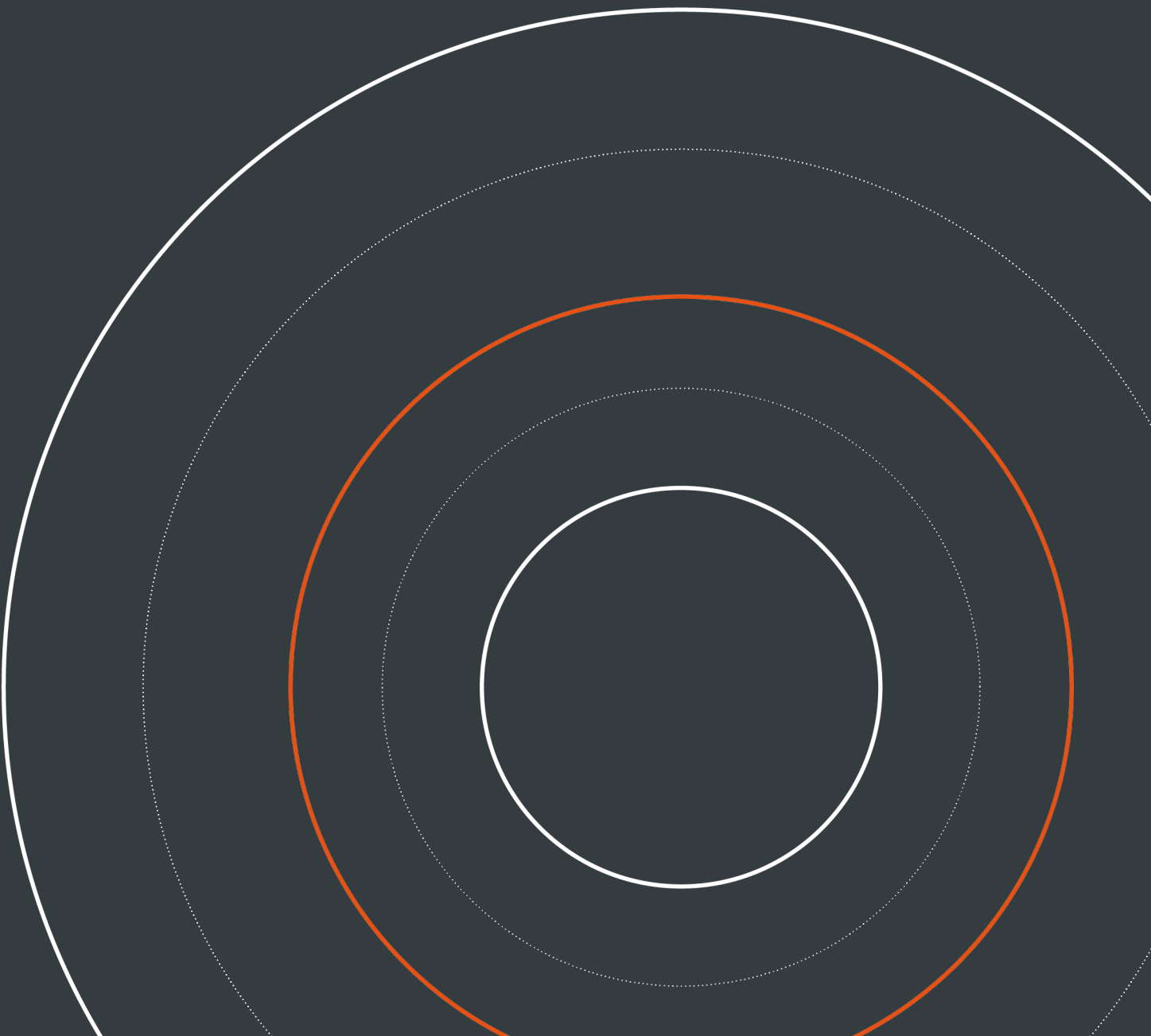


THE CORPORATE CLIMATE ACCOUNTABILITY LOOP

Introducing key functions of an accountability system for corporate climate action, and selected spotlights on how to improve the status quo



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Disclaimer

The views and assumptions expressed in this report represent the views of the authors and not necessarily those of the funder. The content presents the authors' views and interpretations of publicly available information that is self-reported by voluntary initiatives and other actors assessed. Given the fragmentation, inconsistency, and ambiguity of some of the information provided by the assessed initiatives and actors, the authors have made all efforts to summarise the information factually but cannot guarantee the adequate representation of all information presented in this report. Therefore, neither the authors nor NewClimate Institute can certify the accuracy or reliability of the information in this report.

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>> 01 BACKGROUND AND OBJECTIVES OF THIS PAPER

A CONCISE OVERVIEW ON DEVELOPMENTS OVER THE LAST DECADES

The prominent rise of voluntary climate initiatives supporting corporate climate action can be traced back to the early 2000s, following the adoption of the Kyoto Protocol. Around this time, initiatives such as the Greenhouse Gas Protocol and the Carbon Disclosure Project (nowadays CDP) started providing tools for corporates to track and disclose their greenhouse gas (GHG) emissions (CDP, 2023b). Around the time of the landmark Paris Agreement's adoption in 2015, other initiatives started to support progressive corporates in setting climate targets and strategies. This first 'mobilisation phase' proved successful with an ever-increasing number of companies calculating their greenhouse gas emissions and committing to emission reduction targets and transition plans.

The global business community reached a stage where—at least for larger and publicly-listed companies in the Global North—setting voluntary climate targets and announcing strategies to reduce emissions has become standard practice. As of July 2023, over 18,700 companies globally disclosing environmental data via CDP (CDP, 2023a), over 5,600 have set targets validated by the Science Based Targets initiative (SBTi, 2023b), and over 8,300 are members of the UNFCCC's Race to Zero campaign (UNFCCC, 2023a).

These developments over the last decades have led to an increasingly populated ecosystem of voluntary and self-regulated initiatives and actors, mainly situated in the Global North. The current system lacks transparency on which accountability functions individual voluntary initiatives and actors perform in the system, how they complement each other, and which essential institutional gaps remain unaddressed to provide effective accountability. Recent analyses by NewClimate Institute and other institutions on corporate net-zero target setting, for example, show how companies can use existing ecosystems' flaws to cover inadequate climate action (Day et al., 2022; Mooldijk et al., 2022; Day et al., 2023; Net Zero Tracker, 2023a; Odawara and Hirata, 2023). As a result, the current ecosystem struggles to provide effective accountability through independent, enforceable, and mandatory criteria and processes. Tasked by the United Nations Secretary General in response to this situation, the United Nation's High-Level Expert Group (HLEG) developed stronger and clearer standards for net-zero pledges through its 'Integrity Matters' report (UN HLEG, 2022).

THE OBJECTIVES OF THIS PAPER

Against the backdrop outlined above, we propose a conceptual framework bringing together key accountability functions previously identified in the literature. This framework can be used by readers to better analyse the status quo and limitations

of today's corporate climate accountability system. It further enables readers to more comprehensively assess how to improve it in the future to effectively hold companies accountable for their (lack of) climate action and achieved emission reductions in light of the Paris Agreement's temperature limit.

