TILNEY SMITH & WILLIAMSON LIMITED

CORPORATE RESPONSIBILITY REPORT AND CLIMATE-RELATED FINANCIAL DISCLOSURES

for the year ended 31 December 2021

Corporate Responsibility Report

Tilney Smith & Williamson has a strong commitment to corporate responsibility. It is core to our purpose, our culture and business strategy, and environmental, social and governance (ESG) considerations are being embedded into our corporate operational processes.

For wealth managers and financial advisors, such as ourselves, who are entrusted with the stewardship of our clients' capital, it is also important to ensure that ESG considerations are embedded within our responsible investment processes.

The Group is committed to being a responsible corporate citizen in managing the impact of our business activities on the environment and on key stakeholders including clients, colleagues, investors and the wider community. We seek to minimise our environmental footprint, provide a professional and supportive workplace for colleagues and attract and retain people from diverse backgrounds to deliver the best possible service to all our clients. Ultimately, we are working towards a sustainable future.

As announced in December 2021, the Group is seeking to achieve Net Zero carbon emissions on our corporate operational footprint, as soon as possible. It is working towards expanding its assessment of Scope 3 emissions, including assets under management (the 'financed emissions' from the investment portfolios it manages) and will report on these in due course.

Governance

The Board has delegated the day-to-day management of its corporate responsibility to the Group Executive Committee (GEC), which has appointed the Corporate Responsibility Committee (CRC) to oversee these activities.

The CRC was formed during the year and replaced the Corporate Responsibility and Charities Committee. It is a sub-committee of the GEC. To fulfil our commitments, the CRC is responsible for setting and monitoring the Group's approach to the Corporate Responsibility strategy. This includes leading the Group's work on ESG, making recommendations to the Board and measuring the success of those policies.

The CRC activities are coordinated by the Chair and divided into four pillars to ensure that all the objectives of each pillar are considered across the entire business.

Susan Shaw, Chief Professional Services Director, is Chair of the CRC. The Board and GEC member with ultimate responsibility for our corporate responsibility is our Group Chief Executive Officer, Chris Woodhouse. The Committee sponsors of each pillar are:

Pillar	Sponsor
Environment	Andrew Baddeley, Group Chief Financial Officer
Responsible Investment	John Erskine, Chief Investment Management Director
People	Benne Peto, Group Chief People Officer
Charities and Communities	Nicola Mitford-Slade, Group Legal Counsel

The other members on the committee are:

Simonetta Rigo, our Group Chief Marketing Officer, works with all four pillars to support and communicate the CRC's strategy.

Philip Best, Group Chief Risk Officer, who has responsibility for climate-risk, attends meetings periodically.

As the CRC is a sub-Committee of the GEC, the committee members are all GEC members.

The members meet monthly to discuss and coordinate the activities being undertaken across all four pillars and consider overall corporate responsibility themes and activities. The Chair reports to the GEC monthly and to the Board on a quarterly basis. Chris Grigg, following his appointment as Chair, will be attending the monthly meetings as an observer, reflecting the Board's assessment of ESG as a key risk.

Our risk management framework encapsulates and supports our Corporate Responsibility strategy. Importantly, we recognise that corporate responsibility brings its own significant risks and opportunities, addressed under our risk management framework.

Key highlights and looking forward

Pillar	Objectives	Key highlights and looking forward
Environment	We are committed to managing our business in a sustainable way to minimise our impact on the environment. Our environmental considerations include waste (paper, recycling, plastics), water, biodiversity and deforestation, energy	• We are working towards Net Zero in our corporate operations and are pleased to include a Climate-Related Financial Disclosure Report See pages 20 to 28 • We are fitting-out our buildings to make them more sustainable, where possible. For new offices, we will consider the environmental impact of the building, fit-out and the moving process in our selection. Our newly refurbished office buildings in London and Birmingham both achieved a BREEAM 'Excellent' rating See page 6 • Environmental considerations are embedded within our Responsible Investment processes, policies and procedures See pages 8 to 12

Pillar	Objectives	Key highlights and looking forward
	efficiency and carbon emissions. We are striving to achieve the relevant UN goals on meeting environmental targets.	• We are reducing energy requirements and moving to green energy. Greenhouse Gases report (GHG) and energy efficiencies are measured **See page 5** • In 2022, we will complete the CDP (formerly the 'Climate Disclosure Project') questionnaire to become a CDP supporter • We have implemented 'Smart Working' which reduces travel and office space requirements for colleagues **See page 14** • Initiatives to reduce paper, printing and storage were introduced. These, plus digital technology improvements, have significantly reduced our paper storage requirement from 3,682 linear metres in 2018 to 387 linear metres in 2021, a reduction of 89% **See page 4** • In 2022, we will work with our climate consultants to include further Scope 3 emission categories in our assessment and develop our initial roadmap of data improvements required as we work towards our goal of Net Zero **See page 7**
Responsible investment	Responsible investment is a strategy and practice of incorporating ESG factors alongside purely financial considerations in investment decisions and the practice of active ownership/stewardship. We are engaged in stewardship (active ownership) in investment management to improve investees' ESG practices.	• UN PRI and UK Stewardship Code 2020 obligations frame the Group's investment process, policies, and procedures **See page 9** • We practice stewardship and active ownership through regular engagement with the companies in which our clients invest. This takes the form of informal discussions, as well as more formal voting, with the aim of improving ESG performance of those companies **See page 10** • We engage with collaborative engagement platforms (The Investor Forum and Climate Action 100+). Through collaborative engagements, the Group can influence and address various ESG topics **See page 10** • Systems, third-party research tools and databases, screening and sector specialists are used to measure and consider ESG factors relevant to each sector and investment. We will look to further understand our measures and risks related to the 'Scope 3 financed emissions' of the investments we manage for our clients **See page 10** • We offer a range of ESG and sustainable product and services solutions to clients, a bespoke discretionary investment management service, and a range of sustainable investment products. This includes Tilney's Managed Portfolio Service (MPS) range of strategies and the Tilney Active Portfolios (TAP) which include two Sustainable TAP funds. Our Sustainable TAP fund was crowned the Best ESG Investment Strategy in 2021 in the City of London Wealth Management Awards **See page 9** • Learning and development around ESG is a key priority for the Group. We have an ongoing multi-phase training programme aimed at our investment managers and financial planners to keep them up to date with the latest developments. We encourage our investment managers to undertake the UK CFA ESG exam and other relevant training related to sustainability and responsible investment, including the CFA's 'Certificate in ESG Investing', endorsed by the UN PRI **See page 11** • We aim to improve the knowledge base of our clients, through the production and communication of responsible investing articles and thought leadership pieces, as well as regular conferences, webinars and publications. We held our second Annual Responsible Investment Conference in December 2021 **See page 11**
People	Our people and our culture are central to our successful and unique client proposition. The quality of our people, their skill and	• Following the merger, we are committed to developing a culture which is the 'best of both', building on the existing cultural strengths of client focus and doing the right thing, where colleagues feel able to have a voice **See page 13**

Pillar	Objectives	Key highlights and looking forward
	expertise and the trusted long-term relationships they build with clients, underpins and sustains our success. Our ability to attract and retain a diverse pool of talent is central to our success. A competitive reward model and colleague training and developments is key, as is diversity and inclusion and wellness, to ensure we attract and retain the best talent.	• We implemented our 'Smart Working' approach and have invested in digital technology which allows our colleagues to communicate and work together more effectively, wherever they are based with better planning of use of facilities See page 14 • We have a Diversity and Inclusion Committee. Our diversity and inclusion agenda aims are to ensure that colleagues of all backgrounds, life experiences, preferences and beliefs, are respected and valued as individuals. We wish to embed a culture that values and celebrates diversity. We participate in programmes which support our diversity and inclusion strategy See page 14 • We have signed up to the Women in Finance Charter pledge for gender balance in financial services and have sought to improve gender diversity in both our Financial Services and Professional Services businesses • Our wellness agenda aims to ensure that we improve our colleagues' wellbeing and organisational resilience. We have made available resources which supports our colleagues' wellbeing. We have developed the skills to support organisational resilience and wellbeing by providing training to colleagues. We have encouraged conversations around wellbeing including mental health See page 15 • We aim to ensure that we educate, recruit and retain a diverse workforce that reflects wider society and our client base. We invest in our people and our colleagues regularly attend professional development courses, including ESG training, and technical updates See pages 15 to 16 • Our remuneration strategy aims to reward outstanding client outcomes and experiences and attract and retain high performing colleagues. This year, we outsourced recruitment to increase efficiency and eliminate bias in the hiring process See page 16
Charities and communities	As a Group, we enable our clients to invest responsibly, and we adopt the same approach to supporting our local communities. We have a wealth of talent and experience within our business and are keen to share this by enabling our employees to gain further personal and professional development by getting involved in community projects and activities.	• The Group's corporate charitable objective is to improve diversity and inclusion in financial and professional services. This aligns with the Group's diversity and inclusion policies See page 17 • This year, we committed to a three-year corporate charitable giving partnership with Impetus, an organisation which is transforming the lives of young people from disadvantaged backgrounds. We donated £100,000 to Impetus and have pledged to donate £100,000 annually for three years. We will also support Impetus through pro-bono work and volunteering See pages 17 to 18 • Our colleague charitable support focuses on three key areas: a) Employee volunteering; b) Give-As-You-Earn (GAYE) through a payroll giving scheme and c) Matched fundraising where we match our employees' fundraising efforts with donations of up to £250 for an individual and up to £1,000 for each team fundraising event See page 18 • To support our colleagues' charitable endeavours by offering generous donation matching, the Group donates £50,000 a year to the Tilney Charitable Trust to supplement the annual spend of the Trust. This year, the Trust donated £99,000 See page 18 • We participate in several programmes which support our diversity and inclusion strategy, including the 'Girls Network', 'She Can Be' and the '100 Black Interns Programme' See page 18

Environment

We are committed to managing our business in a sustainable way to minimise our impact on the environment. Our environmental impacts include waste (paper, recycling, plastics), water, biodiversity and deforestation, energy efficiency and carbon emissions. We are striving to achieve the relevant UN goals on meeting environmental targets. In December 2021, we set ourselves the goal of achieving Net Zero on our corporate operational emissions as soon as possible. We are supporters of the TCFD reporting framework and its recommendations.

We are pleased to include a Climate-Related Financial Disclosure Report on pages 20 to 28 and will further develop our governance, strategy, risk management, metrics and targets, as we work towards aligning with the TCFD requirements. We intend to report under the TCFD reporting framework for the year ended 31 December 2022.

Where we can, we are equipping our buildings to meet stringent environmental standards. When considering new offices, our selection processes consider the environmental impact of the building, the fit-out, as well as social and community aspects. As an example, please refer to 'Our buildings' on pages 6 to 7.

Environmental considerations are also embedded within our investment processes as well as our business operations. Further details on this can be found in the Responsible Investment section on pages 8 to 12.

Why it's important

The impact of climate change has contributed to extreme floods, wildfires, droughts and storms in various parts of the world. Temperature records continued to be broken. Following the 26th UN Climate Change Conference of the Parties (COP26), further pledges were made by leaders around the world, to reaffirm the goal of limiting the increase in global temperature to well below 2°C (and if possible, under 1.5°C) above pre-industrial levels.

Organisations have recognised the part they play, and the impact climate change will have on their businesses and investments.

Governance

The Environment pillar is headed by Andrew Baddeley, our Group Chief Financial Officer. Andrew is also a Board member and member of the GEC. Within the CRC, Andrew's role is to ensure that the environment is considered throughout the business in respect of its corporate operations, to lead and oversee the activities being undertaken to reduce our carbon footprint and to meet the Group's strategy of achieving operational Net Zero. He is supported in these activities by the CRC and the three other pillar heads, the Committee members and by senior management throughout the business.

