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

2024

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Our Commitment

As we continue our journey towards Net Zero, our Sustainability Committee who have oversight and responsibility for achieving and setting our Net Zero goals, have made good progress. Initially in establishing where we need to take action and then prioritising the goals to help the firm continue to build a sustainable business that helps many more generations of investors meet their financial challenges.

Having established our base line carbon footprint in 2023, we have a greater understanding of the impact our business has on our environment and the community we engage with. We are clear as to the actions needed to achieve Net Zero in line with current government goals: an undertaking that is not without its challenges. Of course, the challenges that surround the data gathering and a potentially changing macro environment must not be an excuse for inaction.

Our responsibility to our clients on a fiduciary level remains of paramount importance to us and this responsibility now extends to our role in society to ensure we are abreast of the changing world in which we live and the impact these changes could have on our clients' financial situations. As an investor in global public companies, we can challenge and change their behaviours to ensure their societal responsibilities are brought to the fore. In 2024, we engaged the services of EOS at Federated Hermes, a pioneer of effective stewardship and one of the largest, most skilled and diverse teams in the industry. Their engagement activities enable long-term investors such as JM Finn to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues.

Growing and nurturing wealth has been at the heart of what we do since we were founded in 1946. This has helped us develop a keen sense of our responsibility towards the stewardship of our clients' assets and encompass the wider challenges at play in the world today.

Hugo

Hugo Bedford
CEO

01. Introduction

This report is designed to set out our approach to climate change and the risks that are increasingly present in society today. In line with the recommendations of the Task Force on Climate-related Disclosures (TCFD), the report looks at how we manage climate change risk, the opportunities that exist for us and our stakeholders and how this is integrated within the firm's existing risk management and governance frameworks and its impact on our business strategy. We also present our plan to track our performance and goals as we look to further develop the sustainability of our business.

JM Finn

JM Finn is a wealth management business that helps investors overcome their financial challenges throughout their lifecycle. With a focus on private clients in the UK, the firm offers award-winning investment and wealth management services that can either be used independently of each other or combined to provide a holistic offering of an individual's wealth.

With a personalised approach to investing at the core of our business, we have long focussed on treating our clients as individuals. This has fostered a very high level of service and a keen sense of listening to our clients' needs, resulting in a distinctly tailored approach to managing our clients' wealth. As at the 31st December 2024, we looked after investment portfolios on behalf of over 20,000 clients, the majority of whom are private clients based in the UK, as well as pension funds, corporates and UK charities.

Climate risk

The understanding and integration of climate risk at financial institutions has changed quite significantly since the signing of the Paris Agreement in 2015. In the past, climate risk was largely seen through the environmental, social and governance (ESG) prism, with financial services firms catering to client demand through the design and distribution of ethical funds as part of their product offering.

But with countries putting in place Net Zero plans in alignment with the goals of the Paris Agreement, climate change and its attendant risks - both physical and transition - are now viewed by many firms as material financial risks that need to be integrated into existing risk management frameworks. This shift in attitude has been accelerated by increasing regulatory attention and stricter disclosure requirements across a range of jurisdictions. These compliance-led requirements are likely to become more stringent as the climate crisis worsens. From both a disclosure and a resilience perspective, therefore, it is important for firms to ensure that their risk management process considers, plans for, and discloses the impact of climate-related risk and opportunities on business operations and services.

Financial services - insurance, banking, asset management - will be among the industries most impacted by climate change due to the anticipated effect on the financials and future performance of the firms themselves and the investee companies that may be held in portfolios on behalf of clients.

As a wealth manager JM Finn is committed to ensuring transparency of its climate-related risks and opportunities as part of its overall Net Zero strategy. For this reason, the firm supports, and has adopted, the recommendations of the TCFD and wider UK Green Taxonomy. The development of global frameworks like TCFD improves the consistency of approaches to the identification and management of climate-related risks, and it will improve further as more organisations integrate the TCFD recommendations into their strategies and disclosure.

Task Force on Climate-related Financial Disclosures (TCFD)

To address the lack of consensus regarding a taxonomy, in 2015 the Financial Stability Board (FSB) was asked by the G20 to consider the risks of a rapid transition to a low carbon world and the potential for serious systemic threats to stability across the financial sector.

In response, the FSB created the Task Force on Climate-related Financial Disclosures (TCFD) comprising 32 members taken from across financial services, with representation from banks, insurance, asset management, pensions, large non-financial companies, accounting, consulting, and credit rating agencies.

The remit it was given was to develop voluntary, climate-related financial risk (physical, transition, liability) disclosures for use by companies providing information to investors, lenders, insurers, and other stakeholders to bring consistency to effective disclosures across industry sectors. The rationale was that climate-related financial risks would then become more central to board and investor decision-making.

In 2017 the TCFD released their own recommendations which are relevant to preparers and users of financial information in all industry sectors, and which broke down into four main topics, each of which is addressed in this report:

1. **Governance - to address climate related risks and opportunities.**
    a. Describe the board's oversight of climate-related risks and opportunities.
    b. Describe management's role in assessing and managing climate-related risks and opportunities.
2. **Strategy - to disclose such risks as they affect the organisation's financial planning.**
    a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.
    b. Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.
    c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios.
3. **Risk Management - to demonstrate management of the risks.**
    a. Describe the organisation's processes for identifying, assessing and managing climate-related risks.
    b. Describe how the processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.
4. **Disclosure - of the metrics and targets to measure progress.**
    a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
    b. Disclose scope 1, 2 and 3 greenhouse gas (GHG) emissions and the related risks.
    c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

TCFD stresses that financial services firms have a crucial role to play in influencing the organisations in which they invest to provide better climate-related financial disclosures. The recommendations of the TCFD have developed into the accepted, global framework for climate-related financial risk disclosures. Concurrent with the release of its 2023 status report on 12 October 2023, the TCFD fulfilled its remit and disbanded. The FSB has asked the IFRS Foundation (International Financial Reporting Standards) to take over the monitoring of the progress of companies' climate-related disclosures.

