

RSM UK Holdings Limited

DIRECTORS' REPORT (continued)

for the year ended 31 March 2021

Future developments

Our strategy of growing the business profitably continues, with the emphasis on delivering a broad range of services to meet client needs. The broad range of leadership skills available to us around the country, coupled with the dedication and support of our partners and staff, will ensure that we continue to reap the benefits afforded by our market position and global membership of RSM.

Financial risks

Financial risks are detailed in the Strategic Report and note 2 to the financial statements.

Key performance indicators

The Group uses a range of financial and non-financial key performance indicators (KPIs) across the business. These KPIs are tailored to the individual operating segments based upon the individual needs of the operational decision makers. Financial and KPI management information is prepared monthly and reviewed by the Board and National Leadership Team. Target metrics are established annually for the coming financial year as part of the firm wide budgeting process and these are designed for the long term.

The Group has financial KPIs as follows:

	2021 £m	2020 £m
<i><u>Financial</u></i>		
Revenue	376.4	355.6
Revenue per partner	1.04	0.98
Revenue per staff member	0.10	0.10
Profit before tax	10.0	9.2
<i><u>Non-financial</u></i>		
Partner headcount	363	362
Staff headcount	3,663	3,489
Total headcount	4,026	3,851

Governance

For the year ended 31 March 2021, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2018 and available on the FRC website). Further details are provided within our Corporate Governance Report on page 19.

Streamlined Energy and Carbon Reporting

RSM UK Holdings Limited has reported Scope 1 and 2 (and associated Scope 3) greenhouse gas (GHG) emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting (SECR) on page 29.

Auditor

The Board initiated an audit tender process during 2020, following the completion of the audit, which was overseen by the Audit Committee. This resulted in the appointment of Saffery Champness LLP on 27 January 2021. Saffery Champness LLP have indicated their willingness to continue as auditor after the 31 March 2021 year end.

RSM UK Holdings Limited

STREAMLINED ENERGY AND CARBON REPORT

for the year ended 31 March 2021

Environmental strategy

RSM UK Holdings Limited is the ultimate controlling parent company of the Group and is reporting on behalf of all of its UK subsidiaries. The Group is large as classified by the Streamlined Energy and Carbon Report (SECR) reporting criteria: turnover, balance sheet and number of employees. This report is for the financial year ended 31 March 2021.

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by its activities.

The Group is committed to reducing its environmental impact whilst continually improving on performance as part of the business strategy. The Group encourages partners, staff and suppliers to uphold this responsibility.

The Group strategy is to:

- comply with all relevant regulatory requirements;
- continually monitor environmental performance;
- continually improve and reduce environmental impact;
- incorporate environmental factors into business decisions; and
- increase employee awareness and provide training.

The Board has recently committed the firm to being net zero carbon by 2030. A detailed strategy to achieve this is currently being developed and led by Kevin O'Connor, Executive Chairman. During the current year the following steps were taken to reduce our environmental impact:

- continuing to source 100% renewable (green) energy where applicable;
- improving energy efficiency by introducing new internal lighting – installation of high-quality LED fittings and improving the lighting controls in any refurbished offices;
- continuing to promote and utilise video/audio conferencing (Microsoft Teams), which has already resulted in a significant reduction in business mileage;
- undertaking energy efficiency staff awareness training; and
- setting up annual energy and GHG emissions reduction targets.

Environmental performance, methodology and historical data

For SECR reporting, the Group follows and has adopted the widely-recognised Greenhouse Gas Reporting Protocol – Corporate Standard methodology. As at 31 March 2021 the Group's energy usage and carbon emissions were as follows:

Energy type		Energy use (kWh)	% Split (kWh)	Emissions (tCO ₂ e/yr)	% Split (tCO ₂ e)
Combustion of gas	(Scope 1)	1,063,614	17.11%	195.6	13.99%
Electricity	(Scope 2)	4,870,605	78.37%	1,135.5	81.24%
Transport	(Scope 3)	280,938	4.52%	66.6	4.77%
Total	(Scope 1, 2 & 3)	6,215,157	100.00%	1,397.7	100.00%

Scope 1 emissions are associated with energy used from combustion of controlled or owned fuel sources. This can be combustion of natural gas for space heating and provision of domestic hot water (DHW) within the Group-operated premises.

