Net Zero Transition Plan

Michelmores LLP

Executive summary

Purpose

This Net Zero Transition Plan forms a core feature of Michelmores LLP's (hereafter Michelmores) net zero journey, setting the structure which will guide our approach to net zero, helping us to reduce our emissions and achieve our 2040 net zero target date.

Net zero is no longer a buzz word. It is driving decision making in the business environment and encouraging organisations to actively address the impact they have on the planet. Having credible sustainability credentials is becoming a key indicator of a successful organisation and Michelmores wants to define its success in that manner.

Understanding our baseline and setting net zero targets

Michelmores has measured its full carbon footprint encompassing all three Scopes of emissions. Scope 1 refers to Michelmores' direct emissions (natural gas), Scope 2 includes emissions from procuring electricity for the offices, while Scope 3 refers to all emissions linked with our wider value chain activity (procurement, business travel, commuting, etc.). Measurement of all three scopes is no longer best practice but a standard, as defined by Greenhouse Gas (GHG) Protocol; it is a necessity for an organisation to fully measure its emissions.

Michelmores has committed to an ambitious 2040 net zero target date, which is 10 years ahead of the UK's legislated net zero date. This means that from a 2023 baseline, Michelmores will be actively working to reduce its emissions by at least 90% across all three scopes by 2040. To achieve net zero, only a maximum of 10% of remaining residual emissions can be balanced using carbon removal offsets.

Solutions for Decarbonisation

This Net Zero Transition Plan sets out the key initiatives Michelmores will undertake to help deliver our net zero future. Solutions for all three scopes can be found in the supporting Action and Progress Tracker. Solutions included in the Action and Progress Tracker document are based on the outcomes of carbon footprint data analysis, stakeholder interviews carried out by Planet Mark with relevant Michelmores team members and with consideration of relevant documents shared by Michelmores. Some solutions deliver direct carbon reductions, while others offer foundations for future savings initiatives and are equally important to implement.

Governance

Delivery of this Net Zero Transition Plan depends on effective and transparent governance, which is an essential component of businesses making climate-aligned decisions. Good governance establishes a clear pathway for decision making structured through relevant sets of rules, policies, processes and ways of working, and these accordingly embed sustainability across the business.

michelmores

Contents

A message from Tim Richards, Managing Partner, Michelmores

Climate change is one of the largest risks of our lifetime and addressing it will pose significant challenges for all business. As indicated within our Destination 2030 Strategy, we believe that ensuring that we run our firm in a sustainable manner is paramount to our future.

We are proud to announce that we have committed to a 2040 net zero target from a 2023 baseline. Our transition to net zero will be driven by our Net Zero Transition Plan, developed in collaboration with our expert sustainability partner, Planet Mark. With their support, we have set near-term net zero targets aligned with the principles of the SBTi Corporate Net Zero Standard.

In the pursuit of providing our clients with the best legal advice, we have a two-fold motivation to become net zero. Firstly, we want to be an exemplar for what it possible for business to achieve and secondly, we want to thoroughly understand what measures need to be taken to become net zero, so that we can provide even better insight to our clients.

Aiming for net zero will not only matter to our internal stakeholders, but will also create new business opportunities. We hope that by embarking on our own sustainable journey we will foster relationships that align with our mission and will help the wider law sector to transition to net zero.

To deliver this, we are proud to be working alongside Planet Mark, a recognised leader in net zero certification, to measure our carbon data, engage our staff, and communicate our sustainability credentials to all stakeholders. Having this partnership in place ensures that our emissions are third party verified, which gives us the assurance to communicate with confidence.

This Net Zero Transition Plan sets out our net zero ambitions and outlines the steps we will take to achieve it. Achieving net zero will require new approaches to methods of working internally amongst our team and externally with our suppliers and clients. We are excited to embark on this journey together and remain focused and determined. We look forward to bringing you on this journey with us and updating you on our progress.

Tim Richards
Managing Partner,
Michelmores LLP

What is net zero?

What is net zero?

Net zero means cutting greenhouse gas (GHG) emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere (United Nations).

How do we achieve net zero?

In accordance with the Science Based Targets initiative (SBTi) Corporate Net Zero Standard, an organisation can be considered net zero once it has reduced emissions across all three scopes by at least 90% of the baseline.

The standard outlines that corporate targets should be in line with the ambition to limit global warming to 1.5°C, and that organisations should set near-term targets to deliver deep emissions cuts in the next 5-10 years. Only the unavoidable residual emissions (totaling no more than 10%), may be neutralised at the net zero target year using accredited carbon removal offsets.

Why is net zero so important?

The Paris Agreement, adopted by 196 Parties at COP 21, is a legally binding treaty on climate change, which aims to limit global temperature rise to no more than 1.5°C compared to pre-industrial levels.

The Intergovernmental Panel on Climate Change (IPCC) outlined in early 2022 that without deep and immediate reductions in GHG emissions across all sectors, limiting global warming to 1.5°C is unattainable. Staying on track will require global emissions to peak before 2025. Therefore, it is time, to prioritise net zero within the wider business strategy, starting with a robust measurement of all GHG emissions, formulation of net zero targets, and an action plan for reducing emissions.

And what does it mean to Michelmores

Sustainable offices
As is the case with most professional services organisations, we have a relatively small amount of emissions associated with our daily operations. Despite that, we want to ensure that the offices we use become as sustainable as possible. We hope that they can then play a role in driving sustainable behaviours across our teams and inspire further sustainable action beyond our immediate sphere of influence. In the coming years, we will be working closely with landlords to ensure all relevant energy efficiency solutions are implemented and that we only procure renewable electricity.

Engaging our supply chain and clients
The majority of our emissions sit within our supply chain and are not in our direct control. However, we are determined to work together to reduce our emissions associated with procuring goods and services.

We will be updating our approach to procurement by setting out clear expectations for our suppliers whilst offering them support and guidance if they wish to embark on their net zero journey with us.

We will also update our Procurement Policy and our Supplier Code of Conduct to provide better guidance to our team members who are responsible for procurement.

The right organisational culture
Our business' success relies on the knowledge, expertise and professionalism of our partners and employees. We believe that our net zero success will also rely on our team making the right decisions. That is why we want to ensure that everyone in the organisation is provided with the right tools, knowledge and guidance to make decisions aligned with out net zero ambitions. Over the coming years we will be embedding net zero training into our onboarding, internal communications and team days to enable everyone to learn in the format that fits best with their needs and pace of working.

