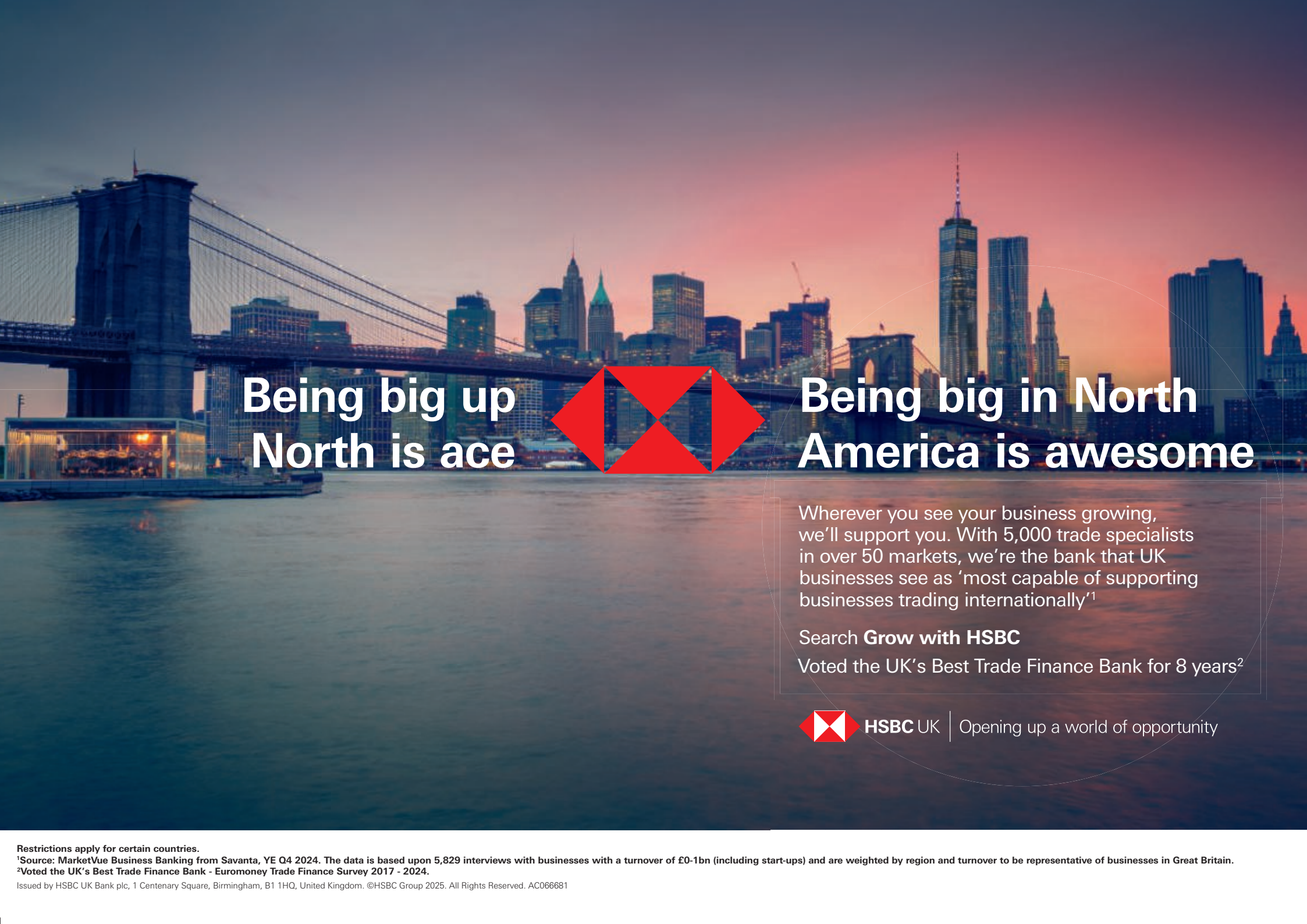




DECISION TIME — AND A NEED FOR SPEED

From private equity to service pricing, are UK law firms under growing pressure to step faster through the current period of strategic transformation?



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¹Source: MarketVue Business Banking from Savanta, YE Q4 2024. The data is based upon 5,829 interviews with businesses with a turnover of £0-1bn (including start-ups) and are weighted by region and turnover to be representative of businesses in Great Britain.

²Voted the UK's Best Trade Finance Bank - Euromoney Trade Finance Survey 2017 - 2024.

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Firms confident entering the AI age, but at what price?

Welcome to the **HSBC UK** law firm strategy and investment research for 2025/2026 — the sixth year the bank has partnered with the specialist legal business management publication **Briefing** to bring you this unique, comprehensive insight into pressures on leadership teams like yours in the rapidly evolving legal market. Asking big questions of senior strategic representatives at law firms with a UK presence and annual revenues ranging from £18m to £1bn — including managing partners, CEOs, finance, operations and innovation leaders — the data that follows makes it straightforward to gauge how your peers stand and compare on a very wide range of strategic choices and challenges.

The survey underpinning the research was carried out online between May and July 2025. It received over 90 full responses, and the analysis includes in-depth interviews with a cross-section of firms and leaders to complete the picture. An executive summary on p4 gives the high-level overview of findings, and this is followed by chapters focused on growth priorities and plans; expectation of disruption and funding for transformation; process-improvement opportunities, including with technology; and activities involved in being a business that prioritises environmental, social and governance (ESG) progress.

It's clear that we are living in very volatile times — and overall UK business confidence may have been shaken — but uncertainty about the macroeconomic conditions is not new. It has been a constant thread following the global pandemic. Law firms are alive to the range of risks wherever they operate, but

also realise they must face and react to the changing world strategically — investing in opportunities where strongest and where their clients most need them. They also continue to invest in attracting and incentivising the right people to deliver services — there is a lot of lateral hiring, and the intense pressure on retention of recent years may just have peaked.

Perhaps connected is the other big trend of the times — investment in potentially game-changing technology to deliver that much more consistently and efficiently across the firm. We see that firms now plan to spend an average 6.5% of annual revenue across all aspects of technology plans (p18) — increased cost is of course one consideration here, but it's clear from other findings that technology is also a possible route to some prized diversification in the pursuit of growth, and potentially outcome-focused differentiation from competitors. Perhaps this is also a reason we can see a growing number of leaders more open to the idea of private equity involvement.

It's impossible to say all this and not mention what still appears very likely to be an age of artificial intelligence involved in professional work in many ways. The big question now is how quickly law firms can manage to mine the benefits on a widespread basis, see a return on their significant investments, and realistically evolve critical resourcing and pricing models.



VICTORIA RITCHIE
HEAD OF PROFESSIONAL AND
BUSINESS SERVICES
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Law firm strategy and investment 25/26: Executive summary

Leaders plan to stay the course on strategic expansion through a period of volatility and change — as intent to invest in the technology foundations of transformation, plus greater business process efficiency, hits a new high

► FIRMS CONFIDENT TO KEEP GROWING

Business confidence to invest is arguably under more pressure than ever from several corners, but senior leaders at top UK law firms give no indication of easing the pace of their transformation agendas into 2026. Over half (54%) plan to grow in the home regions, and 45% say they will be building strength across international borders (p7). In spite of no little uncertainty and instability, strategic leadership teams are now more likely to see

42%
of law firm
leaders report
North America
is now a priority
region for growth

North America and the Middle East as high-priority regions, with Europe perhaps viewed as less of a priority than in 2024 (p8). Over a quarter (26%) do say that geopolitical tensions are weighing on their decision-making, with almost half (45%) also concerned about the macroeconomic situation (p9). But somewhat

lower confidence levels won't stop the pursuit of strategic lateral hires, particularly in places where the firm already operates (82%), or fresh focus on their client sector footprint (59%). Meanwhile, almost half are eyeing growth by acquisition (43%), a third mergers (30%) and a fifth are creating tools to sell their services (p11). ▴

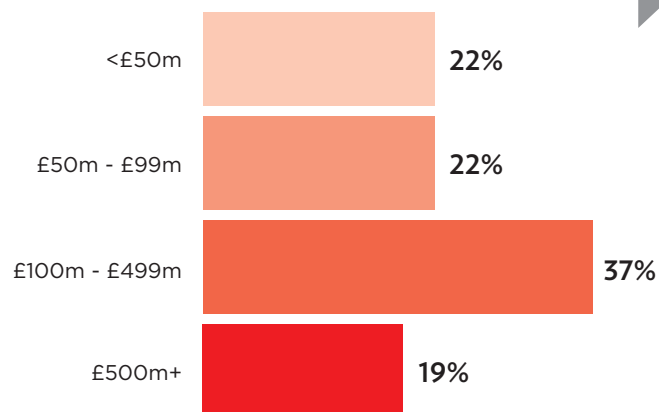
► QUARTER OF LEADERS SEE MORE APPEAL IN PRIVATE EQUITY INVESTMENT

Four-fifths of leaders continue to expect growing consolidation of the legal market as a whole in the year ahead — and considering their own business growth plans, 24% are more likely to see a stronger case for private equity involvement than in 2023 (p13). They're unlikely, however, to anticipate any change of ownership structure. A consistent fifth consider a limited company the most likely model, but the vast majority see the limited liability partnership as most appropriate moving forward (p14). One possible reason for growing interest in PE opportunity in 2025 is that 70% of leaders continue to believe that comparable firms investing more (or more effectively) in streamlining workloads with

24%
of leaders are
more attracted
to the idea of
private equity
than in 2023

technology is the legal market trend most likely to disrupt their own firm's place in it (p17). Significantly fewer (27%) identify other firms targeting their talent as a disruptive force, although a consistent third (34%) highlight clients deciding some work is more cost-effectively, or otherwise better, delivered in-house than by their partner firms. ▴

% of strategic firm leader respondents to the research by global annual revenue band



► IT INVESTMENT INTENTIONS INDICATE SPEND INCREASE FOR A SECOND YEAR

With cyber risk continuing to rank highly as an overarching organisational challenge (p22) for leaders at firms of all sizes (59%) — alongside the pressure to be as streamlined and competitive as possible for cost-conscious clients — it's an encouraging sign that they plan to invest a higher percentage of annual revenue in technology development, implementation or skills. The average response for this metric has now hit 6.5%, an increase from the 6.1% offered in 2024 (p18). Of course, this may reflect increased costs when selecting technology as well as

appetite for the process transformation it enables. Although two-thirds (67%) express confidence that recent IT projects have seen a return on investment in the form of business improvement (p19), a third now describe a lack of evidence here as a barrier to doing more with increased availability of generative artificial intelligence (genAI) in particular (p21). Potentially compounding the effect, 45% also point to the time and people-power required to keep pace with evolving developments and opportunities in AI — up from a third in 2024. Although security of AI use also remains a reasonable barrier to progress for a third, just two-fifths in 2025 indicated a lack of trust in its accuracy. Furthermore, there are significant increases in the number of leaders who now expect to see genAI used in at least some of their processes leading to production of legal work in the next 12 months — summarisation as part of legal workflows (70%), and even feeding the client-facing final product (69%). Similar proportions continue to see strong use cases in the firm's knowledge management and business development activities, and over two-fifths (44%) expect advantages in, for example, pattern-

69%
expect to see
genAI used in
delivery of client
work within 12
months

detection and more timely prompting of the actions needed to smooth cashflow in the finance function — from compliant billing practices to proactive cash collection (p20). As use cases crystallise, almost a third (30%) also see more client demand for the emerging idea of 'value-based pricing'

(p24) — which takes account of both the cost and effect of technology in fee design — rather than paying by the billable hour (where perceived demand is predictably down — 22%). Indeed, over a third (35%) pick client pressure around price as a major challenge they must find ways to manage (p22). More leaders appear more positive about their chances of improving lockup performance (p25) — significantly fewer expect to be dealing with an increase in lockup days — although a third (32%) also view overall models of incentivisation and/or remuneration as a broad business challenge. ▴

► COMMITMENTS TO ESG STAY STEADY

Changes firms are most likely to be pursuing as part of commitment to responsible business — the environmental, social and governance (ESG) agenda — continue to centre on office environment, travel plans, and policies that support the diversity and inclusion of their people (p28). It's notable that over half not only now have an independent committee to discuss and decide approaches, they also have some external verification of current

58%
of firms receive
an external audit
of their ESG
performance,
say leaders

performance and continuous progress. The same proportion of leaders as in 2024 report the firm has a carbon-reduction target — a third including a Net Zero goal requiring focus on supply chain alongside the firm's own choices (p29) — and over half (54%) have put in place specific key performance indicators (p30). ▴

01

Firm eyes turn to US and Middle East for more growth

Leaders say uncertain economic conditions won't steer them off the strategic course, with almost half of the largest firms intending more international growth in 2026

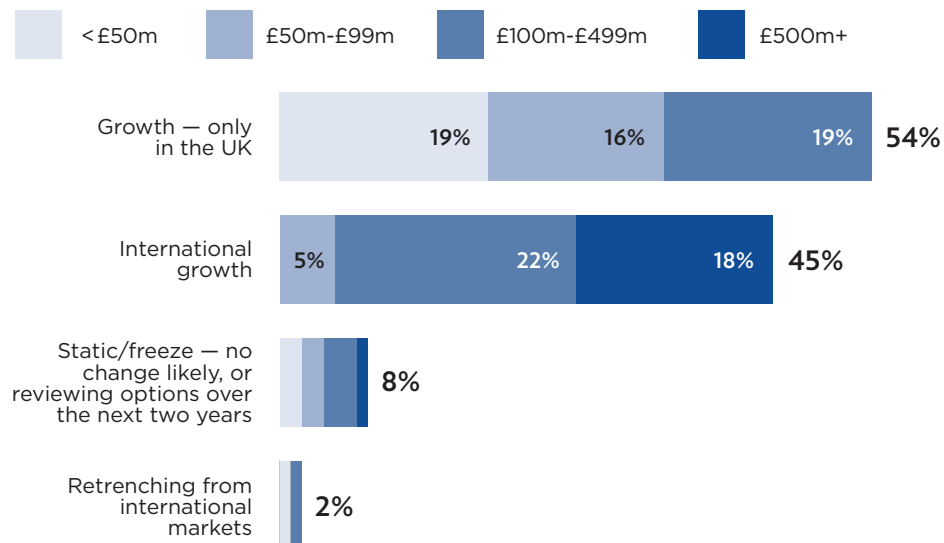
C hallenges clearly abound — from securing top talent to choosing the right technology, at the right time, in the age of AI — but law firms in the UK continued to exhibit a confidence in prospects in the summer of 2025. Fewer than one in 10 senior strategy-level leaders at these firms indicate any strategic growth plans are effectively on pause (10% in 2024), even if a small minority are moving out of some locations. As would surely be expected, the very largest firms — annual revenues of £500m or above — are more likely to have eyes on, and be weighing up, sizeable

opportunities for international growth (p7).

