

Fortum

Detailed assessment of Fortum’s corporate climate policy engagement review




This document outlines a detailed breakdown of InfluenceMap's assessment of the company's disclosure on climate policy engagement. Further detail on the assessment methodology is available in the Appendix, and on InfluenceMap's CA100+ Investor Hub [here](#).

A summary of Fortum’s disclosures on climate policy engagement is shown below. Fortum has undertaken two reviews of its climate policy engagement to date. The Review Score represents InfluenceMap’s overall assessment of the quality of the company’s industry association review process, where 100 would indicate that a company has met investor expectations for all criteria related to the review process.

| Date of Review | Review Score |
|------------------------|--------------|
| December 2021 | 64 / 100 |
| December 2022 (Update) | 64 / 100 |

This assessment focuses solely on Fortum’s disclosure on climate policy engagement, which can be found [here](#). This assessment does not include an analysis of the company's actual climate policy engagement, which can be found on InfluenceMap's online profile of Fortum [here](#).

The table below provides a breakdown of Fortum’s performance against each of the seven assessment criteria, using the traffic-light assessment framework summarized below.

| Key | Explanation |
|---|--|
|  | Has broadly met investor expectations in this area. |
|  | Has made some progress on investor expectations in this area, but with significant deficiencies. |
|  | Has fallen short of investor expectations in this area. |

| Disclosure & Transparency | Policy Alignment Process |
|----------------------------------|--------------------------|
| Corporate climate positions | Identify & Assess |
| Industry group climate positions | Monitor & Review |
| Alignment assessment method | Act |
| Framework for misalignment | |

Fortum’s Company Scorecard

The tables below highlight, for each indicator, the criteria for companies to meet investor expectations, Fortum’s assessment, and examples of better practice by companies to date.

While InfluenceMap did not find an example of best practice across the entire industry association review process, some companies have demonstrated better practice under specific metrics under the 'Disclosure & Transparency' and 'Policy Alignment Process' assessments.

Disclosure & Transparency

Corporate climate policy positions and influencing activities

To meet investor expectations under this indicator: The company has to disclose a detailed and clearly referenced breakdown of its own climate policy positions and influencing activities beyond ‘top-line’ climate statements. This includes descriptions of the company’s positions and policy engagement activities on specific items of regulation and legislation which are material to the company’s operations, business sector, and/or the region(s) in which it operates.

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| <i>Fortum</i> | In its 2021 review, Fortum disclosed an overview of nine high-level climate lobbying positions including climate science and the Paris Agreement, carbon pricing, and the energy transition. The company also disclosed a detailed position on the EU Emissions Trading System, as well as policies relating to energy efficiency and renewable energy at EU level. The company provided no update to its climate policy positions in its 2022 update. |
| <i>Best Practice</i> | <i>Shell</i> has disclosed case studies of its direct climate policy engagement in the EU and US. These case studies include Shell's positions on, and engagement with, specific items of EU and US regulation and legislation. The 2022 review also includes clear references to additional resources on Shell's corporate website, including advocacy updates on specific government policy consultations and links to public submissions via the EU Transparency Register and the US Lobbying Disclosure Act. |

Industry association climate policy positions and influencing activities

To meet investor expectations under this indicator: The company has to disclose a detailed and accurate account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, including descriptions of positions and policy engagement activities on specific items of regulation and legislation beyond 'top-line' statements.

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| <p><i>Fortum</i></p> | <p>In its 2021 review, Fortum stated that the review focuses only on its industry associations' top-line policy positions. However, the company has disclosed positions of various industry associations on specific policies, including the EU Emissions Trading System and net zero targets at EU and national level.</p> <p>In its 2022 update, Fortum gave an update on some of the positions of two industry associations (Chamber of Commerce Polish District Heating, Polish Association of Professional Heat and Power Plants), including their support for 2050 climate neutrality.</p> <p>Fortum has however omitted key instances of negative engagement with climate-related regulations by its industry associations, including Hydrogen Europe and the Confederation of Indian Industry (see Identify & Assess for further details).</p> |
| <p><i>Best Practice</i></p> | <p>No companies have met investor expectations in this area, although <i>BASF</i> and <i>Shell</i> exhibit current leading practice. Both companies have disclosed a detailed account of all key industry associations' climate policy positions, and a summary of their influencing activities. However, they appear to overlook detailed negative lobbying by a number of industry associations identified by InfluenceMap's database.</p> |

