

Climate related risks and opportunities

Climate-related risks are identified, assessed and managed as a component part of the Group's overall risk management process. Here we provide our full Task Force on Climate-Related Financial Disclosures (TCFD) report.

Task Force on Climate-related Financial Disclosures (TCFD)

We recognise that the climate crisis and associated challenge of biodiversity loss will affect all of our stakeholders and has the potential to disrupt the environment in which we operate. We therefore continue to assess how climate change will affect our business and align this work with the recommendations of the Task Force on Climate-related Financial Disclosures.

Our business model has inherent resilience to the worst physical impacts of climate change due to the nature of our operations to provide integrated legal services, and we have the agility to adapt our strategy in response to the transition to a low-carbon economy. Our approach to managing both physical and transition risk is to effectively embed climate-related risk and opportunity assessments into our broader strategic planning and risk management processes, so that our response to climate change is effectively integrated into our operations.

Our climate-related risks and opportunities analysis focused on the potential impacts of climate change on our colleagues, clients, and communities in order to identify how these impacts might affect our ability to achieve our purpose of delivering positive outcomes with these groups. We also assessed the potential impacts of climate change on our physical infrastructure and our consequential ability to operate effectively.

The disclosures below summarise our response to each of the 11 TCFD recommendations:

R1. Governance

a. Describe the board's oversight of climate-related risks and opportunities.

The board has oversight and overall responsibility for ESG & Sustainability, including the impact of climate-related risks and opportunities on the business. The Chief Sustainability Officer supports the board in their assessment of these risks and opportunities by providing regular updates and presenting on all key ESG & Sustainability matters and also manages the board's training requirements. The Chief Sustainability Officer sits on the Executive Risk

Committee, the Executive Operations Committee and chairs the wider ESG & Sustainability Leadership Group. This breadth of oversight ensures that climate-related risks are embedded into the Group's overall risk management framework.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

Management of climate-related risks and opportunities lies with the ESG & Sustainability Leadership Group, led by the Chief Sustainability Officer. Membership of this group comprises all central function heads, in addition to the Global Co-Head of Energy: a legal expert in the field of emerging power; energy transition; regulatory change and policy. The Group Chief Executive Officer is a member, and board sponsor, of the ESG & Sustainability Leadership Group and ensures that key outcomes are reported back to the board.

At each ESG & Sustainability Leadership Group meeting, updates relating to environmental and climate-related matters are discussed, and the group actively monitors progress against agreed actions to ensure it responds to climate-related risks effectively. The objectives of the group are supported by the ESG & Sustainability Operations Group, a taskforce established to manage the operational programmes designed to deliver the ESG & Sustainability strategy.

Assessment of climate-related risks and opportunities is performed by the executive committees with input from departmental and function level risk register owners. This process covers risk assessment across both client services and central support functions. Risks are then assessed and documented within the ESG & Sustainability element of the Group's central risk register, managed by the Chief Risk Officer, and reviewed by the board.

During the year, the Chief Sustainability Officer and the Group Head of Sustainability provided one to one training on climate risk to each of the risk register owners across the business. The firm's bespoke carbon literacy course has been completed by over 1,000 colleagues, with further roll out being progressed across all locations. Additionally, a new mandatory training module on ESG & Sustainability was developed and launched for all colleagues and is housed on the ESG & Sustainability learning hub which also hosts specific subject matter learning modules related to climate impact.

Climate related risks and opportunities

R3. Risk management

a-c. Describe the organisation’s processes for identifying, assessing and managing climate-related risks, and their integration into overall risk management.

Climate-related risks are identified, assessed and managed as a component part of the Group’s overall risk management process. In addition to the integration of climate-related risk into this process, specific discussions are held annually with each risk register owner to assess developments in climate risk that may impact their area of oversight. In response to these discussions, the Chief Sustainability Officer liaises with the Chief Risk Officer to advise the board on the potential impacts of any risks identified and the potential mitigative actions required over the short, medium and long term. This process allows the board to incorporate the climate risk assessment into its overall strategic planning process.

Table 1.

