

Framework for Net Zero Alignment

For Commercial Law Firms

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Purpose

The Framework for Net Zero Alignment (“**Framework**”) provides guidance on the steps that commercial law firms (“**firms**”) can take to reduce their own greenhouse gas (“**GHG**”) emissions, manage firm climate-related risks and unlock opportunities to facilitate the global transition to net zero.

The Framework recognises the unique skills and positioning of commercial lawyers to accelerate the transition in ways that go far beyond value chain mitigation.

About this document

Different firms are likely to be at different stages of implementing their net zero commitments. It is also likely that awareness of – and readiness for – the transition will vary within and between firms. The Framework accommodates every firm’s unique starting point and assists NZLA members to achieve their climate ambitions.

The Framework responds to calls for clarity, certainty and an indication of best practice. Building on research and literature¹ from the private sector, non-governmental organisations and government departments, the Framework:

- Highlights the importance and value of firms’ net zero commitments and transition plans (“**Ambition**”).
- Enables firms to take logical, targeted steps to identify areas of climate-related transition risk and opportunity, equipping firms to implement their commitments (“**Action**”).

- Ensures firms adopt appropriate governance and reporting mechanisms to meet commitments and monitor progress (“**Accountability**”).

These pillars are mutually supportive of each other and should be implemented in parallel.

While the Framework is voluntary, the NZLA strongly recommends that firms utilise its guidance. It provides practical steps to help firms design and implement net zero commitments. These can help firms navigate critical changes in their clients’ operating environment and promote future proof legal services as firms transition alongside their client base.

Commercial law firms can accelerate the global transition by being ambitious, taking action and ensuring accountability.

AMBITION

- Set science-based, verified targets consistent with 1.5 degrees.
- Build the climate capability of staff, so that they can be part of the solution.
- Provide pro bono services that help to break down the legal barriers to transition.
- Develop a net zero strategy.

ACTION

- Assess the impact of the firm's legal services, as well as the opportunities and risks presented by climate change.
- Identify the actions to be taken to reduce operational GHG emissions, maximise the opportunities and mitigate the risks that climate change poses to firms and clients.

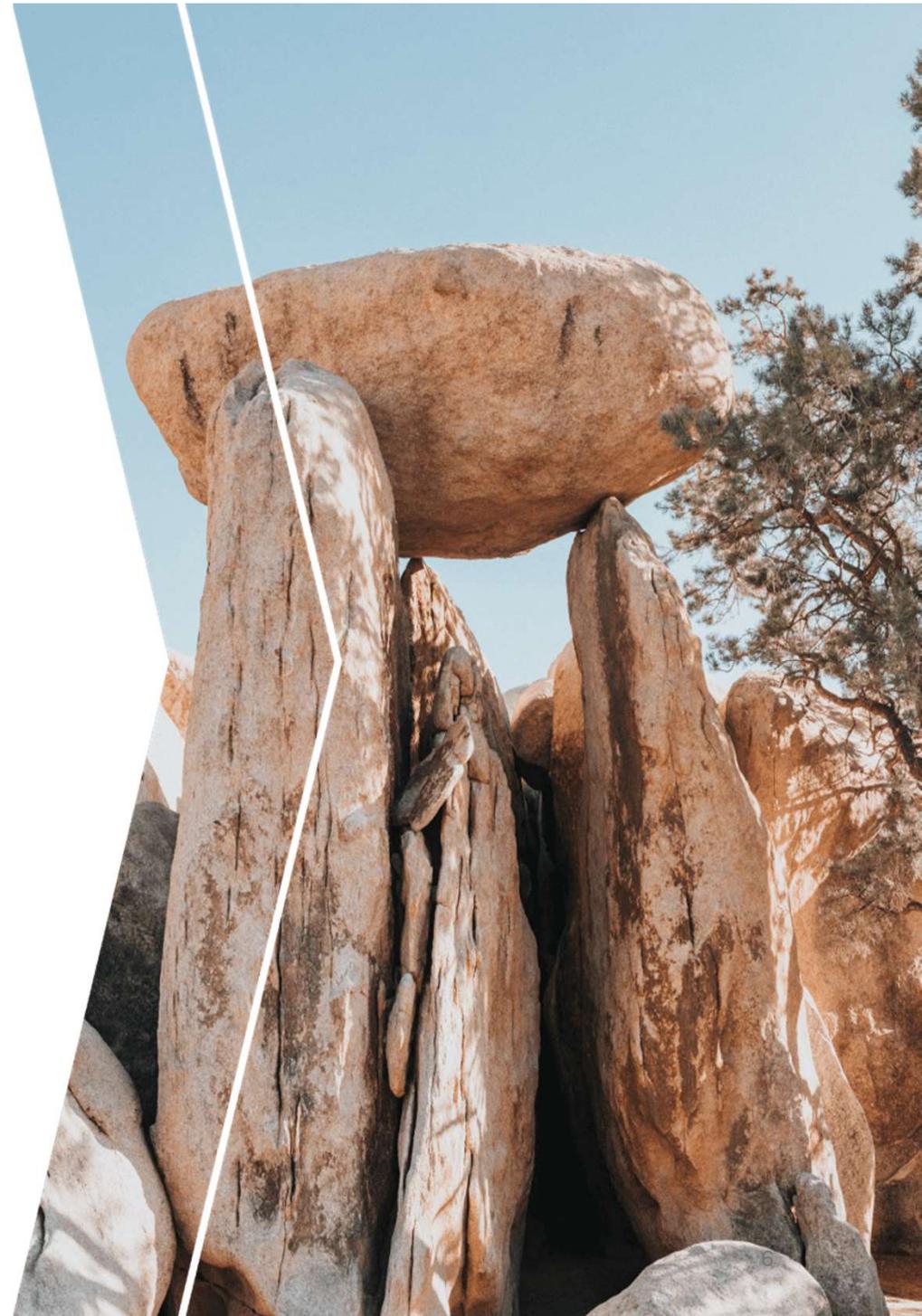
ACCOUNTABILITY

- Be transparent about the firm's climate change goals and the progress that it is making. This means publishing as much clear and detailed information as possible, so that clients can make informed decisions.
- Establish robust governance arrangements that ensure the firm is accountable for its progress and its policies remain up-to-date.

AMBITION

Set targets that clarify how to prepare for – and contribute to – the global transition

- Reduce operational GHG emissions
- Build capacity in-house
- Provide advice that aligns with net zero
- Provide pro bono services
- Develop a net zero strategy



NZLA members have signed up to a comprehensive net zero commitment. Aimed at contributing to global emissions reductions and building resilience to climate impacts, the key elements of this commitment are detailed and built on below.

What is net zero?

According to the Intergovernmental Panel on Climate Change (IPCC), “net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period”.

(a) Reducing operational GHG emissions

Each firm’s ambition will incorporate a commitment to reduce GHG emissions to net zero by 2050 or sooner. Interim targets for 2025, 2030 and 2035 are also necessary and transition plans are highly recommended.

While individual firms’ net zero targets may vary,² the following elements are essential.

