NFU MUTUAL
CLIMATE CHANGE REPORT

June 2024

NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

CONTENTS

1. INTRODUCTION

NFU Mutual was founded in 1910 by seven Warwickshire farmers and since then we have become the UK's leading rural insurer and part of the fabric of rural life. As a mutual, we do not have shareholders and so are able to reinvest in our business for the benefit of our members.

We offer general insurance, life insurance and investment products and services through our agency network, financial advisers and direct business channels.

We are committed to making a positive difference for our members, our people, for farming and rural communities, and for the environment, by doing business the right way.

Our business strategy supports the achievement of our three long-term objectives and has a particular focus on five areas, as shown on the wheel below.

This is our first standalone Climate Change Report that gives our stakeholders, including customers and regulators, information about our Climate Change Strategy and how we are robustly identifying and managing the risks and opportunities from climate change.

Our Climate Change Report will be an addition to a suite of current and planned public disclosures that include climate change information. These publications include:

- **NFU Mutual Responsible Business Report** – This publication explains our Environment, Social and Governance (ESG) Strategy and includes information on the ESG-related activity we're undertaking across our business.
- **NFU Mutual Report and Accounts** – We include climate-related information within our annual Report and Accounts, in line with legislative reporting requirements, including the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, and Streamlined Energy and Carbon Reporting (SECR).
- **Stewardship Report** – We are proud signatories of the UK's Stewardship code and annually publish our performance, including how we embed consideration of climate change within our investment activities.
- **Retail Investment Climate Disclosures** – We publish climate-related metrics for our retail investment funds, so that customers can access a summary of emissions performance for each fund when making their investment decisions.

We are also collating the current and planned climate-related activity underway across the Group into a Climate Transition Plan that we aim to publish later in the year.

1.1 NFU Mutual's Climate Change Strategy

Climate change is a global challenge and many of its impacts, such as, flooding, heatwaves, wildfires and sea-level rise, are already being felt. There are also wider impacts such as changes to how the vehicles we drive are powered and how electricity is generated, impacts on supply chains and effects on the economy, which will impact countries, businesses, society and each of us in our everyday lives.

Climate change is caused by the release of greenhouse gases into the atmosphere, mainly as a result of human activity, which causes a rise in global temperatures. We need to reduce the amount of greenhouse gases that are released into the atmosphere, in order to limit further global temperature rises. This has been recognised at an international level and an agreement was reached in Paris in 2015 to limit the global average temperature increase to 1.50C above pre-industrial levels, which was signed by 196 countries. In the UK, the government has also legislated a requirement for the country to become Net Zero by 2050, which requires the transition to a low-carbon and climate-resilient economy.

The insurance industry has a role to play in protecting customers from the increasing impacts of climate change and enabling their transition to a low-carbon economy. Through utilising its risk management expertise and global influence, and directing its financial strength towards positive climate solutions, the industry is also well placed to support the transition to Net Zero on an international scale.

At NFU Mutual we recognise the shared global responsibility for responding to climate change. We established our Climate Change Strategy in 2020 and publicly launched our Net Zero Roadmap in 2022. Our strategy sets out our mission to respond to the insurance needs of our members and actively reduce our own environmental impact. It aims to ensure that we remain resilient to climate change impacts, take advantage of opportunities in our core markets and become a Net Zero business by 2050. Further details on our Climate Change Strategy can be found in section 2.

Our Climate Change Strategy forms part of NFU Mutual's overarching Environmental Social and Governance (ESG) Strategy where climate change is our number one priority. More information on our ESG strategy and activities can be found in our Responsible Business Report within the 'Caring for the Environment' section.

1.2 Progress

Our strategy sets out how we are addressing the impacts of climate change on our business and our stakeholders, including customers, suppliers, our investments and our employees. Climate change will present many challenges over the coming years, which will create risks and opportunities; these are identified, assessed and managed within our risk management processes. The details of our risk management and governance processes are provided in section 2. The material risks from climate change to our business and how we are responding to them are provided in section 3.

We've made a lot of progress since we launched our Climate Change Strategy in 2020, as highlighted in the timeline below.

More information on each of these are included throughout our Climate Change Report:

	2020	2021	2022	2023
Strategy and Governance	Climate Change Strategy agreed by the Board. Climate change disclosures included in annual Report and Accounts for the first time.	Initial short-term targets set for scope 1 and scope 2 emissions. Identified and embedded material risks from climate change within our Risk Management Framework.	Net Zero Roadmap launched, including targets for own emissions and investments.	Engagement approach for delivering our Climate Transition Plan agreed by the Board.
Insurance		Carried out climate scenario analysis aligned to the Bank of England's Climate Biennial Exploratory Scenario.	Renewable Energy services product launched. Green parts pilot launched for motor vehicle claims. Became an initial signatory to the Build Back Better initiative.	Dairy heat stress product launched. Joined ClimateWise.
Investments		Initial purchase of green bonds.	Became a signatory of the Principles for Responsible Investment. Green lease commitments introduced for more sustainable buildings and operations in our portfolio.	Became a signatory of the UK Stewardship Code.
Operations		Introduced Hybrid Working Policy for employees. Installed electric vehicle charging points at Stratford sites.	Achieved Carbon Literacy bronze accreditation.	Climate change introduced as factor in executive remuneration. Solar installation approved for Head Office. Developed our procurement processes to assess potential suppliers on their sustainability.

2023 Highlights

Recognising the importance of developing the insurance solutions our customers need, in 2023 we piloted a new insurance product for dairy heat stress. This is an innovative parametric insurance product that protects farmers against losses occurring as a result of reduced milk production due to high temperatures and humidity. The product offers pre-determined pay outs based on a trigger event and was recognised as the Innovative Commercial Product of the Year at the National Insurance Awards in March 2024.

We work closely with our supply chain to deliver the high-quality services our members expect and suppliers are also critical in enabling our Net Zero ambitions. In 2023 we created maturity assessment criteria for climate change which will inform how the business engages and influences suppliers. To help us partner with businesses that share our values, we are working with a third-party due diligence provider, that enables us to assess potential suppliers during our procurement processes.

We continue to work with our suppliers after they have been onboarded to understand their ESG maturity progression in terms of policies, processes and performance measurement and their greenhouse gas emissions. We understand that collaboration and engagement with our suppliers is critical to achieve our sustainability ambitions, so we are working to identify good practice, share knowledge and learn from each other wherever possible. We are also continuing to develop how we calculate the emissions footprint of our supply chain.

We're also committed to learning from and contributing to industry initiatives and in 2023 we joined ClimateWise, which is an industry collaboration that supports the insurance industry to respond to climate change by sharing knowledge across the sector.

Further information on our climate change and broader ESG activities can be found in our Responsible Business Report and will also be shared in our Climate Transition Plan, which we plan to publish in the second half of 2024.

2023 Emissions performance

An important part of our strategy is our ambition to become a Net Zero business by 2050. In 2022 we announced the following targets:

NFU Mutual aims to become a Net Zero company by 2050

Own Emissions

NFU Mutual has set targets to:

- Deliver 25% reduction in own emissions by 2025 and 50% reduction by 2030, compared to 2019 base year.
- Maintain 100% renewable electricity purchase for occupied premises.

Investments

NFU Mutual aims to deliver 50% emissions reduction in NFU Mutual's equity and corporate bond portfolio by 2030, compared to 2019 base year.

Our results for 2023, compared to a 2019 base year are:

	2019 Base Year	2023 Results	% Difference
Own emissions	5,363 tCO_2e	3,321 tCO_2e	-38%
Investments	553,388 tCO_2e	445,494 tCO_2e	-19%

Our own emissions include those arising from business travel, and the energy we use in our offices. We've achieved a 38% reduction in our own emissions since 2019, which means we've exceeded our target of 25% reduction two years early.

We're on track to achieve our target of a 50% reduction for our own emissions by 2030 and have a number of activities in progress and planned to allow us to do this. These include the implementation of a new company car scheme that will provide eligible employees greater access to low emissions vehicles, as well as continued energy efficiency improvements for our offices, such as the installation of solar panels at our head office.

We have also purchased renewable electricity for our occupied premises where we are able, in line with our target.

For our investment portfolios, we've reduced our overall emissions for the in-scope emissions in the General Insurance portfolio by 19% since 2019. Our metrics currently cover equities and corporate bonds held in our General Insurance portfolio. Metrics for the other portfolios will be provided in future reporting.

For our initial reporting we have focused our analysis on our General Insurance portfolio as it is our largest portfolio of assets. Whilst the mix of asset classes varies across the different portfolios, the holdings within the underlying funds are broadly similar allowing for insights across other portfolios.

More detailed information on our emissions performance can be found in the metrics and targets section of our report in section 4. A glossary explaining key terms used in this report is available here.

1.3 Statement of Compliance

As a large UK insurer, we need to comply with mandatory legislative and regulatory disclosure requirements in relation to climate change.

From 2023, we are required to ensure the information we're sharing in our annual Report and Accounts complies with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. We've been voluntarily including climate change disclosures in our annual Report and Accounts since 2020, to share publicly how we identify and manage the financial risks from climate change. During 2023 we continued to enhance our climate change disclosures to comply with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures.

From 2024, we need to publish a standalone Climate Change Report (TCFD Entity report) to meet regulatory expectations set out in the Financial Conduct Authority's (FCA) ESG Sourcebook. This is our first stand-alone Climate Change Report, covering January to December 2023, and has been developed to meet the FCA's requirements for asset managers and life insurers to disclose information aligned with the Task Force on Climate-related Financial Disclosures (TCFD). We recognise there's still more we can do and will continue to improve our disclosures as capabilities develop, both internally and across the industry.

Requirements for firms to share publicly how they respond to the challenges of climate change continue to evolve. For example in June 2023 the International Financial Reporting Standards (IFRS) published sustainability disclosure standards that are likely to become mandatory for UK firms in the next few years. The content of disclosures will also develop as improvements are made across all climate-related capabilities including data quality, modelling, metrics and de-carbonisation solutions. We will continue to monitor these developments and ensure we respond appropriately to both existing and emerging regulatory requirements and developments.

The climate-related information disclosed in our annual Report and Accounts and this Climate Change Report are both aligned to the Taskforce for Climate-Related Financial Disclosures (TCFD) framework and explain how NFU Mutual identifies and manages material risks from climate change.

We've used guidance from a number of different sources to develop our climate change disclosures, including:

- TCFD recommendations and recommended disclosures, including supplemental guidance for financial institutions.
- Financial Reporting Council (FRC) thematic feedback.

We have not sought independent assurance for the 2023 climate change disclosures included in this stand-alone entity report. However, the following reviews have been undertaken:

- External review of our published emissions targets for own emissions (See section 4). The review validated that targeted emissions reductions align with best practice target setting methodologies. This provides confidence in the credibility of the targets and that they will make a meaningful contribution to reducing global emissions.
- Internal Audit review of own emissions reporting process. The outcome of the review resulted in an improved data collection and review process to support the emissions disclosures in Section 4.

Detailed Compliance Summary

The TCFD outlines 11 recommendations for organisations to include in their climate reporting. We have summarised how we are meeting each of these requirements and the relevant section within the report for further information. Whilst we have complied with the 11 recommendations, we will continue to develop our response to identifying and managing risks from climate change in line with industry developments, which will enhance our disclosures over time.