Regions now most likely to be seen as priorities are the UK (86%), North America (42%) and the rest of Europe (40%), with a significant increase in the number identifying the US for strong strategic focus (p8). Almost a third (31%) also now name the Middle East, up from under a quarter in 2024 (23%). Relative interest in opportunities further East remains steady, while only 12% now name Ireland, perhaps with any needed responses to Brexit increasingly in the rear-view mirror. Despite new rules that mean firms will be

What best describes the firm's current geographic growth strategy?

45% of all firms focused on international opportunity in 2025-2026



able to open offices and practice some types of work in India — including international commercial arbitration, but clearly not Indian law — just 2% indicate that any plans in this regard are a high priority.

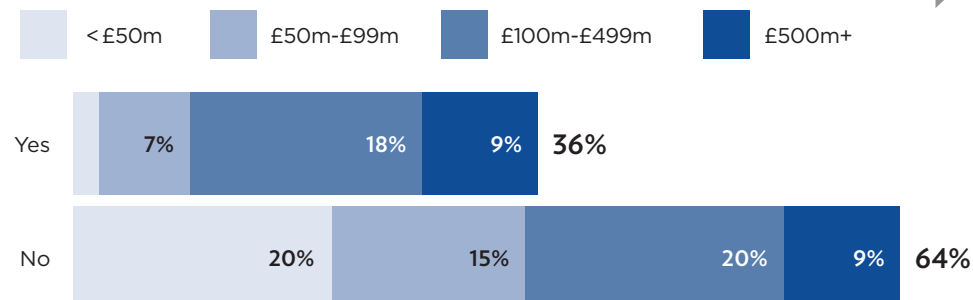
Rick Van Aerssen, global managing partner at Freshfields, says: “There’s no alternative to having a strong US presence to be a relevant player on an international scale. There will always be some market volatility — talent, as an example, in the age of AI — but it’s increasingly key for all firms to compete for larger pieces of the overall pie to achieve their growth

ambitions. The biggest challenge or barrier of all is missing a good opportunity.”

A WORLD OF UNCERTAINTY

A very steady third (36%) of all respondents indicate their firms have encountered any specific barriers in pursuit of growth plans — skewed to the same larger firms looking to grow across borders — and the trio of most challenging factors continue to be securing the legal talent to grow and service clients effectively (50%), the effect of local market competition (47%) and macroeconomic

Has your firm considered international growth but identified business barriers to pursuing it?

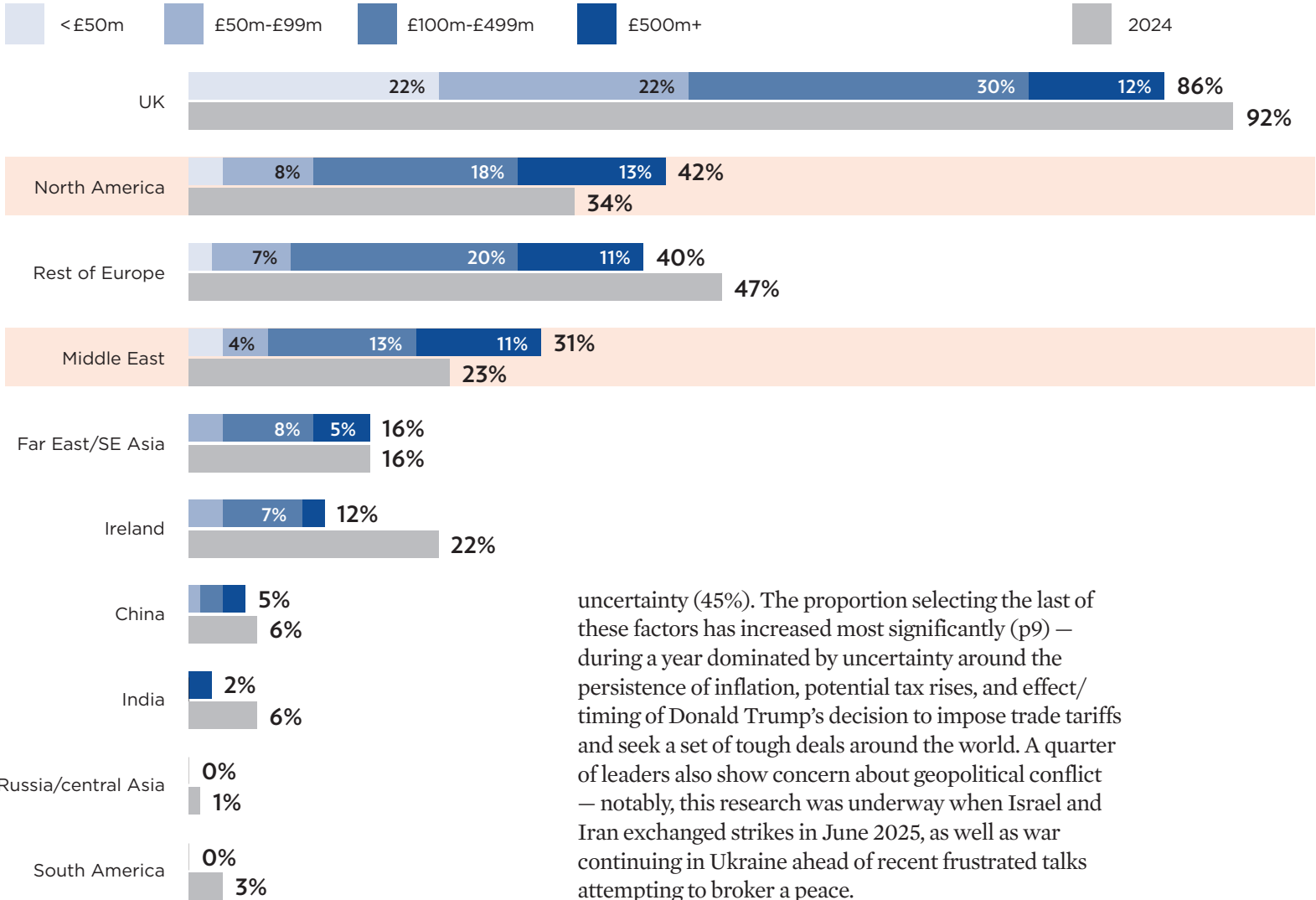


“There will always be some market volatility — talent, as an example, in the age of AI — but it’s increasingly key for all firms to compete for larger pieces of the overall pie to achieve their growth ambitions.”

Rick Van Aerssen, global managing partner, Freshfields

Which regions or countries are you MOST prioritising/focused on for your growth in the next three years? Choose four

Significantly more leaders say the firm is focused on the US and Middle East than in 2024



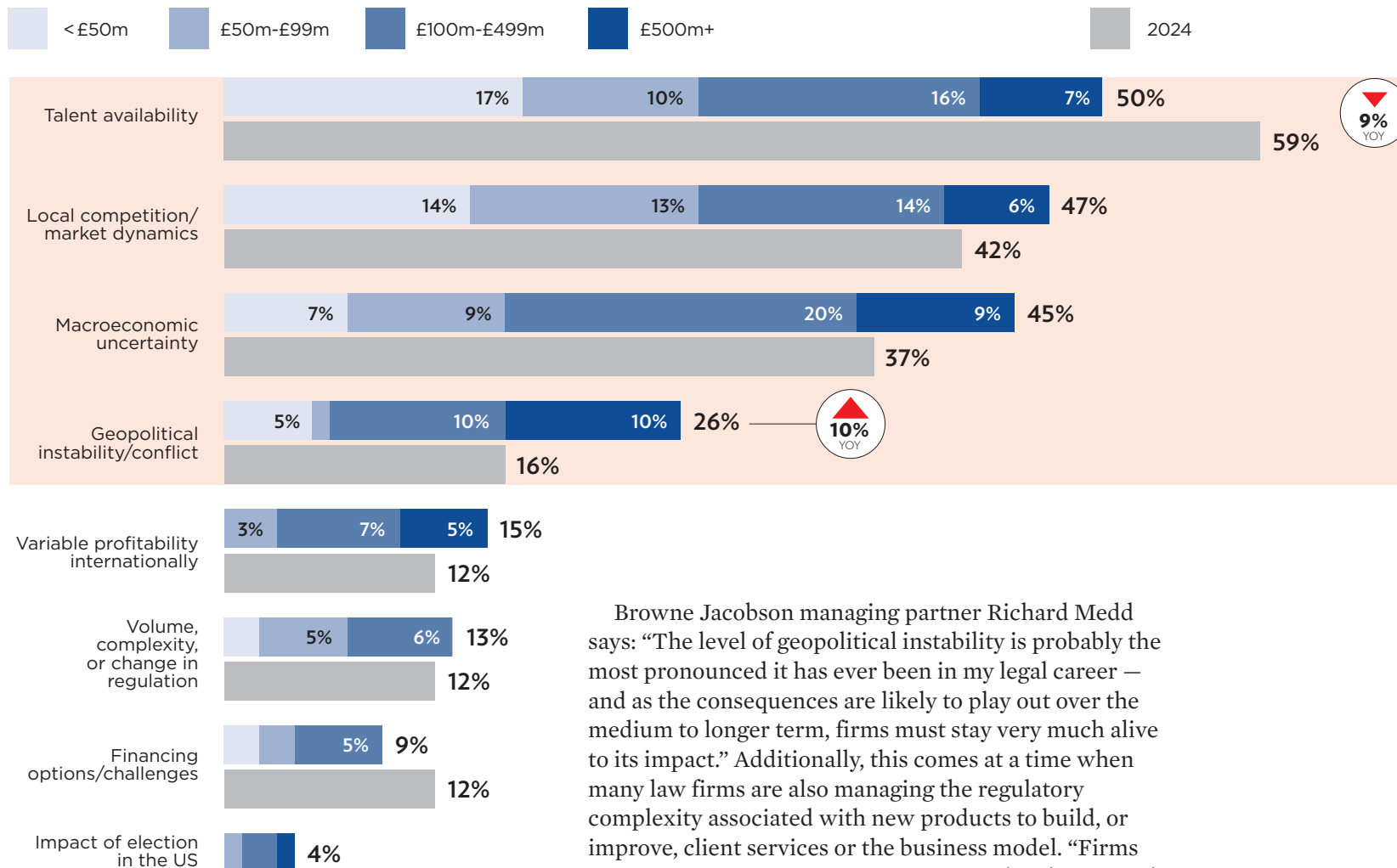
uncertainty (45%). The proportion selecting the last of these factors has increased most significantly (p9) — during a year dominated by uncertainty around the persistence of inflation, potential tax rises, and effect/timing of Donald Trump’s decision to impose trade tariffs and seek a set of tough deals around the world. A quarter of leaders also show concern about geopolitical conflict — notably, this research was underway when Israel and Iran exchanged strikes in June 2025, as well as war continuing in Ukraine ahead of recent frustrated talks attempting to broker a peace.

“Geopolitics hasn’t stopped us opening in a location. We make balanced decisions about where to expand based on providing clients with access to the local markets and quality talent they need.”

Laura Cameron, managing partner, Pinsent Masons

Which of the following are most challenging your strategic growth planning and decision-making in 2025? Choose two

Macroeconomic and geopolitical conditions are clearly a growing challenge

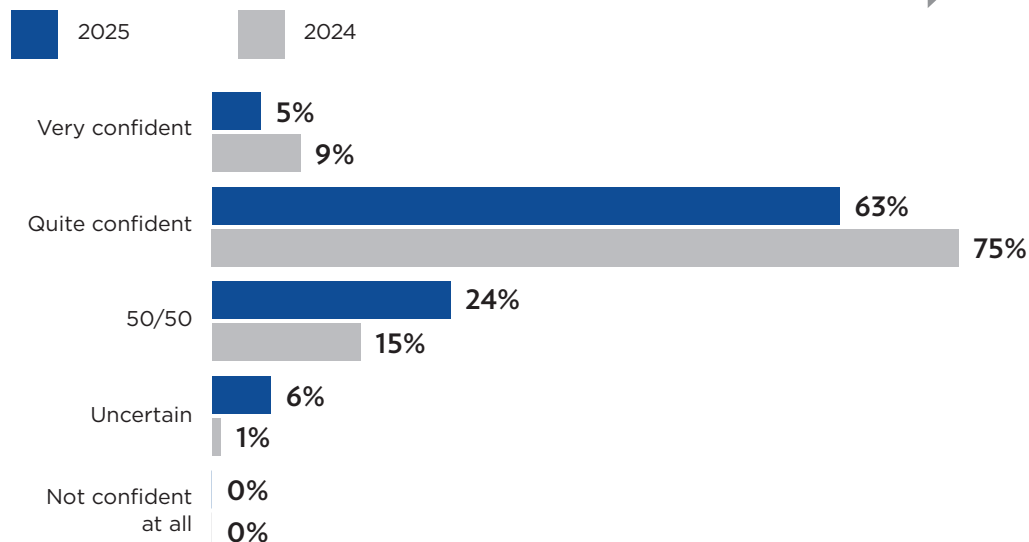


Browne Jacobson managing partner Richard Medd says: “The level of geopolitical instability is probably the most pronounced it has ever been in my legal career — and as the consequences are likely to play out over the medium to longer term, firms must stay very much alive to its impact.” Additionally, this comes at a time when many law firms are also managing the regulatory complexity associated with new products to build, or improve, client services or the business model. “Firms our size are investing more every year in headcount and systems to drive and ensure compliance, for example

“Firms our size are investing more every year in headcount and systems to drive and ensure compliance, for example from a data-confidentiality perspective.”

