

measure to manage

ASSESSING LAW FIRMS' ESG INITIATIVES & REPORTING

JULY 2021

ESG WITHIN LAW FIRMS: AN ASSESSMENT

CONTEXT

The opportunity for law firms to proactively meet and exceed the ever-increasing expectations from employees, clients, and the communities in which they operate, particularly around responsible business practices and the integration of environmental, social, and governance (ESG) considerations, has never been greater.

Given their role in structuring, implementing, and litigating the transactions, agreements, and policies that shape the world, or to advising on and ensuring adherence to pivotal requirements, regulations, and best practices, law firms have a unique seat at the table to advance ESG progress and positively impact the people and societies they serve.

What's more, ESG represents one of the first times that law firms are not only providing advice on a topic, but are measured against those same considerations themselves. As corporates and companies begin to examine their own value chains, including suppliers and service providers, General Counsels (GCs) and their legal departments are taking closer looks at the sustainability performance of their outside legal representation, making values-based decisions with real financial consequences - i.e., Novartis's decision to withhold 15% of fees from legal advisers who miss diversity and inclusion targets.

MEASURE to MANAGE

Hand in hand with the growing awareness of ESG's importance is the desire for the tools to "measure so you can manage" ESG progress. Following in the path set forth by the World Economic Forum (WEF) and the International Business Council (IBC), who are intent on promoting common metrics and consistent reporting of sustainable value creation, it is now time to establish a unified way for tracking ESG initiatives and progress for and within the legal industry.

Not only will standardized metrics allow law firms to gauge their own internal ESG performance and identify areas for improvement, but an accepted framework will also streamline the request for proposal (RFP) process for both GC's, who are rolling out various ESG requirements in their RFPs, and law firms, who are required to respond and report on these requirements on a client-by-client basis.

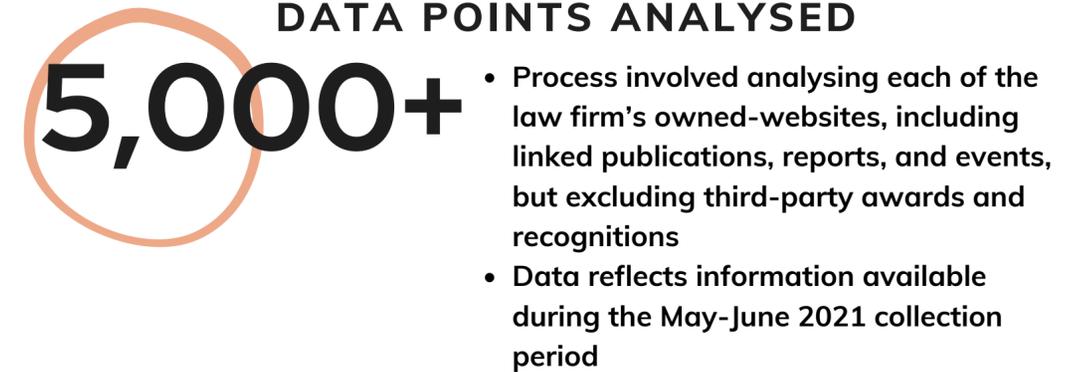
Accordingly, impactvise builds upon the WEF/IBC framework to establish an efficient, objective, third party assessment of ESG-related performance that is specifically tailored to the legal industry.

ASSESS

To illustrate this need for a standardized ESG reporting approach for legal services, and to highlight the current ESG reporting landscape among law firms more broadly, we analysed more than 5,000 data points related to 75 large full-service legal firms - the majority of which have an international presence and a workforce of several hundred professionals.

