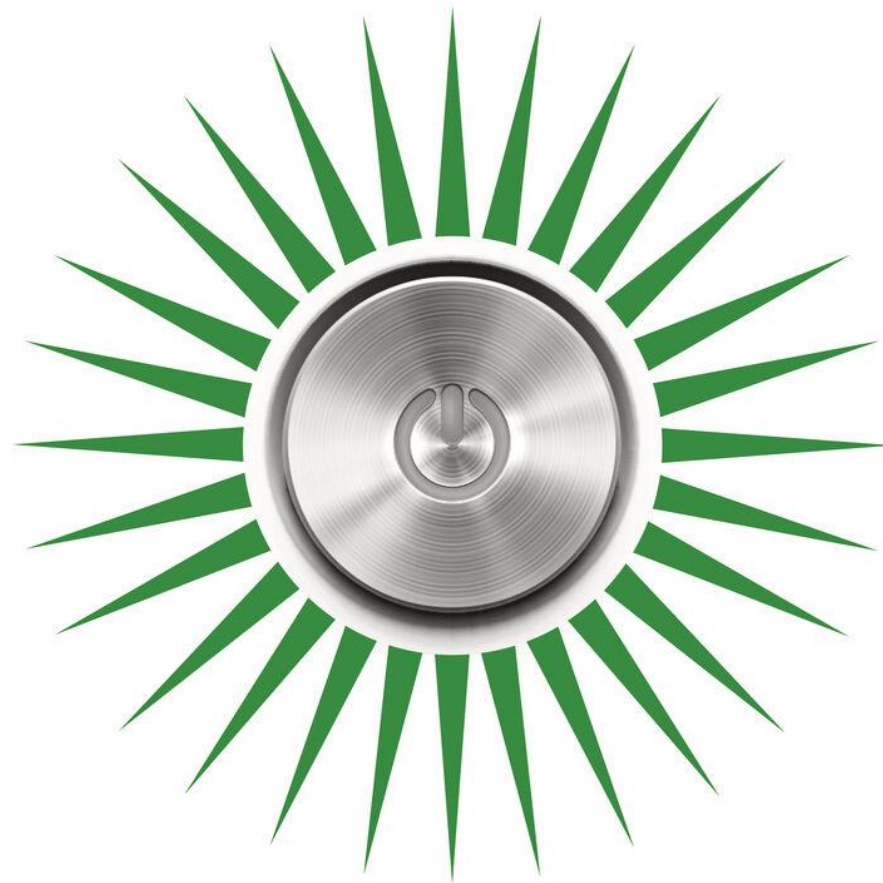


**The Companies (Strategic
Report) (Climate-related
Financial Disclosure)
Regulations 2022**





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Eversheds Sutherland (International) LLP is part of a global legal practice, operating through various separate and distinct legal entities, under Eversheds Sutherland. For a full description of the structure and a list of offices, please visit www.eversheds-sutherland.com.





Introduction

The following report, which Eversheds Sutherland (International) LLP believes is consistent with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 recommendations and recommended disclosures, details the risks and opportunities arising from climate change and the potential impact on the firm and its operations¹. We will outline the actions we are taking to mitigate these risks as well as outlining the opportunities associated with the transition to a low carbon economy.

Our commitment to change:

The firm has set near-term targets as approved by the Science Based Targets initiative ('SBTi') and commits to reducing its Scope 1 and 2 emissions by 80% and Scope 3 emissions by 50% by 2030 (from a 2018/2019 baseline) across all Eversheds Sutherland International ('ESI') offices. This is an accelerated target that was approved in 2024. In addition, the firm will be net zero by no later than 2050.

The organisational boundary covered in this report refers to Eversheds Sutherland (International) LLP offices only.

¹

This report is in accordance with the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022 amend parts 5 and 5A of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.





Governance

The governance structure of Eversheds Sutherland (International) LLP consists of a number of formal bodies, the most salient of which for this report's purposes are the:

- International Board
- Executive
- International Leadership Team
- Risk Committee

The International Board is the senior governance body of the firm. Its role is to act as a supervisory body with responsibility for overseeing and reviewing the firm's business and activities. The Board is currently chaired by Partner Kathryn Roberts who was elected to the role for a term of four years in September 2022. The Board meets bi-monthly. The appointment of a Board member who will have specific oversight of climate-related risks and opportunities in the future is currently under consideration. Responsibilities will potentially include reviewing the risk register and setting the risk appetite for making decisions on actions and mitigations of climate risk as well as reviewing climate related financial planning. It is anticipated the Board will then review climate risks and opportunities on a quarterly basis and the topic will be a specific discussion point on the meeting agenda.

The Executive is the firm's senior managerial body and is responsible for developing and implementing the firm's strategy as well as for ensuring its sound financial and commercial operation, including the oversight and management of climate change related risks and opportunities. The Executive is led by Chief Executive Lee Ranson, who was elected for a second term of four years in May 2021. The Executive meets monthly and climate risks and opportunities are discussed on an adhoc basis. We anticipate this being a more regular agenda item in the future.

Supporting the Executive to deliver the firm's strategy is the International Leadership Team ('ILT') which consists of the Executive plus our Practice Group Heads, Regional Managing Partners for Asia, Middle East and Europe, Senior Office Partners for France and Germany, General Counsel and Chief Governance Officer and the Chief Strategy and Communications Officer. Reporting to the Chief Executive, the Chief Strategy Officer leads the firm's environmental sustainability strategy, supported by the environmental sustainability team and a wider responsible business team. The ILT meets monthly and climate risks and opportunities are discussed on an adhoc basis. We anticipate this being a more regular agenda item in the future.