How we're meeting the requirements

Governance - Disclose the organisation's governance around climate-related risks and opportunities		
a) Describe the Board's oversight of climate-related risks and opportunities	Our Board has ultimate accountability for oversight of climate-related risks and opportunities. Our disclosure describes how the Board maintains effective oversight through the Group's governance framework and summarises the roles of relevant committees and climate-related items considered over the reporting period. It covers how the Board considers climate change in decision-making, including strategy, business planning and capital expenditure. It also shows how climate-related information flows through the business between accountable managers, governance committees and the Board.	Section 2.4
b) Describe management's role in assessing and managing climate-related risks and opportunities	The Governance section outlines the roles and responsibilities for identifying, managing and escalating risks from climate change. We explain that the Risk Director is the senior manager with accountability for climate change and this role encompasses ensuring that our Climate Change Strategy is implemented effectively and risks are identified and managed. We also describe how business managers have accountability for identifying and managing risks from climate change within their areas and how the Risk Division lead on Group-level risks from climate change. Accountable managers are supported in a number of different ways, including through specialist climate change and ESG teams.	Section 2.4

Strategy - Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	We define materiality and how we have used this to identify the material risks from climate change over the short, medium and long-term, for different parts of our business and across different potential future climate change pathways. We've considered potential physical and transitional climate impacts to all parts of our business through our risk identification processes, including scenario analysis. We are developing a Climate Transition Plan that sets out the steps we are taking to respond to the risks and opportunities arising from climate change.	Section 2.2
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	We describe the material risks from climate change, including potential strategic and financial impacts on our business and how we are responding. We also outline opportunities identified to improve our resilience and support the transition to a low-carbon economy, through responding to evolving customer needs, investing in low-carbon opportunities and reducing our own emissions footprint.	Section 3
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Scenario analysis is a key tool that enables us to understand potential future risks from climate change. Climate scenarios are undertaken on an annual basis at Group level and also by individual business units. For the material risks identified, we consider three climate pathways, including a 2oC pathway, and assess the impacts for each material risk in each scenario.	Sections 2.2 + 3

Risk Management - Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material		
a) Describe the organisation's processes for identifying and assessing climate-related risks	Within NFU Mutual's Risk Management Framework, climate change is classed as an external challenge that could impact all areas of our business and all risk types and is not a standalone risk within the Group's risk universe. All risks, including risks from climate change are identified through the Group's Risk Management Framework processes. The Risk Division are responsible for ensuring the framework remains effective for identifying risks from climate change.	Sections 2.2 + 2.4
b) Describe the organisation's processes for managing climate-related risk	Within our Risk Management Framework, accountable managers are responsible for identifying, managing and escalating all risks, including those arising from climate change. The Risk Division are responsible for identifying and managing Group-level risks from climate change. Risks from climate change are managed using the existing Risk Management Frameworks, processes and controls, alongside all other risks faced by our business. The strategy section describes how we are managing our material risks from climate change.	Sections 2.2 + 2.4 + 3
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	NFU Mutual has a single Group-wide Risk Management Framework that encompasses all risk types across all business areas, including risks from climate change. We describe the key components of our Risk Management Framework that ensure effective identification and management of current and future risks.	Sections 2.2 + 2.4

Metrics and Targets - Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	We use metrics to understand and manage our exposures to material risks and also for our emissions performance. The strategy section summarises metrics used to manage and monitor material climate-related risks. Metrics are important for understanding our emissions footprint, identifying actions to manage emissions and monitoring performance. We have set targets for emissions we are directly responsible for and also our investment portfolio, which are explained in section 4, including the metrics we use to measure these and actions we are taking to deliver reductions.	Sections 2.3 + 3 + 4
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	We measure our scope 1 and scope 2 emissions and these are summarised in section 4, which also includes mandatory Streamlined Energy and Carbon Reporting (SECR) information. We summarise our emissions performance for scope 1 and 2, plus scope 3 emissions for business travel and investment portfolios.	Sections 4
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We set target limits for our exposure to each material risk and performance is reported regularly to our Group Financial Risk Committee and Board Risk Committee. We explain NFU Mutual's Net Zero Roadmap, which includes the Group's ambition to become a Net Zero business by 2050 and supporting targets. We explain progress made against these targets in 2023.	Sections 2.1 + 3 + 4

I confirm that NFU Mutual's disclosures in this report meet the expectations set out in the Financial Conduct Authority's Environmental Social and Governance (ESG) Sourcebook and the disclosures comply with TCFD recommendations and recommended disclosures as set out in the table above:

Signed: Iain Baker

2. STRATEGY AND GOVERNANCE

2.1 Our Climate Change Strategy

Our Climate Change Strategy recognises that climate change will impact all aspects of our business. It was approved by our Board in 2020 and continues to drive our climate change response:

<table>
<tr><th>Climate Change Impacts</th><th>Impacts on Insurers</th><th>Strategy Aims</th><th>Climage Change Strategy</th></tr>
<tr><td>Physical Changes to weather and climate</td><td rowspan="3">Customer Needs/ Expectations
Liabilities
Assets
Operations
Employees
Reputation</td><td rowspan="2">Ensure NFU Mutual is resilient to the impacts of climate change and takes advantage of opportunities in core markets</td><td>Climate Change Mission Statement
Tackling climage change is a shared global responsibility and we all have a part to play. As a UK based insurer with rural communities at our heart, NFU Mutual is both responding to the insurance needs of our members and actively reducing our own environmental impact to help drive the transition to a low carbon economy.</td></tr>
<tr><td>Transition Legislative, regulatory, industry and behavioural change</td><td>Focused Activity
Climage change is broken down into seven impact categories, used to drive quantifiable activity and risk management.
Customer | Employees | Insurance
Investments | Premises
Supply Chain | Solvency</td></tr>
<tr><td>Liability Exposure to legal action</td><td>Define and implement NFU Mutual's roadmap to Net Zero</td><td>Net Zero Roadmap
Group level targets and ambitions for reducing NFU Mutual's greenhouse gas emissions</td></tr>
</table>

The strategy recognises that there will be three types of impact to our business from climate change: physical risks, transition risks and liability risks and these will affect the whole of our business. To succeed as a business, we need to adapt and remain resilient to potential impacts, and also recognise opportunities that will enable us to grow and support our members. Equally, we have a responsibility to take action to decarbonise our business and play our part in limiting potential physical and liability risks. These are the two key aims that our strategy is designed to deliver. The strategy itself has three component parts – Our mission statement, impact categories and Net Zero Roadmap.

Our Mission Statement sets out our overarching approach and ambition. To support this, we've identified seven impact categories to ensure we consider all key stakeholder groups and potential climate impacts and take appropriate action across all parts of our business. Our Net Zero Roadmap recognises the importance of transitioning our business to Net Zero in line with global goals and we publicly launched our Net Zero Roadmap in 2022 with the following aims and targets:

NFU Mutual aims to become a Net Zero company by 2050

Own Emissions	Investments
NFU Mutual has set targets to: • Deliver 25% reduction in own emissions by 2025 and 50% reduction by 2030, compared to 2019 base year. • Maintain 100% renewable electricity purchase for occupied premises.	NFU Mutual aims to deliver 50% emissions reduction in NFU Mutual's equity and corporate bond portfolio by 2030, compared to 2019 base year.

We have defined Net Zero as:

1. Achieving a scale of value-chain emission reductions consistent with the depth of abatement achieved in pathways that limit warming to 1.5oC with no or limited overshoot and;
2. Neutralising the impact of any source of residual emissions that remains unfeasible to be eliminated by permanently removing an equivalent amount of atmospheric carbon dioxide.

Our overarching ambition to become a Net Zero company by 2050 recognises the causal relationship between greenhouse gas emissions and physical climate impacts. Our ambition is in line with UK government legislation to achieve Net Zero as a country and will contribute to global efforts to limit the physical impacts of climate change.

Our own emissions target recognises the direct action we can take to decarbonise our own operations through the energy we use in our office buildings and business travel. We also recognise that financial services firms have a key role to play in financing the transition to a low-carbon economy and have therefore set targets to reduce the emissions footprint of our equity and corporate bond investment portfolios.

We are focussing our efforts in the short- to medium- term on maximising emissions reduction and delivering solutions that will facilitate the transition to a low-carbon economy, therefore purchasing emissions offsets is not currently the focus of our Climate Change Strategy.

To support our Climate Change Strategy and Net Zero ambitions, we are collating the current and planned activity underway across the Group into a Climate Transition Plan that will be aligned to the Transition Plan Taskforce (TPT) framework, published in October 2023. This will set out the steps we are taking over the short-, medium- and long-term to transition our business to a low-carbon economy. Some of these steps are outlined in section 3, in the actions we're taking to manage our material risks. The steps we're taking to deliver our published targets for own emissions and investment portfolios are set out in section 4 alongside a summary of current progress.

2.2 Identifying material risks from climate change

Material risks from climate change are those that could impact our business model and the long-term success of our business. When identifying material risks, we consider how different parts of our business may be impacted, over different time periods and in different potential future climate pathways.

Timeframes

The impacts of climate change are occurring now and will continue to materialise beyond the normal timeframes used for business planning, capital management and risk management.

As a composite insurer, the time horizons we consider for climate change are also driven by the type of insurance business or assets being considered. Within our business planning processes, we consider a three-year period. However, we recognise that much of our business, especially in relation to Life insurance, extends for much longer timescales.

For the purposes of disclosing on risks from climate change, we have defined timeframes, unless stated otherwise, as follows:

Short term	0 - 3 years
Medium term	3 - 10 years
Long term	10 years plus

Identifying risks from climate change

Material risks from climate change are identified using our Group Risk Management Framework. Risks are assessed to establish the likelihood that they will occur and also the potential consequences they could have if they did occur. Impacts considered are:

- **Financial –** potential to impact financial performance or capital strength and solvency position
- **Non-financial –** potential to impact our members, operational capabilities, reputation or compliance with regulation and legislation

As a composite insurer, asset manager and asset owner, material risks from climate change will vary across different aspects of our business. We therefore consider impacts on both the Group as a whole and on separate parts of the business, such as General Insurance, Life insurance and investments.

At NFU Mutual, climate change is recognised as an external factor that has the potential to impact all risk categories and is therefore not a standalone risk category within the Group's Risk Universe.

We do, however, recognise that climate change could have a material impact on NFU Mutual's business model. Impacts could occur as a result of physical changes to the environment that arise directly from rising global temperatures (such as flooding), and transition risks that arise through actions, initiatives and behaviours aimed at limiting the rise in global temperatures (such as investment assets whose value will be reduced). For insurers specifically, climate change can also give rise to liability risks, where legal action may be taken against one of our insured because of their climate-related response. Climate change is therefore categorised as a principal risk within the risk management section of our annual Report and Accounts.

At NFU Mutual, all Group-wide risk management activities are supported and coordinated by the Risk Division, led by the Risk Director. This team has close relationships with the wider business, including governance committees and departmental managers. The Risk Division is also responsible for managing Group risk governance and oversight. In order for the Group to optimise its performance, risk and return are considered together. NFU Mutual believes this is best done by managers being accountable for managing risk within their teams alongside meeting their business objectives and goals. Hence, all business units across the Group make risk-based decisions, operating within the overarching Risk Management Framework that sets out Group level risk appetites, delegated authorities and the Group's Policy Framework.

