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

We recognise that the climate crisis 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 impact 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, and we also 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 focussed 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. Further attention was also given to the potential impacts of climate change on our 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 main board has oversight and overall responsibility for ESG and sustainability, including the impact of climate-related risks and opportunities on the business. The Chief Sustainability Officer supports the main board in their assessment of these risks and opportunities by providing regular updates and presenting on all key ESG and sustainability matters, and also manages the board's training requirements. The Chief Sustainability Officer sits on the executive board and also chairs the wider ESG and Sustainability Leadership Group, who together are responsible for ensuring 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 and Sustainability Leadership Group, led by the Chief Sustainability Officer. Membership of this group comprises all key 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.

At each ESG and 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 and Sustainability Operations Group, a taskforce established to manage the operational programmes designed to deliver the ESG and Sustainability strategy.

Assessment of climate-related risks and opportunities is performed by the executive board, with input from all 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 and Sustainability element of the Group's central risk register, managed by the Chief Risk Officer, and reviewed by the main board.

During the year, the group's Head of Sustainability provided training to senior leaders and the wider workforce to enhance understanding of climate change across the business. A bespoke carbon literacy course was developed in house, and during phase one of the roll out it has been completed by 487 colleagues, with further roll out being progressed in the new financial year. Additionally, workshops have been held with legal teams in England and Wales to enhance their understanding of the applicable Law Society's guidance on climate change. An ESG and Sustainability hub was created on the global intranet to provide further insight into the firm's response to climate change, accessible to all colleagues.

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 executive and main boards 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 main board to incorporate the climate risk assessment into its overall strategic planning process.

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.

Table One

Climate impact	Impact categories & time frame	Description	Strategic implications
1. Physical: Disruption to IT infrastructure in extreme weather events.	Clients Infrastructure Medium term Long term	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**

Climate impact	Impact categories & time frame	Description	Strategic implications
2. Physical: Impact of extreme weather events on offices and home working environments.	Colleagues Clients Infrastructure Medium term Long term	Office premises and colleague homes are exposed to extreme weather events, especially those in higher-risk geographies. This could result in disruption to our colleagues working remotely or in offices, and to our support services. This could impact our ability to service our clients effectively.	**Risk resilience & mitigation:** • A large portion of our operations are based in the UK, which is less exposed to the most severe physical impacts of climate change in the short to medium term. Whilst periodic flooding and overheating are likely to cause temporary disruption, the geographic spread within the UK and flexibility of hybrid working provides resilience against the risk that we could not continue to service clients. • 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 significantly reducing over time. • In our more highly exposed client serving locations such as Australia, we anticipate that the loss of productivity would manifest itself as reduced output and lack of billing potential over a period of weeks. In the short term this does not constitute a material portion of group revenue and therefore is a risk that can be reasonably built into financial budgets and forecasts as a contingency, and is being closely monitored in the context of future growth plans. • 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. **Opportunity potential: N/A**
3. Physical: Impact of extreme weather events on offices and home working environments.	Clients Medium term Long term	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.	**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 focussed 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. • Cost saving and carbon footprint reduction: As clients experience the impacts of more volatile weather conditions on their ways of working, the requirement for agile working and a reduced expectation for travel is likely to decrease and result in cost and carbon footprint savings.

Climate impact	Impact categories & time frame	Description	Strategic implications
4. Physical: Impact of extreme weather events on our supply chain.	Communities Medium term Long term	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:** • As a professional services business our model is inherently resilient to disruption in its physical goods supply chain. Therefore the Group could effectively deliver its core legal services if its supply chain was disrupted temporarily. • The group continues to operate a model of strong diversification in its supply chain, therefore there is not significant reliance on a single provider, mitigating the risk of disruption. • 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**
5. Physical: Impact of changing climate on strategic plans for expansion through merger and acquisition.	Colleagues Clients Medium term Long term	The Group's strategic growth plans could be limited if expansion into new territories is not viable due to heightened climate risk of 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 ownership structure of the group enhances this risk mitigation process due to the additional due diligence applied by its owner/investor. **Opportunity potential:** • If the group focuses its growth plans on locations that are inherently less exposed to climate change risk, there is strong potential for positive financial returns.
6. Transition: Increased societal expectation around climate action and its impact on talent.	Colleagues Short term Medium term	Our colleagues are key to the future success of the Group. To continue to attract and retain talent we must take meaningful action and be a leading player within the legal sector in our response to the global climate emergency.	**Risk resilience & mitigation:** • The Group has publicly disclosed its commitment to climate action and has a robust carbon reduction plan. It has also increased its engagement and education activities to upskill colleagues in carbon literacy. This commitment is a key factor in mitigating the risk of failing to attract and retain talent. **Opportunity potential**: • 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.

