Highlights

Solid performance

Revenue	Revenue per partner[1]	Cost to income ratio[2]
£297.2m +10.9%	£784.3k -9%	42.6% -0.1ppts

Operating Profit	Underlying adjusted EBITDA[3]	Reported PBT
£22.2m +46%	£21.8m -22%	£18.2m +40%

Underlying adjusted PBT[4]	Gross profit margin	Net debt[5]
£13.8m -32%	47.9% -5.6ppts	£64.9m +£29.6m

1. Revenue per partner is calculated by dividing revenue by the FTE number of partners at the end of the financial year.
2. Cost to income ratio is defined in note 2 of the financial statements.
3. Underlying adjusted EBITDA is defined in note 2 of the financial statements.
4. Underlying adjusted PBT is defined in note 2 of the financial statements.
5. Net debt excludes lease liabilities.

Strategic report

Governance

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Other information

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Other information

DWF at a glance

Who we are and what we do

Innovation is at the forefront of our strategy to provide a competitive and differentiated offering for our clients. We believe innovation will help us become the chosen partner for outsourced legal and Connected Services. As a listed company, we now have a remuneration model which includes equity incentives for our partners and fee earners that we believe is unique amongst our peers.

Our three delivery platforms: Complex, Managed, Connected
These are at the heart of our integrated offering, adding value for our clients.

Complex

We offer clients premium legal advice, expertise and attention. Complex law has always been a mainstay of our business.

Managed

We handle process-orientated legal work – but we do it differently. Our Managed Services team takes day-to-day law and manages it better. We make it more predictable and consistent, smoothing and streamlining processes. We also make it more cost- and time-efficient, through logical process mapping and a technology-enabled platform.

Connected

We offer a wide range of additional products and services through our Connected Services division, allowing clients to consolidate their supply chain. These products and services include a digital claims platform and software solutions, as well as specialist lawyers and barristers, forensic accountants and investigators.

Our culture

We have a collaborative and inclusive culture that underpins our decisions. We are building inclusivity by:

- being a force for good in society, acting globally and engaging locally;
- demonstrating commitment at the highest level;
- establishing sustainable and socially responsible business principles;
- making DWF a great place to work and to do business.

+ See page 37 for more information

Our values

Always aim higher

By refusing to do only the minimum and reaching further every time, we expand the realm of what's possible.

Be better together

By supporting each other and working as a team we can achieve more for our clients and ourselves.

Disrupt to progress

Just because there's an established way of doing things, it doesn't mean it's the best way.

Keep all promises

A promise is a promise, no matter how large or small. By keeping promises, we build trust, loyalty and commitment.

Attend to details

Paying attention to every last detail is the right way to ensure clients experience the very best of DWF.

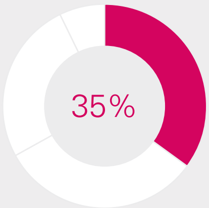
+ See pages 12 and 37 for more information

Our divisions

Revenue

Commercial Services

Providing a range of Complex legal services and Managed Services to a wide range of clients and sectors, our Commercial Services division includes corporate, litigation and real estate practice groups. These cover areas such as business restructuring, commercial and competition, tax and private capital, employment, finance, pensions, real estate, debt recovery, asset management, housing and planning.

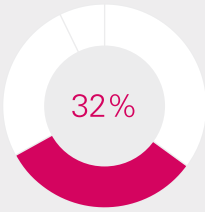


£104.4m

119 Partners
1,008 FTE

Insurance Services

Providing a range of Complex legal services and Managed Services predominantly to insurers and their clients. This division includes our teams covering catastrophic personal injury, occupational health and casualty, motor, fraud and resolution law, as well as our professional indemnity and commercial insurance practice groups.

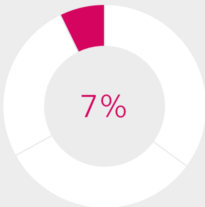


£95.8m

69 Partners
899 FTE

Connected Services

Providing our products and services that complement the legal services offered by our other three divisions. Connected Services has been built on our existing products and services, including our costs business, our insurance claims handling business, and our software and technology company, as well as other service lines, such as loss adjusting.

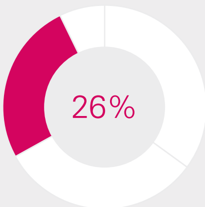


£20.2m

18 Partners
278 FTE

International

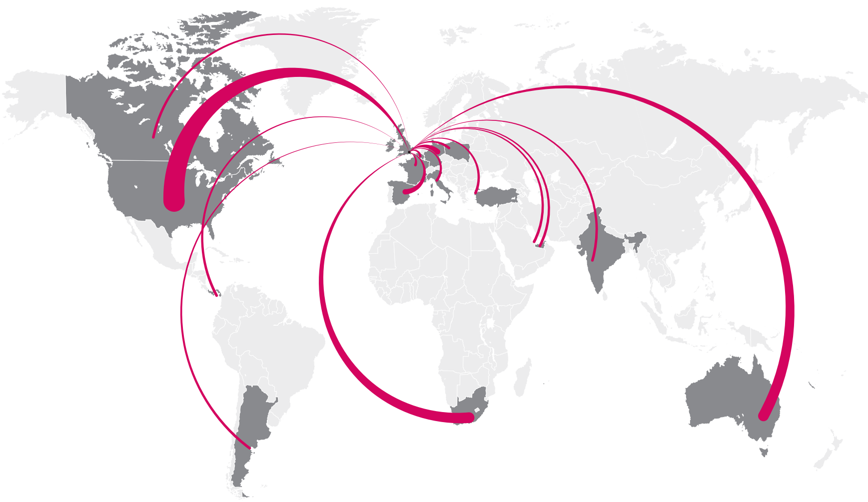
Providing Complex legal services and Managed Services outside of the UK and Ireland, our International division focuses on growth in the same areas of legal services as our Commercial Services and Insurance Services divisions, across territories that include Australia, France, Germany, Italy, the Middle East, Poland and Spain.



£76.8m

173 Partners
882 FTE

Our international presence
We have offices in 31 locations across four continents, with more than 4,200 people. We also work in association with six other legal business around the world, in the USA, Argentina, Panama, Colombia, Turkey and South Africa.



4,200+
people are employed across the Group

FTSE 100
We work with 25 of the FTSE 100 companies

10+ year
relationships with half of our clients

14%
of revenue comes from our top five clients

Chairman’s statement

Supporting our people, delivering for our clients

Jonathan Bloomer
Chairman

Dear shareholder,

I am delighted to welcome you to our Annual Report and equally delighted to introduce myself as your new Chair. I have been the Chairman of DWF Group for a little over five weeks and so I want to begin by thanking my predecessor, and now Group CEO, Sir Nigel Knowles, and our Deputy Chairman, Chris Sullivan, for their contributions and support in helping me prepare this statement.

I am very pleased to have taken on the role of Chairman of DWF. It is a differentiated business in a highly competitive industry that is on the verge of a period of significant change. The Group is very well positioned to capitalise on this change, and I am looking forward to working with the Board to implement the strategy set out by Sir Nigel, aimed at taking DWF forward to a new phase of sustainable and profitable growth.

Business and markets

Like all businesses in our sector and beyond, we face the considerable challenge of navigating an unpredictable global economy that will continue to be affected by COVID-19 for the foreseeable future.

COVID-19 had a significant impact on our business, but we have done a number of things to ensure DWF has the strength and resilience to perform throughout this financial year.

These include implementing a cost-savings programme that will realise £15m of savings in this financial year, and an agreement with lenders that provides access to a secondary revolving credit facility (‘RCF’) of £15m, in addition to our existing RCF of £80m, with a relaxation of certain covenants.

While we moved quickly to further strengthen liquidity and increase operational efficiency, we have also seen performance improve markedly since April, as our differentiated offering and range of services remain in demand. Our strong relationships with institutional clients in our key sectors have also ensured that our cash collection has been healthy.

Our employees and culture

COVID-19 has also had a significant impact on our ways of working. Throughout this period, our priority has been the health and safety of our people. An outstanding response from our IT and other central services teams ensured that more than 95% of our people were able to work from home during the strictest lockdown periods. A significant proportion of our people continue to work remotely, and we have put in place numerous measures to support them in doing so, with a particular focus on their physical and mental wellbeing.

We are now carefully implementing plans for phased returns to offices, dependent on the specific circumstances and governmental guidance in our respective locations.

The importance DWF places upon culture has been impressed upon me since my appointment. The Group has made further progress this year to support partner and employee recognition, improve and harmonise benefits, perform strongly in leading Diversity & Inclusion ('D&I') rankings, and make a significant community impact.

Strategy and capital allocation

Despite the disruption caused by the COVID-19 pandemic, we made very good progress with our strategy in FY20. Among the principal capital allocations the Group made, the acquisitions of RCD and Mindcrest have helped develop further our International and Managed Services businesses. We anticipate reinvesting around half of the £15m of FY21 cost savings as we continue targeted, strategic investments in our capabilities.

Dividend

Like many listed businesses, the impact of COVID-19 has caused us to review our position on paying a full-year dividend. This is a matter we have given great consideration to, as we know the importance of a dividend, to both our external and internal shareholders.

The proposal of a final dividend for FY20 underscores our current confidence in FY21 trading and outlook. We are seeing our approach to providing integrated legal services through our Complex, Managed and Connected proposition resonate with clients. This is driving an encouraging pipeline of new work. At the same time, we continue to look for further operating efficiencies to build upon the cost reductions we announced in May and July and the office rationalisations that are well underway.

ESG

The Board recognises that Environmental, Social and Governance matters are of greater importance than ever before. Your Board performed well in ensuring effective governance in our business and you can read more detail on the activities and priorities of our governance committees on pages 64 to 91. We also strive to make a positive social and environmental impact, most notably through our CSR activities and the work of the DWF Foundation, which you can read about on pages 36 to 43.

Living our values

The culture within our business is underpinned by our five core values. This year, more than ever, we have seen our people living our values as they have responded to the challenges presented by COVID-19. This has been clear in the way our people have supported each other, our clients and our communities.

This year we launched DWF Achievers, a recognition platform that allows colleagues to congratulate each other for living to our values. Since its launch earlier in year, there have been more than 9,000 recognitions through the platform.

See pages 36 to 43 for more information.

Jonathan Bloomer
Chairman
7 September 2020

Group Chief Executive Officer's report

A resilient business model

Sir Nigel Knowles
Group Chief Executive Officer

The global legal industry is going through a period of significant change as new delivery models and service providers emerge to meet client demands for greater ease and efficiency. This trend is only likely to accelerate, as the economic consequences of COVID-19 force more in-house legal teams to challenge the established ways of doing things.

I am honoured to have been asked to lead the Group through this period of change, and am pleased to describe here some of what we have done through the course of FY20 – and beyond – to ensure DWF is well placed to capitalise on these market opportunities.

Firstly though, I want to reiterate my thanks and pay tribute to my predecessor as Chief Executive Officer, Andrew Leaitherland. In May this year it was announced that Andrew would be stepping down as Group CEO. Andrew spent more than 20 years at DWF and was CEO for 14 years.

He was instrumental in the growth of DWF, both in the development and expansion of the services the Group provides, as well as its geographic spread. During his tenure, DWF grew from two offices in the UK to a global business of more than 30 offices across four continents. He was also at the heart of DWF's successful IPO in March 2019. I wish Andrew well with his future endeavours.

FY20 performance

Trading through the majority of FY20 was strong and the Group made significant investments to support its growth objectives. The sudden and far reaching impact of COVID-19 had a material effect on the final quarter with a resulting impact on profitability. Despite this, we delivered a solid performance with overall revenue growth of 10.9% and organic growth of 2.0%. While we achieved record Group revenue, with an organic growth rate that compares to other global law firms in FY20, it was lower than expected.

Our progress with our strategy

Our strategy is to provide integrated legal services globally through our Complex, Managed and Connected delivery models, which we can combine to deliver bespoke solutions for our clients. This single integrated approach delivers greater efficiency, price certainty and transparency for our clients without compromising on quality and service.

Complex legal advisory services have always been a mainstay of our business. Through our Commercial, Insurance and International Services divisions, we provide clients with premium legal advice and excellent client service. We have continued to invest in strengthening our Complex legal advisory capabilities through the year, including through the majority of our net 64 partner joiners. This includes the new partners who have joined our business through acquisition.

Managed Services provides alternative legal services, often outsourced and process led services, which standardise, systematise, scale and optimise legal workflows. We took a significant step towards scaling our Managed Services offering this year through the acquisition of Mindcrest. This significantly extended our Managed Services capability, giving us a presence in Pune, India, and access to an experienced and talented team that has been operating Managed Services contracts with corporate clients for more than 15 years. The addition of Mindcrest to our existing Managed Services teams is already resulting in new client opportunities.

While our Connected Services division, which provides products and services that enhance our legal offerings, did not grow as much as anticipated at 13.0%, this was affected by underperformance in one Connected business that we have since restructured. The other Connected business' revenues grew c.18.5% year-on-year. A number of Connected innovations and client projects were also instrumental in DWF achieving its highest ever position in the 2019 *Financial Times Innovative Lawyers* report, being ranked the eighth most innovative law firm in Europe. We also won two awards, including one for our ground-breaking IPO. Our innovation credentials were strengthened further this year with the acquisition of RCD in Spain. RCD has also consistently ranked highly in the FT's report and was the first in its market to establish a specific innovation department.

M&A is also a key factor in enabling us to achieve our strategy. In FY20, we completed the acquisitions of RCD and Mindcrest, and established our first office in Poland through the recruitment of the Warsaw office of K&L Gates Jamka. We also opened an office in Düsseldorf through a team hire from Marccus Partners and, with further team hires, we strengthened our offering in Australia. DWF has completed 17 acquisitions in the past 13 years, but with external market conditions and a desire to ensure we have fully integrated our most recent additions, there is a temporary pause on M&A. It will still be a key ingredient in driving further growth, and we anticipate resuming activity when conditions allow.

Our people

Our culture is defined by our five core values: Always aim higher; Be better together; Disrupt to progress; Keep all promises; and Attend to details. These values have long been integral to the success of our business and emphasise our focus on our people, our clients and our communities, but this year we launched two key engagement initiatives to further establish them across the business.

We launched The Rubie Awards, our annual awards programme, through which people can nominate colleagues for recognition in one of ten different categories. We also launched DWF Achievers as a day-to-day recognition platform, through which people recognise each other for living our values. I also want to recognise here the resilience and commitment of our people, and thank everybody for living our values in recent months.

Group Chief Executive Officer's report continued

COVID-19 has required all of us to make significant adjustments to our daily working lives, in many cases juggling other personal responsibilities and commitments. We have seen countless examples of the ways colleagues have been supporting each other through challenging circumstances, and continuing to provide the same excellent service to our clients.