(i) Targets should be based on science and independently verified

All targets should align with sector-specific science-based pathways that limit global average temperature rise to 1.5°C³ and are therefore consistent with the goals of the Paris Agreement and the United Nations Framework Convention on Climate Change (UNFCCC).

Pathways consistent with limiting global warming to 1.5°C with no (or limited) overshoot currently require:⁴

- A 43% reduction in global GHG emissions by 2030 and a 60% reduction by 2035 (relative to 2019 levels)
- Reaching net zero carbon dioxide (CO₂) emissions as soon as possible – and by 2050 at the latest.

The targets established by firms should be verified by a recognised independent third party⁵ and align with the UN High-Level Expert Group (HLEG) recommendations on the Net-Zero Emissions Commitments of Non-State Entities.⁶

(ii) Targets should include Scope 1, 2 and 3 emissions

Firms should evaluate and reduce operational emissions in line with Scope 1, 2 and 3 of the Greenhouse Gas Protocol, with no material exceptions. This includes reducing paper waste, travel, energy consumption, and may influence office design and a shift to renewable energy where available.

It is essential that firms engage their business operations and procurement teams to monitor their Scope 1, 2 and 3 emissions and look for opportunities to reduce the firm's carbon footprint.

What are Scope 1, 2 and 3 emissions?^{7,8,9}

- Scope 1 – All direct emissions from sources owned or controlled by the firm (e.g. emissions resulting from the use of firm-owned vehicles).
- Scope 2 – Indirect emissions from the generation of purchased electricity, heat, cooling or steam consumed (e.g. the electricity used to light, heat and power the firm's offices).
- Scope 3 – Indirect emissions that result from the firm's activities but arise from sources they do not own or directly control. These emissions include, but are not limited to, those associated with the production of purchased materials, as well as transport in vehicles not owned or controlled by the firm (e.g. air travel).¹⁰

See the *Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard* for more information about these categories.

(iii) Targets should be supported by appropriate monitoring and reporting

Firms should determine the net zero metrics they will use to measure and track progress.

Firms should regularly report on progress in accordance with recognised standards (for example, the International Sustainability Standards Board (ISSB) centralised standards for climate disclosure reporting, Carbon Disclosure Project (CDP) and EU Corporate Sustainability Reporting Directive (CSRD)).

(iv) Targets should be supported by a strategy to achieve the reductions required and offset any residual GHG emissions

Firms should develop and execute a transition plan that sets out how they will reduce their operational GHG emissions to net zero.

If carbon credits form part of their transition plan, firms should develop a carbon credits strategy. This strategy should require firms to take all possible action to reduce their GHG emissions and place clear limits on the use of carbon credits. The NZLA commitment provides that

members limit the use of carbon credits to offset residual GHG emissions (those that cannot be reduced). Carbon credits should be of high integrity¹¹ and represent an investment in long-term carbon removal.¹²

(b) Building capacity

Net zero aligned legal services require climate change knowledge and skills relating to science, international commitments and policies, domestic implementation policy and legal framework and economic impacts. Transition is a commercial reality for firms' clients and legal services must be responsive.

What are net zero aligned services?

Services that are consistent with limiting GHG emissions in line with the goals of the Paris Agreement, including limiting global average temperature rise to 1.5°C and achieving net zero CO₂ by 2050 (or sooner).

To develop climate capability, firms need to provide training and resources that enable lawyers across all practice areas – and at all levels of seniority – to understand:

- ‘Climate basics’, including climate science and the goals of the Paris Agreement.
- The commitments firms make upon joining the NZLA.
- Actions firms can take to reduce operational GHG emissions and encourage individual responsibility.¹³
- How to identify and manage climate-related risks to the firm and their clients and maximise the opportunities presented by the transition.
- How to actively engage with clients on the transition to net zero.
- How to support clients to transition to net zero.

To address existing knowledge gaps and best equip lawyers to provide advice relating to climate change and the net zero transition, firms should:

- 1 Set interim targets for in-house capacity building
- 2 Use NZLA training resources or their equivalent¹⁴
- 3 Identify an existing function to support capacity building¹⁵
- 4 Ensure capacity building efforts are ongoing¹⁶

Where relevant, lawyers should offer legal services that align with net zero and facilitate their clients’ own net zero commitments and legal obligations.

Firms are encouraged to track the matters on which they provide net zero legal services and, where possible, the impact that those services have on the transition. For example, services may help a client transition from fossil fuels to clean energy sources, thus reducing the GHG emissions generated. For further examples, see the opportunities outlined at Pillar 2(b)(iii).

(c) Providing pro bono services

Pro bono services are a powerful way to support the transition. By dedicating time and resources to support ad hoc and systemic transition projects, firms can assist organisations to realise their ambitions.

Firms should make lawyers available for pro bono climate projects wherever possible. These may be NZLA-coordinated projects or other initiatives within the firm's existing networks. Pro bono services should be recognised and rewarded. For example, firms should set pro bono targets for employees that are considered in performance reviews and count towards billable targets.

(d) Systemic development of commercial law in alignment with net zero

Firms should interpret and implement the law in a manner that aligns with the Paris Agreement goals relating to climate change mitigation, adaptation and resilience.

Parties to the Paris Agreement implement their Nationally Determined Contributions through domestic policy and regulatory and legal change that accords with Paris Agreement commitments.

Lawyers need to be cognisant of the regulatory and legal framework transition and the direction of travel.

Lawyers, industry bodies, academics, business, government, regulators and civil society monitor and analyse this rapidly changing legal landscape and the NZLA works closely with stakeholders to ensure the guidance it provides remains up to date.

To keep their clients apprised of developments in commercial law, firms may also choose to publish articles and/or run educational sessions.

(e) Developing a net zero strategy

On joining the NZLA, firms commit to develop a net zero strategy.

To ensure that climate mitigation, adaptation and resilience are achieved in a way that is fair and inclusive, it is essential that these strategies:

- align with the UN Sustainable Development Goals (SDGs) and the UN Guiding Principles on Business and Human Rights (UNGPs).

- take account of nature and biodiversity, for example by:
 - supporting nature-based solutions for climate mitigation and adaptation, and
 - ensuring that actions taken to reduce GHG emissions do not negatively impact the environment or biodiversity.
- have regard to just transition,¹⁷ including the need to maximise the social and economic opportunities of climate action and minimise the negative impacts (for example, on workers and communities).

ACTION

Take active steps to implement the firm's net zero ambition

- Reduce operational GHG emissions
- Assess the impact of legal services and evaluate climate-related risks and opportunities for firms and their clients
- Identify actions to address and mitigate the risks and take advantage of the opportunities identified in the assessment.



(a) Reducing operational GHG emissions

Firms should reduce operational GHG emissions in line with actions suggested by the International Organisation for Standardisation (ISO) Net Zero Guidelines. As part of the assessment, any risks associated with efforts to reduce operational GHG emissions should be compared with the risks of inaction. Possible mitigation actions are outlined below.