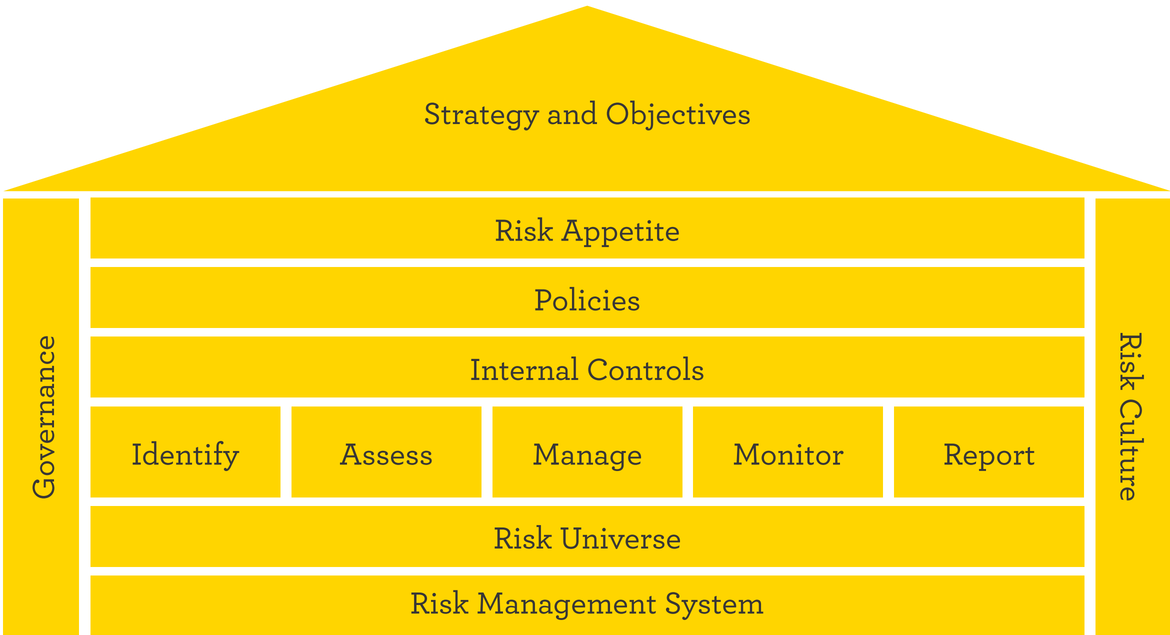
The Risk Management Strategy and Risk Management Framework are aligned to the business strategy and allow us to balance risk and return in the delivery of the strategic objectives. The Group's approach to risk management ensures there is effective, independent checking or 'oversight' of key decisions by operating a 'Three Lines of Defence' model. The 'Three lines of Defence' model is based on Solvency II governance roles where Line 1 is provided by the business units who identify, own and monitor the risks associated with their business area, Line 2 is provided by the Risk Division, who design and oversee the Groups' Risk Management Framework and provide internal controls. The third line of defence is provided by an internal audit function, who provide a level of independent assurance that the risk management and internal control framework is working as designed.

Risk Management Framework

Risks from climate change are identified and managed within the Group's Risk Management Framework. The framework applies across all areas of the Group and encompasses all risks identified within our Risk Universe to ensure a consistent and robust approach to risk management.

Each component within NFU Mutual's Risk Management Framework contributes to the identification, assessment, management, monitoring and reporting of risks. This is illustrated in the diagram below and includes:

- Risk policies that clearly define the nature of the risk, and the accountabilities and controls for each risk type;
- Risk appetites that articulate the amount of risk the business is prepared to accept in pursuit of the long-term strategic objectives;
- Risk identification, assessment and management with controls built into everyday business processes and monitoring through agreed indicators; and
- A centralised risk reporting tool to record and monitor risk and issue information with regular reviews by senior management, risk governance committees and the Board.



Risks from climate change are identified through a range of both qualitative and quantitative methods including scenario analysis, risk modelling, analysis of past performance and trends, expert judgement, risk events, emerging risk assessments and horizon scanning.

Once identified, risks are assessed against the Group's risk appetites to determine materiality and are captured on risk reporting tools for on-going monitoring. Accountable managers are responsible for identifying any action required to manage the risk and for escalating to the appropriate governance committee if the risk exceeds risk appetite thresholds. Risk appetites are measurable criteria set by the Board that state the amount of risk we are prepared to take in pursuit of our long-term objectives.

Material risks from climate change are defined as risks that have potential to affect achievement of our long-term objectives or risks that exceed our Group level risk appetites for financial or non-financial impacts.

Climate Scenario Analysis

Climate scenario analysis is a key tool used to assess the resilience of our business to impacts arising from climate change. Climate change impacts will be wide ranging and extend beyond normal business planning timescales. The future trajectory of climate change is also uncertain, with dependencies on actions taken in the short term to define medium and long-term outcomes.

We take a collaborative approach to climate scenario analysis, with specialists from across the business contributing to define climate-related risks that could potentially have a material impact for NFU Mutual. Examples include the risk of future sea level rise, which could impact our property portfolio, and the risk of future weather conditions impacting life expectancy, which could in turn impact our pensions and annuity products. We then assess potential business impacts over time, in each of the three pathways summarised below, using a combination of qualitative and quantitative modelling techniques. This enables us to understand potential risk exposures which are used to inform business decision making, including business plans and our Own Risk and Solvency Assessment (ORSA).

When identifying the material impacts from climate change, we allow for future uncertainty by evaluating different potential climate pathways. The three key pathways we consider are set out below:

Early Policy Action (An orderly transition	Transition to a net-zero emissions economy progresses with climate policy action increasing gradually over the scenario horizon. Global temperature rise is limited to 2°C or lower and carbon dioxide emissions (and all greenhouse gas emissions in the UK) drop to net-zero around 2050.
Late Policy Action (A disorderly transition)	Transition to a net-zero economy is delayed until 2030 or beyond. The climate policy action required to transition is therefore intensified over a short period and a disorderly transition takes place. Greenhouse gas emissions in the UK successfully reduce to net-zero around 2050.
No Additional Policy Action (No transition)	No new climate policies are introduced beyond those already implemented. This leads to increasing global temperatures by more than 3°C and chronic changes in the physical environment.

2.3 Metrics and Targets

Effective management of risks from climate change requires the ability to understand where material impacts could arise and how exposures change over time. Metrics (also known as Key Performance Indicators) ensure we can measure and monitor our risk exposures and emissions performance. The metrics in place for our material climate-related risks are summarised in section 3.

We have a range of established risk appetite limits for financial risk exposures. While these do not exist solely for climate change, some of them, such as our risk appetite for weather catastrophe claims, set limits on our exposure to risks that are climate-related.

As explained in the strategy section above, we have set a Net Zero ambition and supporting targets for our own emissions and investment portfolios. Being able to measure our emissions performance is important for delivering our Net Zero Roadmap and also for understanding potential risk exposures. We report on a range of emissions metrics for our own operations and investment portfolios in section 4. Our ability to measure and report emissions related metrics is still evolving and is subject to the availability of appropriate data and methodologies, however we are continuing work to expand the range of scope 3 emissions we can measure.

For the first time in 2023, we included climate change factors into executive remuneration schemes as part of the Group's long-term incentive plan (LTIP). The weighting of carbon emissions for 2023-2025 LTIP was 2.5% and for 2024-2026 the weighting of carbon emissions is 5%. The metrics are aligned to achievement of our own emissions targets, set as part of NFU Mutual's Net Zero Roadmap. The metrics and targets will be reviewed on an annual basis and will evolve over time.

2.4 Governance within NFU Mutual

Oversight of climate-related risks and opportunities

The Board is responsible for oversight of climate-related risks and opportunities within NFU Mutual and are responsible for setting the Climate Change Strategy and Net Zero Roadmap and overseeing its implementation.

As an organisation NFU Mutual is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the Board supports the highest standards in corporate governance. The Board is responsible for leading and overseeing the governance of the Group, and for setting the tone for the Group's culture, values and behaviours. Our governance framework ensures we are making decisions in the right way for our members and to promote the long-term success of the Group. In an ever-changing environment, good corporate governance helps ensure that there is effective debate, challenge and support in decision making and a continued focus on the strategic objectives. More details on corporate governance can be found in our annual Report and Accounts.

The diagram below illustrates how climate change responsibilities fit within our Corporate Governance and Risk Management Frameworks. It highlights the flow of climate-related information through the business, from identification of risks by accountable business managers, through escalation to risk governance committees in line with existing risk appetites, to ultimate accountability with the Board for oversight and setting the Group's strategy.

Board
- Set Climate Change Strategy and Net Zero Roadmap
- Oversee NFU Mutual's climate response

Risk Governance Committees
- Approve risks outside of risk appetite
- Monitor risk exposure/position against risk appetite
- Review scope and outputs of climate scenario analysis

Business Units
- Identify and manage risks from climate change
- Escalate risks outside of risk appetite for approval
- Risk exposure monitoring
- Climate related stress scenario analysis

Risk Management Function
- Facilitate the implementation of climate change strategy
- Embed risks from climate change in risk management and risk governance frameworks
- Aggregate reporting of risks from climate change
- Group level climate scenario analysis

The effective operation of the framework is underpinned by accurate and timely risk reporting, including performance management information (MI), specific risk updates, climate scenario analysis, horizon scanning and assurance reporting. Risks from climate change will be reported through these routes in line with the Group's risk appetites.

Regular climate-specific updates are provided at least annually to committees.

These updates will be presented by the accountable business area because the management of climate change is embedded across the Group. Progress against Net Zero targets is also reported to the Board on an annual basis by the Risk Director as part of their regulatory responsibility for climate change.

The following table outlines the climate-related roles of relevant risk governance committees and the climate-specific items they have considered in 2023.

	Climate Change Responsibilities	Items Considered in 2023
Board	• Setting our Climate Change Strategy and overseeing its implementation • Setting our Net Zero Roadmap and overseeing its implementation, including progress against targets • Allocating regulatory responsibility for climate change to a senior manager	• Reviewed progress of climate related activity across all seven categories of the Group's Climate Change Strategy • Approved our net zero engagement approach that underpins the development of NFU Mutual's Climate Transition Plan • Monitored progress on the development of NFU Mutual's Climate Transition Plan
Audit Committee	• Overseeing the integrity of climate-related disclosures in NFU Mutual's financial statements • Overseeing our control environment is effective in relation to climate change	• Monitored progress of mandatory climate-related disclosures in the 2023 Annual Report and Accounts • Reviewed and approved climate change section for inclusion in our 2023 Annual Report and Accounts
Remuneration Committee	• Overseeing the design of, and targets for performance-related pay schemes for executive directors, the Company Secretary and senior to effectively incorporate climate change	• Introduced climate metrics into NFU Mutual's long-term remuneration scheme for the first time
Board Investment Committee	• Overseeing that investment risks are managed appropriately, including those arising from climate change	• Approved interim emissions reduction targets for investment portfolios • Reviewed and monitored plans to deliver emissions reduction targets • Reviewed and approved NFU Mutual's Stewardship Report • Reviewed asset allocation, including potential impacts from climate change
Board Risk Committee	• Overseeing that risks from climate change are effectively embedded within NFU Mutual's risk management framework	• Assessed potential medium and long term financial impacts from climate driven risks using climate scenario analysis

Group Financial Risk Committee	• Ensuring that financial risks and capital impacts arising from our General Insurance business and our Life business are effectively managed in line with the Group's Risk Management Framework, including those arising from climate change	• Assessed potential medium and long term financial impacts from climate driven risks using scenario analysis • Monitored underwriting risk exposures and aggregations incorporating climate related risks • Reviewed second line assurance reviews undertaken by the Chief Actuary that include consideration of climate change impacts
Group Operational Risk Committee	• Ensuring that operational risks arising from NFU Mutual Group's business are effectively identified, assessed, managed and monitored in line with the Group's Risk Management Framework, including those arising from climate change	• Assessed potential impacts to NFU Mutual from climate related regulatory and legal developments

Board consideration of climate change in decision making

NFU Mutual's Board membership includes non-executive directors with both financial services and farming expertise, plus four executive directors. Our farming non-executive directors are closely engaged with climate-related initiatives. For example, Ali Capper sits on the National Farming Unions (NFU) Net Zero Steering Committee. Our financial services non-executive directors maintain strong links within financial services to understand industry performance and challenges in relation to climate change. Jon Bailie has a long-held interest in ESG issues and between 2009-2010 he was Chair of Osmosis Capital, a Cleantech private equity fund and more recently, Jon earned the Chartered Financial Analyst Institute's Certificate in ESG Investing. The NFU Mutual Board is therefore in a strong position to challenge and steer NFU Mutual's Climate Change Strategy.

