NFU MUTUAL
CLIMATE CHANGE REPORT

April 2025

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CONTENTS

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.

Our Climate Change Report sets out NFU Mutual's Climate Change Strategy and how we are robustly identifying and managing the risks and opportunities arising from climate change. It also fulfils our regulatory duty to publish an Entity Report as set out in the Financial Conduct Authority's (FCA) Environmental Social Governance (ESG) Sourcebook. The report is part of a suite of climate-related and broader responsible business documents that we share. Further information can be found in the following publications:

- NFU Mutual Climate Transition Plan – Published for the first time in 2024, our Climate Transition Plan outlines the actions we're taking to reduce our emissions footprint and promote environmentally sustainable practices and has been developed in line with the Transition Plan Taskforce (TPT) guidance.
- NFU Mutual Responsible Business Report – This publication explains our Responsible Business Strategy and includes information on the environmental, social and governance activity we're undertaking across our business. Climate change is the highest priority area within our Responsible Business Strategy.
- 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.

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. It is also changing the world in other ways, such as the move to electric vehicles and renewable energy, and impacts on supply chains and the global economy, which are impacting 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, 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 1.5°C 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 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 Responsible Business Strategy where climate change is our number one priority. More information on our Responsible Business Strategy and activities can be found in our Responsible Business Report.

1.1 Progress

Our Climate Change 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 presents many challenges, which creates 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 continued to develop our Climate Change Strategy since its launch in 2020, as highlighted in the timeline below. More information on the actions we're taking to deliver the strategy is included throughout our Climate Change Report and in our Climate Transition Plan.

Climate Change Strategy Development

2020 | **2021** | **2022** | **2023** | **2024**

- Climate Change Strategy agreed
- Public launch of net zero ambition and initial targets
- Net Zero Engagement Strategy agreed
- Transition Plan launch

Climate Change Mission Statement

Tackling climate 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 memebers and actively reducing our own environmental impact to help drive the transition to a low carbon economy.

Focused Activity

Climate change broken down into seven impact categories, used to drive quantifiable activity and risk management.

Customer | Employees | Insurance | Investments

Premises | Supply Chain | Solvency

Net Zero Roadmap

Group level targets and ambitions for reducing NFU Mutual's greenhouse gas emissions.

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% by 2030, compared to 2019 base year
- Maintain 100% renewable electricity purchases for occupied premises.

Investments

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

Prioritising engagement and influence over exclusion

2024 Highlights

We continue to make good progress in delivering our Climate Change Strategy and recognise the importance of continuing to move forward, to support our ambition of becoming a net zero business by 2050. Below are some highlights from 2024:

- We published our inaugural Climate Transition Plan, which sets out the actions we are taking to achieve our ambition of becoming a net zero business by 2050. We used best practice guidance from the UK Governments' Transition Plan Taskforce (TPT) to draft the plan and acknowledge that our net zero journey is still in its early stages, and this was our first attempt at producing a plan, therefore we will iterate and refine it over time.
- We became a member of ClimateWise in 2023 and participated in their reporting process for the first time in 2024. This has enabled us to benchmark our climate performance against regulatory and best practice frameworks and gain insight on how our activity compares to other insurers. ClimateWise is a global insurance industry collaboration with the University of Cambridge Institute for Sustainability Leadership. It brings the insurance industry together with world class academic expertise and sustainability leaders to collectively tackle climate change.
- We are continuing to improve our ability to capture and report on our emissions footprint with the implementation of an emissions inventory. This has streamlined emissions reporting across the business, expanded the range of emissions captured and improved data controls. The emissions inventory provides a much clearer picture of NFU Mutual's emissions footprint and allows us to focus action on key emissions factors.
- Educating and incentivising our employees is also a key component of our Climate Change Strategy and we have developed and launched climate change e-learning, which is accessible to all employees.
- We have also increased the percentage of senior manager remuneration in the long-term incentive plan, which is linked to achievement of our own emissions targets, from 2.5% to 5%.
- Our new Company Car scheme, launched in Quarter 1 of 2024, offers eligible company car drivers access to electric and low emission vehicles. This has seen a positive uptake with 364 cars ordered and 67% of eligible employees joining the scheme since launch to end of year. The average Co_2 emission level for the new scheme is 10.2g/km (compared to the previous scheme average of 69g) which has had a positive impact on carbon emissions for Company Car drivers resulting in a 21% reduction since January 2024.
- The successful installation of 560 solar panels at our Head Office in August 2024.
- During necessary upgrades to our York Regional Service centre, LED lighting and updated heating, ventilation and air conditioning systems were installed. All of the changes applied to the offices improve our energy consumption and carbon emissions associated with the site, and have resulted in a reduction of 55% (105.9 TCO2) compared to 2023. To improve waste management, furniture was either recycled or upgraded.
- We are continuing to work with our supply chain. In 2024, we launched our "NFU Mutual Supplier Relationship Code", outlining our ways of working and requirements needed for our supply chain. Working in partnership with Hellios*, we've also been able to continue work on understanding the maturity of our supply chain's approach to ESG.
- We also hosted our first Supplier Summit. The event was focussed on ESG, and its purpose was to engage with our key and strategic suppliers on how we can work together to achieve our shared sustainability goals, whilst also adhering to our long-term business objectives. The event was attended by circa 50 of our strategic and key supplier partners.

More information on NFU Mutual's climate change activity and wider responsible business activities can be found in our Climate Transition Plan and Responsible Business Report.

* Hellios is a supplier information and risk management company. It collects, validates and monitors our suppliers' information all through one system, optimising the management of our supply chain.

2024 Emissions Performance

An important part of our Climate Change 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% by 2030, compared to 2019 base year.
- Maintain 100% renewable electricity purchases for occupied premises.

Investments

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

Our results for 2024, compared to a 2019 base year, are:

	2019 Base Year	2024 Results	% Difference
Own emissions	5,363 tCO_2e	2,871 tCO_2e	-46%
Investments	553,388 tCO_2e	600,369 tCO_2e	-29%

Our own emissions include those arising from business travel and the energy we use in our offices.