Activities during the year

As noted in last year's Annual Report, the operation of our offices and business travel are the primary sources of our corporate operational emissions.

This year, to reduce our carbon footprint, we have implemented many initiatives across the business, as follows:

- Fit-outs - We commenced the sustainable fit-out of our new London head office and our new Birmingham office. Both buildings are rated BREEAM 'excellent' and there are 150 bike spaces, and no car park spaces at our new London offices. Further details about our sustainable fit-outs can be found on pages 6 to 7
- Green energy - where we procure energy directly, we aim to ensure that all energy is from renewable sources supported by Renewable Energy Guarantees of Origin (REGO). Where energy is supplied by our lessors, we will work with them to influence their sustainable selection of energy suppliers
- Sensor and LED lighting - our new offices will be fitted with sensors and LED lighting
- 'Smart Working' - this enables colleagues to partially work from home and partially in the office, reduces travel and has allowed us to reduce our office space utilisation. Over time, this will help us to reduce our overall space requirement. At the end of 2021, across offices in 27 towns and cities, we occupied 327,665 square feet (2020: 355,561 square feet), a reduction of 7.8% office space
- Paper usage, printing and paper storage - this year we successfully implemented our new Document Management Scheme (DMS) for Professional Services in our Guildford office and are rolling this out to our other offices. This, plus digital technology improvements, have significantly reduced our paper storage requirement from 3,682 linear metres in 2018 to 387 linear metres in 2021, a reduction of 89%
- Paper usage and clients - we supported and enabled more clients to adopt paperless reporting and enhanced the content available on our secure online client portals 'MyTilney' and the Smith & Williamson client portal. Where we have obtained their permission, we communicate with clients electronically
- Corporate travel – we continue to promote and support sustainable transport policies such as cycle-to-work and season ticket loans. Our Smart Working approach, video conferencing and online team working solutions have also served to reduce the requirement to travel and optimise our office space utilisation.

Greenhouse Gas (GHG) Emissions

As a UK incorporated, large organisation, Tilney Smith & Williamson is required to report its UK energy and greenhouse gas (GHG) emissions information.

The table below summaries the energy consumption and GHG emissions for the Group for the year ended 31 December 2021, measured in metric tonnes of carbon dioxide equivalent (tCO2e), along with the combined data for the previous year. Please see note 50 for a list of the companies included in the Tilney Smith & Williamson Group.

	tCO_2e 2021	tCO_2e 2020
Energy consumption used to calculate emissions, kWh	7,699,130	9,194,866
Scope 1		
Emissions from combustion of gas	287	523
Emissions from combustion of fuel for transport purposes	-	5
	287	528
Scope 2		
Emissions from purchased electricity (location-based)	1,218	1,280
Scope 3		
Emissions from business travel in rental cars or employee-owned vehicles, where company is responsible for purchasing the fuel	97	115
Total gross (Scope 1, 2 and 3, as above)	1,602	1,923
Intensity ratio: tCO2e / FTE	0.58	0.60

As a result of the pandemic, we have seen continued reductions in electricity (down 5%) and business travel (down 16% since last year and 71% since before the pandemic) which has resulted in a decrease in our emissions intensity ratio. The Group no longer provides company cars to colleagues. When comparing metrics to non-pandemic years, the decrease in business travel, along with reductions in office electricity consumption and gas use, are common trends across most organisations.

We have used the main requirements of the Greenhouse Gas Protocol to calculate our emissions. We have reported on all the emission sources required under the regulations. These sources fall within the Group, with an operational control approach being followed when defining our organisational boundary. We do not have responsibility for any emission sources that are not included in our consolidated statement. Where necessary due to the unavailability of meter readings, some energy consumption has been estimated using direct comparisons and pro-rata extrapolation. We have used the HM Government Environmental Reporting Guidelines (March 2019) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2021 to calculate our emissions. The intensity ratio has been calculated based on the Scope 1 and 2 emissions compared to full-time equivalent heads. This is comparable to the measure used in prior years and is considered to be the most relevant for a people-based business such as ours.

Scope 1 emissions are direct emissions from fuel used in company-owned vehicles and from gas used for heating in our offices. Scope 2 emissions are associated with our consumption of purchased electricity, heat, steam and cooling. The only Scope 3 emissions included above relate to the consumption of fuel used for company transport.

In the coming year, we will work with our climate consultants to evaluate and include further Scope 3 emission categories in our assessment (excluding financed emissions). The responsible investment team will also be undertaking work on understanding and setting a strategy to measure 'financed emissions' of the investments we manage on behalf of our clients.

Energy Efficiency

In addition to our partnership with our climate consultants, our Mechanical Electrical Plumbing (MEP) service partner for the Group provides an additional layer of energy use monitoring and reporting by providing the following:

- A year-by-year comparison of our monthly energy consumption and cost
- Reporting on building operation approach, controls of central plant identifying notable variance from the commissioned performance of equipment or systems
- Benchmarking of each office energy performance against CIBSE's TM46 published benchmarks
- Identifying energy saving opportunities by each office location.

Our buildings

New head office - Gresham Street

As disclosed in last year's Annual Report, we entered into a lease agreement for our new headquarters at 45 Gresham Street in the City of London and look forward to moving there between spring and summer of 2022. This is a great opportunity to further integrate the two legacy businesses into one as we relocate into a new head office location.

We are proud to announce that the Gresham Street development achieved a BREEAM 'Excellent' rating, awarded in July 2021.

BREEAM is the world's leading sustainability assessment method for master-planning projects, infrastructure and buildings. The BREEAM certification process looks at the project or buildings asset's environmental, social and economic sustainability performance, using standards developed by the Building Research Establishment (BRE). This means that BREEAM rated developments are more sustainable environments that enhance the wellbeing of the people who live and work in them and help protect natural resources.

Sustainable fit-out of refurbished building - Gresham Street

Refurbished office buildings cut the carbon footprints of everyone who occupies them. The refurbished office will save 6,660 tonnes of CO_2 over its lifetime, compared with a new building. That's equivalent to the carbon footprint of over 1,200 people in the UK.

The Gresham Street building has many features which will help to reduce our emissions. Some of these features include:

- The air handling units for the building benefit from thermal wheel heat recovery which improves energy efficiency by 70%
- A high efficiency cooling tower which utilises 78% less fan power compared to a traditional cooling tower
- A 735 square metres sedum (green) roof for biodiversity
- Sensor LED lighting throughout the building to minimise lighting energy requirements
- An accessible bike storage area for 150 bicycles in the basement and no car parking spaces.

Environmental impact of fit-out of our office space - Gresham Street

When considering the fit-out, we wanted to ensure that environmental considerations were built into the contract for our new head office. Three supply phases of a fit-out project were identified by our facilities management team. These were:

- the design and build of the fit-out works
- the supply of furniture for the new office
- the move and waste management before, during and after the move.

Our procurement evaluation criteria for Gresham Street were matched to our high sustainability requirements.

Fit-out contractor (Tier1 Contractor)

The overarching requirement was for a commitment to Net Zero carbon emissions for all construction activity on completion, covering both operational energy and water use. An online data capture system is in use to record every element of the environmental impact of the project. Waste removals are also tracked to calculate waste diversion. This data captured is updated and verified.

A summary of the key initiatives and targets agreed with the contractor to meet the Net Zero emissions for the refurbishment target, and being measured throughout the project, are:

- Carbon – the contractor is using renewable energy supply on site and no diesel and will offset any remaining carbon emissions with Gold Standard offsets
- Waste – contractors attend waste minimisation workshops to discuss best practice for waste reduction and waste is being audited to ensure compliance
- Waste diversion from landfill - waste segregation is ensured at the waste destination. Currently the project is achieving 98% diversion from landfill
- Training – compulsory courses held include sustainability courses with an over 90% completion rate to date
- Biodiversity – there are targets to create green space equal to 10% of the offsite floor area. The contractor is offsetting our carbon, through tree planting and other sequestering projects, and has planted 30 trees through the Trees for Life organisation
- Ethical Sourcing - materials are 100% responsibly sourced and all contractors on site have signed up to the Supplier Ethical Data Exchange (SEDEX)
- Social value and volunteering – all the contractor's staff were required to complete a volunteering day in 2021, to support the local community, in the name of the Group.

The fit-out is now well on the way to completion. Progress is monitored monthly, including the sustainable aspects of the project.

New office furniture

The furniture for our new offices is being sourced from a specialist ISO 14001 accredited furniture supplier with a strong commitment to sustainability and environmental management.

Move and waste generated by move

For our office move and clearance of existing offices in 2022, we have partnered with a commercial relocation company, located within 10 miles of our offices, to minimise the environmental impact of transportation.

The supplier re-uses move equipment (skates, trolleys, crates, etc) to reduce packaging and waste. The company also specialises in re-using furniture, wherever possible, by providing a remanufacturing and refurbishment service. Additionally, the company provides a technology clearance service and will clear and reconfigure items, some of which will be donated to schools, charities and social enterprises.

The selected supplier for the move operates a waste management system and will ensure that waste generated by the move will be sorted and sustainably re-used, where possible.

New office - Birmingham

As we seek to reduce our footprint by reducing our occupied space, we will also be combining our two Birmingham offices into one new location.

We are progressing with the sustainable fit-out of this office.

Our new Birmingham office building has a BREEAM 'Excellent' rating. Additionally, we have also recently been informed that this building has achieved an Energy Performance Certificate (EPC) rating of 'A' and is the only building in Birmingham City Centre to have done so.

Looking forward

We look forward to moving into our new sustainable offices in 2022. This will help to further reduce our operational carbon footprint.

Other activities planned for the coming years, following our announcement in December 2021 on our commitment to Net Zero, are summarised below.

- We will continue to make environmental improvements in our existing offices by opting for green energy suppliers, rolling out LED and sensor fit-outs and auditing our high consumption hardware to develop a strategy to address this
- We will review our policies to ensure that ESG and sustainability is embedded in our approach and will develop our over-arching environmental policy
- We are developing and will roll out supplier questionnaires relating to ESG, initially to our main suppliers, to evaluate their ESG considerations and emissions. We will evaluate our findings before extending to all our suppliers in due course
- We continue to work with our climate consultants to evaluate and include further Scope 3 emission categories in our assessment and work on our initial roadmap of data improvements required, as we work towards our goal of Net Zero
- To demonstrate our commitment to reducing our GHG emissions, we will be completing the CDP questionnaire to become a CDP supporter
- We will continue to keep abreast of the many developments and guidance around achieving Net Zero, Science based Target initiatives (SBTi), new Sustainability Disclosure Requirements (SDR) regime, the continuing progress on UK Green Taxonomy and further guidance on aligning with the TCFD
- We will further develop our strategy, risk management and metrics as we further align with the TCFD in the year ahead
- We will keep our colleagues updated via our intranet and other communication channels and offer training and updates on Corporate Responsibility and ESG
- We will support further training in ESG and sustainability issues and expand the knowledge base across the Group as ESG is embedded within our approach.

Responsible Investment

Responsible investment is about incorporating consideration of environmental, social and governance (ESG) factors into the way we invest our clients' assets, alongside purely financial considerations, combined with the practice of active ownership/stewardship.

As responsible investors, we are engaged in the stewardship of the businesses we invest in on behalf of our clients. We use our influence as shareholders to improve investee companies' own ESG practices and performance. We do this by engaging (directly and collaboratively) with companies where we have material shareholdings and by voting at shareholder meetings. As good stewards of our clients' capital, we seek to encourage better business practices which will both enhance value and reduce potential risks as well as increasing the impact of holding those investments on the both the environment and wider society.