A fundamental principle of NFU Mutual's Climate Change Strategy is to embed climate change into existing frameworks and processes, so that it is considered in decision making where relevant, including decisions relating to capital expenditure. The biggest area of capital spend for NFU Mutual arises through change programmes.

The following table highlights how climate change is embedded in Board, committee and management decision making, including change programmes:

How climate change is considered	
Strategy	Climate driven impacts that have potential to affect achievement of our long-term objectives are incorporated into strategic reviews, for example considering the impact of a transition to electric vehicles on our motor strategy The Group's medium to long-term capability roadmap also captures potential future impacts from climate change and how these could affect our business. Outcomes from strategic reviews are presented to the Board for review and challenge. The Board also attend a focussed strategy day on an annual basis.
Business Planning	Internal and external factors that could impact on the success of our business are considered in annual and medium term planning processes, to set assumptions and define forward looking targets. Potential climate change impacts are considered as part of this process and feed into planning assumptions where relevant, for example exposure to weather events. The Business plan is presented to the Board for approval in November.
Own Risk and Solvency Assessment (ORSA)	Through our ORSA we take an integrated approach to strategic planning, risk management and capital management and via this process deliver regular reports to risk committees and an annual report to the Board. Climate change is considered throughout our ORSA process and the annual ORSA Board report includes a specific section on the risks arising from climate change and our progress in mitigating those risks.
Change Programmes	Climate specific questions are incorporated into business case justification and impact assessments for new Group level change initiatives to ensure future business change factors in potential impacts of climate change where relevant. The Board approve material change programmes and oversee progress to delivery.
Remuneration	Climate change is considered within the Group's senior remuneration framework and, where appropriate, climate-relevant objectives are set as part of annual performance management processes.
Supplier Selection Framework	We have incorporated ESG factors, including climate change, into our supplier selection framework. ESG factors contribute between 5% and 15% to scoring processes and is a key factor in decision making.

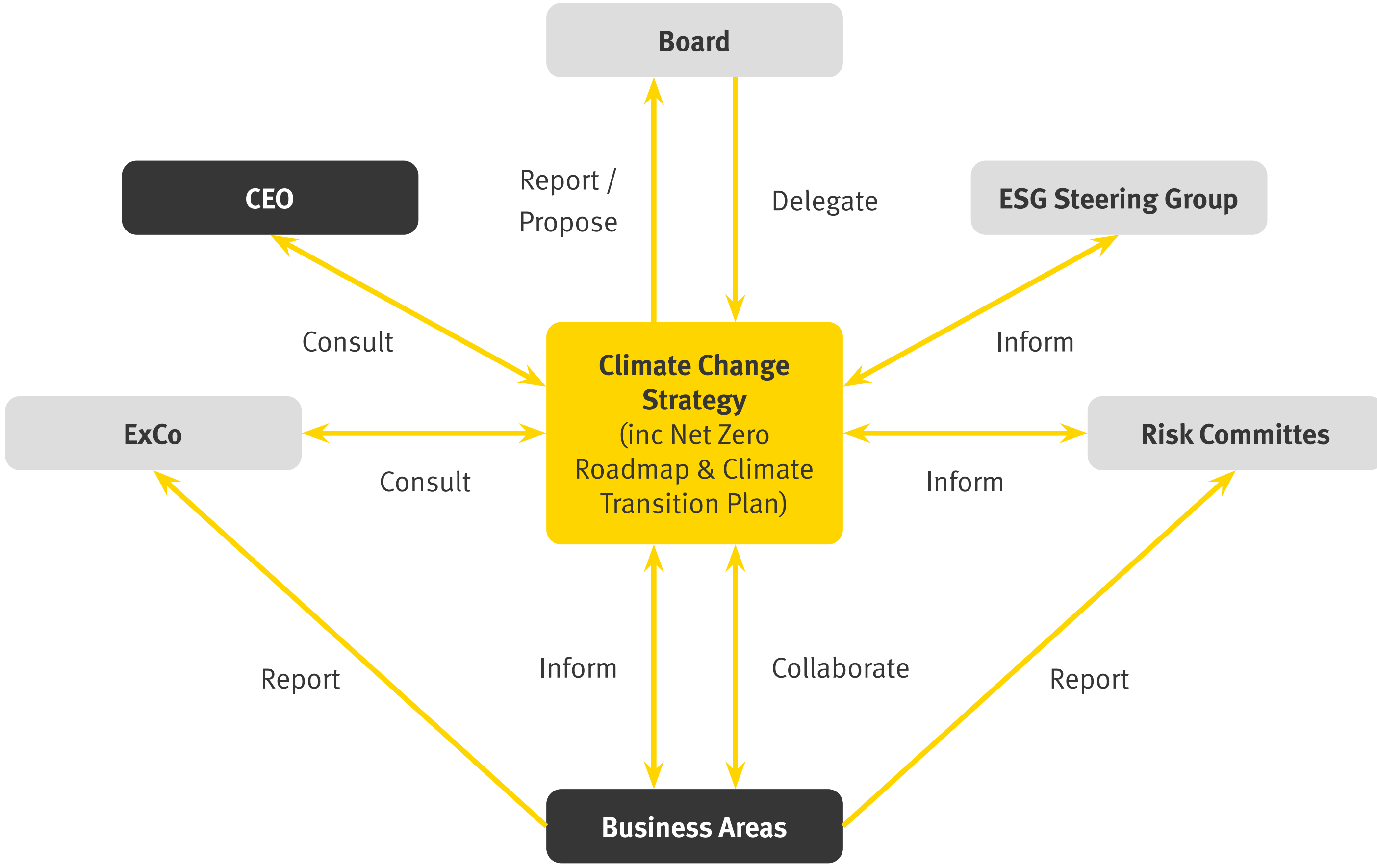
Management's role in managing climate change

The Risk Director is the senior manager responsible for climate change. The Risk Director is appointed by the NFU Mutual Board according to the requirement set out in the PRA's supervisory statement SS3/19 – "Enhancing banks' and insurers' approaches to managing the financial risks from climate change". This role includes responsibility for all aspects of NFU Mutual's climate change response, including the on-going effectiveness of the Risk Management Framework in managing risks from climate change. The Risk Director maintains oversight of climate-related risks and internal and external developments, through membership and attendance of Board and risk governance committees and also through external engagement, such as with the Climate Financial Risk Forum and Association of British Insurers. The Risk Director also chairs a Climate Change Steering Group, whose focus is to oversee development and delivery of NFU Mutual's Climate Change Strategy and Net Zero Roadmap.

Accountability and control of individual climate-related risks sits with the relevant business managers. Business managers make decisions by using the Group's Risk Management Framework, to identify and manage risks within their scope of responsibility, including the risks from climate change. Accountable managers use their business expertise and the Risk Management Framework to identify appropriate action for risks identified which may include mitigate, transfer, or accept the risk. Risks that exceed defined risk appetites are escalated to the appropriate operational and risk management committees. Managers are also encouraged to identify climate-related opportunities within their business area, to contribute to the delivery of our Climate Change Strategy.

Managers are informed about climate-related issues through a number of routes, including participating in relevant industry initiatives, monitoring external publications and receiving updates from centralised compliance and climate change teams. We recognise the importance of ensuring our managers are climate aware and this was recently a focus area at the Group-wide leadership conference held in July. Senior management and board members are also kept abreast of climate change activities and knowledge, with relevant presentations at governance and risk committee meetings throughout the year. This ensures managers are aware of climate-related developments, such as new regulatory expectations, industry developments and potential emerging risks, and can respond effectively.

Appropriate engagement throughout the organisation is key to ensuring decisions related to climate change are embedded throughout the business. We achieve this through a range of communications at all levels as illustrated in the diagram below:



Our ESG strategy is implemented by a dedicated ESG team, which monitors the design and delivery of our overarching ESG strategy, as well as overseeing all key internal and external ESG communications. Our ESG related activity is published annually in our Responsible Business Report. Climate change is a priority focus area within our ESG strategy and further information can be found within the 'Caring for the Environment' section of our Responsible Business Report. The ESG team work closely with colleagues across the business, including the climate change team, to find new and engaging ways of keeping our stakeholders informed about the activities the business is taking to be more environmentally responsible. One initiative is producing short ESG films, each focussing on a different business area and their climate activity. We also have a dedicated page on our intranet to keep our employees informed about climate change activities within the business.

NFU Mutual has an established climate change team who are responsible for implementing our Climate Change Strategy and also supporting, informing and educating internal stakeholders at all levels, including the Risk Director, senior managers and governance committees. The team has a depth of insurance and climate change expertise, as well as access to external networks, enabling them to understand the external landscape, identify, interpret and respond to changing regulation and standards over time, and ensure NFU Mutual's Climate Change Strategy remains effective. For those working in specific climate-related roles, NFU Mutual funds and supports employees to work towards the relevant professional qualifications, such as the Chartered Body Alliance's Certificate in Climate Risk. We also encourage employees to participate in industry working groups and attend relevant industry events to build networks and knowledge.

An employee-led initiative has seen the introduction of Carbon Literacy training. We now have over 100 employees who have attended the training across several areas of our business, including all of our executive team. In 2022, we became the first UK insurance company to receive Bronze accreditation from The Carbon Literacy Project. By awarding the Bronze accreditation, The Carbon Literacy Project recognises that we have a criteria-checked training programme that has been registered with the Project and an organisational leader has been trained and certified as Carbon Literate. We are actively working towards the Silver accreditation, where the 'majority (more than half) of the workforce needs to be Carbon Literate' and hope to achieve it in the near future.

3. MATERIAL RISKS

Material risks from climate change are those that could impact our business model and long-term success of our business. As described in section 2 above, risks from climate change are identified using the Group's Risk Management Framework. We've considered many risks from climate change and assessed these through the framework to identify the key material risks. A risk that poses a threat to the success of our business may also present opportunities to adapt and succeed and we recognise that material risks from climate change can have both positive and negative impacts. The material risks identified for NFU Mutual are outlined below and we consider both potential downside impacts and upside opportunities where relevant:

Climate Change Risk	Impacted business entity	Short Term	Medium Term	Long Term
Changing customer demand for products and services as a result of climate change (transition and physical)	Group General Insurer			
Increased volatility and frequency of weather events and long-term changes to climate conditions in the UK impact our insurance business (physical)	General Insurer			
Asset values impacted by climate driven environmental changes (physical) and/or investee's climate response (transition)	Group Life Insurer			

Material Impact   Non-material Impact

Further information on these material risks is included in section 3.

As a UK based insurer, our predominant focus is on physical and transitional impacts for our country of operation. However, consideration is given to wider global impacts where relevant.

