

SETTING THE BAR

ESTABLISHING ESG
STANDARDS FOR
THE LEGAL MARKET

NOVEMBER 2021

CREATING GLOBAL NORMS: WEF STAKEHOLDER CAPITALISM METRICS FOR SUSTAINABLE VALUE CREATION

Thanks to the evolving expectations of customers, shareholders, employees, regulators and society at large, environmental, social, and corporate governance (ESG) considerations are now part of today's "business as usual."

Yet in order to meaningfully progress positive, systemic change in support of the sustainability transition, we collectively must embrace a coherent, comprehensive, consistent, and globally accepted system of ESG reporting, or how we measure to manage the actions we are taking and the progress we are making towards goals.

Over the last 25 years, a multitude of organisations have attempted to establish sets of criteria and standards to encourage effective reporting for businesses and organisations, with varying degrees of uptake and/or success. In the face of proliferating ESG frameworks and standards, the World Economic Forum (WEF) and its International Business Council (IBC), in partnership with private sector partners including global accounting firms like Deloitte, EY, KPMG, and PwC, and international banks, created a set of universal disclosures to promote international alignment: the WEF Stakeholder Capitalism Metrics ("WEF Metrics").

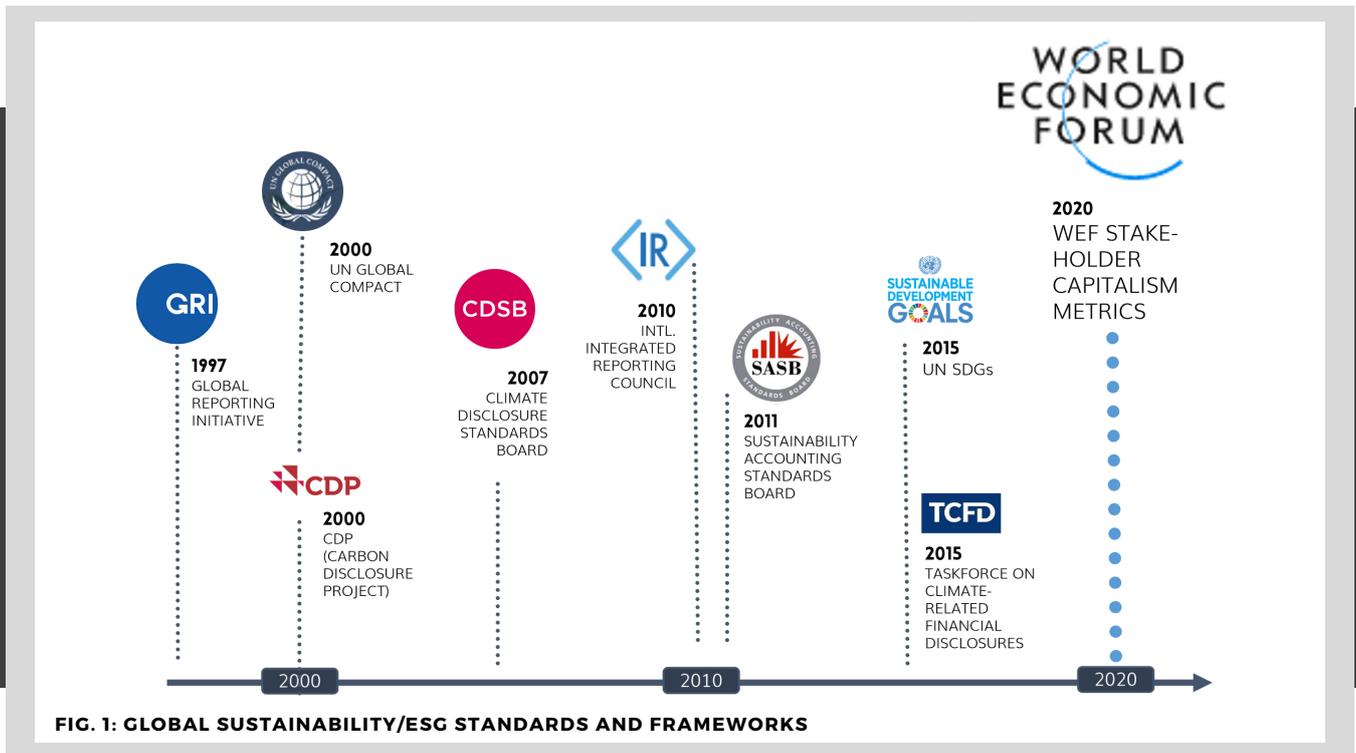
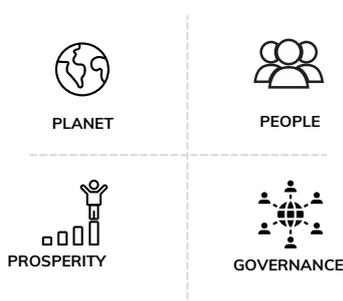