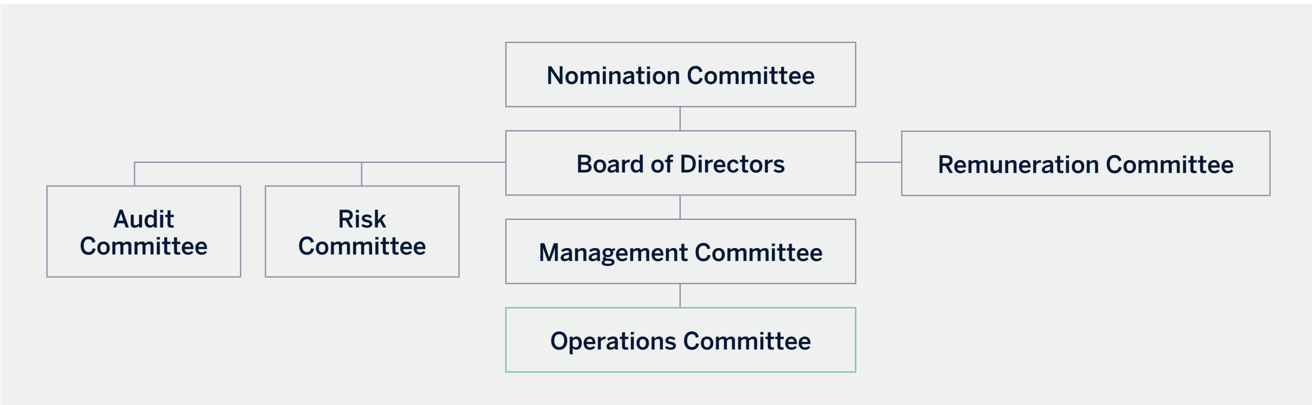
02. Governance

Governance has long been an area of focus for the business and we have honed our governance structure in recent years to ensure that our focus and commitment on our clients and the outcomes they achieve from our services are firmly at the forefront of the Firm's processes.

The Firm recognises the importance of managing its business activities with due consideration to both its shareholders, regulators, staff and client base, and believes that it is well structured to monitor and control its business. With this in mind, the Firm's corporate governance structure includes a series of robust principal and operational committees to oversee internal controls relating to Operations, Investment Management, Compliance, Risk and Internal Audit.

The Firm has established governance frameworks designed to provide strategic direction and oversight of all risks including climate-related risks.

JM Finn: Corporate Governance Committees Principal Committees:



The remit of the key committees is as follows:

Board of Directors: To direct the strategy of the firm and to hold the Management Committee to account for their delivery of that strategy. The Board has ultimate responsibility for oversight of climate-related risks and opportunities and sets the strategic direction for our climate response. The Board has overall responsibility for the TCFD Report.

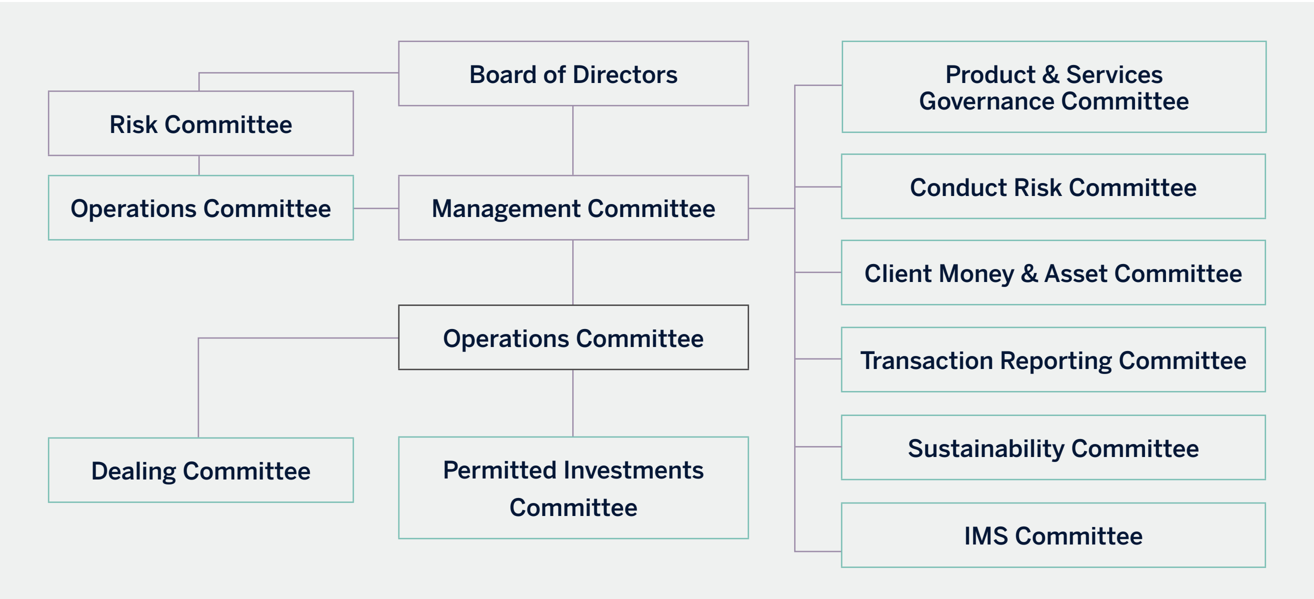
Management Committee: Responsible for the management of the day-to-day business detriment including executing the firm's climate strategy.

Audit Committee: To monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance. This Committee will also oversee implementation of climate-related disclosures captured in the financial statements.

Risk Committee: Recommends to the Board the firm's risk appetite, including climate risk appetite.

Operations Committee: Decision-making forum for addressing day-to-day operational matters across all areas of the Firm and implementing decisions taken by the Management Committee.

JM Finn: Corporate Governance Sub-Committees:



Our long-term approach to Sustainability

The Management Committee have approved the establishment of a Sustainability Committee. This Committee has representation from across the firm and a key task is to deliver our Net Zero Policy and Strategy.

Individual accountabilities are summarised below:

Chief Executive Officer has overall Senior Management responsibility for our approach to climate change.

Chair of the Sustainability Committee is the executive with responsibility for implementing our climate change strategy.

Head of Risk ensures that an appropriate risk management framework is in place for climate change.