The Risk Committee supports the Executive and the Board by reviewing and assisting with the management of the firm's key risks. Key risks are defined as those risks scored as 'critical' on the firm's risk registers. The Risk Committee is led by the firm's General Counsel and Chief Governance Officer and consists of a number of senior executives including the Chair of the Board, the Managing Partner, the Chief Financial Officer, the Chief People Officer and the Chief Strategy Officer. The Risk Committee meets quarterly and climate risks and opportunities fall to be discussed as part of the firm's Strategic Risks.

Together, these bodies are responsible for reviewing progress against the firm's SBTi approved decarbonisation targets and how this affects the firm's long-term business model, considering the impact of climate-related matters on strategy and actions for the mitigation of climate risks, adhering to mandatory reporting and compliance, maintaining the risk register and delivery of the sustainability strategy across all Eversheds Sutherland (International) LLP ('ESI') offices.

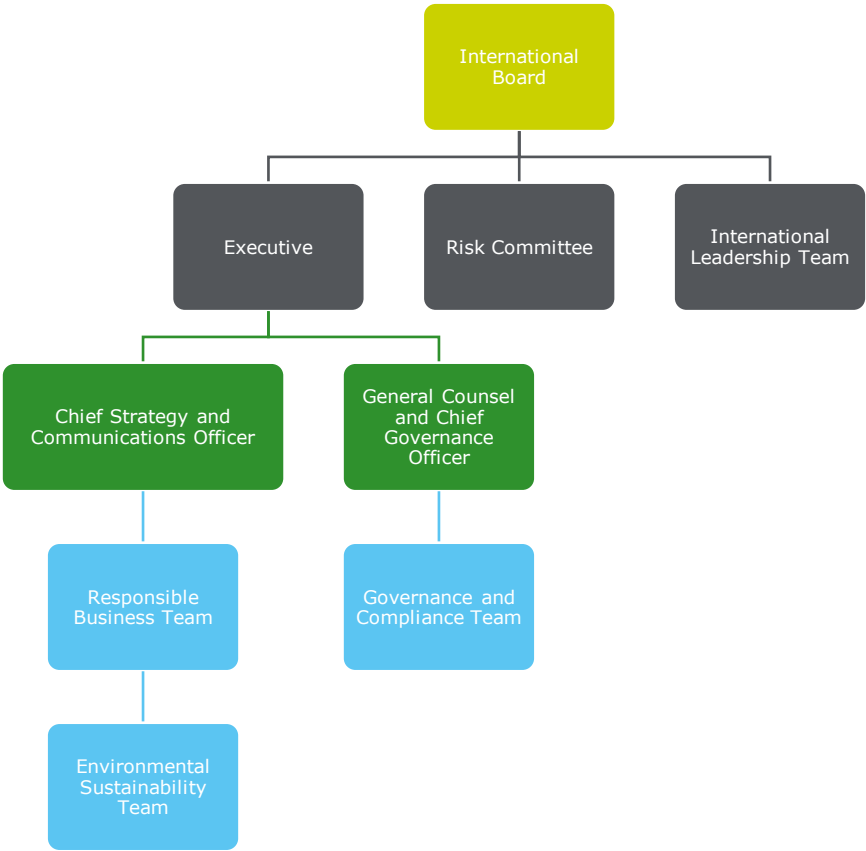


Figure 1: Environmental sustainability governance structure



Risk management

Climate change is a serious risk to Eversheds Sutherland and has the potential to impact business operations in the near, medium and long term. Eversheds Sutherland is in the early stages of integrating consideration for climate risks and opportunities into its processes and procedures.

A qualitative materiality assessment and climate scenario analysis has been undertaken with guidance from external consultants, from which quantitative information can then be included moving forwards. Climate-related risks and opportunities are currently reviewed by the CEO, however in the future the Board will assess these, with guidance from a Steering Group. Risks and opportunities are currently considered at a group level for Eversheds Sutherland (International) LLP within the firm's Enterprise Risk Management ('ERM') system. Immediate assessment of a risk is completed at Practice Group or International Operations Function level where it is identified and put on their risk register. Anything identified as "critical" on the matrix will get escalated to the Risk Committee for review (there is guidance in the framework document as to how scores are applied). Risk registers include a requirement to set out (i) what mitigation is currently in place, (ii) how successful this is currently at managing the risk, (iii) what additional steps should be taken to further mitigate the risk; and (iii) how the team is progressing against the agreed actions. The Risk Committee will review this document and either be satisfied the matter is in hand or decide to provide additional support, be that financial or otherwise.

In addition, as part of the firm's ERM system, the firm's key "strategic" risks have recently been reviewed and updated. The impact of climate change, including climate-related risks and opportunities, fall to be assessed as part of those Strategic Risks. A "Strategic Risk Lead" has been appointed for each Strategic Risk who will produce a quarterly report highlighting major risks, horizon scanning and making recommendations for the firm. The report is sent to the Risk Committee which meets every quarter to

review information and create action plans. We monitor risks and conduct horizon scanning on an ongoing basis to ensure we consider all risks, whether short-term, mid-term or longer term. We do not expressly define the concepts of "short", "medium" and "long" term horizons, however, we looked at short, medium, and long-term horizons of 2023-2040, 2041-2060, 2061-2100 under both low and high carbon scenarios as part of the Climate Scenario Analysis. These time horizons were selected as to challenge traditional thinking and consider:

- The lifetime of Eversheds Sutherland's assets
- The lifetime of the products Eversheds Sutherland produces
- Compatibility with Eversheds Sutherland's capital planning and investment horizons
- Alignment with national and international climate policies

The lengths were selected as to be aligned with sector recommendations² and best practice.