We have exceeded our target to achieve a 25% reduction by 2025 and remain on track to achieve our target of a 50% reduction for our own emissions by 2030. We are progressing a number of activities to deliver these reductions, as highlighted in the achievements section above. We also continue to purchase renewable electricity for our occupied premises where we are able, in line with our target. Purchased renewable electricity equated to 99.62% of electricity used in our occupied premises in 2024.

We have published investment targets for our corporate bond and equity portfolios to reach a reduction in emissions of 50% by 2030 as part of our net zero roadmap. This applies to the scope 1 and scope 2 emissions for our investee firms which are held within our institutional funds such as the General Insurance (General) and Life Discretionary (Life) Funds. Our targets do not extend to scope 3 of these firms as reliable data is not yet available.

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.

As at 31/12/2024 we've reduced our overall emissions for the in-scope emissions by 29% since 2019. It is important to note that investment emissions can fluctuate significantly over time. Metrics for the other portfolios will be provided in future reporting.

More detailed information on our emissions performance can be found in the metrics and targets section of our report in section 4.

1.2 Statement of Compliance

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

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 arising from climate change. This became a legislative requirement in 2023, and we are now 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.

In 2024, we published a standalone Climate Change Report (TCFD Entity report) to meet regulatory expectations set out in the Financial Conduct Authority's (FCA) ESG Sourcebook. This was our first stand-alone Climate Change Report, covering January to December 2023, and was 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). This is our second Climate Change Report, which covers the period from January 2024 – December 2024. We continue to develop our disclosures in line with regulatory and industry expectations, recognising that the climate change disclosure landscape continues to evolve.

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 Climate Change Report is aligned to the Taskforce for Climate-Related Financial Disclosures (TCFD) framework and explains 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 2024 climate change disclosures included in this stand-alone entity report.

Detailed Compliance Summary

The TCFD framework outlines 11 recommendations for organisations to include in their climate reporting. We have summarised overleaf 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

	How we're meeting the requirements	Read more in this section of the report
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. 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.	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 2°C pathway, and assess the impacts for each material risk in each scenario. We have also published a Climate Transition Plan that sets out the steps we are taking to respond to the risks and opportunities arising from climate change to ensure the ongoing resilience of our strategy and business model.	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 categorised 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. Risks from climate change are managed using the existing Risk Management Framework 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. 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.	Section 4
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have defined a risk approach for climate change that clearly links our Climate Change Strategy to the metrics used to measure risk exposures. Risk metrics and targets are reported regularly to relevant management and governance committees to ensure effective oversight and management of risks from climate change. 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 2024.	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:

Climate Change Impacts	Impacts on Insurers	Strategy Aims	Climate Change Strategy
Physical Changes to weather and climate	Customer Needs/ Expectations Liabilities Assets Operations Employees Reputation	Ensure NFU Mutual is resilient to the impacts of climate change and takes advantage of opportunities in core markets	**Climate Change Mission Statement** Tackling climate 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.
Transition Legislative, regulatory, industry and behavioural change		Define and implement NFU Mutual's roadmap to net zero	**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
Liability Exposure to legal action			**Net Zero Roadmap** Group level targets and ambitions for reducing NFU Mutual's greenhouse gas emissions

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 aim to adapt and remain resilient to potential impacts and recognise opportunities that will enable us to grow and support our members. Equally, we recognise our duty to take action to decarbonise our business and play our part in limiting potential climate impacts.

The strategy itself has three component parts. 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, which we publicly launched in 2022, recognises the importance of transitioning our business to net zero in line with global goals and has 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 in line with the pathway that limits warming to 1.5C, with no or limited overshoot, and
2. Permanently removing an amount of atmospheric carbon dioxide equal to the residual emissions from business operations, post emissions reduction initiatives.

We are focussing our efforts in the short- to medium-term on the first point to maximise emissions reduction and deliver solutions that will facilitate the transition to a low-carbon economy. The second point relating to carbon removals is therefore not currently the focus of our Climate Change Strategy.

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.

To support our Climate Change Strategy and net zero ambitions, we published our first Climate Transition Plan in November 2024. This report is aligned to the Transition Plan Taskforce (TPT) framework, published in October 2023. The plan sets 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 also outlined in this report; as actions we're taking to manage our material risks, in section 3, and as steps we're taking to deliver our published targets in section 4.

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.

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 short term as 0 -3 years, medium term as 3 – 10 years and long term as 10 years plus, unless otherwise stated.

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 customers, employees, 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 risks we face as an organisation 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 because 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 the transition to electric vehicles. 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. The Risk Division is also responsible for managing Group risk governance and oversight. Risk Division has close relationships with the wider business, including governance committees and departmental managers. 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.

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. We use our Group-wide risk appetite framework to ensure risks from climate change are managed within agreed tolerance levels.

In 2024 we also defined the Group's approach to managing risks from climate change as:

> We will manage exposure to physical, transition and liability risks arising from climate change to minimise negative impacts on the achievement of our long-term objectives and business plan and also on members and wider society.
>
> We will seek commercially viable opportunities to facilitate the transition to a low-carbon economy in our core markets, and deliver our net zero ambition.

This approach aligns closely to our Climate Change Strategy and supports our Group strategy and long-term objectives.

Climate Scenario Analysis

Climate change is already having an impact on our business and will continue to do so for a number of years. The future trajectory of climate change is also uncertain, with dependencies on actions taken in the short term defining medium and long-term outcomes.

Climate scenario analysis is a key tool we use to forecast potential impacts on our business in different future scenarios. Climate scenario analysis is undertaken annually and considers a range of business specific risks, including weather risks, equity exposures and life expectancy.

When identifying the material impacts from climate change, we allow for future uncertainty by evaluating different potential climate pathways. We consider the following three pathways that are derived from the Network for Greening the Financial System (NGFS), and are commonly used across the industry:

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.

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 above, 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).

During 2024, we observed increasing industry recognition of a need for the development of near-term, decision useful scenarios, with a number of credible papers being published globally.