We conduct two global Pulse Surveys each year, helping us assess the views of our people on their career and experiences at DWF. The most recent of these surveys completed shortly following my appointment as CEO in FY21, but it seems appropriate to reveal the findings here, to illustrate our progression. We were pleased with a sizeable increase in the proportion of people completing the survey, rising from 60% to 67%, while our overall Engagement Score – a composite figure based on three key questions in the survey – edged up from 75 to 76.

Our people are central to the Group's CSR activities, dedicating their time and expertise through programmes such as our social mobility initiative, 5 STAR Futures, and contributing to and coordinating fundraising to support the charitable giving of the DWF Foundation. This has again been evident throughout COVID-19, with a range of fundraising and community activities to support, for example, the manufacture of PPE equipment and donations to food banks.

We participate in the Business in the Community's Responsible Business Tracker, to help us assess our performance as a responsible business. Our overall score of 60% confirms that we are leading our benchmarking group, compared to a legal sector average of 51%, and that we scored higher than the average score of 43%, from all 94 cross-sector companies who took part.

Our clients

We have continued to strengthen our client relationships this year through the provision of services to new and existing clients. In FY20, we were successful in being appointed or reappointed to 28 legal panels, including appointments from Severn Trent and Dixons Carphone. DWF was also appointed as a Strategic Legal Partner to BT, to provide real estate and insurance services through a five-year Managed Services contract. We were subsequently also added to BT's significantly reduced external legal panel. We have also supported our clients in a number of important litigation mandates, which included the successful defence of WM Morrison in a landmark case at the Supreme Court.

This year, we launched a new internal Key Client programme to ensure we are providing even greater resources and focus to our most significant clients. This programme is in its first year, but we have already seen 21% year-on-year billings increase from our 'grow' and 'target' clients.

At the end of our last financial year, we launched our largest ever client-listening project, conducting a review of more than 400 client contacts. The purpose of this project is to give us comprehensive client feedback, enabling us to invest further in areas where clients derive most value, and to identify any areas to improve.

FY21 strategy

Following my appointment as CEO on 29 May, I reaffirmed our commitment to our strategy, which is fundamentally the right one. There will be no sharp changes of direction from DWF, but there will be much greater focus this year on operational improvement. The aim is to improve efficiency across the Group, better connectivity across our global business, and to see the improvements in working capital performance that we believe will help us to reduce net debt. Key priorities, some of which are already complete, include:

- a strategic review of our business, resulting in the closure of offices in Brussels and Singapore, and a reduction of our presence in Cologne and Dubai
- a review of the Group's costs, resulting in the identification of a further £5m of cost savings in FY21, in addition to £10m of savings already implemented before my appointment
- a project to significantly improve our lock up performance (the time it takes to convert work in progress and debtors into cash) with progress already being made, as lock up has fallen from 206 days at 30 April to 200 days at 31 July
- a greater focus on the integration of recent acquisitions, to improve business opportunities and synergies
- growing our Managed Services offering.

Outlook and current trading

In our trading update issued in July, we said we were cautiously optimistic that FY21 will benefit from the actions we have taken to reshape costs, combined with the client opportunities we continue to see. The environment remains uncertain, but we have large parts of our business which are annuity and some which are counter-cyclical in nature and we expect to see some increased activity as a result. The first four months of trading have shown a steady recovery in activity levels since the dip in activity in Q4 of FY20, and more importantly, this has translated into a significantly improved net profit position. This is despite the cost savings we have executed having a time lag such that they are not yet all reflected in the FY21 year-to-date profit contribution. As we look forward, we expect to benefit from a full year revenue and profit contribution from our acquisitions, RCD and Mindcrest. The Group will also benefit from the partner and team hire activity made towards the end of FY20, as these contribute organic revenue and profits. The further impact of the cost saving measures and savings from discontinued loss making operations will underpin near term profitability, in line with the Group's target of delivering profitable, cash backed growth. The discontinued and reduced operations represented c.1.5% of Group revenues and generated a £4.5m EBITDA loss in FY20. The Group's cost saving programmes are expected to reduce the FY20 cost base by £15m, although approximately 50% of this may be reinvested into the business in key growth sectors. The proposal of a final dividend for FY20 underscores our current confidence in FY21 trading and outlook.

We are seeing our approach to providing integrated legal services through our Complex, Managed and Connected proposition resonate with clients. This is driving an encouraging pipeline of new work. At the same time, we continue to look for further operating efficiencies to build upon the cost reductions we announced in May and July and the office rationalisations that are well underway.

In the first quarter, we have seen a significant uptick in bid activity which has resulted in numerous client wins, including a new contract to handle casualty and motor injury claims in Scotland and Northern Ireland with multinational insurance company, Aviva.

Sir Nigel Knowles
Group Chief Executive Officer
7 September 2020

Our market drivers

Underpinned by strong market drivers

Market overview

The legal services industry continues to evolve rapidly, with the challenges presented by COVID-19 only likely to accelerate a number of the key drivers of change. Even before the COVID-19 pandemic, eight in ten of the UK's largest law firms said that making better use of technology was their key priority for the next two to three years. With remote working moving from a short-term need to a longer-term shift in ways of working, and with companies seeking productivity improvements and greater efficiency from their legal functions, this will move from priority to necessity.

Client consolidation of suppliers

Clients are looking to consolidate their supply chains and reduce the number of professional services providers. This will help them better manage the budgets of their legal function, and bring efficiencies in procurement and supplier review processes. In April, BT reduced its legal panel from around 40 to 15 firms, with DWF a newly-appointed panel member.

What this means for our industry

Legal services providers will need to be able to offer a broader range of integrated and related services, and demonstrate a sector-led understanding of clients' challenges. COVID-19 will be an accelerator, as clients come under significant pressure to manage budgets at a time when demand for advice may be increasing, as we typically see more disputes during a downturn.

Our opportunity

Our differentiated business model and sector expertise gives us an opportunity to win a greater share of the market, by deepening relationships with existing clients and winning new appointments.

Our response

We have continued to invest in strengthening our services and extending our global reach, enabling us to offer more of the services our clients need, where they need them. Our strengths in litigation and insurance, two business areas typically in demand through a downturn, mean we are well-placed to capitalise on this opportunity.

Alternative to the traditional law-firm model	Technology as a strategic enabler	Law-firm consolidation
In recent years, we have seen an influx of new entrants to the legal services market with providers challenging the long-standing model offered by law firms. This is a result of in-house counsel looking for more cost-effective solutions and standardised processes, especially for work that doesn't need to be done by trained lawyers.	The legal services sector is increasingly complex, as a broad range of providers with differing business models compete and collaborate. This has resulted in a period of innovation with far greater adoption of technology to address clients' challenges. This will continue, but we will also see an increasing number of legal services providers turn this trend inwards, as COVID-19 causes firms to assess how technology can enable new ways of working.	Recent years have seen consolidation within the legal services market, with a number of significant mergers or acquisitions at a national and cross-border level. This trend will continue as firms seek to benefit from greater scale and operational efficiencies, especially in markets such as Australia and Canada, which have experienced less consolidation so far.
The traditional model will come under ever-greater pressure, especially for the provision of certain services, and firms will need to adapt to continue competing. COVID-19 will again act as an accelerator due to the pressure on legal function budgets, and we expect to see greater use of alternative legal service providers ('ALSPs') by clients as they look to do more for less.	Legal services providers will need to continue investing in technology to support service to clients, but also to ensure their people can work effectively and efficiently in a flexible way. DWF has long had a culture of agile working, with an enabling technology platform. It is clear that legal services can be offered through agile working, and this will fundamentally disrupt the legal market.	The sector remains highly fragmented in comparison to other elements of the professional services industry. With the other drivers outlined here providing opportunities for those with global scale and a greater breadth of expertise, consolidation will continue and longer term could accelerate. COVID-19 will have a limiting impact in the short term as businesses seek to conserve cash, but we may continue to see some tactical and strategic opportunities, including distressed situations.
Our ability to provide complex advisory services while addressing clients' demands for managed services more efficiently, in addition to our Connected Services offering, gives us an opportunity to provide an attractive alternative to the traditional model.	To work collaboratively with clients, using our sector-knowledge and investment in technology to find the right solutions. To embrace new ways of working as a permanent feature of our business model, with potential material benefits in the amount of space we require, the flexible working options available to our people, and benefits to our sustainability agenda through reduced consumption of power and paper, and less travel required.	We have enjoyed very strong benefits from our acquisition strategy. While M&A activity is on hold in the current environment, we will continue to identify opportunities to grow our business organically and inorganically. This will focus on, but not be limited to, further consolidation opportunities in our international operations and continued building of our Managed and Connected Services capabilities.
We have continued to invest in our differentiated model, launching new connected services and acquiring Mindcrest to strengthen our Managed Services platform. DWF Mindcrest has been awarded a Band 1 ranking in the Chambers ALSP Guide. We have demonstrated our sector knowledge through our thought-leadership programme, including our COVID-19 hub.	We are committed to 'Doing things Differently' and have invested in technology throughout our Complex, Managed and Connected platforms. We moved quickly to enable agile working for more than 95% of our people, and we will apply the best practices developed during this period to support permanent shifts in how, where and when our people work.	In the past financial year, we acquired RCD in Spain and Mindcrest. We also launched in Poland and expanded in Germany and Australia through large-team recruitment. While COVID-19 will mean a slower period of acquisitive activity, we expect to continue once market conditions return to normal.

Our business model

Creating shareholder returns, investment in the business and incentivising our people

Driven by our purpose and values

Our purpose

To transform legal services, through our people, for our clients. That's why we are transforming our own business, bringing technological innovations, outstanding sector specialists and our advanced working practices together in an entirely new business model.

Our values

Always aim higher
By refusing to do only the minimum and reaching further every time, we expand the realm of what's possible.

Be better together
By supporting each other and working as a team, we can achieve more for our clients and ourselves.

Disrupt to progress
Just because there's an established way of doing things, it doesn't mean it's the best way.

Keep all promises
A promise is a promise, no matter how large or small. By keeping promises, we build trust, loyalty and commitment.

Attend to details
Paying attention to every last detail is the right way to ensure clients experience the very best of DWF.

Impacted by

Market drivers

Our differentiated business model leaves us well placed to capitalise on the key trends driving change in our industry.

- **Client consolidation of suppliers**
- **Alternative to traditional law firm model**
- **Technology**
- **Law firm consolidation**

+ See pages 10 and 11 for more information

Our stakeholders

Understanding and responding to their issues through effective engagement.

+ See pages 14 to 17 for more information

How we create and add value

Our main activities

Predictable, recurring and diverse revenue streams – a significant proportion of our revenues are recurring, and earned through our main activities:

1. Commercial Services
Corporate services, litigation and real estate practice groups.

2. Insurance Services
Insurance law and professional indemnity, and commercial insurance practice groups.

3. International
The same areas of legal services as our Commercial Services and Insurance Services divisions, but outside of the UK and Ireland.

4. Connected Services
Professional and technology services complementary to those offered by our other three divisions.

Outputs

Maximising value through our differentiated strategy:

Understanding our clients
We create value for our clients by providing solutions that meet their business requirements, across multiple jurisdictions and linked service offerings. This allows them to consolidate and secure their supply chain, and gain the efficiencies that come with consolidation. Our professionals offer sector-specific expertise, which enables solutions more closely tailored to client needs.

Engaging our people
As a people business, engagement, employee welfare, values and diversity are at the heart of what we do. Our differentiated proposition, global reach and enviable client list offers amazing opportunities to grow and develop. Our values and social conscience are also part of our DNA, and through the DWF Foundation, an independent registered charity, we contribute to many worthy causes in the communities where we operate.

Doing things differently
We are not afraid to disrupt the legal services sector, or what we offer, and this willingness to innovate ultimately brings more efficient solutions for our clients, and helps us grow as a business. Doing things differently also creates internal efficiencies by freeing up capacity to do more complex legal work, spend more time with our clients, or progress further through innovation.

+ See pages 18 to 25 for more information

Outcomes

Revenue growth
+10.9%

Underlying organic revenue growth
+2.0%

Revenue per partner
-9.0%

Cost to income ratio
42.6%

Hours volunteered
12,500 hrs

People employed
4,200+

Our stakeholders

Listening and responding to our stakeholders

As a professional services business, the relationships we build and sustain are at the heart of our success.

Through the course of this year, we have invested significant time and resources in a programme of activities that enables us to gather input and hear feedback from a broad range of internal and external stakeholders. We have redoubled or adapted these activities to ensure they continue through COVID-19.

Section 172

The Directors have had regard to the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing their duties under section 172. They consider they have acted in good faith, in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with, and are affected by, our business.

+ See pages 16 to 17 for more information on how we engage with our stakeholders. For an example of how the Directors have had regard to matters set out in section 172 when making decisions please see page 15. For more details on the Board and its Committees' activities see page 61 together with this Strategic Report.

+ Details of how environment and reputation have been dealt with can be found in the Responsible Business section on pages 37 to 43.

+ The Directors act fairly as between members of the Company and the Company always seeks to ensure that its communications are transparent. Page 63 of the Corporate Governance report details how we engage with our shareholders.

Section 172 in action – Board Approval of DWF's acquisition of RCD

Last December, DWF announced it had acquired the Spanish legal business RCD, with offices in Madrid, Barcelona and Valencia, and with more than 400 people. The acquisition was a key strategic development this year.

Before Board approval of this acquisition, the Directors considered the interests of all stakeholder groups – particularly our people, clients, shareholders and regulators. Notably, the acquisition met a key commitment made to IPO investors, with Spain one of several markets highlighted in our prospectus as being of interest. Brexit uncertainty was a factor behind extensive regulatory engagement to ensure we established an ownership model that would satisfy regulators in the event of a 'no-deal' exit. The Board also considered the beneficial impact the acquisition would have on our people and clients, as a major contributory factor in the continued growth of the business and extension of our services.