Our risk impact assessments consider risks (including risks related to climate) by reference to a risk matrix, which considers the probability of a risk arising (highly unlikely to almost certain) against its impact (negligible to severe). This risk matrix will be used to identify and assess climate-related risks.

² Aligned to CFD recommendations as was brought to the firm's attention by an external consultant.



Risk identification

Risk score matrix

This matrix applies to offices which are part of Eversheds Sutherland (International) LLP. Two main components of risk:

- **Probability:** The possibility that a given event will occur in Eversheds Sutherland locations
- **Impact:** The extent to which a given event might affect Eversheds Sutherland. Depends on how prepared the firm is to respond to climate events and drivers.

The materiality of a risk is calculated by multiplying the likelihood/probability against the impact. For example, if we were to look at the volatility of energy prices, we might say the probability/likelihood is **3**, meaning it is possible that the vulnerabilities will be exploited as some protection is in place and the level of impact is also **3**, predicting a financial loss of somewhere between £100k-£250k, the materiality would therefore be **9** and on the risk score matrix below this is categorised as **medium**.

Impact → Probability ↓	Material risks				
	Negligible (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)
Almost certain to occur in most circumstances (5)	Low (5)	Medium (10)	High (15)	Critical (20)	Critical (25)
Likely to occur frequently (4)	Low (4)	Medium (8)	High (12)	Critical (16)	Critical (20)
Possible it will occur at some time (3)	Very low (3)	Low (6)	Medium (9)	High (12)	High (15)
Unlikely to occur, though outside possibility (2)	Very low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
Highly unlikely to occur except in exceptional circumstances	Very low (1)	Very low (2)	Very low (3)	Low (4)	Low (5)

Figure 2: Risk Matrix



Climate scenario analysis

As a law firm, the operational Greenhouse Gas ('GHG') emissions result primarily from energy usage, business travel and purchased goods and services. As a relatively new area of focus, the firm completed a Climate Scenario Analysis ('CSA') for its initial FY23 Climate-related Financial Disclosure ('CFD') report, with the help of an external consultancy, to test the resilience of the firm's current strategy, to identify areas of focus and to understand the potential financial impacts of climate change. The scenario analysis was conducted by using certain agreed assumptions and estimates about the firm's operations including expected increase of full time employees, new offices being introduced into different geographic locations, continued revenue growth, legal services being offered; as well as assessing broader government policy assumptions such as carbon price, travel bans, or the deployment of renewable energies.

This year, the firm is updating the original report.

The problem definition of the CSA workshop was:

"How could climate-related risks and opportunities plausibly affect our firm short, medium and long term?"

Stakeholders were asked to consider the following points:

- Are there specific business units/countries that are more critical (e.g. by revenue, or FTE, or by practice, warmer areas)?
- Should this scenario analysis focus only on direct operations or are there areas of Eversheds Sutherland value chain to consider?
- How mature is Eversheds Sutherland's engagement with suppliers?
- Does Eversheds Sutherland rely on critical suppliers?
- Is there a targeted growth of ESG services planned in Eversheds Sutherland's strategy?

It is best practice for businesses to consider at least two warming scenarios (scenarios are descriptions of hypothetical, plausible futures. They are not forecasts):

- A 1.5°C scenario to expose **transition** risks and opportunities
- A 4°C scenario to **expose** physical risks

Risk and opportunities originate from climate drivers which can be either a change in physical climate conditions or climate-related landscape.

Transition risks:

In this report, reference to a transition risk or opportunity means a legal, reputational, market or technological change associated with climate change. Transition risk scenarios are less defined and subject to different considerations and assumptions. For transition risk, a wide number of sources were analysed (analysis of various models supported by review of climate science research outputs) within each scenario, representing different understandings of how these scenarios might materialise. Two scenarios have been applied to understand the range of transition risks that could arise depending on whether the *business as usual* or a specific *sustainability pathway* is followed, i.e. a low and a high carbon world.



Below is a list of the transition scenarios that have been reviewed³:

- The IEA World Energy Outlook 2020 Model includes the following scenarios, covering estimated temperature rises of 1.5°C - 3.3°C with a large focus on the Energy Sector.
- The Network for Greening the Financial Sector ('NGFS') Model covers the following scenarios covering estimated temperature rises of 1.5°C - 3.3°C with a focus on a variety of sectors including energy, land cover, agriculture, economic and technological indicators:
 - Net Zero 2050
 - Below 2°C
 - Divergent net zero
 - Delayed transition
 - NDCs
 - Current policies

