

## Climate Disclosures Continuing to Increase Among Major Companies

Article By:

Jacob H. Hupart

---

According to a recent ESG report from the Conference Board, the number of major companies issuing climate change risk factor disclosures has increased significantly over the past two years. Specifically, of the companies in the S&P 500, only 64.2% disclosed climate change risk disclosures in 2021, but fully 84% did so in 2023. Similarly, over the same time frame, the percentage of companies disclosing climate change risk factors among the Russell 3000 increased from 29.6% to 64.0%. Other relevant ESG factors--e.g., the disclosure of climate change policy, climate change opportunities, or board responsibility for climate-related risks--displayed similar levels of increase over the same time period. Notably, though, the Conference Board also acknowledged that larger companies were more likely to engage in this type of disclosure than smaller companies, and, unsurprisingly, that “[c]limate risk disclosure was most prevalent in sectors with existing regulatory and reputational risks related to climate change, including utilities (93%), real estate (77%), and energy (75%).”

This increase in climate change risk disclosure--even in the absence of action by a national regulator in the United States, as the SEC has still not promulgated requirements for climate disclosures--indicates the appetite for this sort of disclosure among investors despite the lack of a national mandate. (Of course, many of these companies may also be subject to other mandatory disclosure regimes, such as the EU or California.) Still, other types of ESG disclosures or governance changes that are arguably more intrusive remain less common--the number of companies that link executive compensation to carbon footprint and emission reduction performance metrics remains below 50% for the S&P 500 and under 25% for Russell 3000 companies.

While this report contains a significant amount of useful information and statistics, there are certain key take-aways that are readily apparent: (1) the pressure to disclose ESG metrics has increased over time; (2) this pressure exists even without federal regulation; and (3) increasing number of companies are disclosing certain, albeit not all, ESG metrics.

Climate risk disclosures increased in 2022 from the previous year, with S&P 500 companies still the most likely to disclose; specifically, 60% of companies in the Russell 3000 Index still did not report climate risk in 2022, compared to only 26% of companies in the S&P 500. Climate risk disclosure was most prevalent in sectors with existing regulatory and reputational risks related to climate change,

including utilities (93%), real estate (77%), and energy (75%). The lowest rates of climate risk disclosure were in health care (15%), communication services (23%), and IT (24%).

©1994-2024 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. All Rights Reserved.

---

National Law Review, Volumess XIII, Number 342

Source URL: <https://natlawreview.com/article/climate-disclosures-continuing-increase-among-major-companies>