Our stakeholders continued

	Why we engage	How we engage
Our people (employees and partners)	It is vital we recruit, retain and develop the best people – only by doing this will we be able to fulfil our purpose.	Pulse Surveys to track engagement on a range of issues, a monthly Employee Forum, annual and day-to-day recognition programmes, and other regular communication – including CEO updates through the early phase of COVID-19, and Board members responsible for representing the interests of employees and partners.
Clients	Clients are at the heart of everything we do, and so it is important we understand how we need to evolve to provide them with the right support.	A long-standing Client Care programme led by Relationship Managers, supported this year by a bespoke Client Census to discover satisfaction metrics and key themes of feedback. A special COVID-19 hub to help clients with current challenges.
Suppliers	We engage to build effective and trusted relationships, and to ensure suppliers are providing value for money, performing to our standards and conducting business to our expectations.	Through a fair and consistent RFP process, regular review meetings with key suppliers, and ongoing feedback to maintain openness and to improve value from supplier relationships.
Shareholders	Our shareholders play an important role in monitoring and safeguarding the governance of our Group. Some are also employees and partner owners, who have a critical role to play in the continued success of our business.	A series of events throughout the financial year, including our AGM, half-year and full-year results presentation and roadshow, and annual Capital Markets Day. Management also attend relevant conferences, and meet with investors and potential investors through the year.
Debt providers	Access to working capital is the lifeblood of any business, especially now as companies need to ensure they have sufficient liquidity to navigate the challenges presented by COVID-19. It is essential we have strong relationships with our banking providers and that they are clear about our strategy.	Representatives from each bank attend our full-year and half-year results presentations and our Capital Markets Day. We also have regular discussions with our banks about our strategic priorities and our response to COVID-19.
Our communities	It is the right thing to do, but there is also a clear expectation of this among many of our other stakeholders – including our people, clients and shareholders.	We focus activities on the themes of education, employability, health and wellbeing, and homelessness. Examples of activity include the 5 STAR Futures programme, and our people's fundraising in support of the charitable giving of the DWF Foundation.
The Solicitors Regulation Authority and other regulators	We engage with the Solicitors Regulation Authority ('SRA') and other international bodies to maintain the constructive and trusted relationships vital to any regulated entity.	Quarterly meetings with our SRA Regulatory Manager and regular meetings with other regulators, annual reporting to SRA on strategy, risk management and regulatory compliance, attendance at SRA-led Compliance Forum.
Policymakers	We work with national and local Governments, policymakers, regulators and trade bodies to ensure we can help shape policy.	Participation in consultations, attendance and participation at conferences and business network events, membership of relevant industry bodies, creation of relevant thought leadership.

Key interests	Outcome of engagement
Strategy, pay and reward, recognition, Diversity & Inclusion, ways of working, and our response to COVID-19.	Improvements in our Pulse Survey engagement score – which is now at 76, an increase from 75 and 67 respectively in our two previous surveys.
The development of new services and areas of expertise, expansion of our offering globally, development of our Managed and Connected offerings, impact of COVID-19.	A record of retaining existing clients and winning new business – including recent wins with Dixons Carphone and Severn Trent. We were appointed, or reappointed, to 28 legal panels this year.
RFP process, due-diligence requirements, governance expectations, payment processes and terms, impact of COVID-19.	Strong supplier relationships and the development of processes such as a standardised RFP, Supplier Code of Conduct and Ethical Sourcing Questionnaire to improve overall consistency.
The addressable market and our strategy to win a greater share, the building of International, Managed and Connected, the underlying drivers in Commercial and Insurance, progress in reducing debtor and WIP days and reducing net debt, our response to COVID-19.	Strong and constructive relationships with key institutional investors, with issues they raise addressed in our presentations through the year and at our Capital Markets Day – which in January focused on two key areas of interest for investors: Managed and International.
Response to COVID-19, initiatives to improve lock up days, capital allocation strategy, risk appetite and approach to leverage and the provision of ancillary products over and above the RCF to support the Group's growth ambitions.	Strong and supportive relationships which resulted in a positive response, ensuring the Group was able to strengthen its liquidity position to deal with COVID-19.
How to access funding via the DWF Foundation and support through our wider CSR programme.	£322,906.60 raised for the DWF Foundation in FY20. 12,500 hours volunteered. 1,060 young people supported in developing their skills. 57 charities supported in FY20. Ranked 16 in the Social Mobility Index.
Professional standards and compliance, training programme, innovation and data-driven disruption, impact of COVID-19.	Constructive relationships and an open dialogue, critical for DWF as the only legal business listed on the Main Market. Monthly regulatory updates provided to the Board.
Regulatory change in the sector, innovation in the provision of legal services, response to COVID-19, and the broader impact on different sectors.	Opportunity to shape policy consultations and development, positive client relationships with governmental bodies.

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Strategy at a glance

A clear strategy for growth

Organic growth – three principal strategic objectives

Objective	Performance
Understanding our clients	We have continued to strengthen our client relationships this year by providing high-quality services to new and existing clients, and with the launch of our major new Client Listening project.
Engaging our people	A significant year with a range of new initiatives successfully launched, including our recognition programmes, The Rubie Awards and DWF Achievers. We have also introduced a new global benefits platform and established our twice-yearly Pulse survey.
Doing things differently	We have continued to invest in our differentiated offering, for example through the acquisitions of RCD and Mindcrest, and continued development of our Connected businesses. This investment is supporting our clients in making better use of technology, improving productivity, and making their legal functions more efficient.

Inorganic growth – disciplined acquisition strategy

Objective	Performance
Acquisitions	In FY20, we opened an office in Warsaw, Poland and completed the acquisition of RCD in Spain to add a presence in these key European economies. We also acquired Mindcrest to significantly enhance our Managed Services capabilities.

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Priorities	Measures
To deepen these relationships by supporting existing clients in more locations, and extending them through our Complex, Managed and Connected platforms – and by using this differentiated offering to win new clients.	– Net Promoter Score with Key Clients: 50 – Panel appointments and reappointments: 28 – % of clients supported in more than one country: 56% – % of clients with a 10-year+ relationship 50% + See pages 20 and 21 for more information
Taking an inclusive approach to help us attract diverse talent that better reflects the society we work in. Our current challenge and future opportunity, due to COVID-19, is to create a concrete plan to ensure we can continue to attract and sustain a pipeline of talent.	– Engagement score: 76 – Number of DWF Achievers recognitions: 9,091 – Number of people promoted: 214 – Strong performance in leading D&I rankings: Stonewall (30th); Social Mobility Index (16th), Top Employers for Working Families (Top 10); Top 50 Employer for Women + See pages 22 and 23 or more information
To further grow our Managed offering, including identifying and moving certain existing services from our Commercial and Insurance divisions into Managed Services.	– FT Innovative Lawyer ranking – 8 – Connected Services revenue growth – +13% – DWF Ventures R&D investment – £700k – Mindcrest acquisition annual cost savings of £2.9m by FY22 + See pages 24 and 25 for more information

Priorities	Measures
After a significant period of M&A activity, our priority in FY21 will be to ensure we have integrated all recently acquired businesses properly. We have paused new M&A activity temporarily, but it remains an important part of our strategy.	– Earnings enhancing – Accretive to all KPIs + See pages 26 and 27 for more information

Strategy in action

Understanding our clients

Our landmark strategic partnership with BT started in November 2019. It illustrates our progress in offering Managed Services and technology-led Connected Services – helping global operators achieve efficiency benefits.

BT is one of DWF's largest wins this financial year and a major success for our Managed Services business. Demonstrating our capabilities through this partnership was also a contributory factor in our appointment to BT's significantly reduced external legal panel. We will now provide a full range of Complex, Managed and Connected Services to the global communications services company.

The opportunity

To become the chosen partner for outsourced Managed, legal and Connected Services, and to demonstrate our ability to become a provider of external advisory services.

The innovation

We will use our delivery model to identify opportunities to bring further efficiencies to BT's internal and external legal services, including the opportunity to collaborate with BT as a strategic partner in providing insurance and real estate legal services to its in-house legal team, alongside being a provider of external legal services.

The value created

The contract win validates DWF's approach to 'Understanding our Clients', by providing a full-service offering that combines Complex advisory capabilities with volume-driven and technology-enabled legal solutions, complemented by value added services from our connected division.

Five-year Managed Services deal

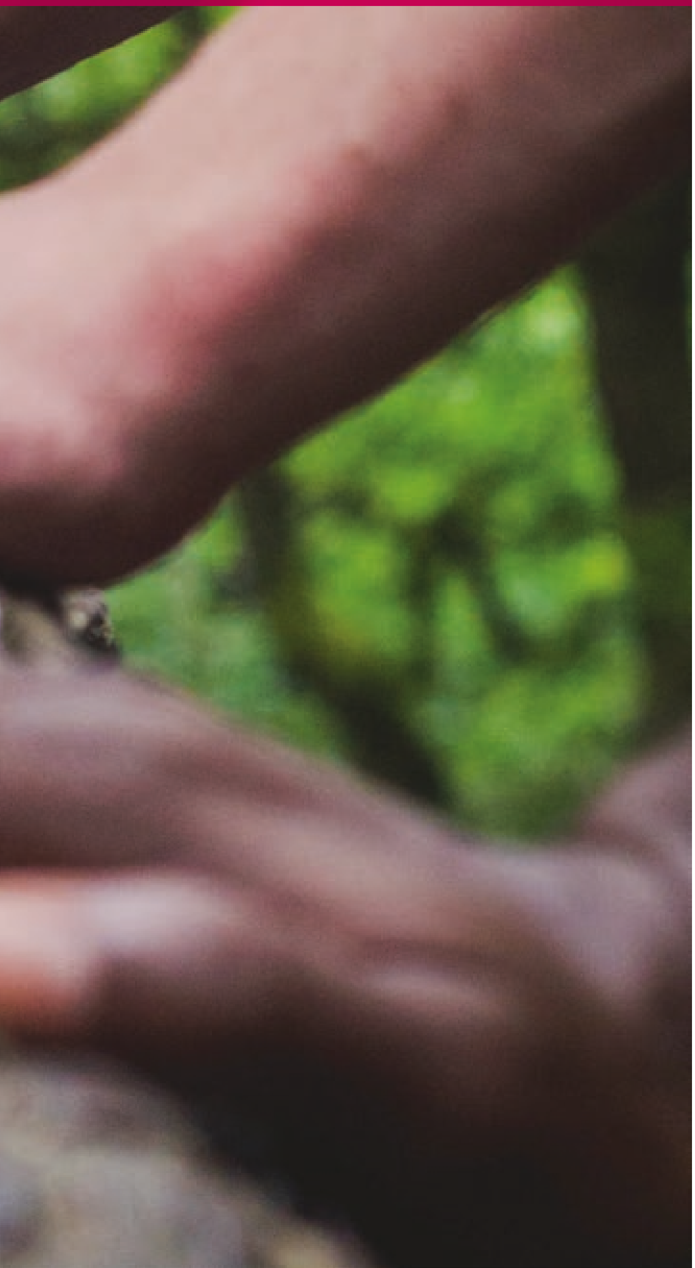
10,000 Transfer of c.10,000 claims

26 Number of firms DWF beat to win competitive pitch

Strategy in action

Engaging our people

Our people have told us one of the things they love at DWF is being recognised for a job done well, and also having the opportunity to celebrate the successes of colleagues. This year we introduced two initiatives to help us recognise the dedication, commitment and quality of our people.



The Rubie Awards is our annual awards programme, where people can nominate colleagues for recognition in 10 different categories. DWF Achievers is our day-to-day recognition platform, where people can congratulate each other for living our values.

The opportunity

To ensure we recognise our people properly, and to give colleagues the chance to share in each other's success.

The innovation

Both initiatives improve engagement and interaction. Colleagues can nominate each other for The Rubie Awards and they vote for the winner of one of the awards. People can 'boost' Achievers' submissions by donating points to those recognised, for them to use to buy rewards.

The value created

The value shows in the popularity of the initiatives – for example, we've had more than 9,000 recognitions made through DWF Achievers.

430 nominations for The Rubie Awards

80% Proportion of colleagues using DWF Achievers

1,200 Average number of recognitions per month

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Strategy in action

Doing things differently

Our approach to 'Doing things differently' is about adding value to clients beyond simply providing legal services. We collaborated with a globally recognised football club client, so that teams of university students could help them develop a solution for a real-time legal challenge.

This unique collaboration was led by DWF Ventures, our research and development arm that specialises in horizon scanning and developing new ways to work. The foresight from the DWF Ventures team allows us to create value for clients by 'doing things differently'.

The opportunity

The football club's legal team needed a way to prioritise and manage the wide range and fast flow of legal work arriving from different parts of the business. We created a programme through which University of Manchester students could help find a solution, with our role being to facilitate the experience for the benefit of the students and the client. We wanted students to see how the legal services industry is changing, while helping our client solve an operational problem quickly and effectively.

The innovation

Work placements in legal services are nothing new, but they usually focus on conventional law. It's rare for a programme to focus on a real-life operational problem, and to run in such a structured and experiential way. This innovation helped students, DWF and the football club collaborate in a way that worked for all parties.

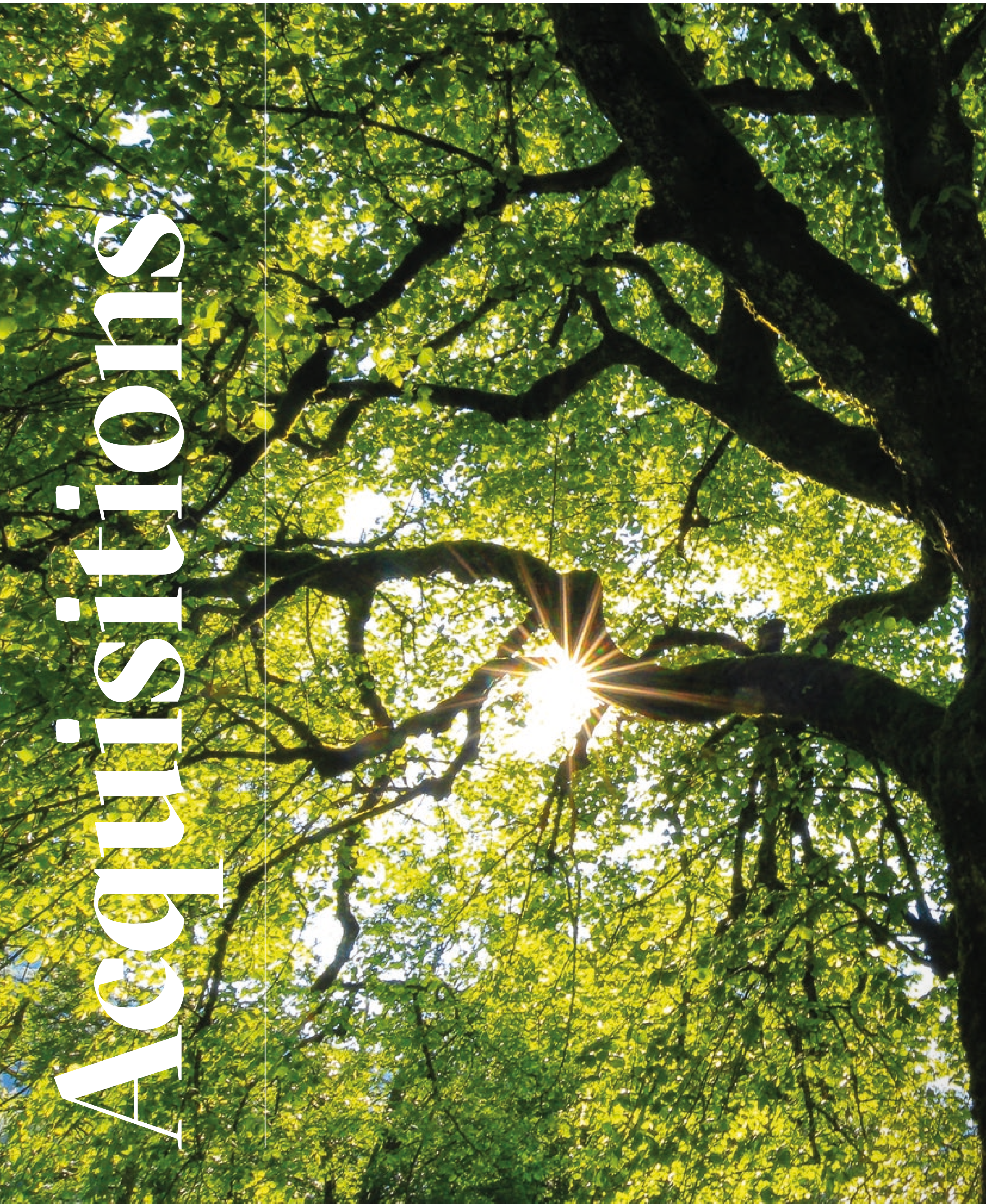
The value created

Our client welcomed the solution the students found. It used a three-part process, with an internal client-engagement tracker, a formula to assess and prioritise work, and a form to record data for analysis. The football club was impressed with the result and speed of the work. The innovative approach taken has resulted in a long-term relationship with the client, and generated value a traditional model could not achieve.