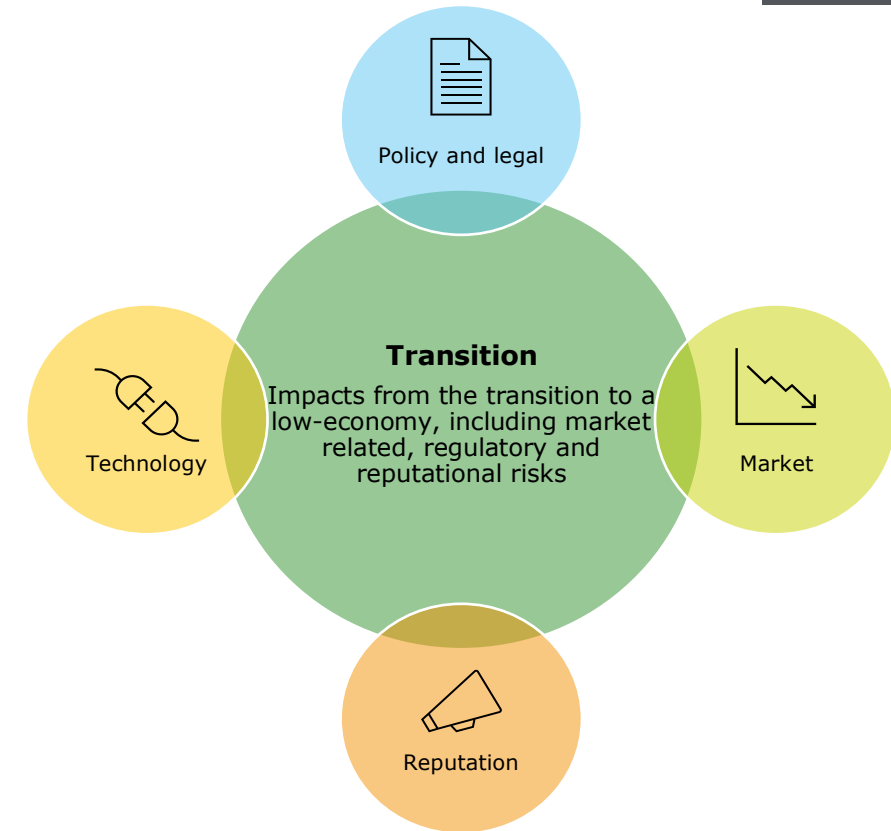


Figure 3: Climate related transition risk types

³

For transition risk a wide number of sources were analysed (analysis of various models supported by review of climate science research outputs) within each scenario representing different understanding of how these scenarios might materialise. This is required due to transition risk scenarios being less defined and subject to different considerations and assumptions. In this case it is a range of scenarios including IEA and IPCC.



Physical risks:

In this report, reference to a physical risk or opportunity means physical climate impact due to extreme weather events of sustained temperature rises, either acute or chronic, caused by shifts in climate patterns. The physical risks analysis was conducted for Eversheds Sutherland's geographical regions. For physical risks, this included Eversheds Sutherland's main UK sites and data centres. The physical risks analysis was conducted for Eversheds Sutherland's main sites. This included major sites and data centres in the UK as well as the international locations of Western Europe, Asia and the Middle East.

The **IPCC Representative Concentration Pathways** information has been used to assess exposure for Eversheds Sutherland.

Two scenarios have been applied to understand the range of physical risks that could arise depending on whether the *business as usual* or a specific *sustainability pathway* is followed:

- **Low carbon** - assessed through consideration of RCP2.6 - This future poses low challenges to mitigation and low challenges to adaptation, global population peaks mid-century, emphasis on human well-being, environmentally friendly technologies and renewable energy, strong and flexible institutions on global, regional, and national level. In this scenario physical risks will be reduced but will still occur as we have already committed to a certain level of global warming.
- **High carbon** - RCP8.5 - Fossil-fuelled development - This future poses high challenges to mitigation and low challenges to adaptation, global population peaks mid-century, emphasis on economic growth and technological progress, global adoption of resource and energy intensive lifestyles and a lack of environmental awareness. Exposure to physical risks is, in most cases, considerably higher for the high emission scenario (RCP8.5).

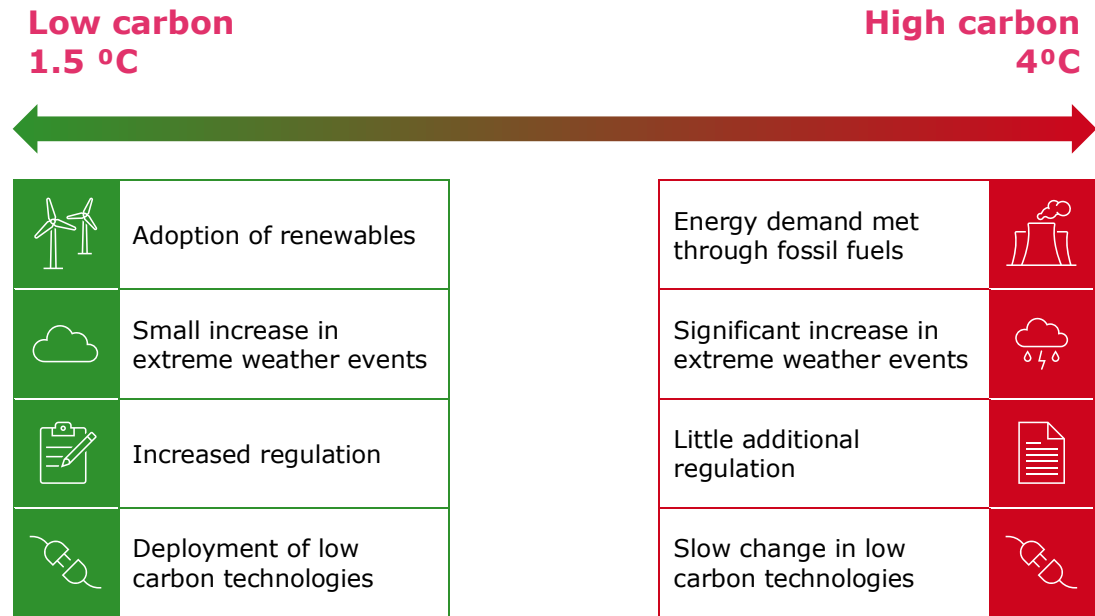


Figure 4: Conditions needed for low and high carbon scenarios under IPCC RCP 2.6 and 8.5



Key:

	Low
	Medium
	High

⁵ The term Time Horizon is when the firm anticipates the risk to occur or the period it was assessed for.



