Classifying matters for climate impact:

LEGAL CHARTER 1.5 MATTER CLASSIFICATION TOOL

LEGAL CHARTER 1.5

Contents

Foreword

I am delighted to give this foreword to the Legal Charter 1.5 Matter Classification Toolkit. Many law firms, including Clyde & Co, have worked long and hard to produce something which I think and hope will be of real assistance to other members of the legal profession, both to assess and mitigate their own environmental impact and, as appropriate, to assist and encourage their clients and their suppliers to do likewise.

We think the Matter Classification Toolkit should play a significant part in the effort of law firms to face the very real challenges posed by climate change, and to help in leading the way towards a more sustainable future.

MICHAEL PAYTON, CHAIRMAN, CLYDE & CO

Introduction to Legal Charter 1.5

Almost all human activity which has a material impact on the climate, either directly or indirectly, involves the legal sector; this means law firms have a vital role to play in leading meaningful climate action. Legal Charter 1.5 is a high-ambition initiative founded by international law firms working collaboratively to innovate and drive transformation to deepen and accelerate their responses to climate change, through their strategies, their operations and their client work.

The guiding principles of the Charter are innovation, collaboration, leadership and client engagement. By working together, members of the Charter are more effective in delivering systems change and sharing knowledge across the wider sector. This toolkit is one such example and we encourage colleagues from across the profession to share it, use it and suggest ways to improve and refine it.

Legal Charter 1.5 firms commit to showing leadership and supporting the overall purpose and direction of the Charter, and are encouraged to join at least one working group. The working groups, led by a Charter firm, work collaboratively across the legal sector to develop recommendations and resources to support the wider ambition of the Charter.

Not all firms will participate in all workstreams.

The Charter Workstreams

- **Leadership –** demonstrating climate leadership internally, with clients, and across the sector to strengthen and deepen the legal sector's contribution to managing and responding to climate change.
- **Advised Emissions –** developing an approach to Advised Emissions to deliver a 1.5-degree aligned transition: Understanding the impact of advice in relation to emissions is crucial in being able to develop credible plans and to work effectively with clients to support their transition.
- **Matter Classification Tool –** developing the Matter Classification Tool, a simple methodology for law firms to classify matters according to their climate impact and contribution to the global climate transition.
- **Thought Leadership –** to support stronger governance using key insights from the Charter to inform better policy making.
- **Education and Upskilling –** working with other legal sustainability networks (LSA, NZLA) and with The Law Society, the group is mapping and collating the climate education resources.
- **Climate Focused Pro Bono –** exploring ways to collaborate on climate pro bono projects as well as working closely with the One Million Hours initiative which seeks to raise pro bono and skilled volunteering hours to arrest climate change and halt biodiversity and habitat loss.
- **Meaningful Offsetting –** a collaborative approach to fund climate and social impact projects that generate high quality, scalable carbon credits. The current programme is with Save the Children Global Ventures.

WHAT IS THE MATTER CLASSIFICATION TOOL?

The Matter Classification Tool is a simple methodology for law firms to classify matters according to their climate impact and contribution to the global climate transition. Classifying matters using the tool is intended to generate useful data as to firms' climate transition-aligned revenues. It creates a qualitative metric allowing the proportion of, or revenues generated from, matters supporting, undermining or neutral to the climate transition to be determined, baselined, tracked and reported on over time.

The process will help to inform firms' climate-related reporting and help firms mitigate risks, identify opportunities and align their advisory services with their climate and sustainability commitments, targets and transition plans.

The tool has been designed to assist firms with the classification of matters and is not designed to dictate the acceptance of matters or new client work.

See page 4 & 5 for the Matter Classification Tool diagram and page 16 for the question logic for the tool.

The tool: Classifying matters for climate impact

IN RELATION TO THE MATTER, WHAT KIND OF ADVICE IS IT?

TAGS			
CLIMATE IMPACT Use the question logic on page 16 to determine the climate impact of the matter	**ALIGNING** Matter enables Low Carbon Transition and/or Positive Climate Action. Client is Paris-aligning.	**TRANSITION** Matter enables Low Carbon Transition and/or Positive Climate Action. Client is not Paris-aligning, or it cannot be determined if it is Paris-aligning.	
ADVICE TYPE	**TRANSACTION**	**LITIGATION**	**REGULATION**
CLIENT SECTOR/ JURISDICTION	**TAG FOR EACH SECTOR AND/OR JURISDICTION IN WHICH FIRM WISHES TO TRACK IMPACT**		
ESG ISSUES (UN Global Compact)	**CLIMATE** mitigation, adaptation, resilience	**ENVIRONMENT** pollution, nature, water, waste	**HUMAN RIGHTS** modern slavery, forced/child labour

NEUTRAL (ALIGNING)

Matter has minimal negative impact on climate, and positive climate impact is not a primary focus of the matter.