Energy use	<ul style="list-style-type: none"> • Accelerate the transition to renewable energy for processes and buildings. • Set a target to use only low-carbon energy and then carbon-free energy as soon as possible. • Implement an energy management system to improve energy efficiency (including insulation solutions) and promote continual improvement. • Prioritise low carbon (non-fossil) and renewable energy through power purchase agreements. • Generate low-emission or renewable energy within the firm (e.g. solar, heat from waste biomass). • Align energy consumption with the availability of renewable energy and
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	<p>minimise consumption when the grid relies on high-emission energy.</p> <ul style="list-style-type: none"> • Transition away from fossil fuels, reducing dependence and phasing out the use of coal.
Buildings + fittings	<ul style="list-style-type: none"> • Optimise energy efficiency within buildings (e.g. through repurposing, retrofitting, digital automation, increased use of heat pump technology). • Minimise waste and reduce consumption of raw materials and energy by repurposing or refitting buildings rather than building new facilities. • Ensure any new facilities are low-emissions by design. • Implement low-carbon cooling, heating, ventilation and refrigerants. • Ensure all buildings, equipment, machinery and vehicles are regularly maintained.
People + procurement	<ul style="list-style-type: none"> • Avoid unnecessary travel by using remote technology for meetings and collaboration. • Minimise or eliminate the use of emission-producing resources in all operations. • Systematically reduce resource and material waste in all operations.

	<ul style="list-style-type: none"> • Provide performance-related incentives to employees linked to the implementation of the firm’s sustainability-related strategies, policies and targets.
Climate impact of products + services (Scope 3)	<ul style="list-style-type: none"> • Choose technology and other service providers that have committed to robust net zero targets. • Require lower GHG emissions modes of business travel where feasible, if travel is essential (see the NZLA travel policy guidance). • Promote low-carbon diets (e.g. providing plant-based food in canteens and vending machines). • Redesign and/or develop products and services to reduce their life cycle GHG emissions. • Promote, support and facilitate the circular economy (e.g. reuse, repair, refurbish, repurpose, recycle). • Require suppliers to commit to net zero targets. • Prioritise suppliers based on their climate strategy, past performance and the transparency of their GHG emissions data. • Collaborate with other organisations and sector or industry partners to strengthen and

	<p>align procurement and purchase requirements.</p> <ul style="list-style-type: none"> • Extend collaboration with other organisations and the value chain to accelerate adoption of low carbon (non-fossil) and renewable energy and achievement of interim and long-term GHG emissions reduction targets. • Invest in projects that reduce GHG emissions and increase the amount of CO₂ that is removed from the atmosphere. • Ensure financial investments align with their climate strategy and net zero commitments, including assets and pension funds. • Assist and support suppliers in their journeys to reduce their operational GHG emissions.
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(b) Assessing the impact of legal services and evaluating climate-related opportunities for firms and clients

(i) Impact of legal services

Legal services impact clients and systemic transition. Firms should offer legal services that align with net zero and assess the risks – and associated impact – of their own level of readiness.

Attributing GHG emissions to transactional and advisory work is challenging. However, some firms may determine that they can approximate the GHG emissions impact of the services they provide. All firms should be able to assess and understand the extent to which their legal services are:

- Consistent with achieving net zero CO₂ by 2050 (for example, by supporting renewables, green energy etc.) and where there are opportunities to increase these service offerings.
- Inconsistent with achieving net zero CO₂ by 2050 (for example, the IPCC¹⁸ and the International Energy Agency (IEA)¹⁹ have made it clear that new or expanded fossil fuel projects are unlikely to be compatible with net zero). This will involve identifying the risks to the firm and the clients associated with these services, as well as the firm's opportunities to help these clients understand and mitigate these risks.
- Offered in a way that considers and respects broader ESG considerations beyond GHG emissions impacts, including the need to:
 - respect human rights in accordance with the UNGPs

- facilitate sustainable development
- support a just transition
- respect the principles of free, prior and informed consent (FPIC).

Firms may consider quantifying and attributing GHG emissions to their different legal service offers where doing so helps the firm to assess the risks and opportunities listed.

The elements listed must be considered against the reality that scientific consensus and international commitments recognise and support the need to transition away from unabated fossil fuel usage. This is a reality for firms and their clients.

In multiple jurisdictions, financial institutions are legally mandated to formally report on the climate impact of services provided (positive or negative)²⁰ as part of Scope 3 disclosure. Law firms are not currently subject to such requirement, but discussion about this is ongoing.

Firms can implement a matter engagement policy to help monitor the transition impact of the services they provide. For more information, see Pillar 2(c)(i).

(ii) Risks

Firms should assess physical and transition climate and nature-related risks and formulate an appropriate response. This assessment should be data-driven and will likely build on existing risk management processes relating to their revenue and costs profile.

Climate-related risks should be identified, workshopped and refined. This will involve:

- Categorising the risks.
- Assessing the potential impact(s) of those risks.
- Identifying a deadline for addressing those risks.
- Identifying who will take responsibility for mitigating the effects of those risks.

Some of the risks that firms can “heat map” are set out below.

Exposure to high-emitting sectors

Failing to transition a law firm’s client base over time may expose them to certain high-emitting sectors (e.g. oil and gas, agriculture) or clients that face high transition risks (e.g. insurance companies, aviation).

As global demand for unabated high emitting energy, industrial, infrastructure and land use activities decrease and the costs of carbon increase (including through regulatory change), a shifting client mix will impact law firm revenue. Further, as adverse climate change effects increasingly influence public, stakeholder and market opinion, the ability to manage brand and employee values and attract and retain top talent will affect firms’ market reputation.

Continuing to support business activity or transactions that are incompatible with a safe transition also creates a risk of international human rights breaches, as climate change is now recognised as a human rights issue.²¹

In some cases, law firms may choose to limit risks to their revenue, services and reputation by transitioning their service offerings to sectors and solutions that align with global transition pathways consistent with 1.5°C (see also Pillar 2(b)(iii) and Pillar 2(c)). This may involve requesting prospective clients to have transition plans in place. In addition to enabling firms to assess for climate-related risks and opportunities, these plans will help to prepare clients for the rapidly evolving regulatory landscape.²²

Regulatory risks

The recent proliferation of regulation means that law firms are expected to adhere to new policies, standards and reporting requirements. A notable example is the need to provide accurate information about a firm's climate change commitments and progress to avoid accusations of greenwashing and/or regulatory investigations.²³

Law firms should dedicate time and resources to understanding and monitoring how those regulations apply to them,²⁴ and introduce mechanisms to accurately record and report their progress against those standards. Non-compliance may lead to fines, reputational losses, and media scrutiny. The increased cost of compliance should also be factored into this risk assessment.

Vulnerable offices and jurisdictions

Firms should evaluate the vulnerability of their offices. Depending on the location of a particular firm, some offices may have a higher exposure to:

- **Acute physical risks**, including current and potential exposure to extreme weather events such as flooding, fire or hurricanes. These events pose risks to employee health and safety, generate increased operational and adaptation costs, and lead to the depreciation of the value of real assets.

- **Chronic physical risks**, such as prolonged exposure to high temperatures and pollution, which may affect the mental and physical health of employees and therefore increasing the risk of absenteeism.

There are also systemic risks associated with unmitigated climate change. Current trajectories are likely to result in severe impacts on global society and the global economy, resulting in severe challenges to the viability of law firms and businesses, particularly those that depend on global value chains.