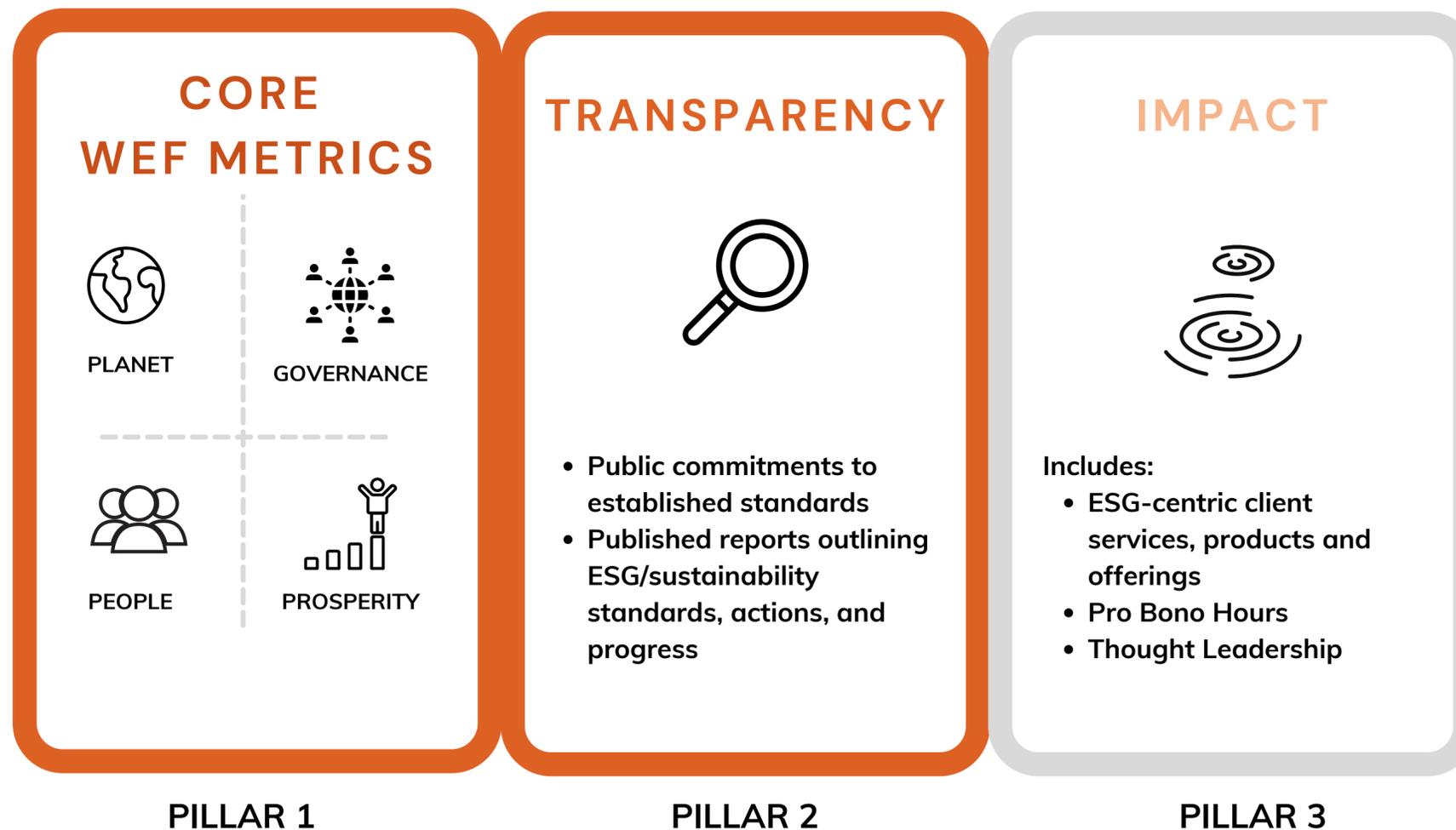
Our overall findings evidence the extremely varied way law firms are acting and reporting on their ESG-related initiatives, therein highlighting the need for establishing an objective way to track, benchmark, and eventually build stakeholder alignment for ESG goals within the legal profession.

ASSESSMENT METHODOLOGY



LAW FIRMS ASSESSED AGAINST FIRST TWO OF impactvise's THREE PILLARS:

Adapted by impactvise, the WEF framework metrics are those identified as materially relevant/most germane to legal service providers, legal professionals, and the legal industry as a whole.



NB: A separate paper assessing Pillar 3/the impact of law firms will be published at a later stage.

BY THE NUMBERS: WEF METRICS

With respect to carbon footprint and emissions statistics, numbers of firms reporting are expected to increase after the June 2021 unveiling of the Net Zero Lawyers Alliance, an initiative to mobilise the legal sector to accelerate the transition to net zero.

