

LEGAL TENANT/ESG

ESG Pressure points for the Legal Tenant - Part I

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Major law firms are faced with mounting pressures on environmental, social and governance (ESG) issues from three major directions: regulators, clients, and their own people. To help law firm management understand and address those pressures, Savills Legal Tenant has put together a two-part primer. Part I addresses the nature of the needs of those groups. Part II will follow and cover what strategies can be implemented to address those needs.

The Big Three Pressure Points

1. **Government regulations are requiring action and transparency on risks and emissions**
2. **Corporate clients are vetting their service providers based on ESG performance**
3. **A new generation of sought-after talent is seeking employers who integrate wellness and sustainability into their work culture**



Regulations impacting ESG requirements

Although US law firms are not as far along on ESG integration as their UK and EU counterparts, recent regulatory pressure is driving firms to accelerate sustainability activities and policies. From local ordinances in Washington, Chicago, and New York requiring buildings to improve building energy performance to federal regulations, landlords and tenants are urged to ramp up efforts to collect and report their activities. Most recently, the climate-related disclosure rule proposed by the Securities and Exchange Commission (SEC) requires all publicly traded companies in the US to disclose their climate-related risks and carbon emissions.



The latter requirement has implications not only for the company's own carbon emissions but the emissions of its goods and service providers (i.e., law firms).

> **With the regulatory push looming, there is a small window of time when organizations can act and tout their ESG achievements before they become mandatory.**

For legal tenants, the time to act is now by creating formal ESG policies, conducting energy and emission assessments of their office spaces, and designing spaces and practices to support the data collection, engagements, and improvements needed for ESG performance.



Your corporate clients are keeping score

Publicly traded corporations have significant mandates to lower emissions. As the requirements increase for organizations to be more transparent and aggressive in achieving larger decarbonization goals, companies are scrutinizing the ESG practices of their service providers. As service providers, law firms will be contributors to their public company clients' carbon emissions and as such, the SEC climate-related disclosure rule. A law firm with a robust and comprehensive ESG policy will be highly competitive in securing and retaining a publicly traded company as a client that wants to solely work with service providers that can at least meet the SEC's mandates.

> **When law firms formalize and fully integrate ESG strategies in their real estate management, they are positioned to not only maintain their existing clients but attract new corporate business as well.**

Legal tenants that have agreements with their landlords to access periodic water and energy usage data or have taken steps in their spaces to gain energy efficiency, through installing sensors and energy-efficient lighting, and encouraging employee behavior change, will be able to present prospective and current clients with data that are in line with corporate stakeholders and their regulatory obligations.





ESG is top of mind for the young and talented

Many law firms are amid what has been termed the "war for talent." Despite compensation surges, hiring and retaining top talent is challenging. A bigger check is not enough to keep or attract the best and brightest attorneys. With demand for talent exceeding what is available in the labor market, younger staff members and recruits are using ESG performance as vetting criteria to choose the firms they associate themselves with. Socially conscious associates are prioritizing environmental policies, diversity practices, and wellness resources when selecting a firm.

Law firms can create interest by providing candidates with details about how the firm's culture and ESG policies and actions promote decarbonization, community engagement, and safety in the office space itself. Yesterday's recruitment tactics of expensive dinners and large starting salaries are not enough for the values-driven attorney.

Organizations that are willing to invest in ESG will realize the dividends in a variety of ways from government compliance to client and talent attraction.

In Part II, as commercial real estate tenants, firms will learn what specific steps they can make as it relates to their existing space, portfolio-wide policy, or negotiating a new "green lease."



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