Predicting the future impacts of climate change on our business is challenging due to the dependencies on decisions made at global and government levels, as well as there being limited data, modelling and scientific research available to base assumptions and projections upon.

The following information is shared publicly for transparency, however the following caveats and limitations should be noted:

- Climate models and research which underpin scenario analysis within the finance and insurance sectors are in their infancy and subject to change as more research and data is collected.
- A third-party tool[1] is used to carry out scenario analysis of the Group's investment funds and Government bonds are outside of the scope of this tool. Proxy data is also used to estimate carbon emissions as real emissions data is not currently available for property valuations.
- The physical risk impacts to investment assets do not consider the level of protection (such as insurance) companies have against extreme weather, the sectors which may benefit from extreme weather, as well as any supply chain risks.

The risks highlighted in this report should therefore be treated as a view of possible outcomes based on our assumptions at this point in time and are subject to change as our understanding in this area evolves.

[1] This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although National Farmers Union Mutual Insurance Society Limited's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties "), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

3.1 Changing customer demand for products and services as a result of climate change

As a UK-based insurer with a focus on rural communities, the key driver of changing customer demand over the medium to long term will be UK Government policies relating to climate change, including transport, buildings and agriculture. These policies will drive adaptation and behaviour change that could impact our Group strategy and general insurance propositions over the medium and long term.

Potential impacts for NFU Mutual

The scale of change required to deliver a low-carbon economy for the UK could materially impact NFU Mutual's strategy and the success of our long-term business model. We recognise this as both a risk and an opportunity for our business. It could be detrimental if our response becomes misaligned with the needs of our members. Conversely, climate change adaptation is an opportunity to develop new insurance solutions, that will enable our members to transition effectively to a low-carbon economy and be protected against physical climate impacts.

The transition to a low-carbon economy will require material changes to transport, buildings and farming, which are core segments of our general insurance book. Reducing transport emissions will require a move from fossil fuel powered vehicles to low-carbon alternatives that will impact across our personal motor, commercial vehicle and agricultural vehicle portfolios. De-carbonising buildings will require the adoption of alternative heating sources, improvements in energy efficiency and innovation in construction, which will impact our personal and commercial property insurance portfolios. The farming industry will respond and adapt to the changing climate, government policy and societal demand, which will lead to evolution in farming practices, diversification and changes to the profile of the UK's agricultural sector.

Climate change is also driving innovation and the development of new low-carbon solutions.

In the Early Policy Action scenario, structured policy changes introduced by government should allow a smooth societal transition. NFU Mutual will monitor evolving customer needs and have the opportunity to develop insurance propositions that support our members in adapting to climate impacts.

In the Late Policy Action scenario, the pace and scale of policy change, alongside associated economic and societal disruption, is likely to prove a more significant challenge to our business, towards the end of the medium and into the long term.

In the No Additional Policy Action scenario, changing customer demand is expected to centre around protection from more severe weather events in the physical environment, and farming adaptation in response to the changing climate in the long term. Again, we expect the changes to develop at a pace where there's sufficient clarity and time to enable NFU Mutual to successfully adapt to support members where possible, whilst limiting excessive exposures.

Developing new insurance solutions to meet changing customer needs requires data of appropriate quality to underpin effective pricing and underwriting strategies. Products that protect against the physical risks of climate change also require an understanding of new perils that may emerge. The data availability and quality of data in these areas are limited, which creates inherent financial risk for an insurer.

How we're responding

In line with our strategic objective of being a Great Place to do Business With, our climate change approach is to prioritise engagement and influence over exclusion. This means we respond to the needs of our members, by developing insurance solutions that deliver climate resilience, protecting our members from climate impacts and enabling their effective climate adaptation.

We monitor external developments, including government policy, peer insurer activity and customer expectations. We maintain close relationships with our farming members and unions to ensure we understand their changing requirements and adapt our products and propositions to meet their insurance needs as they arise.

We undertake forward-looking strategic reviews for core business lines to ensure our strategy and propositions adapt to ensure the resilience of our business over the medium to long term by reducing our risk exposure and responding to opportunities. These have led to the development of new insurance propositions, including:

- A parametric insurance product for heat stress in dairy herds. Parametric insurance is structured against pre-defined parameters, such as temperature, and payments are triggered once those pre-defined parameters are met or exceeded removing the need to claim. Our members can therefore receive payment quickly which allows them to recover and rebuild, while at the same time reducing overall claims expenses for NFU Mutual
- A partnership with NFU Energy on their Renewable Energy Solutions service as their exclusive insurance partner, helping and supporting NFU members with their insurance needs for small scale renewable energy projects such as solar panels.

We closely monitor the design and performance of new products to ensure they meet the needs of our members and effectively manage our insurance exposures.

For each line of business, we have a rolling cycle of product reviews, that include specific consideration of risks from climate change, to ensure our existing products adapt to meet the needs of our members. We have adapted our existing insurance cover to support lower carbon alternatives, including electric vehicles and renewable heating technologies, such as solar panels and biomass boilers. As we develop our offering and increase our marketing for Electric Vehicle insurance, including various hybrid vehicle types, the number of quotes and conversions continues to increase.

We constantly review emerging renewable energy technology to identify associated risks. As many small-scale renewable energy plants are diversifications from farming business, we continue to evolve our products and the number of risks we write. Policy numbers have grown for these technologies by over 10% since 2021.

In response to the increasing frequency of heatwaves, we reviewed our existing heat stress cover for poultry in 2023, in order to ensure its long-term sustainability. We have improved the transparency of when cover applies, as well as including a co-insurance clause, which adjusts the co-insurance based on risk mitigations in place to encourage best practice.

We have also developed a number of solutions to reduce the emissions associated with claims events, including the option to utilise recycled parts for motor repairs and to repair rather than replace items in the event of a claim. Repair quality and safety are of paramount importance to NFU Mutual. Therefore, we will not fit any recycled parts that are safety- critical to the vehicle and it's occupants. Repairing rather than replacing more parts reduces waste and encourages our repairers to work more sustainably in the long term. We work with a leading UK salvage company to maximise the amount of a vehicle that gets recycled following a claim. When a member opts to use green parts, we issue a CO_2 savings certificate to them at the end of their repair to help members understand the positive impact of their decision. By enabling members to opt for recycled parts, together we can reduce carbon emissions, waste and reliance on global supply chains.

Through our active engagement with industry initiatives, we are able to understand and actively contribute to climate–related developments. In 2023 we became members of ClimateWise, an industry collaboration with Cambridge University's Institute for Sustainability Leadership (CISL). The aim of ClimateWise is to support the insurance industry to better communicate and respond to the risks and opportunities associated with climate change. We also actively engage through our membership of the Association of British Insurers (ABI), and contributions to the Climate Financial Risk Forum and Transition Plan Taskforce.

How we measure the impacts of climate change

Core metrics used to monitor business performance are also used to provide insight into whether climate change is impacting our success. Where variance against plan is identified, analysis is carried out to identify potential causes, including climate-related causes. Metrics include:

Potential climate change impact	Metric used
Ability to meet performance targets	% achievement of planned new business
Number of customers renewing their insurance with NFU Mutual	% of customers who renew their insurance annually with NFU Mutual
Ability to attract new business	% of quotes converted into new business
Changing demand for products and covers	% of electric vehicles insured as part of overall private car account £ gross written premium for renewable technologies
Customers' perception of NFU Mutual	Customer sentiment scores

3.2 Increased volatility and frequency of weather events and long-term changes to climate conditions in the UK impact our insurance business

Climate change will change weather patterns across the UK, with more frequent and intense weather events, particularly increasing the risk of flooding. In addition to weather volatility, long-term changes in climate are likely to result in warmer, drier summers and wetter, milder winters in the UK, and sea level rise globally. These changes will impact the volume and costs of weather-related claims for our General Insurance book.

Potential impacts for our General Insurance Business

Our scenario analysis focusses on how our current exposure to weather perils will change, and what new perils we may be exposed to under future climates. This is based on the science and modelling capability available at the time and is subject to change as confidence grows in the understanding of how the physical environment will be impacted due to climate change.

The science around future climate risk and its uncertainty is reviewed for each weather peril (flood, frost, wind, high temperatures) individually. Our scenario analysis has shown that change in UK flooding presents a material risk to our property underwriting portfolio, where we expect to see an increase in flood risk in every region of the UK by 2050, if no additional action is taken to defend properties against flood losses occurring. We see this risk having a material impact in all three of the scenarios we consider. The worst of the impacts being felt in the scenario where No Additional Action is taken to transition to net zero emissions and global temperature increase reaches +30°C or more.

For windstorm risk, there is a large range of uncertainty in how the UK will be affected in future climates as scientific research is ongoing. Our scenario analysis therefore considers a range of future possible outcomes and impacts on our property portfolio. Our analysis has shown factors that point towards a potential increase or potential decrease in UK windstorm risk, which highlights the uncertainty. Understanding the impact of climate change on windstorm risk is therefore still ongoing. We expect the worst of the outcomes would again be felt in the No Additional Action scenario.

As the climate warms, the expectation is that frost days are likely to decrease in the UK. Based on our scenario analysis, our current expectation is that climate change impacts to freeze losses will be less material than other weather perils.

A change in climate also brings new physical risks to our underwriting portfolio. One of which we consider to be material over the medium to long term is extreme heat. This is likely to impact a number of our property and agricultural products in all future climate scenarios. The most severe would be in the scenario where global temperatures increase by 3°C or more. Extreme temperatures in the UK are expected to occur more frequently, increasing the probability of drought, health problems and fires, lasting over longer periods and occurring over greater geographic regions in the future climate.

We have also considered the impact of climate change on life expectancy for our Life business. Our scenario analysis has shown factors that could cause higher mortality in the long term (such as from the economic challenges of climate change) and factors that could cause lower mortality in the long-term (due to warmer UK winters or lifestyle changes) and so there is uncertainty on the direction and level of impact. However, we do not expect material impacts in the short-term as we expect any move towards these scenarios would be gradual.

How we're responding to improve the resilience of our General Insurance Business

We model future weather impacts to understand potential short, medium and long term impacts on our insurance portfolios. Outputs are factored into strategic planning, exposure management and reinsurance decision making.

Our pricing processes ensure past and future predicted claims experience is incorporated into premium calculations to reflect the risks associated with weather events.

We reinsure part of our weather exposure to limit the impact on our business.

We are members of Flood Re and were one of the first insurers to sign up to their 'Build Back Better' initiative when it launched in 2022. The scheme encourages insurers to undertake flood resilient repairs to properties in high flood risk areas, following a claim for flooding. We advise our members on how to rebuild in a way that helps protect them against future flooding, as well as contributing to the cost of flood-resilient repairs under our Personal policies. We remain committed to supporting Flood Re's 'Build Back Better' initiative, and are also working with the Government, other insurers, and industry experts to raise awareness of flood resilience, helping those at risk of future flooding to take steps to limit the impact. In 2023, we paid over £140,000 (2022: over £76,000) towards flood resilient repairs, which allowed our members to build back better.

We also annually review the impact that climate change could have on our actuarial reserving practices and methodologies, and therefore our booked reserves, to ensure long term financial resilience.

How we measure weather and climate impacts on our General Insurance Business

Over the last few years, we have developed a more sophisticated governance and monitoring programme in relation to our exposure management and we have developed a set of Risk Acceptance Tolerances (RATs) and Early Warning Indicators (EWIs). These include climate-relevant physical risks such as windstorm, flood, freeze, subsidence and extreme heat. We set target limits for our exposure to each of these risks and performance is reported regularly to our Group Financial Risk Committee and Board Risk Committee.