Richard Medd, managing partner,
Browne Jacobson

How confident are you in the overall market/business outlook for the firm's current financial year?



from a data-confidentiality perspective.”

In March 2025 Pinsent Masons opened in Saudi Arabia’s capital Riyadh, under the Kingdom’s new regulatory framework, and building on its presence in Qatar and the United Arab Emirates. Foreign firms in Saudi Arabia now need to operate as a branch office or in a formal joint venture with local lawyers. The firm also opened a third office in mainland China, Shenzhen, underlining focus on opportunities in the Asia Pacific.

Managing partner Laura Cameron says it has seen strong progress across both regions, in line with a

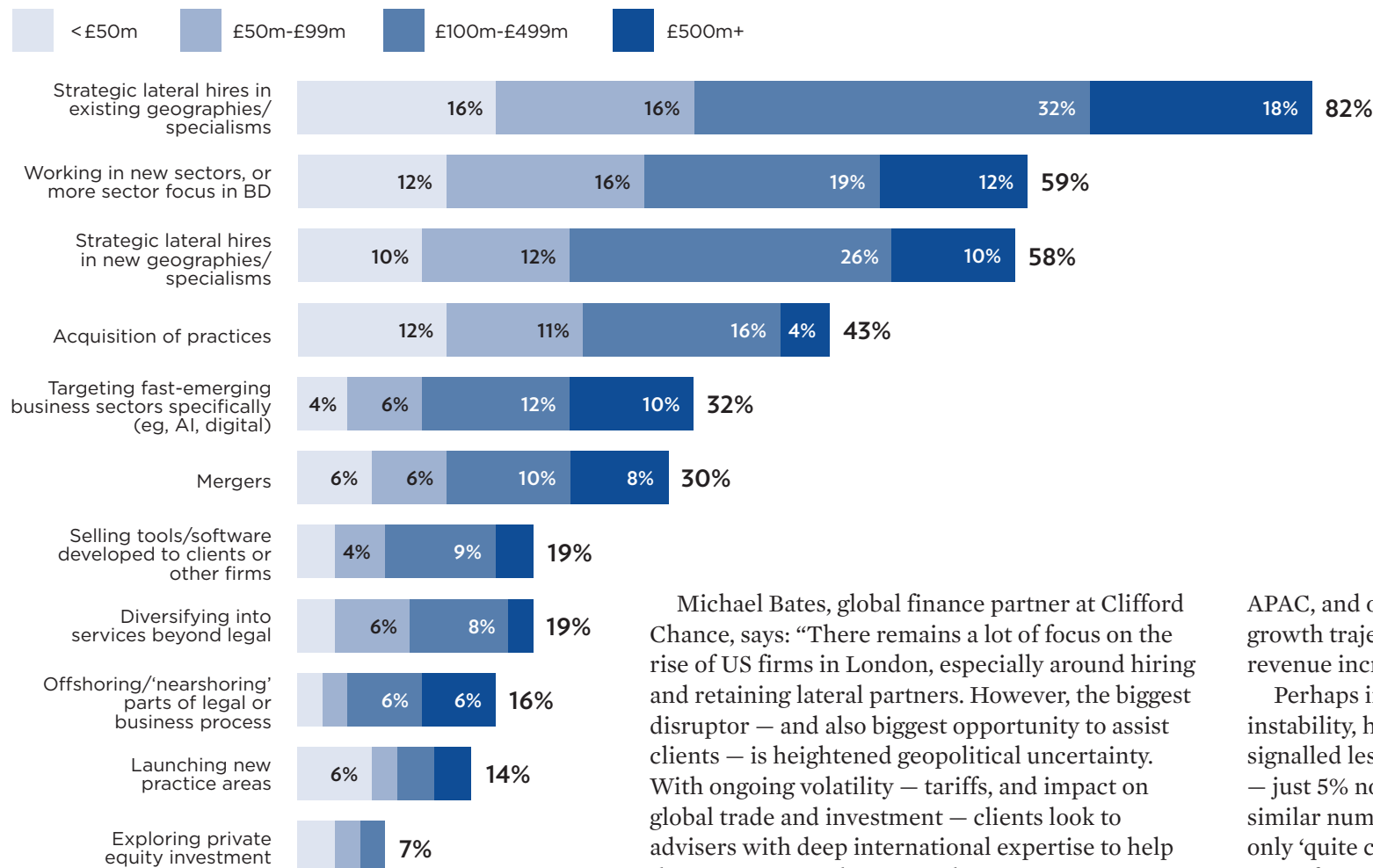
strategy to deploy cross-border expertise. “The economic outlook in different regions is of course taken into consideration, but geopolitics hasn’t stopped us opening in a location. We make balanced decisions about where to expand based on providing clients with access to the local markets and quality talent they need.

“At the same time, clients need a seamless service for a multi-jurisdictional mandate, so we must continue to maintain solid networks and close relationships in the jurisdictions where we don’t operate.”

Matt Hotson, chief operating officer at Mishcon de Reya, says a growing proportion of his firm’s growth over time is likely to flow to London from outside the UK. “We have offices in Oxford and Cambridge as centres of innovation in the UK, but certainly the US, Middle East and Asia are other key hubs for that part of the economy. There’s also a slow but steady migration of private wealth towards the Middle East.” Largely dispute-focused, he observes a firm such as Mishcon also enjoys a countercyclical hedge during tougher times for the economy as a whole.

Which routes to growth will your firm actively be pursuing or expanding through 2025-2026? Choose all

Leaders are still most likely to say the firm will grow through inorganic lateral hires — 43% will seek acquisitions



Michael Bates, global finance partner at Clifford Chance, says: "There remains a lot of focus on the rise of US firms in London, especially around hiring and retaining lateral partners. However, the biggest disruptor — and also biggest opportunity to assist clients — is heightened geopolitical uncertainty. With ongoing volatility — tariffs, and impact on global trade and investment — clients look to advisers with deep international expertise to help them to navigate these complexities.

"We continue to build on our established strengths in the UK, Europe, Middle East and

APAC, and our plan is to maintain our strong growth trajectory in the US, where we've seen revenue increase 50% in two years."

Perhaps in line with uncertainty and perceived instability, however, in summer 2025 leaders signalled less confidence in the future overall (p10) — just 5% now 'very confident' (9% in 2024), a similar number uncertain, and two-thirds (63%) only 'quite confident' in outlook. This is despite many firms reporting very healthy financial results, with plenty seeing profit-per-equity-partner in seven figures for the first time. ▲

02

Focus on finance as leaders see continued consolidation

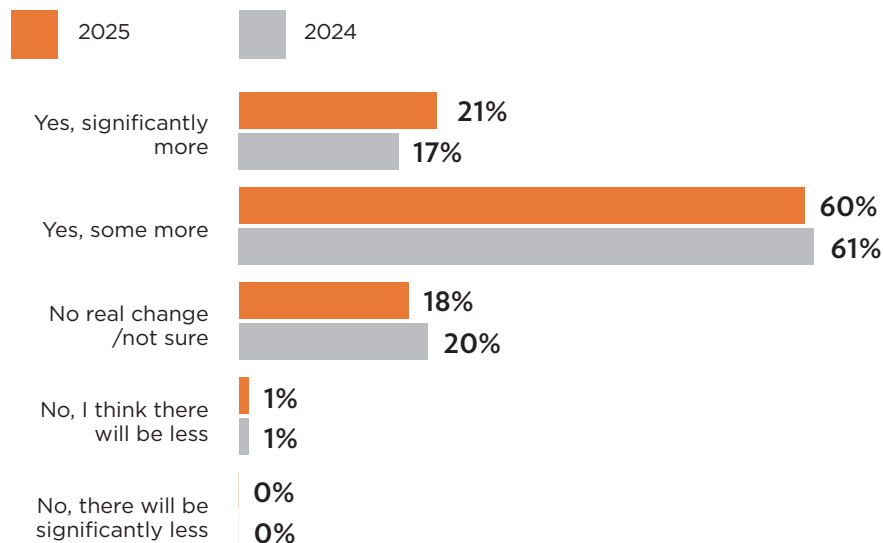
A quarter of strategic leaders now view private equity as a more attractive option for funding their growth and change than two years ago

The route by which firms are most likely to seek growth continues to be lateral-hiring partners who bring teams and business with them (p11) — either in locations with a presence already (82%) or by establishing a new base (58%). Organisation along industry sector lines is also in the spotlight for 59%, with a third (32%) targeting fast-growing sectors specifically — those potentially transformative of the business landscape, such as artificial intelligence among other technology trends, and service digitisation. Indeed, almost a fifth of leaders say they

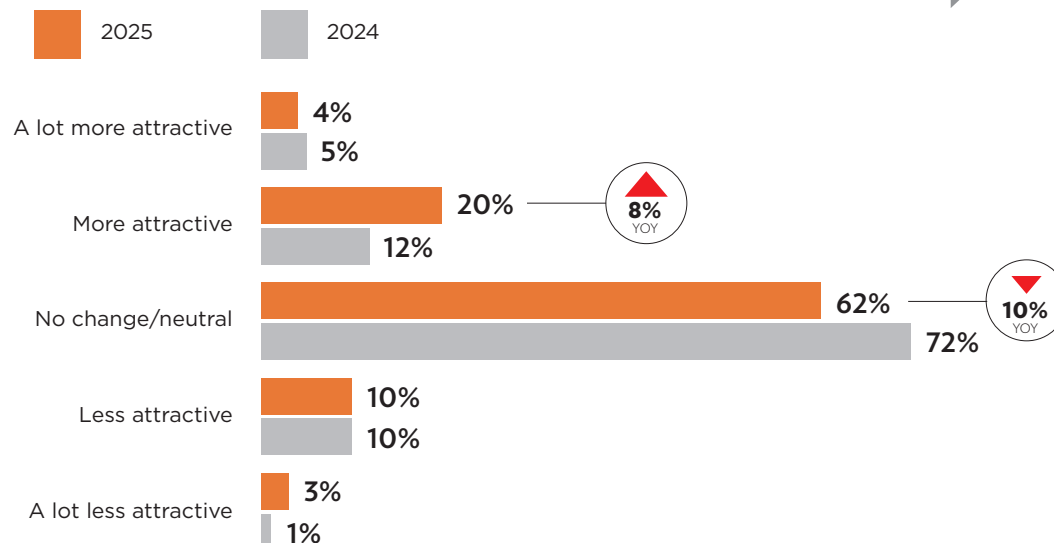
will be selling tools the firm has itself developed — potentially to other law firms as well as cost- and efficiency-conscious clients that want to streamline their own operations. Another fifth continue to explore the introduction of service lines complementary to legal skills in a bid to bind closer to key clients by addressing broader business needs.

Medd says: “We continue to invest in high-quality lateral hires across our network at pace and are fully bought into the importance of a sector-based approach. The firm needs expertise in the areas that clients

Do you believe we will see more M&A transforming the shape of the legal sector over the next 12 months?



How has your perception of private equity investment as a route to growth/transformation changed over the past two years?



genuinely need, not only in terms of legal services but also to meet the challenges faced by their industries.”

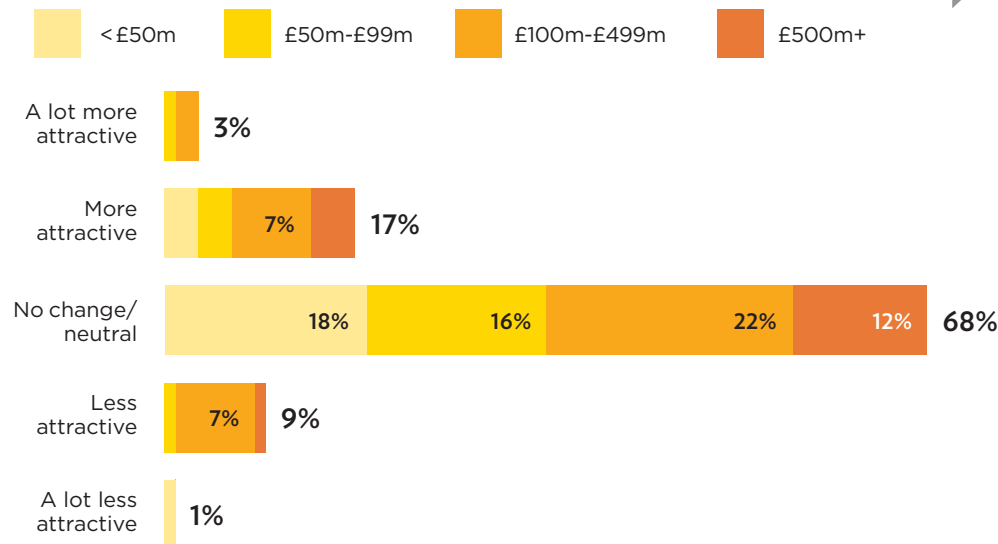
Bates at Clifford Chance adds: “It’s an ever-present question, and we refreshed our sector focus in the past 18 months, but practically this is an exercise that reconfirms we’re active in the right areas.” Digital infrastructure is one area of recent development, he says, “which brings existing activities together into a segment in recognition of increased demand for the type of work and certain synergies that would support it”.