Alignment assessment method

To meet investor expectations under this indicator: The company has to: (1) disclose a clear and detailed framework for assessing alignment with its industry associations across all relevant areas of policy engagement; (2) consistently apply this framework across *all* industry associations; and (3) provide a clear and detailed explanation behind each evaluation.

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| <p><i>Fortum</i></p> | <p>Fortum disclosed a clear and detailed methodology to assess alignment with its industry associations based on seven climate advocacy principles, including what constitutes a finding of alignment and misalignment. The company also provided a clear and detailed explanation of how this methodology has been applied to all 15 industry associations in its 2021 review, with a breakdown of alignment against each of the seven climate advocacy principles.</p> |
| <p><i>Best Practice</i></p> | <p><i>BASF</i> has also disclosed a clear explanation of its alignment assessment method along with a clear and detailed explanation of how it has been applied to each industry association. The company also provided specific alignment indicators for EU climate policy such as the EU ETS to assess the alignment of key European industry associations.</p> |

Framework for addressing misalignment

To meet investor expectations under this indicator: The company must disclose a clear and detailed framework for addressing misalignments with its industry associations including escalation steps and clear deadlines for industry associations which do not amend misaligned practices.

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| <p><i>Fortum</i></p> | <p>Fortum has not disclosed a clear and detailed framework to address potential cases of misalignment. The company states that it will have bilateral discussions with misaligned associations and encourage them to take “developmental actions”. However, there are no escalation steps or clear deadlines for industry associations which do not amend misaligned practices.</p> <p>Fortum does state in its 2022 update that, in its next review round, the company will define a time-bound escalation process to address associations assessed as being partly aligned with the Paris Agreement. No further details were provided however regarding specific deadlines.</p> |
| <p><i>Best Practice</i></p> | <p><i>BHP</i> has disclosed clear and detailed steps for addressing potential misalignment, including an escalation strategy and clear timelines attached. The company states it will communicate material differences, request that the industry association develop a position or refrain from advocacy in certain areas, and review the membership if there has been no action within 12 months.</p> |

Policy Alignment Process

| Identify & Assess | |
|--|--|
| <p>To meet investor expectations under this indicator: The company has to identify all cases of misalignment with its industry associations and the Paris Agreement in line with InfluenceMap's <i>database</i> on corporate lobbying.</p> | |
| <p>Fortum</p> | <p>In its 2021 review Fortum, assessed 15 associations and identified 8 cases of partial misalignment with its industry associations (Euroheat & Power, Confederation of Finnish Industries, German Association of Energy and Water Industry, Chamber of Commerce Polish District Heating, Polish Association of Professional Heat and Power Plants, Federation of Indian Chambers of Commerce and Industry, Russian Union of Industrialists and Entrepreneurs, OPORA Russia). The company also identified 1 case of misalignment with the South Urals Chamber of Commerce and Industry. InfluenceMap does not currently cover any of these associations.</p> <p>In its 2022 update, Fortum states that, based on dialogue with four industry associations, the company found progress was made in line with the goals of the Paris Agreement by two associations. Subsequently, Fortum concluded that the German Association of Energy and Water Industry and Euroheat & Power are now fully aligned with the Paris Agreement and Fortum's climate advocacy principles. The company also states that the Chamber of Commerce Polish District Heating and the Polish Association of Professional Heat and Power Plants remain partially aligned due to their unclear positions on carbon pricing and the EU Emissions Trading System.</p> <p>InfluenceMap analysis indicates that the company likely has no memberships to industry associations misaligned with the Paris Agreement, and two memberships to industry associations potentially misaligned with the Paris Agreement (<i>Hydrogen Europe, Confederation of Indian Industry</i>).</p> <p>InfluenceMap analysis finds that these industry associations have engaged negatively on climate-related policies. For example:</p> <ul style="list-style-type: none"> ■ <i>Hydrogen Europe</i>: In a October 2022 <i>position paper</i>, Hydrogen Europe advocated for the EU Carbon Border Adjustment Mechanism to treat all forms of hydrogen equally, in regard to carbon leakage protection, weakening the original climate ambition of the policy. In an October 2022 Joint Letter to EU policymakers, the association <i>advocated</i> for the Delegated Act on RFNBOs in the EU Renewable Energy Directive to include a grandfathering clause to delay strict guidelines for renewable hydrogen production until 2028. |
| <p>Best Practice</p> | <p><i>Enel</i> is the only company to meet investor expectations in this area, identifying all cases of misalignment with its industry associations and the Paris Agreement in line with InfluenceMap's database, although the company does not disclose additional details of why they are not fully aligned. InfluenceMap analysis indicates that most companies have missed key cases of misalignment with industry associations lobbying counter to the goals of the Paris Agreement.</p> |