The Head of Risk and Chair of the Sustainability committee are currently responsible for escalating climate-related risks and opportunities to Management Committee and the Board. ESG considerations are captured in an annual business strategy review which then feeds into project and budget requirements. The Board approves the annual strategy.

03. Strategy

The main priority identified for global society is to reduce greenhouse gas (GHG) emissions in alignment with the 2015 Paris Agreement to keep global warming 'well below 2ºC above pre-industrial levels, and ideally at no more than 1.5ºC'. Above these levels, there is a risk of humanity reaching irreversible tipping-points which will themselves trigger increased levels of cascading risk. At such a point, modelling climate risk becomes increasingly difficult as there will be no historical data on which to model assumptions.

For this reason, the Paris Agreement goals have been reflected in JM Finn's Net Zero Policy and Roadmap. The identification, assessment and management of climate-related risks and opportunities has been embedded in the firm's risk management process, which is itself subject to continuous improvement.

JM Finn's strategic focus

The focus to date has been around the identification of the risks of climate change to the business and its stakeholders. Once identified we have set about integrating these into our risk management and governance frameworks to help us mitigate these risks in the long term. Looking forward, we will dive deeper into identifying the opportunities that may exist for the business over the short, medium and longer term. At present the strategic focus has been on the environmental impact of our business from an operational standpoint, where we have assessed the Carbon Footprint for scope 1, 2 & 3 GHG emissions.

The table below represents some of the identified risks of climate change that impact the firm, including an anticipated level of materiality and time frame.

Risk Type, Materiality & Timeframe	Risk Driver	Climate-Related Risk	Impact on JM Finn
Physical (Acute) Low 1 -3 Yrs +	**Extreme Heat**	**Risk Summary:** Scientists and climate modelling predict that heat waves in Europe are increasing in frequency and intensity at a faster rate than anywhere else on the planet. Though the UK will be one of the countries least affected by climate change, it is likely that the UK will experience more frequent and intense periods of extreme heat, the largest cause of climate-related fatalities globally. The elderly and those on medication are particularly at risk.	**Impact:** (1) Extreme heat has negative effects on both the productivity and health of employees which may disrupt internal operations due to staff absences. (2) It may also affect the UK transport infrastructure (e.g. buckling rail tracks, shortage of transport personnel) making commuting both more difficult and uncomfortable.
Physical (Acute) Low 1 -3 Yrs +	**Storms / Extreme Precipitation (Rainfall) / Flooding**	**Risk Summary:** Scientists and climate modelling predict that in the UK climate change will increase the frequency and severity of storms. In addition, a warming atmosphere is associated with heavier precipitation through increases in the air's capacity to hold moisture, so leading to an increased risk of widespread and disruptive flooding.	**Impact:** (1) Storms, heavy precipitation and flooding may result in damage to the physical assets of the firm (offices, data centres), as well as disruptions to business operations and the supply chain. (2) Associated costs if the firm needs to undertake repairs or relocate (i.e. increase in property prices, costs of raw materials, insurance costs). (3) More frequent flooding events are likely to lead to an increase in insurance premiums for any JM Finn sites vulnerable to flood risk - over time, some flood-prone areas in the UK might be deemed uninsurable. (4) Storms / flooding may also affect the UK transport infrastructure making commuting more difficult and dangerous and the energy infrastructure leading to power cuts.

Physical (Chronic) Low 1 -3 Yrs +	**Resource & Energy Scarcity**	**Risk Summary:** As the climate crisis worsens the supply of natural resources and energy may come under pressure.	**Impact:** (1) Increasing energy and raw material costs for operations. In the UK an example of the former for a professional services firm is the likely increased use of air-conditioning in offices during periods of extreme heat. Air-conditioners account for c.10% of global emissions now and their use is increasing each year. (2) Resource scarcity will be a major operational consideration for many investee companies held in JM Finn portfolios.
Transition (Policy & Legal) Low 3-5 Yrs +	**Enhanced Emissions-Reporting Obligations**	**Risk Summary:** As the climate crisis worsens, it is likely that more draconian regulation regarding the reporting of Scope 1,2 and 3 emissions will be introduced at short notice at either (or both) government or regulator level.	**Impact:** To remain compliant with new disclosure regulations will likely result in increased operating costs for the firm (e.g. higher compliance costs, increased insurance premiums, use of external consultants). The same impact may also apply to the firm's wider supply chain and investee companies held in JM Finn portfolios.
Transition (Policy & Legal) Low 1-3 Yrs +	**Regulation of Existing Products and Services**	**Risk Summary:** As the transition to a Net Zero / low carbon economy accelerates, it is likely that across Financial Services there will be further regulation of products and services in line with, for example, the Transition Plan Taskforce (UK), EU Taxonomy and European Green Deal.	**Impact:** This may result in the need for both strategic and operational (system) changes in the way investment portfolios are classified and / or managed which may in turn increase operating costs and require internal training.
Transition (Policy & Legal) Low 1-3 Yrs +	**Exposure to Litigation**	**Risk Summary:** As instances of climate-based litigation increase, it is possible that JM Finn may at some point face legal action related to either: non-disclosure of ESG metrics, the non-implementation of its own stated Net Zero ambitions, or portfolio management.	**Impact:** Any fines or negative judgments arising from such litigation may result in damaging publicity in the media leading to client defections (annual net outflows) and reduced demand for JM Finn's portfolio services.