Lack of expertise

A lack of expertise to service new businesses, clients and markets as global demand for new technologies, new industries and new net zero aligned industry solutions increases may drive clients to competitors, leading to a loss of revenue, market share and profitability.

The legal risks associated with climate change may also affect firms' professional duties to their clients. The UK Law Society's guidance on the impact of climate change on solicitors details several such duties, including lawyers' duty of care, duty to warn, duty to disclose and duty to uphold service and competence levels.²⁵ This guidance underscores the need to build capability within firms.

Inability to meet stakeholder expectations

Law firms are part of their clients' Scope 3 emissions. Consequently, clients increasingly need to understand the GHG emissions associated with the services they buy (and to see those GHG emissions reduce over time as part of achieving their own targets). As a result, it is becoming more common for clients to put pressure on law firms to "green" their businesses – for example by reducing unnecessary travel (and using public transport where possible), limiting paper use and taking other actions (see Pillar 2(a)).

Being unable to meet the net zero goals and targets communicated as a part of a firm's commitments to stakeholders will decrease trust and damage their reputation.

Cost of carbon

The increasing cost of carbon requires a firm to adjust its carbon footprint to comply with net zero regulations. This requires a firm to take account of the increased costs of compliance (one example might be the cost of decarbonising business travel).

Supply chain bottlenecks

High dependency on suppliers with high GHG emissions and poor environmental records may leave the supply chain vulnerable. Such reliance may generate an increased risk of business disruption and may affect a firm's Scope 3 emissions.

Communicating action

Client engagement messaging and external communications may not sufficiently describe a firm's work to mitigate climate impacts.

Once firms have identified the risks they are exposed to, they should determine how they will mitigate or adapt to those risks. The actions taken should be monitored on an ongoing basis, with a commitment to take urgent corrective action if issues arise.

(iii) Opportunities

As clients transition from unabated high emitting energy, industrial, infrastructure and land use activities, including in response to increased regulatory and investor pressure, capital is increasingly re-allocated to new projects, sectors, industries and solutions. New growth opportunities will be generated for firms.

Wherever possible, firms should seize opportunities to assist and support their clients to achieve their net zero goals. The provision of net zero-aligned legal advice requires all lawyers to understand how climate change is impacting their practice, as well as their role in the transition. The following sets out a number of areas that will be relevant, but is a non-exhaustive list.²⁶

Transition finance

This practice involves providing services to clients that are implementing measures to finance their own transition to reduced GHG emissions from their goods or services. Such demand is generated by the realisation of clients' own commitments and government incentives such as the Inflation Reduction Act in the United States.

Classically, this may involve arranging financing for an energy company to commission renewable energy plants, or for automotive companies to switch from producing petrol or diesel vehicles to electric or hybrid alternatives. Corporate acquisitions may also involve a greater degree of transition-related work, such as due diligence on target companies' GHG emissions, reviewing proposed transition plans and setting decarbonisation strategies for proposed acquisitions.

Managed phase out

Managed phase out involves advisory services that support a managed and accelerated transition from high-emitting to zero (or near-zero) GHG emissions assets. Managed phase out may be driven by a change in consumer demand, new regulatory developments and/or a client's desire to avoid the possibility of ending up with stranded assets. Such projects include the early decommissioning of power plants or, for investment managers, responding to pressure to make portfolios more environmentally friendly. In both cases, strategies will need to be repurposed and input will be required from a variety of teams.

Climate and nature-based solutions

This practice involves services that support innovation and the adoption of zero (or near-zero) GHG emissions and nature-based technologies, services, or products. Such products will contribute to the elimination, removal, or reduction of real economy GHG emissions by replacing, significantly reducing demand for, or repurposing high-emitting alternatives and provide for climate change adaptation. This may involve advising on technological solutions for carbon capture, use and storage, as well as projects seeking nature-based solutions and carbon markets.

Regulation

A "tidal wave" of climate change regulation²⁷ and challenge is coming. Businesses looking to transition and grow sustainably need to understand and comply with those changes. This has implications for lawyers, who will need to steer their clients through various legal obligations. These will vary depending on the individual client's size and industry, as well as the jurisdiction(s) that they operate in.

Lawyers should be alert to risks such as greenwashing (i.e. where companies convey misleading information about their environmental efforts).²⁸ "Green hushing" (i.e. where businesses do not report their positive achievements for fear of breaching a regulation or being accused of greenwashing) is also an emerging issue.

Lawyers can also contribute to the development of regulation by submitting on legislative bills and participating in consultation processes. Lawyers can also encourage their clients to engage with the government (including in consultation processes) and, where appropriate, help them align with domestic regulation and the goals of the Paris Agreement.

Commercial

Numerous other sector-specific opportunities may arise due to changes in the physical and social environment. For example, new climatic conditions in a particular region may create opportunities to pursue activities that were previously not commercially viable (for example, farming or tourism).

Changing consumer behaviour is a further example where a growing awareness of climate change and climate impacts may increase demand for specific legal products and services in certain sectors.

Reputational benefits

Increasingly, there are brand and reputational benefits associated with firms that proactively address the climate and biodiversity crises. As climate consciousness continues to grow, it is likely that aligning legal services with net zero will help to future proof firms.

For example, prospective clients may not want to be associated with a law firm that works on matters that do not align with net zero.

A reputation for being a leader in transition-related work is also likely to attract (and retain) talent, as prospective employees are increasingly likely to regard a firm that continues to act for high-emitting companies as a sub-optimal employer.

(c) Identifying appropriate actions

Following a firm's risk and opportunity assessment, they should seek to implement the commitments through policies that address:

- Matter engagement.
- Litigation considerations.
- Board oversight.
- Senior management roles and responsibilities.
- Relevant skills and culture development.
- Business travel and GHG emissions associated with working from home.
- Remuneration.
- Procurement.
- Incentives.
- Operational sustainability.
- Transparent monitoring and progress reporting.

Policies relating to matter engagement and conduct in litigation are particularly important to the commitment to provide net zero aligned legal advice.

When setting policies, firms will likely have different client base risk and internal risk appetite. Firms should nevertheless base policies on best available scientific evidence and knowledge, as well as the climate-related risk and opportunities relevant to them. Each policy should be reviewed regularly and adapted as knowledge and science evolves.

(i) Matter engagement policies

Firms may wish to establish policies related to client activities in sectors highly relevant to the net zero transition. These policies will help to manage climate-related risks to firms and their clients, while also ensuring firms' contributions to the global transition go beyond science-based targets.²⁹

Each firm will have a different approach to setting matter engagement policies. However, each policy should require firms to:

- Assess the matter for climate-related risks and opportunities, as well as alignment with the firm's own business and transition plan and strategy.

- Identify how they can support the client's transition and/or encourage greater alignment with net zero.
- Consider disengagement where appropriate.

Firms may decide to incorporate a classification system into their existing risk management framework that helps to identify matters that are high risk from a climate transition perspective. This could be used to draw climate-related risks to the attention of the relevant partners and other senior decision makers. Any relevant matters would be addressed in line with the firm's existing escalation procedures while incorporating the input of a senior partner focused on transition.