Monitor & Review

To meet investor expectations under this indicator: The company has to publish a review of industry associations on an annual basis, commit to do so at least once a year, or commit to disclose regular updates on its review and alignment process. Updates should accurately report on relevant material and on-going lobbying activities of potentially misaligned industry associations, as well as the company's alignment and engagement with the industry association concerning these activities.

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|----------------------|---|
| Fortum | Fortum committed to publish an update to its review, including progress on dialogue with industry associations and actions undertaken as a result, in its 2021 review. Fortum successfully published an update in December 2022. |
| Best Practice | <i>Shell</i> publishes detailed assessments of its industry association memberships at two-year intervals, with detailed updates on misaligned industry associations each year. Shell has published two full reviews of its industry associations (2019, 2021) and two review updates (2020, 2022). The review updates include actions taken within each industry association, key changes to the associations' climate positions, and detailed next steps. Shell has committed to publish its next update in 2023. |

Act




To meet investor expectations under this indicator: The company has to show evidence of action to address all cases of misalignment with its industry associations and the Paris Agreement, in line with InfluenceMap's *database* on corporate lobbying. The investor expectations outlined by *PRI*, *IIGCC* and *Ceres* include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations.

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| Fortum | <p>Fortum showed some evidence of action to address specific misalignments in its 2021 review. The company stated that it would have bilateral discussions with the eight partially aligned industry associations and encourage them to take "developmental actions", but has not disclosed further details.</p> <p>In its 2022 review, Fortum reported on further actions taken in four of the industry associations it found to be partially aligned (Euroheat & Power, German Association of Energy and Water Industry, Chamber of Commerce Polish District Heating, Polish Association of Professional Heat and Power Plants). Fortum states that its Russian associations have been left out of the scope of its 2022 Climate Lobbying Review Update due to the company selling its entire stake in Uniper in 2022. Dialogue with the four associations included clarifying their positions on carbon pricing, the EU's climate targets, and the EU Emissions Trading System (ETS), and encouraging more supportive positions on "tightening the EU ETS".</p> <p>However, the company does not appear to have addressed key cases of potential misalignment with the Paris Agreement identified by InfluenceMap's database (see Identify & Assess).</p> |
| Best Practice | No companies have met investor expectations in this area by showing evidence of action to address all cases of misalignment identified by InfluenceMap's database, although some companies have made more progress. <i>Total</i> announced in January 2021 that it had decided not to renew its membership to the American Petroleum Institute due to divergences on climate positions. <i>BHP</i> suspended its membership to Queensland Resources Council in 2020 following its 'Vote Greens Last' advertising campaign and outlined detailed actions to be taken at four "partly aligned" industry associations. <i>Chevron</i> has not left any industry associations but has disclosed its engagement on specific climate change policy issues with seven industry associations, including details of the results of this engagement. Similarly, <i>Fortum</i> has disclosed that it has not financially contributed to advocacy campaigns against the Build Back Better Act by the Business Roundtable and US Chamber, and has publicly advocated a supportive position to ensure its stance is differentiated from them. |

