private sector funding in emerging and developing economies and helping to support innovative climate enterprises.[2]

- Ensure accountability for climate change action across the investment chain by including governance, stewardship and sustainability objectives in contractual service arrangements (particularly obligations associated with sustainable value creation and positive impact, as described in the ICGN Model Mandate[3]) consistent with just transition concepts and the United Nations' Sustainable Development Goals.

For Companies:

- Ensure robust corporate governance procedures and board competence in overseeing how management identifies, monitors, measures and manages climate change risks and opportunities aligned with company purpose and long-term strategy. Effective climate oversight relies on a genuinely diverse, equitable and inclusive group of directors with relevant knowledge, independence, and cognitive skills to ensure, equitable and inclusive decision-making.[4]

- Publicly commit to science-based targets (including ambitious but credible interim targets) on how the business will adapt to net zero carbon emissions by 2050, aligned with the company's purpose and long-term strategy.

- Develop and publish transition plans which include assessments of physical, transition and liability risks and opportunities based on climate change scenario analysis. Transition plans should also include guidance or commentary on the operational and strategic changes (if any) the company must consider to achieve goals and targets. Where quantifiable, financially material and *consistent with accounting standards*, companies should also link the implications of transition plans and climate/biodiversity risks to the company's financial statements.

- Ensure the authenticity of climate related disclosures and engage with shareholders and stakeholders on sustainability related objectives. The board should communicate progress towards meeting targets and just transition plans through annual reports and other appropriate communications.

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[2] 'Scaling Blended Finance', UN Environment Programme Finance Initiative (UNEPFI) and 'Scaling Blended Finance', UN-convened Net-Zero Asset Owner Alliance Discussion Paper. The Net Zero Asset Owner Alliance has called for policymakers to support scaling blended finance.
[3] ICGN - GISD Alliance Model Mandate
[4] See ICGN Global Governance Principles (2021), Guidance 1.5: Commitment

- In recognition of the complex relationship between climate change and biodiversity loss, begin to assess biodiversity-related dependencies and impacts, with a view to meeting the disclosure requirements specified in the Taskforce on Nature-Related Financial Disclosure.[5]

- Align CEO and senior executive pay and incentives with the company's purpose, strategy and workforce while respecting global best practices. This entails the use of material and quantifiable financial, human and natural capital related performance metrics, particularly those associated with the company's just transition plan and how long-term value is created by integrating these elements into business operations.[6]

For Auditors:

- Ensure the application of guidance related to climate change risks and opportunities in planning and performing audits on financial statements as provided by standards-setters such as the International Accounting Standards Board and the International Auditing and Assurance Board. Commit to discharging obligations under professional standards as external auditors with quality, assurance, and independence.[7] This includes, where financially material, linking climate risks and transition planning to company financial statements.

- Where required by regulation or requested by companies, provide assurance on quantitative and qualitative corporate sustainability reporting, and ensure conflicts of interest are well-managed. Reporting should reflect the complexities inherent in contemporary business by blending financial, human, and natural capital considerations in the context of a company's present and future strategic direction.[8]

- Collaborate with standards-setters as they develop requirements that ensure companies report the effects of climate and nature-related risks and opportunities on assets and liabilities and develop financial reporting requirements for various types of carbon or other pollutant pricing mechanisms.

For Governments and Standards-Setters:

- Elevate the Nationally Determined Contributions agreed for 2030 to the level of the Paris Agreement, recognizing the need to avoid exceeding the 1.5C threshold. Publish action plans for achieving net zero carbon emissions, including carbon pricing, eradication of fossil fuel subsidies, phasing out coal-based electricity. Introduce incentives to mobilise private capital towards climate solution investments including renewable energy, resource efficiency, green buildings, and innovative infrastructure investments.

- Support high standards of climate disclosure consistent with emerging recommendations (such as those under development by the International Sustainability Standards Board and others), coordinated with standards on financial statements and management commentary. This includes consideration of internationally agreed frameworks such as the Taskforce on Climate-Related Financial Disclosure and the Taskforce on Nature-Related Financial Disclosure to provide material information required by investors and stakeholders to allocate capital appropriately.[9]

- Work with multilateral development banks and other institutions to develop blended finance strategies that lower risk and mobilise private capital investment in emerging and developing economies necessary for achieving net zero carbon emissions by 2050.[10]

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[5] Taskforce on Nature-related Financial Disclosures and their Risk & Opportunity Management and Disclosure Framework
[6] See ICGN Global Governance Principles (2021), Principle 5: Remuneration
[7] See ICGN Global Governance Principles (2021), Guidance 7.3 (h): Financial reports
[8] See ICGN Global Governance Principles (2021), Guidance 7.4: Sustainability reports
[9] ISSB describes the concept of sustainability and its articulation with financial value creation
[10] 'Blended Finance', OECD

- Mandate regulations and collaborate internationally to recognise rights for nature and criminalise ecocide. Ensure sanctions, enforcement, and resources to protect biodiversity, advance conservation and increase protected areas as guided by science. Expand environmental protections afforded by extending legal personhood to specific ecosystems as has been achieved in multiple jurisdictions.[11]

- Support workers, communities, cities and regional governments to establish effective adjustment programs that create decent work, support community, regional and industrial adjustments. Safeguard a human rights-based approach to incorporate stakeholder perspectives on the energy transition and ensure the distribution of economic benefits are more equitably shared.[12]

ENDS

[11] Rights for Nature
[12] Guidelines for a just transition towards environmentally sustainable economies and societies for all, International Labor Organisation; Just Energy Transition Partnerships: An opportunity to leapfrog from coal to clean energy, International Institute for Sustainable Development.