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Professional Services and CSRD

Sustainability strategies in the era of increasing regulation and stakeholder interest

Why do professional services firms need to consider sustainability?

The era of sustainability is upon us. What began with corporate social responsibility (CSR) and environmental, social and governance (ESG) frameworks, is the move towards non-financial mandated reporting that will fundamentally shift how firms and their clients view

the significance of sustainability. Most recently, the EU enacted its corporate sustainability reporting directive (CSRD) which is designed to make corporate sustainability reporting more common, consistent and standardised - like financial accounting and reporting.

The directive's impact is far-ranging and essentially modernises and strengthens the social and environmental information that companies have to report. What's really new is that in addition to all large and listed companies in the EU being required to comply, non-EU companies with large subsidiaries in the EU will also need to report. CSRD is indicative of the future of sustainability reporting and makes it clear that firms and their client companies need to start preparing by improving and tracking their sustainability.

Even with more regulation around sustainability, there is a wider context that goes beyond the letter of the law. Many firms and their client companies are figuring out their sustainability programmes from pressures outside of straightforward regulation, often from investors, consumers and other stakeholders.

Institutional investors are increasingly measuring themselves against sustainability factors, driven by their own investors or wanting to demonstrate 'green' and sustainable investing. Similarly, sustainability is seen as a driver of better investment performance. A company with a sustainability programme, reports, measures and metrics, generates better returns than those that don't have those things. Plus, sustainability-focused companies are better protected from environmental, social, or governance shocks.

It's important to point out that a large part of sustainability is risk mitigation. This involves figuring out key risks in the supply chain, in the environmental practices of the business, possible health and safety or community issues, as well as the possible impact of regulatory breaches and fines.

Essentially, sustainability reporting - CSR, ESG, CSRD and others - is a risk mitigation with added metrics, targets and measures. It's not just that, for instance, the company understands that a changing climate is a threat, but how are they addressing that risk, by how much, and by when. That is what matters, now more than ever.



How can firms demonstrate sustainability commitments?

Most firms probably already have some sustainability initiatives in place. This can include diversity programmes, local community outreach and pro-bono work. A firm could consider increasing its pro bono hours, partnering with charities and social justice causes, taking on environmental cases and demonstrating commitments to diversity, equality, and inclusion.

While each firm has to ask itself what are its priorities and where it can have the largest influence, there are some fundamental pieces of sustainability infrastructure every firm should have in place.

These include:



a sustainability committee - this sets goals, reviews initiatives and collates achievements



a sustainability strategy - designed by the committee and signed off by the board, this will drive forward the firm's sustainability efforts



a board member or partner with sustainability responsibility - this ensures that sustainability issues are raised at the highest levels



a sustainability reporting process - this could be a stand-alone report, pages in an annual report, or even a page on the website

How can firms deal with environmental issues?

For professional services firms, the environmental impact of the business will be relatively low. But this doesn't mean there are no carbon emissions or that greenhouse gases are not a problem. They are. But given the smaller nature of professional services firms' impact on the environment, these are easier to manage and easier to control.

Emissions

These are divided into Scope 1, 2 and 3. Scope 1 means direct emissions from owned buildings, vehicles or furnaces. Scope 2 means indirect emissions from electricity or travel. Scope 3 means emissions from the supply chain, the carbon cost of purchasing a new computer, for example.

Dealing with emissions means measuring in the first instance. Get a handle on the firm's entire emissions output and Scope 1, 2 and 3. Then you can set targets to reduce these emissions, offset those that cannot be reduced, and even consider setting a goal of being net zero by a certain period of time.

Net zero means you have measured your emissions, reduced them where possible, and offset the rest through investing money in causes such as tree planting or conservation.

Environmental management

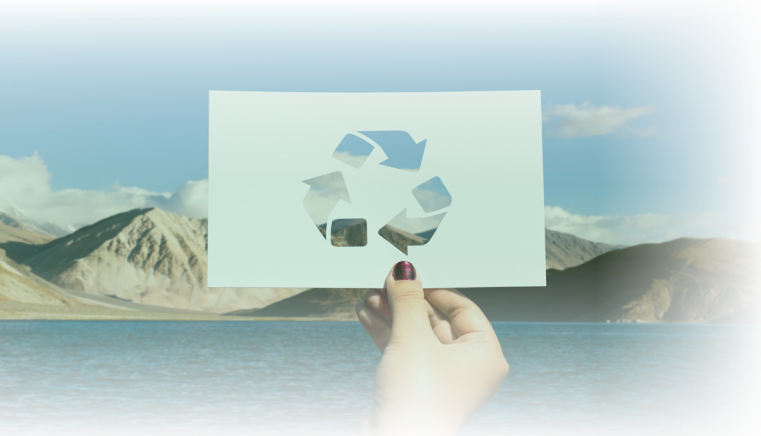
This means having a strong environmental management system across all your facilities and buildings that are owned or leased. It could mean changing all light bulbs to energy efficient ones, or undertaking training for all staff on climate change issues.

