HYMANS ROBERTSON

2024 TCFD Report

Hymans Robertson LLP

March 2024

Our purpose – 'Together, building better futures' – lies at the heart of our firm and everything we do.

It's behind our services across pensions, investments and insurance that build better financial futures for millions of people in the UK. It's about making our firm a great place to work for our 1,300+ people, the value we create for society and the role we play in building a more sustainable future – now and for generations to come.

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Introduction

Embedding climate considerations into what we do is a core goal. Failure to effectively transition to a low-carbon economy will create social, environmental and economic disruption. It is essential that climate-related risks are a fundamental consideration in our long-term financial planning advice to clients and how we run our firm.

During 2024, we continued to work towards achieving our climate pledge and ambitions, embedding climate-related considerations in the way we work – from our operational activities to the way we advise our clients. We also refreshed our Responsible Investment (RI) Mission Statement, which outlines how we want to make the right choices, positively change our industry and hold ourselves and others accountable to enact positive change.

This report provides detail on how we are meeting our climate commitments and our annual report in line with the Task Force on Climate-related Financial Disclosures (TCFD). We also publish an annual Impact Report (2024 report available here), as well as an annual Stewardship Report (2023 report available here).

Our climate-related highlights across the year to 31 March 2024

We believe climate change to be a fundamental consideration in all long-term financial planning and in our advice to clients due to the uncertainty it creates. This enables us to remain on the front foot in the running of our business and in ensuring we and our clients stay abreast of developments and improve long- term sustainability. As such, it's crucial to consider climate-related risks when we provide our services, as well as the opportunities presented as a growth advisory area.

Over the past year, we developed our RI Mission Statement. At Hymans Robertson, we believe our global economy relies on interlinked social and environmental systems; we recognise that policymakers, regulators and those of us in financial services need to do more to acknowledge these interdependencies if we're to collectively drive change. This change must acknowledge the value of people and our planet as well as the risks to our economy if climate and other tipping points are breached. Our mission statement details what we expect of ourselves and others – now and in the future.

In our Mission Statement, we lay out our ABCs for a better future, distilling our thinking into three pillars of activity that guide our research and advice to clients. These are:

Achieving net zero:

- The world must go through a period of systemic change to protect our environment, societies and economy from climate change and biodiversity loss. This can be characterised by the goal of a low- carbon economy and the pursuit of net zero. We help our clients understand what net zero means for them and how they can take meaningful action to align with this ambition.

Being better stewards:

- Asset owners have a role to play in overseeing the assets managed on their behalf. They should thoughtfully – and, where necessary, forcefully – exercise stewardship within their sphere of influence. We help our clients create approaches to stewardship that reflect the resource they're able to commit. Where necessary, we also help them fill in the gaps.

Creating positive impact:

- Assets are invested to generate economic return, but many assets also directly or indirectly affect society and the environment. Being clear on the desired outcomes is essential to creating impact. We help our clients better understand how they can have impact, allocate capital and exercise stewardship to create positive real-world outcomes, all while continuing to meet their fiduciary responsibilities.

Integrating climate change into our research, services and advice remains one of the central commitments of our own climate pledge. We and our clients rely on third parties to provide information to help inform decision-making. This reliance remains an area of concern, as sourcing and verifying the data continues to be difficult; this is a problem that the industry acknowledges, and we're doing our part to encourage improvement. Recognising this need for better climate data, we once again conducted our survey of private market asset managers and were encouraged by the improvements we saw in climate reporting within the mandates. For more information on this, please find our analysis here.

Our RI Team also grew to 19 members over 2023/24. The team has supported clients in meeting their TCFD requirements, developed methods for consulting on climate strategy, improved its scrutiny of asset managers and, most importantly, focused on helping our clients 'be better stewards'. We've actively sought to help our clients engage more constructively with their asset managers and hold them accountable for their actions.

The journey to net zero remained a focus during this time, with our Mission Statement highlighting 'achieving net zero' as one of our three core pillars. Clients are increasingly committing to the long-term decarbonisation of their asset portfolios; to support them with this, we've continued our work in modelling net-zero pathways and have also helped our clients develop climate transition action plans (CTAPs) to ensure the focus remains on practical steps to achieve net zero over the coming years.

It's clear that our private sector pension scheme clients continue to work towards endgame strategies. Last year, we recognised the importance of ensuring that insurers are properly considering climate and environmental, social and governance (ESG) risks by appointing Paul Hewitson as Head of ESG for Risk Transfer. This year, we've been considering further development for our clients in this area, thinking about how those wanting to achieve endgame may also be able to consider net-zero ambitions, regardless of their circumstances.

We're also delighted to share that in 2023, we achieved B Corp certification and joined the B Corp movement. Widely recognised as a 'gold standard' for social and environmental performance, B Corp certification is verified by B Lab, a global non-profit network with a mission to inspire and enable people to use business as a force for good. Prospective B Corps are assessed across five key areas: Governance, Workers, Community, Environment and Customers. To gain the highly sought-after accolade, we were required to demonstrate high standards across all areas in a rigorous verification process.

Finally, we maintained our 2022 and 2023 Stewardship Code signatory status. Our full 2023 Stewardship Code report is available on our website, linked above.

Otherwise, we've continued to work with our clients on multiple projects including overhauling sustainability strategy, beliefs and objective setting, reviewing mandates and embedding climate risk considerations as part of wider RI within dynamic asset allocations.