Improving data quality
In 2023 we measured our complete carbon footprint for the first time. Moving forward, some work will be needed to improve the data quality. We will be working closely with our suppliers to access activity-based data specifically for the Cat. 1 Purchased Goods and Services as soon as possible. We understand that improving data quality from a spend-based to an activity-based measurement methodology can initially increase measured emissions, however, this is an essential step to take to ensure that we have transparent data which will enable us to make effective data-led decisions supporting our net zero goals.

Section 1

Reduction targets

Michelmores net zero targets

Steve Malkin, CEO and founder at Planet Mark

"Planet Mark is proud to be working with Michelmores to achieve net zero by 2040. Setting a net zero target a decade ahead of the UK legislation is incredibly ambitious and also incredibly needed. As a sustainability leader in their industry, Michelmores will play an important role setting an example for other law firms to follow."

Michelmores is committed to achieving net zero Greenhouse Gas (GHG) emissions across the entire value chain by 2040 from a baseline year of 2023.

This commitment is further supported by near term targets:

- Reduce absolute Scope 1 and 2 emissions by 50% by 2030;
- Reduce absolute Scope 3 emissions by 50% by 2030.

Net zero will be achieved by reducing absolute Scope 1, 2 and 3 emissions by at least 90% by 2040.

To deliver these net zero targets, we will be working to ensure all available carbon reduction opportunities and initiatives are embedded into our business processes and operations.

We recognise that achieving net zero by the end of 2040 is incredibly ambitious, and ahead of UK legislation. We are steadfast in our commitment to limit global warming to 1.5°C and recognise the level of investment, resource and process change that will be required as we work towards this target.

Once we have reduced our emissions as close to zero as possible, we will be investing in accredited carbon removal offsets to balance out any residual, unavoidable emissions.

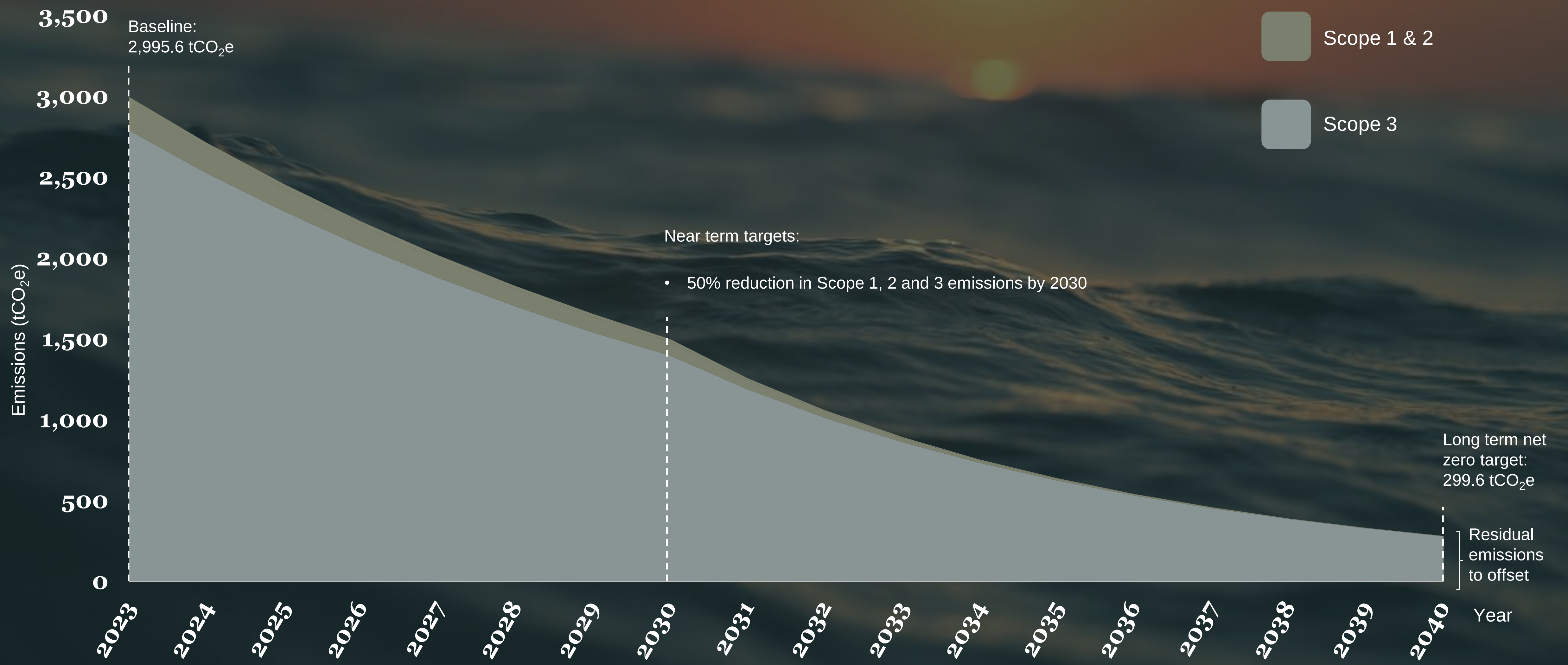
Our baseline and net zero targets will be reviewed for relevance on an annual basis as part of Net Zero Governance.*