As a business we also recognise the benefit of developing our own, shorter term narrative scenarios. In 2024 we developed an NFU Mutual specific climate scenario, using the content of published papers to provide information and assess the credibility of our assumptions. This scenario helps to create a narrative of a likely outcome on how climate change could evolve over the next ten years, while applying some quantitative assumptions, explanations and caveats on the level of uncertainty. We used this scenario, which assumes late policy action within the next 10 years, to inform our ORSA process for the first time in 2024.

We will continue to review and refine this scenario as more research becomes available to improve its effectiveness and accuracy.

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 an established range of risk appetite limits that are used to manage financial risk exposures across the Group. 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.

In 2023, we included climate change factors into executive remuneration schemes as part of the Group's long-term incentive plan (LTIP) for the first time. The metric, based on our own emissions target, had a weighting of 2.5% for 2023-2025 LTIP and for 2024-2026 this has been increased to 5%. The metrics and targets will be reviewed on an annual basis and will evolve over time.

2.4 Governance within NFU Mutual

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.

Oversight of climate-related risks and opportunities

Our Board is ultimately responsible for oversight of climate-related risks and opportunities across all parts of NFU Mutual and they also set our Climate Change Strategy and Net Zero Roadmap and oversee its implementation.

The diagram overleaf 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 change response

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

Business Units
- Identify and manage risks from climate change
- Escalate risks outside of risk appetite for approval
- Risk exposure monitoring
- Climate 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 are reported through these routes in line with the Group's risk appetites.

Regular climate-specific updates are provided at least annually to relevant 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 2024.

	Climate Change Responsibilities	Items Considered in 2024
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 and climate-related activity to implement the Group's Climate Change Strategy • Approved NFU Mutual's Climate Transition Plan • Reviewed inclusion of climate-related risks in the ORSA report.
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 2024 annual Report and Accounts
Remuneration Committee	• Overseeing the design of, and targets for, performance-related pay schemes to effectively incorporate climate change, applying to executive directors, the Company Secretary and senior executives	• Approved an increased weighting for the climate metric to 5%, following a market review, for the 2024-2026 Executive LTIP scheme
Board Investment Committee	• Overseeing that investment risks are managed appropriately, including those arising from climate change	• Reviewed and monitored plans to deliver emissions reduction targets, including investment portfolio progress • 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	• Approved a new risk approach statement for climate change. • Approved NFU Mutual's Climate Transition Plan for external publication • Reviewed and approved climate-related scenario analysis

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 sat on the National Farming Unions (NFU) Net Zero Steering Committee for four years. 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. 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, such as 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.
Business Planning	Internal and external factors that could have an 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 each 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 approves 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 responsible business factors, including climate change, into our supplier selection framework. ESG factors contribute between 5% and 15% to scoring processes and are a key factor in decision making.

Management's role in managing climate change

Responsibility for ensuring that risks from climate change are effectively identified and managed across the Group sits with our Risk Director. They have responsibility for ensuring the on-going effectiveness of the Risk Management Framework in managing risks from climate change and the development and delivery of NFU Mutual's Climate Change Strategy. The Risk Director maintains oversight of climate-related risks and internal and external developments, through membership and attendance of Board and risk governance committees. They also chair 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 mitigating, transferring or accepting 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.

Appropriate engagement is key to ensuring risk-based decisions related to climate change are embedded throughout the business. 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. 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. Opportunities for continued professional development are created in partnership with our leadership development team, such as Leadership Live Week. This provided colleagues from across the business with a chance to engage and learn from climate, responsible business and nature subject matter experts.

Our Responsible Business Strategy is implemented by a dedicated ESG team, which monitors the design and delivery of our overarching Responsible Business Strategy, as well as overseeing all key internal and external responsible business communications. Our responsible business-related activity is published annually in our Responsible Business Report. Climate change is a priority focus area within our Responsible Business Strategy and further information can be found within the 'Caring for the Environment' section of our Responsible Business Report. The ESG team works 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 undertaking to be more environmentally responsible.

NFU Mutual has an established climate change team who are responsible for implementing our Climate Change Strategy and 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 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.

In 2024 we launched a new climate change e-learning module to enable all employees to enhance their knowledge of climate change. Working collaboratively, a cross-functional team of climate, communications and learning specialist colleagues delivered an interactive and engaging learning solution. They also refreshed our dedicated climate change intranet page, which is a key repository of climate-related information, to provide comprehensive information for all employees to access.

3. MATERIAL RISKS

Material risks from climate change are those that could impact our business model and the 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 our framework to identify 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 Group are outlined below and we consider both potential downside impacts and upside opportunities where relevant:

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

Material Impact   Non-material Impact

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.

The three risks highlighted as material in the table above are explained in detail in sections 3.1, 3.2 and 3.3 below.

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 still evolving and subject to change as more research and data is collected.
- A third-party tool 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.

3.1 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 cost of weather-related claims for our General Insurance book.

Recognising that climate change will impact our general insurance business, the underwriting team undertake emerging risk assessments to understand the potential impacts from climate change and climate-related factors, such as extreme heat, extreme cold and a disorderly net zero transition.

We also carry out scenario analysis to understand potential climate change impacts on our solvency position over the short, medium and long-term.

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.

The scenarios are not intended to be treated as worst or best case, as we understand there is high range of uncertainty in the potential impacts.

The scenarios used are based on the science and modelling capability available at the time and are 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 insurance 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 +3°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 insurance 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.

One of the physical risks 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 also consider 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, Own Risk and Solvency Assessment 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 2024, we paid over £340,000 (2023: over £140,000) 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). We use Risk Acceptance Tolerances (RATs) internally to measure exposures to physical climate impacts, including windstorm, flood, freeze, subsidence and extreme heat, including those shown in the following table.

Peril	Metric 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 sum insured in higher risk subsidence postcodes
Extreme heat	% estimated maximum losses caused by fire % of total sum insured in higher risk subsidence postcodes % poultry risks with heat stress extensions

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. Over the course of 2024 we remained within our risk tolerance levels.

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

As a UK-based insurer with a focus on rural communities, a 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. Whilst this could be a threat to the long-term success of our business, we also see climate change adaptation and mitigation as an opportunity. We aim to develop insurance-related products and services to help mitigate the impacts of climate change and support the transition to a low-carbon economy. Our ability to identify and adapt to customer demand, whether driven by climate change or other factors, will impact our success as a business.