Client is Paris-aligning.

NEUTRAL

Matter has minimal negative impact on climate, and positive climate impact is not a primary focus of the matter.

Client is not Paris-aligning, or it cannot be determined if it is Paris-aligning.

NOT ENGAGED

Where the matter may have more than a minimal negative impact on climate or does not fall within the other categories.

FINANCE

OTHER

LABOUR

D&I, conditions, rights of association

GOVERNANCE

ethics, anti-bribery and corruption

WHY IS CLASSIFICATION IMPORTANT?

As companies and businesses across all sectors develop and implement their net zero strategies, this will drive changes across value chains and affect how markets operate, nationally and internationally. It is crucial that our businesses respond to the risks and opportunities presented during the transition both for ourselves and our clients. Further, as the expectations of clients, suppliers, regulators and wider stakeholders increase, so will the disclosure and reporting requirements for our businesses.

The tool, and data collected by firms through using it, can be used for a variety of purposes, including:

1. To manage climate-related risk – The tool provides a methodology and starting point for understanding material risks within a firm's portfolio of matters and clients in relation to the global climate transition. As we move towards Paris Agreement goals including significant emissions reductions by 2030 and net zero by 2050, certain sectors and companies will be impacted negatively by the global climate transition. This could be because their products or services are no longer relevant or needed, or they have not transitioned their businesses effectively and consequently move into decline, or due to shocks arising through the impacts of climate and biodiversity breakdown. Understanding these issues, and mapping matters and clients with respect to these, will be a key aspect of managing climate-related risk in firms' own climate transitions. The tool can be integrated into a firm's climate-related and broader risk management procedures.

2. To identify opportunities – The tool will assist our businesses to understand and identify growing and changing areas of our portfolios of matters and clients as economies transition to net zero locally, nationally and globally. It is likely that firms' portfolios are already changing as we identify growth and sector opportunities in our strategic plans. The tool will help us understand how successful these strategies are as we implement them. Identifying and analysing trends, anomalies, and gaps in the data collected can inform strategic decision-making going forward. Using the tool may also enable firms to build relationships with clients who are committed to net zero, interested in the transition-enabling work the firm is doing, and doing due diligence on their supply chain including their law firm as a supplier of legal services to them.

3. To increase engagement with stakeholders and manage stakeholder expectations – The tool may be used to increase engagement with a range of internal and external stakeholders including existing and potential clients, suppliers, investors, and employees. Increasingly businesses are being expected and required to demonstrate to internal and external stakeholders how they are managing and contributing to the global climate transition. The tool will help firms demonstrate to their stakeholders how they are transitioning and pivoting their businesses for a low-carbon future. This could help firms attract and retain employees, as well as respond to stakeholder requests for information, build stakeholder relationships, and manage stakeholder expectations.

4. To manage climate-related reporting, disclosures, and due diligence in response to regulations – Increasingly, our businesses will be in scope of mandatory climate-related disclosures reporting, and due diligence requirements - for example, aligned with the TCFD[1] framework, the international standards IFRS 1 & 2, and/or emerging requirements in Europe and UK including CSRD/ESRS[2], CSDDD[3] and the UK SDR/SDS[4]. The tool will help firms to gather data for the purpose of compliance with such regulations and standards.

5. To set KPIs and targets and track progress in relation to these – Revenues generated from matters categorised according to each Climate Impact box 1–5 may be determined, baselined, tracked, and reported on annually over time to show progress towards pre-determined targets. Once firms have established their baseline, for example, by looking at the amount of revenues generated from matters attributed to each Climate Impact box 1–5 during a specified period, they may consider establishing target(s) to work towards in line with their climate-related strategy and transition plan and then report on their progress towards that target(s). Suggested Key Performance Indicators (KPIs) include proportions of 'Aligning Advisory' and 'Transition Advisory' to 'Total Advisory', increasing in line with the firm's commitments and targets. We note the Race to Zero report entitled '*Catalysing Climate Action, the role of service providers in realising a net zero future*'[5] dated September 2024 and consider that this classification tool is a first step in implementing point 5 of the 'Action areas', i.e. 'measurement of impact' (see the diagram on page 20 of that report).