Climate impact	Impact categories & time frame	Description	Strategic implications
1. Physical: Disruption to IT infrastructure in extreme weather events	Clients Infrastructure <i>Short term</i> <i>Medium term</i> <i>Long term</i>	IT infrastructure is critical to the Group’s ability to operate. This infrastructure is partly reliant on physical data centres and depends on a reliable power supply. It is therefore exposed to the consequences of extreme weather events, which could result in business disruption via power failure, flood or loss of cooling.	Risk resilience & mitigation: • Most personal IT hardware & equipment is portable and therefore can be more easily protected from physical disruption than integrated assets. • The Group is transitioning from data centres to SaaS and Cloud Platforms, which will significantly reduce the risk of disruption by extreme weather events. The cloud-based services utilised are hosted within Microsoft’s cloud infrastructure, for which Microsoft has industry leading mitigation plans in the event of disruption. • Our global presence means colleagues are primarily based in similar jurisdictions to our clients. Therefore power failure caused by extreme weather is likely to simultaneously impact client and internal operations, implying a mutual acceptance of flexibility around service delivery timelines. Opportunity potential: N/A

R2. Strategy

a-b. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term, and the impact of these on the organisation’s businesses, strategy and financial planning.

The strategic implications of the risks and opportunities identified as part of the Group’s assessment are summarised in the table below. As outlined above, we have also classified these risks and opportunities according to their potential to impact our infrastructure, colleagues, clients and communities; in order to identify where they may impact our ability to deliver positive outcomes in line with our core purpose. The risks and opportunities identified have been considered in the context of their potential impact over the short term (1-3 years), medium term (3-10 years) and long term (10+ years). These time frames align to those used in the context of the group’s broader strategic planning process.

Climate impact	Impact categories & time frame	Description	Strategic implications
2. Physical: Impact of extreme weather events on offices	Colleagues Clients Infrastructure <i>Short term</i> <i>Medium term</i> <i>Long term</i>	Office premises are exposed to extreme weather events, especially those in higher-risk geographies. This could result in damage to buildings and infrastructure, and disruption to our colleagues. This may hinder our ability to service our clients effectively.	Risk resilience & mitigation: - DWF does not own its office premises and therefore would not bear any direct financial cost of retrofit or repair from damage. It is likely that the associated cost and insurance premium impact will be built into rent increases by landlords and therefore would be built into financial budgets and forecasts accordingly. - DWF operates a flexible, hybrid-working model and all colleagues are provided with portable IT equipment. This means that the delivery of our services is not reliant on our offices being functional at all times and allows our colleagues to meet client needs from homes or other remote working locations. - Across all of our locations, and particularly in those that are most heavily exposed to extreme weather, we have well established channels of communication to ensure that colleagues do not travel to and between offices in dangerous weather conditions. This supports our ability to limit disruption to service continuity Opportunity potential: N/A
3. Physical: Impact of extreme weather on remote and home working environments	Colleagues Clients <i>Short term</i> <i>Medium term</i> <i>Long term</i>	Remote working is a key mitigation tool during periods of disruption to office premises and therefore the impact of extreme weather on remote working locations has the potential to disrupt client service.	Risk resilience & mitigation: - The more significant risk is that the frequency and magnitude of such events increases over the medium and long term, and the cumulative impact does materially impact output. In order to mitigate this risk, the group continues to build resilience into its operating model to limit the exposure to disruption in one specific location or region. This includes consideration of key talent location, investment in IT system support and bolstering key communication infrastructure. - A large portion of our operations are based in the UK, and within this location we have significant geographical spread which reduces our exposure to climate impacts such as periodic flooding and overheating. - The work that is performed in our more highly exposed locations, such as our Indian office, is not exclusively delivered by teams who work there. The services they deliver are also performed by teams in Europe and Canada, which allows us to plan for effective business continuity in the event of climate related disruption. As part of the firm's digital transformation plans, the reliance on specific locations for these activities to be delivered is reducing over time. Opportunity potential: N/A