The Group exercises its fiduciary duties for all clients as a responsible investor. Although we do not impose our own ESG views, all clients benefit from our integrated approach to responsible investment and our stewardship of their capital.

Why it is important

Responsible investment is an important principle for the Group and will play an increasing part in setting an agenda which considers ESG impact, policies, measures and metrics.

We are at the forefront of responsible investment within the UK wealth management industry and are deeply committed to being a good steward of our clients' capital. ESG factors can have a significant impact on the long-term financial performance and risk profile of investments, both positively and negatively, therefore we have integrated consideration of these factors as a core component of our investment approach.

We believe that companies with high standards of governance and corporate behaviours, sustainable business models and which make a positive contribution to the communities they serve and operate within are less risky long-term investments.

Our investment process has traditionally had a bias towards well-managed companies with sustainable business models.

Governance

Please refer to our Responsible investment Governance Chart on page 21.

The Board has delegated authority to the Financial Services Executive Committee (FSEC) for the oversight of the Group's investment process and client outcomes.

John Erskine, the Chief Investment Management Director, leads the Responsible Investment pillar within the CRC. He is also a member of the GEC, a member of FSEC as well as Chair of the Financial Services Risk, Oversight and Operations Committee (FS ROOC) and he reports to the Board on a quarterly basis.

FSEC has delegated authority to the Investment Process Committee (IPC) to manage and develop the investment process, including investment risk. FSEC receives monthly reports and recommendations from FS ROOC, to which it has delegated the oversight of client outcomes and operational matters for the investment management and financial planning business units.

The IPC has appointed the Stewardship and Responsible Investment Group (SRIG) to oversee the Group's approach to responsible investment. Governance of the Group's investment process, and SRIG's role within it, is shown in the Responsible investment Governance Chart.

SRIG comprises a range of investment managers from across the business and includes representatives of the Stewardship and Responsible Investment team (SRI), Compliance, Investment Risk and Regulatory Developments. The SRI team provides operational support to SRIG.

SRIG normally meets monthly and reports to the IPC. The IPC reports to the FSEC which reports to GEC and CRC monthly.

Activities during the year

Governance

During the year, changes in governance were made to fit in with the new group structure and the integration of activities. The structure on page 21 was adopted as a result.

SRIG is an important part of the Group's responsible investment approach. SRIG's primary objective is to ensure that ESG and regulatory requirements are fully embedded throughout the investment process. To manage active stewardship, SRIG works closely with the other committees including asset allocation, fixed interest, equity and the collectives' committees. SRIGs' activities include managing voting and engagement, training colleagues and ensuring that the Group remains at the forefront for responsible investment in our sector. SRIG is also responsible for identifying investment risks related to ESG.

The SRI team provides operational support to SRIG. They are responsible for the day-to-day management of responsible investment and for maintenance of our internal responsible investment hub. They are part of the front office where they provide advice and assistance to investment managers as the first point of contact for anything relating to responsible investment.

UN PRI & UK Stewardship code 2020

UN PRI

Tilney and Smith & Williamson are signatories of the UN PRI.

Smith & Williamson became a signatory to the UN PRI in October 2018, and Tilney become a signatory in July 2020.

UK Stewardship Code 2020

Smith & Williamson made an application for the new 2020 Stewardship Code in October 2021, having been a signatory of the 2012 Stewardship Code. We are awaiting the outcome of that application, which we expect to receive by March 2022.

Following the merger in 2020, great strides have been made in integrating the investment hierarchy, policies and combining the custody and investments systems onto one platform. We expect to be in position to submit a combined Stewardship Code application for the whole Group shortly.

These obligations frame the Group's investment process, policies, and procedures to help manage conflicts of interest, pursue an active voting policy and monitor the companies in which we invest.

Our Sustainable Investment Products and Services

We offer our clients a broad range of ESG and sustainable product and services solutions. Our discretionary portfolio management service applies a responsible investment approach to all our client portfolios based on our standard investment strategy, which integrates ESG factors into our investment decisions and stewardship actions.

We also offer clients a bespoke investment management service, upon request. Portfolio solutions are tailored according to individual client needs and preferences, including screening for positive and negative ESG attributes and restrictions, best in class investments for securities with higher ESG ratings, investments with sustainable themes, and responsible collective investments.

Client preferences and regulatory requirements are evolving quickly, and we continue to expand the resources available to meet these emerging challenges.

Tilney Active Portfolios & Sustainable Managed Portfolio Services

Our range of sustainable investment products and services is outlined below:

We offer a Sustainable Managed Portfolio Service (SMPS). This is a UK-based range of strategies, which celebrated its' tenth anniversary since its inception in September 2011. The SMPS range provides financial advisers with access to a suite of sustainable discretionary investment management strategies to cater for different client risk and return objectives. The Group also launched a separate Sustainable MPS strategy in October 2021.

We also manage the Tilney Active Portfolios (TAP) range. TAP is a series of unitised fund-of-funds, which includes the Tilney Sustainable Portfolios. The original Sustainable TAP fund is classified as an Article 8 product under the EU Securities Finance Disclosure Regulation (SFDR), as the fund "promotes environmental and social characteristics". It was crowned the Best ESG Investment Strategy in 2021 in the City of London Wealth Management Awards. During the year, this fund was renamed as the Tilney Sustainable Cautious Portfolio.

In December 2021, we also launched the Tilney Sustainable Adventurous Portfolio, a further addition to the TAP range. This fund is managed on a similar basis to the Sustainable Cautious fund but is aimed at retail investors seeking a long-term growth focused portfolio of investments which demonstrate strong ESG and sustainability credentials, with a marginally higher risk profile than the Sustainable Cautious fund.

The TAP Sustainable Portfolios and SMPS use both positive and negative screening, with ethical and sustainable objectives as part of their core investment thesis and fund selection criteria. Their investment approach focuses on funds with sustainability themes which actively engage and invest in companies that operate in those areas. These sustainable portfolios also aim to avoid investing in companies with products or services that have a negative environmental or social impact.

Stewardship and engagement

As defined by the UK Stewardship Code 2020, stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and sustainable benefits for the economy, the environment and society. Stewardship is therefore a term closely linked with the practice of engagement or active ownership.

We practice stewardship and active ownership through regular engagement with companies. This takes the form of informal discussions, as well as more formal voting and collaborative engagement, with the aim of improving ESG performance of companies.

Our sector specialists, a cohort of approximately 80 in-house research analysts covering multiple sectors, regularly interact with brokers, company management teams, and investor relations representatives.

Voting policy

Smith & Williamson's voting policy can be found on the stewardship and responsible investment section of its external website. This is built from the firm's experience of engagement with companies, as well as the expertise of sector specialists and investment managers, which allows more nuanced judgements than the rules-based approach provided by proxy voting advisers. Additionally, every team has access to a database of voting recommendations and can provide clients with personalised voting records on demand.

Following the merger, our investment management and Digital Technology and Systems (DTS) teams are working to integrate the Tilney Smith & Williamson custody and investment systems to ensure that our voting and stewardship policies are applied consistently across the Group. In November 2021, the first tranche of the legacy Tilney assets under management were migrated on to the in-house custody platform with plans for a further tranche to be transferred by spring 2022 and most of the remaining assets to move by autumn 2022.

All voting activity is made publicly available each quarter and the Group's voting and engagement activity is published in the Annual Stewardship and Responsible Investment Report.

Since we began voting in November 2018, we have voted in over 2,419 company meetings and actively engaged with over 444 companies on their resolutions, up to 31 December 2021.

2021 has been a record year in terms of the number of company meetings voted in and engagement letters sent on resolutions since we started voting; we voted at 845 meetings (2020: 765) and sent 163 engagement letters (2020: 141).

Collaborative engagement

The Group is a member of collaborative engagement platforms to amplify the impact it can make by working with other investors. Through collaborative engagements, the Group can influence and address various ESG topics, wider themes and work with industry peers. We are members of:

- *The Investor Forum*: a community interest company set up by institutional investors in UK equities. The forum helps investors to work collectively to escalate material issues with the Boards of UK-listed companies
- *Climate Action 100+:* an investor-led initiative to ensure the world's largest corporate greenhouse gas (GHG) emitters take necessary action on climate change. We are part of a working group engaging with one of the world's 100 largest GHG emitters. This UN-supported engagement group has been hugely important in encouraging disclosure of GHG emissions and commitments to reach Net Zero.

Systems and ESG research tools

Last year, Tilney Smith & Williamson introduced a new investment management, custody and settlement technology system. This will be a key building block on which the responsible investment process and client sustainability preferences are fully integrated within portfolios in the years to come.

We use third-party research tools and databases to provide our investment managers with core ESG data to assist in measuring ESG factors and sustainability risks.

This is now available to all Group investment managers via the ESG champions in each investment team, which will enable us to capture third-party ESG data required to measure and manage our ESG risks in portfolios and meet pending EU SFDR and UK TCFD regulatory reporting requirements.

Our third-party research tools enable investments and portfolios to be mapped to the 17 Sustainable Development Goals (SDGs) and provide useful analysis regarding the rating for each element of the environmental, social or governance rating.

Where clients have ethical or other criteria, we have access to a product which allow portfolios to be screened for exposures. It allows for positive screening towards companies with a high or improving ESG scores and includes best-in-class portfolios and low carbon portfolios. This reporting tool may also be used to provide clients with the carbon footprint of their portfolios, upon request.

Sector specialists

Our sector specialists play a fundamental role in enabling us to exercise our duty as responsible investors, ensuring that the highest standards of governance are met and that ESG factors are given due consideration. They conduct in-depth research into UK and overseas equities and collective funds and use third-party research (including research analyst and research tools), some primary research and have many company meetings each year. They identify the most important ESG factors (typically the most significant 3 to 5) for the sector in which the company or fund operates and evaluate the short, medium, and long-term impact of ESG factors on performance.

Our Collectives funds fall into three categories: Green Tick funds, Responsible/Sustainable funds, and all other funds. All collective funds are subject to ESG-related due diligence regardless of their category.

Asset allocation, Investment Risk, and ESG integration

The Asset Allocation Committee (AAC) considers the growth of ESG investing to be a strong long-term theme that will have capital allocation impacts across different sectors and industries. This consideration is integrated into the advice provided to sector teams and into the coverage lists of securities and funds, alongside traditional financial metrics.

ESG factors are well integrated into the assessments of risks by sector specialists and consideration in portfolio construction for our equity and collective portfolios. We continue to enhance our capability to integrate ESG considerations for other asset classes, e.g., fixed income, alterative assets (such as real estate and infrastructure assets) and structured products.

Training and Education

Responsible investment and the growth in ESG products and services is rapidly evolving.

All members of the Board, senior executives and department heads receive induction and ongoing training on stewardship and responsible investment each year.

As part of our ESG integration roll-out, we provide training to investment managers and sector specialists on ESG topics.

Learning and development around ESG is a key priority for the Group. There is a three-stage mandatory training programme for all client facing investment professionals, plus sector by sector training each year. We encourage our investment managers to undertake the CFA's Certificate in ESG Investing exam endorsed by the UN PRI, and other relevant training related to sustainability and responsible investment.

Client ESG Knowledge Sharing

Additionally, we aim to improve the knowledge base of our clients, through the production and communication of responsible investing articles and thought leadership pieces, as well as regular conferences and webinars. Our responsible investment publications can be found on the external facing Stewardship and Responsible Investment section of our website and are regularly communicated to our clients.

We held our second annual Responsible Investment Conference in December 2021. Topics covered in conferences, seminars, and articles ranged from 'Navigating the Green Maze', Sustainable Investments, UN Sustainability Development Goals (SDG), Climate change, and COP26, through to forthcoming global accounting changes and impact measurement. We look forward to hosting further events in the years ahead for our clients, colleagues and financial intermediaries.