Risk	Probability	Business impact	Relevant scenario	Acute or chronic	Business response ⁶
Reputation	In a low carbon scenario, companies that fail to take any substantial climate action may suffer from negative reputation as climate awareness grows amongst clients and stakeholders. Eversheds Sutherland have a reputational risk of not meeting their climate targets or not being ambitious or proactive enough in mitigating climate change. Eversheds Sutherland also work with clients in the oil and gas sector which could increase scrutiny regarding affiliation with high emitting industries and lead to accusations of greenwashing.	Reputational damage: as stakeholders and public expectations look to transition permanently away from fossil fuels, Eversheds Sutherland will be expected to justify how they work with clients in this sector. Decreased revenue: New or existing clients may move away due to Eversheds Sutherland's involvement with oil and gas clients. Additionally, if the firm does not meet its carbon reduction targets, there is a risk that clients and new talent may be deterred and this could lead to potential reductions in revenue. This is of high importance as clients are the main revenue for the business. Attracting and retaining talent is critical to the provision of high quality legal services and failure to engage with new generations of fee earners will likely have a significant financial impact on the business.	Low	N/A	The firm has set SBTs to ensure we align to 1.5oC warming. We have KPIs which will be reviewed annually to ensure we are on track to reach our 2030 targets. A roadmap is being produced to prioritise actions in reducing carbon emissions. The internal recruitment team monitors retention rates and reviews external trends.

⁶ The firm aims to provide more detailed information on quantification and clear actions in the future, including policies, processes and allocation of financial resources.



Risk	Probability	Business impact	Relevant scenario	Acute or chronic	Business response ⁶
Tighter climate regulations	In a low carbon world, climate policies are likely to tighten and nearly all sectors will be exposed to stricter environmental regulations and increased regulatory burden. Regulations could range from travel bans to fundamental business laws surrounding the environment. This has notably been seen by the major increase in climate litigation cases in the past decade.	Increased compliance costs: additional expert consultancy, increased staffing requirements, increased verification requirements. Potential risk of financial penalties for failing to comply. This has a minimal impact in the overall costs of the business. Change to operational patterns: low carbon regulation could affect travel, commuting and client engagement habits. Eversheds Sutherlands has developed strong habits of working remotely. Link to carbon intensive industry: potential impact if Eversheds Sutherland is defending high emitting clients in environmental litigation cases. This is understood in the business as an opportunity to work with high emitting clients to educate them on environmental regulations. It is important that Eversheds is in compliance with legal obligations and also aligns with the strategies of clients. We may also see an increase in client work for those requesting legal advice, so this could be important for the revenue stream of the business. Conversely, failing to develop and deliver low-carbon services could put the firm at a competitive disadvantage.	Low	N/A	The Governance and Compliance and Responsible Business teams review upcoming climate legislation on a regular basis to ensure that the firm is compliant. External consultants are used by the firm to obtain advice about emerging regulations and a timeline of response is produced. In-house lawyers complete research and set aside time to assess and learn about the changing legal landscape and feed this back to the firm. Upskilling of lawyers will be a key consideration for the future. Advised emission methodologies will be investigated in the future.



Risk	Probability	Business impact	Relevant scenario	Acute or chronic	Business response ⁶
Extreme weather events	There is a consensus in science that we will experience more frequent and severe weather events. – In all scenarios, flooding in Europe is set to increase according to the IPCC. – High speed wind is hard to project, but storms and extreme weather are expected to increase in the future. – Wildfire incidences are also likely to increase in Europe, leading to widespread energy outages and disruption due to network and infrastructure damage. Germany and the UK were impacted in 2022. – Uncertainty on if/how energy networks will be adapted o enhance their resilience.	Global supply chain can be impacted by disruptions such as: – Delay in the distribution of documents, although dependency on paper is decreasing. – Disruption to energy and comms systems. The firm has a strong international network of lawyers across all practice groups, therefore work could be transferred to another office if energy and communication systems were to be interrupted. – Increased insurance premiums on assets in “high-risk” locations, understood as a limited impact on overall operating costs. – Increased dependence on colleagues working from home. Would need to ensure technology was available and communication was uninterrupted between teams. – Safety and wellbeing of colleagues could be negatively impacted. These all affect the performance of fee earners. Reduced performance would result in reduced revenue as legal advice is the main source of revenue for the business.	High	⁷ Acute	The firm ensures all employees are able to successfully work from home. In the case of a pandemic or something similar, the Business Continuity plan is put into action. The firm’s business continuity plan is ISO22301 certified.

7

Acute physical risks occur because of changes in event-driven hazards, such as an increased severity of floods. Contrary to Chronic risks which arise because of slow incremental changes, Acute risks are more sudden and unexpected, this does not mean they cannot be low probability or impact for Eversheds Sutherland.



