



# Carbon Tracker Initiative

## Analysis of financial risks in company reporting

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# Overview

*Flying Blind: The glaring absence of climate risks in financial reporting (September 2021)\**

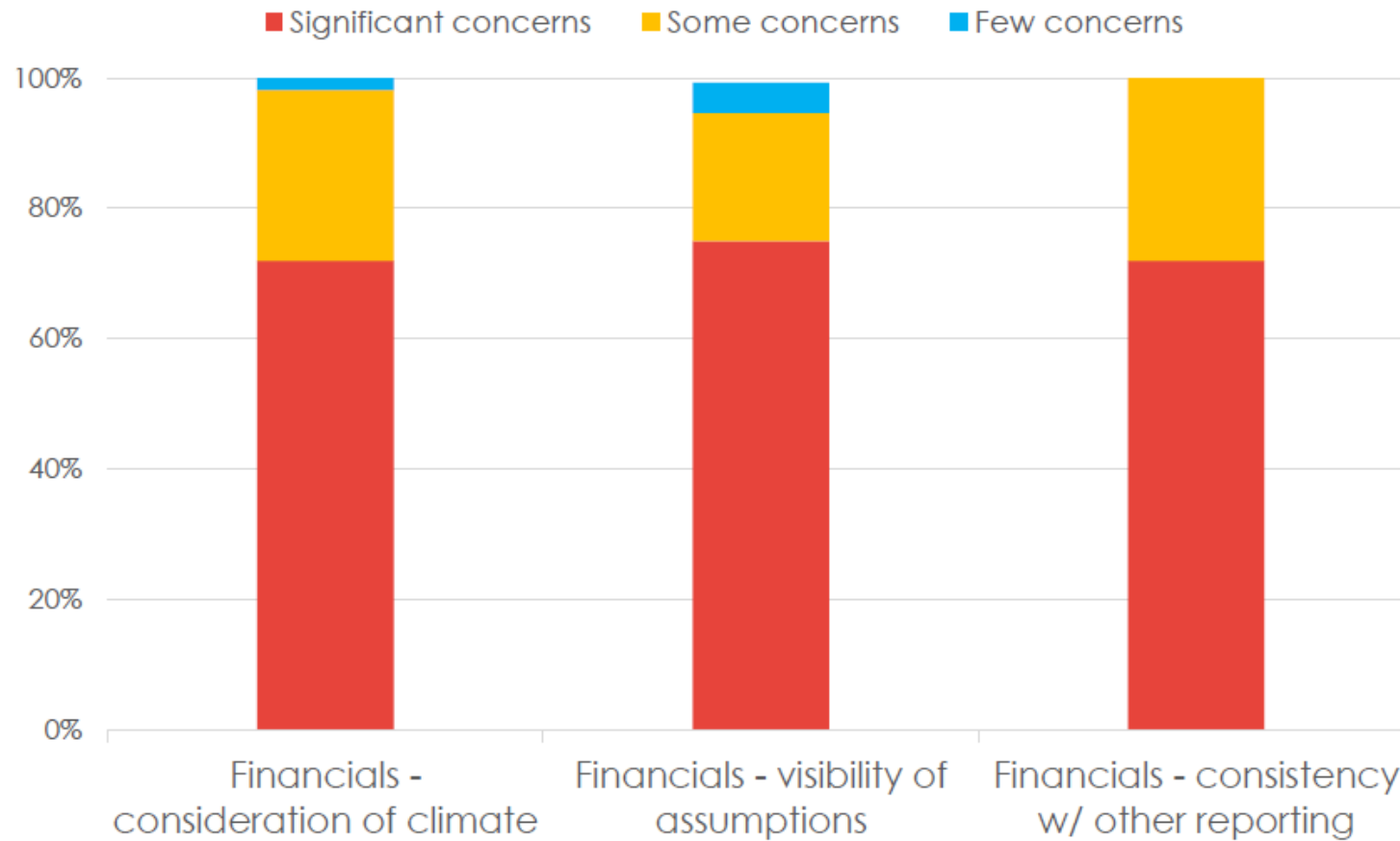
## **Scope:**

- 2020 financial statements and audit reports
- 107 companies: mostly energy, industrials and transportation sectors primarily in the EU/UK and the US/Canada

**Focus:** Consideration of climate-related matters in 2020 financial reporting

*\*Work was coordinated between Carbon Tracker and the Climate Accounting Project. CAP is a team of accounting and finance experts drawn from the investor community and commissioned by the PRI.*

# Key findings: financial statements



Source: Carbon Tracker and CAP analyses

# Emissions and financial reporting

Entity	Description of emissions	Location of info	Consideration in financials?
Shell	<ul style="list-style-type: none"> <li>✓ Scope 1 &amp; 2 = manufacture of products (operational control)</li> <li>✓ Scope 3 = <b>~95% of total emissions</b>, scope is <b>end use of products sold</b> using NCF boundaries</li> </ul>	<p>2020 Annual &amp; Sustainability reports</p> <p>Obtained limited assurance</p>	<p><b>Some consideration</b> of energy transition</p> <p>Net zero <b>targets not reflected</b></p>
bp	<ul style="list-style-type: none"> <li>✓ Scope 1 &amp; 2 = operational emissions</li> <li>✓ Scope 3 = <b>~88% of total emissions</b>, on an equity share basis <b>excluding Rosneft</b> ("broadly equivalent" category 11, scope is <b>upstream O&amp;G production volumes</b>)</li> </ul>	<p>2020 Annual &amp; Sustainability reports</p> <p>Obtained limited assurance</p>	<p><b>Reflection</b> of energy transition</p> <p><b>Unclear</b> if net zero ambitions* are considered</p>

# Potential impacts

- **Overstated assets (e.g. productive assets or inventories)**
- **Understated liabilities (e.g. decommissioning or onerous contracts)**
- **Overstated profits, dividend streams no longer reliable**
- **Significant loss of investor capital**
- **Inability to appropriately engage or allocate capital**

# Thank you for listening

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