How a top US business lobby promised climate action – but worked to block efforts

Joe Biden speaks while joining the Business Roundtable's chief executive officer quarterly meeting in Washington, on 21 March. Photograph: Bloomberg/Getty Images

Business Roundtable aims to weaken efforts that would enable investors to hold companies accountable for their climate promises

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Three years ago today, in a statement that would be described as "historic", "monumental" and "revolutionary", America's most powerful and politically connected corporations promised to "protect the environment by embracing sustainable practices across our businesses".

The “Statement on the Purpose of a Corporation” came from the Business Roundtable, an influential Washington DC lobbying group whose 200-plus members include the chief executives of some of the world’s biggest companies, including Apple, Pepsi, Walmart and Google.

Today, on the statement’s third anniversary, the Business Roundtable and its member CEOs continue to issue earnest statements about the climate crisis. But the organization is also working diligently – and spending liberally – to weaken efforts that would enable investors to hold companies accountable for their climate promises.

An analysis by the Guardian found the lobby group has worked hard to protect a status quo in which corporations:

- Generate goodwill and positive PR by publishing bold climate goals, with little fear of being held accountable or legally liable for achieving those goals.
- Can choose to selectively disclose certain parts of their carbon footprint, or none at all.
- Are not required to reveal the greenhouse gas emissions generated throughout their supply chains – which, for most companies, make up the majority of their emissions.
- Make high-profile pledges to fight climate change, while paying to maintain memberships in the Business Roundtable and other trade associations that spend millions of dollars to lobby governments against meaningful climate action.

In public the Business Roundtable’s leaders are still committed to change. Doug McMillon, the CEO of Walmart and previous chair of the Business Roundtable, has called the climate crisis “one of the greatest challenges facing the planet today”. In a statement on the group’s website, Mary Barra, the CEO of GM and the Roundtable’s current chair, declared that “we must act” to tackle climate change. “Meeting the scope of this challenge will require collective global action – business and government,” Barra said.

The challenge “isn’t the lack of business commitment” said Johnson Controls CEO George Oliver in a video published by the Business Roundtable in January.

“What we need is to be aligned with the public sector to make sure that we’ve got the proper policies in place that will enable us to do what we do so well.”

Yet when the US government has tried to put the “proper policies” in place, the Business Roundtable has worked to undermine those efforts.

In 2021, the organization spent millions of dollars to stop the Biden administration’s Build Back Better agenda, which included significant efforts to reduce carbon emissions and promote clean energy.

And this year, after the US Securities and Exchange Commission (SEC) proposed a long-anticipated rule that would require publicly held companies to disclose their carbon emissions and the risks that climate change poses to their business models, the Business Roundtable declared its opposition to central aspects of the SEC proposal, including provisions that experts say are vital for the rule to give investors comparable and consistent information about corporations’ climate risks.

BlackRock CEO Larry Fink said in a speech last year, ‘If we are really going to tackle this, if we want to have 100% participation, the easiest way you could do that is having unified standards.’ Photograph: Justin Lane/EPA

Before releasing the proposed rules in March, the SEC had asked the public what such rules might look like. In its response, the Business

Roundtable acknowledged that "climate challenges are creating growing risks in many parts of the economy" and deemed it "appropriate" for the SEC to regulate climate disclosures.

The group noted that the present system of corporate climate reporting, in which some companies issue voluntary climate-related disclosures, has proven inadequate. "There are many conflicting demands on companies to provide disclosures under different frameworks, which is unnecessarily costly and time-consuming for companies," the Business Roundtable's comments read.

But when the SEC shifted from requesting voluntary input to proposing mandatory requirements for climate disclosures, the organization appeared to change its tune. In a 17-page letter, the CEO lobby announced its opposition to the proposal and asked the commission to "revise and repropose the rule."

In an email to the Guardian, the Business Roundtable denied that its perspective had changed. "[Business Roundtable] members are committed to combating climate change and are supportive of a rulemaking. Our goal is for a pragmatic, attainable, and successful rule," the group said. "Our members believe it is worth the extra time on the front end to repropose the rule."