Potential impacts for NFU Mutual

The scale of change required to deliver climate resilience and 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 and mitigation are opportunities to develop new insurance solutions which aim to help mitigate the impacts of climate change and support the transition to a low-carbon economy.

The transition to a low-carbon economy will require significant changes to transport, buildings and farming, which are core segments of our general insurance book. Reducing transport emissions will require a continued transition from fossil fuel powered vehicles to low-carbon alternatives, impacting 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 continue to 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.

Taking these factors into account, structured policy changes introduced by government should allow a smooth societal transition in the Early Policy Action scenario, giving NFU Mutual time to 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 timeframe.

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 Company to do Business With, our climate change approach is to prioritise engagement and influence over exclusion.

To adapt effectively, it is important we understand how our customers and our industry are being impacted by the physical and transitional impacts from climate change. We monitor external developments, including government policy, peer insurer activity and customer expectations. We also maintain close relationships with our farming members, farming unions and specialist agricultural financial services partners.

We undertake forward-looking strategic reviews for core business lines to ensure our strategy and propositions adapt, safeguarding the resilience of our business over the medium to long term by reducing our risk exposure and responding to opportunities.

Climate change is also included within our underwriting risk appetite strategy statement, ensuring that we effectively manage climate related risks within our portfolio and also adapt to the changing needs of our members.

These actions have allowed us to understand the potential needs of our members, which can help us to develop insurance-related solutions that aim to help mitigate the potential negative impacts of climate change and to enable effective climate adaptation such as:

- A parametric insurance product for heat stress in dairy herds. Parametric insurance product is a type of insurance that pays out a predetermined amount in the event of a specific trigger or event – in this case temperatures and humidity rising to a certain level – without requiring proof of income losses to be provided by the insured.

- 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 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. We have also improved our ability to capture data relating to renewable technologies we underwrite, including biomass, anaerobic digestion, ground source heat pumps and battery storage. Policy numbers have grown for these technologies by 21% since 2021.

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. We will not fit any recycled parts that are safety-critical to the vehicle and its 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 recycled parts are used, we issue the customer with a sustainability certificate to recognise the positive impact this has. It's still early days for this initiative, however, we've seen an increased adoption of 21% when comparing 2023 and 2024 figures.

In 2024 we worked with partners to repair over 700 windscreens that would otherwise have needed full replacement. Of the windscreens that were not suitable for repair, our partners were able to send 100% of the material for recycling.

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 and participated in their reporting process for the first time in 2024. This has enabled us to benchmark our climate performance against regulatory and best practice frameworks and gain insight on how our activity compares to other insurers. ClimateWise is 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 International Cooperative and Mutual Insurance Federation (ICMIF).

How we measure the impacts of climate change

Our ability to identify and adapt to customer demand, whether driven by climate change or other factors, will impact our success as a business.

We use a set of core measures to track business performance at Group level. Where these indicate variation against expectations, we investigate to identify underlying causes, including climate-related causes.

In addition, we have developed specific climate-related metrics for electric vehicles and renewable technologies to track performance. As these are still developing areas, we have not set specific targets and use the metrics to monitor that products are fit for purpose as demand grows. The specific metrics are:

Measure	Metrics
Changing demand for products and covers	% electric vehicles insured as part of overall private car account
	£ gross written premium for renewable technologies

3.3 Asset values impacted by climate driven environmental changes and/or investees' climate response[1]

A material reduction in asset values would undermine NFU Mutual's capital strength, which could in turn impact long-term strategy, business model and objectives. Climate change has the potential to reduce asset values due to both transitional and physical impacts, for example if physical climate change causes market volatility or assets fail to adapt effectively to climate impacts.

Conversely, investing in the right climate-related assets has the potential to improve the capital strength of the Group, for example investment in growth opportunities that would benefit the climate 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 and over what timeframe. The scenarios used are not intended to represent worst- or best-case scenarios and the impacts could be significantly greater than shown. The impacts of climate change are highly uncertain, both in timing and severity. Climate change models are evolving constantly and can only provide an estimate of asset impacts.

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. However, a key limitation is that the scenario analysis does not allow for potential 'tipping points' which could lead to significant and irreversible climate change impacts, such as the disintegration of ice sheets in Greenland and Antarctica.

The table below sets out the estimated impacts of climate change over various time horizons on the main asset classes invested in by the Group, excluding government bonds which are out-of-scope of the third-party tool used to perform the scenario analysis. The results are cumulative; include only the impacts from climate change (physical and transitional); and do not account for mitigation measures being adopted, for example divestment from more climate-exposed companies. The 'Total' results include only in-scope assets, government bonds are excluded.

Figure 1 – Changes to Group asset values under each scenario over various timeframes – Short (0-3 years), Medium (3-10 years) and Long (10+ years). Percentage relates to the total value that could be lost as a result of the scenario.

Scenario	**Late Policy Action**			**No Additional Policy Action**		
Timeframe	Short	Medium	Long	Short	Medium	Long
Equities	Low	High	High	Very low	Low	High
Corporate Bonds	Very low	Low	Low	Very low	Low	Low
Property	Low	Medium	High	Very low	Low	Low
Total	Low	High	Medium	Very low	Low	High

High (10%+)	Low (2-5%)
Medium (5-10%)	Very low (<1%)

The results indicate that a Late Policy Action scenario, where the transition to net zero is delayed until 2030 followed by a rapid and disorderly transition, will result in stronger impacts being felt in the medium term due to the costs of the transition compared to a No Additional Policy Action scenario.

In the No Additional Policy Action scenario, the impact is mainly driven by physical risks (such as severe weather events) which take time to accumulate. In the long term, a particularly high impact on equity values drives a high impact overall for this scenario. The costs are expected to continue to accumulate beyond 2050.

As noted above, the impacts presented do not allow for mitigation measures being taken in the investment portfolios. In reality, we expect such measures to reduce the impacts felt by the Group.

[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.

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 and increases in the cost of financial guarantees.

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, track 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 our role as an institutional investor. We regularly engage with the companies we invest in on matters such as directors' remuneration, board structure, governance concerns, and responsible business 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 2024 we made a net investment of over £50m into these bonds, with £26m of this in gilts. At the 2024 year-end our aggregate holdings were £350m of which £85m 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.

