Hymans Robertson LLP – Climate disclosures 2021

Embedding climate risk into what we do is a core goal for Hymans Robertson. Failure to effectively transition to a low-carbon economy will create social, environmental and economic disruption. It is essential that climate risk is a fundamental consideration in our long-term financial planning advice to clients and how we run our firm. Climate risk was the core focus for the firm for Q1 2021, including the debut of the firm's climate vision, pledge and beliefs in January 2021.

We have long considered climate risk within our Corporate Social Responsibility strategy and made progress to measure and reduce our environmental impact. In 2019 a separate climate risk workstream was established to enable us to further consider actions we could take as a wider business.

However, climate risk has become a key focus for our firm in particular over the year ended 31 March 2021. The year has been transformative in both the way we approach climate risk internally as well as completely embedding in within our core business processes. We also worked with leading clients on multiple projects spanning a range of activities such as overhauling sustainability strategy, beliefs and objective setting, reviewing mandates and embedding climate risk considerations as part of wider responsible investment within dynamic asset allocations.

Over the year we set our climate "vision", "pledge" and "beliefs" which was published externally in January 2021 as published on our website here and described further within an appendix to this document. We also complete an emission measurement and launched a plan to reduce it to net lifetime zero in line with our climate pledge. Finally, for the first quarter or our 100th birthday year (2021) we dedicated our focus to climate-related issues both internally and externally, culminating in a half-day climate focused event on 25 March 2021.

TCFD compliance

We have completed a gap analysis against the recommended disclosures of the Taskforce on Climate-related Financial Disclosures ("TCFD"). Our progress is disclosed below, under the four TCFD headings. In 2020/21 we put our policies into action, setting baseline measurements and establishing the business processes for monitoring and management. We will build on this in future years.

As a firm we have made a strategic decision to refer to this topic as "climate risk" rather than "climate change" or other broader definitions. The lack of consistent market terminology for climate risk is a known issue; we are contributing through industry to tackle this issue and set a consistent taxonomy, which we will then use.

Governance

Disclosure 1: Describe the board's oversight of climate-related risks and opportunities.

We consider climate risk to be a fundamental consideration in all long-term financial planning and our advice to clients due to the pervasive nature of climate change and policy direction. This will enable us to remain on the front foot in terms of the running of our business as well as ensuring that both we and our clients stay abreast of developments and improve their own long-term sustainability. As such, it is crucial to consider climate risk when we provide our financial services as well as the opportunity it presents as a growth advisory area.

In recognition of this, our firm introduced a new climate pledge during the year, launched externally in January 2021. This sets out the firm's commitment to a net zero future and our commitment to climate related targets. The pledge was developed and approved by our owning equity members and recognises climate change as a 'strategic imperative' for the firm. This ensures that climate issues are fully integrated into the firm's strategic decision making, the work we do internally and that we take to our clients.

As a strategic imperative, progress against our climate activities and goals features is tracked as a KPI on our strategic balanced scorecard. This is reviewed and discussed at both our monthly Management Board and quarterly Oversight Board meetings; our Managing Partner (a management board member) is accountable for the firm's work in this area.

In addition, the work and progress of the Hymans Robertson Corporate Social Responsibility ("CSR") team (on the firm's carbon footprint and reduction work) and Climate Change Working Group (integrating climate risk into our client propositions and services) is regularly reviewed as an agenda item at management board meetings.

Similarly, work has been undertaken by the Hymans Robertson Foundation during the year in line with their two core programmes of Secure Financial Futures (supporting young people to a secure financial future through financial capability and employability training) and Communities (making positive change in communities through volunteering and fundraising).

Disclosure 2: Describe management's role in assessing and managing climate-related risks and opportunities.

Climate risk is embedded within our core management and business structures as a strategic priority for the firm, with a named partner (also an Equity Member and member of our Management Board) accountable for this area.

Client perspective
Our Climate Change Working Group ("CCWG") is made up of leaders and experts from across our business and is responsible for the development and integration of climate risk into our propositions and services. The CCWG reports directly to the management board. Additionally, Proposition Leaders across the firm are also responsible in ensuring appropriate advice and services are developed with respect to climate risk.

Our Oversight board is responsible for overseeing the long-term strategic direction of the firm and progress against strategic priorities, including climate change.