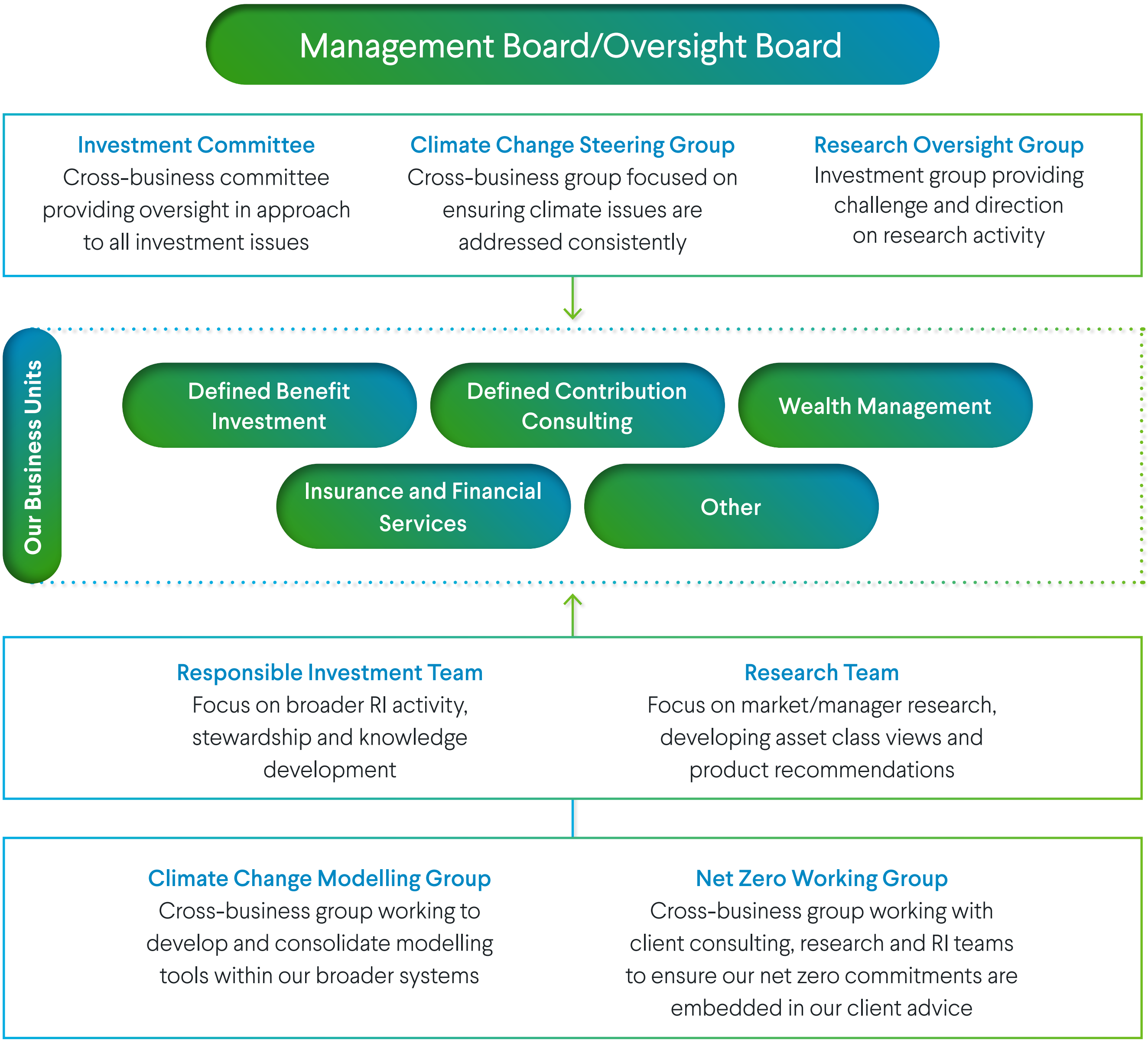
Governance

Governance disclosures

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

Climate risk is embedded within our core management and business structures as a strategic priority for the firm, with our Managing Partner, Shireen Anisuddin (also an Equity Member and member of our Management Board), accountable for this area. Our RI Mission Statement is also available on our website and has been linked above.

Our Management Board has ultimate responsibility for all our RI and stewardship activities, providing accountability and consistency across business units. Individual business units are then empowered to embed RI considerations into the development and implementation of client-specific advice, with one accountable person within each relevant business unit. This structure is illustrated below.



Engaging our broader partner group

While the Management Board has formal oversight of our work, our broader partner group meets regularly to consider issues relevant to the ongoing development of our business and provides a rich ground for gaining support and challenging activity. The partner group received a formal presentation on stewardship during the year in addition to other, more informal updates on business activities. The partner group has also discussed broader issues related to sustainability during the year, including a workshop on business ethics during one of our bi-annual partner conferences.

RI remains a priority at the most senior level of the firm. Our Management Board continues to support our commitment to the Net Zero Investment Consultants Initiative (NZICI) and other work we're undertaking to ensure we continue to progress. It receives periodic updates on progress and the actions being taken in fulfilment of our commitments.

As a strategic imperative, progress against our climate activities and goals is tracked as a key performance indicator on our strategic balanced scorecard. This is reviewed and discussed at both our monthly Management Board and quarterly Oversight Board meetings; our Managing Partner is accountable for the firm's work in this area. Additionally, 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.