50+	Over 50 student participants
10	days Design sprint completed in 10 working days
3	student teams presented to the client legal team

Strategy in action

Acquisitions



Our strategy of both organic and acquisitive growth has already brought demonstrable financial and client benefits. We have successfully completed and integrated 17 acquisitions in the past 13 years. The strategic acquisition of Rousaud Costas Duran ('RCD') was DWF's largest to date, and it has significantly grown our international capabilities.

Established in 2003 with the aim of bringing innovation to the legal industry in Spain, RCD established itself as one of the country's fastest-growing full-service law firms. Our combined sector alignment and our shared focus on innovation has the potential for future natural synergies, and helps fulfil our purpose of transforming legal services.

The opportunity

We highlighted Spain as a key market of interest in our IPO prospectus. This acquisition presented an opportunity to fulfil that promise and establish a presence in a major European market. RCD offers a strong capability and culture overlap, and has relationships in the Iberian peninsula and Latin America. The move is consistent with our strategy of acquiring complementary businesses with high levels of recurring revenue and strong cash generation.

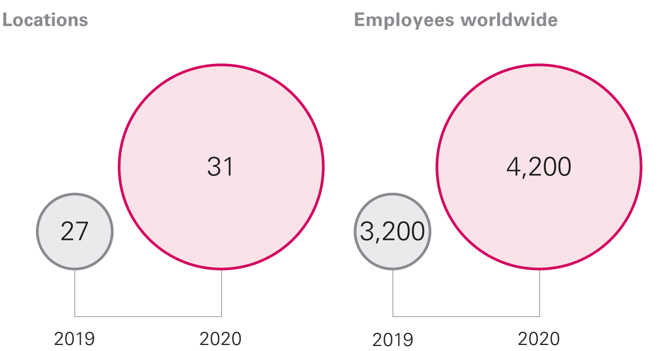
The innovation

A leading firm in Spain, RCD is renowned for innovation and entrepreneurship, having been consistently ranked by the *FT* among Europe's most innovative law firms. Our shared values, ambition and entrepreneurial vision allow us to present a differentiated and competitive offering to our clients. DWF-RCD's ability to work globally also helps us better meet clients' needs and grow our business.

The value created

RCD has seen rapid growth in just 16 years, from 10 professionals in 2003 to over 400 in 2019, and the success of DWF-RCD represents another positive stage of our international expansion ambitions and a continuation of achieving our IPO priorities. Our diversified business model continues to demonstrate its benefits, with opportunities to build further market share.

Growth in international operations



400+ DWF-RCD employees

20+ practices

Key performance indicators

Measuring our progress

At a Group level, we have several key financial and operational measures which we use to assess our performance. The Board monitors various KPIs on a regular basis, to ensure that our strategic objectives are being achieved. To ensure our management's focus is aligned with our shareholders, our KPIs are reflected in their remuneration through our management incentive schemes.

+ See page 78 of the Directors' Remuneration Report for more detail.

Alternative performance measures are used throughout this document.

This section of the Annual Report and Accounts defines each measure and, where necessary, provides a reference to the reconciliation to the nearest statutory measure.

Revenue growth

Definition: The change in net revenue achieved year-on-year

Performance:

+10.9%
+15.2%

Underlying organic revenue growth

Definition: Net revenue of any business unit that has been in the Group for at least 12 months, always excluding the first 12 months of any business unit that was acquired.

Performance:

+2.0%
+12.5%

Gross profit margin

Definition: Gross profit divided by net revenue

Performance:

47.9%
53.5%

Cost to income ratio

Definition: see note 2 of the financial statements

Performance:

42.6%
42.7%

Underlying adjusted EBITDA

Definition: see note 2 of the financial statements

Performance:

£21.8m
£27.8m

Underlying adjusted PBT

Definition: see note 2 of the financial statements

Performance:

£13.8m
£20.3m

Adjusted EPS

Definition: see note 8 of the financial statements

Performance:

3.0p
7.2p

Net partner joiners

Definition: The difference between the aggregate of lateral hires, partners engaged from acquisitions & promotions and those partners that have ceased to be engaged by the Group

Performance:

64
20

Revenue per partner

Definition: Net revenue divided by the total number of partners in the Group

Performance:

£784.3k
£855.7k

Gross lock-up days, debtor days and WIP days

Definition: see note 29c of the financial statements

Performance:

206 gross lock-up days
(125 debtor days and 81 WIP days)

203 gross lock-up days
(122 debtor days and 81 WIP days)

Free cash flow

Definition: see note 29b of the financial statements

Performance:

(£7.2m)
(£18.1m)

Net debt

Definition: The aggregate of cash and cash equivalents and other interest-bearing loans and borrowings (excluding lease liabilities)

Performance:

£64.9m
£35.3m

Employee engagement score

Definition: The aggregate score taken from three key engagement questions in our internal Pulse Survey

Performance:

76
75[1]

1. Previous Survey

■ FY2019/20
■ FY2018/19

Financial review

Strong performance

A challenging end to the year

Chris Stefani
Chief Financial Officer

Financial overview

The Board recognises that the financial performance for the year ended 30 April 2020 ('FY20') was severely affected by COVID-19 in Q4, at a point in the year when the significant investments made since IPO were expected to support revenue growth. Despite these headwinds, revenues have grown by 10.9%, albeit with some short-term dilution to gross and net margins as a result of the shortfall in Q4 revenues, impacting profitability.

International and Connected Services continue to be the 'growth engines' of the business, with International growing 53.2%, helped by the acquisitions of K&L Gates in Poland and RCD in Spain. Connected Services grew by 13.0%, with good performances across the majority of the businesses, albeit overall growth was held back by underperformance in one practice group, which has since been restructured.

In addition to the COVID-19 disruption, a number of entities in these two divisions underperformed during the year, and we announced the decision to close Singapore and Brussels, and slim down Dubai and Cologne, on 9 July 2020. These changes will have a significant positive impact in FY21 and beyond, by eliminating losses and reducing cash consumption. In the FY20 accounts, we have only treated Cologne as a discontinued business as the decisions regarding the other locations were made after the year end.

While revenues have grown, reported gross profit declined by 0.8% on the previous year, due to a 24.3% increase in direct costs from acquisitions, and investments in additional partners and fee earners. That said, some of the reduction comes from the revised remuneration model implemented at IPO. The increase in underlying gross profit of 3.8% indicates what growth would have been had the revised compensation model always been in place. Underlying adjusted administrative expenses increased in line with revenues, with most of this increase relating to acquisitions, professional indemnity insurance and an increase in provision for doubtful debt. The cost to income ratio improved by 0.1 ppt to 42.6% in FY20.

The shock impact of COVID-19, combined with growth in direct and administrative costs, resulted in an underlying adjusted EBITDA figure of £21.8m, a 21.6% reduction on the previous year. Underlying adjusted PBT is £13.8m, a 32.4% decrease on FY19. Reported Profit Before Tax (PBT) is £18.2m, a 39.6% increase on prior year, with the increase largely due to the gain on bargain purchase for Poland, RCD and Mindcrest. This gain being the difference between the element of the purchase price treated as consideration and the fair value of the assets acquired. This gain is treated as a non-underlying item as it is not recurring.

As announced in April and May, we have effected a series of cost-cutting initiatives, with a combined impact of £15m in the year, to ensure the business operates with an improved level of efficiency.

Working capital

Working capital (measured using 'gross lock-up days') has remained a key area of focus, and closing net debt was £64.9m at the year end. Although this was above management's expectations (prior to the impact of COVID-19), strong April collections helped to mitigate the level of increase.

Gross lock-up days comprise two elements: Work-in-progress ('WIP days'), representing the amount of time between performing work and invoicing clients; and debtor days, representing the length of time between invoicing and cash collection.

The Group is pleased by its performance for WIP days, which remained flat year over year at 81 days and improved by 15 days since the half year in October 2019. This is a result of the divisions working to bill earlier, combined with billing-process improvements, which are beginning to reflect in performance.

The Group's debtor days increased by 4 days as a result of two issues: Firstly, a delay in February billing due to some teething issues in upgrading the practice management system; and secondly, slower collections activity in Q4, which was mainly the result of COVID-19 related interruptions. The billing delay was a one-off issue that has since been resolved, but had a knock-on effect on the timing of collections. FY21 collections are encouraging, as countries come out of COVID-19-related lockdown, but the Board acknowledges this may be tempered if the situation in any location reverses.

The Group continues to focus on efficient lock-up management, and believes there is a significant opportunity to reduce lock-up days. Previously published targets signposted a five-to-ten-day reduction in the medium term. Internally, we have set more demanding targets for FY21 in the expectation that we can achieve a higher reduction. While Q4 turbulence delayed some operational initiatives, the Group is now re-focussing on standardising the global process for billing and collections, billing automation, and partner accountability, to improve working-capital performance.

Any improvement in lock-up days will have a knock-on effect on net debt, with each day of lock-up reduction affecting cash favourably, by over £1m.

The Group has an £80m RCF facility and during the height of the COVID-19 pandemic secured an additional £15m contingency facility as a precaution against any further unexpected impacts from the pandemic. There are also a number of ancillary working capital facilities available for use. The Group does not expect to use the contingency facility based on current forecasts, expects to continue to operate within its banking covenants, and has seen strong free cash flow generation over the course of Q1 of FY21 as trading normalises after the COVID-19 impacts seen in Q4 of FY20.

Revenue

Revenue (excluding discontinued operations) was £297.2m for the year, compared to £268.1m in FY19, an increase of 10.9%. Three out of four divisions grew, with Insurance growing 5.2% and Connected Services growing 13.0%, all organic. International grew by 53.2%, boosted by acquisitions. The organic growth in International was 11.1%, as strong results in locations such as Australia and France were diluted by weaker performances in Dubai, Singapore, Germany and Brussels. We have since closed or scaled back these territories as part of the cost-rationalisation measures mentioned above. Similarly, Connected Services' growth was diluted by some challenges in the DWF 3Sixty software business, which we have now restructured. Commercial Services, however, felt the deepest impact from COVID-19 due to a drop in transactional activity, contracting by 4.1% compared to FY19.

Direct costs

Direct costs, including partner remuneration, were £155.0m compared to £124.7m in the previous year, an increase of 24.3%. This increase was due to investment in 160 additional fee earners and 20 partners on an organic basis, and the addition of 44 partners and fee earners through M&A.

Gross profit

Gross profit decreased marginally, by 0.8%, compared to the previous year, at £142.2m (FY19: £143.4m). This reflects a decrease in gross profit margin of 5.6ppts. While Insurance maintained underlying gross margin at FY20 levels (FY20: 48.1%), the other three divisions all saw margins dilute due to the impact of COVID-19 on Q4 activity levels and the previously mentioned underperforming entities we have now restructured. We expect the level of margin dilution reflected in the FY20 figures will reverse during FY21, and have seen this in trading performance since the year end. Managed Services also remains an opportunity, with cost savings signposted on the acquisition of Mindcrest expected to provide further support for a recovery in gross margin.

Divisional performance

Commercial Services

Commercial Services had a challenging year, with the first half performance of its transactional teams in Corporate Services and Real Estate affected by uncertainties around the timing of Brexit and the general election. The second half was expected to be stronger in those areas, and there were some signs of a recovery in Q3.

However, the effect of COVID-19 on the division in Q4 was material – more than on any other division. A combination of larger client projects being put on hold, lower levels of corporate transactional activity generally and WIP write-offs resulted in lower than normal productivity and consequently a severe, albeit short term, reduction in revenue. Even Litigation, which had performed strongly for the majority of the year, was not unaffected with courts closing and a moratorium being placed on certain court proceedings. Overall, the division ended the financial year having contracted by 4% and with an underlying gross margin decline of 11% (underlying gross margin percentage decline of 3.4ppts).

Given the speed with which COVID-19 impacted, and the proximity to the Group's April year end, it was not possible to take sufficient mitigating actions to protect underlying gross margin for FY20. Indeed, as well as retaining capacity on the expectation of a post-election recovery towards the end of Q3 and into Q4, the division had made a number of lateral hires during the year, several of whom arrived during Q4. The new data protection team was launched and other partner lateral hires joined in Q4 in the corporate, commercial, banking and restructuring teams. These investments had a dilutive effect on the FY20 underlying gross margin, exacerbating the COVID-19 impact, but are expected to contribute to more profitable revenues in FY21. For example, the data protection team has already gained a strong market profile, with a number of new wins and panel appointments secured which are helping to drive H1 performance.

In addition, actions have now been taken to remove excess capacity across the division whilst the medium term impact of COVID-19 on the division can be better understood. Q1 of FY21 has seen a recovery in activity levels – not to pre-COVID levels, but to a level which, along with the cost savings being implemented, is expected to lead to a recovery in the gross margin contribution of the division.

As we move into Q2 of FY21, client demand for the teams in Litigation remains strong, with recent significant wins in both 'complex' and 'volume' work. In particular, the commercial, finance and regulatory litigation teams are demonstrating strong levels of activity and growth. Although, activity levels in Corporate Services have picked up since the end of FY20, the outlook for Corporate Services and also Real Estate remains cautious given the ongoing impact of the pandemic. Each of Corporate Services, Litigation and Real Estate remains focused on developing opportunities with Managed Services and Connected Services. In particular, Managed Services, including the new Mindcrest business, have been working closely with both Litigation and Real Estate on several client projects. Corporate Services has also been working closely with Connected Services to develop products that allow the smooth and more efficient completion of transactions remotely throughout the pandemic. These initiatives, together with the current levels of activity and the implemented cost savings, are delivering improved gross margin.

