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## Governance: New Reports Comment on Net-Zero Progress

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Governance



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Recent reports show that over 90% of companies that have articulated net-zero targets will not meet their goals based on their current climate change plans. On November 1, Accenture published a [report](#) stating that 34% of an Accenture-created list of 2,000 of the world's largest public and private companies made public net-zero commitments, and that 93% of those that have made commitments will "miss their targets" unless they "accelerate progress" in reducing their emissions. The report also draws attention to the fact that over 90% of the global economy is now covered by national net-zero commitments.

In a similar vein, MSCI's October net-zero tracker [report](#) states that "Listed Companies are on track to warm the planet 2.9° Celsius by the end of the century," and that only 16% of listed companies "align with keeping global warming at or below" a Paris Agreement-aligned increase of 1.5°C, while about one-third of Listed Companies align with a 2°C increase. MSCI's data is based on its All Country World Investable Market Index (ACWI IMI), which includes large-, mid- and small-capitalization listed companies across 23 developed market and 27 emerging market countries, covering approximately 99% of global equities. The report also highlights the frequent use of carbon offsets, stating that companies representing 64% of global greenhouse gas emissions are using carbon offsetting to achieve net-zero goals.

**Taking the Temperature: Companies face numerous challenges in meeting net-zero pledges, including wading through the debate over the true sustainability of carbon offsets, and navigating a lack of consensus on how to measure emissions and therefore whether a company has reached net zero, especially with respect to Scope 3 "supply chain" emissions. That, in turn, has raised concerns that making a net-zero pledge invites regulatory enforcement activity or civil litigation due to commentary regarding a company's lack of progress toward or inability to timely meet a disclosed net-zero commitment. "Greenhushing," where companies do not disclose the extent of their sustainability efforts, often is a reaction to such concerns. Private companies are even**

**less likely to make public net-zero commitments, according to a report by Net Zero Tracker. While such concerns are understandable, we suggest that the answer is not to under-disclose. Rather, boards should make sustainability commitments consistent with the best interests of the corporation based on credible information available at that time. Net-zero pledges with appropriate qualifying language made with a reasonable basis that is contemporaneously documented should not subject directors or officers, or the company itself for that matter, to liability. And, increasingly, the markets and regulators are demanding greater, not less, sustainability efforts and related disclosure, such that greenhushing is not a viable long-term corporate strategy.**