Our management board leads the implementation and delivery of the firm's strategic goals via our market areas and business units. As a strategic imperative, climate risk is integrated into all of this activity as described above.

Business perspective
Our carbon footprint and reduction work is led by the CSR team, with our Head of CSR reporting directly to the firm's staff partner.

Strategy

Disclosure 3: Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.

We have the opportunity and responsibility to use our place in the world and our influence to make a positive change, through stewardship of over £300bn of assets, the employ of c.1000 people and influence with our 300 clients, and more widely in the sectors in which we work, including the lifetime savings sector.

Whilst we have not set explicit time horizons for what we consider to be the short, medium and long term we consider the key risks under each of these periods to be:

- **Short term:** market change; adapting to new regulation; retaining and supporting clients; achieving our lifetime net zero commitment; harnessing positive travel and facilities changes as a result of COVID-19;
- **Medium term:** widespread policy adaption; portfolio/risk management evolution; maintaining our lifetime net zero commitment;
- **Long term:** maintaining effectiveness of actions; keeping ahead of a potential step-up to more radical/rapid policy change if climate change is not brought under control globally.

The firm has identified climate risks and opportunities, as well as relevant actions in respect to these, under the following key themes:

- Embedding climate risk in our propositions and client advice
- Market reputation
- Carbon reduction plans
- Carbon offsetting programmes
- Employee engagement
- Supplier management

Risks and opportunities are identified, managed and monitored as part of the ongoing activity in these areas. Further details on the actions under each of these headings is outlined under Disclosures 6, 7 and 8.

The process for determining which opportunities could have a material financial impact on the organisation include consideration as part of our biennial member strategy review and annual strategic implementation business plans. At a client level, it is considered by the cross-practice Climate Change Working Group and by Proposition Leaders, with clear business planning and deliverables.

Disclosure 4: Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

The firm has set a climate vision, pledge and beliefs which set out the firm's vision of a net zero carbon future and our commitment to climate-related targets.

Carbon reduction and off-setting costs are built into our financial planning and priorities. Other climate-related activities in line with the six key areas as outlined above also feed into wider firm activities. We have a business plan in place with actions that address each theme and accountable owners to oversee progress.

Under each of the six key themes as noted above, a number of key actions were undertaken and progressed over the year to 31 March 2021. These are outlined under the relevant themes below.

Embedding climate risk in our propositions and client advice

- Work to upskill our consultants to ensure that they are knowledgeable about climate risk and how it may impact clients.
- Strengthening the expertise and resources allocated to the specialist team that is undertaking work to embed climate-related issues into our propositions and client advice.
- Embedding climate risk considerations within our propositions and services, including management of financial expectations and reporting on progress.
- Specific climate risk work with clients including beliefs workshops, climate risk reporting, starting to undertake TCFD reporting and more.
- Undertaking significant research to further identify and commence additional workstreams in respect of climate risk work.

- Partnering with MSCI and using their analytics to assess client portfolios to get a baseline of clients' climate risk exposure as well as ongoing monitoring.

Market reputation

- Both publicising and ensuring transparency about the ways in which we approach climate risk ourselves and for our clients. This includes actions such as publishing our climate vision, pledge and beliefs as outlined above, our annual CSR reporting
- Responding to regulatory changes and consultations as well as driving forwards conversations by participating in roundtable events across the industry.
- Participation in industry groups and professional bodies considering climate risk in more detail including the Institute and Faculty of Actuaries, the Investment Consultants Sustainability Working Group, the Association of Consulting Actuaries and others.
- Producing thought leadership and other marketing material reflecting research and work undertaken in the area of climate risk for our clients.

Carbon reduction plans

- Reduction to the amount of travel of staff, including the formulation of plans to lock in the benefits of these reductions over the past year accelerated by the coronavirus pandemic.

Carbon offsetting programmes

- Subscription to carbon offsetting programmes to negate residual carbon emissions.

Employee engagement

- High engagement with employees through actions such as staff webinars and briefings as well as employee carbon offsetting programmes introduced.

Supplier management

- The introduction of supply chains into planning so as to identify further carbon reduction opportunities.

The firm has identified the costs of actions such as carbon offsetting and has integrated this into the financial planning.

The key activities as outlined above have also been considered and are prioritised on a RAG basis when setting out firm plans and activities for the year with respect to climate-related risks and opportunities.