Where a matter could have a high GHG emissions impact that is inconsistent with achieving net zero and/or limiting temperature rise to 1.5°C, firms may assess whether there are mitigating or compensating grounds.

In some cases, firms may choose to reallocate services away from certain potential new matters based on their climate-related risk (see Pillar 2(b)(ii)). In doing so, firms should assess new matters against scientific "red lines" as a general principle. For instance, they should consult the latest science and knowledge as regards the climate impact of the matters they take on.

A notable example is the IPCC's Sixth Assessment Report (AR6), which states that no new fossil fuel projects can be opened to limit global warming to 1.5°C.³⁰

The considerations detailed below may also be relevant.

Alignment with the firm's commitments and/or transition plan.

This should take account of the risks and opportunities the firm has heat mapped (see Pillar 2(b)(ii) and (iii)) and consider relevant in-house counsel guidelines and pitch requirements.

Appropriateness of lobbying. Firms should not suggest, support or engage in influencing the government to introduce policies that do not align with their commitments under the Paris Agreement. Such behaviour could undermine trust and confidence in the legal profession.

Differentiating between reviewable red lines (i.e. not taking a new matter at all) and supporting a client's transition. For example, establishing a ratio or percentage for new matter intake for energy projects involving unabated higher emitting against new matter intake for new renewables projects or carbon capture or removal projects.

Being transparent about any policy (or lack of policy) adopted (as far as possible). If a firm has not adopted such a policy, they should explain to their stakeholders why this is the case.

Evaluating exposure to emerging markets and developing economies. Different countries are at different stages in their decarbonisation journeys. Acting for a client with significant operations in (or exposure to) emerging markets and developing economies that are just beginning to their misalignment with net zero. When confronted with apparent misalignment, law firms should refer to the Paris Agreement's temperature goals and the Glasgow Climate Pact, including their provisions on the level of development and the specific needs of vulnerable countries.

Using classification systems and lifecycle GHG emissions calculation tools to evaluate the extent to which an activity or company can be considered to limit the increase in the global average temperature to 1.5°C. It is important that such calculations take account of the lifecycle of the project as a whole. For example, mining for the critical minerals required for transition projects may be GHG emissions-intensive, but ultimately result in greater mitigation reductions.

Using sectoral pathways to assess alignment with 1.5°C. Sectoral pathways that are based on carbon budgets estimated to keep certain global warming temperature increases within reach can be a useful tool when considering whether to engage on a matter. Credible sectoral pathways assess data (e.g. absolute GHG emissions metrics, GHG emissions intensity metrics, technology characteristics, or projections of future GHG emissions reductions) alongside historical GHG emissions reductions

and can help assess the degree to which a client's business aligns with efforts to limit temperature rise to 1.5°C. Firms could also consider the 2030 Climate Solutions,³¹ compiled to support the first Global Stocktake.

(ii) Litigation considerations

With climate-related litigation on the rise, firms must be prepared to act on a variety of contentious matters, including on issues relating to consumer protection, greenwashing, civil law torts, human rights, regulatory compliance and insolvency.³²

The NZLA acknowledges that all parties are entitled to legal representation in litigation disputes; this is central to the rule of law. Litigation lawyers have an additional professional obligation to comply with their duty to the court or tribunal to act with independence in the interests of justice.³³ This operates alongside broader obligations to act with independence and integrity, maintain proper standards of work, act in the best interests of their client and confidentiality. In the event of conflict, the duty to act in the interests of justice prevails.

To conduct climate-related litigation with independence and integrity, in a manner that maintains proper standards of work and is in accordance with the duty to the court to act in the interests of justice (i.e. with honesty and without misleading the court or other parties), litigation lawyers should ensure the following:

- **Science.** In presenting issues of fact and expert opinion concerning climate science, that they adopt the best available science. For example, the reports prepared by the IPCC are highly regarded internationally.³⁴
- **Damages.** In presenting expert opinion concerning quantum, that they properly consider and account for future cost of carbon and the impact of transition on value of assets and enterprises.
- **Transparency.** Subject to any duty of confidentiality, firms should be transparent about the litigation matters that they act on.
- **Integrity.** Having regard to wider responsibilities and the need to maintain the profession's reputation, firms should conduct litigation professionally and respectfully at all times.

ACCOUNTABILITY

Ensure the actions identified are delivered effectively, consistently and by the right people.

To ensure firms achieve their climate goals and enhance their contribution to the transition to net zero, it is essential that they:

- Provide accessible and accurate information about their commitments and the progress they are making.
- Establish clear governance mechanisms and incorporate net zero into internal policies.



(a) Providing accessible and accurate information about climate commitments and progress

Law firms should be transparent about their commitments and the progress they are making. Disclosure enhances credibility and is necessary for external accountability, as it gives stakeholders a reasonable understanding of how a law firm's commitment impacts their services and operational decisions.

(i) Progress reporting should provide the detail that stakeholders need

Sufficient information should be made available such that targets – and progress towards them – can be reasonably compared to what is disclosed by other firms and needed by stakeholders to assess a law firm's overall progress towards their commitments. Transparency of quantitative information that reflects progress towards targets is particularly important to the evaluation of law firm net zero activities.

Firms may choose to adopt a reporting framework³⁵ or may be subject to legislative requirements within their jurisdiction. At a minimum, however, disclosures should include:

- Progress towards net zero targets, as well as any interim targets. Verification by an independent expert would further increase credibility.³⁶
- The relevant data and data sources, including an overview of the data's limitations (where relevant).
- A description of the frameworks and methodologies used.
- An indication of any carbon credits that were used.
- The firm's approach to matter engagement and other relevant policies.
- A transparent assessment of risks and opportunities.
- Other key decisions that a law firm makes in developing and executing its transition plan.
- An explanation if the firm has been unable to conform to emerging best practice.

Disclosure should focus on decision-relevant information rather than story telling. It is critical that firms do not overstate their targets or achievements, including the progress that has been made towards its targets. Any mischaracterisation could leave firms open to accusations of greenwashing and/or result in regulatory breaches.³⁷

(ii) Information should be accessible, regardless of format

Firms may choose to publish information about their climate change commitments in a variety of ways, including through filings or a periodic report.

Regardless of format, it is critical that this information is easily accessible. Information relating to a firm's current GHG emissions status, baseline GHG emissions, targets and plans should be comprehensive and publicly reported at least annually. While firms may opt to make further disclosures internally, this information should be made public to the greatest extent possible.

To improve accountability, enable system-wide assessment and improve comparison with peers, law firms should consider reporting relevant information to resources that aggregate and disseminate this information.

(b) Establishing clear governance mechanisms

Net zero should be incorporated into core governance documents and policies, such as those mentioned in Pillar 2.

(i) Roles and responsibilities

Achieving a firm's net zero commitment requires clear direction from senior leadership and their boards, and responsibilities embedded across all functions. These include, but are not limited to, Finance and Accounts, Procurement, Operations, Human Resources, Business Development and Knowledge.

It is important that all such functions are represented and consulted in:

- Formulating and adopting initial targets and net zero strategy.
- Reviewing and implementing commitments.
- Ensuring the appropriate checks and balances are in place.
- Addressing the views of the firm as a whole.