Transition (Policy & Legal) High 1-3 Yrs +	**Compliance Failure**	**Risk Summary:** Government Net Zero ambitions are leading to an increase in mandatory reporting regimes for firms. If not adhered to there is a risk that not only will the firm be in non-compliance, but the firm's stated ambitions may not match the operational reality.	**Impact:** Failure to comply with the firm's stated sustainability commitments, ESG and emissions disclosure obligations (e.g. SECR, TCFD reports) may lead to accusations of greenwashing, fines, negative press in the media and so damage the firm's reputation.
Transition (Market) Medium 3-5 Yrs+	**Changing Customer Behaviour**	**Risk Summary:** As awareness of the climate crisis grows, it is likely that investors (and regulators) will request evidence that an investment portfolio is being managed in line with a decarbonisation pathway or policy.	**Impact:** If JM Finn do not offer portfolio management in alignment with a Net Zero pathway that can be evidenced then existing climate-conscious clients may choose to transfer their wealth management to those firms that do, potentially resulting in net outflows for the firm. New business may also be harder to win making funds under management (FUM) growth more challenging.
Transition (Market) Low 3-5 Yrs+	**Changing Customer Behaviour**	**Risk Summary:** The transition to a low-carbon economy, driven by worsening physical risks, will require households to reassess their own energy use and efficiency, modes of transport, insurance policies, and travel habits.	**Impact:** With already high living costs there may be increased pressure on household finances leading to withdrawals by JM Finn's clients to finance their own transition (e.g. repair or move home, install air source heat pump or solar panels, shift to EV).
Transition (Reputation) Medium 3-5 Yrs+	**Negative Stakeholder Feedback / Greenwashing Accusation**	**Risk Summary:** In the days of social media, negative stakeholder feedback or an accusation of 'greenwashing' (whether from an internal or external stakeholder) could result in JM Finn being targeted by activists in order to generate media attention on the climate issue.	**Impact:** (1) Such feedback and media attention may have a negative effect (damaged brand value and consumer trust) on both the existing client base as well as prospective clients. (2) The physical targeting of a JM Finn office may be a danger to the health and safety of employees and clients.
Transition (Technology) Medium 3-5 Yrs+	**Substitution of Existing Products**	**Risk Summary:** The firm is slow to initiate transition to a lower carbon economy across both its operations and portfolio management services (compared to is competitors).	**Impact:** Clients may transfer their portfolios to wealth management firms that can demonstrate both awareness of and progress in the transition to a low carbon economy.

Climate-related opportunities

As we embark upon our journey to Net Zero, there will be opportunities that present themselves which can help benefit the business and its stakeholders. The below table presents those opportunities we have identified to date.

Risk Type	Risk Driver	Opportunity
Physical (Acute)	**Storms / Extreme Precipitation / Flooding**	Engaging with suppliers - and diversifying - will increase overall resilience of the firm's supply chain and ability to operate under various conditions.
Physical (Chronic)	**Resource & Energy Scarcity**	Shifting all offices to renewable energy would lower operating costs while at the same time improving the firm's overall resilience and ability to operate under conditions of deteriorating energy security or availability (also avoiding the higher costs associated with those scenarios).
Transition (Policy & Legal)	**Enhanced Emissions-Reporting Obligations**	Adopting a Net Zero Policy and Strategy that includes a timeline to shift to renewable energy will lead to reduced operational costs, increased value of fixed assets (more energy efficient buildings) and improved resilience (through lowering exposure to future fossil fuel price increases).
Transition (Policy & Legal)	**Regulation of Existing Products and Services**	An internal review of the service offering may contribute to the identification and design specification of a product / service that will appeal to a climate-conscious investor.

The impact of our investments

We recognise that much of our climate-related risks and greenhouse gas emissions will stem from the portfolio of investments that we hold, on behalf of our clients.

At JM Finn, we prefer to invest in direct securities where possible, using third party investment funds for thematic or specific geographic exposure. The bottom-up nature of our investment process means that we have always tried to engage with the companies in which we invest our clients' assets. We see this as prudent investment management and historically, have engaged directly with companies when we felt it was appropriate. We believe that engagement is increasingly important, and we are currently in the process of engaging a third party to engage actively with our investee companies on behalf of those assets we currently manage on a discretionary basis. Our Investment Managers and central research function within the Investment Office are provided with third party data on the Environmental, Social and Governance risk of the securities in which we invest, using the Sustainalytics platform.

The next steps for reducing the carbon within the client portfolio is to start measuring the emissions so that our policies and procedures can be accurately informed such that action is measurable and reportable.

Climate Scenario Analysis

Within the context of climate risk, scenario planning is the development of multiple climate-related scenarios about the future, and the use of them to inform decisions being made on behalf of the firm. It is important to clarify that scenarios are not predictions but narratives.

Scenario planning can link the firm's evolving Net Zero strategy to the long-term future by enabling the firm to think about what would be required in a range of possible futures, and then compare those requirements to current resources, operations, and strategies. It can also support the firm to better anticipate and understand the climate-related risk exposure and identify strategic options that might not be immediately obvious. It helps to answer more comprehensively the question at the heart of any firm's Net Zero Strategy: "How could climate change affect the firm and what should we be doing about it?"

The climate drivers listed overleaf are segmented into Physical and Transition risk types and are those deemed material to the firm. There are three aspects to the rating and ranking of the climate drivers:

- Rating the uncertainty of each force out of 10
- Rating the potential impact of each force out of 10
- Multiplying the uncertainty and impact ratings for each driving force, ranking them accordingly

When rating the various climate drivers for uncertainty, the following factors were considered:

- Overall understanding of the current state of the driver (trend, projections, dynamics).
- Internal workings of the driver - is it cyclical or does it represent permanent change?
- Knowledge about the possible extremes of each driver.
- Overall: what are the most 'critical uncertainties' of the driving force at the 25-year time horizon that could be difficult for JM Finn?

Using a scale of 1 to 10 each driving force was rated for the degree of uncertainty attached to it. For example, if a driving force was deemed to almost certainly occur by the 25-year time horizon, then it was given a low number for uncertainty. Equally, if deemed almost certainly NOT to occur, it was given a low number for uncertainty.

However, if knowledge and research indicated nothing about whether a particular driving force might occur at the 25-year point, then uncertainty would be rated much higher (as probability cannot be established with any degree of confidence).

When rating impact on a scale of 1-10, the assumption was that the driver would affect JM Finn within or at the time horizon of 25 years. Factors that were top of mind included: physical assets (buildings), local infrastructure, health & safety, operating costs, revenues, supply chain, business continuity.

— How could it affect the firm?

— How might if affect relationships with stakeholders?

— How material is the driver for key stakeholders?

When rating the impact, the assumption was that JM Finn would continue along its current strategic trajectory without addressing the climate driver.