Appendix: InfluenceMap’s Methodology for Assessing Corporate Climate Policy Engagement Disclosures

Scoring Disclosures and Policy Alignment Process


InfluenceMap assesses corporate performance against seven assessment criteria, using the traffic-light framework summarized below. A ‘Green’ scores 2 points, a ‘Yellow’ scores 1 point, and a ‘Red’ scores 0 points. This total is converted into a percentage from 0 to 100, calculated using the total number of points available (14). As such, only certain scores within the 0 to 100 range are possible under this methodology.

| Key | Score Explanation |
|---|--|
|  | Has broadly met investor expectations in this area. |
|  | Has made some progress on investor expectations in this area, but with significant deficiencies. |
|  | Has fallen short of investor expectations in this area. |

Assessing Disclosures

Since BHP’s 2017 industry association review, around 60 major global corporates have delivered similar, specific disclosures on their industry association links in response to investor pressure. This positive momentum is undermined, however, if the resulting disclosures are of poor quality.

In its *‘Investor Expectations on Corporate Climate Lobbying’* report, the PRI highlights the need for disclosure on the company’s positions and activities on climate change policy engagement, as well as the positions and activities of the industry groups it supports. The PRI further requests information on the governance processes and actions taken to ensure alignment between these activities and the company’s stated climate goals. *IIGCC* and *Ceres* articulate similar expectations, also requiring companies to disclose a material impact assessment of lobbying by an organization that opposes their public position. InfluenceMap uses the following assessment criteria to test the clarity, accuracy and scope of information provided by companies against four key issues.

| Disclosure Item | Score | InfluenceMap’s Assessment Criteria |
|---|---|---|
| Corporate climate policy positions and influencing activities |  | The company has disclosed a detailed and clearly referenced breakdown of its own climate policy positions and influencing activities beyond ‘top-line’ climate statements. This includes descriptions of the company’s positions and policy engagement activities on specific items of regulation and legislation which are material to the company’s operations, business sector, and/or the region(s) in which it operates. |

| | | |
|--|--|---|
| | | The company has disclosed a breakdown of its own climate policy positions and influencing activities. However, the company's description of its positions and policy engagement activities on specific items of regulation and legislation lacks detail, and/or the company has not disclosed its position and engagement activities on key items of regulation and legislation which are material to its operations, business sector, and/or the region(s) in which it operates. |
| | | The company has made no attempt to disclose its climate policy positions and influencing activities, or the company's disclosure is limited to a brief overview of its 'top-line' climate statements and operational commitments without reference to specific items of regulation and legislation. |
| Industry association climate policy positions and influencing activities | | The company has disclosed a detailed and accurate account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, including descriptions of positions and policy engagement activities on specific items of regulation and legislation beyond 'top-line' statements. |
| | | The company has disclosed an account of the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, beyond 'top-line' statements. However, the disclosure lacks detail on positions and policy engagement activities on specific items of regulation and legislation, and/or does not disclose evidence of negative climate lobbying by one or more of its industry associations. |
| | | The company has not disclosed the climate policy positions and influencing activities of each industry association actively engaged on climate change policy, and/or the company's disclosure is limited to a brief overview of 'top-line' climate statements without reference to specific items of regulation and legislation. |
| Alignment assessment method | | The company has: (1) disclosed a clear and detailed framework for assessing alignment with its industry associations across all relevant areas of policy engagement; (2) consistently applied this framework across <i>all</i> industry associations; and (3) provided a clear and detailed explanation behind each evaluation. |
| | | The company has disclosed a framework for assessing alignment with its industry associations but the disclosure lacks detail regarding <i>one</i> of the above steps (1-3). |
| | | The company has not disclosed a framework for assessing alignment with industry associations, or it has disclosed a framework but the disclosure lacks detail regarding <i>more than one</i> of the above steps (1-3). |
| Framework for addressing misalignment | | The company has disclosed a clear and detailed framework for addressing misalignments with its industry associations including escalation steps and clear deadlines for industry associations which do not amend misaligned practices. |
| | | The company has disclosed a clear and detailed framework for addressing misalignments with its industry associations including escalation steps, but there is no clear deadlines for industry associations which do not amend misaligned practices |
| | | The company has not disclosed a framework for addressing misalignments with its industry associations, or the company has disclosed a framework but the steps are ambiguous and lack sufficient detail. |