**Note regarding updating targets:*

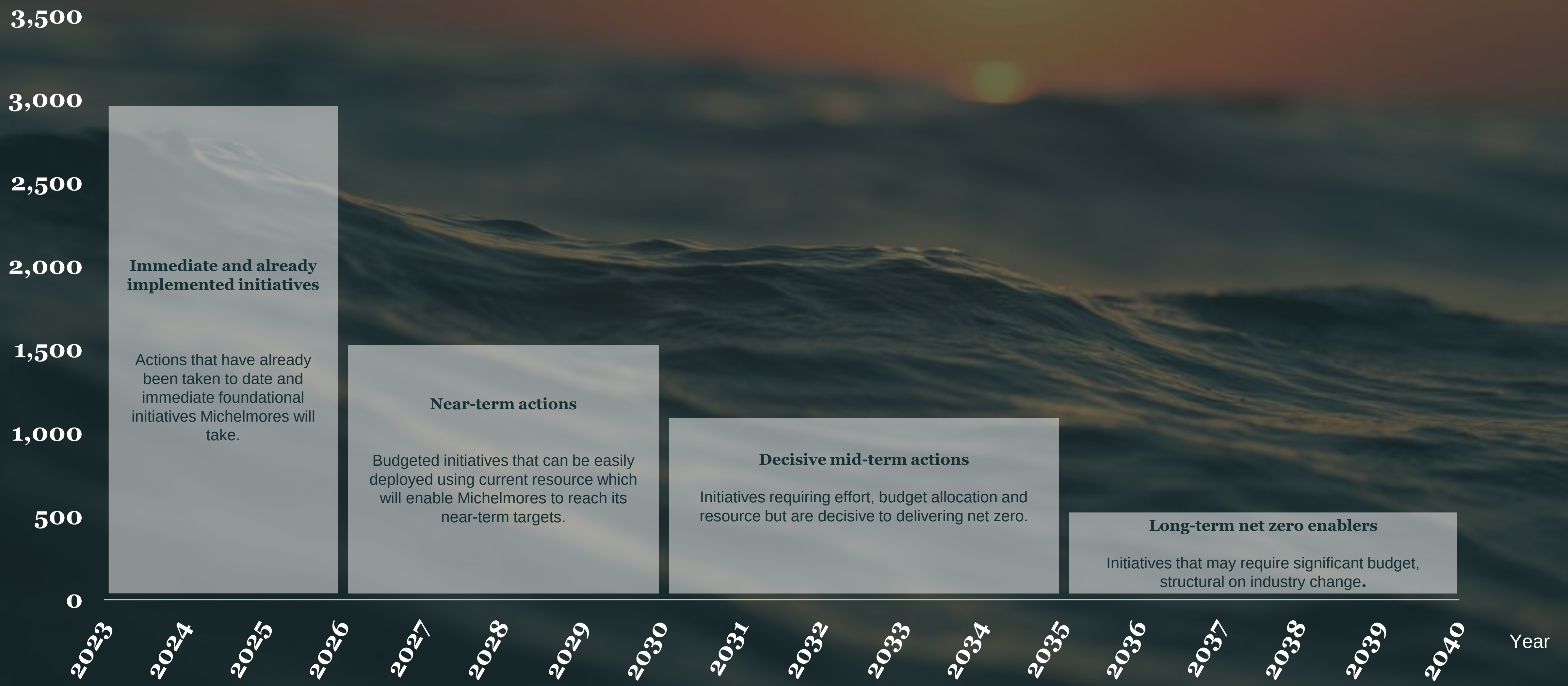
In line with the SBTi Corporate Net Zero Standard, companies are required to check targets annually and, at a minimum, review them every five years. If necessary, companies must recalculate their target to reflect significant changes that might compromise the target.

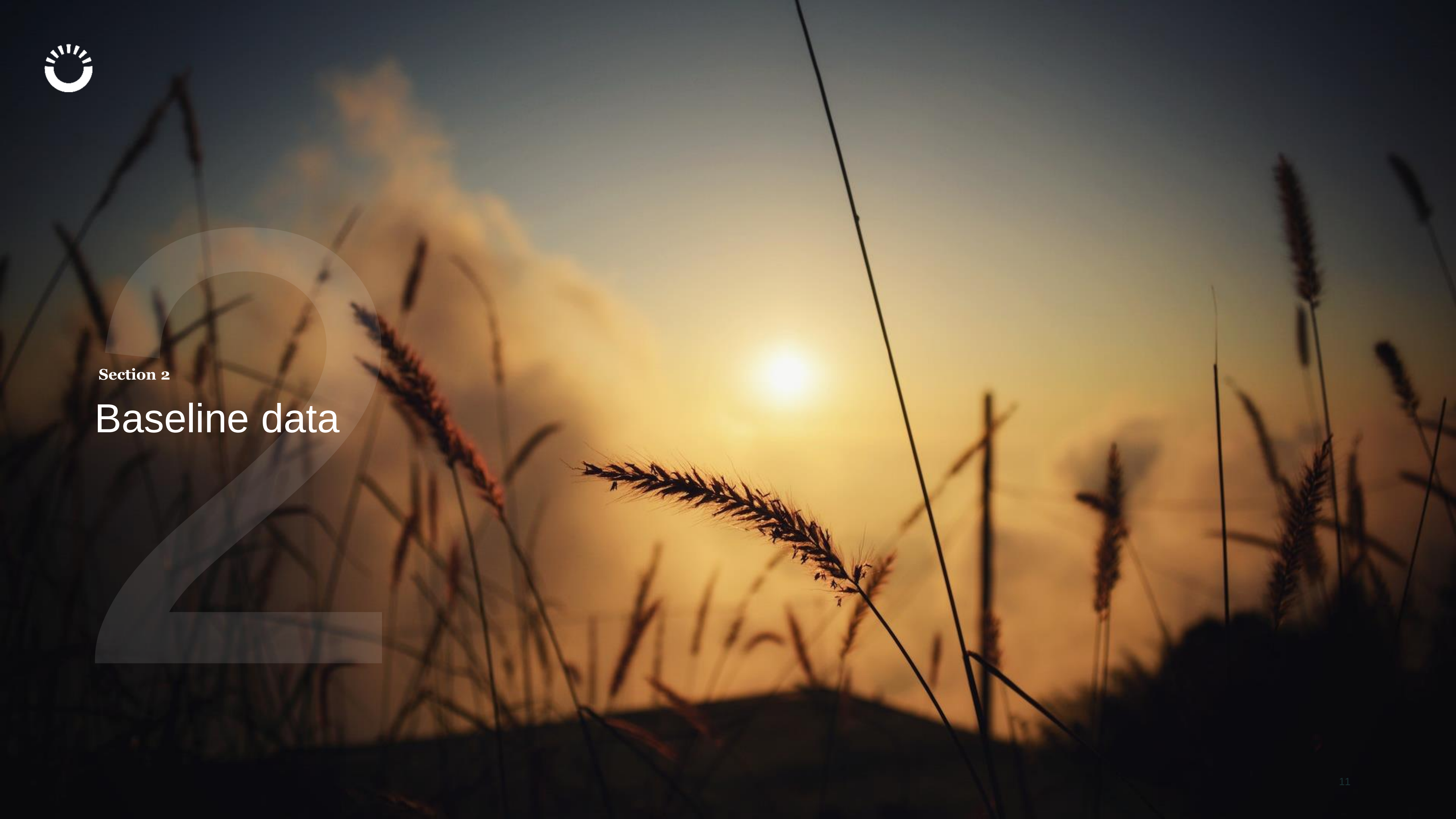
Recalculation should not be triggered by organic growth but should be triggered by significant changes in company structure / operation (e.g., Mergers / Acquisitions), in methodology used for calculating the base year inventory (e.g., improved emissions factors, improved data quality), and in the occurrence of significant errors.

Theoretical path to Net Zero by 2040



Net Zero by 2030 – how are we going to get there?





Section 2

Baseline data

Michelmores baseline data

What are Scope 1, 2 and 3 emissions?

Scope 1 - the emissions from sources that a company creates directly (e.g., from burning fuel in gas boilers and in company owned vehicles).

