



## The road to Net Zero – getting started may be easier than you think



Following the UK government's legally binding commitment to achieve net zero by 2050 and increasing enquiries from customers about supplier ESG policies and targets during the procurement process, organisations should be aware of how their lawyers can help.

Just as with data protection by design, which is about considering data protection and privacy issues upfront in everything you do, the same approach can be taken for sustainability.

Best practice examples and templates for how to achieve this include making management commitments, undertaking supply chain mapping, introducing green procurement standards, engaging with suppliers, reporting on suppliers' progress and introducing supplier incentives.

If your organisation's emissions target incorporates Scope 3 emissions (as it often will), you will need supplier buy-in and support to help achieve that target.

### Climate-aligned contracting

A very effective way for a commercial organisation to exercise control over its suppliers is through contractual arrangements and many customers are starting to impose (or strengthen) environmental requirements on their suppliers.

Contracts can be required to comply with supplier codes of conduct which incorporate climate-related obligations. Specific climate-related clauses can also be included on a contract-by-contract basis.

The Chancery Lane Project (TCLP) is a collaborative effort consisting of legal professionals and non-legal sector experts from all around the world whose vision is a world where every contract enables solutions to climate change. TCLP has created over 100 model climate clauses, a glossary of climate terms and all of their content is freely available to download and use.

We've picked out 6 of these example clauses to look into in more detail.

	<b>What is it?</b>	<b>Why use it?</b>	<b>How it promotes a net zero future</b>
<a href="#"><u>Eddie's recitals</u></a>	Two short recitals that frame a contract and the intentions of the parties in terms that are aligned with achieving net zero emissions and Paris Agreement goals.	The recitals are a low-effort and 'win-win' way to put climate change issues down on paper at the forefront of the parties' intentions.	This ensures that each contract helps to limit the global temperature increase to 1.5 degrees Celsius above pre-industrial levels and achieve net zero or net negative emissions by 2050 or sooner.
<a href="#"><u>Griff's clause</u></a>	Template drafting for board papers with detailed prompts for consideration of the climate impacts of a significant contract/transaction and the associated climate risks to the business.	Griff's clause enables business-aligned climate conversations within a normal governance structure, supporting companies to meet their net zero commitments and build climate resilience.	Prompts companies to assess whether their most significant contracts align with best practice on the implementation of net zero commitments, measure progress and ensure the integrity of such commitments.
<a href="#"><u>Raphael's procurement questionnaire</u></a>	A due diligence questionnaire (DDQ) that asks potential suppliers for information regarding a wide range of climate change-related issues, going far beyond the standard enquiries.	Customer procurement teams can appraise supplier approaches to climate-related risks and impacts and how well these align with the customer's own climate strategy and targets.	This DDQ helps to cascade the achievement of a customer's net zero target to its suppliers. It enables the customer to identify its scope 3 emissions and plan appropriate measures to reduce them.

Clause	Customer's perspective	Supplier's perspective	Business's perspective
<b><u>Agatha's clause</u></b>	<b>This gives customers a right to switch supplier if the existing supplier is unable to match a 'greener' offer made by an alternative supplier.</b>	<b>This prevents you from being locked into a contractual period with a supplier which does not actively meet your green criteria.</b>	<b>This clause incentivises and supports suppliers to benefit from continuously improving their green performance with the corresponding increase in competitiveness.</b>
<b><u>Alice's clause</u></b>	<b>This gives businesses a tool to require their suppliers to use fewer single use plastics in the provision of facilities services.</b>	<b>This enables facilities management providers to continuously reduce the volume of single use plastic (and the corresponding embedded greenhouse gas emissions) used in their operations.</b>	<b>This provides a framework for measurement and payment deductions that will incentivise the supplier.</b>
<b><u>Owen's clause</u></b>	<b>Clauses that "back to back" or align a business' net zero target with its supply chain and business partners, thus enabling the business to achieve its target or take control to achieve it.</b>	<b>By setting emissions reductions to be achieved in relation to the contract, requiring emissions reporting and subcontractors to be similarly bound, both parties will be supported to achieve net zero.</b>	<b>If the obligations are not achieved the customer can terminate or offset the supplier's carbon emissions at the supplier's expense.</b>

Many organisations are still developing and embedding their own sustainability goals and objectives into their corporate agenda and the use of detailed or project specific climate change clauses, such as the setting of net zero targets, is not yet commonplace.

Including climate change requirements does not necessarily guarantee their effectiveness at reducing environmental impact and many organisations do not yet have the resources or expertise to monitor their suppliers' compliance with detailed climate change obligations.

Despite this, it is important to engage early with suppliers about climate change goals and expectations as part of



the procurement process or in negotiations. This can help to ensure that any environmental targets or plans to achieve net zero are clear in scope and commercially realistic.

If you would like to find out more about how we can assist with contracts to lessen your environmental impact, [please get in touch](#).



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