For our property portfolio, we are taking action 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. In 2024,we continued to improve the percentage of our property investment portfolio that is rated C or better for energy efficiency, increasing from 97% (2023) to 98% this year. 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. In 2024, 100% of new leases have included green lease provisions.

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

We use Early Warning Indicators (EWIs), internally, to measure the potential impacts that climate change could have on our investment portfolios, including the examples shown below.

Potential climate change impact	Metric
Reduction in value of assets due to climate.	Proportion of the portfolio invested in industries considered to be sensitive to climate change
	Properties with an EPC rating of D or lower within NFU Mutual's direct portfolio
	Number of commercial tenants in industries considered to be sensitive to climate change within NFU Mutual's direct property portfolio

We set target limits for our exposure to each of these and performance is reported regularly to our Group Financial Risk Committee. Over the course of 2024 we remained within our risk tolerance levels.

As part of managing climate risk within our investment portfolios, we measure the Emissions Performance targets of the firms we're invested in and the EPC rating of our properties alongside appropriate targets.

4. EMISSIONS TARGETS AND METRICS

4.1 Own Emissions

In this section we explain the targets we have set for our own emissions and share our 2024 performance results. We include information on emissions performance by source, energy consumption and scope. The information in this section aligns to both our legislative reporting requirements under the Streamlined Energy and Carbon Reporting legislation and FCA ESG Sourcebook.

NFU Mutual's Climate Change Strategy aims to ensure we remain resilient to the risks from climate change and also take steps to reduce our own greenhouse gas emissions. We have set an ambition to become a net zero business by 2050, with specific targets for our operational emissions:

NFU Mutual aims to become a new zero company by 2050.

Own Emissions:

NFU Mutual has set targets to deliver a reduction compared to a 2019 base year of:

- 25% reduction by 2025
- 50% reduction by 2030

NFU Mutual also aims to purchase 100% renewable electricity (where possible).

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. Emissions performance is reported to the Board on an annual basis.

Emissions can be measured in different ways, including:

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

We are continuing to improve our ability to capture and report on our emissions footprint with the implementation of an emissions inventory. This has streamlined emissions reporting across the business, expanded the range of emissions captured and improved data controls. The emissions inventory provides a much clearer picture of NFU Mutual's emissions footprint and allows us to focus action on key emissions factors.

Own Emissions – 2024 Achievement against Targets

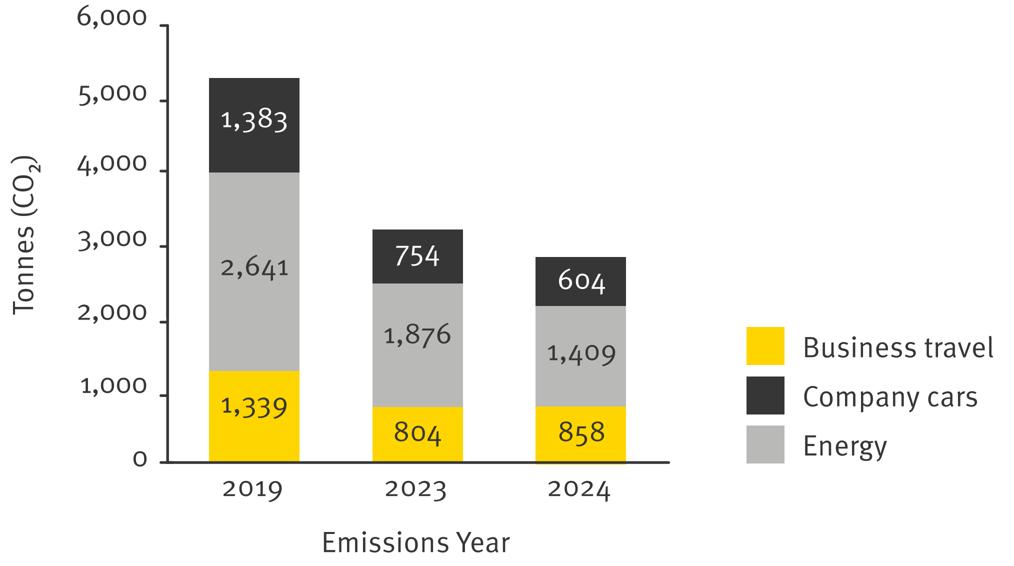
Our target for own emissions, those arising from company cars, occupied premises and business travel is a 25% reduction by 2025 and 50% reduction by 2030, against a 2019 base year. Our performance for 2024 is shown in the table below:

Table 1 – Emissions performance for own emissions 2023 and 2024 against base year 2019

Emissions Source	2019 Base Year (Tonnes CO_2e)	2023 (Tonnes CO_2e)	% Variance to Base year	2024 (Tonnes CO_2e)	% Variance to Base year
Company Cars	1,383	754	-45%	604	-56%
Energy	2,641	1,876*	-29%	1409	-47%
Business Travel	1,339	804	-40%	858	-36%
Total	**5,363**	**3,434**	**-36%**	**2871**	**-46%**

* 2023 figure has been updated to include additional scope 1 emissions as a result of enhanced reporting capability.

Figure 2 – Own emissions by source for 2019, 2023, 2024 (tCO_2e)



2024 saw a 46% reduction in own emissions, in comparison to the base year of 2019.

We introduced a revised company car scheme in Quarter 1 2024, to encourage eligible company car drivers to select a low carbon emissions vehicle, which has contributed to the positive emissions performance in 2024 and is explained further in the next section.

2024 saw the continued rationalisation of our occupied office space, which has reduced energy consumption.

2024 business travel mileage has now stabilised following the pandemic, with 2024 figures being similar to 2023. The biggest contributor to business travel emissions are flights.