Scope 2 - the emissions a company creates indirectly, associated with the energy it purchases (e.g., electricity).

Scope 3 - the emissions that are not produced by the company itself, but by those within the company's value chain (e.g., procurement of goods and services). Scope 3 is split into 15 categories.

Carbon Footprint

Michelmores has measured all material Scope 1, 2 and 3 emissions through Planet Mark's annual Business Certification and extended Scope 3 measurement. The Planet Mark measurement methodology is fully aligned to the Greenhouse Gas (GHG) Protocol and all data is verified with evidence provided by Michelmores.

Scope 3 category 1 (purchased goods and services) account for the largest proportion of the baseline carbon footprint (74.2%), followed by category 7 (employee commuting) (11.7%), and Scope 2 emissions (electricity) (5.7%).

Overview

Reporting year:
01 May 2022 to 30 April 2023

Reporting Boundary:
UK operations

Key figures:
Total Carbon footprint (tCO_2e): 2,995.6
Per employee (tCO_2e): 7.9
Data quality (Business Certification): 17 out of 20
Data quality (Extended Scope 3): 13 out of 16

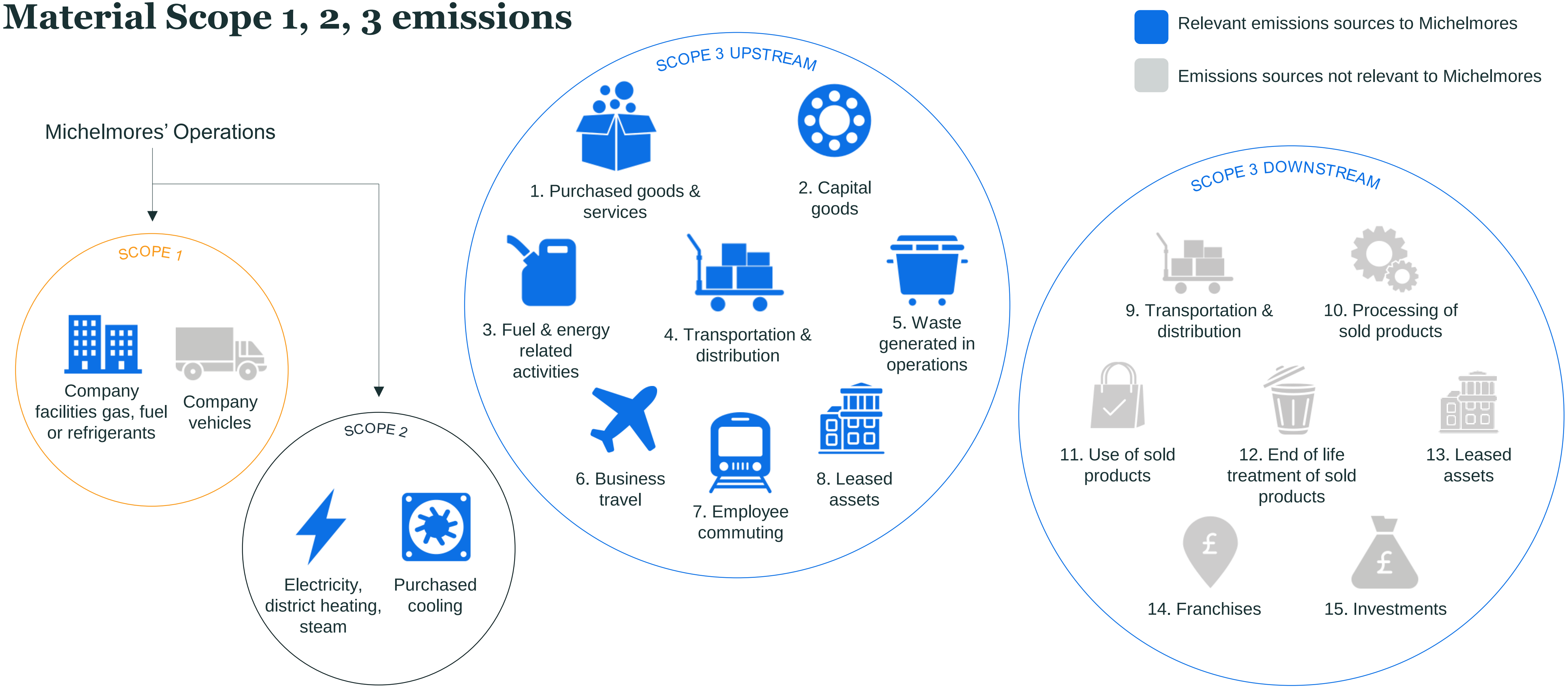
Measured emissions

Scope 1: Fleet, natural gas
Scope 2: Electricity
Scope 3
- Cat. 1. Purchased goods and services (*including Cat. 2 Capital Goods*)
- Cat. 3. Fuel and energy related activities
- Cat. 4. Upstream transportation and distribution
- Cat. 5. Waste
- Cat. 6. Business travel
- Cat. 7. Employee commuting
- Cat. 8. Upstream leased assets

Notes and exclusions

- For purchased goods and services emissions, 100% of spend-based data was used.
- All other categories were excluded due to either not being applicable to Michelmores or de minimis.

