TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Task Force on Climate-related Financial Disclosures ('TCFD')

Climate action is a key pillar of our ESG & Sustainability strategy, recognising that climate change will affect all of our stakeholders and disrupt the environment in which we operate. We therefore continue to assess the potential impacts of climate change on our business, and align this work with the recommendations of the TCFD.

Climate-related risk to the business is still considered an emerging risk, not a principal risk, given the inherent resilience of our business model to the worst physical impacts of climate change, and our ability to adapt our strategy in response to the transition to a low-carbon economy. Further detail is available in the principal risks section of the Strategic report (page 42 to 43). During the year, our focus has been 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. Further attention was also given to the potential impacts of climate change on our infrastructure and our consequential ability to operate effectively.

We have used scenario planning assumptions that are consistent with those used in 2021/22, because these still provide the best illustrative cases to assess potential climate-related impacts on our business under different warming conditions.

The disclosures that follow 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 Board is supported by the Group Head of ESG & Sustainability and the wider ESG Leadership Group, who together are responsible for ensuring that climate risks are embedded into the Group's overall Risk Management Framework.

The Group Head of ESG & Sustainability presents on key ESG & Sustainability matters to the Board quarterly. At least annually, this presentation will include an update on climate-related risks and how the business is working to mitigate the impact of such risks, as well as maximising any opportunities.

This process includes considering climate related issues in the context of strategy development, annual budget and forecasting processes and overall risk management policies.

The Executive Board and PLC Board continue to receive training on environmental issues including climate change, and in 2022/23 there was a particular focus on carbon credits and offsetting models. This education and insight helps to inform the Group's strategy in effectively responding to climate-related risks.

This presentation includes emission data to enable the board to monitor and manage progress against the reduction targets set.

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 Leadership Group, led by the Group Head of ESG and Sustainability and attended by the Executive Board's ESG sponsor. Membership of this group comprises key function heads, and includes the Global Co-Head of Energy, a legal expert in the field of emerging power; energy transition; regulatory change and policy. During the year, the Group also invested in a new role by appointing a Head of Sustainability with a core focus of supporting the Group's strategic response to climate change and leading its ambitious carbon reduction plan.

At each ESG 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 ESG Leadership Group are supported by the ESG 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 Board, with input from senior management across all key business areas, including both client services and central support functions. Senior management also assess how these risks and opportunities may manifest differently in the context of the two warming scenarios over the short, medium and long term.

The ESG Leadership Group subsequently reviews this analysis and determines which risks and opportunities could have a significant impact on the strategy of the Group as a whole. Related risks are reviewed within the Group's existing Risk Management Framework as described below, and opportunities identified are logged and actioned with the relevant management team.

Training is provided to senior leaders to ensure they can effectively assess the potential impacts of climate change on their business area. In 2022/23, training provided to our global senior leadership team included an independent training programme delivered by academics from the Alliance Manchester Business School, attended by 80% of all our global leadership team. Additionally, a further 51 colleagues have received Carbon Literacy Training throughout 2022/23 and colleagues had the opportunity to attend specific training on the SBTi to increase understanding of our carbon reduction targets. Management is also supported by thought leadership obtained through membership of the UN Global Compact's Climate Disclosures working group, which meets quarterly.

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 on pages 34 to 36. 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 timescales align to those used in the context of the Group's broader strategic planning process.

Details of the Group's strategy to reduce GHG emissions in line with the targets set are set out in the ESG impact report

c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
See disclosure on page 35.

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, as outlined on pages 40 to 44.

As part of this process, the Board, supported by the ESG Leadership Group, review the Group's Enterprise Risk Management ('ERM') framework to ensure it effectively incorporates processes to identify, assess and manage climate-related risks and opportunities over the short, medium and long term. This review happens at least bi-annually.

As described within recommendation 1b the risk assessment is performed by senior management and subsequently assessed by the ESG Leadership Group, which identifies the risks that have the potential to impact the strategy of the Group as a whole before feeding them into the risk register.

During the 2022/23 risk management cycle, the ESG Leadership Group also reviewed the Group's existing principal risks to consider how climate change may impact the likelihood and magnitude of these risks, or how these can be mitigated. This has facilitated a more effective process of embedding considerations of climate change within our existing risk assessment process.

Within the scope of the ERM, the business also identifies potential emergency situations, including those that are caused by, or might impact, environmental change. These risks are reviewed at least annually.

