



ICGN Statement of Shared Climate Change Responsibilities to the United Nations Climate Change Conference of the Parties 27

The United Nations Climate Change Conference of the Parties (COP 27) will bring together governments and stakeholders to accelerate actions to address the global climate crisis and limit global warming to below 1.5°C by 2100. This Statement of Shared Climate Change Responsibilities sets out the recommendations of the International Corporate Governance Network (ICGN) to capital markets participants and governments as negotiations are set to open in November 2022.

The latest reports of the Intergovernmental Panel on Climate Change (IPCC) conclude that climate change is already inflicting environmental damage around the world. At this stage, with current levels of commitment, there is no clear pathway to limiting global temperatures to a 1.5°C increase. Much more severe impacts are in store if we fail to halve greenhouse gas emissions this decade and immediately scale adaptation measures. Adverse impacts will escalate quickly, and many will be irreversible. Inequality, conflict, and development challenges heighten our vulnerabilities and must be addressed simultaneously. We must tackle these challenges aggressively if we are to succeed in mitigating the worst effects of climate change.¹

The IPCC also asserts that although not all threats can be eliminated, near term actions that limit global warming to close to 1.5°C would substantially reduce projected losses and damages related to climate change in human and natural systems.

In recognising the severe challenges we face, ICGN also acknowledges the momentum building towards meaningful change. We note:

- the climate risk challenge now has the attention of the world's largest investment institutions as signalled by significant initiatives and collaborations;²
- the methodologies for establishing and implementing transition plans are developing rapidly and with increasing rigour;³
- progress has been made on standards-setting designed to encourage corporations and investment institutions to disclose climate risks, setting expectations for regulators and the necessary governance mechanisms and strategic planning necessary to mitigate, adapt, and advance solutions to the climate crisis;⁴
- growing recognition of the complex inter-connections between climate change and biodiversity loss, as capital markets participants begin to establish strategies to disclose nature-related dependencies and impacts and take steps towards conservation and restoration;⁵

¹ UN Environment Programme Emissions Gap Report 27 October 2022: <https://www.ipcc.ch/working-group/wg2/>; <https://www.unep.org/resources/emissions-gap-report-2022>.

² Glasgow Financial Alliance for Net Zero: <https://www.gfanzero.com>, <https://www.climateaction100.org>.

³ CDP, *Assessing low-Carbon Transition*.

⁴ International Sustainability Standards Board: <https://www.ifrs.org/groups/international-sustainability-standards-board/>; *Climate Related Disclosures July 2022*; *SEC Climate Change Disclosure June 2022*; *CSA Climate Disclosure Reporting January 2022*.

⁵ Natural Capital Finance Alliance, *Exploring Natural Capital Opportunities, Risks and Exposure*: <https://tnfd.global/>; <https://encore.naturalcapital.finance/en/>; <https://framework.tnfd.global/the-leap-nature-risk-assessment-process/>; <https://www.businessfornature.org/cop15-business-statement>.

- growing acknowledgement of the need to embrace a just transition that provides decent work, supports community, regional and industrial adjustments and establishes a more rights-based and democratic global economy where the distribution of economic benefits are more equitably shared;⁶
- advances in acknowledging the need for private investment capital to flow from developed economies to emerging and developing markets at scale to accelerate the global transition;⁷ and
- a deepening understanding of the UN Sustainable Development Goals and the manner in which internationally agreed priorities can help identify systemic risk and establish pathways towards solutions across multiple domains.⁸

ICGN Recommendations

As we advance towards a just transition, strong corporate governance, and investor stewardship, supported by common sustainability reporting standards and reporting, 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.