Material Scope 1, 2, 3 emissions

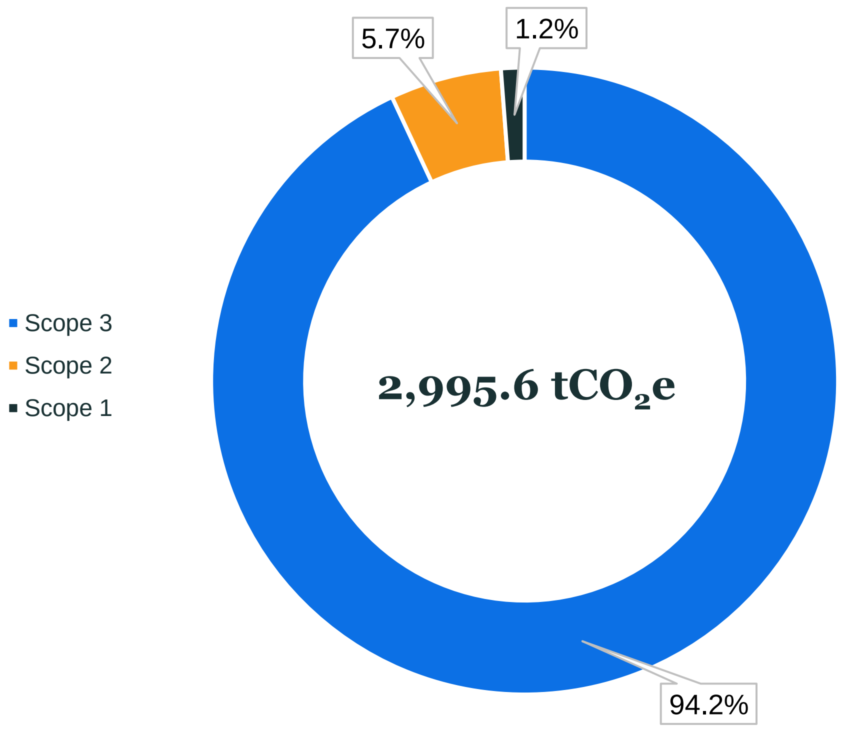


Baseline carbon footprint

Scope	Category	tCO_2e	Proportion of total footprint
Scope 1	Natural Gas	36.2	1.2%
Scope 2	Electricity [Location-based]	134.8	-
	Electricity [Market-based]	172.1	5.7%
Scope 3	Cat 1. Purchased goods and services (*including Cat. 2*)	2,223.0	74.2%
	Cat 3. Fuel and energy related activities	53.7	1.7%
	Cat 4. Upstream transportation and distribution	2.4	0.1%
	Cat 5. Waste	1.9	0.1%
	Cat 6. Business travel	121.2	4.0%
	Cat 7. Employee commuting	350.4	11.7%
	Cat 8. Upstream leased assets	34.6	1.1%
	Total scope 3	**2,787.3**	**93.1%**
Total Location-based		**2,958.3**	
Total Market-based		**2,995.6**	

Total scope 1, 2 and 3 carbon footprint for YE2023, tCO_2e

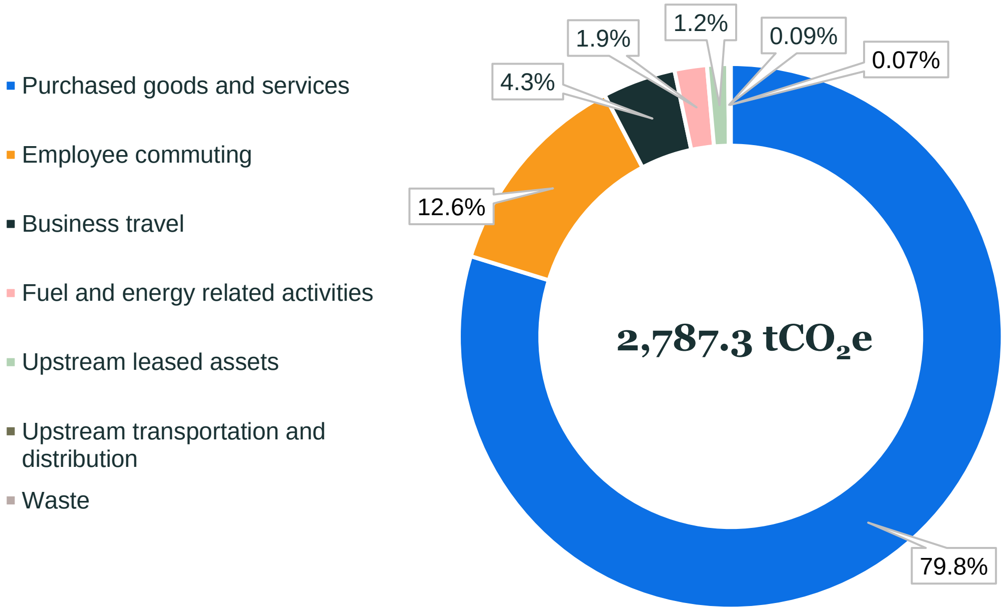
Market Based



Baseline carbon footprint

Scope	Category	tCO2e	Proportion of Scope 3
Scope 1	Natural Gas	36.2	N/A
Scope 2	Electricity [Location-based]	134.8	-
	Electricity [Market-based]	172.1	N/A
Scope 3	Cat 1. Purchased goods and services (*including Cat. 2*)	2,223.0	79.8%
	Cat 3. Fuel and energy related activities	53.7	1.9%
	Cat 4. Upstream transportation and distribution	2.4	0.09%
	Cat 5. Waste	1.9	0.07%
	Cat 6. Business travel	121.2	4.3%
	Cat 7. Employee commuting	350.4	12.6%
	Cat 8. Upstream leased assets	34.6	1.2%
	Total scope 3	**2,787.3**	**N/A**
Total Location-based		**2,958.3**	
Total Market-based		**2,995.6**	

Carbon footprint by emission source for YE2023 tCO_2e



Estimated potential increase in net zero baseline

Baseline considerations

In accordance with the GHG protocol, Planet Mark uses three main methods to calculate the emissions associated with purchased goods and services, listed below in order:

1. **Supplier specific:** Product-level cradle-to-gate GHG data from suppliers, typically as an LCA.
2. **Activity-based:** Emissions estimated for goods and services by collecting data on the mass, or other relevant units, and multiplying by relevant emission factor.
3. **Spend-based:** Emissions estimated using BEIS spend-based emissions factors for goods and services. Calculated by multiplying the economic value of goods and services purchased by the emission factors.