Assessing Policy Alignment Process

As well as transparent disclosures on industry group links and lobbying activities, the investor expectations communicated by IIGCC, CERES and the UN PRI also set out the need for robust processes to ensure

alignment between the company’s stated policy positions and the positions and lobbying activities of their industry groups. These processes consist of the following three elements:

| Alignment Process | Score | InfluenceMap’s Assessment Criteria |
|-------------------|--------|---|
| Identify & Assess | Green | The company has identified all cases of misalignment with its industry associations and the Paris Agreement in line with InfluenceMap’s <i>database</i> on corporate lobbying. |
| | Yellow | The company has not identified key cases of misalignment with the Paris Agreement in line with InfluenceMap’s <i>database</i> on corporate lobbying. Companies are scored in this category if they miss up to three cases of “potential” misalignment (industry associations with Organization Scores 51-75 in InfluenceMap’s database). |
| | Red | The company has not identified key cases of misalignment with the Paris Agreement in line with InfluenceMap’s <i>database</i> on corporate lobbying. Companies are scored in this category if they miss one case of misalignment (industry associations with Organization Scores 0-50) or more than three cases of “potential” misalignment (industry associations with Organization Scores 51-75 in InfluenceMap’s database). |
| Monitor & Review | Green | The company has published a review of industry associations on an annual basis, has committed to do so at least once a year, or is/has committed to disclose regular updates on its review and alignment process. Updates should accurately report on relevant material and on-going lobbying activities of potentially misaligned industry associations, as well as the company’s alignment and engagement with the industry association concerning these activities. |
| | Yellow | The company has committed to publish an update to its review of industry associations but not an annual basis or not specified a timeframe. |
| | Red | The company has not committed to any follow-up processes as part of its review of industry associations. |
| Act | Green | The company has shown evidence of action to address all cases of misalignment with its industry associations and the Paris Agreement, in line with InfluenceMap’s <i>database</i> on corporate lobbying. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations. |
| | Yellow | The company has shown some evidence of action to address cases of misalignment with its industry associations and the Paris Agreement, but has not addressed key cases of misalignment or “potential” misalignment identified by InfluenceMap’s <i>database</i> on corporate lobbying, i.e. industry associations with Organization Scores 0-75 in InfluenceMap’s database. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Steps should include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations. |
| | Red | The company has shown no or limited evidence of action to address cases of misalignment with its industry associations and the Paris Agreement, missing key cases of misalignment or potential misalignment identified in InfluenceMap’s <i>database</i> on corporate lobbying, i.e. industry associations with Organization Scores 0-75. The investor expectations outlined by <i>PRI</i> , <i>IIGCC</i> and <i>Ceres</i> include several steps companies can take to address misalignment. Action will be scored under this category if it does not include terminating memberships or taking specific action to reform the detailed and material lobbying activities undertaken by misaligned organizations. |

To assist this assessment, InfluenceMap will be applying its database on corporate and industry group climate change lobbying. This tracks in real-time the detailed climate policy lobbying of around 450 companies and 250 industry associations globally, allowing like-for-like comparisons of organizations’

positions on climate policy that are compared to a benchmark of Paris-aligned climate policy. This system can track the evolution of corporate and industry group climate lobbying positions over time.