6. To align with firms' climate-related commitments, targets, and climate transition plans and manage greenwashing risk – Applying the tool provides an opportunity for firms to assess whether their advisory services to clients are aligned with their climate-related commitments, targets, and climate transition plans, on an ongoing basis. This also helps firms to manage any potential greenwashing risk in relation to published statements as to their climate-related commitments and targets.

[1] Taskforce for Climate-related Financial Disclosures

[2] The Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards

[3] The Corporate Sustainability Due Diligence Directive

[4] The Sustainable Disclosure Requirements / Sustainable Disclosure Standards

[5] https://netzeroclimate.org/publications/catalysing-climate-action-the-role-of-professional-service-providers-in-realizing-a-net-zero-future/

Objectives in developing the tool

We believe matters can be classified according to their contribution to the global climate transition, and we have sought to balance the following objectives in developing a classification tool:

1. Credible, yet not requiring excessive time or resources for firms to apply.

2. Capable of consistent application within firms and across the profession.

3. Focusing on climate initially, but scalable to other topics in the future such as biodiversity and social impact.

4. Stable over time to allow trend analysis (e.g. transition-related income).

5. Aligned with, and complementary to, other initiatives for the legal sector to accelerate climate-related action and accountability and manage climate impact.

CASE STUDY - ALIGNING

Client type
Commercial

Brief description of the matter
Environmental impact assessment

Climate impact
Aligning

Reasons for climate impact
The client has a published science based net zero target, and a published Climate Transition Plan dated within the past 18 months.

Committed to SBTi and has set targets.

Additional tags:

- **Advice type**
Transaction – Real Estate

We believe that this Matter Classification Tool is complementary to other initiatives, including:

- The Law Society of England and Wales Climate Change Resolution '*Creating a climate-conscious approach to legal practice*'[6] dated October 2021, notably 3 (b) (approaching any matter arising in the course of legal practice with regard to the likely impact of that matter upon the climate crisis) and 4 (b) (adopting practical measures to reduce the environmental impact of their business and policies which mitigate their contribution to the climate crisis through the provision of legal services)
- The Race to Zero report entitled '*Catalysing Climate Action, the role of service providers in realising a net zero future*' dated September 2024[7]; we consider that this classification tool is a first step in implementing the continuous improvement cycle (see the diagram on page 20 of that report) as the five action areas identified there overlap with the six purposes behind the tool identified previously
- The Professional Services Matrix developed by the Exponential Roadmap Initiative[8]

[6] https://www.lawsociety.org.uk/topics/climate-change/creating-a-climate-conscious-approach-to-legal-practice

[7] https://netzeroclimate.org/publications/catalysing-climate-action-the-role-of-professional-service-providers-in-realizing-a-net-zero-future/

[8] https://exponentialroadmap.org/professional-services-matrix/

CASE STUDY - TRANSITION

Client type
Corporate

Brief description of the matter
Purchase and financing of a 'green' hospitality business

Climate impact
Transition

Reasons for climate impact
The target business in the matter is a holder of Green Tourism accreditations across its portfolio of hotels.

The client does not have a published science based target which has been externally validated by the SBTi.

Additional tags:

- **Advice type**
  Transaction – corporate acquisition and financing
- **Client sector**
  Leisure
- **Client jurisdiction**
  UK

Overview of the Matter Classification Tool

The tool assigns each matter to one of five categories, from those with a positive climate impact to those actively enabling negative climate impacts, as follows:

- **Aligning:** where the **matter** enables the Low Carbon Transition and/or Positive Climate Action, and the **client** is Paris-aligning
- **Transition:** where the **matter** enables the Low Carbon Transition and/or Positive Climate Action, and the **client** is not Paris-aligning or it cannot be determined if it is Paris-aligning
- **Neutral (Aligning):** where the **matter** has a minimal negative impact on climate, and positive climate impact is not a primary focus of the matter, and the **client** is Paris-aligning
- **Neutral:** where the **matter** has a minimal negative impact on climate, and positive climate impact is not a primary focus of the matter, and the **client** is not Paris-aligning or it cannot be determined if it is Paris-aligning
- **Not engaged:** where the **matter** may have more than a minimal negative climate impact or does not fit into any of the other categories

KEY DEFINITIONS

*** 'Paris-aligning'** means the client is taking significant steps on an ongoing basis to align its strategies, operations, and policies with Paris Agreement climate goals as evidenced by the client having a published science based net zero target[9] which has been externally validated by the Science Based Targets Initiative (SBTi)[10]. Firms using the tool may accept an equivalent standard at their discretion if it is more appropriate for their needs; this should be kept under review.