Since April 2021, according to meeting memoranda published by the SEC, the Business Roundtable has met at least three times with the SEC about climate disclosures. (GM's Barra, the chair of the Business Roundtable, also met separately with SEC chair Gary Gensler.)

In the first half of this year, the group spent more than $9.1m lobbying the federal government directly, according to reports compiled by Open Secrets. In its public disclosures, the Roundtable reported lobbying Congress, the White House and the SEC about the climate disclosure proposal. (In an email, the Business Roundtable said it "met with the SEC to directly communicate our concerns" and "shared our point of view with members of Congress and administration officials.")

Despite asking for a new, and thus delayed, proposal, the organization's own members continue to assure the public that they see the climate crisis as an urgent challenge. "We're out of time," Cummins CEO and Business Roundtable member Tom Linebarger said in the organization's January climate video.

“We’re getting ready, to get ready, to get ready to do things. And the problem is that we have to move now.”

But “now”, it seems, does not mean *now*.

One provision the Business Roundtable has rejected as “unworkable” is a requirement for companies to measure and report the greenhouse gas emissions generated by suppliers and customers throughout their supply chains, or what are known as “Scope 3” emissions. The provision would apply only to companies that have published emissions targets that include Scope 3, or for which supply-chain emissions are considered “material”.

Scope 3 includes all greenhouse gas emissions that companies neither generate directly (Scope 1) nor purchase for their own energy needs (Scope 2), which means everything from the raw materials that go into creating a product to the transportation that delivers that product to a consumer.

For most companies, Scope 3 emissions represent the majority of their carbon output. As Addisu Lashitew, a fellow at the Brookings Institution, has pointed out, more than three-quarters of Amazon’s 2021 emissions were considered Scope 3.

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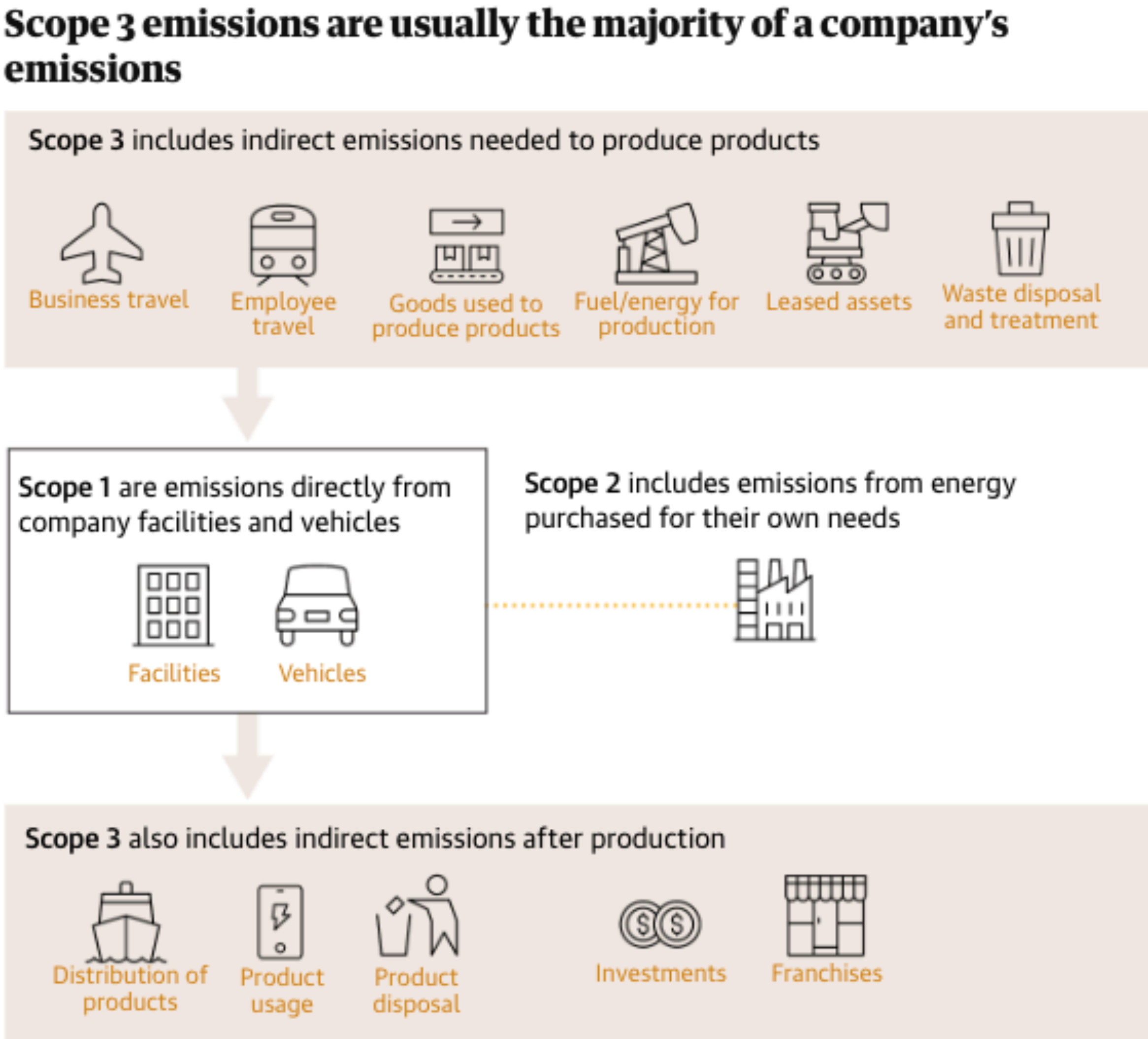