Risk	Probability	Business impact	Relevant scenario	Acute or chronic	Business response ⁶
Energy price volatility	The energy transition will result in a shift away from carbon intensive fuels and towards low-carbon energy sources. This transition could create potential supply challenges which could be exacerbated in a low carbon world due to the rapid transition. This may be exacerbated by the rapid movement of national grids towards low-carbon energy sources; solar and wind power may have intermittent availability. The UK has made commitments to accelerate low-carbon energy generation, with a target of 95% of low carbon electricity mix by 2030.	Increased operating costs – a direct impact for Eversheds Sutherland associated with the purchasing of energy Increased purchasing costs – an indirect impact from supplier pass-through costs e.g., pulp and paper and energy. This is also being managed as Eversheds Sutherland is decreasing the size of its offices and reviewing desk ratios in its current locations. This is of low importance to the revenue stream for Eversheds Sutherland.	High and Low	N/A	If the price of utilities increases significantly, Eversheds Sutherland believes it has the capacity to absorb the cost by considering financial forecasts. Similar to how the firm responded in 2022/2023 when utilities prices increased worldwide.
Increased average temperatures	In a high carbon scenario, temperatures could increase by 2-4°C above industrial levels. The increase in temperature will be felt most in the Middle East. IPCC states that temperature increases over 1.5 degrees will have extensive physical impacts, including sea level rise, increased risk from droughts, precipitation deficits and biodiversity loss.	Temperature increases may lead to reductions in revenue due to higher costs from negative impacts on workforce (e.g., health, safety, absenteeism), decreased production capacity and supply chain disruptions and increased operating costs for energy demand to cool down offices. Clients struggling to operate as normal may reduce spend on legal costs which could directly impact the revenue stream for Eversheds Sutherland. Increased probability and frequency of heatwaves in UK and Middle East will cause work from home struggles for employees without appropriate air conditioning units.	High	Chronic	Eversheds Sutherland has a strong network of offices on an International scale so client work could be transferred between office teams if required.

We will monitor the evolution of these risks to ensure their potential impact on the firm's strategy is considered. Each of the above listed risks has the potential to impact every office and every business operation, ranging from fee earning to building management decisions.



Seven climate-related opportunities have been identified as part of the climate scenario analysis ('CSA'):

Opportunity identifier	Opportunity name	Most relevant scenario	Probability	Level of impact	Materiality	Materiality
01	Transition to more resource efficient working styles and low-carbon technologies	Low carbon	4	2	8	Medium
02	Environmental regulations	Low carbon	3	4	12	High
03	Improved reputation from client action	Low carbon	3	3	9	Medium
04	Transition to renewable energy sources	Low carbon	2	1	2	Low
05	Access to sustainability linked investment	Low carbon	2	2	4	Low
06	Reduction in damage and disruption caused by physical climate events as climate resilience increases	High carbon	3	1	3	Low
07	Reduction in insurance cost as climate resilience increases	High carbon	3	1	3	Low

These opportunities will be considered in future strategy and financial planning, with the top three being prioritised in the first instance. A list of actions has been drafted for each opportunity and investigated as part of the Environmental Sustainability Project Management Plan. Research gathered will be placed into business cases and these will be shared with the Chief Strategy and Communications Officer and escalated as required.



The following three opportunities have been identified as being material.

Opportunity	Materiality	Relevant scenario	Impact	Business response
Increased availability of low-carbon technologies	Medium (8) Probability: 4 Impact: 2	Low carbon 1.5°C – all timescales	Technological advances have and will be an opportunity for the firm to reduce its emissions in many areas of the business. — The grid decarbonising has allowed the business to procure renewable energy in the majority of its jurisdictions. The energy transition away from gas to electricity — The implementation of DocuSign has reduced the amount of paper needed for the business. — Without technology the circular economy would not be feasible; Eversheds Sutherland procures recyclable and recycled stationery products where possible. — The electric vehicle salary sacrifice scheme can help to reduce commuting related emissions. — The use of video conferencing through Microsoft Teams has reduced the need for business travel for meetings and hearings. — Artificial Intelligence ('AI') and emissions tracking platforms will help the firm analyse data, and track and reduce emissions. — Exchange Online allows for improved digital file management for all Practice Groups, reducing reliance on printed documents.	Eversheds Sutherland actively monitors emerging trends through horizon scanning to strategically incorporate relevant low-carbon technologies. The firm will investigate new opportunities such as virtual power purchase agreements and securing sustainable energy for its offices. We will also be looking to take advantage of low carbon technologies to better support the carbon reduction ambitions of clients as our services contribute to their supply chain. The Property and Projects team will be investigating the availability of low-carbon technologies for new offices and the Sustainability Team will be leading research on the possibility of working with external companies to utilise carbon capture equipment. The firm will also be further developing its generative AI strategy to take advantage of technical opportunities.



Opportunity	Materiality	Relevant scenario	Impact	Business response
Increased environmental regulation	High (12) Probability: 3 Impact: 4	Low carbon 1.5°C – all timescales	Growth in climate related regulations as the UK moves towards a Net Zero target by 2050 means that more and more companies will need legal advice to navigate the legal requirements around decarbonisation. Eversheds Sutherland has the opportunity to bring expertise in climate regulations to the legal environment and position the firm as leaders in climate laws. Client demand for climate related work is likely to increase as regulations become more stringent. The firm has the opportunity to gain a wider client base and increase revenue through potential new environmental litigation service offerings. Consequently, we may receive reputational benefits and opportunities.	The firm is expanding its ESG portfolio to address both current and future client needs. The firm will continue to support clients in adhering to climate law regulations and will take advantage of any increased or new revenue streams. In addition, the Environmental Sustainability Team will start working more closely with the in-house legal team as part of a wider working group to ensure consistency. In line with resource demand, the firm will look to upskill colleagues across all Product Groups, enhancing capacity building and training of lawyers.
Improved reputation from climate action	Medium (9) Probability: 3 Impact: 3	Low carbon 1.5oC – all timescales	In the future, both clients and potential new talent will be concerned with being associated with any business that is not doing its part on climate action. As clients look to reduce their own footprints, they will be looking to engage with companies that are taking significant action. Those who have taken substantial action will be rewarded through maintaining a reputable brand and larger customer base. By taking substantial climate action, Eversheds Sutherland will maintain a great reputation among key stakeholders, resulting in increased revenue and client work. Pioneering climate action could lead to the attraction of new talent where the firm aligns with their values of climate action.	The firm will continue to work towards its Science Based Targets and raise the profile of Environmental Sustainability within the firm. The firm will consistently report publicly on progress against carbon reduction targets and improve scoring related to disclosures and submissions to give stakeholders confidence in the firm's ability to mitigate risks. The firm will accelerate carbon reduction targets and continually look to partner with innovative charities to reduce its impact on the environment. This approach will attract and retain new talent.