*** 'Low Carbon Transition'** means the client organisation's transition, and/or the global economy transition, in each case towards a lower carbon economy in line with global efforts to achieve net zero by 2050 at the latest, halve greenhouse gas emissions by 2030 and limit global warming to 1.5 degrees C above pre-industrial levels with low or no overshoot.

*** 'Positive Climate Action'** means action which contributes significantly towards a positive climate outcome or impact in furtherance of Paris Agreement[11] goals on climate change mitigation, adaptation, and/or resilience.

CASE STUDY - NEUTRAL (ALIGNING)

Client type
Commercial

Brief description of the matter
Customer dispute

Climate impact
Neutral (Aligning)

Reasons for climate impact
The matter does not relate to any climate transition activity – it has minimal negative impact on climate, and positive climate impact is not a primary focus of the matter.

Client has a published science-based target which has been externally validated by the SBTi.

Additional tags:

- **Advice type**
  Litigation

[9] 'Science Based Net Zero Target' means a climate-related target set by a client organisation that aligns with the latest climate science to achieve net zero greenhouse gas (GHG) emissions by 2050. This target is based on the understanding that to limit global warming to 1.5 degrees Celsius above pre-industrial levels, as outlined in the Paris Agreement, the world must reach net zero emissions by mid-century.

[10] The SBTi has a webpage setting out the names of all companies which have externally validated science based net zero targets: https://sciencebasedtargets.org/companies-taking-action#anchor-link-test. Please check the column for 'net zero' – if there is a green year entry in that column, then the company has a published science based net zero target which has been externally validated by the SBTi.

[11] The 'Paris Agreement' means the international treaty on climate change adopted by 196 parties at the UN Climate Change Conference in Paris on 12 December 2015 (COP21), which entered into force on 4 November 2016.

ADVICE WHICH ENABLES LOW CARBON TRANSITION AND/OR POSITIVE CLIMATE ACTION

Such advice may be provided because of various types of client instructions. For example, a client may be seeking advice:

1. In relation to developing their climate-related transition plan, governance, strategy, risk and impact management, metrics, or targets (including net zero targets), or climate-related disclosures and reporting

2. As to compliance with climate-related laws or regulations, e.g., relating to requirements for climate-related governance, disclosures, reporting, due diligence, or green claims

3. As to mitigating greenwashing risk and liability in view of increasing climate-related regulations and stakeholder expectations

4. In relation to a labelled sustainability-linked contract or documentation which seeks to improve the client's or counterparty's climate-related performance or positive impact; for example, on a sustainability-linked finance matter with climate-related KPIs and targets

5 In relation to a 'use-of-proceeds' financing, where the proceeds are applied exclusively to finance or refinance an Eligible Climate Project, or a project in a climate transition financing where the proceeds are applied exclusively for a Low Carbon Transition purpose

6. On how to achieve a positive climate outcome e.g., in any dispute or litigation

7. On how to improve their climate-related performance or positive climate impact

8. Which facilitates them:

a. in the establishment, build, development, operation, maintenance, or finance of an Eligible Climate Project; or

b. in the manufacture, sale or delivery of goods for use in an Eligible Climate Project; or

c. in the obtaining or provision of services to support an Eligible Climate Project; or

d. in the acquisition or purchase of land, a business, or assets to enable, or for use in, an Eligible Climate Project

'Eligible Climate Project' means a project or activity which makes a substantive contribution towards at least one of climate change mitigation, climate change adaptation, and climate change resilience.

Eligible Climate Projects fall into several categories, which include, but are not limited to, providing and/or enabling:

1. Renewable energy (including production, transmission, appliances, and products)

2. Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances, and products)

3. Air pollution prevention and control (including reduction of air emissions, greenhouse gas control, and energy/emission-efficient waste to energy)

4. Climate-related management of living natural resources and land use (including climate-positive agriculture; fishery and aquaculture; forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes)

5. Terrestrial and aquatic biodiversity conservation (including the protection of natural carbon sinks)

6. Clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)

7. Climate change adaptation (including efforts to make infrastructure or real estate more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems)

8. Circular and regenerative economy initiatives focused on reducing the amount of natural resources consumed through the lifecycle and contributing to reduced emissions and waste generation

CASE STUDY - NEUTRAL

Client type
Commercial

Brief description of the matter
Advising on the preparatory steps for the potential sale of the client entity. Buyer TBC.