Our climate pledge

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 regarding the running of our business, as well as ensuring that both we and our clients stay abreast of developments and improve long-term sustainability. As such, it's crucial to consider climate risk when providing our financial services alongside the opportunities it presents as a growth advisory area. Both our climate pledge and RI Mission Statement were developed in recognition of this.

Our pledge sets out our commitment to a net-zero future and to climate-related targets. Developed and approved by our owning equity members, it recognises climate change as a "strategic imperative"' for the firm. This ensures climate issues are fully integrated into our strategic decision-making, the work we do internally and that which we take to our clients.

We regularly review our pledge, noting how we're performing against our targets, identifying room for improvement and searching for new ways to stretch ourselves and create an even more positive impact on the world around us. We report on this within our annual Impact Report, which is available here. Our Climate Pledge was most recently reviewed in 2022 and is available here.

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

At a glance

Client perspective

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 this activity, as described above.

Our Climate Change Steering Group (CCSG) 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 CCSG reports directly to the Management Board. Additionally, Proposition Leaders across the firm are responsible for ensuring appropriate advice and services are developed with respect to climate considerations.

Business perspective

Our carbon footprint and emissions reduction work is led by the CSR Team, with our Head of CSR reporting directly to the firm's staff partner. Our Management Board has ultimate responsibility for all our RI and stewardship activities to provide accountability and consistency across business units.

Our management's roles and responsibilities

Oversight Board

The Oversight Board is accountable for the implementation of the firm's strategy on behalf of the Members. As the name suggests, the board focuses on the big, strategic picture (typically with a 5- to 10-year timeframe), setting strategic implementation principles and scope and overseeing strategic risk.

The board is chaired by Martin Potter (Member and former chair of the Audit and Assurance Group (AAG)) and comprises Jon Hatchett (Senior Partner), Catherine McFadyen (Head of Actuarial Public and Chair of the AAG) and Steven Birch (Partner and Head of Hymans Robertson Investment Services (HRIS)). The Oversight Board also includes our two external non-executive directors: Annamaria Koerling and Liz Buckley. They bring valuable external perspective to the board thanks to their extensive industry and leadership experience in our core market areas.

The Oversight Board is completed by Shireen Anisuddin (our Managing Partner) and Nick Pope (Finance and Operations Director), who also sit on the Management Board.

Management Board

The Management Board is accountable for implementing strategy, setting and delivering business plans and managing operational risk. Its focus extends from the current business year to a three- to five-year timeframe.

Chaired by Shireen, the board comprises Gemma Sefton (Head of Service Delivery), Gill Tait (Staff Partner), John Wright (Market Lead – diversifying areas) Nick Pope, Richard Shackleton (Market Lead – pensions), Sally Haran (HR Director) and Simon Mortimer (Chief Digital Officer).

The Management Board is ultimately accountable for risk management for the firm, including climate risk. The board therefore defines our risk appetite and ensures the key risks we identify are appropriately managed and controls are implemented.

Other internal groups and their roles, including reporting to management

Climate Change Steering Group (CCSG) (formerly the Climate Change Working Group)

The CCSG is a top-down committee, chaired by Lisa Deas, which is focused on ensuring consistency of approach across the business. It met five times during the year and considers issues such as the evolution of climate-scenario analysis and knowledge development within the firm. The group is also responsible for the firm's annual Climate Competence Survey.

Net Zero Working Group (NZWG)

The NZWG collaborates with our client consulting, Research and RI teams to ensure our net-zero commitments are fully embedded into our advice to clients.

Investment Committee

Our Investment Committee continues to be chaired by Emma Cameron and met six times during 2023/4. Sustainability issues discussed by the committee included the potential advantages and disadvantages of our participation in an external climate framework project, the impact of regulatory developments on sustainable investments and the development of our Mission Statement and Manager Engagement Programme.

Research Oversight Group (ROG)

Our ROG is chaired by our Chief Investment Officer, David Walker, and met fortnightly over 2023/4. A standing item on the agenda is Research and RI team responsibilities, provided by the Head of Research. This covers key priorities and activities. For example, the ROG was kept updated with progress on research into sustainable buy and maintain mandates over 2023. Other issues discussed with the ROG included RI initiatives, proposed updates to our RI ratings and our sustainability framework, and theme prioritisation.

RI Team

Beyond the actions taken to address matters of CSR, our RI Team engages with the Management Board on a regular basis. Discussions include an annual review of stewardship activity, our approach to managing climate risk and support for the NZICI, alongside a broader update on sustainability issues, the current market outlook and the actions being taken within our business.

Initiatives we're involved in

We recognise that climate change is the biggest systemic risk faced by our environment, our society and our economic and financial systems. Our clients need to not only be ahead of this transition with the rapid shifts in the investment landscape, but they must also accelerate the change by investing in solutions. As a result, and with climate change being a strategic imperative for our firm, we were a founding member of the NZICI in 2021. We're involved in and engage with several cross industry initiatives to better leverage our influence in this space. These include:

- NZICI
- Investment Consultants Sustainability Working Group
- Principles for RI
- Pensions for Purpose
- Abelica Global
- Sustainability Principles Charter for the Bulk Annuity Process

Resources

We resource our RI activity using specialists within our RI and Investment Research teams, while educating and providing internal training to all our client consultants and analysts across the business. We've also continued to grow our RI Team, with an additional analyst joining – bringing the core team total to 10. As our RI Team has grown, we've developed specialist areas of focus, with our three pillars outlined within our RI Mission Statement: achieving net zero, being better stewards and creating positive impact. There are other focus areas such as biodiversity and nature, modern slavery and artificial intelligence.