Risk Acceptance Tolerance	Metrics used
Windstorm	% of total sum insured in higher storm risk postcodes
Flood	% of total sum insured in higher flood risk postcodes
Freeze	% of total sum insured in higher freeze risk postcodes
Subsidence	% of total sums insured in higher risk subsidence postcodes
Extreme Heat	% estimated maximum losses caused by fire % of total sums insured in higher risk subsidence postcodes % poultry risks with heat stress extensions

3.3 Asset values impacted by climate driven environmental changes and / or investees' climate response

A material reduction in asset values would undermine NFU Mutual's capital strength, which could in turn impact our long-term strategy, business model and objectives. Climate change has potential to reduce asset values due to both transitional and physical impacts, for example, if a company we invest in fails to adapt effectively to climate impacts or a property we own becomes liable to flooding due to sea level rise.

Conversely investing in the right climate positive assets has the potential to improve the capital strength of the Group, for example investment growth opportunities in climate positive technologies and increased ability to attract and retain tenants for energy efficient property assets.

Potential impacts for NFU Mutual on our asset portfolios

Scenario analysis helps us to understand the extent to which our assets under management could be exposed to climate-related risks and opportunities in each of the three scenarios we consider and over what timeframe.

For Group assets, the risks and opportunities of transitioning to a low-carbon economy are expected to be low over the short-term but become material over the medium- to long-term, depending on the scale and pace of activity to deliver on net zero by 2050. For the current portfolio, the downside risks are expected to be greater than the opportunities presented. However, the portfolio would be actively managed to minimise negative impacts and take advantage of arising opportunities.

Similarly, scenario analysis shows that physical risks are also expected to materialise over time, with no material risks to our asset portfolios over the short-term but increasing in materiality over the medium to long-term.

The following diagram shows the extent to which the Group's asset values (excluding government bonds) could reduce in a worst-case scenario. For transition risk, this scenario is expected to be when a quick and disorderly transition occurs, as illustrated by a Late Policy Action scenario (medium timescale). Whereas for physical risk, this scenario is expected to be when No Additional Action (long timescale) is taken to reduce greenhouse gas emissions, leading to the physical impacts from climate change becoming severe and irreversible.

Figure 1 – Changes to Group asset values with various scenarios

For our Life insurance business, NFU Mutual acts as an asset manager for funds invested by our members in investment and pension products. As well as the falls in fund values presented above, the Life fund is exposed to climate driven falls in asset values through reduced future charge income.

How we're responding to improve resilience of our asset portfolios

We have robust ESG policies in place to ensure climate change impacts are considered in investment processes, including strategic asset allocation and investment decisions. We also undertake regular climate scenario analysis to understand potential impacts over the medium and long term and this is factored into strategic asset allocation.

We track the emissions performance of our investment portfolios using third-party software that enables us to measure, set targets and manage our emissions footprint using a number of different metrics. Targets and emissions performance for our investment portfolios are explained in section 4. We also use this information to identify high emitting investment assets to focus our engagement activity on.

NFU Mutual is a signatory to the Principles for Responsible Investment and a signatory to the UK Stewardship Code in respect of its role as an institutional investor. It regularly engages with the companies it has invested in on matters such as directors' remuneration, board structure, governance concerns, and ESG matters including Net Zero transition plans. We focus on engaging with the high carbon emitters within our equity

portfolios to understand their emissions reduction activity and to influence further activity where appropriate. We influence by directly engaging with management teams alongside using our voting rights.

Whilst the downside risks of climate change to investment performance are more commonly reported and commented on, we continue to respond to opportunities by adding investment to bonds that are labelled green or, sustainable to our portfolios where appropriate. In 2023 we made a net investment of over £23m into these bonds, with £5m of this in gilts. At the 2023 year-end our aggregate holdings were £320m, of which £60m were gilts. We also have investments in renewable energy companies, where the energy transition presents a significant opportunity. We continue to invest in traditional energy companies, many of which we believe have significant opportunities to contribute to the energy transition, for example investments in new technologies such as carbon capture and storage.

We actively manage our property portfolio to improve the energy efficiency of the assets we own and enable our tenants to benefit from low-carbon technologies such as energy efficient heating and lighting. We measure this through Energy Performance Certification (EPC) ratings, with A being the most efficient and G being the least efficient. In 2023, we continued to improve the percentage of our property investment portfolio that is rated C or better for energy efficiency, increasing from 80% in 2022 to 97% in 2023. We also closely monitor government legislation relating to minimum energy efficiency standards.

We have developed detailed ESG plans for each property within the portfolio to ensure resilience over the short, medium and long term. We also actively engage with tenants and include green lease clauses on new leases that focus on promoting environmentally sustainable practices, such as measures to improve EPC ratings and purchase of renewable electricity.

How we measure the impacts of climate change on our asset portfolios

Potential climate change impact	Metric used
Damage to property portfolio from weather and climate change	% of property portfolio in high-risk flood areas
Investee firms not responding to climate impacts effectively	Number of high emitting investee firms engaged with
Increasing regulatory expectations for energy efficiency of commercial property	% of EPC ratings C and above

4. EMISSIONS TARGETS AND METRICS

NFU Mutual uses the Greenhouse Gas Protocol's Corporate standards (GHG protocol) to define and categorise our greenhouse gas emissions. Emissions are grouped into three different scopes:

- **Scope 1** – these are emissions directly generated by NFU Mutual from our owned or controlled sources.
- **Scope 2** – these are emissions from energy we purchase from third parties, such as electricity.
- **Scope 3** – these include all other indirect emissions (not included in Scope 2). These are emissions generated externally to NFU Mutual, however they arise as a direct consequence of our activities, for example supply chain or employee commuting emissions, and therefore form part our overall emissions footprint.

NFU Mutual's own emissions targets include emissions from scopes 1 and 2 and scope 3 business travel emissions. We also seek to measure scope 3 emissions from other sources, including our investments, supply chain and underwriting portfolios. The calculation of scope 3 emissions is complex because the methodologies and availability of data are still developing, however, we have included emissions information relating to our investment portfolios for transparency. It needs to be recognised that there will be volatility in performance over time as methodologies evolve and data availability improves.

We continue to develop emissions measurement capability for additional sources of emissions within our emission footprint, through the implementation of our emissions inventory. These will feed into our public disclosures in future years, as they reach an appropriate level of quality and robustness.

4.1 Own Emissions

In this section we explain the targets we have set for our own emissions and share our 2023 performance results. We include information on emissions performance by source, energy consumption and scope. The information in this section meets both our legislative reporting requirements under the Streamlined Energy and Carbon Reporting legislation and FCA ESG Sourcebook.

Own Emissions – 2023 Achievement against Targets

Ownership of our overarching own emissions targets sit with the NFU Mutual Board. Each emissions source within the target is owned by an accountable business area, which is responsible for measuring and reporting emissions and defining and implementing actions to improve emissions performance. The Climate Change Team collates the overarching own emissions reporting, which is shared with the NFU Mutual Board on an Annual basis.

To support our overarching ambition to achieve Net Zero by 2050, we have set the following targets for our own emissions, to deliver a reduction compared to a 2019 base year:

NFU Mutual aims to become a Net Zero company by 2050

Own Emissions

NFU Mutual has set targets to:

- Deliver 25% reduction in own emissions by 2025 and 50% reduction by 2030, compared to 2019 base year.
- Maintain 100% renewable electricity purchase for occupied premises.

Emissions can be measured in several ways, including:

- A simple sum of all emissions, known as absolute emissions
- Emissions per unit of value or productivity, known as intensity metrics.

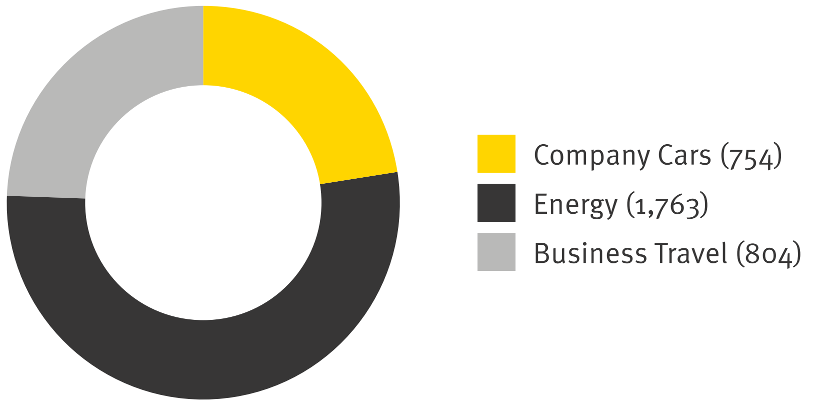
In 2023, we achieved a 38% reduction overall in our own absolute emissions against the 2019 base year. The following table summarises emissions performance against our own emissions targets for 2022 and 2023 broken down by the emissions sources within our direct control:

Table 1 – Emissions performance for own emissions 2022 and 2023 against base year 2019

Emissions Source	2019 Base Year (Tonnes CO2)	2022 (Tonnes CO2)	% Variance to base year	2023 (Tonnes CO2)	% Variance to base year
Company Cars	1,383	653	-53%	754	-45%
Energy	2,641	1,902	-28%	1,763	-33%
Business Travel	1,339	505	-62%	804	-40%
Total	5,363	3060	-43%	3,321	-38%

We have purchased renewable electricity for the majority of our occupied premises in line with our target.

Figure 2 – Own emissions by source for 2023 (tCO2e)



The 38% reduction in 2023 is comfortably ahead of our 2025 target reduction of 25%. Comparing the 2023 figures to 2022, there has been an overall increase of 261 tonnes of carbon, equating to 9%. This is largely due to a full year of a normalised way of working in 2023, compared to the first half of 2022 that saw NFU Mutual's business travel suppressed due to continued concerns from the Covid-19 pandemic.

We continue to make good progress at reducing emissions associated with our occupied premises, realising a 139-tonne reduction between 2022 and 2023, which is a 7% year-on-year improvement.

In relation to our occupied premises emissions, it is important to note that NFU Mutual has invested in the procurement of low-carbon electricity at many of our sites. We could account for this as zero emissions, however we have chosen to use standard government conversion factors to reflect our electricity usage, so that we are transparently disclosing on annual progress to improve our energy efficiency.

We have been progressing initiatives to reduce our emissions and improve energy efficiency over several years. Activities undertaken in 2023 include:

- Optimising our occupied space requirements to reflect changing working patterns following the introduction of our Hybrid Working Policy in 2022. This maximises the efficiency of the Group's occupied estate as well as reducing commuting miles travelled. We recognise that employees use energy whilst working remotely and, in 2024, we plan to investigate the viability of measuring emissions from our employees' commuting and working remotely to help us monitor the impact of this policy.
- Taking a hybrid approach to customer interactions, blending face-to-face and virtual communications to maximise customer value whilst reducing emissions from mileage travelled.
- Approving the installation of solar panels at our Head Office site, with fitting planned for early 2024, to self-generate low carbon electricity. The scheme aims to deliver around 20% of our Head Office electricity needs.
- Procuring 100% low-carbon electricity tariff at occupied premises where it is within our ability to do this.
- Rolling out energy management systems across occupied premises to provide greater control and monitoring of energy intensive equipment
- Upgrading occupied premises to improve energy efficiency, including installations of LED lighting and low-carbon heating systems. For example, in our York Regional Service Centre, we have improved the energy performance rating of the building from a D to B by replacing the gas boilers with energy-efficient heat pumps for heating and cooling and replaced lighting with LEDs.
- Following the success of the installation of electric vehicle charging points at our Stratford-upon-Avon sites in 2021, we have extended the roll out of on-site chargers from 21 to 36. In 2023 electric vehicle chargers consumed 42,363 kWh electricity and 8.8 tonnes CO2e of our location-based carbon emissions. This is estimated to have saved 23.7 tonnes of CO2 of associated travel emissions.
- Approving the roll out of a revised company car scheme, which was launched in February 2024. This will encourage employees who are eligible for a company car to select low emissions vehicles, which should contribute to reductions in both company and personal emissions.