Climate impact	Impact categories & time frame	Description	Strategic implications
4. Physical: Impact of extreme weather events on clients and their operations	Clients <i>Short term</i> <i>Medium term</i> <i>Long term</i>	The ongoing operational effectiveness of the Group's clients is vulnerable to disruption from extreme weather events. Some clients will be significantly exposed due to either their location in higher-risk geographies, or where they have value chains that are at high risk of disruption. Insurance industry clients are likely to see significant impacts of extreme weather events on their risk assessment and claims processes. Disruption to clients has the potential to impact revenue generating opportunities.	Risk resilience & mitigation: - We have reviewed our portfolio for clients who will be more highly exposed to physical risk, to identify which of our services may suffer reduced demand as a result. This review focused on the core sectors that we provide services to and identified that the diversity of our offering provides a natural hedge whereby physical impacts on some clients that could pose a risk to revenue streams are largely outweighed by impacts on other clients that will trigger a greater need for our integrated legal services. Opportunity potential: - Client proposition in the insurance industry: we are working closely with our insurance clients as they continue to adapt their strategies in response to climate change. Their need for reliable legal services throughout this transition is expected to increase. The Group is working closely with key insurance clients to ensure that it is well placed to support them in the future and is therefore securing its revenue pipeline from these clients.
5. Physical: Impact of extreme weather events on our supply chain	Communities <i>Short term</i> <i>Medium term</i> <i>Long term</i>	The Group's supply chain may experience disruption based on environmental and geopolitical factors inhibiting effective delivery of goods and services to DWF. This could impact the ability of the Group to deliver client services and could cause supply chain cost inflation.	Risk resilience & mitigation: - The group continues to operate a model of strong diversification in its supply chain, therefore there has limited reliance on single providers, mitigating the risk of disruption. Additionally, as a professional services business our ability to deliver our core legal services has limited sensitivity to disruption in its physical goods supply chain. - Where our reliance on single suppliers is high, such as in IT service provision, disruption to those suppliers is factored into business continuity planning. This ensures that DWF has an effective response in the event of - The impact of cost inflation is built into the group's strategic financial planning process and therefore exposure to this risk is low. Opportunity potential: N/A
6. Physical Impact of changing climate on strategic plans for expansion through merger and acquisition	Colleagues Clients <i>Short term</i> <i>Medium term</i> <i>Long term</i>	The Group's strategic growth plans could be limited if expansion into new territories is not viable due to heightened climate risk and related economic downturn in highly exposed locations.	Risk resilience & mitigation: - The Group's strategic growth plans are informed by a comprehensive process of due diligence that is applied to any potential target acquisition. Long term risk related to jurisdiction-specific factors is central to this process. - The Chief Sustainability Officer provides guidance to the key strategic decision makers in relation to this risk. Opportunity potential: - If the group focuses its growth plans on locations that are less exposed to climate risk, or experiencing economic growth linked to the transition to a low carbon economy there is strong potential for positive financial returns.

Climate impact	Impact categories & time frame	Description	Strategic implications
7. Transition: Brand, reputational and talent impact related to the increased societal expectation around climate action	Colleagues Clients Communities <i>Short term</i> <i>Medium term</i>	The DWF brand and reputation are impacted by action taken by the Group in response to the climate emergency. Additionally, our association with clients who do not commit to climate action could undermine the carbon reduction commitments we have made and put the group at risk of greenwashing. This has the potential to impact revenue and influence talent attraction and retention.	Risk resilience & mitigation: The Group has publicly disclosed its commitment to climate action through its 2045 net zero target and has a robust carbon reduction plan to support delivery. These commitments underpin its strong reputation in respect of environmentally responsible behaviour. The Chief Executive Officer is a member of the ESG & Sustainability leadership group and therefore gains relevant insight to ensure that operational plans to deliver the net zero target are integrated into the broader strategic plans for the business. DWF supports and collaborates with its peers across the legal industry through leading initiatives including Legal Charter 1.5 to demonstrate its ambition and call for collective action. The Group has a client take on policy process to reduce the risk of acting on behalf of clients who do not commit to climate action. Opportunity potential: The public commitments the group has made to climate action increasingly attract clients who are scrutinising their supply chains and prefer to work with firms who can support their own carbon reduction ambitions. This has the potential to be a significant competitive advantage and deliver associated revenue generating opportunities. The strong commitment from the group in respect of climate action is likely to boost talent attraction and retention. This will drive quality of client service and therefore help to secure revenue generating opportunities and will also reduce attrition and associated recruitment costs.
8. Transition: Transition to a low carbon economy triggers market shifts and changing client requirements for products and services	Clients <i>Medium term</i> <i>Long term</i>	As clients adapt their business models in response to the transition to a low carbon economy, their requirement for legal and advisory services will change accordingly. Failure to align our client offering to changing commercial need risks loss of revenue, but timely and relevant new product development will be a competitive advantage.	Risk resilience & mitigation: We have reviewed our key client base across the main sectors we operate within to assess how their needs will change in response to climate impacts. This assessment concluded that as these clients adapt their models, their fundamental need for our core legal offering will continue. We are therefore responding to this risk by ensuring our core services remain relevant to our clients in the face of climate change by educating all our colleagues on the subject. This will ensure that they are well placed to consider the impacts of climate change on the advice they give. Opportunity potential: For many of our clients across all sectors it is likely that their need for integrated legal and advisory services will increase during the transition to a low carbon economy. There is an emerging pipeline of significant regulatory change in relation to climate change and the response by businesses. This change aligns strongly to our core offering and will provide significant revenue generating opportunities.