Further, we've continued to integrate the work of our RI and Research teams as far as practicable, recognising there is a shared skillset and often a need to collaborate. Where it's appropriate, members of both the RI and Research teams will attend research meetings to ensure that managers are scrutinised from multiple perspectives and that we form a broad view of manager capability. We also have representation from our Research Team on each of the RI pillar working groups, ensuring we better embed the RI work we do.

Ensuring our people have the right knowledge

While our RI and Research teams provide subject-matter expertise, people working across our Investment, Defined Contribution Consulting (DCC) and Insurance & Financial Services (IFS) business units also advise our clients on all aspects of RI. It's therefore essential that we stay at the cutting edge of these issues while continuing to support our broader consulting base on climate issues.

Investment consultants are required to agree appropriate Continuing Professional Development (CPD) objectives that have requisite training hours to demonstrate progress, and which are monitored by our people managers as part of the ongoing evaluation process. We proposed that colleagues focus on the following areas during 2023/4.

Theme	Learning goal
Better stewardship	Consider different approaches to stewardship including variations between asset classes and the mechanisms by which stewardship can be implemented. Understand the stewardship process, including setting objectives, actions and expected outcomes and consider how clients can best monitor progress. Understand how to engage with clients on stewardship issues, including the benefits of developing engagement themes.
Impact investing	Understand what is meant by impact investment and how to frame impact objectives. Develop an understanding of impact investment frameworks and how impact can be measured.
Net-zero journey planning	Develop an understanding of the factors that need to be considered in setting a net-zero target date, climate-related objectives and an associated climate-transition plan. Consider how to prioritise actions with clients and how progress can be measured.
ESG & climate data	Build a detailed knowledge of the mechanics behind ESG calculations and climate-data metrics. Understand how to determine what looks reasonable and where there may be outliers. Be able to communicate to clients the relevance of ESG and climate metrics for portfolios.

In addition, to support the development of our staff and to help them meet their CPD objectives over the year, we organised a range of specific training sessions. Training is provided both by our in-house team and external specialists and asset managers, where appropriate. Topics we focused on over the year included:

- Climate-scenario modelling, with a Q&A on industry challenges and our approach to climate-scenario analysis.
- A net-zero journey planning session, covering how clients can align their portfolio to a 1.5-degree net-zero transition pathway.
- An impact investing session for consultants about how impact investing can be integrated into existing investment strategies.
- Regulatory change and use of our Sustainability Framework.
- Renewable energy as an alternative asset class, in accordance with the energy transition carried out by IFM Investors.
- Investment in timberland, provided by Stafford Capital Partners.

We record training sessions and make them available to all staff through our internal learning systems. We also have a learning and development site, accessible by all staff, which is home to all our training materials and session recordings.

Our broader support for learning and development

To keep consultants' knowledge fresh, we deliver updates on developments in the broader market through our regular Investment Consultants' Briefings. These sessions are also used to highlight client-focused projects, including various case studies referenced in this report.

Over the course of 2023/4, we ran monthly RI drop-in sessions within our Investment and DCC businesses. These sessions, hosted by our RI Team, provide an informal environment for colleagues to ask questions on both client specific and broader research topics, thus serving to embed knowledge within the team. We also share monthly RI Matters newsletters to ensure everyone has the relevant information to consult well with their clients on RI topics.

More generally, everyone who joins our Investment Team receives RI training as part of their formal induction. RI issues are also integrated into our graduate training materials, with programmes run for first- and second-year graduates.

Engaging with external training

In 2023, over 30 members of the Investment Team engaged in an external climate course delivered by Alliance Bernstein in partnership with Columbia Climate School. The six-week course aims to help bridge the gap between climate science and investment decision-making across asset classes, regions and sectors. It covers a range of topics, including biodiversity, carbon markets and decarbonisation. To supplement this, we arranged three internal discussion sessions to reflect on the course materials and the associated Q&A sessions. This allowed our consultants to consider how climate issues interact directly with client specifics and debate how we could feed learnings into our consulting and research processes.

Strategy

Strategy disclosures

Disclosure 1: Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

Our strategic goal is to sustainably grow our partnership within the markets in which we operate. In doing so, we aim to reflect our purpose and values for the benefit of our current and future staff and partners, and our wider stakeholder community. Within this, addressing RI and climate change is a strategic imperative.

Our firm serves three markets:

- The pensions market – our services include actuarial, pensions consulting, investment consulting and third-party administration
- The financial-services market – we provide advice and support to insurers and other financial institutions to address issues such as longevity, risk, capital management and investment (IFS), and, through HRIS, discretionary fund-management services to independent financial advisers (IFAs)
- Personal wealth – we provide financial wellbeing advice and guidance to individuals.

Our climate pledge focuses in part on the actions we're taking as an organisation, and our commitment 'to integrate climate risks into our research, advice and services' has the potential to have far greater influence on future outcomes. Our climate pledge and commitments through the NZICI also guide our strategic activity and areas we identify for strategic focus. While we continue to work with our clients to embed RI considerations into decision-making, our RI Team lead the focus on these climate-related areas.