Policies

We maintain a series of policies under the overarching structure of our responsible investment policy statement, supported by our Investment Process Manual (an internal document). The policies which support responsible investment and stewardship activities are disclosed on the responsible investment section of our website. These relate to our:

- Responsible Investment Policy
- Voting Policy
- SRD II Engagement Policy
- Conflicts of Interest Policy
- Sustainability Disclosure Policy.

The policies are reviewed annually unless there is a regulatory change requiring an earlier update.

Memberships and awards

We are signatories of the UN PRI and Smith & Williamson made an application for the new 2020 Stewardship Code (see page 9). In 2021, we submitted our data to the UN PRI on behalf of both legacy businesses. Due to issues with their new reporting tool, the UN PRI are still working on our Assessment Reports which they aim to do publish by the end of June 2022.

We expect to be in a position to submit a combined stewardship code application for the whole Group shortly.

In addition, the Group is an active participant in industry working groups for sustainability-related initiatives and is a member of the following bodies:

- The Investment Association
- Personal Investment Management and Financial Advice Association (PIMFA)
- The Investing and Saving Alliance (TISA).

Over the year, we contributed to some of the above industry associations responses to the UK FCA's consultation process. These included proposals for the mandatory adoption of TCFD for asset managers and the FCA's discussion paper on the development of Sustainability Disclosure Requirements for sustainability labels and classification of UK financial services products and services.

As noted above, the Group is a member of the following collaborative engagement platforms:

- The Investor Forum
- Climate Action 100+.

The Tilney Sustainable Cautious Portfolio was awarded the Best ESG Investment Strategy at the 2021 City of London Wealth Management Awards.

Looking forward

We recognise that ESG factors matter and are important to all our stakeholders. We will continue to embed ESG into our processes, policies, strategy and decisions making.

Further activities planned for the coming years are summarised below.

- The integration of the legacy Tilney and legacy Smith & Williamson custody and investment systems followed by completion of the alignment of all legacy investment policies to Group policies. This is expected to be completed in 2022
- Following completion of the above, a combined UK Stewardship Code application for the Group will be submitted, together with a combined submission for the UN PRI's next reporting cycle
- We are working towards compliance with the FCA's mandatory TCFD reporting requirements and are updating our client portfolio level and fund reporting to meet these new obligations
- We will continue to develop our understanding of the impact of ESG themes, risks and opportunities into our investment process at an aggregate and individual portfolio level. This includes ongoing investment in tools to understand our underlying data needed to manage clients' portfolios. This also includes further work to understand and measure our 'Scope 3 financed emissions' of the investments we manage on behalf of our clients to support our TCFD disclosures
- To review and update the responsible investment controls supported by risk management and our internal auditors
- We continue to look for collaborative opportunities to join appropriate initiatives, as part of our ongoing stewardship activities
- We will build on our understanding of Principal Adverse Impact (PAI) measurement and reporting of our investments and other Level 2 SFDR reporting disclosures required for our EU based operations
- We will encourage further take up of the CFA ESG exams and other relevant internal and external training related to sustainability and responsible investment, including the CFA's 'Certificate in ESG Investing' and the 'Certificate in Climate', endorsed by the UN PRI
- As further guidance emerges regarding ESG and the consideration of sustainability issues and preferences, the Group will provide greater information to our clients, particularly on the impact of their portfolios on climate-related matters and all ESG factors
- We will integrate individual client sustainability preferences with appropriate systems.

Transparency is of utmost importance to us. We will remain transparent and share our progress with announcements and updates on our website.

People

Our people and our culture are central to our successful and unique client proposition. It is the quality of our people, their skill and expertise, and the trusted long-term relationships they establish with their clients which underpins and sustains our success.

Our ability to attract, develop and retain a diverse pool of talent is a central strategy. Key areas of focus are maintaining a competitive reward model and ensuring we have the appropriate knowledge and expertise that supports excellent client engagement.

Governance

The People pillar is headed by the Benne Peto, our Group Chief People Officer. Benne is also a member of the GEC. Benne has responsibility for implementing the People strategy of the Group which includes culture, smart working and communication, diversity and inclusion, wellbeing, talent management and people development and remuneration. This year, on formation of the CRC and to fulfil the commitments of the Corporate Responsibility strategy, the focus areas identified for the People pillar were:

- Culture – to focus on developing a business wide culture where colleagues have a shared purpose and values, which acts as our organisational compass to define the way in which we work and support the achievement of our organisational goals
- Diversity & Inclusion — to focus on improving the diversity of our organisation, ensuring that all colleagues are respected and valued as individuals, and that everyone has an equal opportunity to contribute to business success and to succeed
- Wellbeing — to focus on improving wellbeing and organisational resilience by developing colleagues' awareness and ability to improve their own wellbeing, as well as developing leadership ability to spot the signs of stress and provide support.

Activities during the year

In 2021 we have built on our cultural strengths by launching our new purpose and values, bringing the whole organisation together with a shared vision, and a defined way in which we work together and do business. We also undertook our first employee engagement pulse surveys to help us manage change and obtain colleague feedback to inform our People strategy going forward.

Following the impact of COVID-19, we introduced new ways of working across the business, optimising our organisational effectiveness, considering the health and wellness of colleagues whilst also reducing our carbon footprint and meeting our clients' needs. Communication continues to be improved through the investment in new tools for collaboration. Our diversity and inclusion agenda is being embedded into our culture, our recruitment and our development processes.

In 2021 we launched our colleague wellbeing strategy, with the objective of improving our colleague's engagement, organisational resilience and performance.

Culture

We recognise that our culture is a critical enabler to us achieving our organisational goals, underpinning the way in which we work, and connecting both our colleagues and clients to our purpose and values. Following the merger of Tilney and Smith & Williamson, we are developing a culture which is the 'best of both' businesses. We are building on the existing cultural strengths of client focus and doing the right thing, where colleagues feel able to have a voice, be involved in and contribute to the success of the business.

In 2021 we launched our new purpose and values, which were developed following contributions from colleagues in business-wide workshops and culture surveys.

Our purpose is *'to place the power of good advice into more hands'* reflecting our commitment to our clients, the quality of our colleagues and our proposition, and the ambitions of the business.

Our values reflect what is unique about our culture and our shared ways of working. They are:

- Personal – we treat you as an individual
- Partnership – we go further together
- Performance – we strive for more.

We have specific activities within our colleague engagement programme as we seek to embed our purpose and values across the business.

During the year, we undertook two short employee engagement pulse surveys in May and September 2021, covering colleague engagement, client focus, communication, leadership, management, enablement and career development. The second survey included two additional questions on our purpose and values, following their launch in July 2021. The insight provided by the surveys, has helped to manage change and to respond to colleague engagement levels and feedback through the post-merger period. We intend to continue with colleague pulse surveys every year.

Smart working and communication

As we transitioned out of lockdown in 2021, we implemented a new approach to our ways of working which we called 'Smart Working'. This put a framework in place which defined every role's working style, for example, whether home or office based, or a mix of both. We consulted with all our colleagues on the appropriate working style for their role, so everyone had clear expectations of the ways of working going forward. The Smart Working framework has provided clear guidance to colleagues and management and has enabled better facilities planning.

Communication is key to our business, particularly now that our Smart Working framework is in place, with more colleagues being non-office based for at least some of the working week. We have invested in digital technology which allows our colleagues to communicate and work together more effectively from multiple locations.

There is frequent communication from the leadership team, ensuring that colleagues understand our shared organisational goals and the progress we are making in achieving them, and this was particularly important as we integrated and merged our teams. We leveraged virtual team meetings to improve the effectiveness of communication and minimise unnecessary emails. In the last quarter of 2021, we upgraded our intranet which combined the two legacy intranets, easing access to information and systems for all our colleagues.

Diversity and inclusion

We recognise our responsibility to be an inclusive employer as well as the value that diversity brings in strengthening our ability to achieve our goals.

To ensure the development and delivery of the Group's Diversity and Inclusion agenda, the Diversity and Inclusion Committee (DIC) was formed with membership selected to reflect its diversity and inclusive aims. The committee reports to the Group Chief People Officer monthly and to the GEC and CRC on a quarterly basis.

Our diversity and inclusion agenda aims to ensure that colleagues of all backgrounds, life experiences, preferences and beliefs, are respected and valued as individuals, that all colleagues are given equal opportunity to contribute to business success and to be their true selves. We wish to improve all forms of diversity within the organisation and at all levels across the business.

Our Group Diversity and Inclusion Committee supports the development of our diversity and inclusion strategy. Firstly, we seek to embed a culture that values diversity, giving colleagues a voice, and the safety to speak and be themselves. This includes establishing and promoting diverse support networks within the business. We recognise and engage colleagues in religious and cultural celebrations and participate in national recognition days such as International Women's and Men's days and Gay Pride. Through such events, we showcase diverse role models both internally and externally, and tell their stories to reinforce positive role models.

Another area of focus for our diversity and inclusion strategy, is to ensure that we educate, recruit and retain a diverse workforce that reflects wider society and our client base. Following the merger, we reviewed our flexible working and maternity leave policy and enhanced both to ensure they support the achievement of our goals. Our new outsourced recruitment provider has, by removing unconscious bias, allowed us to apply a more consistent criteria to a diverse candidate pool and to highlight our diverse credentials on our recruitment website. We are also developing the diversity and inclusion skills and understanding of our colleagues by providing training on business wide sub-conscious bias and hiring manager recruitment training. So far 30% of our managers have completed this training,

We participate in programmes which support the under-represented and under-privileged groups in society. These include: the Girls Network, where some of our colleagues dedicate their time to mentor young women; the 100 Black Interns Programme which provides summer internships; and 'She Can Be' by participating in workshops and events that help young women see the City as a viable career option.

We have signed up to the Women in Finance Charter pledge for gender balance in financial services and have sought to improve gender diversity in both our Financial Services and Professional Services businesses. We will be communicating our first targets under the Charter in 2022.

In the formation of the Board and the Group Executive Committee, we have sought to improve gender diversity and are committed to doing this within all levels of the organisation. The following table shows the gender mix of the Group:

Organisation level	Female		Male		Total
31 December 2021	Number	%	Number	%	Number
Board of Directors	2	18%	9	82%	11
Group Executive Committee	4	36%	7	64%	11
Senior management	33	24%	105	76%	138
All colleagues (including Group Executive Committee and Senior management)	1,520	46%	1,766	54%	3,286

Organisation level	Female		Male		Total
31 December 2020	Number	%	Number	%	Number
Board of Directors	2	18%	9	82%	11
Group Executive Committee	4	31%	9	69%	13
Senior management	31	24%	100	76%	131
All colleagues (including Group Executive Committee and Senior management)	1,474	47%	1,658	53%	3,132

The 2020 Gender Pay Gap Report for Tilney Smith & Williamson is available on our websites. As an employer, we are committed to reducing our gender pay gap and we continue to focus on ways to encourage and support the progression of women into senior roles through recruitment, promotions and mentoring.

Wellbeing

Our employees are our most valuable resource, and as such we wish to support and improve their wellbeing and organisational resilience.

In 2021, we launched our colleague wellbeing strategy, which seeks to improve colleague wellbeing across several areas including emotional, physical and financial wellbeing. This has a positive impact on our colleague's engagement and improves organisational resilience and performance.

Firstly, we have made available resources and information which supports colleagues, such as online wellbeing guides. We have launched an improved employee assistance programme and family friendly policies and have increased the use of occupational health for return-to-work support. We have also enhanced benefits such as additional holidays and private medical cover.