Put someone in charge of environmental management and make it a priority.

Recycling

Promoting recycling is a great way for firms to demonstrate sustainability. It's more than just phasing out single use plastics. Think about the equipment you purchase. Can any of it be from recycled sources? How are old computers disposed of? Where is office furniture sourced from?

Making the effort to consider recycling, upcycling, or reusing items which don't need to be bought new is a great way of demonstrating sustainability. Measure these efforts, set targets and report on progress.



How can firms demonstrate social responsibility?

There are certain social measures most firms are already required to report on, such as gender pay gap. But have you measured your disability pay gap? Your ethnicity pay gap? Your sexual orientation pay gap? Consider making an effort to measure and reduce these pay gaps, beyond just gender.

Mental health

Professional services firms' key resources are their people. Stress and burnout can have a huge impact on them making a poor culture on mental health one of the most significant risks these firms can face. Take an active and detailed approach to mental health and wellbeing. Look beyond the basic concepts such as mental health first aiders or mental health days to more preventative measures such as encouraging health and fitness, downtime after large projects, and supporting a work-life balance.

Human rights

The firm itself may respect and uphold human rights, but what about your clients? It's a complicated matter, but the prospect of reputational damage always hangs over a law firm when acting for unsavoury clients. Sometimes, though, it's not about turning them away, but rather about demonstrating how the firm actually improved their standing. Taking on a difficult corporate with a bad reputation could end up showing a strong commitment to sustainability and showing off the firm's sustainability credentials if, through the firm's advice and expertise, the client itself becomes a more positive contributor to the world.

Community involvement

Pro bono work, partnering with charities and local groups, and spearheading social justice causes are some of the key ways law firms can make a significant impact in their sustainability efforts. Professional services firms, especially law firms, have often been the drivers of social change throughout the world, and taking on challenging causes can demonstrate the kind of sustainability impact that no other business is able to accomplish. Making a strategic effort to use the law firms' skills for good in the world and take on ignored causes or difficult cases should be the centrepiece of your sustainability report.



How can firms demonstrate responsible governance?

Every firm needs a bribery policy and money laundering procedures. But the question is, is your firm sticking with the legal minimum, or are you going above and beyond?

Cyber and information governance

With professional services firms increasingly targeted by scammers and cyber criminals, having the highest level of data security should be paramount. It should be given serious attention by the board and significant investment in information security should be made. How often are staff subjected to phishing trials? When were the company firewalls last tested? How is data being protected in the era of hybrid working? These are fundamental governance issues that firms should be prioritising.

Pay and bonuses

Pay and bonuses are a mix of good governance and human resources. Think about what your firms' pay and bonus structures say about you. Does everyone in the business have a stake in financial success? What's the gap between the highest and lowest paid person working at the firm? Do the cleaners enjoy a proper contract with a living wage? Be transparent about the pay and bonus structure in the business, and show why the firm is a great place to work, and a force for good.

Tax evasion

Law firms and professional services have to comply with the Criminal Finances Act. This is less about the firm itself hiding profits offshore, but about the clients and the wider business model of the firm. A company which exists to guide clients to evade or avoid tax is not one that can have a strong sustainability programme. Consider how your firm demonstrates its commitment to tax fairness. What procedures are in place to support clients to look beyond offshore tax havens, and pay their fair share? Helping clients do better can make a strong case for the wider sustainability impact the firm has.

Focus on B Corp: How some professional services firms are spearheading sustainability

A B Corp is a business that legally commits to profit alongside a material positive effect on society and the environment. The commitment is written into the firm's partnership agreement and reported against as the core measure of success for the firm, as opposed to profits per equity partner.

B Corps began in the US and have grown to over 6,000 certified B Corps in more than 80 countries and over 150 industries. There are now over 1,300 B Corps in the UK, across 58 industries with over 59,000 employees.

Becoming a B Corp is not a simple process. A company must be audited, and the LLP status has to change. Accreditation as a B Corp must be re-sought every two years. The B Corp audit considers factors such as social enterprise and public interest clients, pro bono work, good employment practices and strong environmental procedures such as ISO 14001 certification.

Becoming a B Corp is not required for a strong sustainability programme. It may not be appropriate, either. But B Corp does demonstrate that a firm meets high standards of social and environmental performance, transparency and accountability.

How can you help your clients improve their sustainability?

Your clients might be asking what they should do about sustainability. If they're not, you can still give them valuable advice, help them attract sustainable investment and, if you track your clients' data, you can also write your own sustainability story.

Professional services firms, as key corporate service providers, can consult and strategize on sustainability for their clients and help them implement internal sustainability goals. You can work on improving their numbers and demonstrate your firm's impact via your corporate client.