For this purpose, we structure the paper as follows.

→ **Section 2** defines seven conceptual accountability functions informed by existing literature. We present their systematic relation to each other in a corporate climate accountability loop. The loop illustrates how activities under these functions feed into and reinforce each other. This can help readers to better understand each function and their respective role within an accountability system and facilitate the use of consistent terminology. Within the scope of this paper, however, we do not intend to define which initiatives, actors and/or institutions should perform each function in an accountability system.

→ **Section 3** instead provides selected spotlights on how to further develop the current accountability system for corporates in the real economy over time to enable enhanced accountability on corporate climate action.

The paper builds up on a previous work by NewClimate Institute and the Future of Climate Corporation in 2022 (FCC & NewClimate Institute, 2022), other existing literature in the field, and an indicative mapping exercise of the current ecosystem presented in the → **Annex**. In this context, NewClimate Institute would like to disclose its own involvement in voluntary initiatives in the accountability ecosystem for transparency as listed in the → **Annex**.

FURTHER AVENUES FOR ANALYSIS

We identify two main avenues of work that remains outside of the scope of this paper. Firstly, the corporate climate accountability loop provides a conceptual starting point to conduct further analysis on how exactly an accountability system in the future following *good practice* could look like, for example by specifying which specific actors and institutions should perform each function. Secondly, while this paper narrowly focuses on corporate climate action, future work could elaborate the conceptual dimension of corporate accountability in the broader context of nature, biodiversity, historical responsibility, climate justice and other dimensions building up on other ongoing efforts such as the Accountability Accelerator by the Global Common Alliance (GCA, 2023).

02 THE CORPORATE CLIMATE ACCOUNTABILITY LOOP

Key conceptual functions of an accountability system

- Core functions**
 Necessity to perform functions in an **independent, enforceable and mandatory** manner to ensure high integrity corporate climate action.
- Supportive functions**
 Cross-cutting functions essential to support and control on proper functionality of core functions.



Figure 1
 A schematic illustration of the corporate climate accountability loop

Source: Authors

2.1 AN OVERVIEW ACROSS ALL KEY CONCEPTUAL FUNCTIONS

The corporate climate accountability loop introduces seven key conceptual functions of an accountability system for corporates in the real economy. We differentiate the accountability functions between core and supportive functions (see detailed introduction of each function in → **Section 2.2**).

The three core functions form a loop enclosing companies' effort to develop, implement, and update corporate climate strategies. Standards, guidance, and decarbonisation benchmarks represent the loop's starting point as they either inform or legally mandate the development of 1.5°C-aligned corporate climate strategies. These strategies subsequently undergo a continuous process of validations before and verifications after their implementation against these standards, guidance, and decarbonisation benchmarks. While the former validates a company's future intention to perform climate action, the latter verifies a company's implemented actions and their impacts. After verification, a company might update its climate strategy. This update might account for the company's level of progress achieved, wider technological, policy, and socio-economic developments, and updates the standards, guidance, and decarbonisation benchmarks over time, forming the loop.

The four supportive functions play an essential role to ensure the inner loop's functionality and effectiveness throughout all stages of developing, implementing, and updating corporate climate strategies. For example, mobilisation and capacity building supports companies in developing a climate strategy, and the subsequent implementation and updating of these strategies. While each of the four supportive functions performs a distinct role in the accountability system (as explained in → **Section 2.2**), they also directly depend on each other to work effectively. The collection and repository of relevant data and information on corporate climate strategies—for example on emission reduction targets, their scope, and their base years—enables the development of aggregate systems analyses across a larger sample of corporate actors. The results and recommendations of such aggregate systems analyses subsequently play an important role in informing advocacy and litigation activities to hold companies accountable.

2.2 SEVEN KEY ACCOUNTABILITY FUNCTIONS TO ENABLE CORPORATE ACCOUNTABILITY

We identify seven key accountability functions that play important roles in any comprehensive corporate accountability system (informed by Bulkeley et al., 2012; UNEP, 2019; Bettney, 2022; FCC & NewClimate Institute, 2022; GCA, 2023). We distinguish these seven functions between **core functions** and **supportive functions**.

This section introduces each function separately and explains their role within the corporate climate accountability loop. We do not intend to define which initiatives, actors or institutions should perform each function in the accountability system within the scope of this paper. Section 3 instead provides selected spotlights on how to further develop the current accountability system for corporates in the real economy over time to enable enhanced accountability on corporate climate action.

The three **core functions** are in the centre of effective corporate accountability. To be effective, each core function should ideally be performed in an independent, enforceable, and mandatory manner to ensure corporate climate action of high integrity. We define the key conceptual characteristics of all core functions as follows.

- Independent** A clear separation is required between those who hold corporates accountable (voluntary initiatives, regulators, or other actors) and those who are held accountable (corporates) to avoid conflict of interests. For example, a given company should not exert influence on defining a standard or decarbonisation benchmark aligned with latest science against which its transition plan will be validated and verified at a later point in time.
- Enforceable** Complaint, grievance, and whistleblowing mechanisms in combination with independent oversight bodies enable public scrutiny and allow for penalising companies for wrongful behaviour and inadequate climate action. For example, such mechanisms can lead to the removal of a company's validation through an independent oversight body in the case of a company's non-compliance with specific standards or guidance.
- Mandatory** A high degree of mandatory compliance ensures that corporate climate action is not an entirely voluntary decision by a given company, for example whether to commit to a corporate climate target or not. Mandatory compliance can be introduced, among other means, through legally-binding legislation.

The following paragraphs introduce and define each of the three core functions.

STANDARDS, GUIDANCE & BENCHMARKS



Requirements for corporate climate strategies compatible with the 1.5°C temperature limit

Standards, guidance, and decarbonisation benchmarks should inform or mandate corporate climate strategies compatible with the 1.5°C temperature limit. The subsequent accountability functions of validation (ex-ante) and verification (ex-post) centrally rely on them to validate and verify against. This function covers the development of corporate standards, guidance, and decarbonisation benchmarks by regulators, international organisations, or voluntary initiatives on, among other things, how to:

- Disclose greenhouse gas (GHG) emissions and other non-GHG climate forcers (e.g., formation of contrail cirrus clouds) across the company's entire value chain.
- Set short-, medium-, and long-term targets in the context of 1.5°C-aligned sector-specific decarbonisation benchmarks and wider equity and climate justice considerations.
- Develop 1.5°C-compatible transition plans and measures including the phase-out of fossil fuels and emission-intensive products and the use of renewable energy.
- Use offsetting and climate contributions beyond the emission reductions in their own operations and value chains.
- Align external lobbying and advocacy efforts with agreed-on standards and guidelines via responsible political engagement.
- Contribute to fair and just transition processes and act on other priorities such as corporate governance, sustainability reporting, due diligence, and/or adaptation and nature targets.