Ranked List of Climate Change Drivers for JM Finn (25 Year Timeframe)

Climate Driver	Uncertainty Rating[1]	Impact Rating[2]	Impact on JM Finn
1. Stigmatisation of Financial Services	7	7	**49**
2. Exposure to Litigation	5	7	**35**
3. Resource / Energy Scarcity	5	6	**30**
4. Greenwashing Accusation	3	7	**21**
5. Changing Customer Behaviour - Risk Appetite	2	8	**16**
6. Substitution of Products / Services	2	7	**14**
7. Flooding	2	7	**14**
8. Compliance Failure	3	4	**12**
9. Changing Customer Behaviour - Income	3	4	**12**
10. Extreme Heat	2	4	**8**
11. Enhanced Reporting Obligations	2	3	**6**
12. Regulation of Products & Services	2	2	**4**

[1] **Uncertainty:** 1 = it will certainly happen OR certainly not happen | 10 = it is highly uncertain whether it will happen or not
[2] **Impact:** 1 = no material impact to the firm | 10 = very significant material impact to the firm

Creating a Scenario Matrix

A good scenario needs the following attributes:

- **Plausible** - the events should be possible and the narrative credible.
- **Distinctive** - scenarios should be differentiated from each other in structure and message.
- **Consistent** - each scenario should have its own internal logic.
- **Relevant** - each scenario should contribute specific insights into the future.

To address the above factors and link scenarios to the science-led thinking on climate change, each scenario has been developed using a 'Shared Socioeconomic Pathway (SSP)' as part of the background context. SSPs are climate change scenarios of projected socioeconomic global changes up to 2100 as defined in the IPCC's Sixth Assessment Report (AR6) on climate change which was released in 2023. Each SSP describes an alternative pathway for future society:

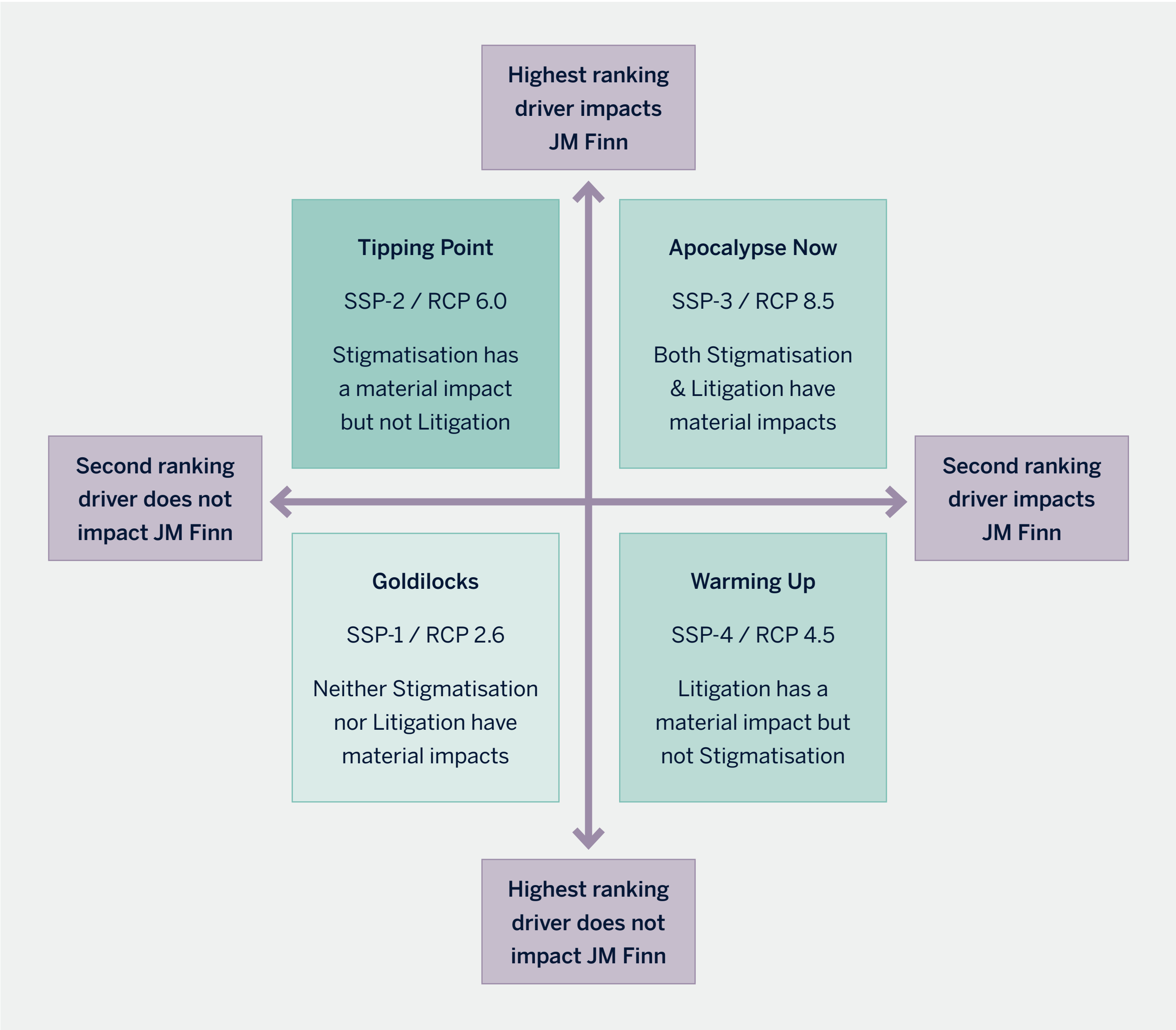
- **SSP-1: Sustainability** – Taking the Green Road (low challenges to mitigation and adaptation)
- **SSP-2: Middle of the Road** (medium challenges to mitigation and adaptation)
- **SSP-3: Regional Rivalry** – A Rocky Road (high challenges to mitigation and adaptation)
- **SSP-4: Inequality** – A Road Divided (low challenges to mitigation, high challenges to adaptation)

Representative Concentration Pathways (RCPs)

RCPs are projections of greenhouse gas emissions and concentrations. These possible trajectories have been adopted by the IPCC and can be combined with the SSPs to derive emissions and concentration scenarios that reflect the socioeconomic assumptions underlying the SSPs.