We have been developing the leadership skills which support organisational resilience and wellbeing. We provided management training in leading change, leading remote teams and in how to identify the signs of stress and how to support colleagues. We have undertaken colleague training in adapting to change and working remotely.

Another area of focus for our wellbeing strategy has been to encourage conversations around wellbeing including mental health and we have shared experiences.

A colleague survey on wellbeing provided valuable insight on how well colleagues feel supported, on emotional, physical and mental resilience and work life balance. This will inform our wellbeing strategy going forward.

Talent management and people development

Our clients rely on the expertise and judgement of our people. As such, the maintenance and development of the expert level of skills required is an important aspect of our business.

We invest in our people. All our colleagues attend regular external and internal professional development courses and technical updates, relevant to their areas of specialism, to ensure their knowledge is kept fresh. In 2021, most of our training and development was provided online, reflecting colleagues' new ways of working.

Recruiting the best talent continues to be a key area of focus for the business. In 2021, we outsourced recruitment to improve candidate and hiring manager experience, to increase the candidate quality and candidate selection pool and to increase efficiency in the hiring process. With practitioner/advisor recruitment, we continue to use psychometric profiling of potential candidates to assess their match to our benchmark high performing profile.

All new colleagues across the business experience a consistent online core induction which focuses on both what they need to know to be successful but also how we expect them to behave. Our new purpose and values play an important part in this induction.

We value development of professional skills and achievement of qualifications, participation in apprentice schemes, and we provide employee incentives, study leave and financial support for the achievement of technical examinations and professional body membership.

Within Financial Planning we have 250 practitioners (those authorised to give financial advice), all of whom hold a level 4 qualification as a minimum, predominantly with the Chartered Insurance Institute (CII).

Within Investment Management we have 308 practitioners of which the majority are qualified to a minimum of level 6, predominately with the Chartered Institute for Securities and Investment (CISI). In addition, 247 of the Investment Management practitioners hold chartered status with the CISI. All graduate trainees within Investment Management are required to pass the Chartered Wealth Manager qualification, which is level 7, before they can progress to the practitioner role.

Within Professional Services we have over 449 qualified accountants and Certified Tax Advisers with an extensive range of expertise advising private clients, family-owned businesses and entrepreneurs.

Client engagement skills continued to be an area of focus in 2021 and we have invested in programmes of soft skills, underpinned by the principles of behavioural science.

We set clear expectations through our performance management, with objective setting, coaching, and formal and informal feedback central to our approach. Our new values are incorporated into the behavioural assessment.

We have leadership programmes for developing new leaders as well as more sophisticated programmes for more experienced leaders. Given the business growth and change agenda, we particularly focused on strengthening leaders change management, adaptability and resilience skills during the year.

Remuneration

Our remuneration strategy aims to reward outstanding client outcomes and experiences, aid high performing colleague attraction and retention, and support the wider business objectives, within a robust risk, compliance and regulatory framework. The principles which underpin our remuneration strategy and support the achievement of our aims are to:

- enable colleagues to benefit from a competitive base salary, pensions and benefits package, and participate in a bonus plan
- consider total compensation against competitor and market benchmarks
- ensure that we recruit and retain key talent
- ensure that our approach is compliant with regulations and aligned with sound risk management, and in accordance with applicable requirements including the management of sustainability risk
- enable key senior staff to participate in the equity value created.

Policies

We maintain a series of people policies. The policies listed below support our Corporate Responsibility Strategy:

- Equality, Diversity and Inclusion Policy
- Health and wellbeing policy
- Dignity at work policy
- Living Wage policy
- Flexible working policy
- Recruitment policy

Looking forward

As we embed our culture and our values, some of the activities planned are summarised below.

- We intend to continue undertaking colleague pulse surveys every year and will respond to the feedback to maximise our engagement with our colleagues
- We are committed to improving diversity within our organisation and industry and will continue to develop the skills and understanding of our colleagues by extending training to cover sub-conscious bias and recruitment
- We will continue to develop our diversity and Inclusion strategy
- We will be communicating our first targets under the Women in Finance Charter in 2022
- We are committed to reducing our Gender Pay Gap and will continue to focus on ways to encourage and support the progression of women into senior roles through recruitment, promotions and mentoring
- We will continue to further develop our wellness strategy by incorporating physical and mental health
- We will continue to monitor and evolve our remuneration strategy to ensure it delivers against our remuneration principles and wider business objectives
- We will promote sustainable transport policies (season ticket loans and cycle to work), implement further policies, metrics and measures and reduce our corporate travel
- We will develop our metrics and targets related to diversity, inclusion and wellness.

Charities and Communities

As a Group, we enable our clients to invest responsibly, and we adopt the same approach in supporting our local communities. We have a wealth of talent and experience within our business and are keen to share this with the community and enable our employees to gain further personal and professional development by being involved in community projects and activities.

Governance

The Group's Charities and Community work forms one of the four pillars of the Group's Corporate Responsibility Committee (CRC).

The Charities and Community pillar is headed by the Group General Counsel, Nicola Mitford-Slade, who is both a GEC and CRC member. As Chair of the Charities and Community Committee (CCC), Nicola's role is to ensure that both the corporate and colleague charitable objectives are met in line with the Group Corporate Strategy, whilst ensuring that the Group's charitable policies are adhered to.

CRC have delegated responsibility for applying the policies to the CCC. The CCC operate under an effective governance structure to protect our reputation, brand and our relationships with regulators and legislators, as well as our stakeholders.

Our strategy for Charities and Communities comprises of two strands:

- Corporate charitable giving, and
- Colleague charitable giving.

The objective of both is to support charitable activities through volunteering, charitable giving and by supporting local communities.

We recently launched our Tilney Smith & Williamson purpose *'to place the power of good advice into more hands'* and our values of Personal, Partnership and Performance.

In line with statement of purpose, our charity aims are also to:

- replicate values of personal, partnership and performance
- partner with charities which have a similar geographical footprint (with UK reach)
- be sustainable.

Activities during the year

Corporate charitable giving

The Group's corporate charitable objective is to improve diversity in financial and professional services. This aligns with the Group's diversity and inclusion policies.

Following the excellent support that legacy Smith & Williamson gave to 'FareShare', a national network of charitable food redistributors, and that legacy Tilney gave to Critical NHS in 2020, it was important to us to continue supporting those most impacted by the COVID-19 pandemic, whilst also meeting the corporate charitable objective. This led us to look for a charity partner that was focussed on young people who have been disproportionately impacted by the pandemic.

During the year, we searched for a charity we could support that would benefit from our wealth of technical expertise through pro-bono and volunteering work. Impetus was selected as our charity partner and meets the charity aims as set out above.

Our new corporate partner – Impetus

We are delighted to have committed to a three-year partnership with Impetus.

Impetus is an organisation that is transforming the lives of young people from disadvantaged backgrounds by ensuring that they get support to succeed in school, in work and in life.

Their approach is to find, fund and help build charities that have:

- A focus on improving education and employment for economically disadvantaged young people
- A leadership team and board which is committed to improving and growing their impact
- The potential for longer term sustainability and scale to reach more young people.

Impetus currently fund and support a portfolio of 17 charities working hard to narrow the gaps in education or employment for young people from disadvantaged backgrounds.

In our selection criteria, it was important to us that our charity partner had a similar geographical footprint to us. Impetus's charities are spread across the UK and most of our colleagues live and work within a short distance of an Impetus project. This makes it easy for all our colleagues to get involved and make a difference.

Impetus will have the opportunity to benefit from our wealth of technical advice and expertise through our provision of pro-bono and volunteering work, from specialist tax advisers to human resources and marketing professionals, to mentors to encourage disadvantaged young people to consider roles in both the financial service sector and professional services sector. Through this collaboration, our people can actively be engaged and make a significant difference to Impetus' charities and to the young people that they support.

To give a flavour of the type of charities which Impetus nurtures and develops, three examples are listed below:

- Action Tutoring - supports thousands of young people each year by making tutoring available to those who cannot otherwise afford it
- Dallagio Rugby Works – an intensive programme of long-term skills development based around rugby. The charity supports 14- to 17-year-olds who have been excluded, or have been at risk of being excluded, to help them to progress into further education, training, or employment
- Resurgo – a charity which specifically targets young people who have been out of work, education or training for a year or more. It helps to prepare disengaged young people for work and into a job.

We have kicked off the partnership by donating £100,000 and pledge to donate the same amount annually for the three years.

Through Impetus, we had an opportunity to work with IntoUniversity, a charity that supports young people from disadvantage backgrounds to go to university by giving them support to raise their attainment and aspirations. We hosted a Business in Focus volunteering day in January 2022. The workshop was an opportunity for up to 12 Tilney Smith & Williamson volunteers to support a group of 30 secondary students through an employability-focused business simulation. Such events have a demonstrable impact in developing young people's key skills such as teamwork, communication and leadership.

We also have a team working pro bono to support a charity to develop their strategy,

Participation in other support programmes

As part of our diversity and inclusion strategy, we also participate in several programmes which support the under-represented and under-privileged groups in society. These include:

- the ‘Girls Network’, where some of our colleagues dedicate their time to mentoring young women
- the ‘100 Black Interns Programme’ which provides summer internships
- ‘She Can Be’ by hosting workshops and events to help young women see the City as a viable career option.

Colleague charitable giving

Our colleague charitable giving objective is to support our colleagues’ charitable endeavours by offering generous donation matching and employee volunteering opportunities.

Colleague matched fundraising is funded by the Tilney Charitable Trust (TCT). TCT was established in 1979 and has since donated over £3 million to local and national charities. The Trust has a strong heritage of providing funding to the charitable causes supported by our colleagues.

The Group donates £50,000 a year to the TCT to supplement the annual spend of the Trust to support Colleague charitable giving.

Colleague charitable support focusses on three key areas:

- Employee volunteering – as well as opportunities to volunteer with Impetus, this year we have also aligned with an organisation called Employee Volunteering to help organise team volunteering days which support our wider ESG plans. We continue to encourage and support our people to get involved and give all our employees paid time off to volunteer
- Give-As-You-Earn (GAYE) – during the year, we introduced a GAYE payroll giving scheme to replacing a previous payroll giving scheme. We encourage colleagues to donate through payroll and match every employee donation of up to £20 per colleague, per month. Regular donations in this way gives charities a reliable income stream
- Matched fundraising – we continue to match our employees’ fundraising efforts with donations of up to £250 for an individual and up to £1,000 for each team fundraising event. Additional matched funds are available for local office and national Tilney Smith & Williamson events through a donation from the TCT.

Additionally, in the run-up to Christmas, we encouraged our colleagues to nominate local charities for an award of £2,000 for each charity selected. Local charities rather than national charities were selected as the trustee’s opinion was that the award would have a greater impact on those local charities. The trustees of TCT had the unenviable decision of selecting thirty charities whose stated aims aligned with the Group’s charitable aims. Total funds awarded in this way were £60,000.

Through our colleague charitable giving donations, Tilney Smith & Williamson contributed £99,000 to 170 charities during the year.

Anti-bribery policy

Tilney Smith & Williamson values its reputation and is committed to maintaining the highest level of ethical standards in the conduct of its business affairs. The actions and conduct of the Group’s people as well as others acting on the firm’s behalf are key to maintaining these standards. The Group does not tolerate bribery or corruption in any form.

The firm prohibits the offering, giving, solicitation or the acceptance of any bribe or corrupt inducement, whether in cash or in any other form:

- to or from any person or company wherever located, whether a public official or public body, or a private person or company
- by any individual employee, Director, agent, consultant, contractor or other person or body acting on the firm's behalf
- to gain any commercial, contractual, or regulatory advantage for the firm in any way which is unethical or to gain any personal advantage, pecuniary or otherwise, for the individual or anyone connected to the individual.