Our climate pledge and target, as well as how we integrate climate-related issues into our strategy, are driven by our climate beliefs. They shape not only how we run our business, but also the advice we give to our clients. They're set out at a high level below:

- Climate risks are real and we must act now.
- The impact of climate risks will affect asset values and returns.
- Our greatest potential impact is through the way we influence the stewardship of over £300bn of assets.
- We will run our firm in a way that is positive for the environment.
- We will achieve greater change sooner by collaborating with others who are tackling climate risks.
- Our clients' long-term financial interests align with society's long-term environmental interests.

More details on these beliefs are set out on our website as part of our RI policy.

Further, as outlined in our RI Mission Statement, we've distilled our thinking into three pillars of activity that guide our research and advice to clients. These ABCs are as follows:

- **Achieving net zero:**
  - The world must go through a period of systemic change to protect our environment, societies and economy from climate change and biodiversity loss. This can be characterised by the goal of a low- carbon economy and the pursuit of net zero.
  - We help our clients understand what net zero means for them and how they can take meaningful action to align with this ambition.
- **Being better stewards:**
  - Asset owners have a role to play in overseeing the assets managed on their behalf. They should thoughtfully – and, where necessary, forcefully – exercise stewardship within their sphere of influence.
  - We help our clients create approaches to stewardship that reflect the resource they're able to commit. Where necessary, we also help them fill in the gaps.
- **Creating positive impact:**
  - Assets are invested to generate economic return, but many assets also directly or indirectly affect society and the environment. Being clear on the desired outcomes is essential to creating impact.
  - We help our clients better understand how they can have impact, allocate capital and exercise stewardship to create positive real-world outcomes, all while continuing to meet their fiduciary responsibilities.

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 £280bn of assets, the employment of 1,300+ people and influence with our 300+ clients, as well as more widely in the sectors in which we work, including the lifetime savings sector.

Climate risks

Climate risk is typically split into two parts: transition risk and physical risk. These risks may vary in likelihood and intensity over different time horizons, depending on how quickly and successfully the world transitions to a low-carbon economy. This is laid out in the diagram overleaf:

Aggressive mitigation ⟷ **Business as usual**

Transition to a low-carbon economy: transition risks dominate.

- Policy changes (eg carbon pricing) seek to create the changes needed in society.
- Technology development (eg renewable energy) and adoption enable the changes.

Late-no transition: physical risks/ impacts dominate.

- Chronic changes (eg sea-level rise) impact agricultural, economic and social systems.
- Acute changes (eg storms and wildfires) create damage and give rise to costs of adaptation and reconstruction.

While 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 because 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, 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 other sections of this report.

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 CCSG and by proposition leaders, with clear business planning and deliverables.

Our clients are also interested in understanding how we've taken the steps that we have. Consequently, our Head of CSR has met with clients and other firms within the Abelica network to explain both the development of our climate policy and our approach to addressing our carbon emissions.

We report on many of our activities via our annual CSR report, which has been updated to our Impact report. Some climate-related highlights include:

- We formally supported the Sustainability Principles Charter in its launch, encouraging those in the pensions industry to improve sustainability in the bulk-annuity process.
- A member of our RI Team was a co-author of the Institute and Faculty of Actuaries' (IFoA) influential paper, The Emperor's New Climate Scenarios. The paper highlighted concerns within approaches to climate-scenario modelling. It encourages participants in the financial market to challenge approaches to assessing the future impact of climate change and raised awareness of the complex nature of climate risk. The paper can be found here.
- We also remained involved with the NZICI, being represented on both the Steering Committee and the Manager Assessment Workstream. Activity within the group over the year was focused primarily on reporting, and we were pleased to both update our own report and see the collective NZICI report being published.

Embedding our climate pledge across our work

While our climate pledge and commitments through the NZICI guide our strategic activity, we've also set out five key areas of strategic focus on which further detail can be found in our 2023 Stewardship Code report.

Disclosure 2: 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 that set out our vision of a net-zero carbon future and our commitment to climate-related targets.

Carbon reduction and offsetting costs are built into our financial planning and priorities. We have a business plan in place with actions that address our key themes and accountable owners to oversee progress.

Several key actions were undertaken and progressed over the year. Highlights of these include:

- Continuing to embed climate-risk considerations within our propositions and services, including management of financial expectations and reporting on progress.
- Continuing our partnership with MSCI and using their analytics to assess client portfolios to get a baseline of clients' climate-risk exposure, as well as ongoing monitoring.
- Evolving our approach to climate-scenario analysis. We are continuously revising our approach to better understand risks and ensure our analysis is as comprehensive as possible. More information on this can be found on page 18.
- 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 and our Stewardship Code report, and our RI Mission Statement
- Responding to regulatory changes and consultations, as well as driving conversations by participating in industry groups and roundtable events.
- Producing thought leadership and other marketing material reflecting research and work undertaken in the area of climate change for our clients.
- Monitoring and reducing our amount of travel, where possible, without causing detriment to the way we operate and service our clients.
- Subscription to carbon-offsetting programmes to negate residual carbon emissions.
- Employee engagement and supplier management activities – high engagement with employees through actions such as staff webinars and briefings, as well as employee carbon-offsetting programmes introduced.
- Further considering our introduction of supply chains into planning 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 appropriately when setting out firm plans and activities for the year, with respect to climate-related risks and opportunities.

Financial planning has been impacted by the actions taken 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.

Disclosure 3: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, include a 2°C or lower scenario.