Financial planning for the firm has been impacted by the actions undertaken under the key themes outlined above. However, there is an expectation that these costs will be negated over time through savings from reduced travel, and the opportunities generated through our new services available to clients. We will report on our business costs in respect of internal climate risk work over the year and opportunities of providing clients with climate risk services reflect potential revenue as part of next year's report where possible.

Disclosure 5: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, include a 2C or lower scenario.

Our strategy has already changed a lot as a result of the work undertaken to embed climate-related risks and opportunities into ongoing and future plans.

Client perspective
Future resilience depends on regulatory and market developments affecting client needs and our services. Our strategy is to make climate risk integral to advice; risks and opportunities are the relative pace and success with which we do this.

Business perspective
Whilst specific climate-related scenarios have not yet been considered, these will be identified as part of the ongoing CSR and carbon footprinting work and disclosed when identified and analysed.

Whilst scenario analysis may focus on the business perspective when considering future resilience to climate risk, we believe that failing to anticipate client needs on climate risk is far more business critical and may be extremely difficult to model. We will undertake scenario analysis in future but maintain that the client perspective is also crucial.

Risk management

Disclosure 6: Describe the organisation's processes for identifying and assessing climate-related risks.

New risks to the company, including climate risks, go through the firm's Emerging Risks process. These risks are initially identified by individuals within the business and presented to the Management Board for discussion. The relevant Executive will review and consider an initial rating of Low, Medium or High and whether this risk is imminent or further in the future.

Once agreed it is added to our emerging risk radar where it is monitored by Management and Oversight Boards until it is agreed that the risk is now materialising and will be managed locally by the relevant Executive. The impact and proximity rating of climate-related risks outlined under the six key themes per Disclosure 3 are taken into account. The risks are then prioritised by the owners of that theme with consideration given to achievability, timescales and value added of each of the potential actions.

Climate risks are currently captured within the firm-wide High Impact Material Risk dashboard and RAG rated against appetite following relevant updates from the business. These are the highest risks which we manage as a firm and are closely related to the company's strategy. The potential size and scope of identified climate-related risks are measured in line with the company's strategic targets and Management Information measures and managed by the Management Board and overseen against progress by the Oversight Board.

We keep a close eye on regulatory developments with respect to climate change from two angles:

Client perspective

- We also have a duty to be well-informed of new regulatory developments which affects our clients across the pensions, insurance and retail markets.
- FCA - The FCA has published a Policy Statement and final rule and guidance promoting better climate-related financial disclosures for UK premium listed commercial companies.
- Companies will be required to include a statement in their annual financial report which sets out whether their disclosures are consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), and to explain if they have not done so.
- Over the past 12 months we have seen significant regulatory developments from the Pensions Regulator ("TPR") and the Prudential Regulation Authority ("PRA), a consultation from the DWP on ‘Taking action on climate risk: improving governance and reporting by occupational pension schemes’ and climate risk was specifically drawn out within the 2021 Pensions Act 2021, including setting out that regulations may impose requirements on trustees of pension schemes to have effective governance and produce reporting in respect of climate risk.
- TPR has urged pension trustees to “consider climate change as a core financial risk” and the recent publication of guidance by the Pension Climate Risk Industry Group provides a further impetus for pension funds to consider the impact of climate change on their pension scheme and their members.
- The PRA laid out a wide range of requirements for insurance companies in April 2019, covering governance, risk management, scenario analysis and disclosure. Similarly, this has been a key focus in our conversations with clients during the year, leading to the production of our ‘Climate ready’ benchmarking report, surveying participants in the Life Insurance industry on their readiness to meet the requirements of the PRA’s Supervisory Statement.

Business perspective

- Firstly, we ensure that we are compliant with the latest regulatory requirements with respect to how we operate as a business.

We take the view that we should not shy away from talking about climate risks as this leads to understanding and action. Our goal has been to start conversations with clients, helping them understand the potential consequences of climate change and begin to consider the different risks they’re exposed to, and the potential opportunities.

Consideration of climate risk within financial systems is becoming a compliance requirement, creating risk for us as a firm if we do not ensure this is embedded within our work but also creating the opportunity for us to provide additional, valuable services in this space.

Our own emissions and related costs are not considered a fundamental business risk to us. We consider the fundamental business risk in this space to be around helping our clients and ensure that we are leaders in the emerging area of climate risk in finance. This will affect our ability to attract and retain clients as well as impact the income we earn working with them.