Metrics and targets

Carbon footprint

The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard ('GHG Protocol') is used to calculate the firm's carbon emissions. For reporting and accounting purposes we categorise emissions into 'Scopes', commonly separated as Scope 1, Scope 2 and Scope 3 emissions. Categories considered material to Eversheds Sutherland's operations are listed below:

Scope	Category
1	Mobile combustion
	Fugitive emissions
	Stationary combustion
2	Purchased electricity
3	Purchased goods and services
	Capital goods
	FERA
	Upstream transportation and distribution
	Waste
	Business travel
	Employee commuting
	Downstream leased assets

8 Please note the firm has moved to a new carbon data accounting platform which uses different emission factors to previous years, therefore the reduction is not in line with the baseline year. The firm will rebase in due course.

Year on year comparison of carbon emissions is detailed in the table below:

	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023 ⁸
Scope 1 tco2e	1,217	994	1,423	1,852	737
Scope 2 tco2e (location based)	4,595	3,805	2,664	2,792	2,310
Scope 3 tco2e	54,011	38,233	41,273	52,980	24,734

Consumption data is recorded and uploaded to a third party carbon accounting portal to generate equivalent carbon emissions. This data is verified by an external third party to ISO 14064 annually.



Key performance indicators ('KPIs')

We consider GHG emissions and energy consumption as a key metrics in our business operations. KPIs are used to help determine if we are on track to reach our goals by evaluating yearly progress against the same indicators. This is important to identify if the firm is increasing its resilience to climate risks and taking advantage of opportunities, such as sustainable supply chain management by making fundamental changes to business operations and reducing carbon emissions.

Metric	FY 2023	Relevant target
GHG emissions tCO2e per FTE	7.4	Carbon reduction targets for Scopes 1, 2 and 3. To reduce Scope 1 and 2 emissions by 80% by 2030 and to reduce Scope 3 emissions by 50% by 2030.
GHG emissions tCO2e per £1,000 revenue	0.04	Carbon reduction targets for Scopes 1, 2 and 3. To reduce Scope 1 and 2 emissions by 80% by 2030 and to reduce Scope 3 emissions by 50% by 2030.
Energy consumption kWh per FTE	3,565	Carbon reduction targets for Scopes 1, 2 and 3. To reduce Scope 1 and 2 emissions by 80% by 2030 and to reduce Scope 3 emissions by 50% by 2030.

The above KPIs will be updated on an annual basis until 2030 and then the methodology for reviewing progress will be amended.





Summary and next steps

Targets have been developed which align with the wider Responsible Business strategy and the following actions are currently underway:

- Continue to prepare a firmwide environmental sustainability policy annually. This will include references to commitments such as reporting requirements, the firm's net zero strategy, air pollution, biodiversity, sustainable procurement, travel and waste management
- Continue to prepare the environmental sustainability section of the Responsible Business report annually
- Continue to prepare an annual SECR submission
- Continue to update the Carbon Reduction Plan on an annual basis
- Disclose to CDP and Ecovadis on an annual basis
- Complete data verification to the ISO 14064 standard annually and calculate the firm's carbon footprint, reviewing progress against commitments to the Science Based Targets
- Review green electricity and green gas tariff options
- Perform an analysis of carbon emissions associated with the top 100 suppliers against purchased goods and services with the aim of moving to a hybrid carbon reporting method
- Contribute to membership working groups such as the Legal Sustainability Alliance and Net Zero Lawyers Alliance, keeping up to date with carbon modelling and industry updates

For professional services, office-based business, the evolving regulations landscape has become the industry norm for law firms such as Eversheds Sutherland to review their resilience against. The analysis suggests that transition risks such as changing and emerging regulations will have the most significant impact on business operations in a low carbon world. This would have a minimal impact on the current business model as teams are in place to complete mandatory reporting, and in addition the firm has in-house lawyers to advise as required. However, in a high carbon world, physical risks will pose the most severe risks to the business, exposing the firm to a greater financial impact.

Based on the work undertaken in the CSA, the current assessment is that Eversheds Sutherland's business model will continue to be reassessed to ensure the firm remains resilient to the impacts of climate change. The firm recognises that more work must be done to improve its governance and risk management practices to mitigate against physical climate risks, as identified in the CSA.

In summary, there are significant risks which must be explored in greater depth by the firm, ensuring that strategies are tested and business continuity is maintained. There is also a lot of potential to reduce the firm's impact on the planet and help to limit global warming to 1.5 degrees Celsius (in line with the Paris Agreement).

In addition, the opportunities as outlined in the report will be reviewed in order to advance the firm's understanding and to ensure the entire business is engaged in the sustainability strategy.

The report has helped to outline how sustainability can contribute to the firm's Purpose of helping our clients, our people and our communities to thrive. The firm will adhere to mandatory regulations and complete a CFD disclosure on an annual basis to address gaps in the disclosure and develop further metrics on climate related risks and opportunities.