RCP	Temperature	Emissions Trend
1.9	1.5°C	Very strongly declining emissions
2.6	2.0°C	Strongly declining emissions
4.5	2.4°C	Slowly declining emissions
6.0	2.8°C	Stabilising emissions
8.5	4.3°C	Rising emissions

When the RCPs are also added to the scenario matrix, we reach a framework in which to explore a range of possible futures against which the firm will need to implement its own climate-related policies, as shown in the diagram below.



JM Finn Climate Risk Scenarios

Within the context of climate risk, Scenario Planning is the development of multiple climate-related scenarios about the future, and the use of them to inform decisions being made on behalf of the firm. The firm has begun the scenario planning process and we include below two scenarios as examples of work so far, one of which is a Paris-aligned scenario and another that is more worst-case. Further scenarios will be developed over the course of 2024 via internal workshops. Evolution of the scenario planning process aims to improve the firm's resilience to climate-related risk and complements the granular risk assessment that has been carried out by the firm.

Goldilocks Scenario	
Current 2024-2029	— Strong global cooperation and concerted effort to mitigate climate change. — Policies in place to limit global warming. — Public awareness is high leading to pressure on businesses to act. — The firm identifies stigmatisation of the sector and litigation material risks associated with climate change. — Puts in place a Sustainability Committee . — Develops a Net Zero policy. — Incorporates climate-related risks into its decision-making processes.
Short term 2030-2034	— Significant progress has been made in reducing greenhouse gas emissions globally. — In the UK renewable energy sources have become more affordable and widespread, leading to a decline in the use of fossil fuels. — By 2034 UK government policies have led to the national grid being almost decarbonised. — The UK remains on track to achieve its Net Zero targets. — JM Finn takes proactive measures to align its investment portfolios with the goals of the Paris Agreement. — Divests from carbon-intensive industries. — Increases investments in renewable energy and sustainable infrastructure projects. — The firm actively engages with the client-base to ensure they understand how the firm is managing climate-related risks.

Mid term 2035-2039	— The UK transition to a low-carbon economy is well underway. — Renewable energy playing a dominant role in the energy mix. — Emissions have been cut by over 50%, in line with the Paris goals. — Net Zero strategies are fully integrated into most UK firms. — The firm continues to refine its investment strategies, incorporating climate risk assessments and the latest scientific evidence into its decision-making process as long-term portfolio decarbonisation continues. — The firm also participates externally in industry-wide initiatives to advocate for stronger climate policies and regulations.
Long term 2040-2049	— The transition to a low-carbon economy is largely complete. — Carbon emissions significantly reduced across industries. — The world has managed to keep global warming to no more than 2°C above pre-industrial levels, as per the 2015 Paris Agreement. — Still extreme weather events causing widespread disruption. — The worst-case scenarios of environmental tipping points being breached, and large-scale international unrest, have been avoided.
Summary	The firm has successfully navigated the transition to a low-carbon economy, maintaining its reputation as a responsible and sustainable member of the financial services sector. Its proactive approach to addressing climate change, maintaining transparency in its operations, advocating for stronger regulation, and regularly reporting to stakeholders and clients on its portfolio decarbonisation initiatives, has helped to avoid potential stigmatisation and litigation risks.

Apocalypse Now	Scenario
Current 2024-2029	— Fragmented global cooperation and limited efforts to mitigate climate change. — Carbon emissions continue to rise unabated, resulting in more frequent and severe climate-related disasters. Public awareness of climate change is growing. — Increased pressure on businesses from environmental activists to transition to a low-carbon economy. — The financial services sector is slow to respond to these pressures due to short-term profit motivations and confusing government U-turns on climate policy. — Most firms focus on complying with minimum disclosure rules regarding emissions and sustainability.
Short term 2030-2034	— By the early 2030s, the impacts of climate change are more pronounced. — Extreme weather events causing widespread damage and disruption to economic activities. — The UK's transport infrastructure is vulnerable to the physical risks of flooding and extreme heat. — Public outrage intensifies as local communities bear the brunt of climate-related disasters. — Financial services firms seen as complicit in the funding of carbon-major firms. — The sector and firm fail to take meaningful action to transition investment portfolios away from carbon-intensive industries. — Short-term financial goals prioritised over long-term sustainability. — Firm ignores warnings about the reputational and legal risks of inaction.
Mid term 2035-2039	— The effects of climate change worsen considerably, exacerbating social and economic inequalities. — Civil unrest and regional conflict over resources across the globe. — Carbon-major firms increasingly stigmatised as climate-related deaths rise exponentially. — Government policies and regulatory frameworks become stricter. — Carbon pricing mechanisms imposed. — The financial services sector facing increasing scrutiny from activists, investors & media. — The sector is slow to adapt to the changing reality, fearing financial losses from divesting from carbon-major investments. — Accusations of greenwashing, and cases of human rights-based litigation become more prevalent.

Long term 2040-2049	— The consequences of climate inaction become undeniable. — 'Tail risks' have catastrophic impacts on ecosystems and human livelihoods. — Simultaneous droughts affect the global food supply. — Regional conflicts metastasise. — Public sentiment turns sharply against corporations perceived as contributing to climate change. — The sector is stigmatised and embroiled in litigation as disaffected clients, communities, environmental organisations, and shareholders file class lawsuits alleging inadequate climate risk management.
Summary	By virtue of being a member of the stigmatised financial services sector, JM Finn's reputation is severely damaged. By failing to conduct comprehensive assessments of climate-related risks and integrate them into its investment management and decision-making processes, and by failing to engage with stakeholders to address their concerns about climate change, the firm has made itself vulnerable in the long-term to climate-based litigation amid the general stigmatisation of financial services. By not advocating for stronger climate policies and regulations, the firm has missed an opportunity to shape the regulatory landscape.

Conclusion

Our business continuity planning and financial resources enable us to adapt to physical climate risks in the short to medium term. The Firm collaborates with industry bodies and is supported by an in-house Compliance team to ensure ongoing regulatory compliance, which helps us manage legal transition risks.

Assessing the Firm's long-term resilience is more challenging. The Sustainability Committee, with representation from across the Firm, proactively evaluates emerging climate risks and escalates any concerns and required actions to the Management Committee and Board.