In light of the global COVID pandemic and the social justice movements, unsurprisingly, firms are most actively engaged in social commitments, especially with respect to employee welfare and engagement, diversity and inclusion, and opportunities for training and growth.

Governance findings are particularly interesting considering that almost all law firms have long-established corporate governance advisory practices – indicating a deep familiarity with governance standards – yet very few report against these standards, themselves.

35% OF FIRMS EXPLICITLY TALK ABOUT THEIR **CARBON FOOTPRINT**

11 FIRMS HAVE PUBLISHED A **COMMITMENT TO NET ZERO** CARBON EMISSIONS

8 FIRMS COMMIT TO A **TARGET TO REDUCE CARBON EMISSIONS** IN TERMS OF TONS OR %

- Climate Change
- Natural Resources: Use and Protection

94% OF NORTH AMERICAN FIRMS PUBLICLY ADDRESS **DIVERSITY & INCLUSION**

60% OF THESE NORTH AMERICAN FIRMS COMMIT TO EXPLICIT NUMERICAL TARGETS FOR **DIVERSITY & INCLUSION**

52 FIRMS INCLUDE A STATEMENT ON **DIVERSITY & INCLUSION** ON THEIR CORPORATE WEBSITES

1/3 OF THE FIRMS REPORT THE TOTAL NUMBER OF **TRAINING HOURS** INVESTED IN THEIR LEGAL WORKFORCE PER YEAR
Even fewer highlight that their employees are also trained on ESG-related issues.

19 FIRMS PROVIDE MENTAL **WELLBEING SUPPORT** TO THEIR EMPLOYEES

- Dignity and equality
 - Diversity & inclusion
 - Pay equality
- Health & Well Being
- Skills for the Future
 - Training and ESG education

22 OF THE FIRMS SPEND TIME & MONEY ON **"INNOVATIVE" CLIENT-SERVING SOLUTIONS**

4 FIRMS CITE AN EXPLICIT FOCUS ON **ESG INNOVATION**

- Employment
- Innovation & ESG
- Social investment and value generated

11% OF FIRMS TALK ABOUT **INTERNAL ANTI-CORRUPTION MEASURES & POLICIES**

Even fewer report whether or not their employees get a special training on this topic.

9 FIRMS MAKE A STATEMENT ABOUT THEIR **CONFLICT OF INTEREST POLICY**

9 FIRMS EXPLICITLY MENTION THAT THEY CONDUCT **INTERNAL RISK MANAGEMENT** TO TACKLE KEY RISKS

- Governing Purpose
- Transparency of Governing Bodies
- Stakeholder engagement
- Ethical Behaviour
- Remuneration
- Risk and Opportunity Oversight

