

PG Mutual's Climate Change Strategy Report 2021

Governance

At PG Mutual we take climate change issues very seriously and are committed to reaching Net Zero by 2050[^] and to the global target of a 50% reduction in our operational emissions by 2030 – in line with Article 2.1 of the Paris Agreement.

Chief Finance & Operations Officer, Debbie McFarlane, as the senior manager responsible for leading the process of identifying and assessing climate change risks internally and the Investment Committee, reviews the adequacy of climate change risk management.

Strategy and Risk Management

PG Mutual is a dedicated provider of an investment-based income protection insurance product. Most of our membership are engaged in medical occupations, and our new business efforts focus exclusively on the UK. Our largest areas of potential business exposure in the short, medium, and long-term is therefore likely to be our exposure as an institutional investor to companies and markets that will be impacted by the move towards a low-carbon global economy, and as an income protection insurer to the potential adverse impact of the changing climate on morbidity trends.

Climate Change and Income Protection

It is not clear how significantly morbidity trends would be affected by climate change, but from a long-term perspective there are indications of health risks that advances in medical science may not adequately offset. A sustained increase in morbidity trends would most likely lead to an increase in claims and associated costs would most likely require an increase in pricing to ensure the profit share feature can be maintained at levels that meet our members' reasonable expectations.

For more detail, please consult the full Climate Change Strategy Report in the Annual Reports and Financial Statements for 2021.

Oversight

To ensure effective oversight of our climate change risk assessment process, the Chief Risk Officer includes climate change risk monitoring within their oversight work and the overall risk framework is overseen by the Audit and Risk Committee.

Climate Change and Investments

The Investment Committee have taken a prudent view of the short, medium, and long-term investment considerations and have determined that the most sensible and proportionate course of action for the Society to take with regards to traditional carbon-heavy markets and also emerging low-carbon markets is to support our appointed asset manager, Royal London Asset Management (RLAM*), who actively undertake a thorough appraisal of the environmental, social and governance sustainability factors of investment opportunities prior to investment. RLAM monitors the exposure of its funds to green and brown revenue sources and the position as of the end of 2021 is as follows:

Fund	Brown Revenue %	Green Revenue %	PGM Holding (31 December 2021) (£'000)	PGM exposure to brown revenue (£'000)	PGM exposure to green revenue (£'000)
Sterling Credit	7%	18%	£14.5	£3.1	£8.3
Short Duration Credit	4%	16%	£4.7	£2.1	£7.4
Enhanced Cash Plus	0%	3%	£3.4	£0.1	£1.6
Cash Plus	0%	0%	£1.1	£-	£-
GMAP Adventurous	8%	22%	£23.3	£3.5	£10.2
TOTAL	19%	59%	£47	£8.8	£27.5

[^]In preparing its Climate Change Strategy Report, the Board has taken into consideration the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations.

* <https://www.rlam.co.uk/about-rlam/climate-change-commitments>