Guardian graphic. Source: Greenhouse Gas Protocol; icons from Made x Made Icons via Noun Project.

ndtable supports mandating Scope 1 and Scope 2 emissions disclosures, and many companies already report them, in part because these direct emissions are easier to calculate and easier to reduce (sometimes through the purchase of dubious carbon "offsets").

Perhaps more importantly, however, because most firms' emissions are primarily Scope 3, limiting their reporting to Scopes 1 and 2 makes them appear greener.

In its comments to the SEC, the Business Roundtable called the proposal to require companies to measure and report Scope 3 emissions "overly burdensome" because "many companies still have limited systems in place to identify and disclose Scope 3 emissions" and some aspects of reporting value-chain emissions "remain[] challenging".

But “if you don’t have Scope 3 as a requirement, then what you have effectively done is cut out most of the emissions from the top-emitting industries,” Allison Herren Lee, the former acting chair and commissioner of the SEC, told the Guardian. “With emissions arguably being the most important item of disclosure for investors, how is a rule without Scope 3 going to achieve what investors need?”

“There is an inherent degree of uncertainty in some of the data the proposal would require companies to disclose, and much of it is largely outside their control,” the Business Roundtable said in an email.

A number of experts familiar with the SEC’s climate disclosure rulemaking acknowledged that tracking and reporting Scope 3 emissions could indeed be difficult for some companies, or at least more difficult than not doing so.

But they suggested that the more fundamental question was not whether complying with the SEC’s rules would be more difficult than doing nothing, but rather if doing so would provide investors with information that they have requested and that would help them make more informed investment decisions.

This argument would appear to align with the stated position of the Business Roundtable, which has repeatedly expressed its support for “market-based” efforts to address climate change, a view it reiterated in its comments to the SEC.

“Information is the lifeblood of the capital markets, and capital markets are a central institution of a capitalist market economy,” George S Georgiev, a professor at Emory University and an expert on securities law, told the Guardian. “Climate-related financial information is demanded by investors, not by environmentalists.”

Moreover, “there is no unanimity that Scope 3 reporting is problematic”, Georgiev said, noting that Apple, whose CEO, Tim Cook, sits on the Business Roundtable’s board of directors, is among the companies that have endorsed the SEC’s Scope 3 requirement. Apple’s existing reporting “attest[s] to the feasibility of reasonably modeling, measuring, and reporting on all three scopes of emissions, including scope 3 emissions,” the company told the Commission.