Andy Young, chief financial officer at insurance-

focused Horwich Farrelly, says the firm is focused on UK growth through acquisition and lateral hires, and has now developed an artificial intelligence offer to complete tasks that would typically fall to a claims-handler — efficiently carrying out comparative research and reaching a recommended course of action. “This will help insurers to remove significant work and cost from pre-litigation handling, and feed work to the firm that is already further down the track,” he explains. Also efficiency-driven is the scaling up of a legal support operation in South Africa.

After building out a deal-origination team in the wake of the financial crash, northern-based Brabners now continues to see value in opportunities to serve clients more holistically surrounding its core. Managing partner Nik White explains: “It can help to provide more of an end-to-end service. This must always be complementary, and can’t be viewed in isolation, but it enables us to evolve the business model and how we charge in some ways — for example, introducing the possibility of subscription models.” Brabners Protect is a “wraparound” offer in the regulatory field, also

How has your perception of the attractiveness of litigation funding facilities for finance changed over the past two years?



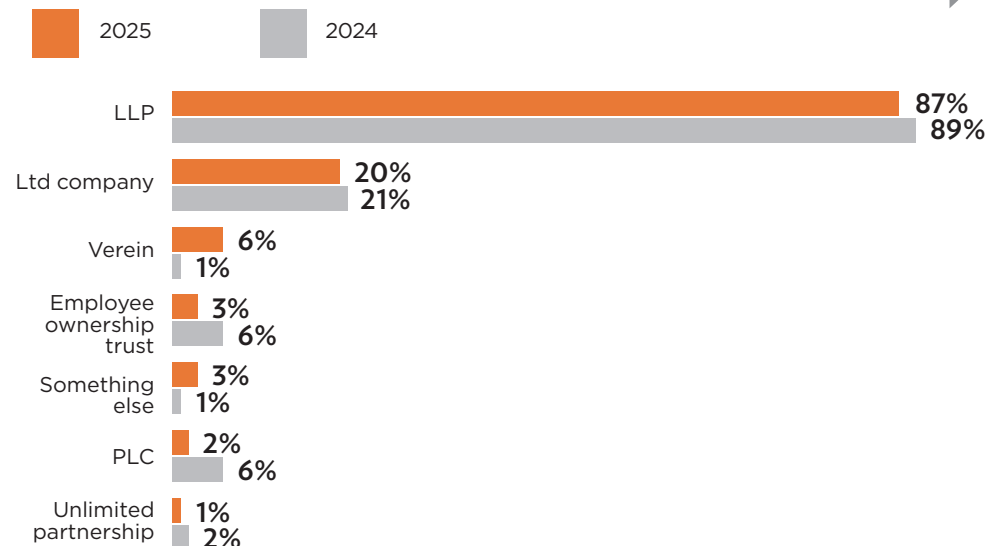
comprising health and safety advice, and the firm recently became an investor and shareholder in a sustainability improvement platform. “ESG is an increasingly important area for our client base, and it could also help us to cross-sell some clients into other areas,” says White.

Weightmans is another firm that has long weighed up the value of introducing service lines or delivery models complementary to the traditional. In the cybersecurity field, for example, in the US it now has a small forensics team — not lawyers — to support international clients with advice on the root causes of cyber incidents. Chief

technology and innovation officer Stuart Whittle explains: “There is a real differentiator in having business risk management advice wrapped in legal privilege.” There is also software, such as a mobile-friendly tool for checking compliance with transport logistics requirements: “Engineers can check lorries and photograph important evidence to help prevent prosecutions arising in the first place,” says Whittle. An innovation group builds products on existing platforms and considers client-facing user interfaces, while the firm’s IT team is largely focused on efficiencies internally.

Meanwhile, as consolidation in the UK legal market

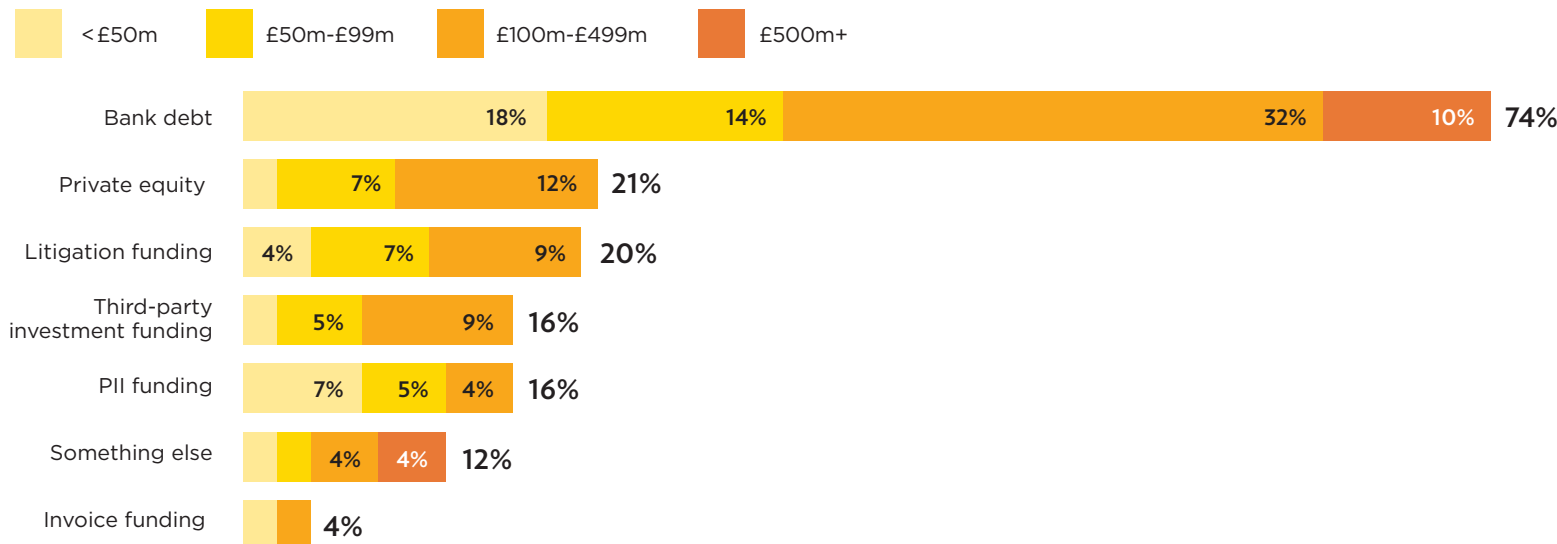
In five years’ time (2030), which ownership structure(s) is your firm most likely to have?



continues to work through, driven on several fronts, just under a third (30%) of leaders across the revenue bands indicate their firm intends to grow through merger in 2026. Herbert Smith Freehills Kramer signals the way perhaps, set to become an integrated US\$2bn global law firm operating a single profit pool from day one — and many smaller firms have made moves of their own to enhance reach or expertise. In addition, 43% of leaders indicate their firm will seek to make acquisitions, if not pursue full merger, in 2025–2026 — and 7% are either planning or exploring private equity investment, with the potential to fuel further activity.

Is your firm considering any alternative funding for its growth plans?

A fifth of leaders are considering private equity and litigation funding



GROWTH GEAR CHANGES

A fifth of leaders now anticipate ‘significantly more’ M&A to continue to change the shape of the sector in the next 12 months, almost a quarter (24%) see PE as a more attractive prospect than they did (p13), and a fifth (20%) express more appetite for litigation-funding as part of the strategy (p14). As in previous years, however, a decision where firms certainly display a preference for the status quo is the overall ownership structure. Fewer leaders can now see their firm floating (2%) or converting to an employee ownership trust (3%) in future — although a steady

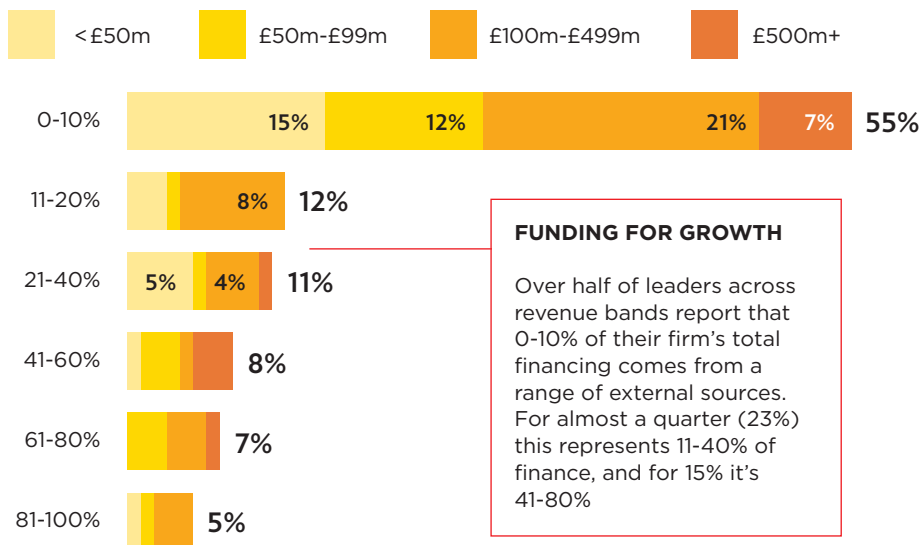
fifth see advantage in becoming (or remaining) a limited company, which may include attracting both external investment and fresh talent using more agile incentives for effective retention.

Young at Horwich Farrelly continues: “It’s increasingly challenging today for traditional partnerships to get buy-in from younger people to replace partners who want to retire. Selling to investors means that they aren’t stuck unable to get their money out.” Horwich Farrelly is a limited company and now 30% backed by private equity itself. “All employees previously received share ownership each year, and the scheme will be relaunched

“It’s increasingly challenging today for traditional partnerships to get buy-in from younger people to replace partners who want to retire. Selling to investors means that they aren’t stuck unable to get their money out.”

**Andy Young, chief financial officer
Horwich Farrelly**

Approximately what % of your firm's total financing comes from external funding (eg, private equity, bank debt, third-party)?



for everyone again in early 2026.”

White at Brabners says: “There is a role for private equity, and I’m sure it will become more common with diversification, as firms and their cost bases both continue to grow. Self-funding may no longer be sufficient. However, the value for many still leans heavily on people and relationships with individuals.” One option, he observes, may be to introduce PE to firms on a rather smaller, less vocal level in future.

Brabners also has a partnership with a litigation funder involving disbursements. “We don’t have the appetite to be all-in, there is clearly a risk impact to be

balanced, and we back ourselves with conditional fee arrangements. However, in funding half of the disbursements on appropriate cases we’ll pursue with the funder we can share on the upside and move a little higher up the value chain.”

Clearly, any cash-injection could also be used to fund a wide range of technology projects that promise to boost either operational efficiency or client service/experience. Indeed, the market direction which most firm leaders (70%) continue to describe as carrying “potential for disruption” is other firms in a similar market position but with “more tech-driven business models” at their

disposal one way or another (p17).

Medd at Browne Jacobson says: “The private equity market has matured significantly since its earlier focus on the accountancy sector and now has a more specific and compelling offer for legal. The technology landscape is also evolving fast, and for some the prospect of both external capital and external guidance will be more attractive.”

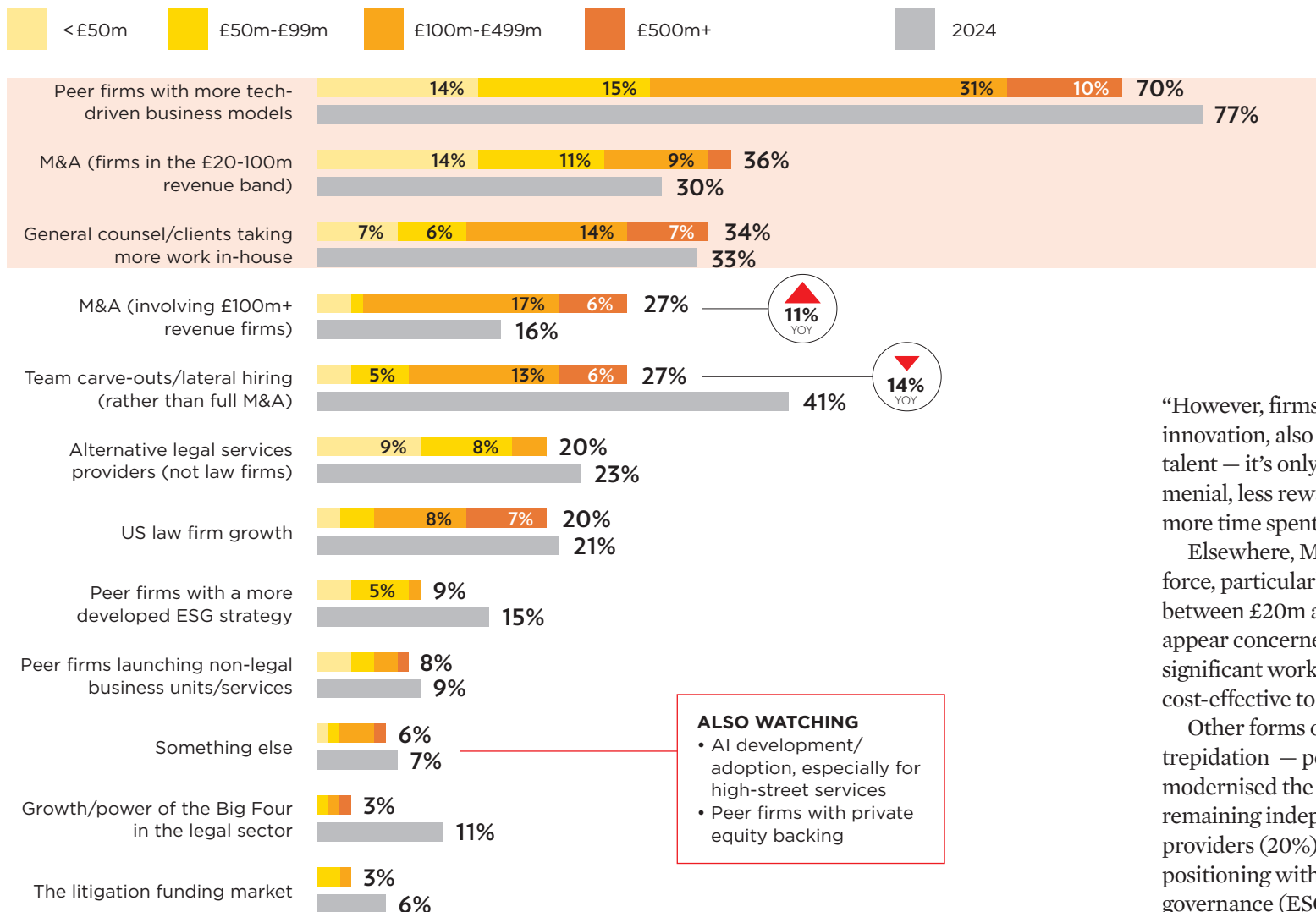
Hotson at Mishcon de Reya — perhaps the last firm to consider an IPO — adds: “Firms with a stronger balance sheet generally tend to survive a period of turbulence and transformation better than those with a weaker one. External capital could also shore them up for more access to AI and rapid scaling of the business, which we’re already seeing in regional firms. There are other sources of finance, but inorganic growth beyond hiring partners needs access to capital.”