Energy consumption metrics

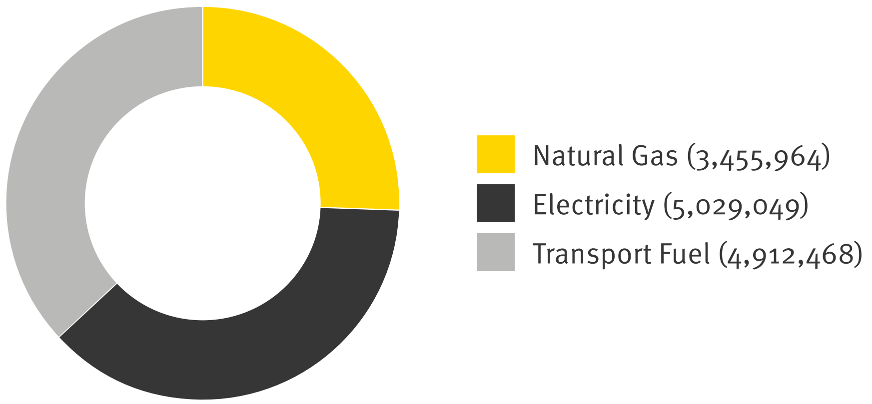
The following table outlines an annual comparison of energy consumed from activities for which NFU Mutual is responsible. This therefore excludes fuel associated with rail and air transport and energy consumption associated to business stays in hotels, as NFU Mutual does not operate those services.

Emissions are calculated by multiplying the energy consumption (kWh) by a conversion factor for that fuel for the appropriate year, with an additional step to cover milage for transport. Emission conversion factors can change each year, particularly for electricity as the proportion of renewables and biomass within the energy mix in the grid increases, or when new fuels are added such as biomethane.

Table 2 – Energy consumption by year (kWh)

Emissions Source	2022	2023	Share (%)	Y o Y variance (%)
Natural Gas	4,068,040	3,455,964	26%	-15%
Electricity	5,976,840	5,029,049	38%	-16%
Transport Fuel	5,084,295	4,912,468	37%	-3%
Total Consumption (kWh)	15,129,175	13,397,481	100%	-11%

Figure 3 – Energy consumption by source for 2023 (kWh)



Whilst business travel mileage has increased in 2023, the associated energy usage has decreased due to an increase in mileage allocated to electric and hybrid vehicles, which are more energy efficient.

Own emissions by scope

NFU Mutual's own emissions target includes emissions from across all three scopes within our direct control. To allow for transparent comparison of our emissions performance and meet SECR and TCFD reporting requirements, the following tables and diagrams summarise our emissions performance by scope.

Within the GHG Protocol, there are two methods for allocating emissions from the generation of energy to end users:

- Location based – reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
- Market based – reflects emissions from electricity that companies have purposefully chosen.

We have used the location-based approach for these calculations.

Table 3 – Location-based greenhouse gas emissions by year (tonnes CO_2e)

Scope	Emissions Source	2019 Base year (TCO2e)	2022 (TCO2e)	2023 (TCO2e)	Share of total emissions (%)	2023 % Variance to 2019	2023 % Variance to 2022
1	Fuel combustion: Transport - Company cars	1,383	653	754	23%	-45%	15%
	Fuel combustion: Natural Gas	800	680	632	19%	-21%	-7%
	Total	2,183	1,333	1,386	42%	-37%	4%
2	Purchased electricity	1,685	1,119	1,041	31%	-38%	-7%
	Total	**1,685**	**1,119**	1,041	31%	-38%	-7%
3	Fuel combustion: Transport - Personal/Hire Cars on Business use	255	137	145	4%	-43%	6%
	Electricity transmission & distribution losses	156	103	90	3%	-42%	-13%
	Other Business Travel	1,084	368	658	20%	-39%	79%
	Total	**1,495**	**608**	894	27%	-40%	47%
Total		**5,363**	**3,060**	**3,321**	**100%**	**-38%**	**9%**
Floor area (m2)		**50,917**	**49,102**	**43,056**		**-15%**	**-12%**
Intensity (kgCO2e per m2)		**105.3**	**62.3**	**77.1**		**-27%**	**24%**

Our overall intensity variance shows a 27% reduction, reflecting our measures such as energy efficiency improvements implemented since our 2019 base year. The annual variance from 2022 to 2023 shows a 24% increase, reflecting the reduction in floor area caused by our optimisation of space activities. This is to be expected and is the right thing to do with regard to efficient use of space.

Figure 4 – Location-based greenhouse emissions by scope for 2023 (Share as %)

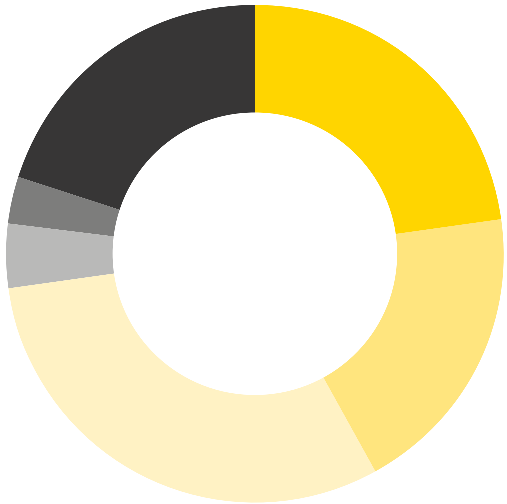
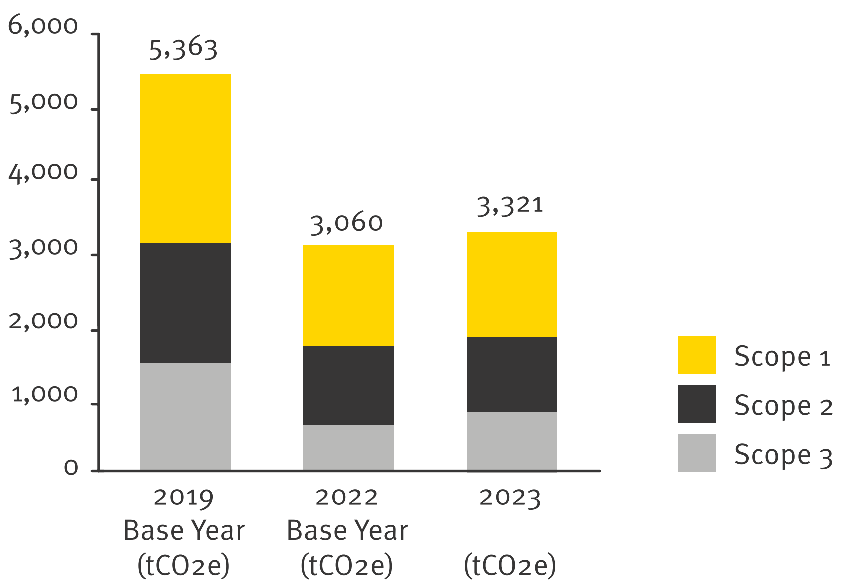


Figure 5 – Emissions Performance year on year by scope (tCO2e)



Approach to calculating our own emissions

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This includes all sites where NFU Mutual has authority to introduce and implement operating policies, and therefore excludes our agency network and investment properties, including joint ventures.

This approach captures emissions associated with the operation of buildings, plus company-owned and grey fleet transport. All NFU Mutual operations are UK based, therefore reporting also aligns with SECR requirements for Non-Quoted Large Companies and FCA ESG Sourcebook requirements.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the following conversion factors:

- **Energy used in occupied premises –** conversion factors published by the UK Government
- **Company cars –** vehicle manufacturer stated emissions for make/model of vehicle
- **Business travel –** conversion factors published by the UK Government

There are no material omissions from the mandatory reporting scope. For transparency, data limitations have resulted in the exclusion of a small number of non-material emissions sources, including fugitive emissions from air conditioning units in occupied premises and oil used to power on-site generators. In addition, due to timing of reporting, where not all energy data is available, 6.4% of 2023 electricity and gas data has been proxy estimated, based on 2022 consumption.

4.2 Investments

As part of our Net Zero Roadmap, we have set a target for our investment emissions that covers our equity and corporate bond portfolios.

NFU Mutual aims to become a Net Zero company by 2050

Investments

NFU Mutual aims to deliver 50% emissions reduction in NFU Mutual's equity and corporate bond portfolio by 2030, compared to 2019 base year.

This applies to the scope 1 and scope 2 emissions only for our investee firms only, as reliable scope 3 data is not yet available. Our Group Investment Function is responsible for achieving the target and reports on plans and progress to the Board Investment Committee on an annual basis.

We are making positive progress towards our investment portfolio targets with a 19% reduction in absolute emissions to date for our General Insurance fund, compared to a 2019 base year. In 2024 we will be developing reporting capability to include our other institutional funds.

Our positive performance has been delivered through our approach to improve the emissions performance of our portfolio via long-term investment in companies with strong ESG credentials and asset allocation changes.

Over the short term, we will continue to monitor the performance of our portfolios against a range of metrics to ensure we remain on track to achieve our targets, identifying material emitters and prioritising engagement with those. Over the medium term, we will continue to monitor and engage whilst carefully considering the performance of those holdings in hard to abate sectors which may present challenges to our decarbonisation targets. By making suitable adjustments to our portfolios as the transition develops, we aim to decarbonise our portfolio over the longer term and contribute to real-world changes in the economy.

The following table shows more detail for the performance of our GI fund:

[2] This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although National Farmers Union Mutual Insurance Society Limited's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Table 4: Total carbon emissions (tonnes CO2e) for our General Insurance Fund[2]

Emissions Source	Tonnes CO2e (tCO2e) 12 2019	Tonnes CO2e (tCO2e) 12 2023	% Change 2019-2023
General Fund	**553,388**	**445,494**	**-19%**
UK Equity	173,970	89,927	-48%
Developed Europe (ex UK) Equity	8,286	7,033	-15%
North American Equity	32,708	21,390	-35%
UK Corporate Bonds	139,347	83,556	-40%
EUR Corporate Bonds	22,101	10,658	-52%
USD Corporate Bonds	30,803	17,609	-43%
NFU Mutual Global Alpha	52,517	32,106	-39%
NFU Mutual Global Regional Core	69,453	25,448	-63%
NFU Mutual Global Strategic	24,203	10,855	-55%
Emerging Market Debt*		52,826	
High Yield Bonds*		94,085	

*% Change shows from 2022 due to lack of 2019 data

We also measure the emissions intensity of our investment portfolios (Table 5). This shows that the majority of funds have reduced their emissions intensity by between 15-61%. The benefit of looking at the portfolio's normalised carbon footprint per million invested values means that we can compare across funds.

The UK equity portfolio has seen a 48% drop in the emissions, whilst some of this is due to fund decreasing in size over the period the emissions intensity of the portfolio has also decreased by 24%. The intensity decrease can be attributed to underlying companies decreasing their emissions and some high emitters leaving the portfolio.