Financial review continued

Insurance Services
The Group's Insurance Services business delivered revenue growth of 6% for the year, despite the COVID-related impact of the lockdown. The sudden transition to home working and the added challenge for many of childcare and home schooling resulted in a significant reduction in activity levels. This, combined with a slowdown in instructions in the important end of year month impacted on revenue growth for the year, and diluted previous gains in profitability with FY20 delivering a broadly flat underlying gross margin at 48%. Insurers are seeing a changing frequency of claims and mix, with some move away from Motor, General Liability and some transportation sector work and this will continue to be impacted by COVID-19, but we are seeing already increased exposure to other insurance sector legal work. The Group believes prospects for this division remain resilient given the annuity type nature of these services and the counter-cyclical nature of litigation services.

The Professional Indemnity and Commercial, and CAT PI & Occupational Health practice groups both delivered revenue growth in the year, with PI in particular performing strongly as a result of recent partner hires and related client wins. Motor, Fraud, RL & IHT was flat in year as expected as the legal and insurance industries geared up for the implementation of the so-called whiplash reforms (now further postponed).

The Insurance division has long-term, annuity relationships with some of the largest Insurers in the UK and this is demonstrated by our being retained by two of our biggest clients to advise them in connection with the FCA proceedings for a declaration on various policy wordings relating to business interruption claims arising from COVID-19. It is a privilege to be the trusted advisor in one of the most important cases for many insurers for centuries, joining an exclusive circle of legal advisers for the insurance industry which includes magic circle and silver circle firms.

The Group expects demand for Insurance services to remain strong in particular in relation to COVID-19 related claims. In addition to the business interruption claims being handled by the commercial insurance team, the first COVID-19 fatal and injury claims have been received from the care and food sectors with the expectation of substantial numbers of claims to follow. The potential for fraudulent claims is huge and the division's award winning Fraud team is ideally placed to advise and assist with those claims. There is a pipeline of targeted partner hires in addition to recent partner joiners which will support continued profitable growth in the division. The ongoing recruitment of a team in Southampton is also expected to contribute to revenues in FY21.

Connected Services
The Group's Connected Services division delivered revenue growth of 13.0% for the year compared to 23.3% in the prior year. FY20 growth was less than targeted, predominantly driven by lower demand for services within the DWF360 software development business, which saw a number of large projects either cancelled or put on hold, and the impact of COVID-19 towards the end of the financial year. Excluding this, the other businesses delivered combined growth of c.18.5% year-on-year, in line with expectations.

Awareness of Connected Services capabilities has continued to develop in the financial year with businesses becoming more established and mature and delivering improving performances. In particular, there has been strong growth in Vueity (50%), Adjusting (141%) and Forensic (187%) albeit these are all businesses which were in build mode in the prior year. Advocacy grew by 19% but was impacted by the disruption to the court system from COVID-19 at the end of the financial year. The Claims business, which accounts for just over a third of revenue in the Division, has shown modest growth of 5%. A business restructuring was undertaken towards the end of the financial year which provides a strong platform for continued growth in revenue and profitability in all territories (UK, Australia, Canada, France, Ireland, Italy and USA) in the coming year, particularly as insurers see the volume of COVID-19 related business interruption claims increase. Performance in USA and Italy in FY20 was particularly strong with growth of 153% and 15% respectively driven by team expansion. The newly launched Regulatory Consulting business finished the year with a well-developed pipeline which bodes well for FY21.

The underlying gross margin development of the Connected businesses was delayed by the disruption from COVID-19 preventing what would likely have been a small year on year improvement. However, a number of cost saving and restructuring measures have been effected in order to support positive margin development in FY21 as the businesses continue to mature, growing revenues on a controlled cost base.

International
The International division grew by 53% in FY20, delivering revenues of £76.2m compared to £49.7m in the previous year. Poland and Spain contributed the majority of this growth, with both acquisitions performing well. Underlying organic growth was 5%, with some relatively flat performances across the rest of the International locations and contraction in a small number of locations with Dubai being the most material drag on growth, contracting by 38%. Australia was a standout in terms of growth, with revenues of £16.4m being 43% ahead of prior year.

Performance across a number of locations was impacted by COVID-19 in the final quarter, with previously forecast revenues falling away as transactions stalled and instructions slowed. Given the investment in partner headcount in FY19 and H1 of FY20, some of the locational performances were nevertheless disappointing and a number of cost saving measures were triggered at the half year to right-size the cost base and tackle areas of underperformance. The benefit from these savings takes some time to be realised due to notice periods being served, but are expected to be delivered early in FY21. In addition, since year-end, the decision has been taken to cease operations in Singapore and Brussels and slim-down operations in Dubai and Cologne. This will save costs without having a material impact on revenues.

The underlying gross margin percentage for the division fell by 2.8pts to 40.7% as a result of the COVID-19 revenue impact, the underperformance of certain locations, and the level of investment carried into Q4 in the direct cost line. The cost saving measures that have been implemented are expected to deliver a stronger margin in FY21.

Whilst some operations have been closed or slimmed down, the International division remains a key growth opportunity for the Group. In Germany, Düsseldorf will become our regional centre now that Cologne has been substantially slimmed down. In Australia, real estate hires in Sydney and Melbourne, and employment and commercial teams in Melbourne, have hit the ground running despite the challenges of COVID-19. Elsewhere, selective investments in partner hires in Poland, Italy and Paris will help to drive further organic growth. As highlighted at the time of IPO, we will continue our international expansion in priority countries through either future associations or additional acquisitions in legal markets which we would like to enter with the USA, Canada, Hong Kong and the Netherlands all being locations where we will continue to look for opportunities. The timing of any future M&A will be determined by ongoing FY21 performance as the impact of the pandemic becomes clearer.

Administrative expenses

Reported administrative expenses have reduced compared to the previous year, moving from £128.3m in FY19 to £120.1m in FY20. However, this movement is skewed by three factors: the impact of acquisitions, non-underlying items and share-based payment expenses:

- The accounting for acquisitions creates a gain on bargain purchase due to the difference between the fair value of the assets acquired and the element of the purchase price treated as consideration
- Acquisitions have also impacted non-underlying items by £2.9m due to the fact that there are elements of the purchase price paid for RCD and Mindcrest that link to continuing employment obligations. They are therefore treated as remuneration rather than consideration and are non-underlying as they cease after the end of the lock-in period during which there is an ongoing employment obligation
- The majority of the remaining non-underlying items are the transaction costs related to Poland, Mindcrest, RCD and the costs of an aborted acquisition due to COVID-19
- Share based payment charges have increased as a result of a full year of the vesting of IPO related share awards and an element of the acquisition purchase price for RCD being accounted for as employment linked expense settled in the form of shares

On an adjusted basis, administrative expenses increased by £8.6m, or 7.5%, which mainly related to additional premises costs, an increase in PI insurance costs, and an increase in the doubtful-debt provision due to COVID-19. This increase is a result of an increase in the aged debtor balance which triggers a higher expected future loss. The table below breaks out the split of the reported numbers:

	2020 £'000	Represented 2019 £'000
Net revenue	**297,231**	268,136
Administrative expenses	**120,084**	128,264
Amortisation of intangible assets – acquired	**(1,510)**	–
Impairment	**(382)**	–
Gain on bargaining purchase	**25,084**	–
Non-underlying expenses	**(7,632)**	(12,569)
Share-based payment expenses	**(12,570)**	(1,202)
Impact of transition to IFRS 16	**3,492**	–
Adjusted administrative expenses	**126,566**	114,493
Cost to income ratio	**42.6%**	42.7%

On an adjusted basis, the cost-to-income ratio has reduced from 42.7% in the previous year to 42.6% in FY20, reflecting good control of costs despite revenue dropping away sharply in Q4. There are, nevertheless, opportunities for savings, which we are looking in to and executing in H1 of FY21, and there are substantial COVID-19-related savings from reduced travel, reduced office consumables and reduced business development expenditure. Opportunities to learn from the flexible working enforced by COVID-19, and the impact this has on the need for office space for the Group, may offer future savings.

Net finance expense

Net finance expenses were £1.9m in FY20, compared to £2.1m in FY19, a decrease of 10.6%, a result of better structuring of the Group's borrowing arrangements. FY20 now includes interest payable on leases (disclosed separately from net finance expenses in the income statement) of £2.0m, reflective of the accounting changes arising following the transition to IFRS 16.

Profit before tax

Reported PBT was £18.2m, compared to £13.0m in FY19, an increase of 39.6%. The reported PBT is affected by the same items that skew administrative expenses (acquisition related gains and expense, share-based payments and non-underlying charges). Underlying adjusted PBT is stated before the impact of these items together with the impact of the change to IFRS16 and the revised compensation model. Underlying adjusted PBT of £13.8m in FY20 compares to £20.3m in FY19. The year-on-year reduction of £6.6m, or 32.4%, is due to the aforementioned factors affecting gross margin dropping through to bottom-line profit, as the COVID-19 revenue impact came too late in the year to be able to mitigate with cost savings. As described above, we have acted on direct costs and administrative expenses to help improve margins.

Taxation

The overall tax charge for the year is £3.6m, which represents an effective tax rate of 19.9%.

The reported profit before tax includes net non-underlying credits of £15.6m, which largely consist of gains on bargain purchases offset by acquisition-related expenses. These items have been treated as non-taxable and non-deductible respectively, resulting in a reduction in the effective tax rate. These were offset by other non-deductible items relating to Australian members' remuneration treated locally as dividends, share-based payment charges relating to the consideration shares issued for the acquisition of RCD, amortisation of intangible assets arising on consolidation and other disallowable trading expenditure to reduce the overall tax charge by £1.4m.

Tax losses generated in a nil-tax jurisdiction and tax charges incurred in higher tax jurisdictions such as Spain (£0.9m), and tax losses in entities where the recognition criteria for associated tax assets have not been met (£0.7m), have increased the overall tax charge.

The acquisitions of law firms in Poland, Spain and Australia, as well as the acquisition of the Mindcrest business, have given rise to deferred tax liabilities of £8.8m as at 30 April 2020 in respect of intangible assets recognised on consolidation. These deferred tax liabilities are increased by short-term timing differences in Australia (£0.2m) and offset by deferred tax assets recognised in respect of tax depreciation timing differences (£0.8m), estimated tax deductions for share-based payments (£1.8m) and tax losses in Australian and the UK (£0.5m) to give a net deferred tax liability at 30 April 2020 of £5.9m.

Financial review continued

Adjustments in respect of prior periods of £0.1m relate to minor differences in the final corporate tax returns compared to the amounts provided for in the prior period accounts.

The Group's current tax expense of £6.1m mainly relates to its entities in the UK (£4.7m) and Spain (£1.3m). In line with the payment profile of tax liabilities in these territories payments of £3.6m have been made in the year ended 30 April 2020, of which £0.5m was in respect of the prior period current tax expense.

With the exception of an open transfer pricing enquiry in India relating to a pre-acquisition period of the Mindcrest business, for which the Group has adequate indemnification from the sellers, there are no open tax audits or investigations across the group. In line with group's tax strategy, it is not considered that any aggressive or materially uncertain tax positions have been adopted by any of the group entities. As such, the level of tax risk faced by the group is considered to be low.

Dividend

The Group's dividend policy is to retain sufficient capital to fund ongoing operating requirements, and to invest in the Group's long-term growth. The previously stated dividend strategy for the Group was, from FY20, to target a dividend-pay-out ratio of up to 70% of DWF Group plc's profit after tax. Given the stronger-than-expected recovery in Q1 of FY21, the Board will increase the pay-out ratio to c.90% for FY20, to allow a final FY20 dividend of 0.75 pence per share. This underscores the Board's confidence in the improving financial outlook, and the commitment of the Group to deliver compelling shareholder returns while also achieving the Group's growth strategy. This final dividend is subject to approval at the AGM on 21 October 2020 and, if approved, will be paid on 5 November 2020.

Balance sheet

Group net assets increased to £69.2m in FY20 compared to £41.8m in 2019. The increase is due to:

- an increase in gross lock-up (work in progress, trade & other receivables and disbursements) of £35.2m (23.2%), which has grown due to acquisitions, net revenue growth and an increase in lock up days;
- a £19.6m increase in prepayments from the accounting treatment of part of the purchase price of the Group's acquisitions, as remuneration is expensed to the income statement over the lock-in period of five years post completion.

There has also, however, been an increase in liabilities:

- £29.6m increase in net debt
- £7.2m increase in deferred consideration
- £5.7m opening net assets impact of the transition to IFRS 16, principally due to the recognition of a £70.3m right-of-use asset and a £78.1m lease liability, both replacing the £10.5m operating lease incentive liability.

Capital expenditure ('capex')

The Group's operating structure is not capital intensive, and FY20 was no exception. Expenditure in the period was primarily focused on IT infrastructure and replenishment, and building the Managed Services platform. The investment in the Managed Services platform increased overall capex by £2.0m from £5.4m in FY19 to £7.4m in FY20.

Conclusion

The Group expected to achieve profitable growth in the year, from a combination of organic performance and M&A contribution. While some units saw a degree of underperformance, the adverse impact of COVID-19 was the material factor in the lower-than-expected revenues, which dropped away sharply on lockdown, and left a shortfall in profit contribution due to the short amount of time the Group had to react to a very dynamic environment. Cost-saving initiatives are currently underway to secure target savings of £15m in FY21 and £18.5m from FY22 and, in addition, we have closed or slimmed down a number of underperforming units to protect margins and cash.

COVID-19 came after a period of heavy investment, with the majority of the 64 additional partner joiners brought into the business in the year hired by the end of Q3 (pre-COVID) and £16.7m of cash outflows committed to M&A, in the expectation that a strong Q4 would see the business de-leverage quickly. While Q4 working capital performance was stronger than expected, it fell short of a normal year end, leading to a higher leverage position than anticipated before the impact of COVID-19. We expect that the cost-saving measures and working-capital drive will help reduce the leverage and improve the net-margin positions seen in the FY20 accounts, and current trading to end of August FY21 reflects both this de-leveraging effect and materially improved profitability. We are managing, and will continue to manage, working capital and net debt tightly, and this represents an opportunity to reduce borrowings in the medium term.

The acquisitions in Poland, RCD in Spain, and Mindcrest, reflect important strategic steps for the Group and we expect them to make a significant contribution to performance in FY21 and beyond. We will continue to consider carefully organic and, at the appropriate point, inorganic growth opportunities. We expect profitable growth in FY21 as we return to more normal trading conditions, albeit the Board remains cautious given the uncertain economic environment.

Chris Stefani
Chief Financial Officer
7 September 2020

Responsible business at a glance

Recognising the achievements of our people

We launched The Rubie Awards, an annual awards programme to celebrate our people's success. In our first year, 430 people were nominated for an award by colleagues.

A leading employer for D&I…

We are one of only nine businesses in the UK to achieve a Gold Standard performance in the ENEI's TIDE benchmark.

…with leadership committed to change.

We have Executive Board sponsors for each strand of our diversity programme: Gender; LGBT+; Race & Ethnicity; Disability; Age; Flexible Working, and Mental Health.