FIG. 1: GLOBAL SUSTAINABILITY/ESG STANDARDS AND FRAMEWORKS

Released in September 2020, the WEF/IBC's report, "[Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation](#)," outlines non-financial disclosures centred around four pillars:



These metrics create a universal set of data points that can be compared between companies, irrespective of industry or geographies, and represent the most holistic approach to ESG reporting to date.

International financial institutions, consumer goods, automotive and transportation organisations are among the more than 50 companies and industries that now include the WEF Stakeholder Capitalism Metrics in their mainstream reporting materials, with a total of 120 companies worldwide signalling their support.

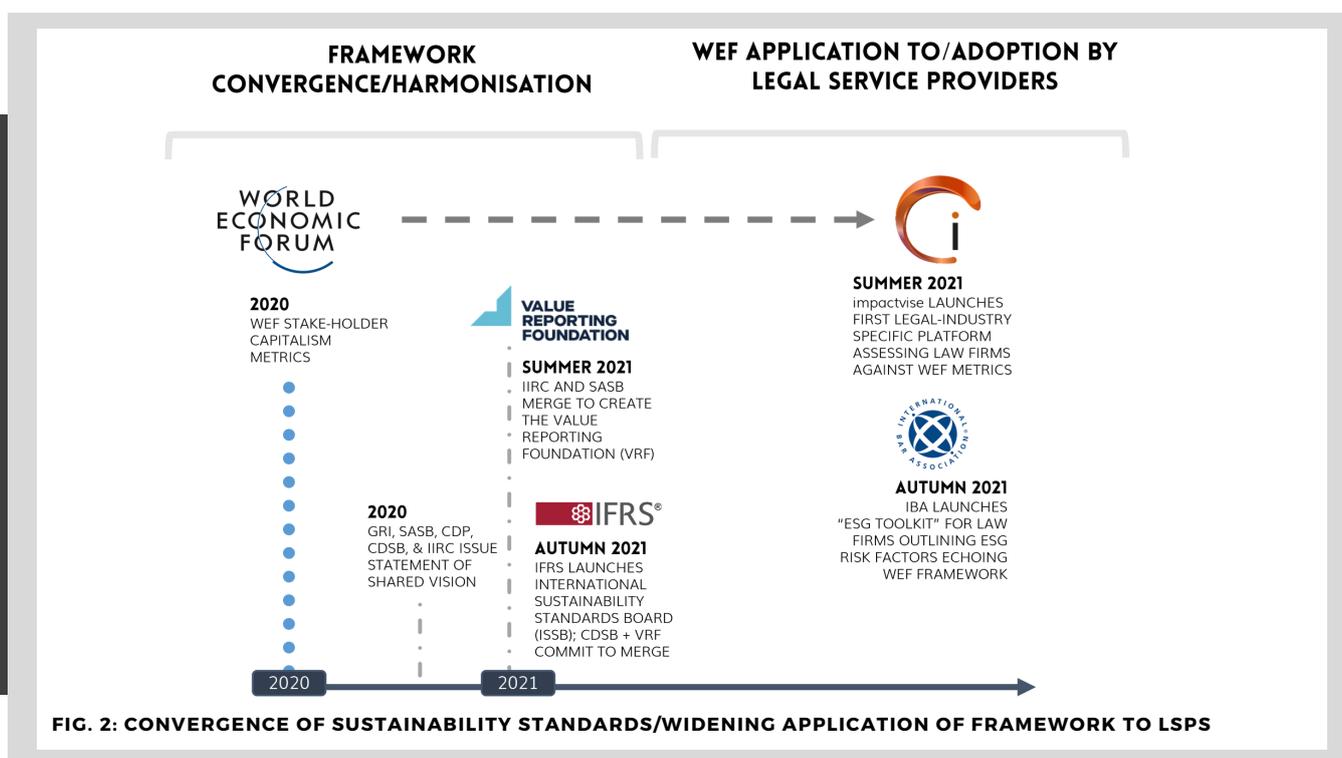
The question now: *Who is next?*

LAWYERS AS CRUCIAL LINKS IN VALUE CHAIN: APPLYING WEF METRICS TO THE LEGAL MARKET

Currently, two important shifts are underway: the convergence of international sustainability standards and frameworks, and the growing recognition of the importance of full value chain reporting.

Thus far, international focus has been on publicly listed corporations subject to traditional financial reporting and disclosures requirements. Yet the scope is widening to include all aspects of the modern value chain.

“FULL VALUE CHAIN REPORTING ULTIMATELY PROVIDES THE MOST VALUABLE INFORMATION FOR ALL STAKEHOLDERS [...] THIS CONSIDERATION AS WELL AS OTHERS MAY REQUIRE ADDITIONAL SECTOR AND COMPANY SPECIFIC METRICS TO BE DEVELOPED OVER TIME, AS WELL AS A CONSCIOUS EFFORT TO SHIFT REPORTING FROM CALCULATING OUTPUTS TO CAPTURING IMPACTS.”