Cameron at Pinsent Masons says: “Technology is key to delivering tailored, flexible services for clients that meet their evolving needs. We’re continually developing new products, for example using analytics to de-risk litigation. It’s also a matter of enabling efficiency for our own people, so that our teams are always able to serve clients effectively.”

White adds: “It’s likely that firms still only scratch the surface of the technology already available to them.” He says there’s an ongoing challenge with a certain disconnect between technology and legal teams.

Which forces/drivers of change in the UK legal market present the most potential for disruption at your firm? Choose three

Mergers and the technology power they can potentially bring are the top overall strategic concerns in a consolidating market



“However, firms with deeper pockets, or more innovation, also have a potential competitive edge for talent — it’s only natural people would expect more menial, less rewarding tasks to be automated away for more time spent on challenging, interesting work.”

Elsewhere, M&A is also seen as more of a disruptive force, particularly among firms with annual revenues between £20m and £100m (36%) — while a third still appear concerned about the potential effect of losing significant work to clients deciding it will be more cost-effective to resource more internally.

Other forms of competition are viewed with less trepidation — perhaps fading as law firms have modernised the offer over the years — including from the remaining independent alternative legal services providers (20%), the Big Four (3%), and those focused on positioning with respect to environmental, social and governance (ESG) commitments and policies (9%).

03

Planned IT spend up again — higher hopes for legal AI

The average expected expenditure on technology-based transformation is 6.5% of annual revenue into 2026 — fuelling both AI use cases and more secure foundations

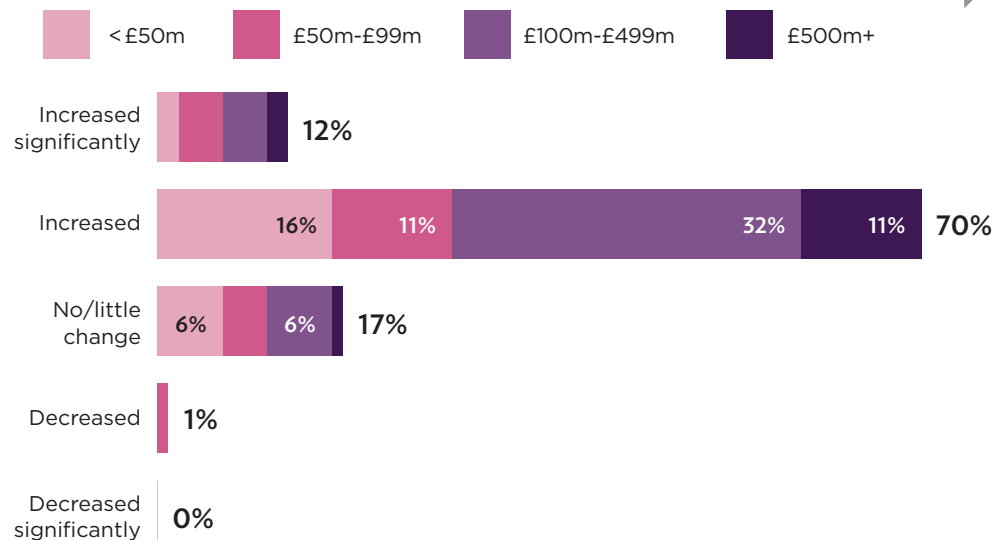
If technology is the top disruptor of the day, leaders know it must also be part of their solution. Firms are investing more than ever, they say, with average spend on all connected aspects (infrastructure, software and the people putting it in) hitting a high of 6.5% of total annual revenue (up from 6.1% in 2024). Unsurprisingly, a consistent 82% say their level of spend has increased, no doubt driven by the need to keep some pace next to rapid developments in generative artificial intelligence (genAI) among other factors, including demand for more reliable and

6.5%

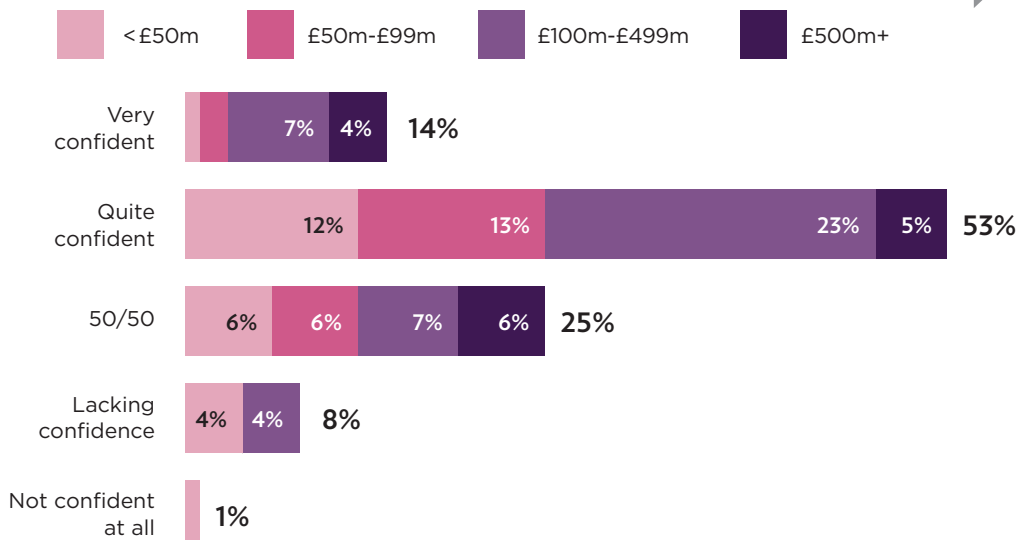
Average (mean) — Median = 6%

The approximate % of revenue strategic leaders at UK firms expect to spend on technology through 2025-2026 (including on infrastructure, solutions/software and people/skills)

How has the firm's technology spend changed compared to investment made through 2024-2025?



How confident are you that the firm's investment in new technology since 2022 has delivered good value/a return on that investment?



actionable data analysis, intelligence about clients, streamlined delivery and process, horizon-scanning and robust risk management in general. Two-thirds are confident that their investments in examples of technology since 2022 have ultimately delivered good value, with just 8% (all firms with revenues under £500m) less than 50/50 on the point.

Clifford Chance is implementing a new enterprise resource planning system — a very significant investment to modernise key financial and management processes from 2026. “The system it replaces is quite manual, so expensive to run,” says Bates, and the upgrade should

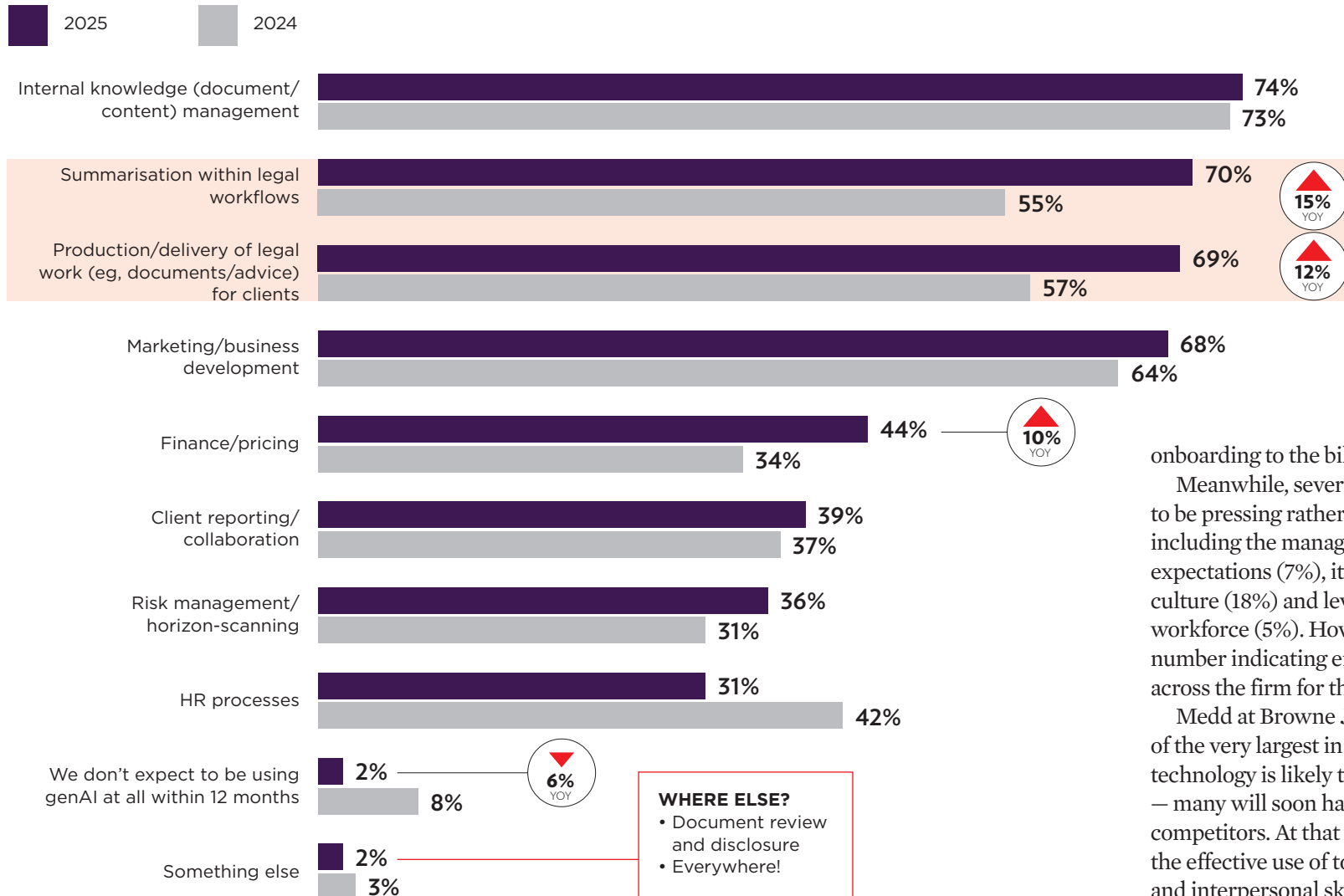
also see advantages in mobile access and integration with other technology: “We anticipate a simpler operating model with more automation and much improved connection to other technology applications.”

Horwich Farrelly has also made some core system switches — including its practice management. “The previous solution was designed for a much smaller firm, whereas we now have numerous offices and multi-currency needs, and it would struggle to cope with the volume of transactions,” explains Young. On the client-facing side, the firm’s AI innovation is also supported by investment in some predictive analytics.

Battles on the cybersecurity front once again narrowly beat the tussle to secure top talent as leaders’ highest-ranked organisational challenge (p22). It’s striking that only just over half (54%) now select the latter as one of their top four — perhaps as the economic environment has eased some pressure on unwanted attrition. Client demand to deliver appealing pricing options also stays a concern for over a third (35%) — expectations of investment in genAI again likely to be playing a part — as do integrated day-to-day technology experiences for fee earners trying to process work productively (31%) and efficiency-transformation behind the scenes, from client

In which of the firm's areas/functions do you expect at least some processes to involve genAI within 12 months?