Scope 2 refers to the emissions from electricity purchased and used by the organisation. Emissions are created during the production process of the energy, which is ultimately used by the organisation. Emissions CO₂e conversion factors for UK grid-supplied electricity tend to change (decrease) every year due to the higher contribution of renewables and grid decarbonisation process.

Scope 3 refers to the emissions from fuel (petrol and diesel) used by grey fleet (privately owned vehicles) for transport purposes to meet the business transport requirements. The organisation is not directly responsible for purchasing the fuel but reimburses employees.

RSM UK Holdings Limited

STREAMLINED ENERGY AND CARBON REPORT (continued)

for the year ended 31 March 2021

Environmental performance, methodology and historical data (continued)

Reporting year	Energy consumption and associated greenhouse gas (GHG) emissions per average employee headcount (AEH)				
	Total energy consumption (kWh)	Total GHG emissions (tCO ₂ e)	Average employee headcount	Intensity ratio (kWh/AEH)	Intensity ratio (tCO ₂ e/AEH)
2020	12,578,472	3,077.1	3,851	3,266.3	0.799
2021*	6,215,157	1,397.7	4,026	1,543.8	0.347

Reporting year	Energy consumption and associated greenhouse gas (GHG) emissions per £100,000 of annual turnover				
	Total energy consumption (kWh)	Total GHG emissions (tCO ₂ e)	The annual group turnover (£m)	Intensity ratio (kWh/£100,000 turnover)	Intensity ratio (tCO ₂ e/£100,000 turnover)
2020	12,578,472	3,077.1	355.6	3,537.3	0.865
2021*	6,215,157	1,397.7	376.4	1,651.2	0.371

*The coronavirus pandemic situation, and associated national lockdowns which have taken place within the SECR Year 2 reporting period, resulted in a significant reduction in the firm's energy consumption.

Total annual energy consumption within scope 1, scope 2 and scope 3 was calculated based on recorded consumption data for the financial year 2020/2021 (April 2020 to March 2021). This period complies with the legislation and is deemed as the SECR year 2 reporting period.

The energy consumption has been collected and aggregated for all 33 of our offices and has been based on verifiable sources, with any missing data being estimated. In all cases, energy use has been adjusted to a full year's data as necessary. Energy consumption and associated GHG for service charged offices has been estimated based on the occupied floor area and Department for Business, Energy & Industrial Strategy conversion factors.

The firm has used The Department for Business, Energy & Industrial Strategy "Conversion Factors – Energy and Carbon Conversion" publication, as follows:

Activity	Fuel	Unit	Year*	kgCO ₂ e
Electricity generated	Electricity: UK	kWh	2020	0.23314
Gaseous fuels	Natural gas	kWh	2020	0.18387

*These have not yet been updated for 2021.

Transport analysis has been based on mileage claims, assuming each vehicle was an "average car", and the Government-approved conversion factors were used. The split between diesel and petrol vehicles was estimated based on a representative sample of the grey fleet vehicles. The Group does not operate any company vehicles.

Activity	Type	Unit	Diesel		Petrol	
			kWh (Net CV)	kgCO ₂ e	kWh (Net CV)	kgCO ₂ e
Cars (by size)	Average car	miles	1.06337	0.27108	1.16319	0.28052

Energy efficiency actions

The Group is actively looking to reduce its energy consumption and associated greenhouse gas emissions. As a consequence of increased home working and reduced business travel enforced as a result of the coronavirus pandemic, the Group's carbon emissions have been significantly lower when compared to the SECR year 1 reporting period. We are expecting these behaviours to remain, to some extent, as we emerge from the restrictions.