Formal sustainability-related roles and responsibilities should be designated throughout firms, from their administrative, management and supervisory bodies to their executive and operational levels. Such roles will require expertise or knowledge of sustainability or risk-related matters and the relevant competencies to address sustainability decisions and/or concerns.

Where capability is not currently available in-house, external consultants may be engaged in the interim to fill any knowledge or skills gaps.

Firms are likely to have an existing board which has ultimate responsibility for the strategy of the firm, including any Environmental, Social and Governance (ESG) strategies.

Below the executive leadership group, another more targeted group may recommend and manage the firm's net zero strategy, provide an analysis on environmental risks for risk management and reporting (including financial) purposes, and the development and implementation of the firm's transition plan.

(ii) Firms' commitments and transition plans should be reviewed regularly

Firms' governance structures should allow for regular review of the firm's net zero commitments, targets and transition plan as approved by the board, senior management and risk and operational teams. This will allow firms to incorporate material developments, address implementation challenges, and identify and mitigate risks to its transition plan. A strategy should be reviewed at least every five years.

References

1. The Framework is largely based on the existing body of work developed by private sector and non-governmental organisations and initiatives. It reflects an in-depth review of existing literature and research, and views gathered by a consultation of representatives of member firms of the NZLA. Inter alia, the Framework aligns with: (a) US Treasury's Principles for Net-Zero Financing and Investment; (b) UK Transition Plan Taskforce (TPT) Disclosure Framework; (c) International Organization for Standardization (ISO) Net Zero Guidelines; (d) Task Force on Climate-Related Financial Disclosures Recommendations; (e) Task Force on Nature-Related Financial Disclosures Recommendations; (f) International Sustainability Standards Boards (ISSB) IFRS S2: Climate-Related Disclosures; and (g) United Nations High-Level Expert Group (HLEG) report, 'Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions'.
2. Net zero operational goals or targets may vary widely in terms of strategy, business model, geography, size, client base, products and services, as well as fiduciary, regulatory, and legal obligations. These factors may influence how law firms make and realise their commitments.
3. For more information about these science-based whole-of-economy pathways, please refer to the Intergovernmental Panel on Climate Change (IPCC) AR6 Synthesis Report: Headline Statements, available at <https://www.ipcc.ch/report/ar6/syr/resources/spm-headline-statements/>.
4. The reductions referenced are based on the current best available science, however this is likely to change over time. It is important that firms track changes in the best available science and update their targets accordingly.
5. The Science Based Targets initiative (SBTi) offers a framework for validating science-based targets appropriate for some organisations, depending on size, operating model and resources.
6. On 31 March 2022, the United Nations Secretary-General established a High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities to develop stronger and clearer standards for net zero emissions pledges by non-State entities – including businesses, investors, cities, and regions – and speed up their implementation.
7. ISO Net Zero Guidelines, see <https://www.iso.org/obp/ui/en/>
8. Greenhouse Gas Protocol, see <https://ghgprotocol.org/calculation-tools-faq>
9. The Law Society (2023) The impact of climate change on solicitors, see <https://www.lawsociety.org.uk/topics/climate-change/impact-of-climate-change-on-solicitors>
10. For guidance on accounting for Scope 3 emissions, please refer to the Greenhouse Gas Protocol, Corporate Value Chain (Scope 3) Accounting and Reporting Standard. See: https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf

11. As set out in the Oxford Principles for Net Zero Aligned Carbon Offsetting, it is critical that firms ensure the social and environmental integrity of any carbon credits that they access. This means that credits and projects must be additional, monitored, verifiable, correctly accounted for, and have low risk of reversal or negative unintended consequences to ecosystems and communities. For more information about accessing high integrity carbon markets, see the Voluntary Carbon Markets Integrity Initiative (VCMI) and the Integrity Council for the Voluntary Carbon Market (ICVCM).
12. For more information, please refer to the Oxford Principles for Net Zero Aligned Carbon Offsetting (revised 2024). See: <https://www.smithschool.ox.ac.uk/sites/default/files/2024-02/Oxford-Principles-for-Net-Zero-Aligned-Carbon-Offsetting-revised-2024.pdf>
13. For example, individual employees should use recycling facilities correctly, minimise waste in the office etc.
14. For example, firms could use the IPCC or United Nations Environment Programme's materials on climate change science.
15. This function could include a sustainability, ESG advisory or another steering group.
16. This means providing regular opportunities for staff to build their climate capability. One-off events will not be sufficient.
17. The International Labour Organisation (ILO) defines a just transition as “greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind. A Just Transition involves maximizing the social and economic opportunities of climate action, while minimising and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labour principles and rights. Ensuring a just transition is important for all countries at all levels of development. It is also important for all economic sectors – by no means limited to energy supply – and in urban and rural areas alike”. See: <https://www.ilo.org/topics/just-transition-towards-environmentally-sustainable-economies-and-societies>
18. Global fossil fuel use will need to decline substantially by 2050 to limit warming to 2°C (>67%) and it must decline substantially by 2030 to limit warming to 1.5°C (>50%) with no or limited overshoot (high confidence). Failing to reduce global fossil fuel use below today's levels by 2030 will make it more challenging to limit warming to below 2°C (>67%) (high confidence). See: <https://www.ipcc.ch/report/ar6/wg3/chapter/chapter-6/>

19. In an updated net zero scenario, a huge policy-driven increase in clean energy capacity drives a 25% reduction in fossil fuel demand by 2030, reducing emissions by 35% compared with the all-time high recorded in 2022. In this scenario, fossil fuel demand then falls by 80% by 2050. As a result, no new long-lead-time upstream oil and gas projects are needed, nor are new coal mines, mine extensions or new unabated coal plants. Nonetheless, continued investment is required in some existing oil and gas assets and already approved projects. Sequencing the increase in clean energy investment and the decline of fossil fuel supply investment is vital if damaging price spikes or supply gluts are to be avoided. For more information, see <https://www.iea.org/news/the-path-to-limiting-global-warming-to-1-5-c-has-narrowed-but-clean-energy-growth-is-keeping-it-open>
20. These are frequently referred to as “financed emissions”. See Greenhouse Gas Protocol, The Global GHG Accounting and Reporting Standard for the Financial Industry, available at <https://ghgprotocol.org/global-ghg-accounting-and-reporting-standard-financial-industry>
21. United Nations Human Rights Special Procedures (2023) Information Note on Climate Change and the Guiding Principles on Business and Human Rights, available at <https://www.ohchr.org/sites/default/files/documents/issues/business/workinggroupbusiness/Information-Note-Climate-Change-and-UNGPs.pdf>
22. Transition plans are likely to be increasingly common, both due to customer demand and regulation. For example, when the EU Corporate Sustainability Due Diligence Directive (CSDDD) comes into force, large companies (i.e. EU companies with more than 500 employees and a net worldwide turnover of more than €150 million) will be required to adopt and put into effect a transition plan for climate change mitigation that aligns with the Paris Agreement. The directive will also apply to non-EU companies where certain criteria are met. Please note that the European Parliament has approved the CSDDD and it is expected that the European Council will adopt it in the first half of 2024. After coming into force, Member States will be required to enact national laws to give effect to the CSDDD within two years (i.e. 2026).
23. For example, the Australian Securities and Investments Commission (ASIC) has been very focused on greenwashing and has undertaken a number of regulatory investigations and litigation focused on enforcing well-established legal obligations that prohibit misleading and deceptive conduct. For more information, see: <https://asic.gov.au/about-asic/news-centre/speeches/greenwashing-a-view-from-the-regulator/>
24. These are likely to vary by size, geography and practice.