The development of robust standards, guidance, and decarbonisation benchmarks compatible with the 1.5°C temperature limit requires a *science-aligned* development process design. Such a process exclusively considers latest scientific findings during their development without direct influence of companies with vested interest. On the contrary, a *consensus-aligned* process design aims to reach consensus between scientific findings and corporate interests.

EX-ANTE VALIDATION •



Validating the compliance of corporate climate strategies with standards, guidance and/or benchmarks before their implementation

Ex-ante validations should confirm that a corporate climate strategy — or a specific element of it — complies with standards, guidance, or decarbonisation benchmarks before the strategy's implementation. Ex-ante validations assess companies' future intentions but do not provide verification of actual implementation. For example, ex-ante validations can confirm, among other things, the:

- Compliance of corporate emission reduction targets with 1.5°C-compatible decarbonisation benchmarks for the company's sector and wider equity and climate justice considerations.
- Adequacy of corporate transition plans to meet emission reduction targets that reflect sector-specific 1.5°C-compatible decarbonisation trajectories and wider equity and climate justice considerations.
- Adequacy and quality of offsetting and climate contribution approaches.
- Adequacy of lobbying, contributions to fair and just transition processes, corporate governance, reporting, due diligence, or adaptation targets.

Accountable ex-ante validation processes require publicly accessible and transparent complaint, grievance, and whistleblowing mechanisms. Such mechanisms facilitate and incentivise effective public scrutiny of corporate climate strategies. They further lead to the removal of companies' validations through independent oversight bodies in the case of companies' non-compliance with specific standards, guidance, or decarbonisation benchmarks.

EX-POST VERIFICATION



Verifying the progress made on the implementation of corporate climate strategies in compliance with standards, guidance and/or benchmarks

Ex-post verifications should assess the achieved progress (or lack thereof) on implementing a corporate climate strategy in compliance with standards, guidance, or decarbonisation benchmarks. Ex-post verification and audits aim to provide a reasonable level of assurance on a company's past climate action against set targets. For example, ex-post verifications can assess progress on:

- Disclosing GHG emissions and other non-GHG climate forcings (e.g., formation of contrail cirrus clouds because of aviation activity) across the company's entire value chain.
- Achieving emission reduction targets in line with 1.5°C-compatible decarbonisation benchmarks for the company's sector and wider equity and climate justice considerations.
- Implementing 1.5°C-compatible transition plans and measures in the context of sector-specific 1.5°C-compatible decarbonisation trajectories, including the immediate implementation of short-term reduction measures, design of strategies and preparatory measures to implement mid-term reduction measures, and the support of research and development (R&D) for technologies needed for long-term real zero emissions.
- Adequately meeting other standards or guidance on climate contributions, external lobbying, contributions to fair and just transition processes, corporate governance, reporting, due diligence, or adaptation targets.

Similar to ex-ante validations, accountable ex-post verification processes require publicly accessible and transparent grievance and whistleblowing mechanisms that facilitate and incentivise effective public scrutiny of corporate climate strategies. In addition, such mechanisms can lead to the removal of companies' verifications through independent oversight bodies in the case of companies' non-compliance with specific standards, guidance, or decarbonisation benchmarks.

The four cross-cutting **supportive functions** play an essential role to support and control the performance of core functions. The following paragraphs introduce and define each of the four supportive functions in conceptual terms.

MOBILISATION & CAPACITY BUILDING



Mobilising and enabling companies to commit to ambitious climate strategies and to implement them

Mobilisation and capacity building activities should support companies to commit, develop and implement climate strategies. Mobilisation activities can play an important role to encourage companies to commit to climate strategies in the absence of mandatory regulation, including, among other things, to commit to:

- Corporate GHG emission disclosure in the absence of mandatory disclosing requirements
- GHG emission reductions in line with 1.5°C-compatible decarbonisation benchmarks for the company's sector and wider equity and climate justice considerations.
- Deep decarbonisation in line with 1.5°C-compatible benchmarks for the company's sector, for example real zero targets or well-defined net zero or carbon neutrality pledges next to deep decarbonisation targets.
- High-levels of renewable energy and following good procurement practice.
- Other climate-related targets such as sustainable procurement and engagement with suppliers.

Capacity building activities should support companies of different sizes, geographies, and sectors to identify and implement climate action. Such activities provide, among others, hands-on tools and/or trainings to develop and implement high quality climate strategies. This can include tools and training to track and report progress on company climate action, or training for company employees on how to identify and develop high-quality GHG-reduction measures.

DATA COLLECTION & REPOSITORY



Continuous collection and systematisation of data and information on corporate climate strategies

Data collection and repository refers to activities of independent, continuous, and systematic gathering of corporate climate data. These activities can enable transparency on the design of corporate strategies and the level of progress on their implementation to the public, investors, and policymakers. Data repositories can further allow companies to compare their own performance to competitors and to better understand the performance of their suppliers and partners. Third parties such as researchers or NGOs can use the data to systematically assess the performance of companies in key areas. Data collection can focus the following aspects of corporate climate action:

- Corporate GHG emission disclosure, including non-GHG climate forcers when relevant.
- Corporate climate targets, including short-, medium-, and long-term GHG reduction targets and net zero or climate neutrality targets.
- Corporate 1.5°C-compatible transition plans and measures in the context of sector-specific 1.5°C-compatible decarbonisation trajectories, including the immediate implementation of short-term reduction measures, design of strategies and preparatory measures to implement mid-term reduction measures, and the support of R&D for technologies needed for long-term real zero emissions.
- Other relevant dimensions such as climate contributions, external lobbying, just transition processes, corporate governance, or adaptation targets.

Data gathering and tracking can be performed at specified intervals, for example biannually, annually, quarterly, or monthly. The specific function of data collection and repository neither directly includes assessments of single companies (covered under the function of *ex-post verification*) nor the assessment across multiple actors based on the collected data (covered under the function of *aggregated systems analysis*).

AGGREGATE SYSTEMS ANALYSIS



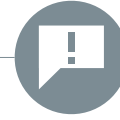
Analysing the transparency and integrity of the corporate accountability system across a larger sample of companies, voluntary initiatives, and actors

Aggregate systems analysis refers to the independent evaluation of corporate climate performance across large groups of companies in certain sectors or geographies. This function serves to analyse both the relative performance of an individual company compared to its peers and to assess overall developments in the corporate climate action landscape. This function can also serve to identify good practice for replication and to inform recommendations for improvement — both for single corporates and the wider corporate accountability system, including the re-evaluation of 1.5°C compatible benchmarks. Aggregate system analyses can include, among other things, the assessment of:

- GHG emissions and other non-GHG climate forcers disclosure practices across companies' value chains.
- Emission reduction target setting practices in line with 1.5°C-compatible decarbonisation benchmarks, standards, and guidance.
- Corporate practices for setting 1.5°C-compatible transition plans and measures in the context of 1.5°C-compatible decarbonisation trajectories for specific sectors and wider equity and climate justice considerations.
- Corporate practices of offsetting through carbon credits or climate contribution strategies.
- Corporate approaches to other relevant aspects such as corporate governance, fair and just transitions, reporting, or due diligence

Aggregate system analyses can serve a 'watchdog role' in the corporate accountability system. The analyses provide public and independent scrutiny of corporates' climate performance and enable civil society and others to use the results of such analyses as input for advocacy and litigation activities.