Key performance indicators ('KPIs') will be updated annually to assess and measure progress against climate-related risks and opportunities. Eversheds Sutherland will complete a Climate Scenario Analysis on a tri-annual basis (as a minimum) and hold workshops with the Board and the risk governance teams to review progress and monitor the evolution of such risks and opportunities, before submission of the final report.

Furthermore, the anticipated increase in requests from clients asking about climate risk policies will ensure this remains at the top of the firm's agenda.

Lastly, we expect information, webinars and white papers to become more readily available as more companies complete the CFD report and we will increase our knowledge base and also score progress against peer firms.





Appendix

Impact scales:

The below table indicates how impacts are measured, dependent upon their severity across 6 sub-categories.

	Financial loss	Legal and regulatory	Press/Reputation	Systems/Cyber	Property/Facilities	Effect on people	Effect on clients
Negligible - 1	<£25K	Isolated technical breach managed internally with no obligation to report	Limited enquiries from sector or legal press but contained without publication	Unplanned outage of a business critical system for less than 10 minutes	Incident affecting a small area of the building out of hours that does not affect BAU	Minor drop in morale in one or more teams; a near miss accident; a <10% drop from current levels of unplanned absence or attrition across a PG or IO pa	Minor delay to client work product or inability to provide value-add (events, seminars, agreed client reporting) but client suffers no damage and no further consequences
Minor - 2	£25K –£100K	Reportable breach (and/or a recurring immaterial breach) but investigation/regulatory action unlikely	Limited negative sector or legal press coverage which we do not respond to; <50 mentions on social media	Unplanned outage of a business critical system for less than 30 mins	Incident affecting a small area of the building that does not affect BAU	Significant drop in morale across an isolated product group or IO team affecting ability to work effectively; a work related minor injury or illness of an individual; 10-20% unplanned absence or attrition across a PG or IO pa	Client expresses dissatisfaction, but suffers no damage and takes no further action



	Financial loss	Legal and regulatory	Press/Reputation	Systems/Cyber	Property/Facilities	Effect on people	Effect on clients
Moderate - 3	£100K – £250K	Reportable breach (and/or recurring immaterial breach) with likely investigation/remedial action required by a regulator, but the matter remains non-public	Extensive negative sector or legal press coverage for <1 day, or one-off negative national press coverage; <150 mentions on social media	Unplanned outage of a business critical system for less than 2 hours	Temporary loss of part of the building. Relocate within the building or relocate to an external site until the area is fit for use Loss of ESI specific travel booking systems Planned interruption of travel related services due to actions of a third party e.g. airline strike action Temporary/short term interruption of third party (tiers 1 and 2) services	Significant drop in moral across multiple product groups/IO teams or an entire PG; a (non-minor) work related injury or illness of an individual; 20-30% pa unplanned absence or attrition across a team; low team morale due to external political/ social/ economic situation affecting ability to work effectively; 30% increase in PHI claims for work related stress; long-term absence of a partner.	Formal complaint by or threatened loss of client and/or client may suffer limited damage as a consequence
Major - 4	£250K – £1M	Serious breach which could involve serious or public regulatory action being taken against an individual (including a referral to the SDT, fine imposed by a regulator or court, individual named by a regulator, liable to be suspended from practice, etc) and/or any public sanction imposed against the firm	Significant and sustained negative national press coverage >5 days with a likely lasting material adverse impact on the Eversheds Sutherland global brand; >500 mentions on social media which have a wider reach than the UK	Unplanned outage of a business critical system for more than 1 day	Temporary loss of whole building or permanent loss of part of the building. Relocation of all staff to another location Loss of travel providers' business-wide booking systems Unexpected or long term interruption of third party (tiers 1 and 2) services (e.g. going out of business) Regional/continental travel suspended due to an incident specific to that area e.g. weather event or security issues	Loss of a team or multiple employees due to new market entrant; potential tribunal claim against us where, if successful, damages would be in excess of £100k; utilisation levels across a team sustained at >120% for a for over six months; >30% unplanned absence or attrition across a team	Loss of a top 50 client or multiple clients across the business and/or a client may bring a significant claim against the firm for damage suffered



	Financial loss	Legal and regulatory	Press/Reputation	Systems/Cyber	Property/Facilities	Effect on people	Effect on clients
Severe - 5	>£1M	Serious breach which could involve severe regulatory action being taken against the firm (including a referral to the SDT, fine imposed by a regulator or court, conditions imposed on our practice, suspension or closure of the practice) or a criminal investigation against the firm or any individual	Significant and sustained negative broadcast press coverage >5 days with a likely lasting material adverse impact on the Eversheds Sutherland global brand	Unplanned outage of a business critical system for more than 1 week or worse (including and up to total loss of all systems, which would be "catastrophic")	Total loss of building. Relocation of whole office and either rebuild or relocate permanently to another site	Unplanned loss of >2 partners or senior members of staff; work-related death; greater than 40% unplanned absence across a team; successful tribunal case brought against us	Loss of a top 20 client or multiple large clients across the business and/or a client may bring a significant claim against the firm for damage suffered

Likelihood/probability scales:

Rating	Rating description
Highly unlikely - 1	It is improbable that the vulnerabilities will be exploited as the controls in place are considered to offer excellent protection
Unlikely - 2	It is unlikely that the vulnerabilities addressed will be exploited as the protection in place is considered to be good
Possible - 3	It is possible that the vulnerabilities will be exploited as some protection is in place
Likely - 4	It is highly possible that the vulnerabilities will be exploited. as there is little or no protection in place
Almost certain - 5	It is almost certain that the vulnerabilities will be exploited as there are no controls in place or it has happened in the past



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