

Accounting for Net Zero – challenges and opportunities – Climate and Accounting

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Agenda

- An overview of climate risk and accounting
- Carbon Tracker's work in this area
- Challenges /opportunities for accountants

Why does accounting matter?

- Existing investments must be addressed
- Climate change-related matters can impact financial statements / invested capital
- Accounting requirements affect profitability, which drives decisions

Recent actions by market actors

- Accounting and auditing standard-setters re-affirm requirements
- Investors request better information
 - Engagement, voting, other
- Market regulators include in reviews, propose rules

Our work in this area

Flying Blind / CA100+ assessments

- 100+ companies
- Carbon intensive sectors
- FY2020, targeted updates for FY2021

Poor results – little evidence of consideration of climate

[*Flying Blind: The glaring absence of climate risks in financial reporting*](#)

https://www.climateaction100.org/wp-content/uploads/2021/11/CA100-CTI_CAP-Accounting-and-Audit-Indicator-methodology-Nov-21.pdf

Challenges for accountants

- Incorporate impacts of material climate-matters into financials
- Assess impacts of material climate-matters in audits
- Assess for alignment with/sensitivity to net-zero emissions by 2050 (or sooner) and no more than 1.5°C warming

Opportunities for accountants

- Improve information provision and consistency across reporting
- Liasise across the business / mainstream these considerations
- Improve governance
 - Discuss with Board/audit committee/auditors
- Discuss investor needs

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