Our Operations:

NFU Mutual is committed to reducing emissions we are directly responsible for and in 2024 we have implemented a number of initiatives and programmes to support this. These include:

- Purchasing renewable electricity for the majority of our occupied premises.
- 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 we are developing our capability to measure emissions from our employees' commuting and remote working to help us monitor the impact of this policy.
- The successful installation of 560 solar panels on the roof of our Head Office buildings which we expect to generate, annually, about 17% of our energy needs
- During necessary upgrades to our York Regional Service centre, LED lighting was installed throughout the office. Furthermore, updated heating, ventilation and air conditioning systems were installed. All of the changes applied to the offices improve our energy consumption and carbon emissions associated with the site and have resulted in a reduction of 55% (105.9 TCO2) compared to 2023. To improve waste management, furniture was either recycled or upgraded.
- Our new company car scheme, launched in February 2024, offers company car drivers access to electric and low emission vehicles. This has seen a positive uptake with 364 cars ordered and 67% of eligible employees joining the scheme since launch to end of year. The average CO_2 emission level for the new scheme is 10.2g/km (compared to a current average of 69g/km) which has had a positive impact on carbon emissions for company car drivers resulting in a 21% reduction in 2024.

Own emissions by scope

The Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard categorises emissions 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 emissions targets and performance above includes emissions from across all three scopes. To allow for transparent comparison of our emissions performance and to meet SECR reporting requirements, the following tables summarise our emissions performance by scope.

Table 2 – Scope 1 Absolute Emissions

The following table shows NFU Mutual's absolute emissions performance for scope 1:

		2024	Change against base year	2023	Change against base year	2019
Scope 1 Direct GHG Emissions (tCO_2e)	Fuel combustion: Transport - Company cars	604	-56%	754	-45%	1,383
	Fuel combustion: Natural Gas	420	-44%	632	-21%	800
	*Fugitive emissions from air-conditioning	0	N/A	113	N/A	0
	*Oil used in backup generators	10	N/A	0	N/A	0
Scope 1 Total		**1,034**	**-53%**	**1,499**	**-31%**	**2,181**

*As part of the implementation of NFU Mutual's emissions inventory, we have developed reporting capability for additional scope 1 emissions, which are being included in our disclosures for the first time in 2024.

Within the GHG Protocol, there are two methods for allocating generator emissions 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 provided both figures for transparency. NFU Mutual has been purchasing renewable electricity for our occupied premises, where possible, since 2019. The market-based methodology therefore represents our actual emissions most accurately.

The following table shows NFU Mutual's absolute emissions performance for scope 2:

Table 3 – Scope 2 Absolute Emissions

		2024	Change against base year	2023	Change against base year	2019
Scope 2 Indirect GHG Emissions (tCO_2e)	Purchased Electricity Location Based:	900	-47%	1,041	-38%	1,685
	Market Based:	57	-96%	112	-92%	1,365

Within the GHG protocol, scope 3 emissions are broken down into 15 different categories. We are disclosing emissions performance for the scope 3 categories we currently have the capability to measure. We are working to develop the capability to measure relevant emissions for other scope 3 categories.

The following table shows NFU Mutual's absolute emissions performance for scope 3:

Table 4 – Scope 3 Absolute Emissions

Scope 3 GHG (Value Chain) emissions (tCO2e) consisting of the following categories:		2024	Change against base year	2023	Change against base year	2019
Category 3	Electricity Transmissions & distribution losses	79	-49%	90	-42%	156
Category 6	Business Travel	858	-36%	804	-40%	1,339
Category 15	Investments**	600,369	-29%	N/A^	N/A	845,178
Total		**601,306**	**-29%**	**N/A^**	**N/A**	**846,733**

**This applies to the scope 1 and scope 2 emissions for our investee firms which are held within our institutional funds such as the General Insurance (General) and Life Discretionary (Life) Funds.

^2023 Investments Emissions have not been included as we've changed methodology in 2024 to include assets from both our General and our Life Funds.

Emissions intensity metrics

In addition to reporting on total emissions, we also disclose emissions intensity for our own emissions (company cars, business travel and energy). This shows emissions per unit and is an alternative way of measuring emissions performance.

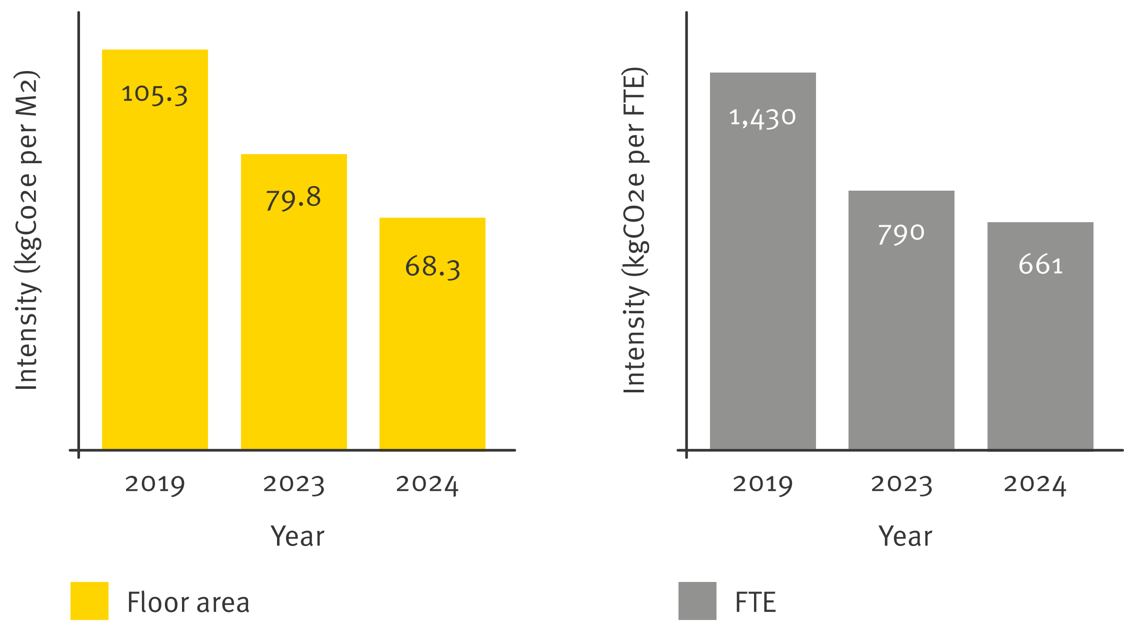
In previous years we have disclosed intensity metrics by occupied floor space, for the first time this year we are also disclosing intensity metrics per full time employee (FTE). The following table shows scope 1, scope 2 and travel related scope 3 emissions intensity metrics by FTE and floor area.