Significantly more leaders than in 2024 expect to see genAI output in the production of the firm's legal work this year



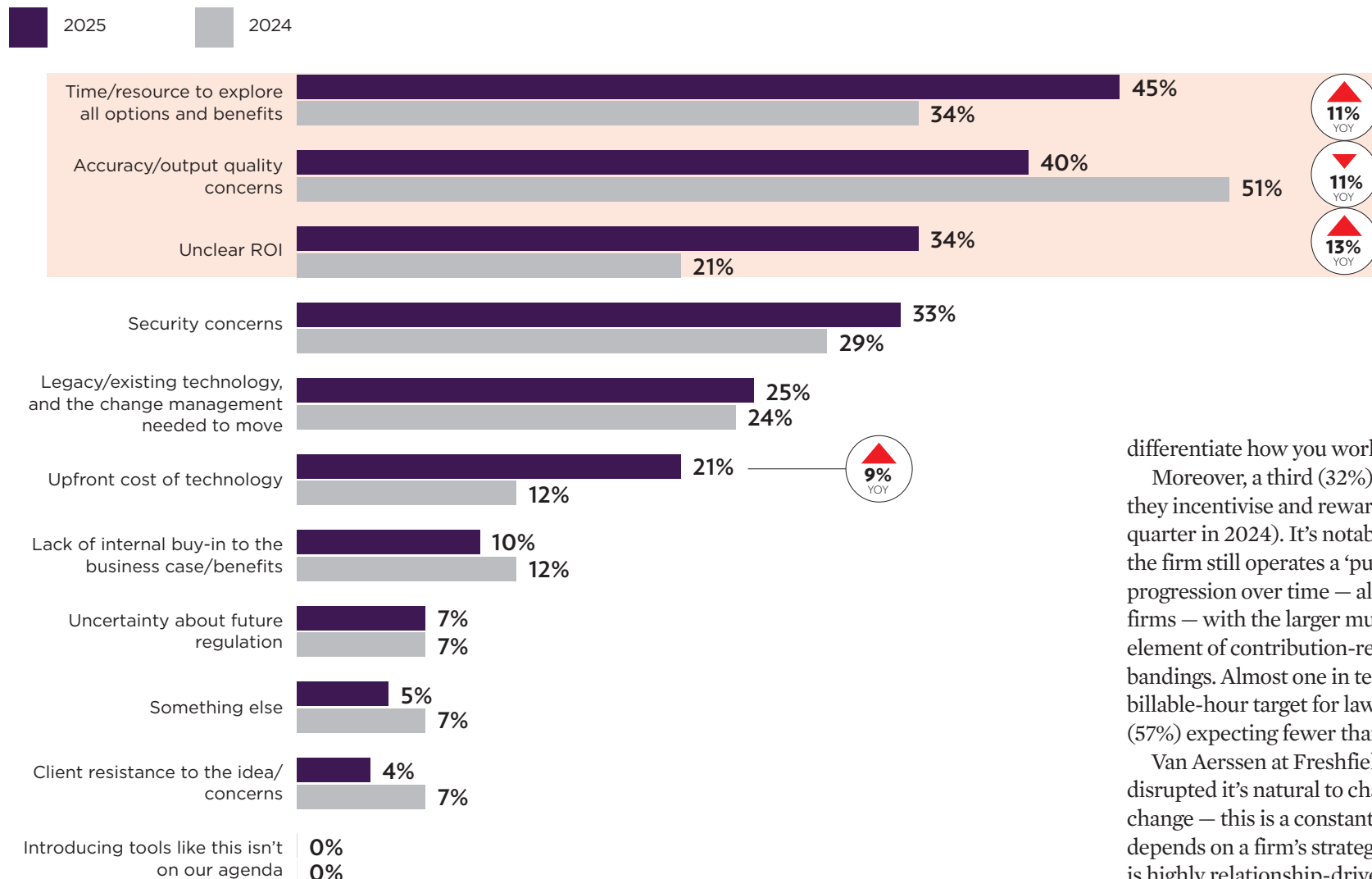
onboarding to the billing cycle (31%).

Meanwhile, several people-focused challenges appear to be pressing rather less as priorities than in 2024 (p22), including the management of hybrid-work patterns and expectations (7%), its alignment with desired firm-wide culture (18%) and levels of wellbeing across the workforce (5%). However, there is a small increase in the number indicating effort required to optimise skillsets across the firm for the future of work (16%).

Medd at Browne Jacobson says: "With the exception of the very largest in the market, this a period in which technology is likely to become more of a leveller for firms — many will soon have access to the same tools as their competitors. At that point, investing in broader skills — the effective use of tools, but also in client relationships and interpersonal skills — becomes more important to

What are the TWO biggest barriers to doing more with tools that involve genAI in processes at your firm? Choose two

More leaders now view resourcing as a bigger challenge than the quality of output, but a third suggest the ROI remains unclear



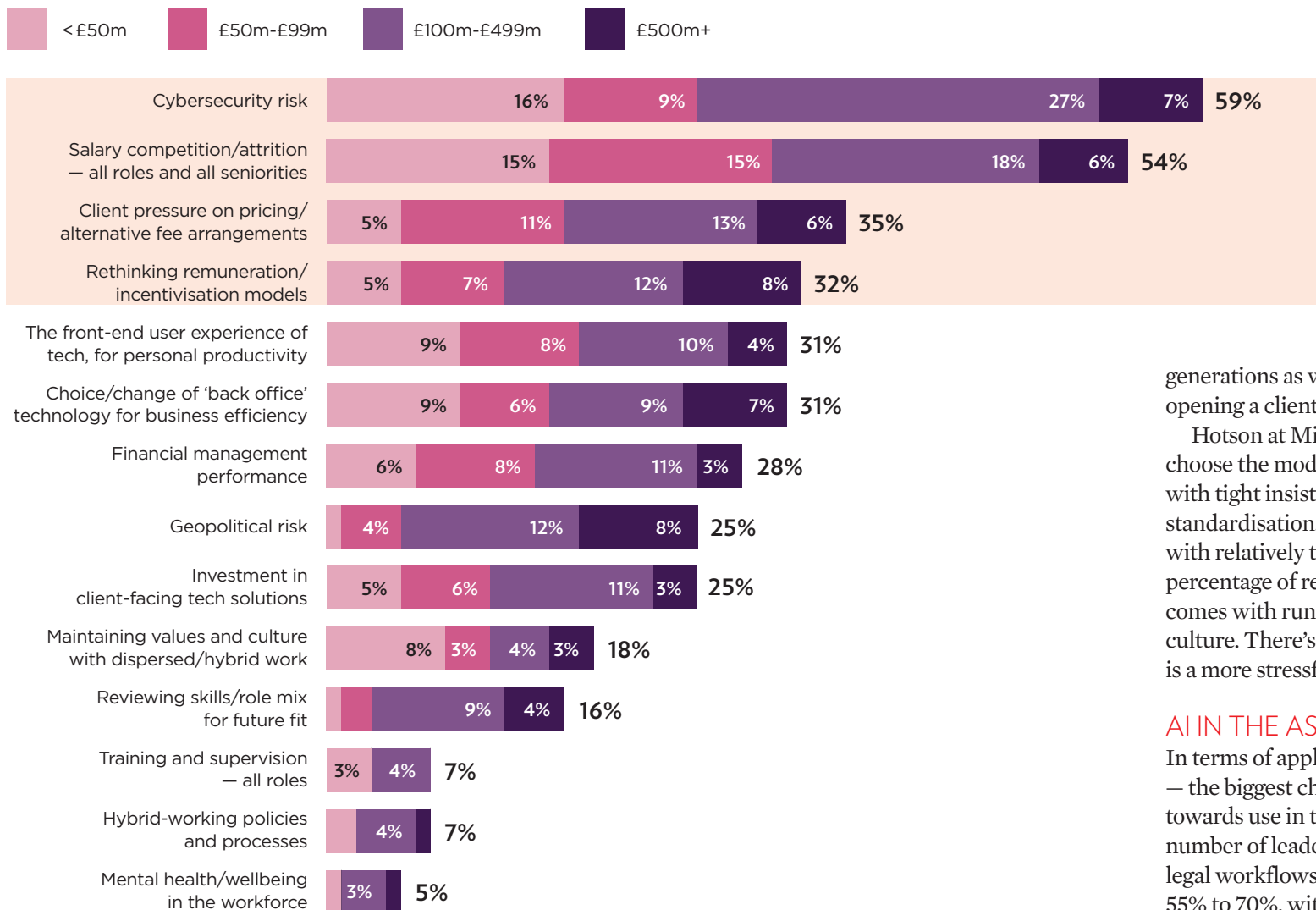
differentiate how you work.”

Moreover, a third (32%) now see a need to review how they incentivise and reward high performance (up from a quarter in 2024). It's notable that just 5% of leaders say the firm still operates a 'pure lockstep' mechanism of progression over time — all of these running smaller firms — with the larger much more likely to involve an element of contribution-related bonus or performance bandings. Almost one in ten also say that they have no billable-hour target for lawyers today, with over half (57%) expecting fewer than 1400 hours a year (p23).

Van Aerssen at Freshfields says: “When the market is disrupted it's natural to challenge systems and consider change — this is a constant evolution. The decision also depends on a firm's strategy or business model. Our firm is highly relationship-driven, for example, often spanning

Which organisational challenges are most concerning for your firm in 2025? Choose your top four

Cyber resilience remains leaders' leading management concern, followed by pay and pricing pressures



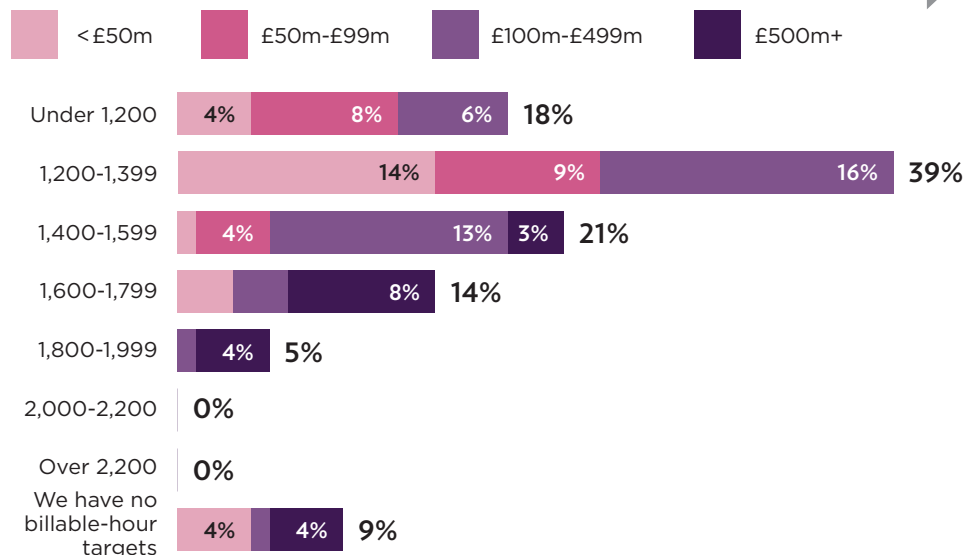
generations as well as departments, and would celebrate opening a client up to another practice group.”

Hotson at Mishcon de Reya adds: “Firms really must choose the model they want, and then execute it well with tight insistence on behaviours, outcomes and standardisation. High billable-hour targets and leverage, with relatively tight equity, and low overheads as a percentage of revenue, is a recipe for PEP — but that comes with running a certain type of business and culture. There’s no doubt that 2500 billable hours a year is a more stressful employee value proposition.”

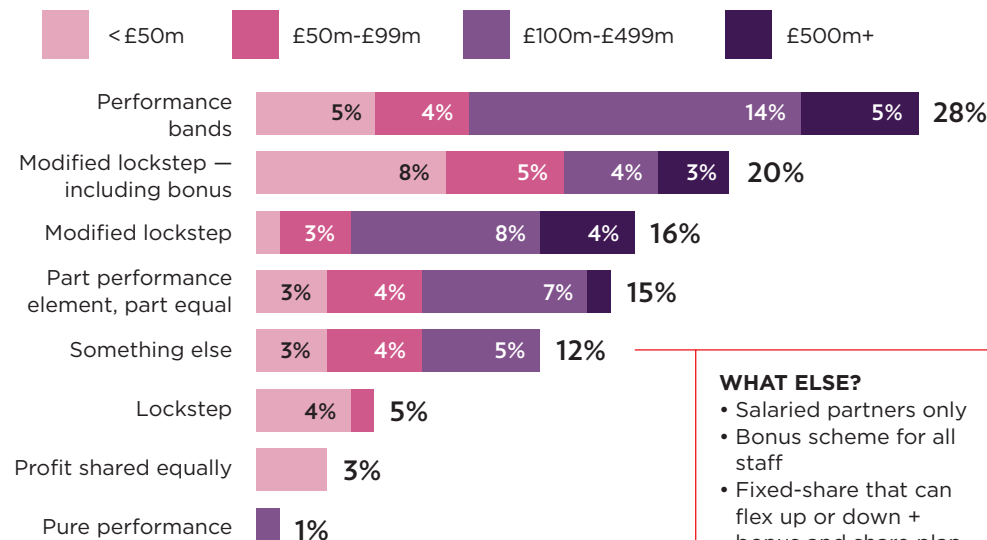
AI IN THE ASCENDANCE?

In terms of application of genAI — as predicted in 2024 — the biggest change concerns the expected progress towards use in the production of legal work (p20). The number of leaders expecting to see this at work on some legal workflows within 12 months has increased from 55% to 70%, with a similar jump for involvement in

What is the average annual billable-hour target expected of lawyers working at your firm?



What is the best description of your firm's partner remuneration model?



WHAT ELSE?

- Salaried partners only
- Bonus scheme for all staff
- Fixed-share that can flex up or down + bonus and share plan

client-facing products and services (to 69% from 57%).

OpenAI's GPT-5 arrived on the scene in August 2025, and firms are increasingly integrating an expanding range of legal-specific tools into approaches to tasks such as research, drafting, analysis and document management. Approaching half (44%) also now expect use within the finance function (up from a third in 2024), for example as part of efforts to improve billing and collection rates, as well as perhaps to price their areas of work more competitively and profitably.

At the same time, leaders are now less inclined to view the quality of genAI output as a significant barrier to

pursuing the opportunity (40%). Rather, as the market has sped forward, 45% feel significantly challenged to resource exploration of a growing number of tools and offers effectively (p21). There are also significant increases in the number suggesting overall cost is a barrier to further investment — whether it's the price paid to providers (21%) or insufficient evidence of the return to expect from implementation (34%).