ADVOCACY & LITIGATION ACTIVITIES



Holding companies accountable for failing to implement ambitious climate action through litigation and public campaigns, and providing system advocacy to improve the wider accountability system

Advocacy and litigation activities serve a dual purpose: (1) holding individual companies accountable for their failure to commit to, comply with, or meet existing standards, guidance, and decarbonisation benchmarks, and (2) ensuring the integrity of these standards, guidance, and decarbonisation benchmarks facilitate 1.5°C-compatible corporate climate action. This function can include at least three distinct types of activities:

- **Public campaigns** serve to promote public knowledge and apply pressure on companies who fall short of commitments, compliance, and established benchmarks and standards. This can be achieved through public awareness campaigns or targeted communication strategies.
- **Litigation and other legal procedures** pursue court cases against corporate actors that fail to meet their commitments or do not comply with existing standards, guidance, and decarbonisation benchmarks.
- **System advocacy** efforts aim to improve the wider corporate accountability system and ensure its functioning. These activities can work towards improving existing standards, guidance, and decarbonisation benchmarks set by various initiatives or regulating bodies in line with the latest science. It can also advocate for structural changes in the accountability ecosystem, such as effective institutional separation, or for increased regulation corporate climate action by governments and relevant authorities.

Advocacy activities can centrally build upon findings and recommendations coming out of activities under the aggregate systems analysis function, as well as on assessments of individual companies.

➤➤ 03 **TRANSFORMING THE STATUS QUO: SPOTLIGHTS ON HOW TO IMPROVE THE EXISTING ACCOUNTABILITY FRAMEWORK**

In the following section we put the spotlight on the corporate accountability system's status quo (→ Section 3.1), and how to improve the system through initial adjustments (→ Section 3.2) and more fundamental future changes (→ Section 3.3). These spotlights aim to point out selected observations on the status quo and recommendations going forward.

3.1 A SPOTLIGHT ON THE STATUS QUO

Multiple functions are performed by same initiatives without institutional separation and independence

- A** Functions are performed by same initiatives **without any effective institutional separation and independence.**
- B** Ex-post verification de facto **not performed** in current system.

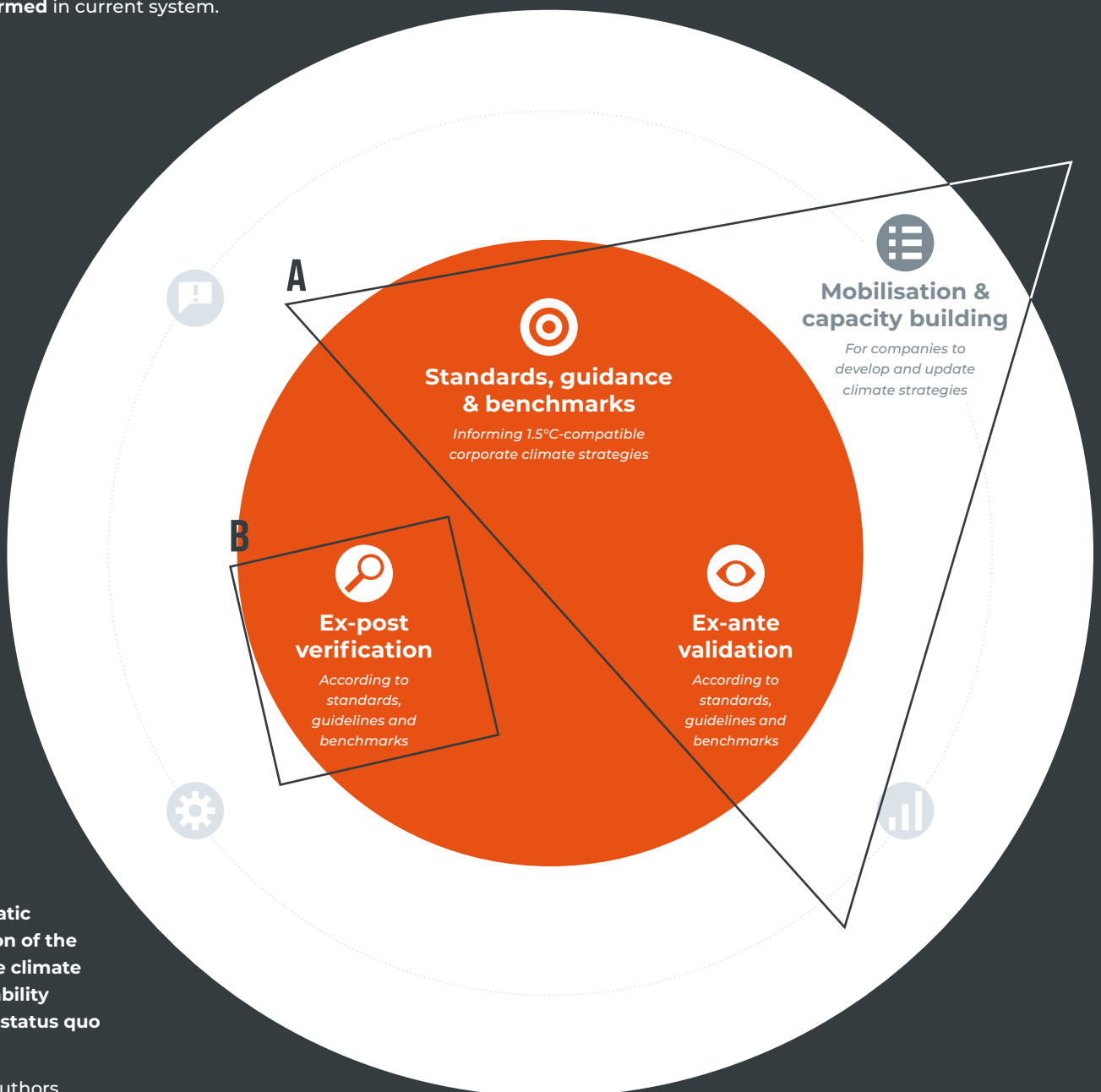


Figure 2
A schematic illustration of the corporate climate accountability system's status quo

Source: Authors

The current accountability system for companies in the real economy faces several key limitations and constraints when considering all core and supportive functions introduced as part of the corporate climate accountability loop. The → **Annex** to this paper provides an illustrative overview of functions currently performed by some selected voluntary initiatives and actors in the field.

The current accountability system lacks institutional separation and independence between functions. Single initiatives or actors perform multiple functions at once, namely (1) developing voluntary standards, guidance, and decarbonisation benchmarks for corporate climate strategies, (2) mobilising companies to set climate strategies according to these, and (3) validating them in a subsequent step. For example, several partner initiatives to the UNFCCC's Race to Zero campaign such as the Science Based Targets initiative (SBTi) or the SME Climate Hub perform these multiple functions at once, often resulting from their role as innovative first-movers to mobilise and enable companies to set climate strategies. These initiatives were formed at a time when corporate climate action was nascent, and the combination of these functions could have been considered most useful.