25. Law Society (2023) Impact of climate change on solicitors, available at <https://www.lawsociety.org.uk/topics/climate-change/impact-of-climate-change-on-solicitors>. See in particular Section 3.
26. The NZLA and Hughes Hall Centre for Climate Engagement have developed a Law and Climate Atlas that maps the intersection of climate change and many areas of the law in certain jurisdictions. See: <https://lawclimateatlas.org/>
27. One example is the EU Corporate Sustainability Reporting Directive (CSRD) that is being phased in from 1 January 2024 to 1 January 2026. The CSRD will require companies to disclose sustainability information in their management reports – and in a standardised format that allows for easier checking and comparison. The CSRD replaces (and builds on) the EU Non-Financial Reporting Directive (NFRD), introducing more detailed reporting requirements and expanding the number of companies that it applies to.
28. For example, the EU Taxonomy Regulation (in force from July 2020) aims to prevent “greenwashing” by setting criteria for determining if an activity contributes to specified environmental objectives. These include, but are not limited to, climate change mitigation and climate change adaptation. Under the EU Taxonomy Regulation, companies have specific disclosure obligations related to their environmental performance and alignment with sustainability criteria.
29. This is sometimes referred to as “beyond value chain mitigation”. See, for example, SBTi’s definition, available at <https://sciencebasedtargets.org/beyond-value-chain-mitigation>
30. See IPCC, AR6 Synthesis Report: Headline Statements, available at <https://www.ipcc.ch/report/ar6/syr/resources/spm-headline-statements/>
31. 2030 Climate Solutions: An Implementation Roadmap was compiled to support the first Global Stocktake. These are a set of solutions framed in specific actions, with insights from a wide range of non-Party stakeholders on effective measures being undertaken that need to be scaled up and replicated. It also sets out current gaps that need to be bridged to halve global emissions, address adaptation gaps and increase the resilience of 4 billion people from vulnerable groups and communities to climate risks by 2030. See <https://climatechampions.unfccc.int/2030-climate-solutions-an-implementation-roadmap/>
32. Law firms should be wary of matters that could be considered strategic lawsuits against public participation (SLAPPs). Common in the environmental space and a potential tool to combat climate action, SLAPPs represent an abuse of the legal process, where the primary objective is to harass, intimidate and financially and psychologically exhaust one’s opponent via improper and costly legal intervention.
33. Please note that the way that this duty is phrased may vary across jurisdictions.

34. The IPCC is tasked with assessing the science related to climate change. It provides regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation. The IPCC aims to provide comprehensive and authoritative scientific information that governments can use to develop climate policies. Its reports are also a key input into international climate change negotiations. Participation in the IPCC is open to the 195 countries that are members of the World Meteorological Organisation and the United Nations. For more about the IPCC, see <https://www.ipcc.ch/about/>
35. One example is the International Financial Reporting Standards (IFRS) S2, which sets out requirements for disclosing information about an entity's climate-related risks and opportunities. For more information, see <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>
36. Law firms should be careful about claiming "net zero" status. To claim net zero, only residual emissions should remain, which should be counterbalanced by permanent removals. See, for example, the Net Zero Standard set by SBTi, available at <https://sciencebasedtargets.org/net-zero>
37. For example, in a UK context such activity could breach the Competition and Markets Authority's guidance on environmental claims and/or the SRA's Standards and Regulations.

Framework for Net Zero Alignment

A checklist for commercial law firms

net zero
lawyers
alliance

AMBITION

□ **Targets**

- Net zero target in place
 - Based on science and independently verified
 - Includes Scope 1, 2 and 3 emissions
 - Progress monitored and reported in line with recognised standards
- Interim emissions reduction targets in place for 2025, 2030, 2035
 - Based on science and independently verified
 - Includes Scope 1, 2 and 3 emissions
 - Progress monitored and reported in line with recognised standards
- Strategy in place to achieve the targets and offset any residual emissions