The Global Regional Core fund has seen a 63% reduction in absolute emissions, much of which is down to a decrease in the size of the fund. The fund has also seen a 15% reduction in the intensity of its emissions over the period during which it has reduced its exposure to emerging markets.

Table 5: Total Carbon Footprint (tonnes CO2e/ £M invested) for our General Insurance Fund[3]

Emissions Source	Financed Carbon Emissions (S1&2 Tonnes CO2e/£m Invested) 12 2019	Financed Carbon Emissions (S1&2 Tonnes CO2e/£m Invested) 12 2023	% Change 2019 - 2023
UK Equity	104	79	-24%
Developed Europe (ex UK) Equity	101	65	-35%
North American Equity	47	34	-28%
UK Corporate Bonds	72	47	-35%
EUR Corporate Bonds	130	51	-61%
USD Corporate Bonds	82	53	-36%
NFU Mutual Global Alpha	118	98	-16%
NFU Mutual Global Regional Core	190	161	-15%
NFU Mutual Global Strategic	135	80	-41%
Emerging Market Debt*		978	
High Yield Bonds*		275	

[3]This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although National Farmers Union Mutual Insurance Society Limited's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

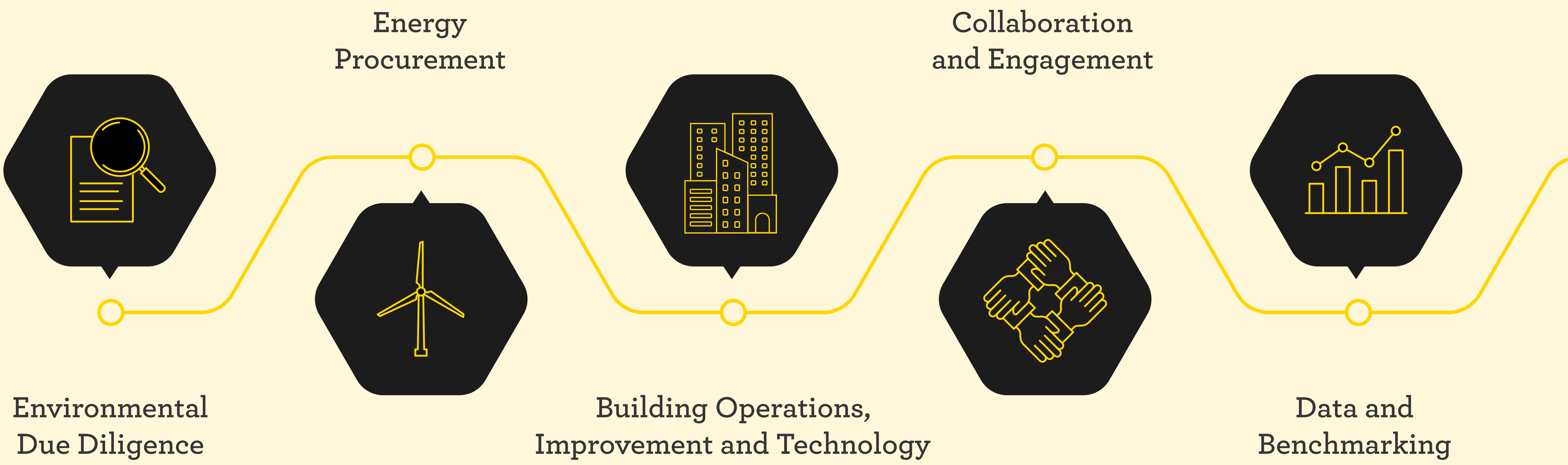
Our Global Strategic fund has seen its emissions intensity reduced by 41%. This can be attributed to both changes in the underlying holdings, several of the most intensive holdings from 2019 are no longer in the fund, and other high emitters reducing the intensity of their emissions.

Our euro denominated corporate bond portfolio has reduced its emissions intensity by 61% over the period. In 2019 the fund held two bonds with particularly high emission intensities, as the fund is no longer exposed to these the emissions intensity has decreased significantly.

Property Investment Portfolio

NFU Mutual owns property assets with a value of £1.5bn (as of 31 December 2023). Emissions associated with energy usage in these buildings contributes to our scope 3 emissions footprint and we therefore measure our progress in reducing these emissions and improving energy efficiency through metrics, including energy performance certificate (EPC) rating and exposure to high-carbon tenants. A long-term strategy of embedding ESG factors into decision making and planned improvements to property assets is delivering positive emissions performance improvements. We have not yet established a target for our Property Investment Portfolio but plan on doing so in the future.

The property investment framework that supports NFU Mutual's ESG Strategy is broadly made up of 5 key points:



1. Acquisition/Disposal Environmental Due Diligence

When we acquire or dispose of an investment, we consider its ESG credentials as well as more traditional screening like physical and regulatory risk.

2. Energy Procurement

We only procure green electricity across our portfolio and encourage our occupiers to do the same.

3. Building Operations, Improvement and Technology

We engage with our building managers to deliver sustainable building operations. These focus on energy consumption; water and waste management; as well as protecting, and where possible, enhancing nature and biodiversity. We also identify opportunities to improve our real estate through refurbishments and technological solutions, such as introducing smart technologies, EV charging stations and renewable energy ventures.

4. Collaboration and Engagement

Collaborating and engaging with our tenants and other third parties (communities and local authorities) is critical to identify opportunities and to create meaningful change that delivers on our ESG Strategy.

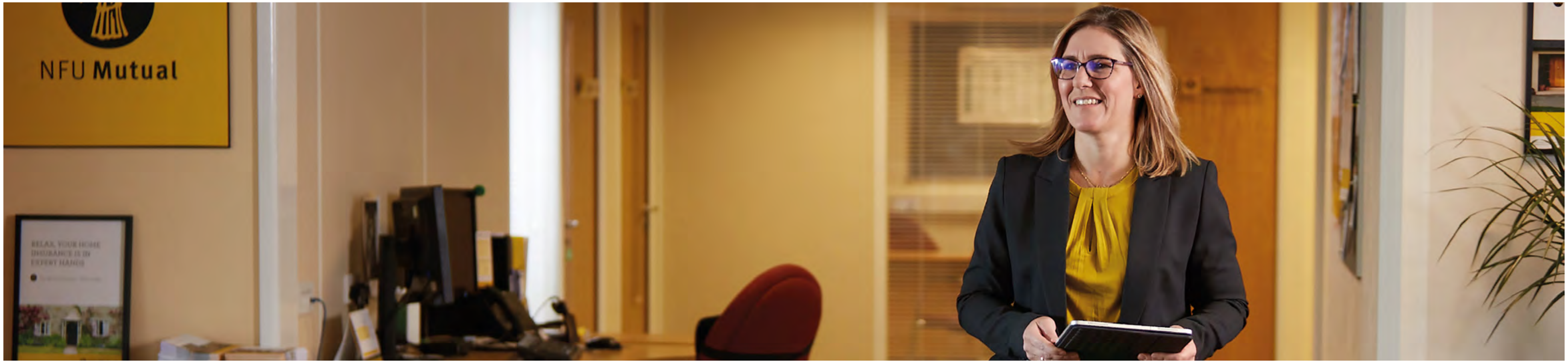
5. Data and Benchmarking

We require significant data to help demonstrate our progress towards our ESG strategy. To support with this, we're working with an external, independent data analysis provider, to assist with the collation, reporting and benchmarking of data. At this point we use best-in-class proxy data and have plans to work with our tenants and property agents to obtain, collate, monitor and report actual data from across the portfolio.

Across the property portfolio there has been significant change over a relatively short period of time. Some of the milestones and key achievements include:

- Improving the energy efficiency of our properties, with 97% of all property investments now having an energy performance rating of C or better.
- Reducing the carbon footprint of our portfolio by reviewing opportunities for installing renewable energy projects and upgrading real estate to improve energy efficiency, including installation of LED lighting and low-carbon heating systems.
- Implementing a new lease framework. Since January 2022, 100% of all new leases have included some green lease commitments and obligations. This has created a framework for collaboration between NFU Mutual and our tenants to deliver more sustainable buildings and operations. This can include procurement of green electricity, not undertaking work that worsens energy performance, sharing emissions data and implementing sustainable building operations.
- Enhancing our tenant and supplier due diligence, as well as our contractual framework to account for climate, carbon and sustainability requirements. Examples include establishing whether tenants have Science Based Targets in place to reduce their emissions and annual benchmarking.
- Benchmarking the climate-related performance of our property investment portfolio, through our partnership with an external, independent data analysis provider.

The above actions have helped deliver an estimated 52% saving of carbon across our directly owned property portfolio since 2019, which is the equivalent of 15,000 tonnes of CO_2. Carbon will vary annually dependent on transactional activity, therefore intensity metrics are also being monitored which also show net year on year improvement in line with our targets.



Approach to calculating our Portfolio Emissions

We have provided the total carbon emissions of our investment portfolios and presented these in absolute terms in tonnes of CO_2 equivalent (tCO_2e). This measure captures aggregate emissions of various greenhouse gases by the companies within the fund, each with different warming potentials, and provides the total warming effect of these emissions in the equivalent tonnes of CO_2.

We have also provided the emissions intensity of our investment portfolios as tonnes of CO_2e/£M invested. This Total Carbon Footprint metric allows comparison and benchmarking between funds.

The relative strengths and weaknesses of these different emissions metrics can be found below:

Metric	Total Carbon Footprint Tonnes CO2e / £M invested	Total carbon emissions Tonnes CO2e
Question	What is the portfolio's normalised carbon footprint per million invested?	What is the portfolio's total carbon footprint?
Key strengths	Allows for comparison regardless of portfolio size. Enables portfolio decomposition and attribution analysis.	Most literal carbon footprint from GHG accounting perspective. Absolute number can be used for carbon offsetting.
Key Weakness	Requires underlying issuer market cap data. Ownership perspective means it in only applicable to equity portfolios. Sensitive to changes in market value of portfolio.	Limited usefulness for benchmarking and comparison to other portfolio due to link to portfolio size. Requires underlying market cap data. Ownership perspective means it is only applicable to equity portfolios.

For financed emissions calculations, it is generally acknowledged by stakeholders globally, including regulators, that there are significant limitations in the availability and quality of GHG emissions data from third parties, resulting in reliance on estimated or proxy data.

All metrics for our investment portfolio emissions have been provided for scopes 1 and 2 only. Data coverage can and does vary significantly across asset classes and tends to be better in more developed markets.

Where coverage gaps exist, we have assumed these gaps have the same profile as the rest of the portfolio. For calculation purposes, we have capped the Emerging Market Debt fund with 25% of its valuation contributing to emissions and the High Yield Bond fund at 93%. This reflects that a proportion of these funds are invested in assets such as government bonds and the fact that assessing emissions relating to these assets are currently outside the scope of our 2030 and 2050 ambitions.

For 2019 figures, we have used the emissions metrics of our own US corporate Bond fund as a proxy for an external fund we held at the time. To calculate the emissions in tonnes for the portfolio, we added the value of investment we held in that fund at the end of 2019 to the value of our US corporate bond fund.

All portfolio positions have been taken as at 31/12/2023, and emissions data has been provided for equities and corporate bonds. Our disclosures do not currently extend to our cash or sovereign bond portfolios.

When considered with our Property Investment Portfolio, this reflects disclosures for 76% of the assets under management for our General Fund. Metrics for the Life Insurance portfolio will be developed during 2024.

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