Disclosure 7: Describe the organisation's processes for managing climate-related risks.

Decisions to mitigate, transfer, accept or control risks are agreed through the Hymans risk framework. For higher level risks the decision is made via the management board and where risks should be managed locally, this Is managed via the Hymans Operational Risk framework and risk and control self-assessment.

The ownership of the risks and the actions agreed to manage and mitigate these risks across the six key themes outlined in Disclosure 3 involved under each of these themes is allocated appropriately across the firm.

Further information on the risk management processes are outlined in Disclosure 6.

Our processes over the year for managing identified climate risks and taking further action with respect to climate-related opportunities have been effective, with a large amount of work undertaken in this respect. We expect that this level of work will continue and increase over the coming years and will need to dedicate further resource to ensuring we continue to manage risks effectively as well as capitalising on potential opportunities.

Disclosure 8: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the overall organisation's risk management.

Client perspective
Our research and involvement in industry initiatives enable us to identify potential risks as well as ways to assess and manage these risks for our clients. These risks as well as relevant actions are then considered as part of our work to embed climate risks more widely within our services and propositions.

Business perspective
This is done via the Emerging Risk and the High Impact Material risk processes as outlined above under our response to Disclosure 6.

The processes pertaining to climate-related risks are fully integrated into our ongoing risk management processes.

Metrics and targets

Disclosure 9: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.

The Hymans Robertson Corporate Social Responsibility ("CSR") team has been working with a third-party consultancy, Enistic, for a number of years now on how to improve the energy efficiency of our business operations and to ensure compliance with the latest regulatory requirements.

Our key metric is the firm's carbon footprint – the main component of which for 2019/20 was our use of business travel.

Disclosure 10: Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

Our base year is our 2019/20 footprint – calculated at 1656 tCO2e (1988t before renewable energy taken into account).

- Scope 1 (direct emissions): 0
- Scope 2 (UK Electricity): 0 (all energy consumption from certified renewable resources)
- Scope 3 (indirect emissions): 1656 tonnes (our supply chain is not currently included in our carbon footprint calculations, although this is a longer-term objective)

Scope 3 methodologies include:

- Tracking of all business travel
- Analysis of utilities/materials consumption and billing
- Staff survey to capture commuting data

Within our carbon footprint calculation:

- Water Supply: 8 tCO2e
- Waste Disposal: 14 tC02e

As noted in Disclosure 9, our key metric is the firm's carbon footprint – the main component of which for 2019/20 was our use of business travel. The result of the coronavirus pandemic has supported the transition away from air travel as the firm and our clients continue with business as usual throughout the lockdown period, hosting meetings via video technology. We expect the business travel component of our carbon footprint for 2020/21 to be close to zero.

We are currently reviewing our firm-wide travel policy with expectation that there will be a further transition away from air travel in the long-term as a result of more frequent meetings hosted using video technology.

We have also made efforts to reduce our waste production and have 'Green Champions' in each of our four offices to encourage recycling and green initiatives such as 'thinking before pressing print' to lower our paper usage.

MSCI Metrics
We steward over £300bn of assets across our c.300 clients, who in turn have wide reach. As outlined under Disclosure 4, we have partnered with MSCI to use their analytics in assessing client portfolios to get a baseline of clients' climate risk exposure as well as ongoing monitoring. As part of this work, we have so far undertaken analysis on assets of c£14.1bn. The average WACI across this £14.1bn was 145.1 (tCO2/$m Sales). Further figures will be provided within next year's report as further analysis is undertaken.

Climate-related opportunities
Based on our understanding of forthcoming requirements and continued policy direction, we estimate that helping our clients tackle climate risk will produce additional revenue, dependent on the extent to which our clients wish to lead in this area.

Disclosure 11: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Our firm pledge is:

- Net Zero by 2021 (which we have achieved via off-setting by the end of March)
- Lifetime Net Zero by 2025
- Carbon footprint halved by 2025 (compared to our 2019/20 footprint)

Our key climate target is to reduce our 2019/20 (pre renewable energy) footprint of 1988 tCO_2e by 50% by 2025.