Climate impact	Impact categories & time frame	Description	Strategic implications
			We have increased headcount and expertise in our existing well-established offering to the Energy & Natural Resources sector which is experiencing significant growth as a result of the transition, in addition to expertise in areas heavily impacted by regulatory change such as Real Estate and Construction. Our insurance division is led by industry experts who are at the forefront of developments impacting our clients in this space and is adapting its services to support them accordingly in the face of climate change. We are effectively positioned to deliver revenue growth in this area due to a combination of expertise and strong reputation, established through our own commitments to climate action. Our talent pipeline and succession planning focusses on ensuring the group has the expertise to deliver competitive services from industry leading talent within a low carbon economy.
9. Transition: The transition to a low carbon economy negatively impacts clients who are unable to transition effectively	Clients Medium term Long term	Revenue generating opportunities may be limited from clients who do not effectively transition to a low carbon economy. Where this causes a threat to their viability, or a significant financial downturn, the potential for revenue generation from these clients will be compromised.	Risk resilience & mitigation: Our diversified client base provides some mitigation to this risk, and there is limited reliance on revenue linked to fossil fuel activity. For example, within our energy and natural resources practice, the majority of our work focusses on renewable energy and the transition to low carbon fuel, which offers significant growth potential. We recognise that all of our clients are exposed to climate risk due to its pervasive global nature. Therefore a key part of our work to mitigate the associated risk to our revenue is to understand our clients' own climate risk assessments. This allows us to anticipate future changes to demand for our services and respond effectively by reflecting this into our strategic plans. Opportunity potential: N/A

The strategic review has demonstrated that our business model has a degree of inherent resilience to both the worst physical impacts of climate change and the impacts of transition if it continues to monitor the associated risks and plan for mitigative action accordingly. Similarly, the group is well placed to realise the benefit of opportunities presented by the transition to a low carbon economy where these opportunities are integrated into its strategic planning process. This conclusion is supported by the application of scenario planning.

c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios.

The application of two different scenarios is valuable for strategic planning purposes because it highlights the most extreme conditions that could arise as a result of climate change and the transition to a low carbon economy. In the prior year, a 'best case' and a 'worst case' scenario were used to provide illustrations of situations in which transition and physical impacts would be experienced in their most exaggerated state. Given geopolitical developments and continued scientific analysis of current atmospheric warming trends, the 'best case' scenario which was based on a 1.5 degree warming trajectory has been replaced with a 'middle of the road' scenario, signalling a more likely trajectory closer to 2 degree warming. By considering these two cases, the Group can effectively plan for mitigative actions that demonstrate the most prudent response to the potential impacts of climate change on its business model. These scenarios and associated indicative conditions are summarised below.