Our strategy has already changed a lot due to the work undertaken to embed climate-related risks and opportunities into ongoing and future plans, to ensure our business remains resilient and sustainable over the short, medium and long term. When considering our resilience, we can view this from two perspectives as outlined below:

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
While 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.

Scenario analysis

We have evolved our approach to scenario analysis within the delivery of our advice to clients. We have long been vocal about the importance of interpreting climate-scenario modelling with care, recognising that it's an area where both understanding and methodologies will develop.

Most approaches to climate-scenario modelling, including our own, have assumed the primary drivers of activity on climate will be twofold: (i) real-world action, including government policy changes, consumer changes and technological inventions; and (ii) the market response to these various drivers of change. Such scenarios have tended to focus on transition risks; however, we believe that models can be improved by:

A) Recognising that real-world action also includes physical risks, which, under certain cascading scenarios, can be globally material; and

B) Adding more nuance to the interplay between the real-world action and the market response.

Our approach is therefore to begin with a catalyst that could be driven by environmental considerations, policymakers or technological change. It's easy to conceive of these and, while many may be negative, positive events can also be examined. The question we're trying to address is: "What is going to drive a process of change?" Although this catalyst scenario can effectively tell us about different transition pathways, they're also interesting narratives in their own right – for example, a catalyst may help to illustrate physical risks. By considering different responses to an initial catalyst, we create multiple scenario pathways that offer different insight for decision-makers and create a more nuanced discussion of the potential risks and opportunities.

We want our clients to recognise the systemic nature of climate risk and understand that it can only be modelled with significant uncertainty. We're excited about this new approach because it can allow decision-makers to better prepare for these systemic risks, which will only increase because of climate change. This preparedness comes through not only in systems (such as beliefs statements, investment mandates and strategic asset allocation benchmarks), but it also helps with decision-maker mindsets – which is the only thing that can help when the unexpected occurs.

Risk management

Risk management disclosures

Disclosures 1 & 2: Describe the organisation's processes for identifying and assessing climate-related risks. Describe the organisation's processes for managing climate-related risks.

We recognise that market-wide risks can and do occur, as events have demonstrated, but believe the way in which we help our clients develop and implement strategies offers significant resilience. That said, we continue to explore mechanisms for monitoring the emergence of such risks. We're working on projects to develop a dashboard of potential financial stress and, as noted below, continue to evolve how we consider systemic risks through scenario analysis.

We believe that climate change is the biggest systemic risk faced by our environment, our society and our economic and financial systems. Our clients need to not only be ahead of this transition with the rapid shifts in the investment landscape, but they must also accelerate the change by investing in solutions.

As a result, and with climate change being a strategic imperative for our firm, we were a founding member of the NZICI in 2021. We've continued to expand the resource focused on addressing climate change issues across our business, as covered elsewhere within this report, and have embedded climate change risk and opportunity as a priority across our business.

Identification of risks

We keep a close eye on regulatory developments regarding climate change from two angles: the client perspective and the business perspective. Examples of our actions are outlined at the end of this disclosure. We believe we should not shy away from talking about climate risks, as discussion leads to understanding and action. Our goal has been to start conversations with clients, helping them to understand the potential consequences of climate change and to begin considering the different risks they're exposed to – and the potential opportunities.

Consideration of climate risk within financial systems is becoming a compliance requirement. This creates risk for us as a firm if we do not ensure this is embedded within our work. However, it also creates 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. Rather, we consider it to be around helping our clients and ensuring we're leaders in 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.

New risks to the company, including climate risks, go through the firm's emerging risks process. These are initially identified by individuals within the business and presented to the Management Board for discussion.

Assessment of risks

The risk will be reviewed and given an initial rating of Low, Medium or High, as well as discussion on whether it's imminent or further in the future. Once agreed, it's added to our emerging risk radar to be monitored by the Management and Oversight boards until the risk is seen as materialising, when it's managed locally by the relevant Executive. The impact and proximity rating of climate-related risks outlined under our six key themes are considered. The risks are then prioritised by the owners of that theme, with consideration given to achievability, timescales and value added by each of the potential actions.

Climate risks are currently captured within the firm-wide High Impact Material Risk dashboard and rated red, amber or green against appetite following relevant updates from the business. These are the highest risks that we manage as a firm and are closely related to our strategy. The potential size and scope of identified climate-related risks are measured in line with the firm's strategic targets and management information measures, overseen by the Management and Oversight boards.

Management of risks

When it comes to 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. Where risks should be managed locally, this is done 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 them across the six key themes outlined in Disclosure 1 – is allocated appropriately across the firm.

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

Client perspective

- We also have a duty to be well-informed of new regulatory developments that affect our clients across the pensions, insurance and retail markets.
- Over the past few years, we've seen significant regulatory developments from the Pensions Regulator (TPR), the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). In recent years, we've also seen a consultation from the Ministry of Housing, Communities and Local Government (MHCLG) on 'Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks'. Climate risk is specifically drawn out within regular updates from TPR and other professional bodies including the Institute and Faculty of Actuaries (IFOA). These regularly detail expectations on both asset owners and those advising asset owners, with a focus on promoting effective governance and producing climate-risk reporting. This encompasses us as advisers, as well as several of our clients.
- TPR continues to review climate-related reporting by pension schemes, noting areas for improvement, as well as highlighting how schemes have been handling ESG issues more widely.
- In addition, the government has set out expectations that pension schemes should be implementing climate-transition plans for their assets. This is something we've already been working on with several clients and we'll be well placed to support our wider client base as and when these plans progress.

