

## **COP26 – WHAT IT MEANS FOR LISTED COMPANIES**

COP26 has been described as "the business COP" where businesses and financial institutions stepped up and made commitments and declarations to tackle climate change.

In this summary of a recent Clifford Chance PLC Forum webinar, we explore the outcomes of COP26, the role of business and likely trends in investment, regulation, risk and governance.

Businesses made declarations on a range of issues including reducing the climate footprint of aviation, green shipping corridors, global supply chains, net zero carbon buildings, halting deforestation, zero emission cars and vans and the provision of US\$130 trillion dollars of private investment to accelerate the decarbonisation of the economy. However, none are legally binding and companies may lay themselves open to accusations of greenwashing if they fail to deliver on those declarations.

Roger Leese, Co-Head of Clifford Chance's global business and human rights practice and a member of the Firm's ESG Board, says: "Corporates need to ensure they are organised and structured to take the right decisions. It's not just about compliance, but actively making sure they are doing the right thing and that there are no gaps between what's said and what's done."

"There was general recognition at COP26 that climate change is not just an environmental issue, it is also a social issue and that companies need to address the 'S' aspect of ESG, in their supply chain, value chain and all parts of their business," says Cheng Li Yow, a Partner in Clifford Chance's corporate financial institutions group.

### **Issues for corporates**

- Corporates should take a holistic view of climate change issues and social issues, governance structures and how they interconnect. "Look at your business as a whole and see how you're going to ensure you're able to manage the risks and opportunities appropriately," says Leese.
- Managing the flow of information throughout your organisation is crucial. How do you ensure your ESG/climate policies are operationalised and do they align with those of your suppliers and customers?
- Climate litigation is increasing. Shell for example, has been ordered by a court in the Netherlands to reduce its emissions by 45% by 2030. "We expect to see more cases brought against governments and against companies for greenwashing," says Leese.

- Better management of shareholder activism. NGOs are sophisticated and are teaming up with financial investors who want strong ESG performance. "Corporates have to actively manage and engage in those conversations around net zero commitments," says Leese.
- We are going to see legal and regulatory change off the back of COP26 and it's important for corporate policy teams to be involved in consultations to try to shape them to ensure they are designed in a way that works for business.
- There is an opportunity for the legal function to collaborate across the business in terms of processes, organisations, people, technology and data to facilitate transparency around ESG.

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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