The global business community has now reached a stage where — at least for larger and publicly-listed companies the Global North — setting voluntary climate targets and announcing strategies to reduce emissions has become standard practice. In this evolved context, voluntary initiatives, actors, and even their philanthropic supporters might face an inherent tension between multiple functions that they perform at once. On the one hand, for example, the development of a voluntary standard for setting 1.5°C-compatible corporate transition plans can result in requirements that many companies might consider too ambitious — or even impossible — for them to meet. On the other hand, the mobilisation of companies to actively commit to such a voluntary standard aims to rally the largest numbers of companies possible. As a result, voluntary initiatives face an inherent tension between defining a fully science-aligned voluntary standard and mobilising as many companies as possible at the same time.

Companies often directly influence activities under specific accountability functions, despite them being the entities to be held accountable. In the current system, companies play an integral role in *consensus-aligned* development processes of voluntary standards, guidance, or decarbonisation benchmarks. Such processes aim to reach some level of consensus between scientific findings and corporate interests, with companies dedicating substantial personnel and financial resources to participate and influence these processes. Companies' climate strategies subsequently are directly validated against these standards, guidance, or decarbonisation benchmarks that they helped develop in the first place. This results in conflict of interests for companies that directly influence activities by

voluntary initiatives and actors under core accountability functions in the current system.

The current accountability system de facto does not perform the important accountability function of ex-post verifications. Neither voluntary initiatives nor auditing firms currently verify companies' actual implementation of climate strategies and the factually-correct representation of the progress in their annual reporting. For example, most carbon-intensive companies covered by recent analyses of the Carbon Tracker neither consider climate-related risks nor provide conclusive information on their climate strategies and their implementation progress in their financial and audit reports (Davidson and Schuwerk, 2021, 2022). Some voluntary initiatives have made recent announcements to (partially) commence ex-post verification activities on top of the other functions they currently perform. Such developments, if implemented, could further exacerbate the existing situation of multiple core functions performed by single initiatives without institutional separation and independence. Further research will need to investigate on how this accountability function can be performed in an independent, enforceable, and mandatory manner (**see also → Section 3.3**).

The gaps in the existing core functions of the accountability system limit the effectiveness of some supportive functions. In general, each supportive function depends on all three core functions being performed in an independent, enforceable, and mandatory manner. However, the system's existing shortcomings and limitations outlined in this section above currently undermine their effectiveness.

Activities under the 'data collection and repository' function, for example, ideally aim to collect data on corporate climate strategies that have been disclosed by companies in a standardised, publicly available, and independently validated and verified way. Within the current system, the lack of mandatory requirements and inadequate validations and verifications lead to a high degree of freedom for companies on whether and how to report their climate data. In addition, non-disclosure agreements often prohibit many voluntary initiatives active under this function to make data publicly accessible. The non-public nature of current data collection and repository activities thus leads to a high level of inconsistency and an overall lack of transparency. This in turn directly affects aggregate system analyses, litigation and advocacy activities that rely on sufficiently available data to scrutinise corporate climate strategies and to ensure the proper functionality of core functions.

For example, the Science Based Targets initiative (SBTi) plans to introduce a progress framework "providing a clear and standardized mechanism to assess, verify and enhance corporate accountability on progress towards science-based targets" (SBTi, 2023a) adding activities of ex-post verification to their existing activities of standard development, ex-ante validation, and mobilisation.

3.2 A SPOTLIGHT ON INITIAL ADJUSTMENTS

Working towards a necessary institutional separation and independence between functions

A Mobilisation and capacity building are **institutionally separated and independent** from the development of standards, guidelines and benchmarks.

Standards, guidelines and benchmarks are **independently developed from direct corporate influence** to avoid conflicts of interest.

B Other initiatives and actors than those setting standards conduct ex-ante validations and ex-post verifications.

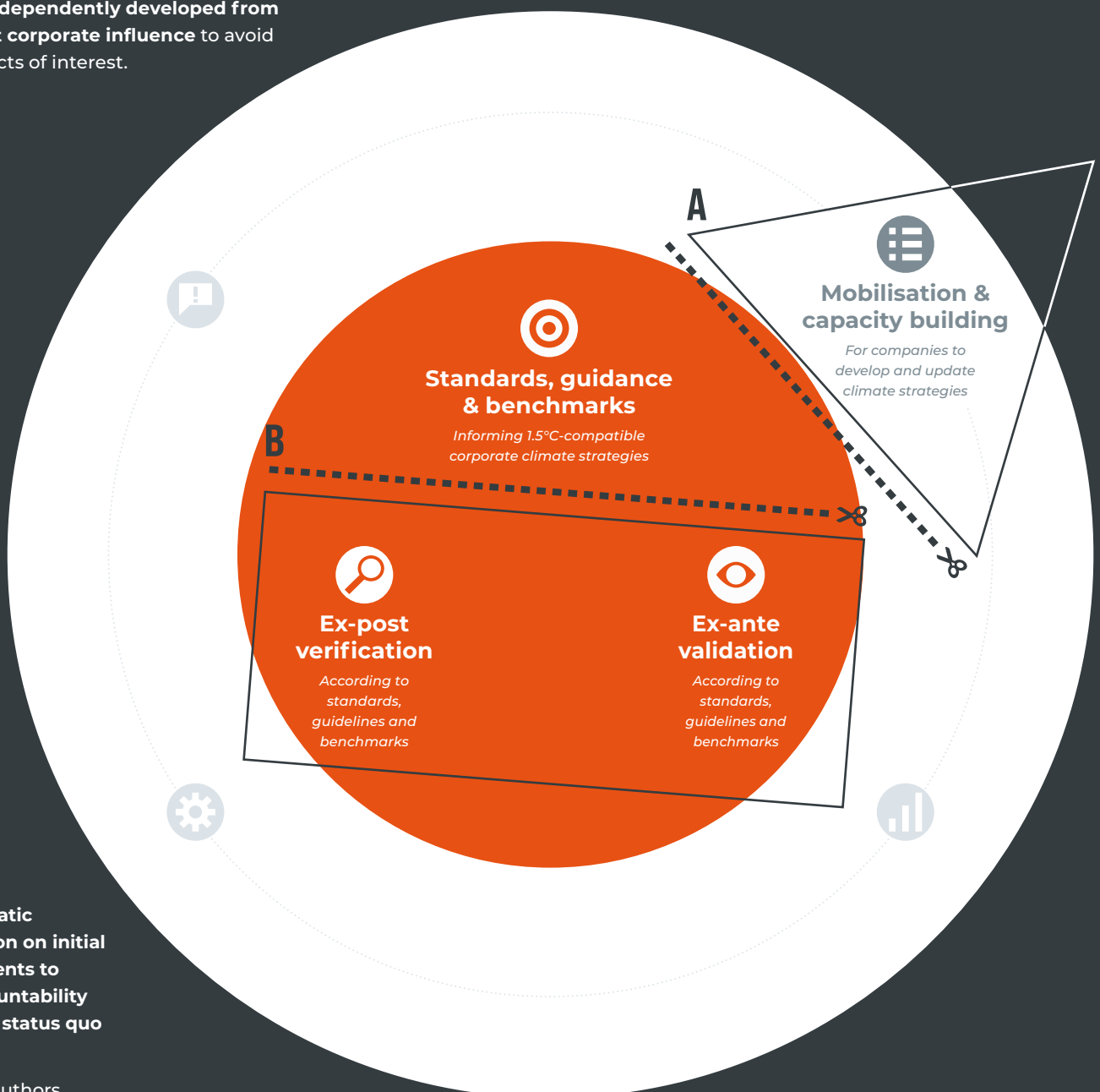


Figure 3
A schematic illustration on initial adjustments to the accountability system's status quo