Climate impact
Neutral

Reasons for climate impact
The matter has a minimal negative impact on climate and positive climate impact is not a primary focus of the matter.

There is no record of the client in the SBTi's database.

Additional tags:

- **Advice type**
  Transaction – corporate governance

Using the Matter Classification Tool

WHEN TO USE THE TOOL

The tool can be used to classify an individual matter at matter opening or after matter opening and, if after matter opening, either whilst a matter is open, or after a matter has closed in a review or internal audit process. We recommend that firms discuss and pilot the tool within their own organisations to determine which approach works best for them strategically and operationally. Here are some points to consider:

At matter opening

- The process of classifying matters may be complementary to due diligence approaches taken by individual law firms in relation to their client onboarding, business acceptance, and matter opening
- If the tool is used at matter opening, it might be possible to integrate the tool into the firm's matter opening procedures. From an operational perspective, firms will want to consider how many matter files they open daily, the climate knowledge of their employees, and their internal matter opening processes and timelines, to determine the practicalities of such integration. Over time, the information coming out of the internal review/audit process will inform the future matter-opening process to some extent

After matter opening

- Some firms may find it more practicable to classify matters after they have been opened, either during the life of the matter or after the matter has closed during an internal review or audit process
- A key advantage of this approach is that it does not need to be integrated into existing matter-opening procedures. A potential disadvantage is that it may be more difficult to gather data from those familiar with the matter if there is a significant period of time between closure of the matter file and the review

Whether the tool is applied at or after matter opening, firms should consider who within the firm will classify the matters and collect the tagging data.

- The legal team working on the matter (and with the most knowledge of the matter) may be best placed to answer the four questions below in relation to the matter
- The firm's sustainability team (if one exists) could provide a level of consistency and accuracy in tagging given they may have an understanding as to what category a matter would fall into. They may also wish to receive the tagging data to assist in the firm's climate and sustainability reporting and due diligence of its value chain
- If the tool is used as part of the firm's climate risk management, its application should be discussed with the firm's risk team and integrated into the firm's broader risk management processes

It may be beneficial for those who will be classifying matters using the tool to receive training in relation to the climate transition, as well as in relation to the tool, to ensure a consistent approach within the firm.

HOW TO USE THE TOOL

Step 1: Select the matter to be classified.

The matter(s) to be classified could be from a particular team or client or time period or type of work. Some firms may prefer to classify all of their matters opened within a particular time period e.g. their financial year. Others may prefer to classify some of them or take a phased implementation approach classifying matters initially which are, for example, opened within specific jurisdictions or sectors (e.g. high emitting sectors). We recommend that firms discuss and pilot the tool within their own organisations to determine which approach works best for them strategically and operationally.

Step 2: Using the classification tool, consider whether your matter is Aligning, Transition, Neutral (Aligning), Neutral, or Not engaged, and apply the appropriate climate impact tag.

When considering whether the matter is aligning or otherwise, think about the downstream climate impact of the work.

Applying the tool to a matter requires considering the nature of the matter itself and, for all categories other than 'Not engaged', considering one data point in relation to the client.

Step 3 – Additional tags - optional: To enable more data collection and analysis which could assist in informing climate and sustainability strategy, risk and opportunity management, due diligence, and reporting, firms may wish to consider adding further tags (e.g. Advice Type, Client Sector, Client Jurisdiction, and ESG Issues). This could provide a more comprehensive multi-dimensional view of where (i.e., what area of practice or sector) positive climate impact is happening, and what type of ESG issues apply or are considered in the matter. It may be particularly useful from a risk management perspective to add a Client Sector tag when matters involve high-emitting sectors such as oil and gas, utilities, building materials manufacture, or agriculture, or the financing of such sectors.

Please see overleaf for the questions used to classify matters.