- This will be primarily achieved by reductions in business travel and commuting
- Over 2020/21 our primary focus has been on measuring our footprint and ensuring that future emissions can be easily measured and tracked.
- KPI's and Interim targets are currently being developed and will be reviewed by the Oversight Board in Q1 of 2021/2. They will relate to:
    - Reductions in both internal and client related business travel volume and emissions
    - Tracking climate related conversations and agreements with clients to lock-in business travel reductions
    - Internal plans to reduce the frequency of travel and where travel is required, to switch from air travel to rail, or from car/taxi to public transport
- Further analysis of our office waste and water emissions and ways to reduce these will take place once normal office working can resume

Appendix: Our Climate Vision, Pledge and Beliefs

Hymans Robertson's Climate Vision, Pledge and Beliefs

Climate Vision:

A net zero carbon future.

Climate Pledge:

- **Our firm will be carbon neutral from 2021 and will halve our 2019 carbon footprint* by 2025.**
- **We will be lifetime net zero carbon by 2025.**
- **Climate risks will be an integral part of our research, advice and services, and how we run our firm.**

Climate Beliefs:

1) Climate risks are real, and we must act now.

Evidence of climate change and systemic climate risks is irrefutable. The transition from a carbon-based world economy has already begun, but much more change is needed. In response to the physical impacts of climate change, society will demand changes to national and international policies. The slower governments are to react, the more severe the eventual policy changes will need to be. By planning for change now, we will advise our clients and manage our firm more successfully (regardless of whether policy is fast or slow to change).

2) The impact of climate risks will affect asset values and returns.

As economies transition away from carbon there will be widescale reallocation of capital. Businesses and governments that manage climate risks effectively are expected to out-perform those that don't. This will affect the returns and risks of their bonds and equities. It will be the same for investments in general.

The timing of transition away from carbon is uncertain. The trend will continue over the medium to long-term, but the impact on asset prices may happen sooner. Empirical evidence supporting this trend will increase as climate related financial disclosures become mainstream. Our research will remain evidence-based, using the most up-to-date information available.

3) Our greatest potential impact is through the way we influence the stewardship of over £300bn of assets.

As a firm that advises and supports over £300bn of assets and employs close to 1,000 people, our greatest potential for positive impact is by influencing the way our clients invest. We will help our clients to manage their investments more successfully by treating climate risks as an integral part of our advice and services. This includes influencing financial product designs, selecting asset managers and holding them to account for how they address climate risks.

We will create positive change by raising awareness of the implications of climate risk on financial planning. By helping clients understand their exposures, they will be able to update their strategies and disclose how they are managing their climate risks. We will develop the tools our clients need to act and build them into our core services.

4) We should run our firm in a way that is positive for the environment.

We believe our firm should have a positive environmental impact. We'll reduce or avoid doing things that affect the environment negatively in order to halve our carbon footprint by 2025, and offset our remaining negative impact. This includes offsetting any negative environmental impact our firm has had in the 100 years we've been in business. Our policies on travel, waste and energy are particularly important to running our firm to be net zero carbon.

Climate risks are a specific issue within our broader corporate social responsibility. We want to make it easier for our partners, employees and clients to take environmentally positive action.

**2019/20 carbon footprint (before renewable energy) = 1988 tCO2e*

5) We will achieve greater change sooner by collaborating with others who are tackling climate risks.
Climate change is an issue for our whole society and not something we can tackle alone. To be most effective, we need to engage with other leaders in this field. We will share our research on the impact of climate risks on financial planning. By building on the research of others, together we will make more progress more quickly.

Taking a leading role in addressing climate risks in financial planning will help us to attract collaborators. Publicly supporting positive change organisations (like being PRI signatories) will help society to build momentum. These actions will help us to increase our positive impact.

6) Our clients' long-term financial interests align with society's long-term environmental interests.
We believe that the systemic and existential threat posed by climate change will inevitably align our clients' long-term financial goals and society's long-term environmental goals. Helping our clients to plan for this and take timely actions is essential for their long-term success.

Clients won't need to have the same environmental views as us to find our advice and services useful. We will use our research to help them make well-informed choices, without greenwashing or browbeating. We recognise that helping our clients achieve their goals is what underpins our long-term success as a business.

Governance for reviewing our climate vision, pledge and beliefs:
Our climate vision, pledge and beliefs will be reviewed annually as part of our TCFD gap analysis and disclosures.

The delivery of our climate pledges is delegated to our Management Board, as part of our delivering our strategy.

Prepared by:
Climate Change Working Group – January 2021

For and on behalf of Hymans Robertson LLP