impactvise has systemically applied the deliberately inclusive WEF Metrics to a heretofore overlooked link today's global value chain: law firms and legal service providers (LSPs).

Our adapted WEF Metrics help to increase the transparency around the sustainable value creation of LSPs and the ways in which the activities of LSPs benefit clients, employees, the LSP itself and society at large.

impactvise's platform represents the first time that the WEF Metrics have been used to uniformly assess the LSP community. Following the protocols established by the WEF framework, adaptations have been made based on what is key information and of strategic relevance from the perspectives of LSP clients and employees - in essence, a materiality assessment of the WEF Metrics for legal services.

Our analytics are at the forefront for the direction of travel for ESG assessment within law firm management. In September 2021, the International Bar Association (IBA) published its "ESG Toolkit for Law Firms," which includes a list of ESG risk factors for law firms to assess their own operations; the list heavily reflects the WEF Metrics that impactvise applies.

In addition, international law firm Clifford Chance published its "Responsible Business Report 2021" in which it outlined its decision to transition to reporting against the WEF Metrics rather than the Global Reporting Initiative indicators of years prior. Such efforts echo the growing number of firms that are either building or expanding their internal ESG programmes, systems, and strategies to meet and exceed the expectations of employees and clients alike, in a manner recognisable and comparable to all.