Business perspective

- Our main concern is that we maintain compliance with the latest regulatory requirements regarding how we operate as a business. We've detailed our approach to doing this throughout this report, as well as in our other reporting, including our Impact report and 2023 Stewardship Code report.

Disclosure 3: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the overall organisation's risk management.

As outlined in the rest of this section, we embed our consideration of risks across our business, including climate-related risks. Below is a summary of how we do this from both a client and a business perspective. Moreover, we provide a case study surrounding how we try to ensure a holistic approach to the identification, assessment and management of climate-related risks to our firm and our clients.

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, and 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 Risk Management Disclosure 1.

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

Case study – improving our scenario analysis tools

As previously mentioned, we've been evolving our scenario analysis tools. As part of this, we've developed risk drivers, as well as narratives.

We think developing narratives for scenario analysis is important; for a climate scenario narrative to be realistic, we must consider how different actors within our global system respond to stress. This adds in the human response to environmental or other stimuli, recognising that different entities may not always take decisions that lead to an optimal outcome. We've done this by considering five different risk drivers: environmental severity and feedback, energy usage, technology progression, social policies and adaptation, and geopolitical tension.

We recognise that there may not be uniform responses by policymakers in all circumstances. In particular, the actions of global powerhouses such as the EU, China and the US will be influenced by other risk factors and could lead to unexpected outcomes. Under our new vision for climate scenarios, these dimensions are not just a footnote or a forgotten comment on how scenarios are constructed. Instead, they give decision-makers real insight into cascading and tail risks and genuinely help to bring scenarios to life in a useful, decision-relevant way.

This development has helped enrich our process for scenario analysis to help ensure that we produce high-quality data. Indeed, asset owners are increasingly being required to undertake climate-scenario analysis. It's therefore imperative that the results are reliable and high quality, as they're needed to inform decision-making to ensure the risks presented by climate change are not underestimated. A clearer picture of such risks will help institutional investors make important decisions, including to what extent they want to be impact investors or how they should allocate their assets considering the identified climate risks.

Metrics and targets

Metrics and targets disclosures

Disclosures 1 & 2: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

The Hymans Robertson CSR Team has been working with a third-party consultancy, Enistic, for several years, with a key focus on how to improve the energy efficiency of our business operations and to ensure compliance with the latest regulatory requirements.

Understanding GHG emissions

Many climate-related metrics are based on the level of GHG emissions that are related to a particular asset or investment. This isn't limited to carbon dioxide but includes all main GHGs such as methane and nitrous oxide (measured as 'tCO2e' – tonnes of carbon dioxide equivalent). GHG emissions are then categorised into three scopes:

- **Scope 1** – All direct GHG emissions from sources owned or controlled by a company, eg emissions from factory operations.
- **Scope 2** – Indirect GHG emissions that occur from the generation of purchased energy consumed by a company.
- **Scope 3** – Indirect emissions that arise from a company's activities, eg supply chains and the use and disposal of their products. These are sometimes the greatest share of a carbon footprint, covering emissions associated with business travel, procurement, production of inputs, use of outputs, waste and water.

Our carbon metrics

Our key metric is the firm's carbon footprint. This year's metrics, as well as those of the previous years (back to our base year of 2019/20), are set out below at a high level:

	2019/20	2020/21	2021/22	2022/23	2023/24
Scope 1	0	15	7	0	0
Scope 2* (+ figures before renewable energy)	0 (289)	0 (244)	0 (259)	0 (266)	0 (227)
Core Scope 3 emissions**	1,699	624	811	848	840
Total	**1,699**	**639**	**818**	**848**	**840**

*Our Scope 2 emissions relate to our electricity consumption in our offices. Our use of 100% renewable energy in our offices means that our figures can be reduced to zero.

**See overleaf for breakdown of our measured Scope 3 emissions.

The nature of our business means that the only direct Scope 1 emissions generated by our operations come from the occasional topping-up of refrigerant gases in our office air-conditioning systems (as required as part of a regular maintenance programme).

Therefore, our primary area of focus is on Scope 3 emissions. The ‘core’ Scope 3 element of our emissions (as measured in line with our firm’s climate pledge) includes the following:

- Tracking of all business travel
- Analysis of waste disposal, materials use (paper) and water supply/treatment
- Staff survey to capture commuting data

Our total Scope 3 emissions also include those generated from home-working (measurement estimated from 2020/21 onwards). Our total Scope 3 emissions have been reported for 2022 onwards within our report and accounts, as below.

	2021/22	2022/23	2023/24
Total emissions generated through business travel	115	491	593
Total emissions generated through commuting	51	240	151
Total emissions generated through hotel stays	9	37	35
Total emissions generated through waste disposal	16	14	7
Total emissions generated through material use (paper only)	0	0	2
Total emissions generated through water supply and treatment	0	0	1
Estimated total emissions generated through home working	620	360	447
Total Scope 3 emissions (tCO_2e)	**811**	**1142**	**1236**

Methodology used in the calculation of disclosures

Our emissions are measured in line with GHG protocol methodology and using UK government GHG reporting conversion factors. All our emissions reporting is verified by our independent carbon consultants.