Some of your clients do not need to do anything, but are still interested. Some of your clients need to focus on specific areas, such as modern slavery statements or gender pay gap reporting. And some of your clients are required to file a Task Force for Climate-Related Financial Disclosure (TCFD) or a Climate-Related Financial Disclosure (CRFD). Then there are those clients who need to start preparing for CSRD.

But whether your corporate clients need a starting place for sustainability or they want it, you can help them achieve sustainability goals.

1

The Carbon Brainprint, aka Scope 4 emissions

For professional services firms, carbon emissions are generally straight forward. These are the emissions from running an office or travel. Even the supply chain, known as Scope 3 emissions, is relatively narrow given most law firms do not have a large or particularly complex supply chain.

However, professional services firms do have an additional carbon factor. The Carbon Brainprint, or so-called Scope 4 emissions. These are the emissions of clients.

How a law firm deals with those they consult to can have the greatest impact on reducing emissions. Rather than turning away clients who have a harsh effect on the environment, there can be positive opportunities to influence change within clients.

Proactively encouraging clients to consider sustainability issues is where professional services firms can have a large impact. It may feel awkward in some respects, but clients engage firms to keep them on the right side of the regulatory agenda.

Sooner or later, no business will be able to operate without a carbon reduction plan or a commitment to net zero. Firms can take a proactive step to share skills and experience to support clients to make the necessary shift to a low carbon economy.

2

Develop a sustainability agenda

Some businesses have embraced a sustainability agenda; others have not, and have some catching up to do. Even businesses that recognise that sustainability needs to be on the boardroom agenda and converted into action, could feel that economic pressures prevent them from doing so. You can help identify the most material sustainability opportunities and risks for a business to focus upon.

It's important for firms to understand their client's approach to sustainability in order to most effectively advise and assist them.

Start with questions like:

What are the sustainability goals and priorities of the company?

Which sustainability trends are most relevant to their sector?

How significant is stakeholder sentiment to the strategy and structure of the company?

This will help them create a sustainability agenda that mitigates risk and has clear, achievable goals.

Understand the client's stakeholders

3

Stakeholders typically mean customers, employees, investors and shareholders. It's important for companies to look within those stakeholder groups for the next generation of voices, minority voices and voices along the supply chain. It's also important to recognize how priorities and requirements of stakeholders are changing. For example, investors are increasingly more interested in highlighting sustainability issues in where they choose to invest.

A firm that understands a company's full stakeholder landscape can counsel that company on the stakeholder dynamics impacting their growth - both risks and opportunities. They need to consider which stakeholders are most crucial to the company, long-term and whether stakeholder demands are changing.

4

Shared values of sustainability

Sustainability is no longer a nice thing to do; it's key to a company's strategic growth, risk mitigation and business model. But companies want to work with advisers that not only help them advance their sustainability goals and values but also demonstrate their own commitment in their day-to-day interactions, as part of the business supply chain.

Advisors are expected to demonstrate their own sustainability credentials. Firms need to ask themselves if sustainability is an essential part of the firm's strategy and values and have sustainability goals been achieved. The firm can also consider whether there are collaboration opportunities with the client to effect change.

5

Data and metrics matter

While everyone hates gathering metrics, it's impossible to measure performance and demonstrate impact without them. Firms should be familiar with the adopted standards for metrics and to understand which sustainability framework options are effective for their client company. It helps to know which sustainability frameworks are being used by the company's sector and what's likely to be used in the future. Also, it's important to be aware of the regulatory landscape within which sustainability issues will be measured. Finally, be clear on what role your firm can play in helping your client develop and implement a sustainability framework.



Professional services firms and their client companies are all part of a wider ecosystem. At times, solutions to opportunities and risks can be found there. That's why we are seeing an increasing focus on supply chains, joint ventures and alliances, and why there are growing calls for greater collaboration between the public and private sectors.

While it's important for professional services firms to demonstrate a commitment to sustainability, they can also contribute to the advancement of sustainability enabling regulations. But often these firms make their biggest sustainable impact by helping their clients transition to more sustainable businesses. An accounting firm can advise its client, a mining company, to switch to electric cars. A law firm can develop an indigenous inclusion policy for its client. These moves have the potential to impact thousands of stakeholders.

It's up to firms to decide how best to enhance their own sustainability and help their clients develop a responsible business and achieve long-term success in a sustainable way. We hope this guide provides them with a way to do that.

VinciWorks' sustainability and ESG training suite



By providing your team with comprehensive sustainability training, you empower them to become change agents within your organisation. Our sustainability courses go beyond mere theoretical knowledge; they delve into practical strategies and actionable insights that can be implemented across departments and levels. From understanding the principles of sustainable development to integrating sustainability into daily operations, our training equips your staff to identify opportunities for positive change, drive efficiency, and foster innovation.

Our courses

- [ESG: The Basics](#)
- [ESG: Fundamentals](#)
- [Climate Change](#)
- [ESG: Practical Applications](#)
- [What is Sustainability?](#)
- [Eco-driving](#)
- [Saving Energy and Water](#)
- [Pollution](#)
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