

Survey confirms: ESG drives tectonic shift across the global legal sector

15th March, 2021 London.....There is a tectonic shift taking place across the global legal sector forced by a relentless rise in client demands for advice on the Post Covid-19 push for a fairer, cleaner, greener, and more sustainable future, a survey of 55 law firms confirms.

A huge uptick around environmental, social and governance (ESG) issues has taken hold in the world's biggest corporations, investment and financial institutions and across governments. Investors holding more than US\$ 100 trillion in assets have lined up behind a United Nations backed standard for responsible investment.

Climate, natural resources, gender, diversity, human rights and modern slavery, are racing to the top of corporate, capital market and government agendas and the best ESG lawyers from the small pool with deep credibility are in great demand. Corporations are increasingly sensitive about PR disasters stemming from ESG issues after several high-profile corporate meltdowns from automotive through chocolate, and on to fashion and extractives. Boards and CEOs also fear being on the wrong side of climate history.

Judge Professor Mervyn King, who supported the 8-month long consultation which resulted in the survey and the briefing note launched today, said: "It is timeous that lawyers focus on the impacts which the economy, society and the environment have on a company because clients will need professional advice in changing their mindsets from focusing on increasing the wealth of shareholders to taking account of the needs, interest, expectations and concerns of all a company's stakeholders."

Professor Paul Q Watchman, a former ESG Leader and Partner at legal giant Freshfields Bruckhaus Deringer, explained: "The world's major law firms are scrambling to play catch up as they need to be seen to be up to speed on ESG and are rapidly building teams to polish their credentials. The US\$ revenues for those at the head of the ESG legal pack are potentially huge."

These are the key findings from a survey undertaken during 2020-21 by [The Blended Capital Group \(TBCG\)](#), an ESG advisory company, which will present its final full report to a major United Nations event later in 2021. An 18-page briefing launched today, "[Chasing the Dragon: The Rise of the ESG Law Firm](#)", highlights headline survey results to date.

Paul Clements-Hunt, CEO of TBCG, who co-authored the report, added: "The top lawyers can sense a huge new market but also the danger of falling behind peers on ESG services. Once we started the survey, we could not believe the race underway worldwide for the leading law firms to build ESG teams in a response directly driven by accelerating corporate

General Counsel demands. Boards are pushing their GCs for ESG answers and that translates into new business for law firms who are ahead of the ESG curve.”

Professor Watchman, however, warned: “some law firms face a real dilemma that will demand tough internal decisions. They are moving to be seen to be ESG aligned and supporting sustainable development while, at the same time, acting on behalf of companies with very poor track records on environment, human rights and a myriad of the most complex ESG issues. I think there’ll be shake-out of the clients who are the most egregious ESG offenders.”

Professor Watchman, who wrote the definitive legal interpretation on ESG and fiduciary law for the UN in 2005, continued: “We know lawyers can accelerate change across industry and business sectors as well as along the entire investment chain. This presents a huge commercial opportunity to drive new revenues and transform a law firm to serve the fourth industrial revolution not to be left behind defending legacy issues of the 20th Century. The prize will be great for the swiftest”.

The survey confirmed that prospective clients, notably multinationals, have already started to select law firms for the depth and breadth of their ESG performance and capabilities, both internally and externally. The strong signal given in an open letter in January 2021 by The Coca-Cola Company General Counsel, Bradley Gayton, noting that “diversity efforts in law” are not working, is a harbinger of demands to come for the broader legal community, both in terms of transforming internal culture and serving evolving client ESG needs.

With a few exceptions, the survey confirms 2018 as a tipping point for the legal sector on ESG. Time is precious for those firms needing to play catch-up on client ESG demands driven by converging forces including:

- a huge flow of investment funds from 2019 accelerating in 2020-21 into a broad range of ESG-aligned public and private offerings;
- a massive uptick in policy and regulatory ESG demands, and a clear increase in corporate board and, therefore, GC attention to ESG disciplines; and
- ESG being a talent magnet for the very best next generation lawyers who appear to be placing values-based issues ahead of pure financial reward in their quest to join the best legal firms.

No law firm seems to have achieved, as yet, a fully integrated service ESG offering across the nine major themes we have defined as covering the broad and sometimes complex ESG “piste”. However, a number of Magic Circle, White Shoe, international and ESG specialist firms are closing in on an integrated offering to cover the tsunami of incoming demands.

Our global survey and report, to be published in late Q2/ 2021, will provide informed observations on key developments within ESG Law rather than seeking to rank and rate firms across what remains a complex and evolving ESG landscape.

For more details contact:

Paul Clements-Hunt,
Founder & CEO,
The Blended Capital Group
M: +44-7456-061-401
e-mail: pch@blended.capital
Twitter: [@PCHblended](https://twitter.com/PCHblended) LinkedIn: [Paul Clements-Hunt](https://www.linkedin.com/in/PaulClements-Hunt)

Michael Marais
Partner (South Africa)
The Blended Capital Group
M: +27 82 641 1610
e-mail: mm@blended.capital
Twitter: [@blendedcapital](https://twitter.com/blendedcapital) LinkedIn: [Michael Marais](https://www.linkedin.com/in/MichaelMarais)

Gordon Noble
Partner (Australia)
The Blended Capital Group
+61 411 109 998
e-mail: gn@blended.capital
Twitter: [@blendedcapital](https://twitter.com/blendedcapital) LinkedIn: [Gordon Noble](https://www.linkedin.com/in/GordonNoble)

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