Working to improve social mobility…

In the past year, we improved our ranking in the Social Mobility Index from 60th to 16th.

…by helping young people to develop the skills they need.

Our 5 STAR Futures programme is designed to enable young people to make the most of their potential – we help to equip them with the business skills, confidence and resilience to aim higher and achieve more.

We commit to paying a Living Wage

We are a UK Living Wage employer and this year, we extended our commitment to include our apprentices from 1 May 2020.

And driving engagement in our values

We also launched DWF Achievers, our day-to-day recognition platform which allows people to recognise their colleagues for living one of our core values.

Sector-leading performance

We scored 60% in the Business in the Community Responsible Business Tracker, leading our benchmarking group.

Sustainability report

Integrating sustainability into our business

Our role in society

Our values continue to guide and inform what we do, and we remain focused on operating sustainably. Through our activities, and as a signatory of the United Nations Global Compact, we strive to conduct our business in a manner that supports universal human rights and is environmentally and socially responsible.

We are a global business, and our ambition is to make DWF a world leader at responsible business, mobilising our collective strength as a force for good in society to:

- create a skilled and inclusive workforce today, and for the future
- help build and sustain thriving communities where we live and work
- play our part in repairing and sustaining our planet.

Our responsible strategy

We are putting sustainability at the heart of what we do.

Our responsible business strategy aligns with the UN Global Compact's universally accepted business principles and we prioritise what we do to contribute to the UN Sustainable Development Goals ('SDG's').

We remain a member of Business in the Community ('BITC'), the largest business-led membership organisation in the UK dedicated to responsible business. We use their Responsible Business Tracker to measure and evaluate our performance. In addition, BITC's Responsible Business Map guides what we do globally to address those issues most pressing in society, and where we can make the most meaningful impact.

Sustainability governance

DWF's CSR Team, led by our Director of CSR & Engagement, works with the business to implement our CSR efforts globally. This leadership group is chaired by our CEO, and provides updates to the Executive Board and a report annually to the Board.

Priorities for the year ahead

Our participation in BITC's Responsible Business Tracker has provided us with an assessment of our performance as a responsible business, by tracking our progress against the Responsible Business Map, built on the UN's Global Goals. The results show our approach to responsible business before the disruption of COVID-19.

Our overall score (60%) confirms we are leading our benchmarking group (legal sector average is 51%) and that we also scored higher than the average score of all 94 cross-sector companies who took part (43%). The overall score is a composite of each element of the Responsible Business Map. These are Leadership at Every Level; Purposeful Leaders; Healthy Environment; and Healthy Communities.

Our priorities are to:

- map the full range of issues affecting our business the most, and where we can make the biggest impact
- review our risk register and widen our stakeholder engagement around the world
- move beyond simple discussion, alongside year-on-year reductions in emissions, to establish climate-related considerations across our whole business.

Through this assessment cycle, we identified health, wellbeing and Inclusion as material issues to focus on, and we will sustain that focus in a post-COVID-19 world.

BUSINESS IN THE COMMUNITY

The Prince's Responsible Business Network

Our approach to SDGs

In 2015, the 193 Member States of the United Nations adopted the UN SDGs in a bid to end poverty, protect the planet and ensure prosperity for all by 2030.

Our responsible business strategy and measurement through BITC's Responsible Business Tracker, touches most, if not all of the SDGs. Having mapped the goals to our business operations, we are now in the decade where we need to achieve them, and recognise that for all businesses, there is still time to be at the forefront of change.

Responsible business – supporting our people

Our values and culture

Our values define who we are and what we stand for. They are what we believe, and influence how we behave. That is why it is so important to apply these values to everything we do.

- Always aim higher
- Be better together
- Disrupt to progress
- Keep all promises
- Attend to details

Created, signed and upheld by our people, our values help us to define and reinforce our culture. They are used as a benchmark and enable us to recruit, retain and develop the highest quality people who are experts in their fields.

Diversity and inclusion

We have a collaborative and inclusive culture that underpins our decisions. Our Diversity & Inclusion ('D&I') and Dignity at Work policies make it clear that the Group takes a zero-tolerance approach to discrimination, bullying and harassment.
Our Diversity & Inclusion Leadership Group defines and executes our global inclusion strategy. Executive Sponsors and more than 40 senior leaders, supported by our Affinity Networks and network of Diversity Champions, manage plans that support gender, race, LGBT+, age, disability, agile-and-flexible working and mental health.

Each Divisional CEO and Practice Group Head is responsible and accountable for progressing a group-specific D&I plan to address the gender and BAME targets set by the Board. All our Practice Group Heads are held accountable for their gender balance targets and plans. The Head of the D&I Leadership Group provide updates to the Executive Board quarterly and mandatory progress updates to the Board twice a year.

Benchmarking

Diversity & Inclusion benchmarking results:

- **The Times Top 50 Employer for Women.**
- **Stonewall:** We are a Top 100 employer for Stonewall on LGBT+ inclusion, improved our ranking from 59th to 30th this year. We were also recognised as Bi-Inclusive Employer of the Year 2020.
- **Working Families:** Top 10 Employer for Working Families in 2019 and 2020.
- **Employers Network for Equality & Inclusion ('ENEI'):** We are one of only nine businesses in the UK to achieve a Gold Standard performance in the ENEI's TIDE benchmark (Talent Inclusion & Diversity Evaluation).
- **Disability Confident:** We were the first legal business to be awarded and maintain Disability Confident Leadership status for removing barriers to disabled talent in the workplace.
- **Social Mobility Index:** In 2019, we improved our ranking in the Social Mobility Index from 60th to 16th.
- **International Women's Day:** Our campaign in 2019 ranked as 'Best Practice' by International Women's Day organisation.

Maintaining our position as a UK Living Wage employer enables us to effect positive change in society today and specifically enhance the lives of people in the communities where we are based. We extended our Living Wage commitment to include our apprentices from 1 May 2020. We use International Women's Day (a week-long campaign at DWF), National Apprenticeship Week, Mental Health Awareness Week, our own annual Global Diversity Week & International Men's Day activity as key inclusion campaigns throughout the year.

LGBT UN Global Standards

We strive for all our colleagues to have access to equal opportunity and respect, wherever they work. Alongside some of the world's largest businesses, DWF has made a global commitment in support of the UN Standards which aim to tackle discriminatory practices in the workplace, the marketplace and in the community.

Race and ethnicity

During the year ended 30 April 2020, we have advanced our support of the Race at Work Charter which has helped our business change the recruitment and progression of BAME talent.

Executive Board sponsors

Creating visible leadership and advocacy on diversity – members of our Executive Board have signed-up to become Executive Sponsors of particular diversity strands (see page 56 for further details on the Executive Board sponsors).

Sustainability report continued

Race & Ethnicity Network

Our Race & Ethnicity Executive Sponsors are not just figureheads – their role is to engage with colleagues, understand the issues that need tackling and then support what needs to be done. Since their appointment in February 2019, our Executive Sponsors for Race & Ethnicity have engaged with colleagues across our offices to strengthen and grow our Race & Ethnicity Network.

Race Reverse Mentoring

Together with our Network, the Executive Sponsors identified that our senior leaders wanted to deepen their insight into how colleagues who identified as BAME feel about their workplace, and to better understand what they can do to create the right conditions for inclusion to be meaningful. Each Executive Board member committed to at least one face-to-face meeting with their reverse mentor from the Network. 100% of the relationships have been maintained.

Total headcount, broken down by division, between full-time and part-time employees, gender, and diversity

Gender by division: gender

Division	Female	Male	Grand total
Central Services	70.4%	29.6%	100.0%
Commercial Services	54.1%	45.9%	100.0%
Connected Services	48.5%	51.5%	100.0%
Insurance Services	57.3%	42.7%	100.0%
International	51.5%	48.5%	100.0%
Mindcrest	57.1%	42.9%	100.0%
Grand total	**57.8%**	**42.2%**	**100.0%**

Full time/part time by division: full time flag

Division	Full time	Part time	Grand total
Central Services	79.6%	20.4%	100.0%
Commercial Services	88.2%	11.8%	100.0%
Connected Services	86.6%	13.4%	100.0%
Insurance Services	87.2%	12.8%	100.0%
International	86.7%	13.3%	100.0%
Mindcrest	96.6%	3.4%	100.0%
Grand total	**86.4%**	**13.6%**	**100.0%**

Diversity by division: ethnicity grouping

Division	BAME	Non BAME	Unknown	Grand total
Central Services	6.6%	47.7%	45.8%	100.0%
Commercial Services	8.7%	46.9%	44.4%	100.0%
Connected Services	2.4%	34.0%	63.6%	100.0%
Insurance Services	6.4%	33.9%	59.6%	100.0%
International	0.8%	4.7%	94.5%	100.0%
Mindcrest	82.9%	0.0%	17.1%	100.0%
Grand total	**12.4%**	**29.3%**	**58.3%**	**100.0%**

Gender pay gap

We recognise that reducing our gender pay gap requires a sustained effort at every level of our business, and at every point in the employee life cycle, from attraction and recruitment through to development, succession planning and promotion. Our sustained focus on this will result in a more-diverse workforce, supported and empowered by our inclusive culture and values.

Following the publication of our 2018 Gender Pay Gap report, we introduced non-negotiable guiding principles on pay, concerning fairness, transparency, consistency and competitiveness. These four principles enable us to be clear and consistent in our approach to pay, ensuring we are rewarding people fairly.

In 2019, the reduction in our combined mean gender pay gap for a second consecutive year was a positive indication that our efforts are having an effect. However, the slight increase in our median pay gap is a powerful reminder that the pay gap is largely the result of having more men at senior levels in higher paid roles, and a higher proportion of women to men in roles that fall within our lower pay-quartiles.

Engaging our workforce

We define engagement as the extent people commit to something or someone in our business, and how hard they work or how long they stay, as a result of that commitment.

Engaging People Executive

Our Engaging People Executive ('EPE') is responsible for furthering our ambition to make DWF a great place to work, and is accountable to our Executive Board. The EPE focuses on values and culture, high performance and effective communication, and provides oversight, scrutiny and input to the people-related activities across DWF that promote engagement, productivity, commitment and discretionary effort. The EPE has been instrumental in addressing the key issues identified through our Engagement Surveys, evolving the role of People Partners across the business, and achieving a positive uplift in Pulse Survey scores.

Employee Forum

The EPE is supported by our Employee Forum, to ensure we take into consideration the input of employees at all levels of the business. The primary role of this Forum is to improve the flow of communication from the Board to the ground floor and vice versa, acting as a way for employees to voice their ideas as well as their concerns. It also provides the opportunity for DWF to consult employees over business-related issues and gain their commitment to change. While still in its formative stage, it has started to constructively challenge workplace policies and practices, with a view to making improvements, streamlining processes and suggesting better ways of working, to make DWF a great place to work.

Listening to our employees

The Board understands that listening to our employees is key. We have put in a great deal of effort over the last few years to ensure engagement of our people gets the focus and time it needs, and in doing so, creates the impact we want. This effort includes a range of communications and engagement tools, such as Pulse Surveys, to involve staff and to share messages and information on staff engagement, highlighting that the Company is listening to and addressing their needs.

Pulse Surveys
In 2019, we moved away from traditional annual surveys to a more frequent digital platform that helps leaders and line managers create plans, focusing on the improvements that matter the most for our people.

Recognition
In response to feedback, and where we scored below the industry benchmark, we implemented a number of key engagement measures. We launched a new digital recognition platform, DWF Achievers to recognise and celebrate people who live our values and help shape our culture through their performance and the contributions they make to DWF.

The Rubie Awards

We also launched our annual Rubie Awards in 2019. It was the first time we have celebrated together as a business to reward the hard work and dedication of our people. As DWF grows across the globe, it's more important than ever we recognise the individuals who are living the values and being true role models.

5 STAR Futures
We recognise that while talent is everywhere, opportunity is not, particularly in areas with low social mobility.

Our 5 STAR Futures programme is designed to enable young people to make the most of their potential – to be the best version of themselves. Working with young people, we help equip them with the business skills, confidence and resilience to aim higher and achieve more.

In response to COVID-19, we are adapting our offering to continue to support the education of young people. Moving to a virtual approach will not only meet an immediate need, but enable the impact of the programme to be experienced in more schools.

Investment in our people
One of the ways we attract talented people to our business is by providing them with a clear strategy for their personal and career development. People are at the heart of our business, so we try to understand their needs and objectives fully before providing solutions. Doing this enables us to provide the right solutions, support their progression and measure their success. Having a clear end point for us is key. Our main programmes are aligned with our DWF values and behaviour, and mapped to our career levels. We run this using our global platform, DWF Academy, providing opportunities for colleagues from all over the world to socialise and learn from each other. Our technology platform means social learning and sharing knowledge happens seamlessly across the business. Although our curriculum is mapped to career levels, we encourage high-potential individuals to attend sessions in the higher tiers, so they can build those skills early.

Our aim is to attract and retain the best new talent as early as possible in their careers. This may be at the apprentice or trainee stage, or when newly qualified. Our highest retention rate is for people in this category. Typically they grow with us and are great advocates for our values and behaviour.

Global Pulse Survey
Headline Results – June 2020

Overall company employee engagement score:

The Engagement Index score is a composite metric based on 3 questions:

1. I would recommend this as a great place to work
2. I rarely think about looking for a job elsewhere
3. I am enthusiastic about my job.

Engagement score
76

Response rate
67%

We care about the diversity of our candidates, and work with local colleges and universities to provide insight days. Our recruitment process is fair and inclusive, but the success of it depends on us having a large and diverse pool of talent to select from. The aim of the insight days is to demystify the legal profession and explain the wide range of roles available, therefore attracting people who may not have considered the legal profession before.

We have already reviewed and taken steps to ensure a more consistent representation of DWF to attract candidates at every entry point through social media channels, and removed unnecessary jargon or selection criteria, particularly for entry-level roles, to advance social mobility.

Wellbeing and benefits
Our approach is to improve the health and wellbeing of our people through a combination of preventative, protective and proactive interventions that address the cause as well as the effect of any health and wellbeing issues. As we continue to navigate this uncertain world, it's important we continue to focus on the human aspects of doing business, to increase the resilience of our business and ensure, as far as is possible, our people do not suffer stress as a result of their work.

Our collective health and wellbeing will be integral to the sustainability of our business as we emerge from the COVID-19 crisis. As a business, we are ensuring our people get the support they need to continue their work safely. We are issuing regular, consistent and co-ordinated communications to all employees, through multiple channels for maximum reach and engagement, so all individuals are fully informed during this time. We will continue to encourage open conversations about mental health and the support available when employees are struggling, to ensure they have a healthy work-life balance and opportunities for development.