Table 5 – Operational Emissions Intensity:

Scopes 1, 2 & 3 tCO_2e	2024	% Change compare to base year	2023	% Change compare to base year	2019
tCO_2e	2,871	-46%	3,434	-36%	5,363
Floor area (m^2)	42,024	-17%	43,056	-15%	50,917
Number of full-time employees	4,342	+12%	4,345	+12%	3,894
Intensity (kgCO2e per m2)	**68.3**	**-35%**	**79.8**	**-24%**	**105.3**
Intensity (kgCO2e per FTE)	**661**	**-54%**	**790**	**-45%**	**1,430**

The graphs demonstrate the trend in emissions intensity in comparison to base year 2019

Figure 3 & 4 Operational Emission Intensity by year



The following table outlines an annual comparison of energy consumed from activities for which NFU Mutual is responsible reported in kilo watt hours. 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 mileage for transport. Emission conversion factors, particularly those for electricity, can change each year 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 6 - Energy consumption by year (kWh)

Emissions Source	2024	2023	Share (%)	YoY variance (%)
Natural Gas	2,292,766	3,455,964	20%	-34%
Electricity	4,347,272	5,029,049	38%	-14%
Transport Fuel	4,815,788	4,912,468	42%	-2%
Total Consumption (kWh)	**11,455,826**	**13,397,481**	**100%**	**-14%**

Figure 5 - Energy Consumption by Source

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
- Fugitive emissions – conversion factors published by the UK Government
- Oil used in back-up generators – conversion factors published by the UK Government.

There are no material omissions from the SECR mandatory reporting scope.

Less than 1% of 2024 electricity and gas data has been proxy estimated, based on 2023 consumption.

4.2 Investments[2]

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

We have published investment targets for our corporate bond and equity portfolios to reach a reduction in emissions of 50% by 2030 as part of our net zero roadmap. This applies to the scope 1 and scope 2 emissions for our investee firms which are held within our institutional funds such as the General Insurance (General) and Life Discretionary (Life) Funds. Our targets do not extend to scope 3 of these firms as reliable data is not yet available. The tables below show some key metrics and progress from 2019, this has been expanded this year to include the Life Fund as well as the General fund.

Our Group Investment Function is responsible for achieving the target and currently reports on plans and progress to the Board Investment Committee twice a year.

Table 7 – Total carbon emissions (tonnes CO_2e) for our General Insurance and Life Funds

Emissions Source	Tonnes CO_2e (tCO_2e) 12 2019	Tonnes CO_2e (tCO_2e) 12 2024	% Change 2019-2024
General and Life Funds	845,178	600,369	-29%

We are making positive progress towards our investment portfolio targets with a 29% reduction in absolute emissions to date for our General Insurance and Life Funds, compared to a 2019 base year. 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.

We continue to be proud signatories of the UK's Stewardship Code and annually publish our stewardship report, this details how we conduct our stewardship responsibilities including those relating to climate change. We have maintained affiliations with the Principles of Responsible Investment (PRI) and all our external managers are also PRI signatories.

The following tables provide more detail for the performance of our GI fund, which to date has seen a 35% reduction in absolute emissions.

Table 8: Total carbon emissions (tonnes CO_2e) for our General Insurance Fund

Emissions Source	Tonnes CO_2e (tCO_2e) 12 2019	Tonnes CO_2e (tCO_2e) 12 2024	% Change 2019-2024
General Fund	**559,102**	**365,534**	**-35%**
UK Equity	173,970	79,598	-54%
Developed Europe (ex UK) Equity	14,000	4,838	-65%
North American Equity	32,708	18,527	-43%
UK Corporate Bonds	139,347	56,451	-59%
EUR Corporate Bonds	22,101	6,251	-72%
USD Corporate Bonds	30,803	33,119	8%
NFU Mutual Global Alpha	52,517	24,231	-54%
NFU Mutual Global Regional Core	69,453	16,076	-77%
NFU Mutual Global Strategic	24,203	11,436	-53%
Emerging Market Debt*		47,359	
High Yield Bonds*		67,648	

*% Change not shown due to lack of 2019 data

We also measure the emissions intensity of our investment portfolios. This shows that the majority of funds have reduced their emissions intensity by between 35-68%. 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 54% 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 37%. The intensity decrease can be attributed to underlying companies decreasing their emissions and some high emitters leaving the portfolio.

Table 9: Total Carbon Footprint (tonnes CO_2e/£M invested) for our General Insurance Fund.

Emissions Source General Fund	Financed Carbon Emissions (S1&2 Tonnes CO_2e/£m Invested) 12 2019	Financed Carbon Emissions (S1&2 Tonnes CO_2e/£m Invested) 12 2024	% Change 2019-2024
UK Equity	104	65	-37%
Developed Europe (ex UK) Equity	125	46	-63%
North American Equity	47	25	-46%
UK Corporate Bonds	72	35	-51%
EUR Corporate Bonds	130	42	-68%
USD Corporate Bonds	82	108	31%
NFU Mutual Global Alpha	118	64	-45%
NFU Mutual Global Regional Core	190	123	-35%
NFU Mutual Global Strategic	135	76	-44%
Emerging Market Debt*		887	
High Yield Bonds*		212	

*% Change not shown due to lack of 2019 data

Our euro denominated corporate bond portfolio has reduced its emissions intensity by 68% 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.

There have been a number of refinements made to our calculation methodology during 2024, resulting in changes to some of the 2019 figures for our General Fund when compared to previous reporting. Further development of our processes could lead to similar changes in the future.

The following tables provide more detail for the performance of our Life Fund, which to date has seen an 18% reduction in absolute emissions.