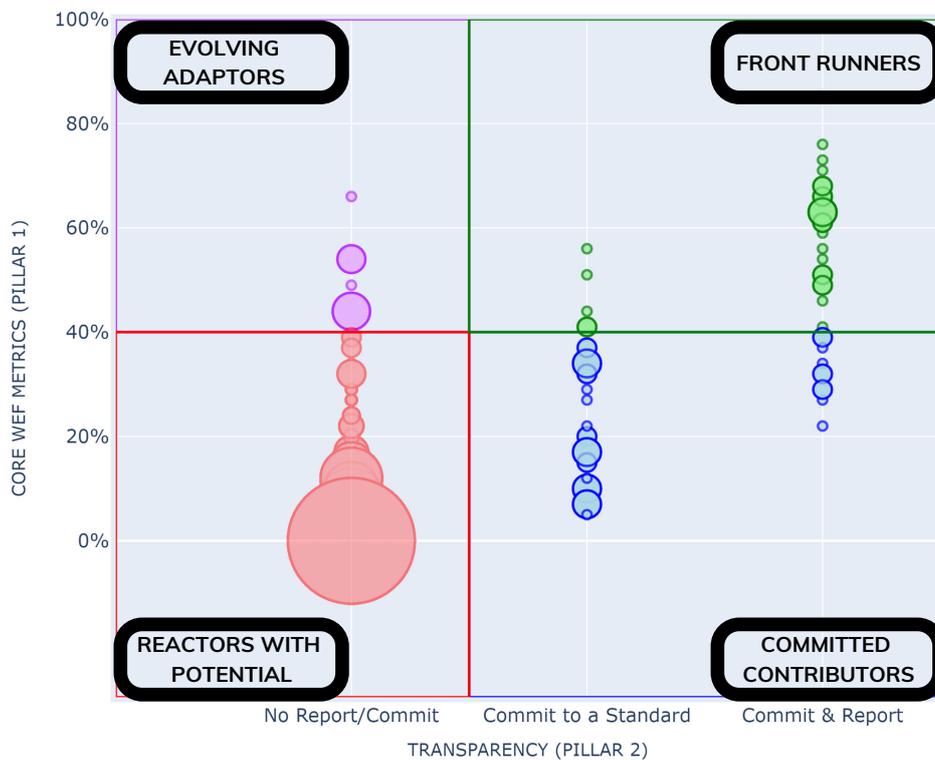
FROM CALCULATING OUTPUTS TO CAPTURING IMPACTS

impactvise's analytics platform allows LSPs to transparently and objectively assess then compare themselves and other LSPs on their ESG initiatives, commitments, and performance – helping legal services, as businesses and business advisors, drive positive impact.

In line with best practices for materiality assessments, impactvise is committed to reviewing the adapted WEF Metrics annually in partnership with relevant stakeholders, and adjusting the metrics as required to reflect the ever-evolving needs and definitions of the sustainability landscape.

To date, impactvise has assessed more than 400 law firms across the globe. Given the overlap between the WEF and IBA's suggested factors to address, such findings are indicative of trends across the legal space.

The results (Fig. 3) illustrate the potential scope for advancing consistency and credibility in the way legal firms both perform and progress, as well as report on, their ESG initiatives. The vast majority of firms surveyed (>330 firms) are in the "Reactors with Potential" category.



ESG SCORING (Y-AXIS): Axis reflects score for Pillar 1: WEF Metrics adjusted for the legal sector, measured by impactvise and expressed as %.

ESG REPORTING (X-AXIS): Axis reflects score for Pillar 2: Transparency, whether firm's have (a) neither committed to a recognised standard nor published a report; (b) have committed to a recognised standard but not yet published a report; or (c) firm has committed to a recognised ESG standard and published a linked report

FIG. 3: LAW FIRM PERFORMANCE VIS-A-VIS GLOBAL SUSTAINABILITY/ESG STANDARDS AND FRAMEWORKS

**CURIOS TO KNOW WHERE YOUR LAW FIRM STANDS?
EAGER TO LEARN HOW YOUR FIRM COULD BE DOING MORE FOR ITS
INTERNAL ESG EFFORTS?
REACH OUT TO impactvise TODAY - WE CAN HELP YOU & YOUR FIRM
CREATE A POSITIVE IMPACT.**