In its comments, the Business Roundtable said that its member companies had already set a “high bar…for voluntary ESG [environmental, social and governance] disclosures,” and that a voluntary approach to climate reporting was already “providing more valuable information for investors”.

But many investors, analysts, academics, voters and experts – even companies themselves – disagree. “There is near-universal agreement among scholars that voluntary disclosure rules alone are not sufficient,” Emory’s Georgiev said. “The same logic applies to climate rules.”

“Climate is one of the most significant risks facing companies and investors,” said Danielle Fugere, the president and chief counsel of As You Sow, a shareholder advocacy nonprofit. “For companies to say that it is too costly to gather Scope 1 through 3 data, we simply think that it shows signs of weak management.”

In a March letter, a group of investors managing nearly $5tn of assets warned that failing to require companies to disclose their Scope 3 emissions would render the SEC rules doubly ineffective: insufficient for addressing the climate emergency, and inadequate for providing investors with useful information, because voluntary figures allow companies to publish only the information that paints them in the best light.

“There is a great amount of confusion,” Larry Fink, the CEO of BlackRock, the world’s largest asset manager, said in a speech last year. “If we are really going to tackle this, if we want to have 100% participation, the easiest way you could do that is having unified standards.” Fink is also a member of the Business Roundtable.

In an email, the Roundtable said it was “unlikely” that the proposed Scope 3 disclosure provisions “would result in comparable, investor-useful information”. The group “believes it’s important to have reliable climate risk and emissions data, and our companies are leaders when it comes to transparency.”

The group’s objections to the SEC’s Scope 3 requirements are only one aspect of its multi-tiered opposition to the proposed climate disclosure rules. And its opposition to the proposed rules is, similarly, only one example of many in which it has rejected efforts to hold its member companies accountable for their social and environmental pledges.

New vehicles sit in a lot in front of the idled General Motors Co at an assembly plant in Flint, Michigan, in 2020. Photograph: Bloomberg/Getty Images

In the three years since the organization released the "purpose of a corporation" statement, a number of studies have shown that Business Roundtable companies have failed to follow through on their "fundamental commitment to all of [their] stakeholders".

One analysis from London Business School and Columbia Business School found that companies whose CEOs signed the 2019 statement subsequently received more federal environmental infractions and had higher carbon emissions than similar firms that did not sign the statement.

In another study, two Harvard Law School professors reviewed more than 600 public documents filed by Business Roundtable companies since the statement's publication. Time and time again, the researchers found that when firms were presented with an opportunity to formalize the pledge in their corporate governance, they declined.

In addition, by advocating and lobbying against government action on issues like climate change, the Business Roundtable gives its members space to publicly endorse (and claim credit for endorsing) legislative and regulatory action – such as Apple's support for mandatory Scope 3 reporting, or Cummins and GM's support for Build Back Better –all while knowing that the Roundtable will work behind the scenes in opposition.

"Some individual companies aren't going to write in and rage against the proposal because they know that will raise concerns with their investors, so they let some of the trade groups do that work for them," said Allison Herren Lee, the SEC's former acting chair and commissioner.

In its comments to the SEC, the Business Roundtable urged lawmakers to take the lead on tackling the climate crisis, arguing that "although important, disclosures simply will not solve the problem".

"These are complex issues that need to be solved through the legislative process," the group wrote.

But the Business Roundtable continues to oppose efforts to address the climate emergency through the legislative process. The latest effort to tackle the climate crisis, the Inflation Reduction Act, includes billions of dollars in clean energy tax incentives, paid for in part by making sure corporations pay at least a 15% tax rate on profits. The bill could cut America's carbon emissions by 40% by 2030.

Yet on 6 August, just shy of the third anniversary of the statement in which Business Roundtable CEOs committed to "protect[ing] the environment by embracing sustainable practices across our businesses", the group declared its opposition to the bill, citing "tax provisions that would undermine American economic growth and competitiveness".

"I'm just so worried that our planet can no longer suffer from us debating and debating and debating," said Cummins CEO Tom Linebarger, who, like all the CEOs named in this article, signed the 2019 statement. "It's the existential crisis of our time."