Our policies cover reporting requirements, restrictions on gifts and hospitality and facilitation payments, our approach to politically exposed persons, information security, our procurement approach and charitable gifts and donations.

The Group will investigate thoroughly any actual or suspected breach of our anti-bribery policies.

Modern slavery and Human Trafficking

We are committed to ensuring our business and supply chain are free from any slavery or human trafficking. Due to the nature of our operations, the group is at low risk of exposure to these issues and our supply chain is not complex, predominately with UK based entities and/or providers who are also regulated.

Due diligence procedures are carried out with our major suppliers and contractual arrangements with our material suppliers are reviewed to ensure we can have confidence that they have sufficient procedures to protect against any slavery or human trafficking taking place in their business or supply chain.

Our tender and due diligence processes for contracts for our outsourced office services includes confirmation of the steps the potential suppliers take to ensure their businesses are free from modern slavery and human trafficking and to ensure they have sufficient policies and procedures in place to ensure workers have fair treatment and pay, access to adequate whistleblowing procedures, and have the necessary documentation to legally work in the UK. Contractors working in our premises also have the right to protection under Tilney Smith & Williamson's whistleblowing policies.

Our policy and statement will be updated in June 2022 and will implement suggestions from the new guidance for the financial sector in relation to modern slavery prevention and awareness, including implementing considerations into our ESG measures.

Whistleblowing Policy

This Whistleblowing policy sets out how colleagues may report any wrongdoings, malpractice, inappropriate behaviour or any concerns or situations they experience, about which they feel uncomfortable.

The policy provides that colleagues who act in good faith have a right not to be victimised, subjected to detriment or dismissed for raising concerns. Concerns can be reported to line managers, or to Risk and Compliance and may be raised verbally or in writing and anonymously. In exceptional circumstances, the incident may be raised with the Group Chair or to Regulators directly. All concerns raised are fully investigated in line with the internal Whistleblowing Investigation Procedure. A Whistleblowing Champion, appointed by the Board, oversees the effectiveness of the Group's Whistleblowing procedures.

The Group provides access to an independent Whistleblowing Advice Line available to any colleague seeking independent and confidential advice at any stage of the process.

Tax Strategy

The Group's Tax Strategy has been made publicly available on our website www.tsandw.com, in accordance with the Finance Act 2016. Both the Risk and Audit Committee and the Board have reviewed and approved the strategy. The strategy sets out the Group's governance in relation to tax compliance, tax risk management, approach to arranging our tax affairs, and our relationship with the tax authorities. The Group's tax risk appetite is low.

Looking forward

We look forward to working with and supporting Impetus in the years ahead. We will encourage our colleagues and stakeholders to take up opportunities to volunteer by undertaking pro bono work and attending or running knowledge sharing events.

Activities planned for the coming year are as follows:

- We have pledged to donate £100,000 annually to Impetus for three years
- We will also continue to support local and national charities both financially and by engaging with 'Employee Volunteering'
- We will continue to support TCT with an annual donation of £50,000
- We will further develop our internal communication and share information about such opportunities via our dedicated Charity and Community intranet page and update the business periodically on our endeavours and achievements
- To support and encourage us all to be good citizens, we are seeking volunteers from our local offices to be local representatives. They will identify local charitable opportunities, help coordinate activities and encourage involvement of colleagues throughout the organisation
- We will continue to integrate and review all our policies to ensure that these are aligned with our corporate objectives, corporate strategy and corporate responsibility objectives.

Climate-Related Financial Disclosure

Our purpose is *'to place the power of good advice into more hands'*. It is at the heart of everything we do.

The long-term threat to humanity from climate change is continuing to accelerate the importance of our corporate responsibility on climate. We recognise that what we do matters and impacts our stakeholders, our communities, and our world. As wealth managers, investment managers and professional service providers, we are responsible both for the stewardship of our clients' capital and for ensuring that our financial advisory services are of the highest standards and enable our clients to build sustainable values and futures.

We seek to enhance the environmental footprint of our operational business as part of our wider corporate responsibility agenda and have set ourselves a target to achieve Net Zero on our corporate operational footprint, as soon as possible. In the year ahead, we will be developing our roadmap to Net Zero.

As responsible investors, we are embedding ESG measures throughout our investment processes. Climate is one of the key environmental measures. As business advisors, we seek to lead and advise our clients as they also assess their own climate impact and embark on their journeys to reduce their environmental footprints. We are supporters of the TCFD reporting framework and its recommendations.

We will embrace transparent and enhanced reporting so that our stakeholders can measure our progress on this important journey. As part of that journey, we have provided our Climate-Related Financial Disclosure.

Governance

The Board recognises the importance of good corporate governance and works to ensure that the Group's governance arrangements are robust, adaptable and able to deliver a well-run business which has at its heart its clients and which recognises its responsibilities towards shareholders, together with other stakeholders in the business and the wider markets and society in which it operates.

The Board has a commitment to develop and promote the purpose of the Group and ensure that its values, strategy and culture align with that purpose. It has developed a strategy and business model to generate long-term sustainable value. The Board believes that a strong culture, based on shared values and a sense of purpose, is vital to the success of a business and underpins the way in which we work, connecting both our colleagues and our clients to our higher purpose. The Group's governance framework supports decision-making and independent challenge. The Group is committed to creating and sustaining long-term value for its shareholders and other stakeholders (see page 69 to 80 in the Annual Report for Corporate Governance Report).

At Tilney Smith & Williamson, risk management arrangements form part of a strong governance culture. This culture is built upon the Three Lines of Defence governance model under which primary responsibility for identifying and controlling risks rests with the Group's businesses (the first line of defence). Ultimate responsibility for ensuring the adequacy and effectiveness of risk management rests with the Board, with oversight provided by the Board's Risk and Audit Committee (see page 26 to 27 in the Annual Report for details of our risk management processes).

Key personnel and committees

The Board has overall responsibility for the business strategy, setting out and meeting its corporate responsibility objectives. The Board Director with ultimate responsibility is Chris Woodhouse, our Group Chief Executive Officer.

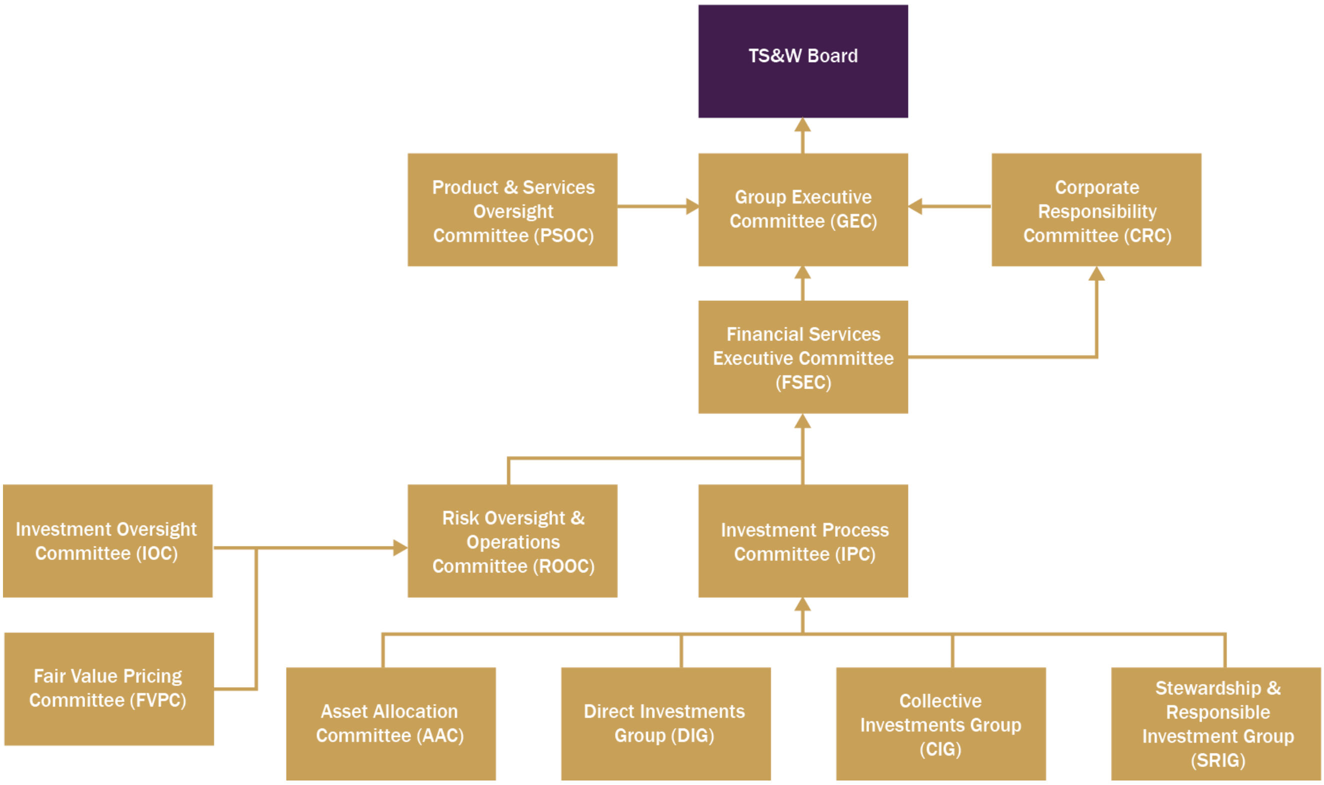
The Board has delegated the day-to-day management of its corporate responsibility to the Group Executive Committee (GEC), which has appointed the Corporate Responsibility Committee (CRC). This includes leading the Group's work on ESG, making recommendations to the Board and measuring the success of the policies.

The CRC was formed during the year and replaced the Corporate Responsibility and Charities Committee. The CRC is a sub-Committee of the GEC. The Group is committed to being a responsible corporate citizen and to act responsibly in managing the impact of business activities for stakeholders, colleagues, investors, the community and the environment. The CRC is responsible for developing the Group's approach to the Corporate Responsibility Strategy (CRS) and monitoring progress. To achieve this, the four pillars of Environment, Responsible Investment, People and Charities and Communities (see Corporate Responsibility Report pages 1 to 19) were identified. Each pillar is headed by a GEC member.

Our Group Chief Financial Officer, Andrew Baddeley, leads the Environment pillar which considers climate-risk, helping the Group deliver on its overarching climate responsibility.

The CRC meet on a monthly basis where the agenda of each of the four pillars is discussed and activities are reviewed, including environmental and climate-related activities. The Chair of the CRC updates the CEO and GEC monthly and reports to the Board on a quarterly basis to consider its recommendations, including recommendations regarding climate-related matters.

Responsible investment structure



Our Responsible Investment pillar is led by John Erskine, Chief Investment Managing Director, and member of the Financial Services Committee (FSEC). He manages and develops our investment processes, oversees and evaluates the investment risk and the impact of climate-change on our portfolios. FSEC has delegated authority to the Investment Process Committee (IPC). The IPC has appointed the Stewardship and Responsible Investment Group (SRIG) to oversee the Group's approach to responsible investment. This includes the data, research and tools required to integrate climate change into our investment decisions.

SRIG report to the IPC monthly on the activities being undertaken, and the IPC report on these monthly to FSEC. John Erskine updates the CRC and GEC monthly on the responsible investment activities and progress.

Group Internal Audit have responsibility for reporting, internal assurance and controls. The Board sub-Committee, the Risk and Audit Committee is supported by the Group Risk and Compliance Committee (GRCC) which is chaired by Andrew Baddeley, Group Chief Financial Officer. This sub-Committee monitors the risk management framework to ensure that adequate systems and controls are in place and that the businesses operate in accordance with all relevant legal and regulatory requirements. It also ensures the management of key risks against appetite group-wide and reports on deviations and material issues across the Group.