KEY ISSUES

PILLAR 1



PLANET



PEOPLE

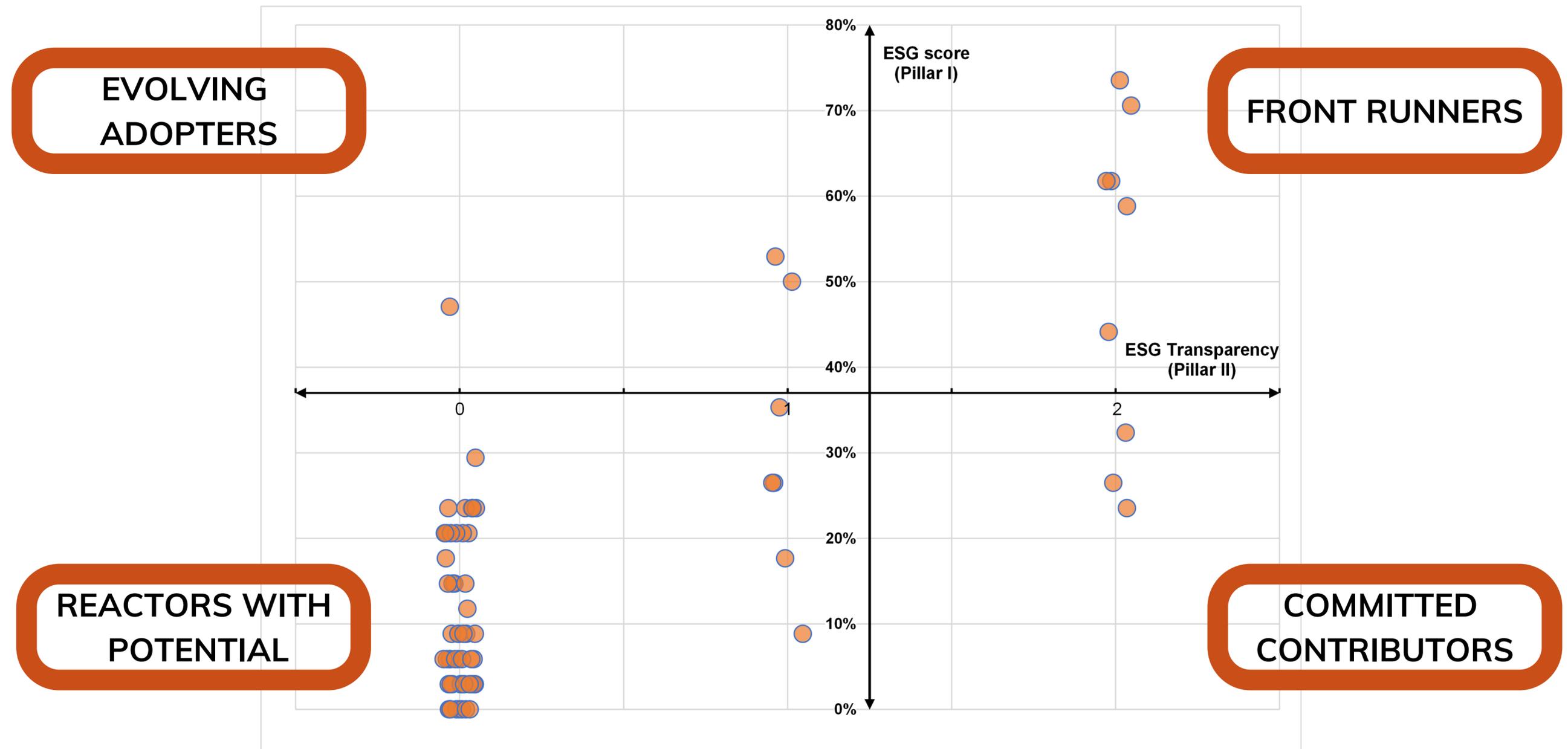


PROSPERITY



GOVERNANCE

BY THE NUMBERS: FIRM SCORES



ESG SCORING (Y-AXIS): Axis reflects score for *Pillar 1: WEF Metrics* adjusted for the legal sector, measured by impactvise and expressed as %. The horizontal axis is fitted at half of the maximum score (75%) achieved by firms analysed.

ESG REPORTING (X-AXIS): Axis reflects score for *Pillar 2: Transparency*, with firms achieving a score from 0 to 2:

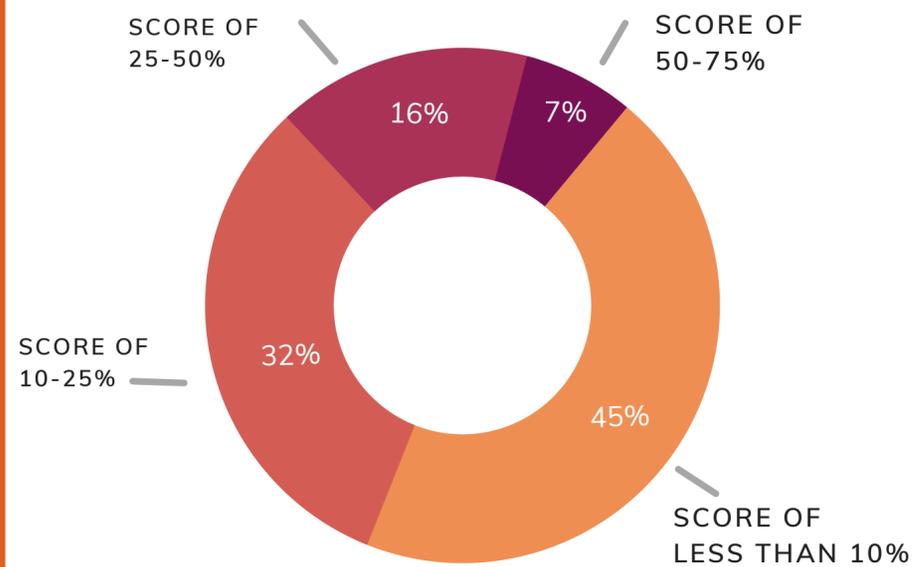
- Score of 0: Firm has neither committed to a recognised standard nor published a report in accordance
- Score of 1: Firm has just committed to a recognised standard and not published a report yet
- Score of 2: Firm has committed to a recognised ESG standard and published a report in accordance