To help everyone maintain a healthy mind we have partnered with Workplace Options, who provide a confidential helpline to support anyone through difficult times. It is available globally, 24 hours a day, seven days a week. In light of COVID-19, which started at the end of the financial year in the UK, we brought forward the launch of a new digital GP service, enabling colleagues to speak to a qualified doctor, any time of day or night, directly from their mobile, ensuring employees had access to medical support if they needed it.

Sustainability report continued

Our approach to benefits is to provide our employees with a total reward package in line with our position in the market, and we do this by constantly benchmarking ourselves against our peers. This financial year saw DWF's UK business move to a new flexible benefits platform which will be rolled out internationally throughout 2020/21, providing employees with a single platform to access all of their benefits, including shares and pensions and, where appropriate, the freedom to choose the benefits that suit their lifestyle.

In addition to the above, and in light of COVID-19, we have reviewed our global medical offering and strengthened it, by increasing claim limits, adding new categories, and making it easier to claim. This ensures it meets the needs of challenging times we will have throughout 2020, and that we provide the right level of cover for the continued health of our people.

Work/life balance

We have always wanted to create a high performance, flexible, family-friendly workplace.

We see flexible working as a way of improving our operational effectiveness, and we have moved to a culture that focuses on results and performance, not attendance or 'presenteeism'. As our work and non-working lives merge due to COVID-19, a focus on striking the right balance will perhaps never be more relevant than it is today.

The Top Employers for Working Families Benchmark allows us to measure our work-life policies and activities with current practice, and identify areas where we should target our future initiatives. The benchmark helps us build a comprehensive picture of the flexible and family-friendly environment within our business, and we are proud to have been awarded Top 10 Employer status again this year.

changing the way we live and work
working families
EMPLOYER MEMBER
workingfamilies.org.uk @workingfamUK

We also use our Pulse surveys every six months, to gain valuable feedback and help ensure our colleagues feel supported.

Pulse survey question	DWF	Benchmark*
I am able to balance work and personal life in a way that works for me	**76%**	71%
Are the expectations of me at work reasonable?	**76%**	76%
I am getting what I need from my manager	**78%**	70%

* Average scores of other businesses across a range of industry sectors

DWF featured in Legal Cheek as one of the best law firms for work/life balance in 2019.

Mindful business charter

In 2019, we became an early adopter of the Mindful Business Charter ('MBC'), a collaboration initially between the financial services and legal sectors to change the way we work by removing avoidable stress.

As a signatory, we pledge to promote a culture of openness about mental wellbeing, ensure we include responsible business as an area of assessment during significant procurement processes, and do what is necessary to change working practices in support of the principles of the Charter.

We are starting to see greater consideration to colleagues of the need to switch off and create boundaries between work and rest. We've also embraced 'smart' meetings and have been respectful of each other's time when planning meetings.

MB Mindful Business Charter

Responsible business – doing business the right way

Anti-bribery and corruption

DWF maintains an Anti-Bribery and Corruption policy which is supported with mandatory online training for all employees. Having policies like this, that encourage individuals to raise concerns, is central to our ethical and supportive business culture. We are committed to maintaining an open culture with the highest standards of honesty and accountability, a culture where colleagues can report any legitimate concerns in confidence.

As with all our procedures, we strive to ensure those to prevent bribery and corruption by anyone associated with the business are proportionate to the bribery and corruption risks DWF faces. DWF's risk and control culture is set at the top. Our Board, Risk and Audit Committees, along with our senior leaders, are committed to preventing bribery and corruption and are involved in the determination of bribery and corruption prevention procedures.

In 2020, we will launch a Global Code of Conduct and a Speak Up helpline. Their purpose is to help us do the right thing, to ask the right questions and make the right decisions every day. The code will cover areas such as respect for human rights, discrimination, conflicts of interest, information security, bribery and corruption, and whistleblowing.

For further information on the Board and Risk Committee's role in ensuring good governance of anti-bribery and corruption, please see pages 71 and 72 in our Corporate Governance report.

Human rights and modern slavery

Human Rights

A responsible and sustainable approach to doing business is central to our purpose, and in conducting our business activities, we respect these rights, and seek to uphold and promote them as part of the way we do business, working and collaborating with our people, communities, suppliers, charities and other appropriate stakeholders.

We support the principles of Human Rights set out in the Universal Declaration of Human Rights, the International Labour Organisation ('ILO') core labour standards and we are a signatory of the United Nations Global Compact. In addition, we support the UN's wider development agenda, including the UN Sustainable Development Goals.

As a global legal business, we have a responsibility to go beyond stating our commitment to respecting human rights. We must demonstrate what we do in practice to protect rights across our day-to-day business operations, simply because it is the right thing to do. This includes ensuring that if we identify any human rights violations, we endeavour to take appropriate action swiftly.

As a responsible business, we will build on the work done so far, and continue to affirm our values, raise awareness among our people, clients, communities and suppliers, and take action where necessary.

Modern Slavery

There is no place for modern slavery in our business or our supply chain. Our approach is to understand how and where modern slavery occurs, and to continuously review and improve the policies and processes we have in place to prevent it.

In addition to our Anti-Slavery Policy, which sets out our zero-tolerance approach, we have a number of policies and procedures in place that reflect the way we do business, and set out expectations to all our employees. These policies reflect our commitment to responsible business policies and practices that are fair, transparent and inclusive.

We make sure all our employees have the appropriate rights to work and are employed in accordance with local legislation. Policies make it clear that we will support and protect 'whistleblowers' and will not tolerate retaliation of any kind. In the last 12 months we had no reported incidents of slavery or trafficking in our operations.

All new joiners to our company are made aware of our Modern Slavery Statement, Anti-Slavery Policy and online training via our induction and on-boarding portal.

Working with suppliers

We expect all DWF suppliers to implement a zero-tolerance approach to slavery, forced labour and human trafficking, and to comply with all local and national laws and regulations. In addition to our Supplier Code of Conduct, we developed our Ethical Sourcing Questionnaire in 2019, as a self-assessment tool, covering a range of topics including modern slavery and forced labour.

We group expectations of our suppliers into six key areas:

- Human rights
- Health & safety
- Responsible supply-chain management
- Inclusion & diversity
- Business integrity
- Environmental management.

Our procedures are designed to identify and assess areas of potential risk, and over the past year we have developed a structured approach for any employee involved in purchasing goods and services on behalf of DWF, to reinforce the reality that modern slavery is a potential risk within supply chains and must be factored into the decision-making process.

In the last 12 months, we had no reported incidents of slavery or trafficking from our suppliers.

Tax transparency

Our approach to tax is published in our tax strategy. We recognise the important part that taxes play in generating revenue for governments across the globe to meet their economic and social objectives, and the important role that we, as a responsible business, play in contributing to society by paying and collecting taxes.

Areas of focus in 2019/20

- We have further developed our modern slavery awareness training and materials to engage our people
- 1,749 employees (54%) have already completed our new modern slavery training
- We have continued to engage with our suppliers and clients
- We participated in the UK Home Office Transparency in Supply Chains Consultation, through membership of the Greater Manchester Modern Slavery Business Network
- We have attended external conferences to keep informed of best practice, and take up relevant speaking opportunities to talk about what we do
- We continue to promote a 'speak-up' culture within our business, to promote openness and transparency, and encourage all of our employees or those working on our behalf to raise any concerns.

We comply with all statutory obligations and conduct our tax affairs in a clear, fair and transparent way. Our CFO is the Board member with executive responsibility for tax matters, and presides over an effective system of tax-risk management maintained by an in-house tax team staffed with appropriately qualified individuals. As a responsible business, we do not undertake aggressive tax planning, and seek to develop positive and open relationships with tax authorities.

Health and safety

Every business has health and safety responsibilities, and DWF is no exception. Managing the welfare of our people is key to our business. Businesses are under increasing scrutiny to demonstrate responsibility and commitment to health and safety management.

Sustainability report continued

We are committed to ensuring colleagues have a reasonable awareness of health and safety issues, and to publishing information on health and safety regularly through the various channels available. Health and safety information and updates are available on the Group's intranet and distributed via email, to ensure all colleagues have access to relevant information. We distribute specialist information and briefings internally as appropriate. We provide on-site contractors and other suppliers with relevant information relating to their role in fulfilling our health and safety policies, objectives and procedures.

For training, our approach aims to minimise the health and safety risks of our business activities and to the welfare of our people, and to also to minimise any associated costs in not negating such risks and reputational risks to DWF.

The Group's Health & Safety Manager reports to the Board quarterly, and presents a comprehensive annual report to the Board on all Environmental, Health and Safety matters.

Data Protection

As a multi-disciplinary global business, sharing data enables DWF to better serve our employees, and to perform shared services for mutual clients of multiple DWF group entities, including legal services and the wider connected services. DWF meets its legal and regulatory duties and responsibilities for protecting the personal data we have within our care, while maintaining the standards of confidentiality that the people whose data we process would expect from a fully compliant global organisation. Our policies and procedures are built on the world-recognised principles contained within the EU General Data Protection Regulation, that also complement and fortify local data protection legislation affecting each of our international jurisdictions.

Responsible business – community engagement

Social value

As a business, we understand we have the power to change the world around us. Helping people and communities thrive is good for everyone and good for business. Through our responsible business agenda, we aim to inspire, engage and challenge our people to tackle some of society's biggest issues.

We focus on education, employability, health and wellbeing, and homelessness, to foster inclusive growth, reduced inequality and strong and sustainable communities.

In 2017, we became the first legal business in the UK to launch a CSR portal, IMPACT, that creates a profile of community investment for everyone at DWF and enables us to log community benefits in real time. This bespoke social-value-reporting tool tracks and records the value of our social-value efforts. The process is completely automated and converts activity into meaningful social-value outcomes. From May 2019 to April 2020 – a total of 24,724 community investment hours were logged.

Globally, over 270 million young people are not in education, employment or training, so our priority is to develop a variety of opportunities for young people to increase their confidence and resilience, and to gain valuable employability skills to become work-ready.

Our priorities are to increase the numbers of young people from low income and diverse backgrounds who have improved their confidence, and build a strong and positive link between schools and the world of work. This demystifies the workplace, enabling them raise their aspirations.

Focus on advancing social mobility

DWF is a Board member of PRIME, an alliance of law firms across the UK, committed to improving access to the legal profession through work experience. Every firm involved in PRIME makes what we call the PRIME Commitment, to ensure we are offering meaningful work experience for children of school age. In 2019, we joined with other PRIME members to design and deliver Legal Insight workshops in a number of UK social mobility 'cold-spot' areas. We hosted a session in Leeds and other law firms hosted in Scotland, Manchester and Birmingham.

Supporting communities

Working with the Namene Solar Light Company, we were able to donate and distribute over 1,000 of their solar lamps in Zambia. The lamps provide basic lighting needs to low-income families living without access to electricity, or as a first-response light in the aftermath of humanitarian crisis. In Africa, the lamps will replace kerosene lamps and paraffin candles, which are costly, a fire hazard, and cause lasting health issues.

Combating homelessness

Colleagues from three DWF offices spent a night out in the cold as part of The Big World Sleep Out, to raise funds and awareness for those who are homeless or displaced.

The team raised £5,000 and featured on the mural at the UN summit on homelessness in New York.

DWF Foundation

The DWF Foundation is an independent charity, founded by DWF in 2015.

Our employees raise funds to enable the Foundation to provide grants to charities whose work supports people in locations where we have a presence, and offers the Foundation, and the charities it supports, access to skills-based volunteering. Employee volunteering, where our staff donate time and skills during work hours to tackle local social issues, is an effective and powerful way for us to continue to invest in our people and our local communities.

Since its launch, 159 charities have received

£374,612

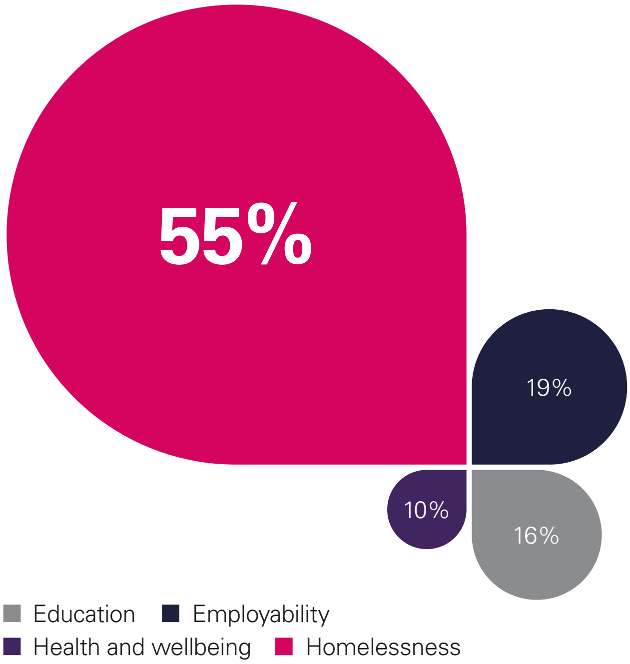
The Foundation supports charities which demonstrate impact in one or more of the following focus areas:

- Education
- Employability
- Health and Wellbeing
- Homelessness

In the financial year ending 30 April 2020, grants awarded amounted to £126,164.

Strategic report
Governance
Financial statements
Other information

Grant Giving up to March 2020



Responsible business – respecting the environment

Environmental management

Climate change is our most pressing shared challenge and opportunity.

In supporting the principles of sustainable development, we have in place an environmental management system to identify and control the impacts of our business, and enhance current working practices.

As a global company, this means:

- we manage our carbon emissions
- we ensure efficient use of resources by following the 'Reduce, Reuse, Recycle' waste hierarchy
- we invest in technology to help further our sustainability agenda
- in the UK, we maintain ISO14001:2015 certification
- we develop, apply and promote environmental best practice to enhance our resilience to climate change.

Carbon emissions generated by the energy we use and the travel we undertake, affects our contribution to climate change. Our ambition remains to minimise our impact as a low-carbon and more-circular business.

Reducing carbon emissions

We have set a global target of remaining under three tonnes per person, per year ('TPPPY'). While there was a 13% increase of carbon emissions from FY18/19 to FY19/20, there was also an increase in headcount, which meant our TPPPY decreased at around 6%.

Further information on greenhouse gas emissions can be found on page 95 of the Directors' report.

Aside from travel and energy, and as part of the ISO 14001 Certification within the UK, we also commit to the following targets in an effort to help reduce our carbon emissions:

- We maintain a target of recycling at 85% per site. In the year ended 30 April 2020, we met this target, with an average of at least 90% recycling across the Group's UK operations.
- To re-use all suitable office furniture and equipment (e.g. chairs, desks, photocopiers) or donate to charity wherever possible.
- To continually seek to reduce energy use through proactive estate management, space-neutral expansion and agile working.
- To encourage the reduction of plastic bottles and single-use plastics – we have sourced DWF re-usable cups and bottles that we sell, with the money raised supporting our Charitable Foundation. We have also decreased the number of drinks sold in plastic bottles where we have bistros on site.