The GRCC plays an important role in supporting the CRC in identifying and understanding risks and opportunities, and in formulating management actions to monitor and mitigate any identified risks. The GRCC is informed of the activities of the CRC as several of its' members sit on both committees, including the Chair. The Group Chief Risk Officer (CRO) and/or a member of the GRCC attends the monthly CRC meetings. The environment, including climate risks, is discussed at each meeting.

We recognise how important sustainability and the need to work towards Net Zero is for our business, our colleagues and clients, our communities and other stakeholders. It is on the radar for the Board, the GEC, RAC and the CRC and supporting committees throughout the organisation as they seek to ensure that targets and progress in achieving ESG considerations are embedded into our operations, responsible investment processes and decisions.

Our strategy

We are deeply committed to managing our business in a sustainable way to minimise our impact on the environment. Our environmental considerations include waste (paper, recycling, plastics), water, biodiversity and deforestation, energy efficiency and carbon emissions. We are striving to achieve the relevant UN goals on meeting environmental targets. We are working towards reducing our corporate organisational carbon footprint to meet the group strategy of achieving operational Net Zero as soon as possible.

We believe that the most significant climate impacts for our business are in the form of 'financed emissions'. ESG factors including climate considerations, impact the long-term financial performance of investments, both positively and negatively, and our understanding of these factors will inform our clients. This may affect our organisation and stakeholders in the short-term (less than one year), medium-term (one to five years) and long-term (over five years).

The GRCC identified ESG as an emerging risk in 2020 and the Group have been monitoring regulatory and other announcements throughout the year. The GRCC moved this from an emerging risk to a top risk in 2021. In the latter part of 2021, this was further reclassified as a key risk for the Group.

Having identified ESG as a key risk, the main risks and opportunities were analysed. Our understanding of climate risks and opportunities and the potential impacts of those risks frame our strategy, as we seek to minimise exposure to those risks, both at a corporate organisational level and as a responsible investor.

Key physical and transitional risks to our business

The risks associated with ESG and climate-risk were analysed and have been split into two elements:

- Physical – the risk of climate change affecting the Group's operations and assets, including assets under management, in relation to more frequent or more extreme weather events and chronic changes in climate
- Transitional – the risks to the Group as it transitions to embed ESG and climate-risk across the organisation, are related to policy and legal risk, market risk, technology and reputation risks.

The main risks identified and related to climate change are:

Risk type	Climate-related risk	Potential financial impact
Physical risk	**Acute** Increased severity of extreme weather events such as extreme storms and flooding. National infrastructure (electricity, internet) may affect the ability of the Group to run the business. **Chronic** Extreme variability of weather patterns and reduced predictability of weather leading to unplanned short-term outages and disruption. Rising mean temperatures and rising sea levels. Energy and water security.	• Increased capital costs to our buildings (e.g., damage to facilities), potentially leading to a change in location strategy • Write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations) • Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations • Reduced revenue and higher costs because of negative impacts on workforce (e.g., health, safety, absenteeism) • Increased risks to our digital products and services and additional cost of investment in digital channels, platforms and storage. • Extreme weather, rising temperatures and sea levels may affect our colleagues, and our third-party suppliers and may lead to disruption of supplies at additional costs and loss of business. It may also affect our location strategy and ability to provide services • Increased costs of fuel and water. Potential increased capital spend on equipment to facilitate renewable sources • Potential for conflict which impacts geographical security affecting global markets • Potential for chronic weather impacting our customers and their service requirements • Climate-related issues may impact investment values and investment outcomes

Risk type	Climate-related risk	Potential financial impact
Transitional Risk	Policy and Legal Enhanced emissions reporting obligations. Failure to keep up to date with changing requirements from multiple and overlapping regulators both in the investment and wealth management arena and in the business advisory services sector.	• Increased operating costs due to higher cost of compliance including costs of dedicated specialist ESG staff and dedicated Responsible Investment staff to ensure we stay ahead of changing regulatory and best-practice requirements from multiple and overlapping regulators and consultancy costs • Non-compliance with regulatory requirements, may lead to regulatory censure, financial and reputational impact leading to loss of clients and revenues • Potential costs of fines and penalties
	Technology Costs of investing or adapting digital technology, particularly investment in the custody and investment systems to provide the building blocks for Responsible Investment to be embedded within our investment processes and policies. Increased requirement to recycle outdated technology. Risk of underestimating the costs and resources of the technology and its implementation.	• Additional costs of technology, both capital and operational costs, including new technologies • There may be a requirement to recycle equipment or even repair rather than the disposal of assets and this may increase technology costs • Under (or over) estimation of costs that may therefore not be adequately captured in financial planning
	Market Changing client awareness and behaviours. Information overload of clients with the number of variables they are required to specify, particularly our Financial Services clients.	• Failure to capture clients' expectations and choices leading to loss in revenues • Failure to adapt the investment process to adequately reflect client ESG and climate requirements may lead to poorer client outcomes • Loss of market share if do not adapt to change quickly enough and meet market expectations
	Reputation Changes in consumer preferences. Increased stakeholder concern or negative stakeholder feedback.	• Potential loss of new and existing clients if our ESG credentials impact the reputation of the Group, particularly risk the loss of the younger demographic • Loss of revenues from Financial Services and Professional Services business or loss of margins • Negative impacts on workforce management and planning (e.g., employee attraction and retention)

The main opportunities identified and related to climate change are:

Opportunity type	Climate-related opportunity	Potential financial impact
Resource Efficiency	Reduced water usage and consumption. Relocation to more efficient buildings. Reduced paper and storage requirements.	• Reduced operating costs (e.g., through efficiency gains) • Benefits to workforce of working in more efficient building • Better workforce planning leading to greater employee satisfaction
Energy Source	Use of lower emission sources of energy. Use of newer digital technologies. Use of more energy efficient offices.	• Reduced exposure to future increase in costs of fossil-fuelled energy • Reduced exposure to GHG emissions and therefore less sensitivity to potential carbon taxes • Reputational benefits of being more environmentally friendly • Opportunity to gain competitive advantage as invest in newer technologies • Greater availability of capital from investors for companies working to reduce climate impact and who recognise their corporate responsibility
Products and services	Expansion of sustainable investment services and products. Potential to attract new clients with the introduction of new products and services. Opportunity to offer new Professional Services to support clients through their journeys to Net Zero climate emissions.	• Increase in revenue through expansion of product and services • Potential to increase market share and offer a niche product or service • Availability of training and development opportunities for colleagues and creation of new roles. This may increase engagement and retention of workforce
Markets	More frequent engagements with our investment and financial planning clients as we assess their ESG preferences. This may further strengthen our client relationships. The availability of further sustainable products and services in Financial Services, Professional Services and Fund Administration. Opportunity to raise profile of our brand.	• Increased communication may lead to greater awareness of our diverse range of products in the wealth management and in financial planning sector • Increased diversification of financial assets thereby reducing the long-term risk
Resilience	Adoption of energy efficient measures. Resource substitutes / diversification.	• Increased market valuation through resilience planning (e.g., technology, land, buildings) • Increased reliability of supply chain and ability to operate under various conditions • Increased revenue through new products and services related to ensuring resiliency • The availability sustainable products and services should positively influence the attraction and retention of staff • Increased availability of capital resources to the business

As we work towards controlling and reducing our carbon footprint, we have implemented many initiatives across the business. A summary of these is set out below.

Physical risk

We have considered the environmental impact of new offices and the sustainable fit-outs of those offices, and the office moves are planned for sustainability. See 'Our buildings' pages 6 to 7.

We have invested in our digital collaboration platform and introduced 'Smart Working' to allow our colleagues to work from home. This was thoroughly tested during COVID-19 lockdowns. We also increased investment in digital storage back-up ensuring that there are backup options and locations for cloud-based services.

We consider long-term planning of potential changes when considering location strategy. The geographical spread of our offices, colleagues and customer base limits the physical risk.

ESG, including climate, is embedded within our Responsible Investment strategy to reduce risk and maximise opportunities related to our investments. Details of our Responsible Investment strategy and how this reduces our risk are discussed in the Corporate Responsibility Report on pages 8 to 12.

The Group is a member of two collaborative engagement platforms; The Investor Forum and Climate Action 100+. Through collaborative engagement with other investors, the Group can influence and address various ESG topics, including climate and wider themes.

In addition, we are also actively looking to reduce our operational impact on the environment by:

- We look forward to moving into our new sustainable, refurbished offices in 2022. This will help to further reduce our operational carbon footprint. The newly refurbished London office will save 6,660 tonnes of CO_2 over its lifetime, compared with a new building, the equivalent to the carbon footprint of over 1,200 people in the UK
- Green energy - where we procure energy directly, we aim to ensure that all energy is from renewable sources supported by Renewable Energy Guarantees of Origin (REGO). Where energy is supplied by our lessors, we will work with them to influence their sustainable selection of energy suppliers
- Reducing energy usage by switching to LED lighting and adopting sensor technology
- Reducing paper usage, printing and storage by implementing a Document Management Scheme (DMS).

We promote and support sustainable transport policies such as cycle-to-work and season ticket loans and through our 'Smart Working' policy. Our new head office has an accessible bike storage area for 150 bicycles and there are no car parking spaces.

Transition risk

Policy and legal

The CRC are supported by colleagues with responsibility to keep abreast of developments related to climate and ESG through training and development, engagement on panel discussions and research. As part of our ESG integration roll out, we continue to ensure all investment managers, sector specialists and research analysts are trained on all ESG areas, and this will be extended to all colleagues in the years ahead. SRIG and the SRI team in particular monitor the responsible investment regulatory changes and update training requirements.

SRIG and SRI, supported by Sector specialists, are fundamental for fulfilling our duty as responsible investors to ensure that ESG objectives are given due consideration. Sector specialists conduct in-depth research and consider the most important ESG factors (typically the most significant 3 to 5) for the sector in which the company operates. The specialists also evaluate the short- (0-1 year), medium- (2-5 years) and long-term (5-10 years) impact of ESG factors on performance.

Technology

Last year, Tilney, Smith & Williamson introduced a new investment management and custody and settlement technology system. This will be a key building block on which the responsible investment process and client sustainability preferences are fully integrated within portfolios in the years to come.

We used third-party research tools and databases to provide our investment managers with core ESG data and tools to assist it in measuring ESG factors and sustainability risks for the investments we manage for our clients. These tools are now available to all Group investment managers via the sector specialist teams. This will also enable us to capture third-party ESG data required to measure and manage our ESG risks in portfolios and meet pending EU SFDR and UK TCFD regulatory reporting requirements in the years to come.

Our third-party research tools allow us to map investments and portfolios against the 17 sustainable development goals (SDGs) and provide useful analysis regarding the rating for each element of the ESG.

Market

Where clients have ethical or other criteria, our investment teams have access to a client reporting tool which allow portfolios to be screened for exposures. It allows for positive screening towards companies with high or improving ESG scores and includes best-in-class portfolios and low carbon portfolios. This reporting tool can also be used to provide clients with the carbon footprint of their portfolios, upon request.

We offer Sustainable Managed Portfolio Services and Tilney Sustainable TAP funds, as detailed on page 9. The Sustainable TAP fund is classified as an Article 8 product under the EU Securities Finance Disclosure Regulation (SDFR). It was crowned the Best ESG Investment Strategy in 2021 in the City of London Wealth Management Awards.

We have supported and enabled clients to adapt to paperless reporting and enhanced the content available on our secure online client portals. Where we have obtained client permission, we communicate electronically.