To classify the matter with the appropriate classification tag, we suggest asking the following four questions in order:

		LOGIC	TAG
Q1	Does or will the matter enable Low Carbon Transition and/or Positive Climate Action?	If yes, go to Q4 If no, go to Q2	
Q2	Does or will the matter have a minimal negative impact on climate, and it is correct that positive climate impact is not a primary focus of the matter?	If yes, go to Q4 If no, go to Q3	
Q3	Does or may the matter have more than a minimal negative climate impact?	If yes, tag for 'Not engaged' If no, go back to Q1!	Not engaged
Q4	Does the client have a published science based net zero target which has been externally validated by the Science Based Targets Initiative (SBTi) [or equivalent standard]	If yes, and yes to Q1, tag for Aligning	Aligning
		If no, and yes to Q1, tag for Transition	Transition
		If yes, and yes to Q2, tag for Neutral (Aligning)	Neutral (Aligning)
		If no, and yes to Q2, tag for Neutral	Neutral

Feedback and next steps

This is the first iteration of the Matter Classification Tool. It is intended that firms using the tool will report back to the Legal Charter 1.5 Working Group with suggestions for improvement, identifying any difficulties or challenges that they have encountered while using the tool.

Our intention is that we engage with users on a continuous improvement basis, to ensure the classification process is both rigorous and helpful. All pilot testing by firms of the tool and feedback will be treated in the strictest confidence.

Transformative action is an ambitious goal and the toolkit is a milestone towards that goal rather than a definitive position of itself. The Charter has made it public on the understanding that it is a contribution to the debate, and is seeking input and feedback from the wider sector to help us develop it further. We welcome feedback from legal practitioners across the profession.

Please send any feedback or suggestions for amendments to the Legal Charter 1.5 team via Director@Legalcharter1point5.com.

CASE STUDY - NOT ENGAGED

Client type
Corporate

Brief description of the matter
Advising client on planning and consenting issues for new oil and gas production facilities.

Climate impact
Not engaged

Reasons for climate impact
The matter may have more than a minimal negative climate impact.

The client is not Paris-aligning because it has no science-based net zero target validated by the SBTi.

Additional tags:

- **Advice type**
  Oil and gas

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE ALIGNING CATEGORY

The case studies in this section are anonymised examples submitted by participating firms.

1.

Client type
Corporate

Brief description of the matter
Advising a corporate client as borrower in connection with a green loan where the proceeds are applied exclusively by the borrower to finance their installation of solar panels and greater energy efficiency measures.

Climate impact
Aligning

Reasons for climate impact
This matter will enable the Low Carbon Transition and Positive Climate Action.

The client has a published science based net zero target which has been externally validated by the SBTi. The client is therefore Paris-aligning.

Additional tags:

- **Advice type**
  Transaction

2.

Client type
Financial institution

Brief description of the matter
Advising a global investment company on their governance approach to climate change and broader ESG topics. Making recommendations on how to meet existing and incoming climate and sustainability related regulatory requirements. Advising on embedding climate and ESG decision-making into the governance structure to ensure the company is taking a forward-thinking approach to climate change and broader ESG considerations.

Climate impact
Aligning

Reasons for climate impact
This matter will enable the Low Carbon Transition and Positive Climate Action.

The client has a published science-based net zero target which has been externally validated by the SBTi. The client is therefore Paris-aligning, and our advice will enable it to transition more effectively.

Additional tags:

- **Advice type**
  Advisory - governance and regulatory advice
- **Client sector**
  Financial services

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE TRANSITION CATEGORY

1.

Client type
NGO/Civil society

Brief description of the matter
This is a landscape recovery project involving setting up a SPV to deliver a project to improve the river ecosystem on a waterway in southern England.

Climate impact
Transition

Reasons for climate impact
Even though the focus of the matter and client is on nature rather than climate, and there may be capital works carried out initially which will generate new emissions, the approach to the land is such that there should be net climate benefits over time.

The client has no published science-based net zero target which has been externally validated by the SBTi.

2.

Client type
Commercial

Brief description of the matter
Purchase and lease of solar panels.

Climate impact
Transition

Reasons for climate impact
This is a recently established business with little information available through online searching and no published information on targets. Client is a producer of electricity and is acquiring solar panels as part of its business.

Additional tags:

- **Advice type**
  Transaction
- **Sector**
  Energy

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE TRANSITION CATEGORY

3.

Client type
Private

Description of the matter
Refinancing of community renewable energy project

Climate impact category
Transition

Reasons for climate impact
The client exists to generate renewable energy but the matter will not mean more energy is generated – but that the client will have more funds available to support local initiatives around reducing consumption and increasing knowledge etc.

The client has no published science-based net zero target which has been externally validated by the SBTi.

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE NEUTRAL (ALIGNING) CATEGORY

1.

Client type
Commercial

Brief description of the matter
Advising client on a contract review with a supplier.