Disclosure 3: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Our commitment to enacting change is reflected in the firm's Climate Pledge to reduce our Scope 1, Scope 2 and core Scope 3 emissions by 50% by 2025 (compared to our baseline 2019/20 year) and ensure that these emissions are offset in full each year to achieve a net-zero position. A range of energy efficiency and carbon-reduction measures over the year ensured that we remain on track to deliver our pledge. Further details are set out below.

Our Climate Pledge:

By 2025:

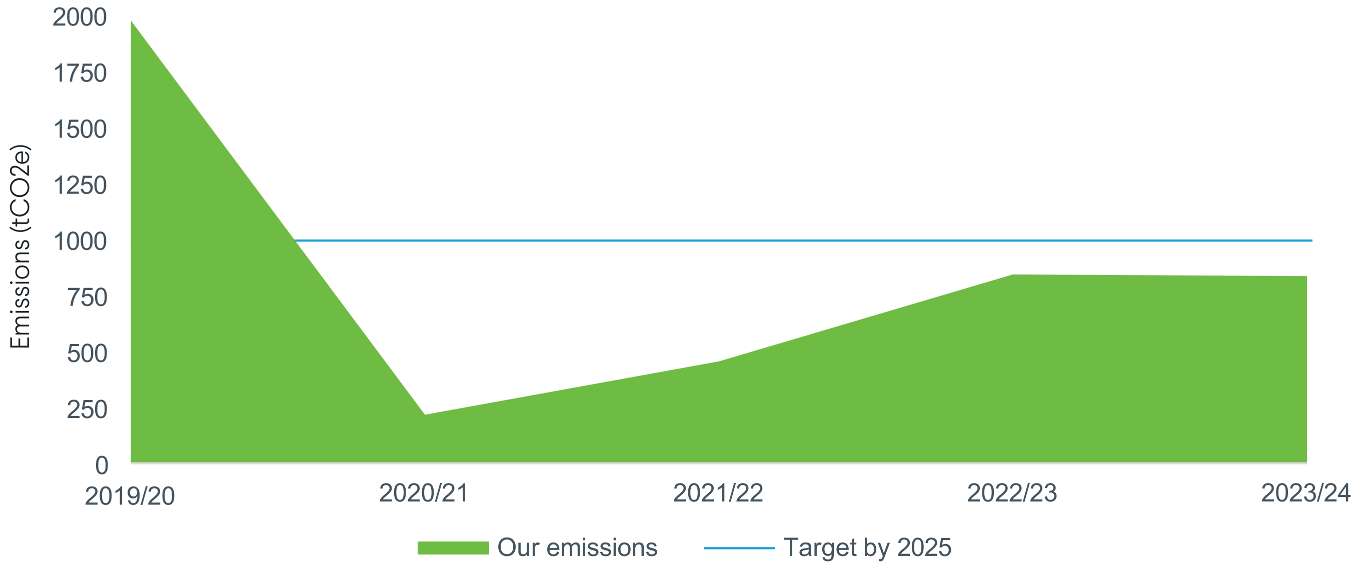
- We'll reduce our core 2019/20 carbon footprint of 1988 tCO^2e by 50%.
- We'll have offset our core lifetime carbon emissions of 33,800 tCO2e to achieve a net-zero position.

From 2020

- We'll offset our Scope 1, 2 and core Scope 3 carbon emissions each year to achieve a net-z ero position.
- Climate risks will be an integral part of our research, advice and services – and how we run our firm.

**Our core 2019/20 carbon footprint includes all Scope 1 & 2 emissions and the following in Scope 3 - business travel, commuting, hotel stays, material use, water supply, waste treatment, waste disposal, electricity transmission and distribution. We include 'well to tank' (WTT) factors in all relevant measurements. Our Scope 3 home-working emissions have been measured since 2020/21 and are included in our offsetting from this date.*

100% renewable energy contracts have allowed us to offset our office electricity emissions, while the pandemic saw our carbon footprint plummet as our offices were closed and we worked almost exclusively from home. 2022-23 represented a return to more normal work patterns, and 2023-24 saw us fully resume 'business as usual', with our new hybrid working approach in place. In this context, we're delighted to have met our climate-pledge objective over the past year, with our core emissions (after renewable energy) reduced by 57% from our baseline year. Our 2023/24 core emissions also dropped by 9% on a 'per head' basis compared to the previous year.



Factors contributing to our reduced emissions include more efficient infrastructure in our London office following its refurbishment last year, and our continued focus on reducing business travel emissions by 'travelling less and travelling smarter'. This has led to significant changes in our travel behaviours, particularly reducing journeys by air – aided by insightful PowerBI reporting that helps our teams track and understand their travel emissions.

High rail-ticket prices (especially in comparison to cheap air fares, where domestic air-passenger duty was halved by the government in 2023), reliability issues and ongoing strike action have made it harder for our travellers to select a train over a flight this year, particularly between Scotland and London (our most frequent journey). We hope to see things improve in the coming year. We've learned a lot, but underestimated the complexity and challenges involved in measuring our full Scope 3 footprint and developing our Science Based Targets aligned reduction plan, which we'd hoped to complete in 2023/24.

Priorities for the coming year include:

- Completing our move to a new carbon consultancy partner to help us further develop our carbon measurement and reduction programme;
- Completing our Scope 3 emissions measurement and putting in place our Science Based Targets aligned reduction plan and net-zero emissions target date; and
- Supporting our new sustainability champion network to raise awareness and further reduce the environmental impact of our offices.

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