	Scenario 1 Middle of the road scenario SSP2-4.5	Scenario 2 No mitigation scenario SSP5-8.5
Temperature rise above pre-industrial levels	2.0 degrees	4 degrees
Description	Greenhouse gas emissions plateau, but do not fall until mid-century, resulting in 2.7°C warming by 2100.	Limited greenhouse gas emission reduction resulting in 4°C warming by 2100.
Indicative physical conditions	Higher frequency and magnitude of extreme weather events, causing periodic disruption triggered by flooding, extreme heat, drought & storms.	Permanent volatility in weather causing continued disruption triggered by flooding, extreme heat, drought & storms.
Indicative socio-economic conditions	• Staggered policy change across different jurisdictions, reflecting a combination of strategic and reactionary changes. • Medium term shifts in investment focus to develop low carbon assets and infrastructure. • Significant societal shifts as populations adapt to climate disruption and behaviour change pivots to support decarbonisation. • Moderate rates of business-model transformation to adapt to a low carbon economy, and increased demand for products and services that support climate impact mitigation.	• Policy change limited to reactionary and short term responses. • Wide-spread displacement of populations, resource shortages and associated conflict. • Limited short and medium-term business model change, leading to reactive response to the transition, widespread viability challenges and significant impacts on employment.

Table 2.

Rating	Risk exposure	Rating	Opportunity potential
1	Strong mitigation potential, unlikely to impact strategic progress	A	Material financial return
2	Good mitigation potential, immaterial impact on strategic progress	B	Immaterial financial return
3	Low mitigation potential, material impact on strategic progress	C	Unlikely to generate financial returns

The strategic impacts identified in table 1 have been considered in the context of the indicative physical and socio-economic conditions under each of the two scenarios. Under each scenario every risk or opportunity has been given a rating based on the respective exposure or potential, as per table 2.

Climate impact	Classification		
		Scenario 1	Scenario 2
1. Disruption to IT infrastructure in extreme weather events	Risk	1	2
	Opportunity	n/a	n/a
2. Impact of extreme weather events on offices	Risk	2	3
	Opportunity	n/a	n/a
3. Impact of extreme weather on remote and home working environments	Risk	2	3
	Opportunity	n/a	n/a
4. Impact of extreme weather events on clients and their operations	Risk	2	3
	Opportunity	A	B
5. Impact of extreme weather events on our supply chain	Risk	2	2
	Opportunity	n/a	B
6. Impact of changing climate on strategic plans for expansion through merger and acquisition.	Risk	2	3
	Opportunity	A	B
7. Brand, reputational and talent impact related to the increased societal expectation around climate action.	Risk	1	1
	Opportunity	A	A
8. Transition to a low carbon economy triggers market shifts and changing client requirements for products and services	Risk	1	2
	Opportunity	A	B
9. The transition to a low carbon economy negatively impacts clients who are unable to transition effectively	Risk	1	2
	Opportunity	n/a	n/a

Climate related risks and opportunities

Strategic impacts - conclusion

The board concluded that the Group has the potential to deliver its broader strategic objectives in the face of climate change by continuing to effectively integrate its assessment of climate related risks into its overall risk management process and continuing to innovate and adapt its integrated legal services to meet the changing needs of clients as they adapt to the transition to a low carbon economy.

It also recognised that to effectively manage these climate-related impacts, it must continue to educate and engage all colleagues to consider climate change in the context of their individual roles and responsibilities, so that the group is well placed to respond to the volatility that climate change will cause within its operating environment.

R4. Metrics and targets

a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The key metrics we use to measure our impact on climate change are the Group's GHG emissions. When considering the impact of climate-related risks and opportunities on our strategy, we consider their potential to affect our revenue streams and cost base and therefore use financial metrics as the basis of this assessment.

b. Disclose Scope 1, 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.

The Group measures Scope 1, 2 and 3 emissions which are summarised on page 88.

c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The targets used to manage climate-related risk and opportunity are largely qualitative and relate to integration of these issues in all key operational and management frameworks, in addition to educating colleagues across all functions on climate-related issues. This includes:

- Ensuring a board member has oversight of both the Executive Risk Committee and the ESG & Sustainability leadership group where climate impacts are discussed on a regular basis.
- Delivering climate education to all risk register owners on at least an annual basis.
- Delivering climate risk training as part of global mandatory training to all colleagues.
- Delivering resources to support capacity building around climate risk and opportunity through the two divisional operational ESG & Sustainability committees.