Source: Authors

The existing shortcomings of the current corporate accountability system call for immediate improvements considering key principles of the corporate climate accountability loop. We label these improvements as initial options for adjustments.

Voluntary initiatives and actors developing standards, guidance and decarbonisation benchmarks should move towards institutional separation and independence from those that engage in the mobilisation and capacity building of companies. Such a separation avoids a direct tension between engaging as many companies as possible during mobilisation while at the same time developing fully science-aligned standards, guidance, and decarbonisation benchmarks. Institutional separation and independence between these two functions more easily allows to involve companies in mobilisation and capacity building processes, for example by sharing their practical experiences and good practice approaches for a low-emission transition. At the same time, development processes of standards, guidance, and decarbonisation benchmarks do no longer need to find a compromise between their companies' interests on the one side and scientific findings on the other side.

Standards, guidance, and decarbonisation benchmarks should be developed independently from direct corporate influence to avoid inherent conflicts of interests. Direct corporate influence on the development of standards, guidance, and decarbonisation benchmarks leads to an inherent conflict of interest as these will be used to validate companies later. As a general principle, voluntary initiatives and actors should use fully *science-aligned development processes* that consider scientific findings rather than *consensus-aligned development processes* aiming to reach consensus between scientific findings and corporate interests (**see → Section 2.2 for further explanation**). While a science-aligned approach can still enable companies to participate in accessible public consultation phases, it would not directly involve them influencing specific science-aligned standards, guidance, and decarbonisation benchmarks, for example during the development of science-aligned 1.5°C-compatible decarbonisation benchmarks for the phase-out date for internal combustion engines in transport.

For voluntary initiatives and actors that validate and verify corporate strategies, the move towards institutional separation and independence between functions should be accompanied by the introduction of complaint, grievance, and whistleblowing mechanisms. Such mechanisms enable researchers, civil society, and other actors to scrutinise corporate climate strategies and flag potential non-compliance with existing standards, guidance, and decarbonisation benchmarks or failure to follow agreed-upon procedures for validation and verification. For example, a group of scientists proposed the introduction of such a mechanism for the Science Based Targets initiative (SBTi) to “flag reporting failures and inaccuracies” (Carton et al., 2022). Such mechanisms further depend on independent oversight bodies that can ensure the removal of companies' validations in case of non-compliance, for example by removing ex-ante verifications or ex-post validations. Apart from increased accountability per se, such mechanisms can help to retain voluntary's initiatives credibility towards civil society and other stakeholders.

3.3 A SPOTLIGHT ON FUTURE CHANGES

The emergence of regulation, accredited verification and validation entities, and effective advocacy and litigation

A Standards, guidelines and benchmarks are enshrined in regulation or official international standards.

B Accredited entities with legal liability perform core function of ex-ante validation and ex-post verification.

C Institutional changes to core functions enable awareness, advocacy and litigation activities to work effectively.

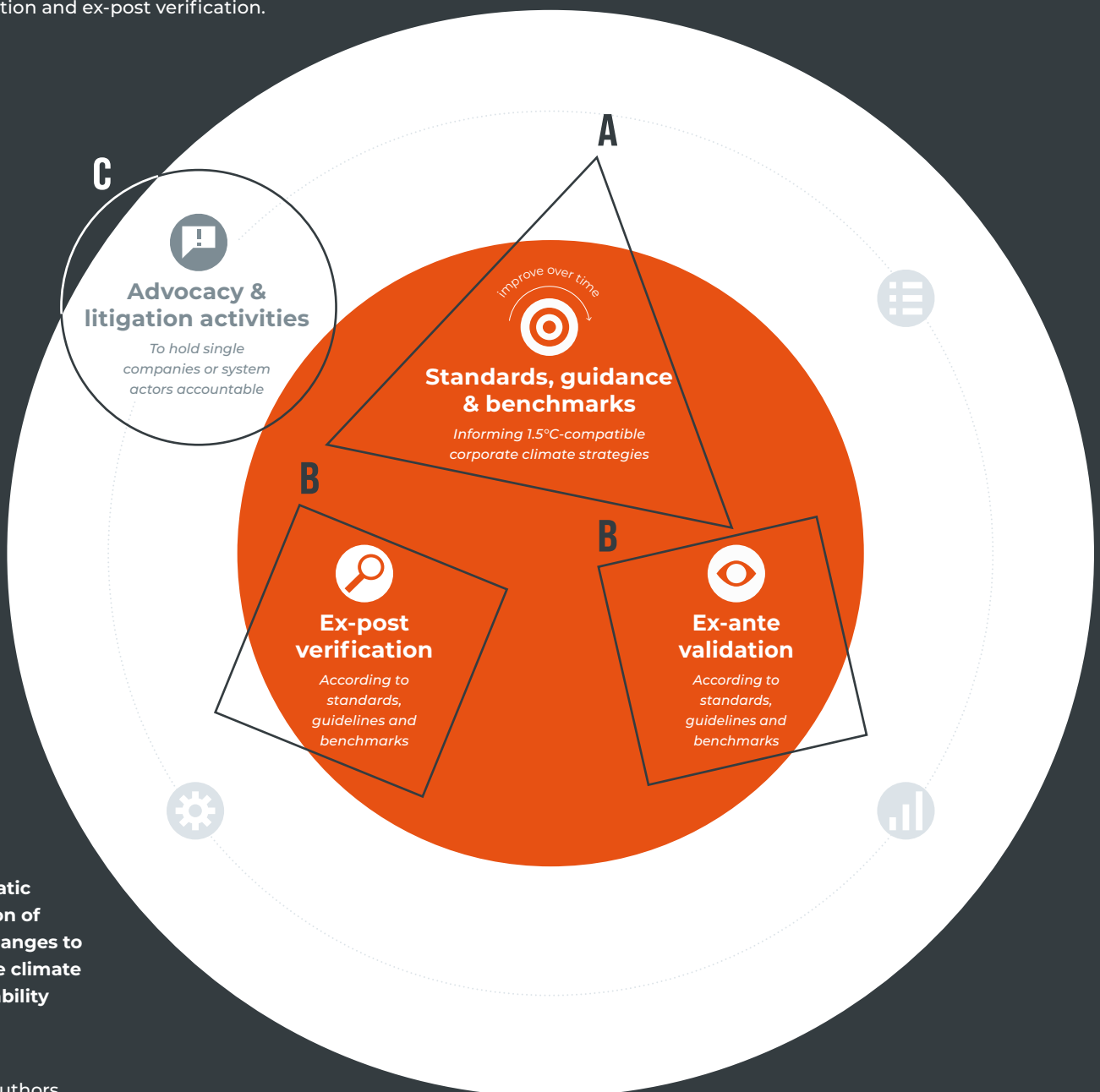


Figure 4
A schematic illustration of future changes to corporate climate accountability system

Source: Authors

The corporate climate accountability system is already being shaped by emerging climate regulation around the world, how ex-ante validations and ex-post verifications will be performed, and whether the system allows advocacy and litigation activities to work effectively.