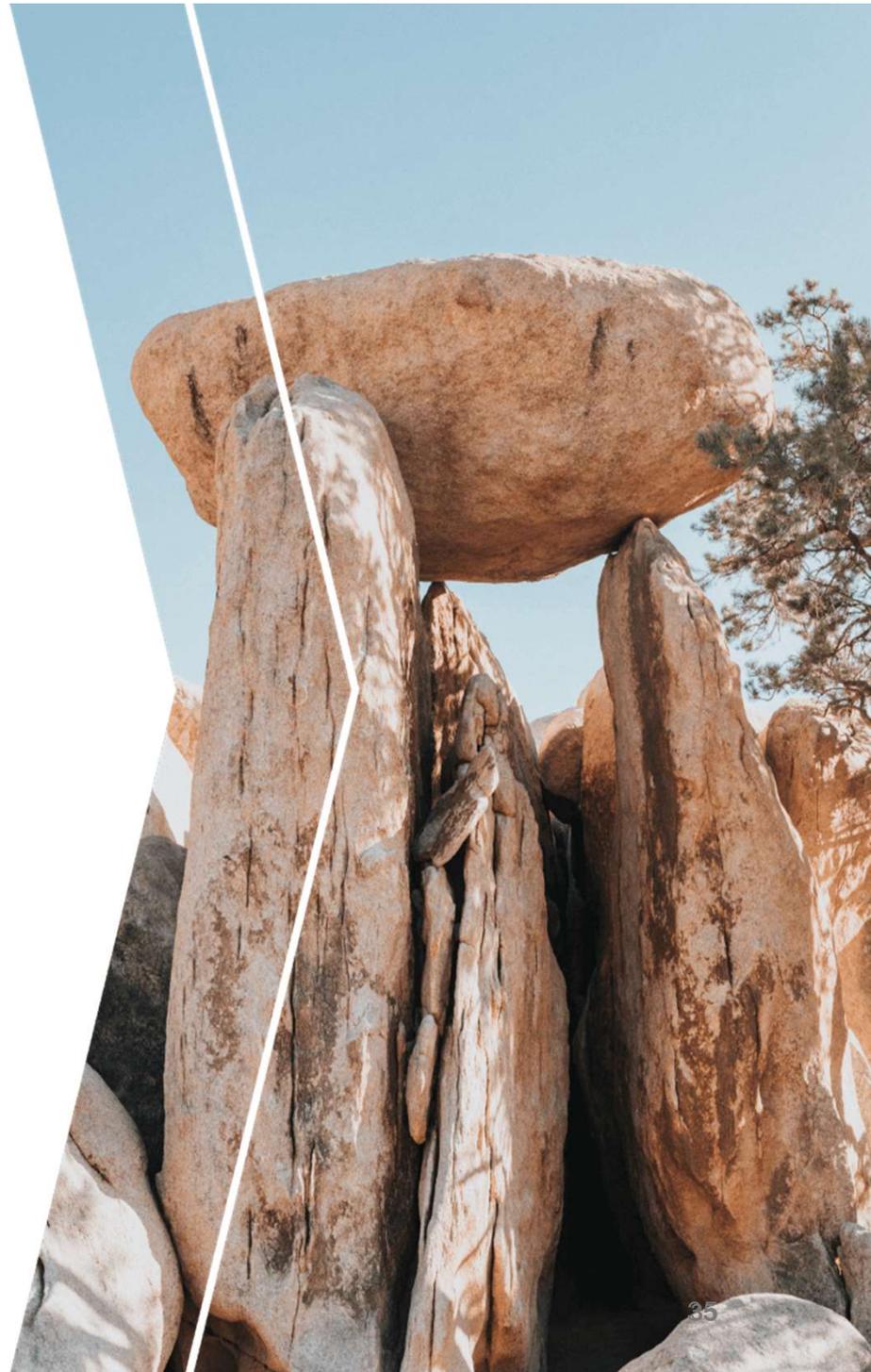
□ **Capacity building**

- Targets in place
- NZLA training resources (or their equivalent) are used to upskill staff
- Capacity building efforts are ongoing and include staff across all practice areas, regardless of their level of seniority

□ **Pro Bono**

- Targets in place
- Active participants in NZLA initiatives and/or other pro bono projects that address the legal barriers to transition
- Pro bono services are recognised and rewarded

□ **Net zero strategy in place**



ACTION

□ **Operational emissions**

- Current operational emissions measured and their sources identified
- Actions identified to reduce operational emissions (see below)

□ **Impact of legal services, climate-related risks and opportunities**

- Impact of legal services assessed, including:
 - The extent to which the legal services provided relate to matters that facilitate transition and the impact of those services
 - The number of matters on which you advise on climate-related risks and opportunities
 - Respect for the principles of just and equitable transition, including in the context of the UN's Guiding Principles on Business and Human Rights and Sustainable Development Goals
- Climate-related risks identified, workshopped and refined
- Opportunities to reduce emissions and support clients' transitions identified, with consideration given to:
 - Transition finance
 - Managed phase out
 - Climate and nature-based solutions
 - Regulation
 - Commercial opportunities
 - Reputational benefits

□ **Actions identified and are being implemented, including policies for:**

- Matter alignment
- Litigation considerations



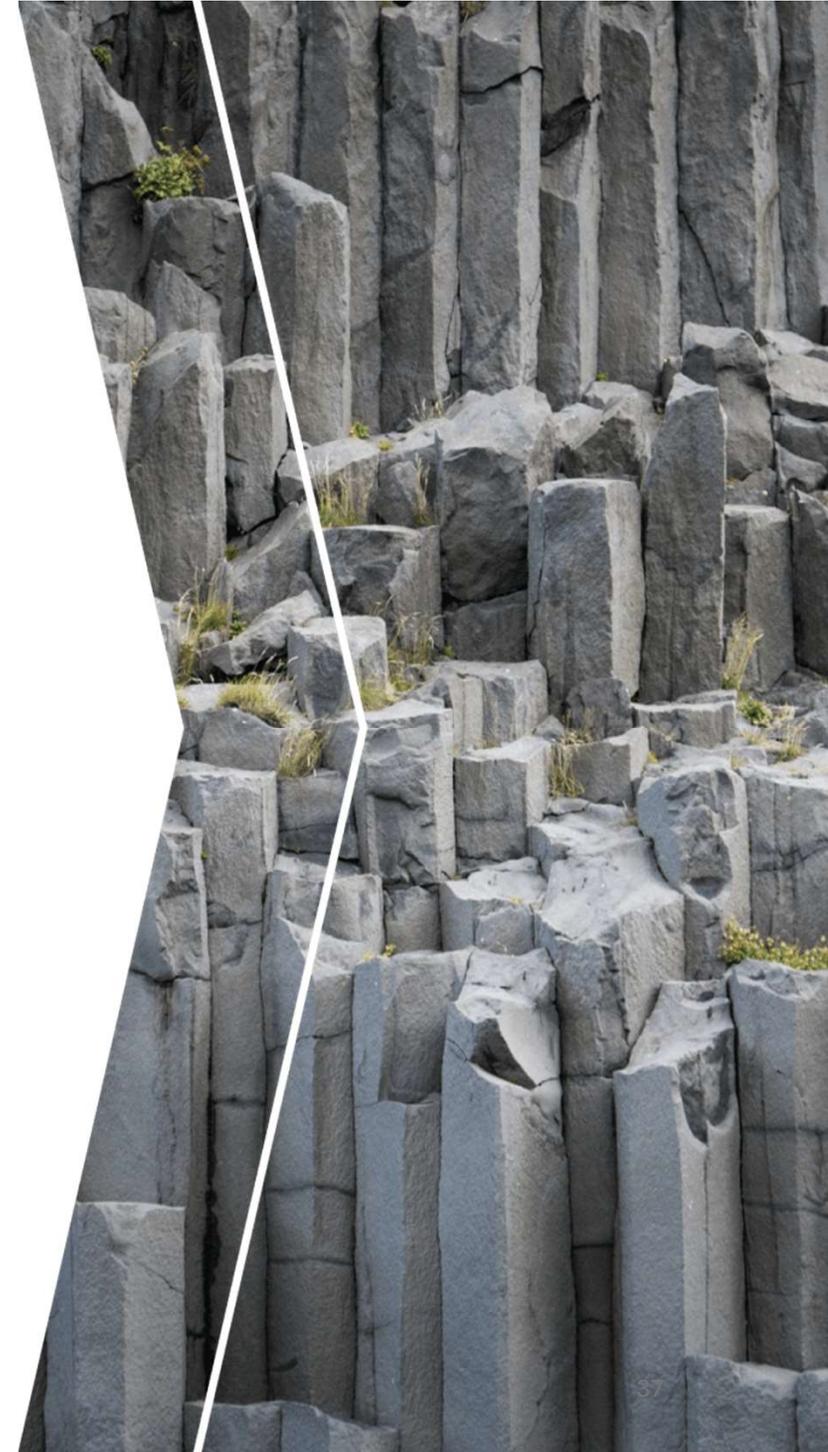
ACCOUNTABILITY

□ Disclosures

- Disclosures provide stakeholders with the detailed information they need, including:
 - Progress towards net zero targets and interim targets
 - Relevant data and data sources, as well as any limitations
 - Frameworks and methodologies used
 - Any carbon credits used
 - Firm policies, including on matter engagement
 - Climate-related risks and opportunities faced by the firm
 - Key decisions in developing and executing the firm's transition plan
 - Where the firm has been unable to conform with best practice
- Disclosures are accessible, allowing system-wide assessment and comparison with other firms
- Disclosures should be publicly reported regularly – and on an annual basis at a minimum

□ Governance

- Net zero incorporated into core governance documents and policies
- Senior leadership and governance boards are engaged on climate-related matters and provide clear direction
- Responsibility for delivering your firm's climate commitments is embedded across all functions
- Commitments and transition plans are reviewed regularly (note: strategies should be reviewed every five years at a minimum)



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