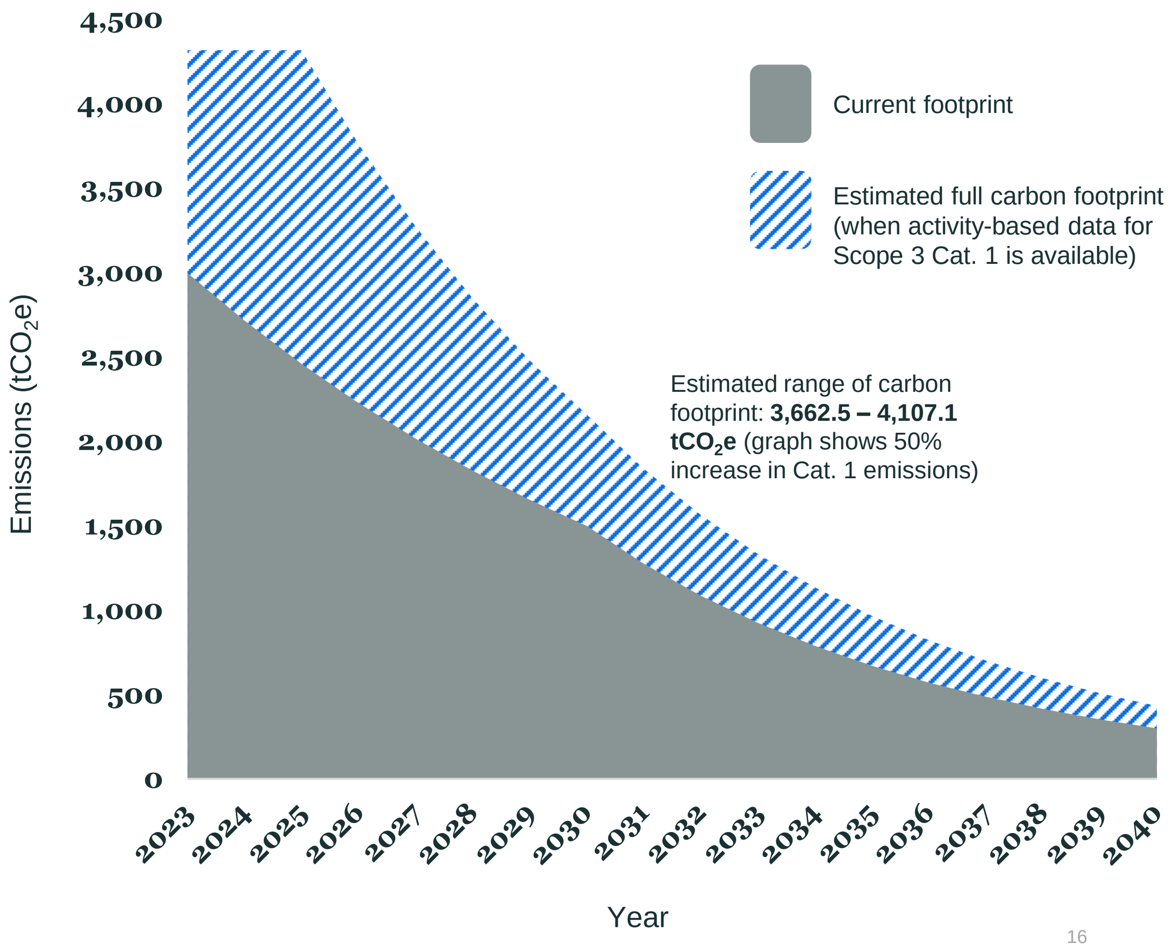
In the first Scope 3 carbon footprint calculations for Michelmores, 100% of data used was spend-based.

As data quality improves and it becomes possible to use more activity-based data, it is important to consider the impact this may have on calculation. For example, Planet Mark's in-house analysis estimates that emissions from Scope 3 Cat.1 can increase by approximately 30 – 50% when measurement methodology moves from 100% spend-based to 100% activity-based data.

Estimated emissions

The graph on the right serves as a visualisation of an estimated future baseline. This estimation has been calculated by increasing the 100% of emissions measured using the spend-based methodology or extrapolated, by the estimated maximum 50% observed uplift.

It was assumed that access to activity-based data may take time, and therefore the data was plotted in from 2025.



Section 3

Summary of solutions for decarbonisation

Solutions for decarbonisation

Notes

Indicative costs:

The indicative cost for each solution is based on the following capital investment banding.

- Low: < £5K.
- Moderate: £5K - £50K
- High: > £50K.

Associated timescales:

- Immediate & implemented initiatives: 2023 - 2025
- Near-term enablers: 2026 - 2030
- Mid-term actions: 2031 - 2035
- Long-term enablers: 2036 - 2040

To facilitate our ambitious 2040 net zero target, we will need to put in place a comprehensive decarbonisation approach supported by appropriate resources and delivered by the whole firm.

Our actions are broken down into four time periods:
- Immediate and already implemented initiatives - the essential groundwork that has already been completed, or will be immediately implemented.
- Near-term actions - budgeted initiatives drawing on current resource, insight and understanding, that will enable Michelmores to achieve its near-term targets.
- Decisive mid-term actions - those which require planning, budget allocation and resource but are decisive to delivering net zero.
- Long-term net zero enablers - future initiatives and considerations beyond the current budgeting period that are dependent on the wider decarbonisation of industries and availability of technology.

To deliver the necessary carbon reductions, across both our internal operations and wider value chain, we have put in place a series of solutions across three key activation levers:
- Measurement, data quality, and target setting,
- Education, engagement, and communications,
- Key decarbonisation initiatives and policies.

By activating all three we can put in place the necessary resources to facilitate large scale decarbonisation projects, drive the required internal and external behavioural change necessary to deliver net zero, and track and review our process.

Solutions overview

Scope 1 – We will work with landlords to identify alternative heating systems.

Scope 2 – After auditing energy consumption across all sites, it will be important to reduce electricity consumption through improved energy management initiatives and reduce emissions by procuring 100% REGO-backed clean renewable energy.

Scope 3 – As most of our carbon emissions are embedded in Scope 3, specifically, Purchased Goods and Services, it is important to ensure budget and resource is prioritised to deliver these reductions. Specifically, it is essential to conduct comprehensive stakeholder engagement, to access better quality data and work collaboratively with suppliers on reducing emissions from our supply chain. We will also take action to reduce emissions from business travel and employee commuting by making sustainable travel easier for our employees.

Beyond specific initiatives with high potential carbon savings, it will only be possible to reach net zero by catalysing behavioural change across the whole firm and encouraging the team to adopt a net zero mindset.

Immediate and near-term solutions for decarbonisation

The following decarbonisation solutions focus on the implemented, immediate and near-term timeframes (one to four years) as they will provide the essential groundworks to realise our net zero ambitions.

It is critical that a budget is in place to deliver these immediate actions to reduce our full carbon footprint, principally supplier emissions. These actions can then be deployed using current resource, insight and understanding.

Decarbonisation		Engagement		Governance		Policies	
Implemented & Immediate (2025-2026)							
Improvements in data collection processes and data quality	Complete installation of LED lighting	Initiated supplier engagement activities with top suppliers	Net zero engagement and training for the team (focus on Board Members and procurement)	Define role of the management team in the delivery of the transition plan	Define the frequency of updates to the Board on the progress toward net zero targets	Update travel policies	Sustainable Procurement Policy
Near-term (2026 – 2029)							
Start accessing activity-based data.	Ensure procurement system captures activity-based data	Conduct comprehensive supply chain review and net zero engagement	Embed a culture of sustainability across the entire organisation	Implement a Remuneration Policy linked to net zero objectives	HR processes to determine appropriate skills across the organisation.	Update HR policies.	Ongoing updates to all relevant policies.

Medium and long-term solutions for decarbonisation

These decarbonisation solutions focus on the medium and long-term. The focus will be on strategic resourcing and budgets to deliver against net zero business decisions. Emphasis will be on long-term target commitment, to maintain Scope 1 and 2 net zero emissions and to achieve our Scope 3 net zero long-term target.