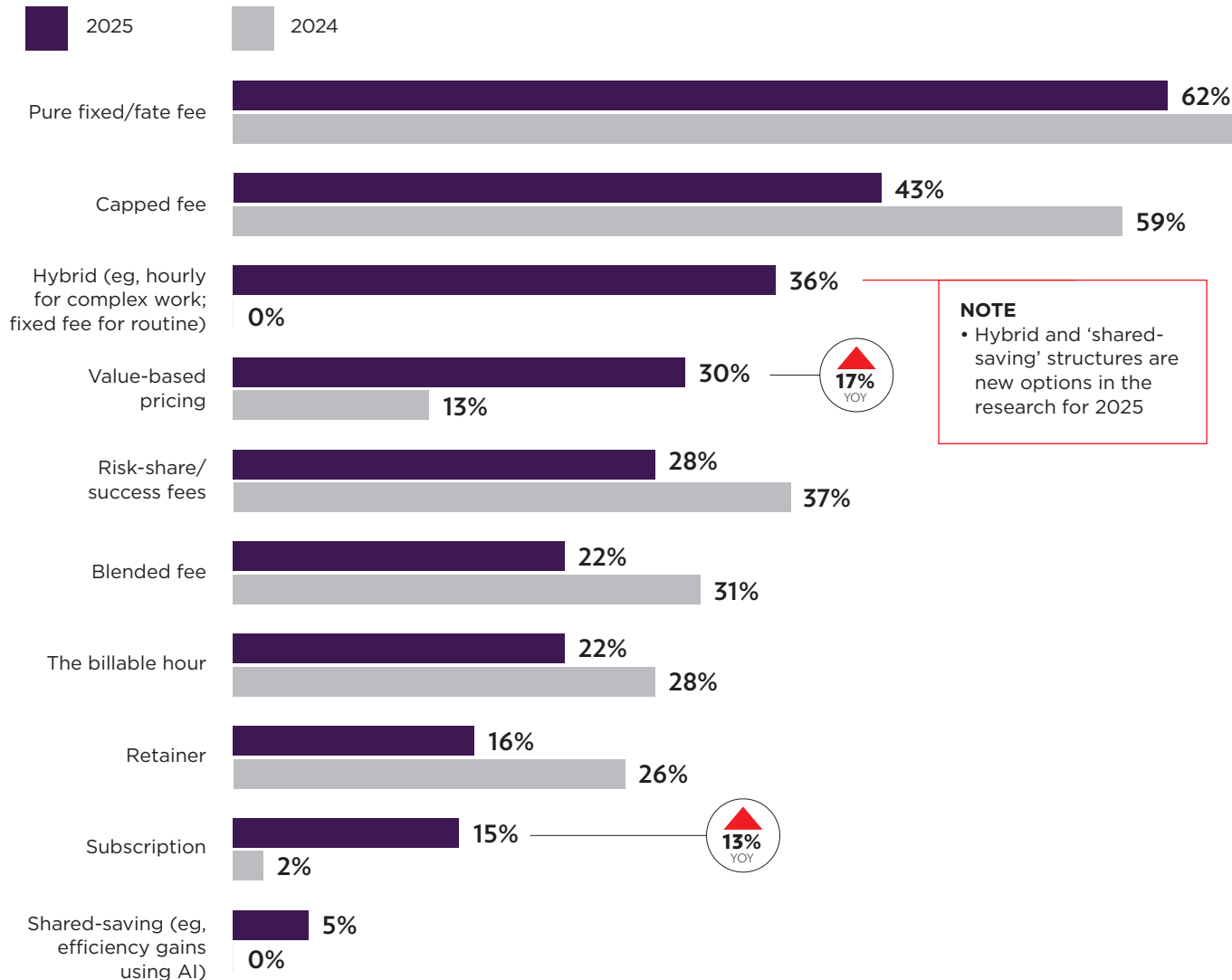
Van Aerssen at Freshfields says: "AI isn't going away — and that's a good thing, if working within guardrails and with awareness of hallucinations. It's an ocean of options however, and investment comes on top of the

base load in hardware and cloud infrastructure. In addition, you have the investment in training people to adapt and make good decisions about which tools are relevant when." While exploring the most relevant use cases to roll out widely, Freshfields also has an AI landing page for its intranet that directs people to the most appropriate tool for the task in question — together with an option to use it securely within walls.

Cameron says Pinsent Masons is using Microsoft Copilot extensively: "Simple tasks such as creating minutes and action points are already saving hours of time. Fee earners and business services teams are both

For which alternative fee arrangements/pricing options do you see the most significant increase in client demand? Choose three

Almost a third of leaders say they hear more clients asking for value-based pricing as AI availability and traction grows

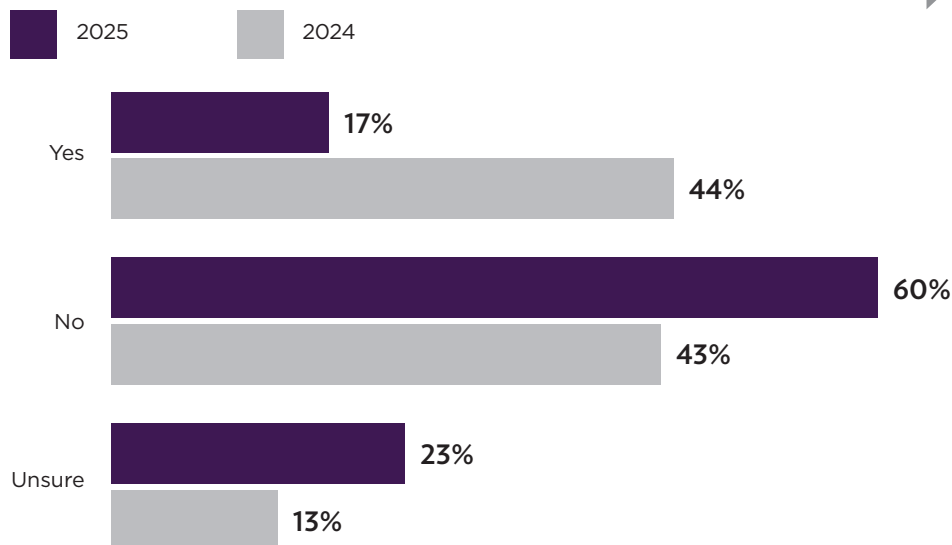


very active users, with the latter using it to create collateral or bids that much more efficiently.”

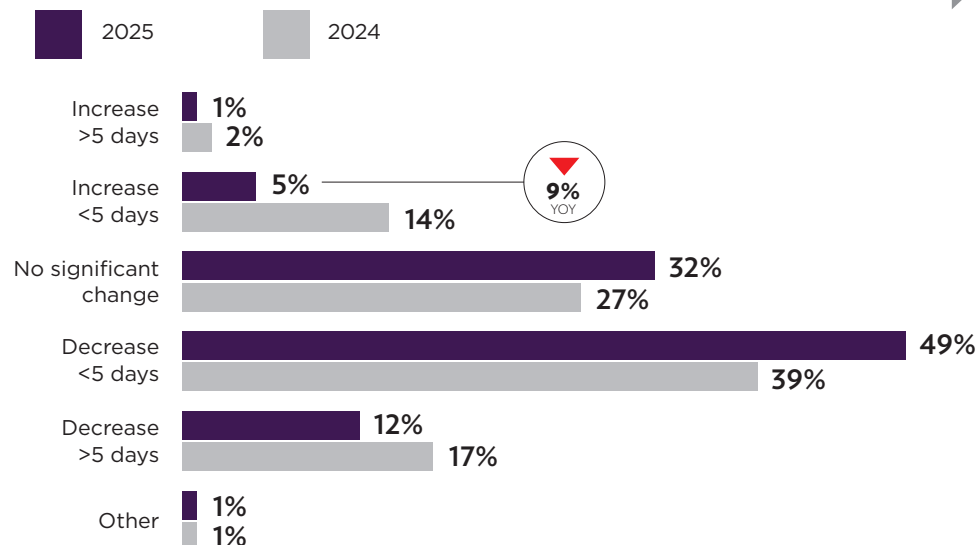
Weightmans is seeing quite the mix of genAI use cases coming through, explains Whittle — pilots focused on anything from early careers management to sales enablement. “However, there are two big questions. What is it good for, and what is it not, in the context of the firm — and frankly, is it worth the money? After pilots there are some people who now use Copilot every day and some who’ve barely used it at all.” Ultimately, he believes, “It will probably be a tool that will work for you if you want to make it work.” Firm adoption rates, in other words, become key.

White at Brabners adds: “We’re focused on building AI capability — we have a head of AI, have recruited an AI developer, and are in the process of recruiting a data engineer. You need to be very security-conscious, but within the confines all our people are free to be curious and adopt Copilot in different ways. It’s still early days for finding the best overall case studies and continuing to raise awareness. There’s also a likely role for AI in helping us to price more effectively with better visibility

Will your firm need to make further changes or focus more on working capital management in 2025 because of the basis period reforms?



How do you expect the firm's average lockup performance to change in 2025-2026?



of work profitability — and perhaps addressing some of the vagaries of individual behaviour, such as billing. Ultimately, the healthy challenge AI will force is to sever the link between time and cost,” he says.

Alison Powell, finance director at Bates Wells, also sees advantage for the finance function — for example, in producing formulae for complex cost-reporting to clients. “However, while the performance of AI is growing and it can do a great job supporting law firms, there’s also a lot of possible legal work — with data privacy, ethical and copyright concerns — if it goes wrong.”

Of course, the reality may be some feeling pressure to

pursue and pilot technologies that may or may not prove truly transformational, either as peers in the market are already doing the same — rolling tools out to areas of the business in a more deliberate or democratic way — or because clients want efficiency savings from change passed on in fee reductions.

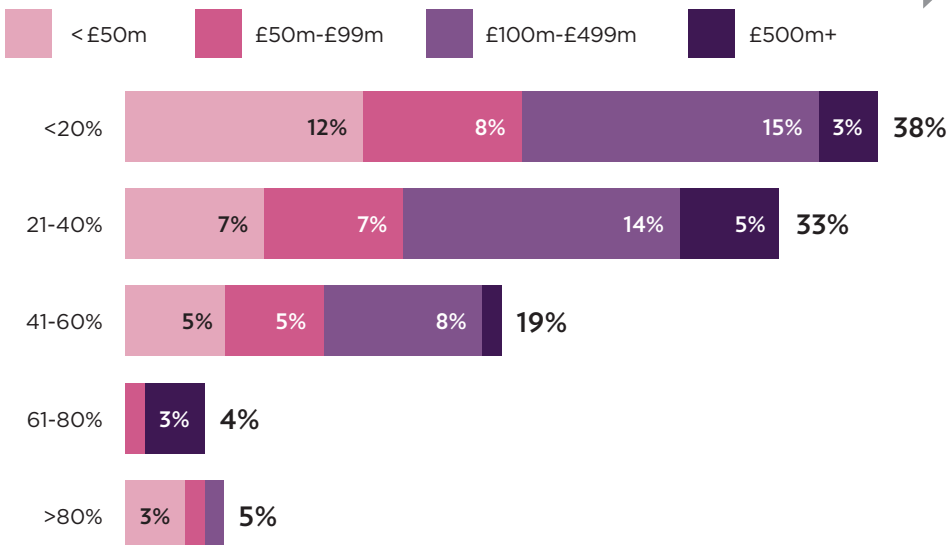
PRICE AND POWER

In line with such a dynamic, although pure fixed and capped fees for work are still the alternatives for which leaders say they see most growth in demand, so-called ‘value-based pricing’ is the arrangement where interest

has apparently surged (p24). Here the investment firms make in operating efficiently would indeed be a factor in the price — with value to clients along more of a sliding scale depending on circumstances such as technology use. Fewer leaders in 2025 identify more client demand to share risk in exchange for reward on the upside if they win (28%), but over a third (36%) believe they favour a form of hybrid, with different arrangements for the less predictable and more routine components of legal work.

Van Aerssen continues: “Selling time doesn’t really work when you start to bring more AI to the table. Clients can increasingly see that, and they want a fixed fee or

Approximately what % of your firm's overall work is priced with any alternative to the billable hour (any fixed fee or value-based approach)?



monthly retainer, which will eventually replace the older model.” On the other hand, his assessment is that there is currently more talk of the idea of value-pricing than implementation in practice.

Powell adds, “Clients should be paying for the value received, whether that’s AI-enhanced knowledge or process efficiencies. Answering questions about use of AI to reduce fees in tenders is becoming more of a challenge. More generally, at a time of relatively high inflation a fixed fee or retainer provides some more cost certainty.”

However, Hotson at Mishcon de Reya detects a touch of wishful thinking in the research. “There may be some

demand, but clients can also use an AI engine to get part of the way towards an outcome themselves. So, how do you share that value? Firms may be trying to preserve the status quo from a more profound transformation of their business model,” he says.

While optimising billing and lockup is known as a perennial challenge for the legal profession, fewer than in 2024 expect the combination of unbilled work in progress and debtor days to amount to more in 2025 (6%) — over three-fifths (61%) still expect a drop (p25). This may reflect the introduction of either certain technology, improved data and reporting, or other management

mechanisms for managing cashflow more consistently.

Hotson says: “There are clearly modern toolsets, both practice-specific and surfacing business-performance data, which enable lawyers to open matters, record time, process bills and contact clients for payment more effectively. They’re emerging and evolving all the time, often with an AI overlay, and investment is driven not only by standardisation but also by freeing fee earners to focus more on their client service and development.”

However, Powell also points to at least one example of technology potentially hampering the efforts of finance. “The admin time spent uploading, information requirements and lack of human contact when using a fee portal or tracker, for example, can easily add months to cash collection,” she says.

