

The economy is changing as the climate does. ClientEarth is using pioneering legal strategies to reduce emissions in the private sector.



# Navigating climate risk

The world economy needs to decarbonise quickly. Clean investment from the private sector is vital to the low-carbon transition.

We are currently on course for 4°C of warming, a rise that will have devastating impacts for the economy – not just the environment.

As markets shift to meet the 1.5 – 2°C goal of the Paris Agreement, investors and businesses behind the curve will be vulnerable to financial loss and will miss out on opportunities presented by the transition.

We use the law to drive corporate decision-makers to address these risks – and opportunities – in their business and investment models.

Climate change will pose:

**Physical risks** to assets and operations (including supply chains) from extreme weather events, sea level rise and loss of natural capital.

**Transition risks** to business and markets resulting from the transition to a low carbon economy. Risks arise from technological disruption, greater regulation and changing consumer habits. These will be turned into opportunities by the most innovative businesses.

**Liability risks** to companies and directors for failing to consider and manage the above risks.

**These climate-related risks are financially material to companies and markets, and therefore carry legal implications.**

Our climate work has a new dimension. Our Company and Financial project uses corporate and investment laws to drive the low-carbon transition.

[www.clientearth.org](http://www.clientearth.org)



## Climate risk – the legal approach

Climate change is a business risk – not a side issue. Our legal strategies are designed to:

- Urge institutional investors to align their investment strategies with the Paris climate goals;
- Drive companies to ensure their business models conform to those goals;
- Challenge (often hidden) government subsidies and other support for fossil fuel companies;
- Combat industry and trade association lobbying that undermines climate law; and
- Increase transparency on all of these issues.

### Pressure points

ClientEarth uses the law to drive corporate decision-makers to address climate risk in their business and investment models.

Industry understanding of climate risk is crucial. We are clarifying legal duties around climate risk for directors, companies and their professional advisers.

Regulators must also increase scrutiny and we're launching interventions to help them do that.

Where investors are proactively engaging in stewardship activities, we offer legal support.

"Climate change is the greatest and widest-ranging market failure the world has ever seen"

**Lord Stern**



### Taking action

Strategic litigation by ClientEarth's company and financial team has already made impact in the UK and beyond. In two years, we have:

- Filed complaints with the UK financial regulator on climate risk reporting;
- Engaged with the trustees of retirement funds on their legal duties to manage climate investment risk;
- Convened international conferences with the University of Oxford on company directors' liabilities; and
- Provided legal support to leading institutional investors to file five shareholder resolutions at major oil, gas and mining companies.



## ClientEarth is Europe's leading environmental law organisation

We are international lawyers, scientists and policy experts, finding practical, scalable solutions for the world's biggest environmental challenges.

We are fighting climate change, protecting oceans and wildlife, supporting sustainable forestry, greening energy, making business more responsible and pushing for government transparency.

We believe the law is a tool for positive change. We work on laws throughout their lifetime, from the earliest stages to implementation. And when those laws are broken, we go to court to enforce them.

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