Is your climate change commitment greenwashing?

. . . if you don't know, it's time to ask.

Christine Uri

The Current State

44% of publicly listed companies have set decarbonization targets.

Climate change related cases have more than doubled since 2015.

To advise their company, in-house counsels must know the answer to 4 questions.

Key Questions for In-house Counsel

(1) What does your company's decarbonization target mean?

(2) How is your progress measured and verified?

(3) What are your litigation risks related to climate?

(4) How do you mitigate the risks?

Terminology

The two most common decarbonization targets are "**net zero**" and "**carbon neutral**". They are not the same thing.

These terms are defined by carbon accounting rules.

You must understand these terms.

Carbon Offsetting

Stick with me. I know it is a lot.

Carbon offsetting is a concept that underpins these terms.

It is compensating for carbon emissions by purchasing credit for equivalent reductions elsewhere.

> **Example:** Investing in a forestry project to offset factory emmissions.

There is debate over whether carbon offsetting is effective.

"Carbon Neutral"

Carbon neutrality is achieved by balancing:

Emissions from operations	Purchased reductions
100	100

"Net Zero"

Net zero is a climate target set in alignment with the Paris goal of limiting global warning to 1.5° Celsius. It requires:

→ Reduction of carbon emissions of 50%+ by 2030

→ Reduction of carbon emissions of 90%+ by 2050

→ Offset of the residual

Two Key Differences

1. **Offsets:** Reductions are not required for a carbon neutral target. You can rely 100% on offsets.

2. **Timing:** The timeframe for net zero runs decades into the future. You can be carbon neutral today if you have an accurate footprint.

Which is better?

Net zero is thought to be the highest standard today because it prioritizes reductions over offsets.

But the best target for your company is the you will take real, verifiable action on.

Verification

Corporations setting public climate targets should obtain third-party verification of as many aspects as possible.

What can you verify with a third party?

Your carbon footprint measurement

The quality of your offsets based on industry standards

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

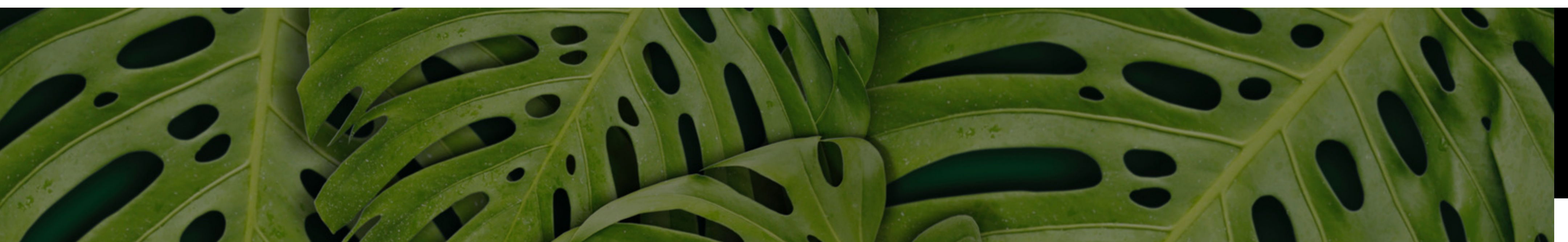
The alignment of your net zero target with the Science Based Targets Initiative (SBTi).

Greenwashing

Investors, activists, customers, and regulators are all pressuring companies to commit to climate positive actions.

Very few people understand carbon accounting terms.

This can lead to greenwashing claims - even if you do everything "right".



Consumers

You launch a marketing campaign touting that the goods you sell are carbon neutral.

What will consumers think? A class action raising this question was recently filed against Delta.

Investors

You launch a marketing campaign claiming less carbon usage than competitors.

Will your investors rely on your statements? Oatly investors brought a claim alleging they were mislead.

Regulators

You make material climate related disclosures.

Will securities and other regulators view them as accurate?

Activists

You are a global leader in a target indsutry.

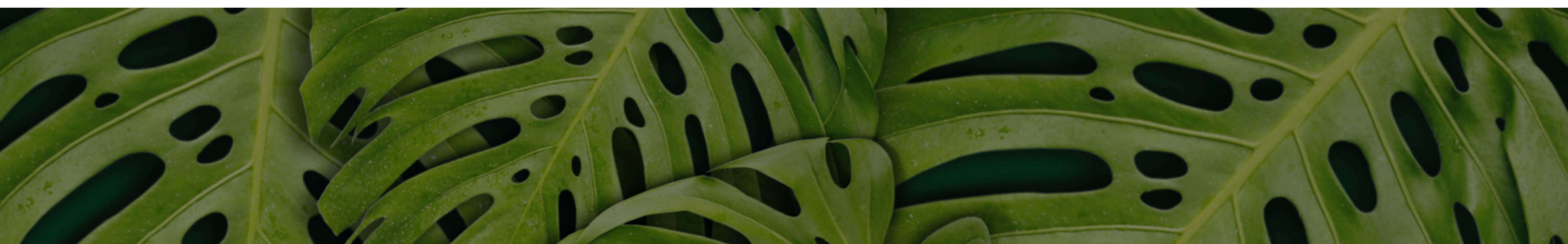
Will activists leverage litigation against your company to prompt system changes? Shell Oil cases offer an example.

What to do?

This is an uncomfortable topic for in-house counsel.

Climate commitments bring legal risk.

Inaction brings business risk.



Risk Mitigation Checklist

- Review all statements on carbon targets (webpage, collateral, disclosures etc.)
- Ask questions until you understand every word
- Require third party verifications
- Use language that will be understood by stakeholders

Hello! I am Christine.

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