An element of cross-industry decarbonisation will need to take place during these timeframes, to support full carbon footprint reductions.

Decarbonisation		Engagement		Governance		Policies	
Mid-term							
Seek new suppliers if current ones do not meet the criteria.	Reduce Scope 1, 2 and 3 by 50% by 2030.	Agree net zero action plans with key suppliers.	Continue internal engagement of all employees on net zero.	Review approach to Board remuneration linked with net zero objectives.	Understand what skills will be needed to lead the business beyond net zero.	Review and update all relevant policies.	Ensure all supplier contracts mandate carbon disclosure.
Long-term enablers							
Ensure smart carbon data collection solutions are embedded into finance systems.	Continuous and transparent review of targets, actions and processes.	Strong relationships with suppliers, knowledge sharing and innovation.	Collaborative work with suppliers, peers and civil society focused on achieving net zero.	Ongoing transparent reporting of progress.	Ongoing monitoring and management of transition plan implementation.	Ongoing review of process to enable net zero.	Ongoing review of policies to enable net zero.

Supplier maturity assessment

Supplier sustainability maturity ranking

1. Indicates 'advanced' sustainability understanding, a net zero target is in place and has been externally communicated; a range of sustainability initiatives have been implemented or planned.

2. Organisations are considered to have initiated their sustainability journey, however, information communicated externally is limited.

3. Organisations do not appear to have implemented any sustainability initiatives or are not yet disclosing any related information to external audiences.

A Supplier Maturity Assessment has been carried out for Michelmores' top 9 suppliers as determined by the spend-based data available. This has been achieved by reviewing the publicly available information on each supplier to assess their sustainability credentials. Suppliers are given a sustainability maturity score between 1 and 3.

Michelmores' top suppliers include collectively account for 29.2 % of categorised Purchased Goods and Services emissions.

Out of the top suppliers, Supplier 1, 3, 4, 5 and 8 have already set net zero targets, while Supplier 2, 6 and 7 have initiated their sustainability journey.

Only one supplier is not currently disclosing any sustainability related information within their public domain.

The aim of this review was to identify which suppliers are likely to benefit the most from engagement initiatives to support sustainability education and upskilling. This will be a key step in our sustainability journey, helping to improve Scope 3 data quality and ultimately provide the insight to support data-led supply chain decarbonisation.

Suppliers receiving a low (3) or a medium (2) sustainability maturity score are collectively responsible for 10.7% of the total categorised Purchased Goods and Services emissions. It is considered that these suppliers will benefit significantly from supplier engagement activities. Accordingly, this will support improved data quality and enable Michelmores to identify carbon reduction opportunities.

Page 26 displays a matrix graph which indicates the emissions attributable to each supplier and the sustainability maturity score they received. The size of the bubbles corresponds with the quantity of emissions, while the colour indicates the sustainability score. The matrix is supplemented with a summary table, which provides detail on the sustainability initiatives undertaken.

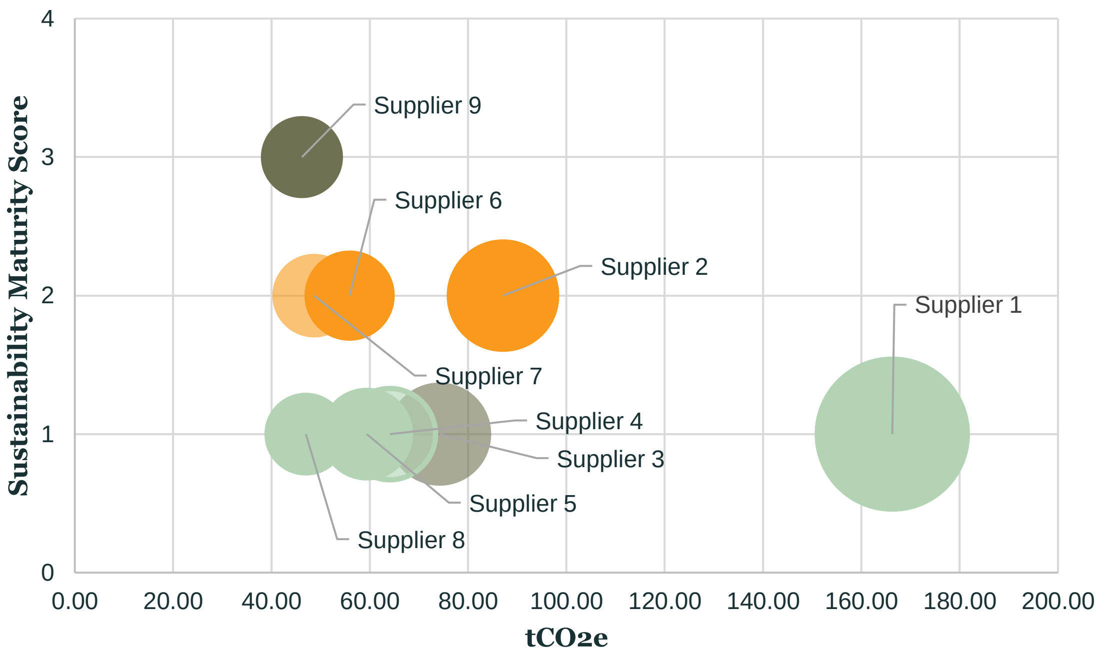
Page 27 presents hypothetical emissions reductions trajectories identified for each supplier.

michelmores

Supplier maturity assessment

Supplier	tCO2e	% of PG&S footprint	Maturity ranking	Supplier Type	Notes
Supplier 1	166.3	7.5	1	IT services	Sustainability page, owned by a parent company, who has a 2040 net zero target.
Supplier 2	87.1	3.9	2	Insurance	Only measures Scope 1 and 2 emissions and Scope 3 Business Travel, thorough TCFD reporting, no net zero target
Supplier 3	74.2	3.3	1	Council	2030 net zero target
Supplier 4	64.1	2.9	1	Banking	2050 net zero target, by 2025 powered by 100% renewable electricity
Supplier 5	59.4	2.7	1	IT services	2030 net zero target
Supplier 6	55.9	2.5	2	Office fit out	Partial carbon footprint measurement, working on the full scope, Sustainability reporting, no net zero target in place
Supplier 7	48.7	2.2	2	Legal Billing Software	ESG focused page, part of a parent company, who measure their complete footprint, have TCFD, but currently no net zero target
Supplier 8	47	2.1	1	Governmental organisation	2050 net zero target
Supplier 9	46.2	2.1	3	Insurance	Does not disclose sustainability information