Climate impact, categories and timescale	Strategic implications
1. Physical: Disruption to IT infrastructure in extreme weather events **Clients** **Infrastructure** **Medium term** **Long term** Description IT infrastructure is critical to the Group's ability to operate. This infrastructure is reliant on physical data centres and 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 and mitigation: • Most personal IT hardware and equipment is portable and therefore can be more easily protected from physical disruption than integrated assets. • 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. • Our core 'internal' systems infrastructure is operated from duplicated internal (DC1) and external (DC2) data centres. The external data centre is on a different power grid and is operated by a world class operator, Equinix, which has a strong climate event mitigation strategy. • Our cloud-based services, which include email, intranet and other core services, are hosted within Microsoft's Azure cloud infrastructure, for which Microsoft has industry leading mitigation plans. Opportunity potential: • N/A
2. Physical: Impact of extreme weather events on offices and home working environments **Colleagues** **Clients** **Infrastructure** **Medium term** **Long term** Description 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 and 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 the UK and Canada, which allows us to plan for effective business continuity in the event of climate-related disruption. Some of the work performed by these teams serves internal operational functions, and therefore disruption would not have a direct impact on clients and revenue-generating work streams. • 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. 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. • 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, who are contractually obligated to provide sufficient notice of increases, and therefore would be built into financial budgets and forecasts accordingly. Opportunity potential: • N/A

Climate impact, categories and timescale	Strategic implications
3. Physical: Impact of extreme weather events on clients and their operations **Clients** **Medium term** **Long term** Description 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 and 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 8 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: as our insurance clients adapt their strategies in response to climate change, their reliance on reliable legal services will 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: As clients experience the impacts of more volatile weather conditions on their ways of working, the expectation for travel is likely to decrease and result in cost savings.
4. Physical: Impact of extreme weather events on our supply chain **Communities** **Medium term** **Long term** Description 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 and 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. • Where the Group relies on third party service provision, 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

Climate impact, categories and timescale	Strategic implications
5. Transition: Increased societal expectation around climate action and its impact on talent **Colleagues** **Short term** **Medium term** Description 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 and mitigation: • The Group has publicly disclosed its commitment to climate action and has a robust carbon reduction plan. 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.
6. Transition: Brand and reputational risk and opportunity in response to the increased societal expectation around climate action **Colleagues** **Clients** **Communities** **Short term** **Medium term** Description 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 and 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 are likely to 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.

Climate impact, categories and timescale	Strategic implications
7. Transition: Transition to a low-carbon economy triggers market shifts and changing client expectation for products and services **Clients** **Medium term** **Long term** Description 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 and mitigation: • We have reviewed our key client base across the eight 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 continue to build our existing well established offering to the Energy & Natural Resources sector, which is well placed to facilitate the transition. • 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.
8. Transition: The transition to a low-carbon economy negatively impacts clients who are unable to transition effectively **Clients** **Long term** Description 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 and 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 focuses 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, given the agility to transition to remote working, and the location of our key offices at sites that are at low risk of physical damage from extreme weather. The review has also demonstrated that we are well placed to realise the benefit of opportunities that climate change and the transition to the a low carbon economy presents – largely in respect of the likely significant change to legislation that our clients will need to navigate as part of the transition to a low carbon economy, in addition to legal support required for successful divestment and acquisition of assets triggered by the transition. Further verification of this has been provided by the application of scenario planning.

R.2 Strategy

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 below.

The strategic impacts identified in the tables on pages 34 to 36 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 the rating tables below.

	Scenario 1	Scenario 2
Temperature rise above pre-industrial levels	1.5 degrees	4 degrees
Description	GHG emissions reduction aligned to the goals of the Paris Agreement to reach Net-Zero by 2050.	Limited GHG 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 and storms.	Permanent volatility in weather, causing continued disruption triggered by flooding, extreme heat, drought and storms.
Indicative socio-economic conditions	• Significant decarbonisation policy and regulation • Significant investment focus in low-carbon assets and infrastructure • Widespread societal behavioural change • Rapid business-model transformation to adapt to a low-carbon economy	• Policy change limited to reactionary and shortterm response • Wide-spread displacement of populations and associated conflict • Limited business-model change leading to reactive response to the transition

Rating	Risk exposure
1	Strong mitigation potential, unlikely to impact strategic progress
2	Good mitigation potential, immaterial impact on strategic progress
3	Low mitigation potential, material impact on strategic progress

Rating	Opportunity potential
A	Material financial return
B	Immaterial financial return
C	Unlikely to generate financial returns

Climate impact		Classification Scenario 1	Classification 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. Increased societal expectation around climate action and its impact on talent	Risk	1	1
	Opportunity	A	B
6. Brand and reputational risk and opportunity in response to the increased societal expectation around climate action	Risk	1	1
	Opportunity	A	A
7. Transition to a low-carbon economy triggers market shifts and changing client expectation for products and services	Risk	1	1
	Opportunity	A	C
8. The transition to a low-carbon economy negatively impacts clients who are unable to transition effectively	Risk	1	2
	Opportunity	N/A	N/A

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 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.

In addition to the Group's GHG emissions, financial metrics including revenue, operating costs and asset values are also used to help inform the assessment of climate-related risks and opportunities in line with its strategy and risk management process.

b. Disclose Scope 1, 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.
The Group measures Scope 1 and 2 emissions and reports these in line with SECR requirements as summarised on page 26. The group also measures its Scope 3 emissions, which are disclosed within its ESG & Sustainability Impact report.

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 GHG emissions by 50% by 2030 against a 2019 baseline. More detail on the action being taken by the Group in achieving these targets can be found on page 27 and in our ESG & Sustainability Impact Report.