2. This disclosure was developed using information from MSCI ESG Research LLC, its affiliates or its information providers. Although The 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 10: Total carbon emissions (tonnes CO_2e) for our Life Fund

Emissions Source	Tonnes CO_2e (tCO_2e) 12 2019	Tonnes CO_2e (tCO_2e) 12 2024	% Change 2019-2024
Life Fund	286,076	234.835	-18%
UK Equity	123,773	66,011	-47%
Developed Europe (ex UK) Equity	7,576	4,777	-37%
North American Equity	17,869	18,439	3%
UK Corporate Bonds	48,486	24,858	-49%
EUR Corporate Bonds	5,125	2,287	-55%
USD Corporate Bonds	6,157	7,291	18%
NFU Mutual Global Alpha	28,169	24,115	-14%
NFU Mutual Global Regional Core	36,184	17,130	-53%
NFU Mutual Global Strategic	12,737	11,417	-10%
Emerging Market Debt*		24,443	
High Yield Bonds*		34,067	

*% Change not shown due to lack of 2019 data

The Life Fund has made good progress in reducing the absolute emissions, however this is lagging the General Fund as the size of several of the portfolios have increased over the period. This can be demonstrated with the North American equity lines, whilst both have seen a comparable reduction in their carbon intensity, the Life fund has increased by 95% in value, resulting in a 3% increase in absolute emissions.

Table 11: Total Carbon Footprint (tonnes CO_2e/£M invested) for our Life Fund

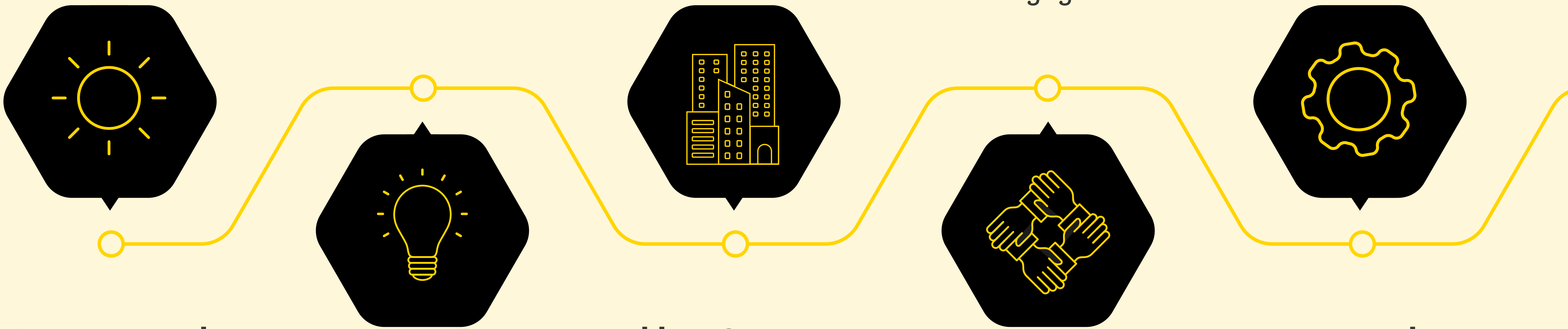
Emissions Source Life Fund	Financed Carbon Emissions (S1&2 Tonnes CO_2e/£m Invested) 12 2019	Financed Carbon Emissions (S1&2 Tonnes CO_2e/£m Invested) 12 2024	% Change 2019-2024
UK Equity	102	65	-36%
Developed Europe (ex UK) Equity	122	46	-62%
North American Equity	47	25	-47%
UK Corporate Bonds	72	39	-46%
EUR Corporate Bonds	130	43	-67%
USD Corporate Bonds	82	105	27%
NFU Mutual Global Alpha	118	64	-45%
NFU Mutual Global Regional Core	190	123	-35%
NFU Mutual Global Strategic	135	76	-44%
Emerging Market Debt*		887	
High Yield Bonds*		212	

*% Change not shown due to lack of 2019 data

Property Investment Portfolio

NFU Mutual owns property assets with a value of £1.8bn (as of 31 December 2024). Emissions associated with energy usage in these buildings contribute to our scope 3 emissions footprint. We therefore measure our progress in reducing these emissions and improving their energy efficiency through metrics, including energy performance certificate (EPC) ratings 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. A key aspiration for the property team is reduction of carbon emissions by 50% by 2030.

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



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.

Energy Procurement

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

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 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.

Collaboration and Engagement

Collaborating and engaging with our tenants and other third parties is critical to deliver on our ESG strategy. We work with tenants, communities and local authorities to identify opportunities and to deliver meaningful change.

Data and Benchmarking

We require significant data to help demonstrate our progress towards our ESG ambitions. To support this, we're working with an external, independent data analysis provider, MSCI, to assist with the collation, reporting and benchmarking of data.

Property investment activity has been focused on de-risking the legacy portfolio to enhance sustainability and energy efficiency through refurbishment and green energy technology, Examples include:

- £8m refurbishment of our office investment at Trafalgar House, Brighton that will improve energy performance rating from D to B,
- Installation of solar at The Brewery, Cheltenham making landlord-controlled areas carbon neutral.
- Commencement of a strategy to de-gas our office investments, starting with Chancery Place, Manchester, where a £300k project has been completed on the 13th floor to replace gas heating.
- Project to roll out EV charging across our retail park investments.
- Commencement of installation of SMART meters to capture tenant carbon emissions.

Emissions 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 total carbon emissions to reflect the allocated footprint of our investment portfolios and presented these in absolute terms in tonnes of CO2 equivalent (CO2e). Financed emissions have been calculated by using an enterprise value including cash, which estimates the value of a company by adding back in cash and cash equivalents to the enterprise value of a company. This method has been preferred to using market cap to attribute ownership of carbon as it allows for the fact that our portfolios contain both equities and corporate bonds. However, this metric is sensitive to changes in the scale of the holding.

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

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

Metric	Carbon Emissions Tonnes CO_2e/£M invested	Total carbon emissions Tonnes CO_2e
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 is 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 in scope 1 and 2. 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 26% of its valuation contributing to emissions and the High Yield Bond fund at 95%. 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 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.

For our internally managed corporate bond funds in the Life Fund we have used the General Fund as a proxy for the 2019 emissions.

All portfolio positions have been taken as at 31/12/2024, 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 approximately 74% of the assets under management for our General and Life Funds.

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