Medd says Browne Jacobson has set a firm-wide goal of improving commercial awareness at all levels across the firm, with training for every type of role about their specific contribution. ▴

04

Firm support for sustainable business stays strong

Over half of leaders say the firm has adopted key performance indicators to stay accountable for steady progress towards ESG management and emissions-reduction goals

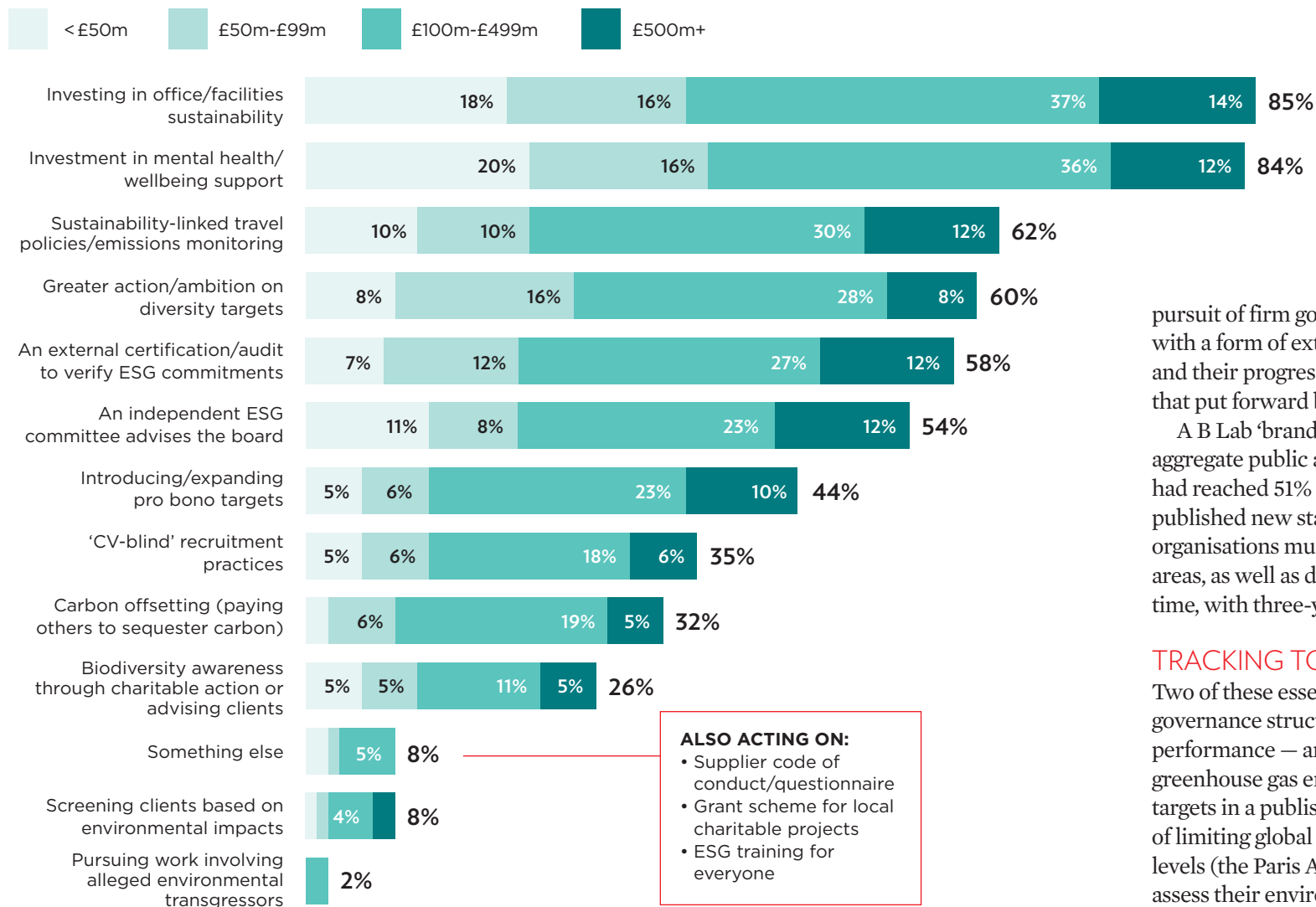
Driven by clients, disclosure requirements and of course societal expectations, firms in all revenue bands also clearly continue to work on a range of changes tied to business impact through environment, social and governance (ESG) investments (p28). Leaders are most likely to say the firm is still working on the energy impact of office/facilities footprint (85%) and actions connected to support for their people's mental health/resilience in an uncertain world and inevitably often high-pressure work environment (84%). Three-fifths continue to

have diversity targets on the agenda — the same number as are considering the climate impact of business-travel choices, such as to international events as well as client or other meetings. However, just 8% say they're looking at the impact of those clients' own activities on the environment when deciding whether to pursue work.

As in 2024, over half (54%) have an independent ESG committee/group to manage ongoing discussion and review, the driving of change and engagement, and perhaps the demands of some competing priorities in the

Which of these ESG-focused actions is the law firm taking, or continuing to invest in, in 2025-2026? Choose all that apply

Over half of leaders say the firm has an independent ESG committee, with office sustainability and wellbeing high on the agenda



pursuit of firm goals. More (58%) are also benchmarking with a form of external validation of these priorities — and their progress — using a formal programme such as that put forward by the B Corp movement.

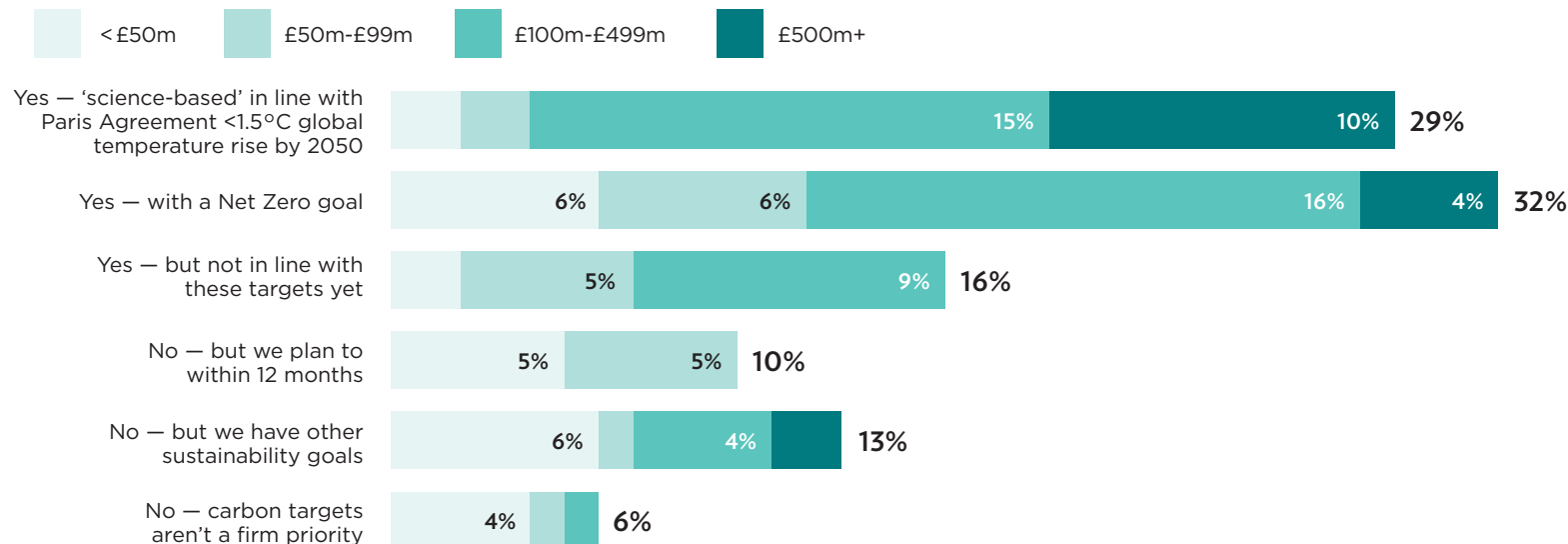
A B Lab 'brand awareness survey' in 2024 found aggregate public awareness of this name or 'certified' logo had reached 51% in the UK. In April 2025 it also published new standards for greater clarity as to how organisations must meet levels across seven key impact areas, as well as demonstrating impact improvement over time, with three-year and five-year milestone moments.

TRACKING TO TARGETS

Two of these essential standards are indeed to create governance structures that monitor broad business ESG performance — and, for larger organisations, to include greenhouse gas emissions and validated science-based targets in a published action plan to support the mission of limiting global warming to 1.5°C above pre-industrial levels (the Paris Agreement). All companies must also assess their environmental impacts, taking "meaningful

Has your firm formally committed to any carbon-reduction targets?

The same proportion of leaders as in 2023 report their firm has committed to a sustainability/carbon target



action” to minimise them in both daily operations and the supply chain. In line with the trend of recent years, almost a third (32%) of leaders in 2025 say their firm has a target for reaching Net Zero emissions across its operations — which of course includes influencing the actions of those other businesses in supply chains that have the biggest impact — and 29% have a validated science-based target of some description (not necessarily Net Zero). Meanwhile, over half (54%) have some key performance indicators in place to demonstrate commitment to continuous improvement across their areas of focus (p30) — although larger firms are much

more likely to have both a formal carbon-reduction target and the means of measuring progress towards it.

White at Brabners says: “B Corp isn’t a matter of ticking a box and getting a badge, but about being authentic, backing words with actions, and being transparent and accountable. It also sits well alongside our mission and sense of purpose and is increasingly important in both business development and talent retention.” Involvement also supports the firm culturally, he says — for example, funding and bringing people together to volunteer on a peatland restoration project in the Yorkshire Dales. “Clients are also invited to learn

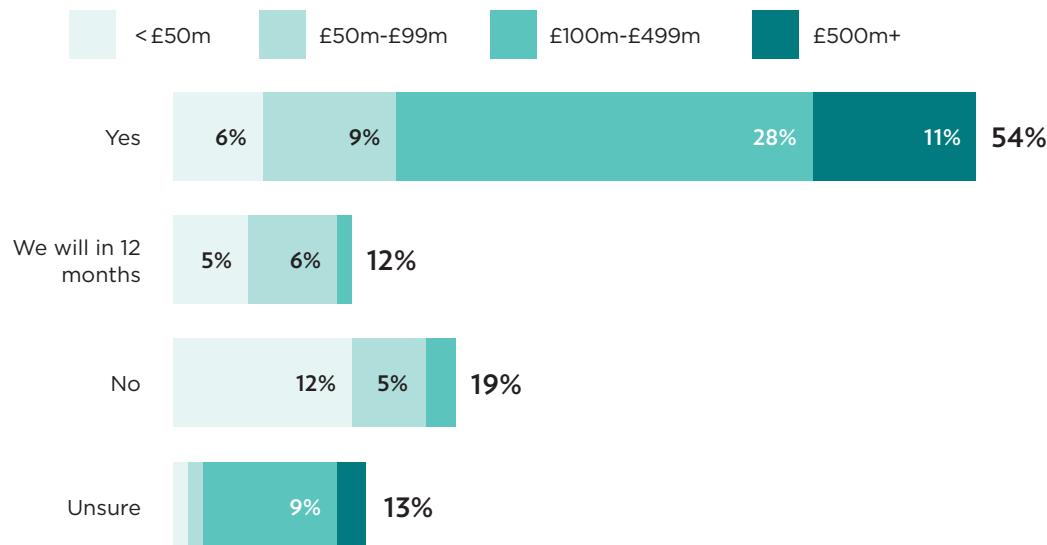
more about biodiversity with us — the carbon trapped by peat largely outweighs the impact of planting trees.” Travel impact is also on management’s radar, for example exploring alternative locations for annual partner conferences. “Our Net Zero target of 2030 is undeniably challenging, but the rigour of B Corp to hold ourselves accountable allows us to believe it’s achievable,” he says.

PEOPLE PRIZES

Bates Wells — the first UK law firm to be certified a B Corp — tracks to science-based targets and has also expanded its focus to ‘green’ pensions that are

Do you have specific firm-wide KPIs for progress against ESG goals?

A consistent half of firms have ESG-based key performance indicators, according to leaders



particularly interactive as to where they invest, as well as other financial products and advice for individuals. “We ran a session highlighting how people could assess banks and credit cards through the lens of sustainability and potentially switch,” says Powell. Also at the individual level, the firm has rebates for green energy deals at home, adjustment to expenses policies, and a day’s extra holiday offered if people opt for more sustainable travel itineraries of their own. “Our legal work itself also makes a difference — the clauses that end up in contracts — and the entire firm has had climate-change training.”

Clifford Chance has set both near and long-term Net Zero targets, says Bates, and has a team to oversee monitoring and measurement of environmental impact — both current operations and future plans. This includes assessing the energy efficiency and carbon footprint of new premises the firm will occupy in London from 2027. “At the same time, employee support — for example, with mental health and wellbeing — is an increasingly clear expectation of any organisation,” he adds.

Weightmans launched a new ESG advisory group in May 2025, which explores potential partnerships with

other businesses as well as the range of opportunities and risks in the sustainability space. Also with a Net Zero target of 2030, the firm has already reported year-on-year carbon emissions reductions and is certified to ISO standards for office energy management. Co-chaired by the senior and managing partners, Whittle is a member alongside HR, finance and client relationships directors. Among other carbon-reduction activities, case handlers report mileage travelled and work on laptops that have been remanufactured rather than bought brand new.

Horwich Farrelly hired an ESG manager for the first time in 2025. Young explains: “We already have agreements in place with clients and published information through our accounts, but having a specialist provides more pace and rigour in tracking KPIs to ensure that you don’t miss milestones.”

Meanwhile, Browne Jacobson is particularly focused on performance in the social space of ESG. For a fourth year it has ranked first in the Social Mobility Foundation’s Social Mobility Employer Index — singled out for having a dedicated team and continuous-improvement programme among other factors. The Fairer Access into Real Experience (FAIRE) initiative offers students from all backgrounds equal access to paid work experience, while a mentoring scheme aimed at increasing representation for black lawyers has seen 85% of participants meet the firm’s socio-economic criteria. “We also introduced a client incubator programme to support clients to fast-track their own social mobility progress,” says Medd. ▴



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“Law firms remain very confident of growing their practices against a highly challenging macroeconomic background for businesses large and small — balancing changing risks with significant potential rewards. In a rapidly evolving and competitive market, it is clear they have a strategy and plan to invest more than ever in the latest technology to streamline, focus, differentiate and future-proof how they operate and serve clients with changing needs — at the same time committing to current and future generations of key talent. They are creating and carefully managing supportive and sustainable organisations and environments for all to continue to develop their skills at pace and to thrive productively.”

Stuart Tait
Head of Commercial Banking
HSBC UK



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