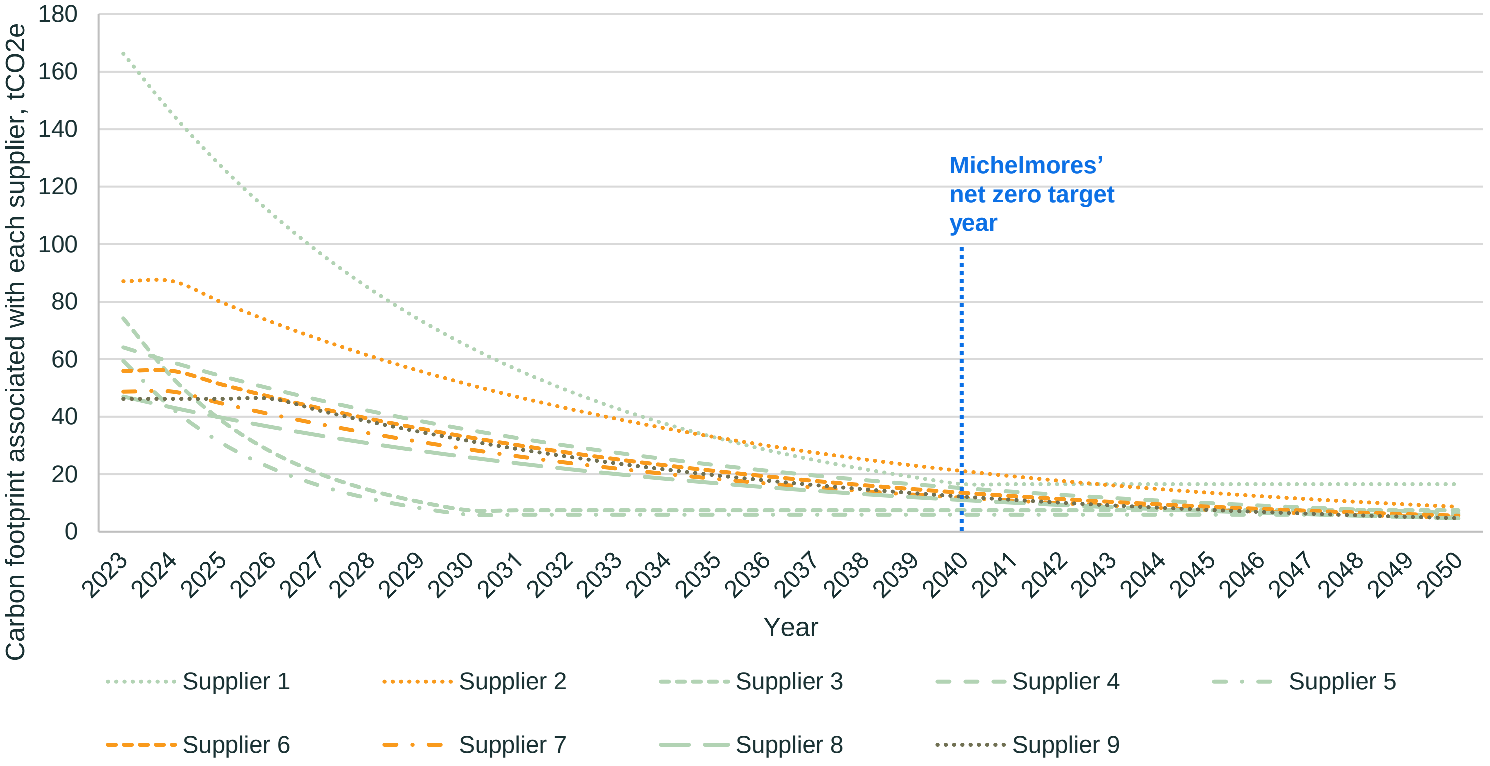
Supplier maturity of top 9 PG&S suppliers



Key:

- Organisations with a Sustainability Maturity Ranking ‘1’
- Organisations with a Sustainability Maturity Ranking ‘2’
- Organisations with a Sustainability Maturity Ranking ‘3’

Net Zero Trajectories of top suppliers



This graph shows individual trajectories for each supplier based on the amount of CO_2 emissions calculated for the goods or services provided during the YE2023 reporting period.

It is assumed that organisations scoring '1' in the supplier maturity assessment will have already started to implement carbon reduction initiatives and be on a net zero journey. It is, therefore, expected that these suppliers' emissions trajectories will show a downward slope from YE2023 onwards.

For organisations scoring '2' in the supplier maturity assessment, it was assumed that carbon reduction activities could be delayed by up to 2 years. For organisations that have scored '3', this delay was assumed to be 4 years. Accordingly, the emissions reduction trajectories for these suppliers are modelled with the corresponding delays.

This graph shows the assumed speed that Michelmores' top suppliers are likely to be decarbonising and hence contribute to the reduction of Michelmores' Scope 3 emissions from Purchased Goods and Services.

Assumptions:

- Organisations with a Sustainability Maturity Ranking '1' – immediate carbon reduction actions implementation
- Organisations with a Sustainability Maturity Ranking '2' – carbon reduction actions likely delayed by up to 2 years
- Organisations with a Sustainability Maturity Ranking '3' – carbon reduction actions likely delayed by up to 4 years

Section 4

Governance

michelmores

Governance

The Firm's Board and its Officers have stewardship obligations that include taking action to address climate change within their organisation and beyond (SECR and Net Zero as defined by the 2019 Amendment to the Climate Change Act). On an annual basis, companies must report on progress toward their target(s) and their corporate-wide GHG emissions inventory.

This Net Zero Action Plan will govern Michelmores' current carbon reduction strategy, be future focused to implement ongoing decarbonisation projects and policies and ensure that we are held accountable to carry out the necessary steps to achieve net zero.

Planet Mark is committed to full transparency of our decarbonisation efforts to avoid any reputational, legislative, and ethical risk of greenwashing.

On an annual basis, we review our emissions and report on progress towards our targets and our corporate-wide GHG emissions inventory. The annual governance review will ensure that:

- Progress against decarbonisation solutions are tracked,
- Timelines are adjusted as needed,
- Actual reductions are in line with estimated,
- The roadmap remains aligned with science-based targets,
- Target and baseline are still relevant.

Michelmores is committed to ensuring that net zero governance is fully embedded into the existing corporate governance structure. Day to day management of net zero and ESG responsibilities has been delegated to the Responsible Business Steering Committee and to the ESG Coordinator, who report directly to the Board on a monthly basis.


Michelmores
Net Zero Transition Plan
Planet Mark
Empowering change for a brighter future
#DoMoreGood