04. Risk Management

This section provides detail on the following recommended TCFD disclosures:

— The organisation's processes for identifying and assessing climate-related risks

— The organisations processes for managing climate-related risk

— Processes for identifying, assessing and managing climate-related risks and how they are integrated into the organisation's overall risk management

— Identifying and assessing climate-related risks

Risk Appetite Statement

The following qualitative climate risk appetite statements have been agreed by the Board, following review and challenge by the Management Committee.

Climate Risk Category	Qualitative Statement
Physical Climate Risk	The firm acknowledges that the impact of climate change is largely outside of the firm's control. The firm has low appetite for operational disruption caused by extreme weather which can be mitigated e.g. new office where flooding is an issue or insurance.
Transition Risk	**Policy and Legal Risk** The firm will comply with all regulatory and legal requirements that apply to the firm. Where non-compliance is identified during the normal course of business, remedial action plans are required. The firm will take action to achieve Net Zero by 2050 (current UK Government target). **Technology Risk** The firm has appetite for investment in technology to support the transition to a lower-carbon economy. **Market Risk** The firm accepts the potential for financial losses due to fluctuations in investment markets. The firm has low appetite for investment management decisions which result in clients holding 'stranded' assets. These are assets, such as fossil fuels, that may need to be written off as we move towards a more sustainable economy. **Reputational Risk** The firm has low appetite for reputational risk arising from greenwashing. Sustainable investment labels must be thoroughly researched and supported.

JM Finn's processes for managing climate-related risk

Physical Climate Risk	Definition	Our approach
Acute	Event-driven risk, including increased severity of extreme weather events, such as cyclones, hurricanes or floods.	The Firm has operational resilience plans including cross-training plans and staff having the flexibility to work from home or an alternative office. The Firm has Business Continuity Plans which are reviewed annually. These plans cover risks to our operations including physical risks to our buildings and infrastructure.
Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level risk or chronic heat wave.	The Firm's data centres are in different locations and our main data centre is supported with a generator. The Firm has a strong capital and liquidity position providing financial resilience and the ability to invest in new technologies to reduce the impact of climate changes.

In the longer term, the firm will, as part of the scenario planning:

— Engage with suppliers to confirm their business continuity plans.

Transition Risk	Definition	Our approach
Regulatory, Policy & Legal	Policy actions around climate change will continue to evolve. The associated risk and financial impact of policy changes depend on the nature and timing of the policy change. Increase in climate-related litigation claims.	Membership of PIMFA sustainability working group. In-house Compliance advisory and access to external advice as needed. Established governance structure to review public disclosures.

Transition Risk	Definition	Our approach
Market	Shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly taken into account.	Active bespoke investment management which allows flexibility on how to adapt portfolios over time.
Reputation	Changing client or community perceptions of a firm's contribution to or detraction from the transition to a lower-carbon economy.	In-house marketing team to monitor and respond to negative feedback. Crisis Communications Plan, supported by external PR firm.

In the longer-term, the firm will:

— Implement our Net Zero policy and strategy.

— Increase engagement with our clients to adapt their portfolios to meet their ESG requirements.

JM Finn's processes for identifying, assessing and managing climate-related risks

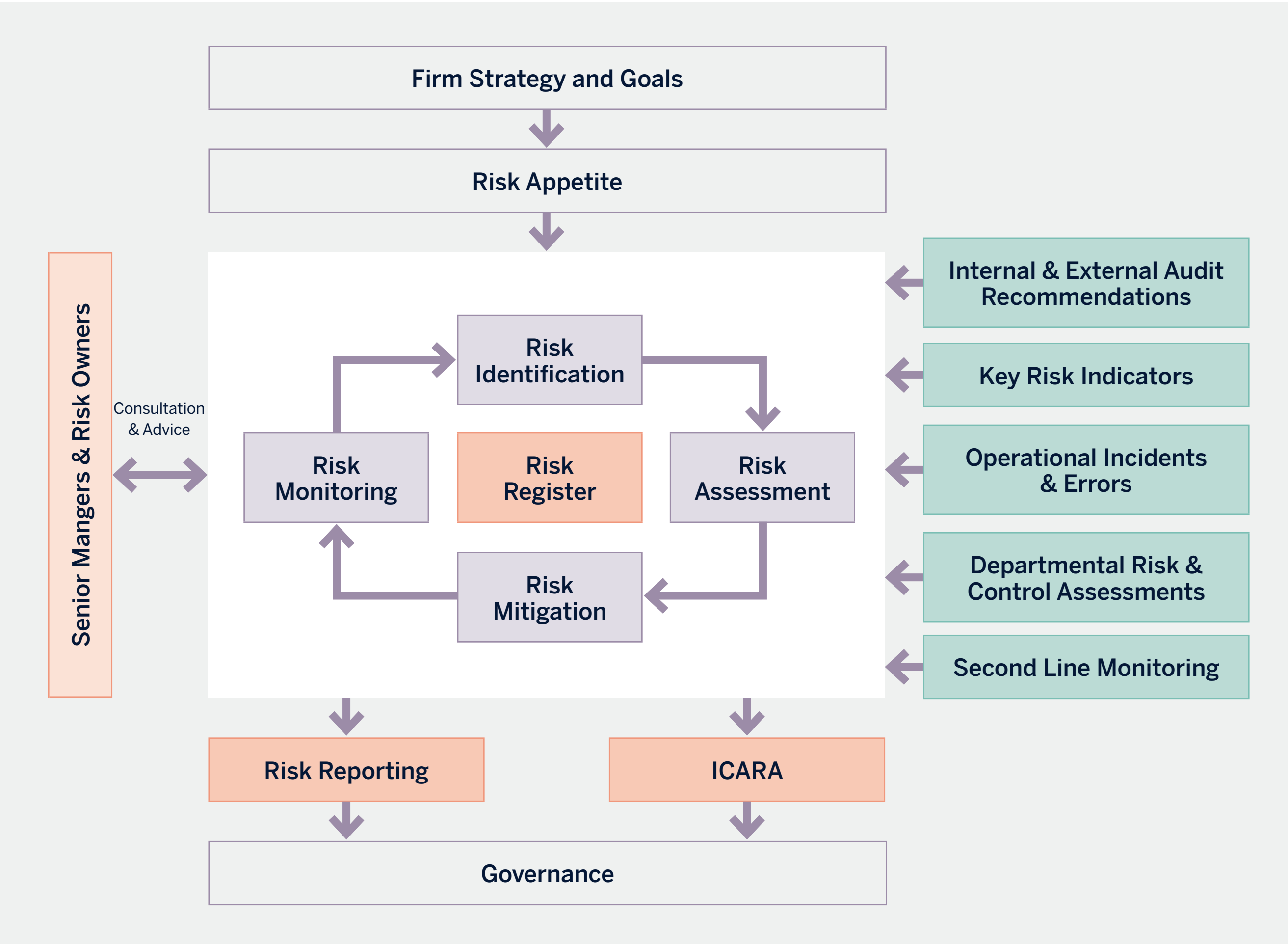
Climate-related risks are captured in the firm's establish risk management framework the key elements of which are:

— **Risk identification:** Senior Managers and Heads of Department are responsible for identifying risk within the Firm. There are risk management tools to support this process including monitoring activity and incident reporting. Each risk is owned by a Senior Manager.

— **Risk appetite:** Risk appetite is the amount and type of risk that the firm is willing to take to achieve its strategic objectives. The Firm's Board of Directors is responsible for setting this risk appetite. The risk appetite statements are reviewed and approved at least annually by the Board following input from the Management Committee and Risk Committee.

— **Risk and control assessment:** The risk and control assessment is a key risk management tool. Senior Managers and Heads of Department assess each risk at least annually. Each identified risk is translated into a green, amber or red risk in line with the firm's risk appetite. Where appropriate, actions are taken to bring red and amber risks back within appetite.

— **Monitoring:** The Firm has key risk indicators in place to monitor exposure against appetite. In addition, monitoring activity provides insight into the effectiveness of risk identification and key controls.



The Firm has two climate-related Key Risk Indicators (KRIs) which are reviewed quarterly alongside existing metrics.

In the longer term, the Sustainability Committee will support the oversight and challenge of our climate-related risks, and a wider suite of Key Risk Indicators (KRIs) and climate risks will be developed.

05. Metrics & Targets

JM Finn's Journey to Net Zero

We have committed to reach Net Zero in line with Government policy, which is currently by 2050.

This ambition and timeline accord with the goals of the international 2015 Paris Agreement to reduce global greenhouse gas emissions and keep global warming "well below 2ºC above pre-industrial levels, and ideally at no more than 1.5ºC".

In line with the GHG Protocol's global framework for measuring and managing GHG emissions, our Net Zero Policy will be achieved through a mix of carbon reduction strategies across our operations and wider supply chain, as well as carbon offsetting investments.

JM Finn's 6 Commitments to reducing the Operational footprint

As an organisation, JM Finn's commitments are to:

1. Comply as a minimum with all relevant climate-related regulation, legislation and disclosure required by a UK financial services firm.
2. Achieve Carbon Neutrality across our Scope 1 and 2 emissions by 2030 and Net Zero across our Scope 1, 2 and 3 emissions by 2050.
3. Reduce the intensity-based (per-head) carbon footprint of our organisation by a cumulative 80% by 2050 (from a base year of 2022) across the following areas:
    a. Scope 1: Gas Usage
    b. Scope 2: Electricity Usage
    c. Scope 3: Goods and Services I Waste Management | Business Travel | Commuting | Homeworking
4. Offset the remainder of our carbon footprint using verifiable, third-party carbon offsetting schemes.
5. Ensure environmental criteria are considered in the purchase of goods and services and renewals of supplier contracts, adhering to the principles of reduction, re-use, and recycling.
6. Improve our environmental monitoring and performance, integrating recognised environmental management best practice into our operations.

To meet our commitments we will:

- Consider climate-related issues when reviewing and guiding the firm's strategy, risk management, annual budgets, and business plans.
- Provide Board and Director Level oversight and regular review of our Net Zero Policy, ensuring it remains aligned with the latest science-based recommendations.
- Allocate sufficient resources for the effective direction and implementation of our Net Zero Policy via a Net Zero 'Roadmap'.
- Work together with our employees, service partners, external contractors, and suppliers to promote improved environmental performance and awareness.
- Make our Net Zero Policy publicly available.
- For our full Streamlined Energy and Carbon Reporting (SECR) disclosure, please see our Annual Reports and Accounts.

JM Finn's Carbon Footprint: 2023

Factor	Result (Metric Tons of CO2e)
Total Emissions	3,919
Emissions per Employee	
Scope 1 & 2	0.62
Scope 1, 2 & 3	12.21
Breakdown of Emissions (Scope 1,2,3)	
Scope 1	
— Gas Usage	2.7
Scope 2	
— Electricity Usage	195.5
Scope 3	
— Homeworking	40.36
— Commuting	176.75
— Business Travel	60.5
— Goods and Services	3,443.4
— Waste Management	0.38

The above emissions data is taken from the independent Carbon Footprint Analysis we commissioned in 2023 as the baseline for the firm's roadmap towards achieving Net Zero. We will look to review this footprint data on an ad hoc basis but at least once every five years. On an annual basis we publish the Streamlined Energy and Carbon Reporting (SECR) disclosure, full details of which can be found in our Annual Reports and Accounts.

Investment Footprint

Whilst our short-term priority and focus is on reducing the carbon within our operational footprint, the remaining, and no less challenging, area of the emissions reduction strategy is across the investment portfolio.

As with our approach to developing a road map for achieving Net Zero, the starting place is to gather the data to achieve a base level. In early 2024, we upgraded our partnership with Sustainalytics to include carbon emissions data for our direct holdings, which gives us, as at 31st December 2024 39% coverage of companies and 52% of assets under management of the total discretionary portfolio across our client base. The next step as part of our roadmap is to attain the same data for our holdings in third party collective investment schemes (funds) to increase the coverage and we are working with our fund data provider Asset Q to generate this information.

We will then consider how best to go about reducing exposure to carbon emissions from our investment portfolio over the longer term.

Follow us on:

Registered Office:
25 Copthall Avenue
London. EC2R 7AH

020 7600 1660
info@jmfinn.com
www.jmfinn.com

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