

KEY UN CLIMATE PANEL ISSUES 2021 REPORT - SIGNALLING THE WAY

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Legal Briefings - By **Silke Goldberg, Heidi Asten, Mark Smyth and Jannis Bille**

As the UN's Intergovernmental Panel on Climate Change releases its AR6 report - we assess the ramifications for business.

The United Nations Intergovernmental Panel on Climate Change (IPCC) has released its 2021 AR6 [climate change report](#) (Report), as well as a [summary](#) for policy leaders. The Report addresses the current understanding of the climate system and climate change as well as the future possibilities of what could occur. In early 2022, the IPCC plans to release two further reports on climate impacts, adaptation and vulnerability.

195 governments across the world have [endorsed the Report](#). While the Report does not contain policy recommendations, its unanimous approval by member governments (particularly in the lead up to the COP26 climate conference in November this year) means further regulatory changes both at national and international levels are likely to be on the horizon.

WHAT DOES THE IPCC REPORT MEAN FOR YOUR BUSINESS?

We have summarised some key points from the Report below. Our expectation is that the IPCC's findings, including in the context of the upcoming COP26 climate conference, have a number of potential implications for companies:

- Accelerated policy changes and increased uncertainty. The support of many States around the findings in the Report may see accelerated policy or regulatory change by governments. The Report's findings may also lead to greater pressure by activists

seeking to persuade governments to make desired policy or regulatory changes, which can increase economic uncertainty for business.

- Sharpened focus on director decision-making. The Report's findings represent a further development relevant to the actions required of directors to meet the expected standard of care in relation to considering, acting on and disclosing climate change risks (both physical and financial) as well as the foreseeability of such risks.
- Enhancement of "clean" finance and investment. The Report may support 'green' or 'clean' financing and investment seeking changes to company policies in relation to the approach to climate change risks including in order to manage the financier or investor's own risks.
- Further legal claims from activist plaintiffs. We have written previously about the growing body of case law that is emerging internationally arising from the impacts of climate change and ESG issues. The Report's findings are likely to further influence this trend – including because the Report underscores the foreseeability of climate change risk.
- Scenario planning should encompass an appropriate scope of potential risk. Observational data identifies that there is an increased risk of extreme weather events as a result of climate change. Even where these risks are low probability (and in particular where they have potentially high impacts), they should be considered where appropriate in scenario planning.
- Transition planning is needed for businesses, suppliers and customers. Businesses will need to consider how their operations impact and respond to climate change. Businesses should consider what a just transition would look like for them and for the communities in which they operate. Businesses should continue to develop clear plans for how they will adapt to climate change, including physical changes as well as changes to the regulatory environment in which they operate. This includes potential impacts to global supply chains and de-risking potential disruption events.

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