Climate impact	Impact categories & time frame	Description	Strategic implications
7. Transition: Brand and reputational risk and opportunity in response to the increased societal expectation around climate action.	Colleagues Clients Communities Short term Medium term	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.	**Risk resilience & mitigation:** • The Group has publicly disclosed its commitment to climate action and has a robust carbon reduction plan to secure its reputation in respect of environmentally responsible behaviour. • 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 attracts 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.
8. Transition: Transition to a low carbon economy triggers market shifts and changing client expectation for products and services.	Clients Medium term Long term	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 remain unchanged and therefore our model is inherently resilient to this risk. In order to keep our core offering relevant and effective we are continuing to educate all our colleagues on the causes and impacts of climate change to ensure they are well placed to incorporate these factors into their advice. **Opportunity potential:** • We have engaged with our clients to better understand how the significant socio-economic change caused by the transition to a low carbon economy will impact them. This demonstrated that in many cases their need for integrated legal and advisory services will increase during the transition. • 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. • We have increased headcount and expertise in our existing well established offering to the Energy & Natural Resources sector which is well placed to facilitate the transition. • We are continuing to grow our Sustainable Business and ESG advisory practice to support clients navigate their own response to climate change and the associated regulatory landscape. • 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.

Climate impact	Impact categories & time frame	Description	Strategic implications
9. Transition: The transition to a low carbon economy negatively impacts clients who are unable to transition effectively.	Clients 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:** • Within our client base, there is limited reliance on clients whose viability is challenged by a transition to a decarbonised economy, in particular the energy and aviation sectors. 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. **Opportunity potential: N/A**

The strategic review has demonstrated that our business model is inherently resilient to the worst physical impacts of climate change, and well placed to realise the benefit of opportunities it presents. Further verification of this has been provided by the application of scenario planning.

c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario.

The two scenarios used to assess the resilience of the Group to the impacts of climate change provide effective illustrative cases of the most extreme conditions that could arise. By considering these two extreme 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 indicative conditions are summarised opposite.

	Scenario 1	Scenario 2
Temperature rise above pre-industrial levels	1.5 degrees	4 degrees
Description	Greenhouse gas emissions reduction aligned to the goals of the Paris Agreement to reach net-zero by 2050.	Limited greenhouse gas emission reduction resulting in 4 degree warming by 2100.
Indicative physical conditions	More frequent 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	• Significant decarbonisation policy & regulation • Significant investment focus in low carbon assets and infrastructure • Wide-spread societal behavioural change • Rapid business-model transformation to adapt to a low carbon economy.	• Policy change limited to reactionary and short term response • Wide-spread displacement of populations and associated conflict • Limited business-model change leading to reactive response to the transition.

The strategic impacts identified in Table One 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 thve respective exposure or potential, as per Table Two.

Table Two

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

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 and home working environments	Risk	1	3
	Opportunity	n/a	n/a
3. Impact of extreme weather events on clients and their operations	Risk	1	2
	Opportunity	B	B
4. Impact of extreme weather events on our supply chain	Risk	1	2
	Opportunity	n/a	n/a
5. Impact of changing climate on strategic plans for expansion through merger and acquisition.	Risk	1	2
	Opportunity	A	B
6. Increased societal expectation around climate action and its impact on talent	Risk	1	1
	Opportunity	A	B
7. Brand and reputational risk and opportunity in response to the increased societal expectation around climate action	Risk	1	1
	Opportunity	A	B
8. Transition to a low carbon economy triggers market shifts and changing client expectation for products and services	Risk	1	1
	Opportunity	A	C
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 is well placed 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.

We are committed to supporting the global transition to a sustainable low-carbon economy and our ambition is to achieve Net Zero greenhouse gas ('GHG') emissions ahead of the UK Government's target of 2050, aligned to the goals of the Paris Agreement. This action ensures we play our part in the collective effort to mitigate the worst climate-related risks noted above by reducing the impact of climate change on society globally.

Our key metrics are therefore the Group's GHG emissions and, in setting targets, we have committed to reduce our emissions in line with the SBTi's recommended 1.5°C pathway.

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 76.

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

Our near term targets are to reduce Scope 1, 2 and 3 greenhouse gas emissions by 50% by 2030 against a 2019 baseline. These targets were validated by the SBTi in June 2022. During the year we have refined the processes around our scope 3 data collection to increase visibility of our total value chain emissions. This process has been key to facilitate a more comprehensive assessment of the action required to set a net zero target imminently. More detail on the action being taken by the Group in achieving these targets can be found on pages 69 onwards.