Climate impact
Neutral (Aligning)

Reasons for climate impact
Matter has minimal negative impact on climate, and positive climate impact is not a primary focus of the matter.

Client group is located on the SBTi's database of companies with published science-based targets which have been externally validated by the SBTi.

Client actively supports the national strategies for "carbon peaking" and "carbon neutrality" as well as the 1.5 degrees Celsius temperature control target set by the Paris Agreement.

Additional tags:

- **Advice type**
  Transaction

- **Sector**
  Logistics

2.

Client type
Commercial

Brief description of the matter
Acquisition of a company.

Climate impact
Neutral (Aligning)

Reasons for climate impact
Matter relates to growth through an acquisition. Matter has minimal negative impact on climate, and positive climate impact is not a primary focus of the matter.

Client has a published science based net zero target which has been externally validated by the SBTi.

Additional tags:

- **Advice type**
  Transaction

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE NEUTRAL (ALIGNING) CATEGORY

3.

Client type
Commercial

Brief description of the matter
Advising on on-going diverted profits tax disputes with HMRC, and related transfer pricing disputes.

Climate impact
Neutral (Aligning)

Reasons for climate impact
Matter is not considered to have more than a minimal negative climate impact.

Client has a published science based net zero target which has been externally validated by the SBTi.

Additional tags:

- **Advice type**
  Tax Litigation

4.

Client type
Commercial

Brief description of the matter
Advising the client on its defence against a patent infringement claim.

Climate impact
Neutral (Aligning)

Reasons for climate impact
Matter has minimal negative impact on climate, and positive climate impact is not a primary focus of the matter.

Client has a published science based net zero target, which has been externally validated by the SBTi.

Additional tags:

- **Advice type**
  IP Litigation

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE NEUTRAL (ALIGNING) CATEGORY

5.

Client type
Non-Governmental Organisation (NGO)

Brief description of the matter
Defending a class action brought by individuals against an international NGO for alleged loss and damage.

Climate impact
Neutral (Aligning)

Reasons for climate impact
Climate is not a primary focus of the matter, and the outcome is unlikely to have a material impact on climate either way.

The client is Paris-aligning. It has a published science-based net zero target which has been externally validated by the SBTi.

Additional tags:

- **Advice type**
  Litigation – class action

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE NEUTRAL CATEGORY

1.

Client type
Commercial

Brief description of the matter
Representing a client in court proceedings as to whether significant minimum royalties were owed to it by the licensee under a trademark licence agreement.

Climate impact
Neutral

Reasons for climate impact
Matter has minimal negative impact on climate, and positive climate impact is not a primary focus of the matter.

Although the client has committed to net-zero greenhouse gas emissions by 2050, it does not have a published science based net zero target which has been externally validated by the SBTi.

Additional tags:

- **Advice type**
  IP litigation

2.

Client type
Commercial

Brief description of the matter
ICSID arbitration on behalf of an international investor against a country for alleged expropriation of a mine.

Climate impact
Neutral

Reasons for climate impact
Positive climate impact is not the primary focus of this matter, nor can it be determined whether the client is Paris-aligning. The matter has a minimal negative impact.

The subject matter of the claim is a mine, and it must be assumed that the mining activity would have negative climate impacts (subject to those being offset).

The claim itself is likely to be climate neutral because it relates to the ownership of the mine, not the mine itself. The potential implications of a change of ownership on mining and its consequent climate emissions is too remote to assess.

Additional tags:

- **Advice type**
  International arbitration

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE NEUTRAL CATEGORY

3.

Client type
Private

Brief description of the matter
Defending a claim for unlawful means conspiracy and subsequent permissions to appeal.

Climate impact
Neutral

Reasons for climate impact
Positive climate impact is not the primary focus of this matter, and the outcome is unlikely to have a material impact on climate either way.

It cannot be determined whether the client is Paris-aligning.

Additional tags:

- **Advice type**
  Private commercial litigation

4.

Client type
NGO / Civil society

Brief description of the matter
Advising a client in a sector addressing social issues. None have a primary focus on climate issues.

Climate impact
Neutral

Reasons for climate impact

No direct or indirect impact on emissions.

Case studies

EXAMPLES OF MATTERS THAT FALL WITHIN THE NOT ENGAGED CATEGORY

1.

Client type
Commercial

Brief description of the matter
Property developer - advice on property acquisition and lease.