For Investors:

- Publicly commit to science-based emission reduction targets (including credible interim targets) on how investment portfolios will achieve net zero carbon emissions by 2050. Improve the quality of climate-related public disclosure including investment policies, company engagements, proxy voting, and submissions to regulatory authorities. Transition plans should include guidance or commentary on the operational and strategic changes the company must consider (if any) to achieve goals and targets. Where feasible, investors should collaborate to leverage influence with companies, standards-setters, and policymakers.
- Comprehensively integrate financial, natural, and human capital considerations into company monitoring across asset classes, investment decisions, and stewardship activities. 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 just transition plans.
- Explore working with multilateral development banks, governments, charitable organisations, and like-minded investment institutions to deepen understanding of developments in blended finance strategies. Blended finance describes finance structures that leverage public and philanthropic capital to improve the risk profiles of investment opportunities. Investment-grade risk profiles will help catalyse private sector funding in emerging and developing economies and innovative climate enterprises.⁹
- Ensure that contractual terms in mandates between asset owners and asset managers incorporate stewardship obligations associated with sustainable value creation and positive impact as described in the ICGN-GSID Model Mandate consistent with just transition concepts.¹⁰

⁶ [ICGN Just Transition Viewpoint](#)

⁷ [International Energy Agency, 24 March 2022](#). The IEA estimates that by the end of the 2020's, annual capital spending need to expand more than seven times in the developing world in order to reach net zero by 2050.

⁸ ICGN-GSID Alliance Model Mandate, 2022: <https://www.gisdalliance.org>; <https://www.icgn.org/icgn-gisd-alliance-model-mandate-guidance>

⁹ UN Environment Programme, Scaling Blended Finance, November 2021: <https://www.unepfi.org/publications/scaling-blended-finance/>; https://www.unepfi.org/wordpress/wp-content/uploads/2022/09/NZAOA_Scaling-Blended-Finance.pdf. The Net Zero Asset Owner Alliance has called for policymakers to support scaling blended finance.

¹⁰ [ICGN-GSID Alliance Model Mandate, 2022](#)

For Companies:

- 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. Transition plans should 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 the company must consider (if any) 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. The board should communicate progress towards meeting just transition plans through annual reports to shareholders and other stakeholders.
- 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.¹¹
- Ensure robust 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 oversight relies on a genuinely diverse group of directors with relevant knowledge, independence, and cognitive skills to ensure, equitable, and inclusive decision-making.¹²
- 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.¹³

For Auditors:

- Ensure the application of guidance related to climate change risks 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.¹⁴ 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.¹⁵
- 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.

¹¹ [Taskforce on Nature-related Financial Disclosures](#)

¹² [ICGN Global Governance Principles \(2021\), Guidance 1.5: Commitment](#)

¹³ [ICGN Global Governance Principles \(2021\), Principle 5: Remuneration](#)

¹⁴ [ICGN Global Governance Principles \(2021\), Guidance 7.3 \(h\): Financial Reports](#)

¹⁵ [ICGN Global Governance Principles \(2021\), Guidance 7.4: Sustainability Reports](#)

For Governments and Standard-Setters:

- Raise the level of ambition to bring Nationally Determined Contributions for 2030 in line with the Paris Agreement. Publish action plans for achieving net zero carbon emissions, including carbon pricing, eradication of fossil fuel subsidies and 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 best practice climate disclosure standards to be consistent with emerging sustainability reporting standards, such as those under development at the International Sustainability Standards Board, 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.
- Work with multilateral development banks and other institutions to develop blended finance strategies that lowers risk and mobilises private capital investment in emerging and developing economies necessary for achieving net zero carbon emissions by 2050.
- Mandate regulations and collaborate internationally to 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.
- Work with workers, communities, cities, and regional governments to establish effective adjustment programs that create decent work, supports community, regional and industrial adjustments. Safeguard a more rights-based approach to incorporate stakeholder perspectives on the energy transition and ensure the distribution of economic benefits are more equitably shared.

Feel free to contact the ICGN Secretariat if you have comments or questions about this Statement.

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About ICGN

Led by investors responsible for assets under management of US\$70 trillion, and bringing together companies and stakeholders, ICGN advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to healthy and sustainable economies, society, and environment. For more information visit www.icgn.org.