Our Responsible Investment publications can be found on our external facing Stewardship and Responsible Investment section of Smith & Williamson's website and are regularly communicated to our clients. Additionally, we aim to improve the knowledge base of our clients, through the production and communication of responsible investing articles and thought pieces, as well as hosting regular conferences and webinars.

Reputation

As signatories to the UN PRI and supporters of the UK Stewardship code, the Group have incorporated ESG factors alongside traditional financial metrics into our responsible investment processes. Our obligations as signatories and supporters frame the Group's investment process, policies, and procedures to help manage conflicts of interest, pursue an active voting policy and monitor companies in which we invest. Our Responsible Investment policy is reviewed on an annual basis and can be found on our website. ESG factors and active ownership are now integrated in the Group's investment process.

Scenario analysis

It is important that we are aware of the climate impacts associated with our corporate operations and that consideration of ESG, including carbon-emissions and climate, is embedded within our corporate operations and investment processes.

The risk from transitional developments was explored in the ESG Scenario Analysis which was carried out during the year.

Two scenarios were considered that centred on the failure to accurately deliver regulatory requirements:

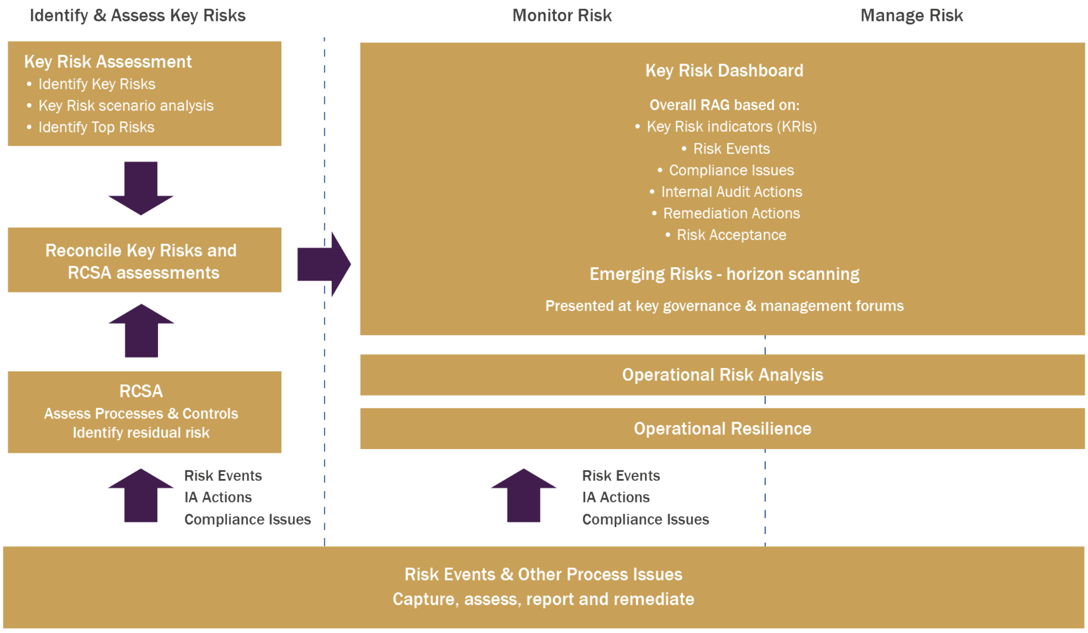
- a failure in trust and tools of the Group to correctly monitor and manage a client's portfolio in line with their ESG requirements. This leads to litigation and a single issue at the Financial Ombudsman Service (FOS)
- a stressed version of scenario 1 where the Group is assessed as being in breach of all three themes; transparency, trust and tools, with a systemic failure of ESG requirements. FCA fine due to the failings.

A further scenario was considered that was based upon a significant change in climate (a 2-4% rise in temperature leading to a market drop of 40%; this is a BOE stress testing scenario.

We plan to further enhance our stress testing to assess climate-related risks to the business over the coming year.

Risk

Our risk management framework encapsulates and supports our Corporate Responsibility strategy. Importantly, we recognise that corporate responsibility brings with it its own significant risks and opportunities, addressed under our risk management framework. The following shows how we assess, monitor and mitigate risks.



We identify and assess market-wide and systemic risks from many different angles. From a top-down point of view both the GRCC and the RAC are responsible for identifying both systemic and market-wide risk.

The Board are ultimately responsible for ensuring that adequate systems and controls are in place and that the Group operates in accordance with all relevant legal and regulatory requirements. Group Risk monitors the management of key risks against risk appetite group-wide, and reports on deviations and material issues to the GRCC. The Group Boards have delegated risk management to the GRCC with oversight by the RAC.

GRCC recommends the risk management policy and framework to the RAC. It reviews and recommend the Group's key risks, associated scenario analyses, risk appetite and key risk indicators to the RAC. The GRCC identifies, monitors and considers the key risks facing the Group, including ESG and climate-risk. The GRCC also assesses known or emerging risks and correlations across the business and adequacy of actions to avoid or mitigate the impact of identified risks.

The RAC advise the Board on the Group's risk profile and overall risk appetite in setting its future strategy, by considering the recommendations from the GRCC and the current and prospective macroeconomic and financial environments. In addition, the RAC also draws on reviews and areas of concern, guided by publications by the FCA and other regulators and authoritative sources. The GRCC also ensures that a suitable and effective risk management framework and strategy is in place and advise the Group Board and sub-committees in that regard. They review, challenge and report to the Group boards on the internal financial controls and the adequacy of the associated management information, both qualitative and quantitative, including ESG and climate-related information.

The Group Risk team maintain detailed risk registers, including climate-risk scenarios and the impact of both physical and transition risk, over different time frames. Every committee is responsible for identifying risks relating to their business area and for escalating those risks through the Governance structure of the Group.

Investment process – integration of ESG risks

Our central investment strategy identifies short (0-1 year), medium (1-5 years) and long-term risks (5-10 years), including those posed by structural trends, such as climate change and digital conversion, together with the concerns about interest rates, inflation, growth and geo-political risks. This informs the asset allocation process and top-down sectoral recommendations to investment managers.

From a bottom-up perspective, our analysts identify the top 3-5 material ESG impacts for each sector and use this to inform the investment decision making. Where this reflects market-wide or systemic risks to certain sectors, this is considered and impacts investment recommendations. Performance of all recommendations is regularly monitored and reviewed over multiple time periods through the IPC governance structures (see page 21).

The Group receives ESG data from research tools. Climate-related data included within this analysis includes electronic waste, financing environmental impact, packaging materials and waste, product carbon footprint, raw material sourcing, toxic emissions and waste, water stress, opportunities in clean technology, opportunities in green building and opportunities in renewable energy. ESG data scoring is used by our sector specialists in their assessments as well as their own analysis. In this way, they identify the ESG risk of each company and evaluate the short, medium, and long-term impact of ESG factors on performance.

Our investment managers and investment analysts have regular engagements with the companies in which our clients invest. Regular informal communication and more formal discussions, including discussions about ESG factors relevant to each company, plus use of research tools, helps us to manage and reduce risk.

Our proxy voting advisors provides us with third-party research that complements our in-house function. The issues that our advisors provide are shared with investment teams. We are transparent in our voting and attempt to engage with the company before voting against a resolution so that we may understand the background to the resolution. Research, engagement and transparency help to reduce risk.

Our policies and controls are designed to reduce risk and are regularly reviewed.

We continue to develop our colleagues' understanding of ESG factors and climate-risk. Our colleagues are key to help us identify, manage and monitor the risks and opportunities that face the companies in which we invest and within our own corporate operations.

Given the significant impact that climate change represents, we are committed to playing a positive role in the transition to a Net Zero economy. This will involve increasing our exposure to businesses aiding or benefiting from the transition to a Net Zero economy, while also decreasing our exposure to high-carbon businesses with no transition plans in place to align with the Paris Agreement.

Metrics and targets

As a UK incorporated, large organisation, Tilney Smith & Williamson is required to report its UK energy and Greenhouse Gas (GHG) emissions information. We have used the main requirements of the Greenhouse Gas Protocol to calculate our emissions. We have reported on all the emission sources required under the regulations.

The table below summaries the energy consumption and global greenhouse gas (GHG) emissions for the Tilney Smith & Williamson Group for the year ended 31 December 2021, measured in metric tonnes of carbon dioxide equivalent (tCO2e), along with the combined data of Tilney and Smith & Williamson for the previous year.

	tCO_2e 2021	tCO_2e 2020
Energy consumption used to calculate emissions, kWh	7,699,130	9,194,866
Scope 1		
Emissions from combustion of gas	287	523
Emissions from combustion of fuel for transport purposes	-	5
	287	528
Scope 2		
Emissions from purchased electricity (location-based)	1,218	1,280
Scope 3		
Emissions from business travel in rental cars or employee-owned vehicles, where company is responsible for purchasing the fuel	97	115
Total gross (Scope 1, 2 and 3, as above)	1,602	1,923
Intensity ratio: tCO2e / FTE	0.58	0.60

Further details regarding our emissions can be found on page 5.

Further work to establish key risk indicators, thresholds and KPIs will be developed and disclosed next year.

Looking forward

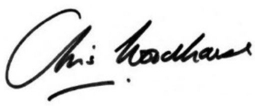
Tilney Smith & Williamson supports the Paris Agreement goals and the UK Government's aim for a Net Zero economy by 2050. We are committed to Net Zero carbon emissions for our operational activities in line with the Group's Corporate Responsibility strategy. We are supporters of the TCFD reporting framework and its recommendations.

Our key workstreams for the coming years to reduce our GHG emissions and to work towards alignment with the requirements of the TCFD are summarised below.

- We will be completing the CDP (formerly the 'Climate Disclosure Project') questionnaire in 2022 to become a CDP supporter
- We will continue to develop our understanding of the impact of ESG themes into our investment process and ESG risks at an aggregate and individual portfolio level. This includes ongoing investment in tools to understand our underlying data needed to manage clients' portfolios. This also includes further work to understand and measure our 'Scope 3 financed emissions' of the investments we manage on behalf of our clients
- We have engaged climate consultants to aid us in the development of our science-based targets (SBTi) and we will further develop our strategy, metrics including SBTI's and our initial road map to Net Zero emissions
- We are formulating supplier questionnaires to evaluate their approach to ESG. We are also undertaking work to understand our Scope 3 full value chain emissions and will develop a roadmap of our data requirements and improvements to develop our Scope 3 emissions strategy relating to third-party suppliers required to reach Net Zero
- Our move to our newly refurbished sustainable offices in London and Birmingham (see 'Our buildings' - pages 6 to 7) will further reduce our operational carbon footprint.
- We will continue to make environmental improvements in our existing offices by opting for 'green' energy suppliers, where possible, rolling out sensor LED fit-out and auditing our high consumption hardware to inform our energy reduction strategy
- We will ensure that ESG including climate considerations are embedded within our policies, procedures and are part of our decision making. We will implement sustainable policies to reduce paper, plastic, waste, energy emissions and consider other environmental policies
- We continue to keep abreast of the many developments and guidance around achieving Net Zero, SBTi's, new Sustainability Disclosure Requirements (SDR) regime, the continuing progress on UK Green Taxonomy and further guidance on aligning with the TCFD
- We will encourage further take up of the CFA ESG exams and other relevant internal and external training related to sustainability and responsible investment, including the CFA's 'Certificate in ESG Investing' and the 'Certificate in Climate', endorsed by the UN PRI and we will extend ESG and responsible investment knowledge across the business
- As further guidance emerges regarding ESG and provision of information to clients, we will provide greater information to clients, particularly on the impact of their portfolios due to climate-related matters and ESG factors.

Approval

Approved by the Board on 2 March 2022 and signed on its behalf by:



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