

## **ESG will force law firms to make clear choices**

In my [previous contribution to mena.nl](#) I wrote that law firms - if they want to continue advising their clients at a strategic level - will have to make ESG (Environmental Sustainability, Social Responsibility, Good Governance) an integral part of their strategy and organization in the coming years.

Stimulated by broad groups in society (from environmental and human rights organizations, to shareholders, investors, clients and employees), executives are increasingly being urged to get serious about integrating ESG into their business strategy. Just last week at Shell's shareholder meeting, a motion by Follow This - to comply with the Paris Agreement - was supported by 30% of shareholders (twice as many as a year earlier); previously, something similar happened at BP and ConocoPhillips. Moreover, and this probably came as an even bigger shock to the fossil energy sector, in its latest report Net Zero by 2050, the IEA called on oil companies to stop searching for gas and oil fields. The expectation is that the necessary and huge investments can no longer be earned back (stranded assets). Subsequently, and on top of this, the Dutch courts determined that [Shell must reduce its greenhouse gas emissions by 45% by 2030 in comparison to 2019](#).

The impact of these developments cannot be underestimated, and is not limited to just the oil and gas sector; ESG affects every conceivable sector and industry. Moreover, it is no longer a limited (activist) group that advocates sustainability in all its facets, but thus increasingly a much more important group of stakeholders for companies, namely shareholders and investors.

The classic interest of shareholders is thus no longer limited to a short- to medium-term financial-economic interest, but one that rather extends to the question of what the license to operate is in the long term of the companies in which shareholders hold stakes and where investors have loans outstanding.

As I have argued before, a long-term ESG strategy can also provide a competitive advantage for law firms, but only if it is put on the strategic agenda, it rises above the day-to-day organization, and when it is implemented successfully. This includes making strategic choices regarding types of clients, practices, sectors, work, and the content of that work. The question will increasingly not be whether something is legally possible, but whether an opinion or advice - given the rapidly changing social climate - is still desirable.

After all, it will become increasingly implausible (and therefore more difficult) to wave the sustainability flag in one practice group and argue a door down the line that your client really did comply with all the laws and regulations in...Burundi...