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Disclosure: Report Questions Adequacy of Climate Change Disclosure

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Disclosure

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On October 6, *Carbon Tracker,* a financial think tank that analyses the impact of the energy transition on capital markets, published its **report**, titled “Still Flying Blind: The Absence of Climate Risk in Financial Reporting.” The report concludes that, despite a growth of net zero pledges along with other climate commitments in the last year, most of the companies surveyed, with a collective market capitalization of over $10 trillion, do not appear to be addressing the financial impact of these commitments, or of climate change risks more generally, in their financial statements. According to *Carbon Tracker*, 98% of the companies surveyed did not provide sufficient information to demonstrate how their financial statements include consideration of the financial impacts of material climate matters. *Carbon Tracker* reviewed 134 “highly carbon-exposed companies,” which together contribute up to 80% of global industrial greenhouse gas emissions and are listed in Appendix 5 of the report.

Taking the Temperature: Regardless of whether the correct figure is 98% or some lower percentage, the study is important in highlighting that many issuers are potentially at risk of regulatory enforcement activity or civil litigation as a result of a perceived mismatch between their net zero pledges and current practices in financial reporting. Companies need to take care that well-intentioned public statements around net zero and climate commitments are not contradicted by financial reporting practices.