Climate impact
Not engaged

Reasons for climate impact
In the establishment (build, development, operation, maintenance, finance, manufacture, sale, provision, acquisition, provision of services) of a project which significantly contributes to environmental harm and increases greenhouse gas emissions i.e. fossil fuel, deforestation, high emission industrial, non renewable energy projects.

More than a minimal negative climate impact.

The client is not Paris-aligning.

2.

Client type
Corporate

Brief description of the matter
Advising client on planning and consenting issues for new oil and gas production facilities.

Climate impact
Not engaged

Reasons for climate impact
The matter may have more than a minimal negative climate impact.

The client is not Paris-aligning because it has no science-based net zero target validated by the SBTi.

Additional tags:

- **Advice type**
  Oil and gas

Frequently Asked Questions

Q: When classifying using the tool, many of our matters fall into a Neutral category – does this seem correct?

A: Yes, we anticipate that some firms will have a large number of 'Neutral' matters which have a minimal negative impact on climate and where positive climate impact is not a primary focus of the matter. For example, many employment, tax, and litigation matters may have no climate change issues. There are also more companies that are not Paris-aligning than those who are, although there is an increasing number of companies that are publishing science based net zero targets which have been externally validated by the SBTi. In setting up their classification system, firms may wish to select 'Neutral' as their default position if the majority of their matters are likely to fall into that category, with the option to select another category upon classification of specific matters.

Q: Is it possible for small and medium sized commercial clients to set science based net zero targets which have been externally validated by the SBTi?

A: Yes, this is possible. In addition to the usual corporate route, the SBTi have an SME validation route - see https://sbtiservices.com/services/sme - note however there are eligibility criteria for this route to be used which must be met; these include that the SME is not in the Financial Institutions and Oil & Gas Sectors.

Q: The client on my matter has a published science based target/commitment on the SBTi's website, but this is a near term/long term target/commitment to set a science-based target in the next 24 months – does this mean the client is 'Paris-aligning'?

A: No, in this case, the client is not 'Paris-aligning' because it does not have a published science based net zero target which has been externally validated by the SBTi. The SBTi's webpage sets out the names of all companies which have externally validated science based net zero targets: https://sciencebasedtargets.org/companies-taking-action#anchor-link-test. Please check the column for 'net zero' – if there is a green year entry in that column, then the company has a published science based net zero target which has been externally validated by the SBTi.

Q: Our matter is for a subsidiary of a corporate client group – in determining if the client is 'Paris-aligning', do we consider the subsidiary or the parent?

A: SBTi recommends that targets are set at parent or group not subsidiary level, and parent companies must include the emissions of all subsidiaries in their target submission. So please ascertain the name of the parent and look for the SBTi net zero target at that level.

Q: If conducting classification review after matter opening, for example during an internal audit process, do you consider whether the client was Paris-aligning at the time of the matter or at the time of the review?

A: It may be difficult in this situation to determine whether the client was Paris-aligning at the time of the matter, however assuming the review is within 12 months of the matter, it should be acceptable to determine this at the time of the review.

Key elements of a science-based net zero target

In order for a client to be 'Paris-aligning' for the purposes of this classification tool, we have suggested that the client should have a published science-based net zero target which has been externally validated by the SBTi.

Key elements of a science-based net zero target include the following:

1. Alignment with Climate Science: The target is grounded in the latest scientific understanding of what is necessary to limit global warming to 1.5 degrees Celsius. This often involves using scenarios and models developed by organisations like the Intergovernmental Panel on Climate Change (IPCC).

2. Comprehensive Emissions Coverage: The target covers all scopes of greenhouse gas (GHG) emissions:

a. Scope 1: Direct emissions from owned or controlled sources.

b. Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the reporting entity.

c. Scope 3: All other indirect emissions that occur in an entity's value chain.

3. Absolute Emission Reductions: The target focuses on achieving absolute reductions in GHG emissions, not just reductions in emission intensity (emissions per unit of output).

4. Reduction and Neutralisation: The approach prioritises actual emission reductions and, as a last resort, the neutralisation of any residual emissions that cannot be eliminated through strategies like carbon removal or offsetting.

5. Interim Targets: Setting short- and mid-term targets (e.g., 2030 targets) to ensure progress is being made towards the long-term net zero goal. These interim targets help track progress and maintain accountability.

6. Transparency and Accountability: Entities setting these targets must commit to regular, transparent reporting and verification of their emissions and progress towards their net zero target. This often involves third-party validation and adherence to established reporting standards.

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