The United Nation's High-Level Expert Group (HLEG) 'Integrity Matters' report on net-zero pledges emphasised the need to develop "regulation and standards in areas including net zero pledges, transition plans and disclosure" as one of their ten recommendations (UN HLEG, 2022). In this context, the UN HLEG further proposed a task force to mitigate the risks of (future) fragmented regulation across jurisdictions. Recently, governments have introduced, or are introducing regulation on issues such as corporate emission disclosures or corporate transition plans (Hale, 2022; see Table 3 in Race to Zero, 2022; Oxford Net Zero, 2023). Comprehensive regulation introduced in one jurisdiction can thereby directly influence other jurisdictions due to the global nature of corporate value chains.

Standards, guidance, and decarbonisation benchmarks aligned with latest science and enshrined in domestic regulatory frameworks or international standards can increase the level of corporate climate accountability. The legally-binding nature of regulation contributes to a mandatory and enforceable accountability system in which it is no longer voluntary for companies to commit to corporate climate strategies. In the European Union, for example, such comprehensive regulation across multiple EU directives could lead to mandatory and legally binding requirements for corporate climate disclosure and corporate transition plans in line with EU-specific 1.5°C decarbonisation benchmarks (Pugliese and Godinot, 2022).

The necessary shift to legally-binding regulation, however, might be prone to several potential issues: regulations might be fragmented across different countries or regions worldwide, not aligned with latest science due to political considerations and influence of vested interests and can reinforce global inequalities through transboundary effects. Voluntary initiatives and actors can play an important future role to scrutinise forthcoming regulations and continue to advance the understanding of *good practice* according to latest science and equity and climate justice considerations. Such activities can promote upward convergence to common and high-ambition standards through a "conveyor belt" approach by consolidating good practice approaches and support making them legally binding (Hale, 2021; Race to Zero, 2022). Voluntary standards, guidelines and assessment frameworks on corporate net-zero target setting, for example, have shown a high level of convergence on guiding principles while key dimensions of net zero strategies require further convergence on specific criteria for operationalisation (see Table 2 in Net Zero Tracker, 2023a).

The introduction of legally-binding regulation or international standards over time will enable ex-ante validations and ex-post verifications by accredited and legally liable entities. Similar to traditional financial auditing by accounting firms, entities performing validations *before* and verifications *after* the implementation of climate strategies could undergo accreditations by regulators and can be held legally liable in case of negligence. Such structural changes to the accountability system require careful consideration on how these processes can be structured, also building upon on lessons learnt from other accountability systems such as financial accounting. Complementary complaint, grievance, and whistleblower mechanisms in conjunction with independent oversight bodies can enable researchers, civil society, and other actors to scrutinise corporate climate strategies and flag potential non-compliance with legally-binding existing standards, guidance, and decarbonisation benchmarks.

Institutional changes to the core functions can unlock the effectiveness of the advocacy and litigation activities. As for litigation, numerous plaintiffs such as NGOs, citizens and environmental law firms across different jurisdictions have engaged in litigation activities against inadequate corporate climate action in recent years (Setzer and Higham, 2022, 2023; UNEP, 2023). The institutional changes to core accountability functions through the emergence of legally-binding legislation might introduce more specific legal liabilities for companies themselves, and voluntary initiatives and actors involved in the validation and verification of 1.5°C-compatible climate strategies. Such legal liability does not exist in the current system, which prevents advocacy and litigation to effectively hold companies accountable through legal means.

The UNFCCC Secretariat released its Recognition and Accountability Framework (RAF) in 2023 and its draft implementation plan for public consultation in June 2023 (UNFCCC, 2023c, 2023b). While it remains uncertain how exactly the RAF will influence the future of corporate climate accountability system, → **Box 1** presents our four recommendations to the UNFCCC as key take-aways from this paper on the corporate climate accountability loop.

Box 1**Key take-aways from the corporate climate accountability loop for the UNFCCC Secretariat's consultation process on its Recognition and Accountability Framework (RAF) and its draft implementation plan released in June 2023**

The following recommendations represent four key take-aways from the conceptual functions introduced in the corporate climate accountability loop for the UNFCCC Secretariat's Recognition and Accountability Framework (RAF) and the draft implementation plan released for public consultation in June 2023 (UNFCCC, 2023c, 2023b). We encourage the UNFCCC Secretariat to use them for the forthcoming process towards discussing and finalising the RAF and the implementation plan.

1. As a general principle, the RAF could encourage the institutional separation and independence of key accountability functions as part of the wider framework and its implementation plan.

The process initiated by the UNFCCC Secretariat around the Recognition and Accountability Framework (RAF) — including the proposed changes to the review of the UNFCCC's Race to Zero's Partner Initiatives (Race to Zero, 2023) — provides an opportunity to assess the accountability system's status quo and work towards addressing existing shortcomings and limitations. In this context, the conceptual functions introduced as part of the corporate climate accountability loop can help to understand the necessary institutional separation and independence between core functions to avoid conflicts of interest and to enable better execution of vital supporting functions. The UNFCCC Secretariat can use these guiding principles to inform and steer its discussions going forward.

2. The UNFCCC Secretariat could clearly define the role, scope, and functionality of the enhanced UNFCCC's Global Climate Action Portal (GCAP) to address existing shortcomings and limitations.

The proposed changes to the GCAP as outlined in Part A of the UNFCCC Secretariat's draft implementation plan fall under the key accountability function of 'data collection and repository'. Currently, activities under this function face several limitations. Most importantly, these include a lack of public access to information on disclosures to specific voluntary initiatives and limited (or even none) third-party review and scrutiny. The private nature of current data collection processes by entities leads to a high level of inconsistency on tracking of commitments and performance against them and lack of transparency on critically important information on corporate climate action.

The GCAP could improve existing shortcomings and limitations by (1) pooling data collection efforts starting from existing processes or initiatives to avoid duplication and system redundancies and (2) support the introduction of publicly accessible and transparent grievance and whistleblowing mechanisms to allow for effective public scrutiny within existing voluntary initiatives and actors (see also the *fourth* recommendation on the latter for further explanation).