We intend to adopt these targets at all our international locations where possible.

Governance

The Group Health & Safety Manager reports quarterly to the Board, plus provides an annual comprehensive report for all Health, Safety and Environmental matters. In addition, a bi-annual report is presented the Board detailing information on all ISO Standards.

Training

We aim to minimise the environmental impacts of our business activities, and the associated costs and risks to DWF and the wider community. As part of our overall corporate responsibility, we believe we should, where practical, encourage our employees, suppliers, contractors and customers to improve their own environmental performance – whether this is at work, at home or within the wider community.

Priorities

Priorities over the next 12 month will include ensuring we remain under our 3 TPPPY CO_2 target, and retaining the ISO 14001:2015 certification. We will set new targets in December 2020.

As we are working in unprecedented times, we will continue to monitor and evolve the existing targets as appropriate. Due to COVID-19, there is currently a travel ban, which we see as an opportunity to reduce travel, so reducing our emissions. Likewise, office waste has also seen a significant drop. New ways of working have allowed us to use the technology available, so also bringing a reduction in paper use across the business.

These opportunities will bring a significant, though temporary, drop in our CO_2 emissions, and have given us the opportunity to consider new ways of working, which may produce a further longer-term reduction in our carbon emissions.

Non-financial information statement

Disclosures of non-financial information matters, including a description of policies, due diligence processes and outcomes, where applicable, are available as follows:

NFI matter	Further information incorporated into this statement by reference
Environmental	
Responsible business – respecting the environment	43
Annual greenhouse gas emissions	95
Company's employees	
Responsible business – supporting our people	37 to 40
Culture, Employee policies and Diversity and Inclusion	37 to 40 and 62 and 63
Social	
Responsible business – community engagement	42 and 43
Respect for human rights	
Responsible business – doing business the right way	41
Anti-corruption and anti-bribery	
Responsible business – doing business the right way	40 to 42
Business model	
Our business model	12 and 13
Principal risks and uncertainties	
Principal risks and uncertainties	46 and 47
Non-financial KPIs	
Strategy at a glance	18 and 19
Responsible business – supporting our people	39
Responsible business – respecting the environment	43

Risk management

How we manage risk at DWF

Risk management

Risk management is key to our operation. It helps us protect our business (including our people, our assets and importantly our reputation) and helps us create long-term shareholder value.

Risk appetite

The Group's Risk Appetite Statement articulates our philosophy and approach to the management of the Group's principal risks, defines specific parameters, guides decision making and ensures appropriate governance over taking risks. The Board is responsible for setting the Group's risk appetite, which it reviews and approves at least annually. The Risk Committee is responsible for overseeing the development, implementation and maintenance of the Group's overall risk management framework and risk appetite. It must ensure they are aligned with the Group's strategic objectives and emerging regulatory, corporate governance and industry practice.

Overall Risk Appetite Statement

The Group is a multi-jurisdictional legal services provider. The Group will only behave in ways that:

- Do not conflict with the Group's values and are aligned with its risk appetite and business strategy
- Do not expose the Group's capital position or the resilience of its services
- Are aligned with the needs of the Group's clients and ensure they are treated fairly
- Are always in accordance with local laws and regulations

The Group maintains an enterprise-wide risk management framework to manage all risk types, with rigorous policies and procedures designed to ensure it mitigates the risks the Group is exposed to.

Group risk management process

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management activities. These activities are designed to identify, assess, respond to, report on and monitor the risks that might threaten our ability to achieve the Group's objectives within its risk appetite.

Risk management and compliance is not just the role of our Risk team. We follow the Three Lines of Defence approach to risk management, where risks are owned and managed within the business.

Our business teams form the first line of defence by applying policies, procedures and controls.

Members of our leadership teams are responsible for routine verification and providing accurate and up-to-date information on key risk and control assessments.

The Risk team oversees this, supported where necessary by other control functions. This constitutes the second line of defence, and enables an aggregation of the risk profile for the Group. The regulatory team also conducts routine monitoring on areas of risk, such as financial crime compliance, unauthorised data access requests and conflicts of interest.

The third line of defence is Internal Audit and assurance, which undertakes independent and regular reviews of the effectiveness of policies, procedures and controls, including the risk management framework and risk and regulatory team itself.

Risk management continued

Group risk profile

The Board has developed a Risk Taxonomy to ensure we consider the full and evolving spectrum of risks the business faces. We categorise the principal risks by the six areas shown below:

Group Taxonomy

Principal Risks (Level 1)	Level 2
Business, commercial and strategy	Macroeconomic
	Legal and political
	Strategy
	Business model
	Commercial risk
Conduct and ethics	Client outcomes
	Ethical practices
	Regulatory compliance
	Other compliance: employment, HSE etc
People	People
Operational	Processes
	Systems
Finance and reporting	Financial management and controls
	Monetary
	Financial reporting
Financial crime	Fraud
	Money laundering
	Bribery and corruption
	Terrorist financing
	Market abuse

Principal risks

Informed by the work undertaken during the year on the Risk Taxonomy, described above, the table on the following page describes the principal risks (Level 1) the Group faces, with examples of the Group's approach to mitigating those risks. Mitigating actions are provided for illustrative purposes and should not be taken as the full list of associated mitigating actions for each identified risk. Some specific Level 2 risks which merit further comment are included.

COVID-19

The pandemic presents an unprecedented challenge and we, like many businesses, are experiencing a period of disruption and uncertainty. We are open for business in each of our locations, where our priority remains to ensure the health and wellbeing of our people and their families, while continuing to provide the service our clients expect.

The Risk team has facilitated ongoing, documented risk assessments to identify emerging risks to the business during this time, and continues to communicate these assessments to the Risk Committee and the Board.

DWF has a well-established business-continuity plan, triggered following the commencement of the pandemic. Teams from Risk, IT, HR, Finance, Facilities and Client Development quickly identified, and continue to update, the steps to take to prioritise the wellbeing of our people, clients and other stakeholders, while protecting our ability to support our clients.

We have followed the guidance provided by relevant Governments and healthcare authorities, which has resulted in restricted access to our offices, and in more agile working arrangements for a significant proportion of our people.

We have supported this agile working in the business for a number of years, and we are well placed to continue operating successfully in the current environment. Our remote working capability has meant that more than 95% of our people are equipped to work from home.

Principal risks and uncertainties

Business, commercial, strategy

Business model

Movement in year: Stable

Details of risk

There are several risks to the Group arising from the way we do business and, in particular, our business model. Following a period of M&A, the risks faced by the Group include the failure to integrate the Group's policies, procedures and financial controls within newly acquired teams.

Mitigating actions

The Group operates a detailed integration programme to align all new offices and teams with the DWF ways of working.

Conduct and ethics

Regulatory compliance

Movement in year: Stable

Details of risk

The Group operates in an increasingly complex global environment. Many of its activities and services are subject to legal and regulatory conditions which are continually evolving.

Mitigating actions

The Group maintains strong relationships with all its key regulators, maintaining a dialogue to remain aware of impending regulatory and legal developments.

Client outcomes

Movement in year: Stable

Details of risk

The Group provides professional legal services including complex legal advice. As with all professional services, there exists the risk of liability from negligence, breach of client contract and other claims or complaints by clients.

Mitigating actions

The Group aims to ensure its colleagues are appropriately trained, supervised and incentivised to ensure their behaviour and activities do not inadvertently result in poor outcomes for clients.

Operational

Processes systems

Movement in year: Stable

Details of risk

Process risk relates to the design, execution and maintenance of key processes, including process governance, clarity of roles, process design and execution.

Mitigating actions

The Group maintains documented target operating models and enhanced training and development to help mitigate process risk.

Processes and controls are subject to independent audit and assurance.

Finance and reporting

Finance and reporting

Movement in year: Increased

Details of risk

COVID-19 implications for the business have seen an increased risk of liquidity constraints or reduced profitability that could result in a breach of bank covenants. In addition, in the face of client decisions on payment delays, we have had to spend more time to ensure the validity of our forecasting.

Mitigating actions

Regular reforecasts inform the introduction of measures to save costs, as well as regular discussions that take place with key stakeholders.

More frequent and focused discussions with clients are informing the more regular reforecasting processes.

Financial crime

Fraud and money laundering

Movement in year: Stable

Details of risk

Clients or counterparties may attempt to use the Group to commit fraud or to launder money.

Mitigating actions

The Group has designed its systems, controls and mandatory training programmes to mitigate the risks, and identify any suspicious activity.

Key: Stable Increased

Viability statement and going concern

In accordance with the Corporate Governance Code, the Directors have assessed the viability of the Group, taking into account the current financial position of the Group including our financing arrangements, the business model at the time of approving this report and the uncertain environment due to the impact of COVID-19. The Directors' assessment was over a three year period to 30 April 2023 taking account of the potential impact of the principal risks documented in the Strategic Report and accepting that whilst the COVID-19 pandemic is ongoing, there are external factors that could affect Group trading that are difficult to predict with as much confidence as would have been the case pre-pandemic.

The Group experienced a material impact from COVID-19 in the final quarter of the year, seeing revenue fall away suddenly and to an unprecedented degree due to a number of factors caused by COVID-19. This impact materially reduced profit expectations for FY20 as the April year-end coincided with the peak impact of the pandemic, and it was not possible to mitigate the income statement or cash impact of COVID-19 due to the lead-time required to reduce costs and mobilise operational initiatives around working capital management. In response to this impact a number of actions were taken to protect liquidity, access to funding and near-term profit protection:

- Financial covenants were reviewed and it was agreed with the banking syndicate, with whom the Group has strong relationships, to relax the EBITDA to net debt covenant (the 'leverage covenant') from 1.5 times to 2 times on the April and July testing dates and 1.75 times on the October 20 and January 21 testing dates, and back to 1.5 times EBITDA by April 21.
- An additional £15m contingency RCF facility was put in place, up to July 2021 (with an additional six month extension available to the Company), to provide extra funding should there be any further adverse impact on working capital. This facility has not been drawn and is not envisaged to be required based on current modelling assumptions.
- Cost reduction measures were agreed and executed to secure £15m of cost savings in FY21 to remove excess capacity from the business as a result of lower activity levels due to COVID-19.
- Operational initiatives were launched to improve lockup management and reduce working capital consumption by improving billing and collection processes.
- Whilst no staff were furloughed under the UK government scheme, the Group availed itself of a number of permitted tax deferrals made available by HMRC which will be repaid over the course of 2021.

The actions above were a prudent reaction to a highly unusual situation due to the sudden and severe impact of COVID-19 that impacted Q4 of FY20. The timing of the COVID-19 impact followed a period of heavy investment whereby capital had been deployed on the strategic acquisition of RCD in Spain (December) and Mindcrest (January) – both acquisitions continue to perform well and serve as a differentiator in the legal sector. These acquisitions were progressed with the anticipation that the traditionally strong final quarter of the year would replenish the cash deployed and generate sufficient EBITDA to keep the leverage covenant within more normal parameters. Under more typical circumstances, the COVID-19 impact, whilst significant, would not have necessitated such material actions around liquidity and covenants in particular, and the Directors are of the view that as trading normalises FY21 will transition the business back to a lower level of borrowings and leverage.

Banking facilities, which in addition to the contingency facility and various ancillary facilities, include a rolling credit facility of £80m that matures in January 2022 (with an additional one year extension available to the Company to January 2023) are considered to be sufficient for the Group's purposes based on current projections. It is assumed that these facilities will be renewed successfully in 2021. The leverage covenant is set at 1.5 times EBITDA from April 21 onwards and the Group expects to operate comfortably within this parameter for the forecast period. The other covenants, being maximum net debt of 1 times equity, minimum 4 times interest cover, WIP and debtors being a minimum of 2 times net debt and the number of members in the group remaining above 180 are all projected to be fully compliant with significant headroom. The directors consider going concern in the twice-yearly reporting cycle and short term cash flows are monitored on a monthly basis. All results and forecasts confirm full covenant compliance, and sufficient resources to settle liabilities as they fall due.

Base case budget assumptions for FY21, and medium term modelling assumptions for FY22 and beyond, reflect that the Group will operate in compliance with covenants and with sufficient cash and access to banking facilities to meet all obligations as they fall due. The timing of the FY20 annual results announcement being moved to 8th September has given the Directors visibility of trading performance and cash flows for May to August and both profit and cash generation have improved since the Q4 COVID-19 impact. It has also been possible to assess the impact, so far, of the mitigating actions outlined above. The Directors are of the view that the stronger than expected trading performance in recent months and the availability of additional cash and cost mitigations in the event of further headwinds give confidence in the ongoing viability of the Group. Mitigations available to the Group include further cost cutting measures including bonus payments, deferral of certain outflows, and review of the dividend policy and reassessment of capital expenditure.

Long term viability has been considered over a three year period with reference to an income statement, cash flow and balance sheet model. This involves considering medium term business plans, funding and liquidity requirements as well as sensitivity analysis to account for a reasonable worst case scenario. As with going concern testing, all indicators show full covenant compliance after taking into account mitigating actions that the Group would take in such a scenario. The Group's current position and principal risks have been considered, with those risks set out in the Strategic Report. These risks have been considered individually and in aggregate, and with reference to Group strategy and external factors such as COVID-19 and adverse economic conditions. In assessing the long term viability of the Group the Directors considered different scenarios and performed sensitivity assessment. These scenarios and sensitivities included a reduction of revenue and working capital. These scenarios and sensitivities did not indicate a mitigated reasonable worst case scenario that requires any enhanced disclosure.

Whilst the impact of COVID-19, and the risk of future disruption, could potentially be material the Directors consider the following characteristics of the legal sector and the Group instructive in forming their conclusions on viability:

- The ongoing profitability of the business in FY20, generating £21.5m of Adjusted EBITDA despite the severe Q4 COVID-19 impact.
- The annuity and resilient nature of certain divisions and services such as Insurance and Litigation.
- Low exposure to sectors more severely impacted by COVID-19.
- The ability to flex the acquisition strategy to allow cash to replenish in the business after the timing of COVID-19 exacerbated the stretch on cash from two recent strategic acquisitions.
- The availability of mitigating actions to control costs.
- A strong relationship with the Group's banking syndicate who continue to provide facilities which ensure ongoing liquidity with material headroom.
- Whilst the Group has no current plan to change the use of its real estate portfolio the experience of agile working as part of our COVID-19 response may give opportunities to review office space in the future.
- Operational interventions being implemented to improve working capital performance, with the aim of reducing lockup and therefore net debt.

The Directors therefore consider that the business model is appropriately robust, and that there are sufficient mitigating actions available to the Board, that the Group is suitably resilient to deal with the crystallisation of key risks and/or adverse economic conditions. On this basis, the Directors have a reasonable expectation that the Group will continue to be viable and meet all its liabilities as they fall due over the next three years.

Approval of the Strategic report
By order of the Board

Jonathan Bloomer
Chairman
7 September 2020