BY THE NUMBERS: A CLOSER LOOK

CORE WEF METRICS

PILLAR 1

WEF CORE METRICS: FIRM SCORES

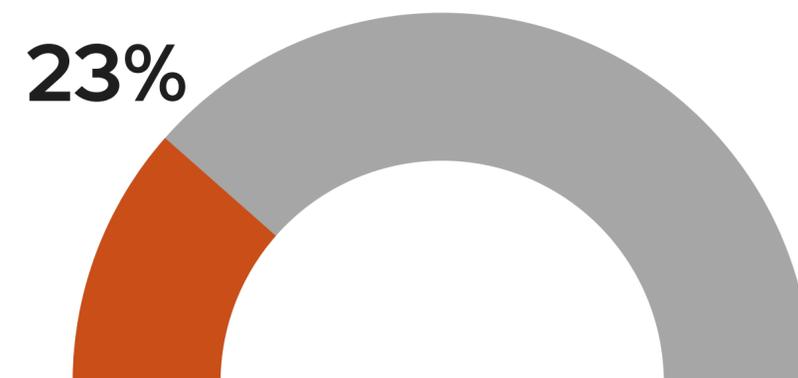


- The best performing law firms only achieved a score of 75% (of 100%)
- Only 5 firms in total achieving a score of more than 50%

TRANSPARENCY

PILLAR 2

LAW FIRMS with PUBLIC COMMITMENTS to ESTABLISHED ESG STANDARDS



- Only 23% law firms analysed publicly commit to a particular set of established ESG goals/standards

CURRENT STATUS: FIRMS ARE TAKING ACTION... BUT NOT AT THE SCALE AND SCOPE NECESSARY FOR MEANINGFUL, TRANSFORMATIONAL, AND SYSTEMIC CHANGE.

KEY TAKEAWAYS

This assessment only scratches the surface of the breadth and depth of ESG-related activity in the legal profession. Yet, our research underlines the following key factors:

- Law firms have tremendous capacity to be forces for ESG good in their communities, as evidenced by the actions law firms are already taking within their firms along a spectrum of ESG initiatives.
- The concept of “Measuring so you can manage” ESG and sustainability issues is just as important for law firms as it is for the corporates, organisations, and individuals these firms represent - especially when establishing credibility and authority on ESG matters.
- Nonetheless, many law firms are not used to reporting on hard facts and figures – which clients, employees and society increasingly expect to ensure law firm accountability. For example, training and innovation statistics are likely under-representative of activities within law firms - yet they point to the lack of statistics/hard figures published by law firms.
- For credibility as an employer, advisor, and ESG advocate, law firms will need to substantiate their actions with metrics that move beyond mere words on a (web)page.
- The extreme variance in what and how legal firms report their ESG initiatives and impact highlights the need for a standardized, objective third party approach to advance consistency and credibility of ESG reporting within the legal services profession.

EXISTING AND PROSPECTIVE
EMPLOYEES AND CLIENTS, as well as SOCIETY AT LARGE,
INCREASINGLY EXPECT
TRANSPARENCY, PROACTIVITY, AND LEADERSHIP
FROM LAW FIRMS ON ESG ISSUES.

Ensuring legal professionals have the necessary information to know where they stand, close any gaps, and inspire others will be key - and this research validates impactwise's goal to provide a common language for the legal sector to discuss, compare, and ultimately create long-term impact. Contact us today to learn more about how we're changing the legal industry from the inside out.



Created by lawyers, for lawyers, impactvise is the first AI-driven solution that provides environmental, social, and governance (ESG) performance insight, ESG educational training, and sustainability advisory services to legal service providers (LSPs) and in-house legal departments.

[impactvise.com](https://www.impactvise.com)