3. The UNFCCC could exert its influence to work towards science-aligned approaches to the development of standards, guidance, and decarbonisation benchmarks.

Part B of the draft implementation plan outlines the UNFCCC Secretariat's proposals to ensure corporate pledges (§23), transition plans (§24), and progress reports including annual emission disclosures (§24) are of high integrity (UNFCCC, 2023b). For each of those elements, the RAF could consider the need for *science-aligned* rather than *consensus-aligned* processes going forward. Several voluntary initiatives currently still allow companies to exert direct influence on the development of standards, guidance, and decarbonisation benchmarks through consensus-aligned processes to seek a (partial) compromise with corporate interests and scientific findings. A change to *science-aligned* processes becomes particularly important if the UNFCCC Secretariat itself will convene working groups to define robust methodologies as suggested in the draft implementation plan. Such methodologies should also fully align with the criteria outlined in the United Nation's High-Level Expert Group (HLEG) 'Integrity Matters' report on net-zero pledges (UN HLEG, 2022).

As for already *existing* standards, guidance, and decarbonisation benchmarks, the UNFCCC Secretariat could establish an independent repository across voluntary initiatives and literature. In the case of sector-specific decarbonisation benchmarks to evaluate the ambition of emission reduction targets, for example, such a repository can make underlying assumptions on scenario choices, coverage of emission choices, the development approach chosen, and other related aspects transparent. The obtained benchmark range can help navigate the existing — and often confusing — landscape and to inform “a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot” for corporate pledges as proposed in the implementation plan (UNFCCC, 2023b, §23)

4. The UNFCCC Secretariat could encourage the introduction of complaint, grievance, and whistleblowing mechanisms by voluntary initiatives to enable effective public scrutiny.

Such mechanisms can either be established at the GCAP itself or be introduced as a requirement for voluntary initiatives and actors whose data, validations and verifications are featured at the portal. For example, a group of scientists proposed the introduction of such a mechanism for the SBTi to “to flag reporting failures and inaccuracies” (Carton et al., 2022). As a potential first immediate step, the Secretariat's GCAP portal could transparently display whether voluntary initiatives and other actors that issue validations and verifications have publicly-accessible complaint, grievance, or whistleblower mechanisms — or even introduced independent oversight bodies that can remove them in case of non-compliance. Such mechanisms enable civil society to flag misreported data or inconsistencies in companies' disclosure and the evaluations thereof, for example as done by several NGOs to CDP on the data disclosure of Brazilian meat producer JBS and CDP's rating of it (MightyEarth, 2023).

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ANNEX

We identify seven key accountability functions as part of the corporate climate accountability loop introduced in → **Section 2**. These key functions can be further broken down into specific activities under each function. For example, the function of 'standards, guidance, and decarbonisation benchmarks' consist of, among other things, those for emissions disclosure, 1.5°C-aligned pathways and decarbonisation pathways, target setting, transition plans, and offsetting.

The illustrative mapping in → **Table 1** indicates which of these activities are currently being performed by 27 selected voluntary initiatives and other actors in the ecosystem. We selected the voluntary initiatives and actors for an illustrative and non-comprehensive mapping exercise based on expert judgement considering their perceived role and relevance in the corporate climate accountability ecosystem.

In this context, NewClimate Institute would like to disclose its own involvement in the following voluntary initiatives in the accountability ecosystem for transparency.

- Lead organisation of the Corporate Climate Responsibility Monitor 2022 and 2023 (Day et al., 2022, 2023)
- Consortium member of the Net Zero Tracker (Net Zero Tracker, 2023b)
- Consortium member of the research project 'tracking the progress of subnational and non-state climate action' funded by the IKEA Foundation (NewClimate Institute, 2023)
- Participation in several independent expert advisory groups to the Science Based Targets initiative (SBTi)
- Participation in the Expert Peer Review Group (EPRG) of the UNFCCC Race to Zero campaign

The illustrative mapping faces several limitations. The exercise first and foremost aims to assess whether an initiative or actor performs a specific function. It does not assess in any way how well they perform it. Dots indicate cases for which it was not possible to discern whether a function is indeed being performed by an initiative based on public information available to the authors. Additionally, the overview in → **Table 1** does not provide analysis or conclusions on whether a specific voluntary initiative or actor performs too many or too few functions at once. For this reason, the number of boxes ticked for each initiative or actor does not constitute an evaluation of their role in the current ecosystem and performance. Finally, the bottom three rows of → **Table 1** represent actor groups rather than individual initiatives to complete the overview of the corporate climate accountability landscape.

Table 1

Illustrative mapping of 27 key voluntary initiatives and actors as of August 2023 according to key accountability functions introduced in this paper. The content presents the authors' best interpretations of publicly available information that is self-reported by voluntary initiatives and actors. Inaccuracies may still exist.

Core functions: Standards, guidance & benchmarks Ex-ante validation Ex-post verification

Supporting functions: Mobilisation & capacity building A collection & repository Aggregate systems analysis Advocacy & litigation activities

	Standards, guidance & benchmarks				Ex-ante validation				Ex-post verification				Mobilisation & capacity building	A collection & repository				Aggregate systems analysis				Advocacy & litigation activities		
	Disclosure	1.5°C benchmarks	Targets	Transition plan	Offsetting	Targets	Transition plan	Offsetting	Enforcement	Disclosure	Targets	Transition plan	Offsetting	Target setting	Disclosure	Targets	Transition plan	Offsetting	Disclosure	Targets	Transition plan	Offsetting	Public advocacy	Legal advocacy
Race to Zero (3.0) [through initiatives]																								
SME Climate Hub																								
Science Based Targets initiative (SBTi)																								
RE100																								
B Corp Climate Collective																								
Exponential Roadmap Initiative - General																								
Exponential Roadmap Initiative - 1.5BP																								
CDP - General Questionnaire																								
CDP - Temperature ratings																								
Climate Action 100+																								
Planet Tracker																								
International Sustainability Standards Board (ISSB)																								
ISO Net Zero Guiding Principles																								
ISO Greenhouse Gases																								
Greenhouse Gas Protocol Corporate (GGPC)																								
Global Reporting Initiative (GRI)																								
UN High-Level Expert Group (HLEG)																								
Partnership for Carbon Transparency (PACT)																								
Carbon Call																								
Corporate Climate Responsibility Monitor (CCRM)																								
Net Zero Tracker (NZT)																								
Tracking non-state climate action project																								
Net-Zero Data Public Utility (NZDPU)																								
Transition Pathways Initiative (TPI)																								
World Benchmarking Alliance (WBA)																								
Assessing Low Carbon Transition (ACT) initiative																								
MSCI Net Zero Tracker																								
Auditing firms*																								
ESG rating companies*																								
Advocacy groups*																								

Initiative fills function Initiative partially fills function Initiative does not fill function

Under development Unclear given limited publicly available information

* Relevant actor group, included for illustrative purpose

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