BECOMING A SUSTAINABLE CHESNARA

20
22

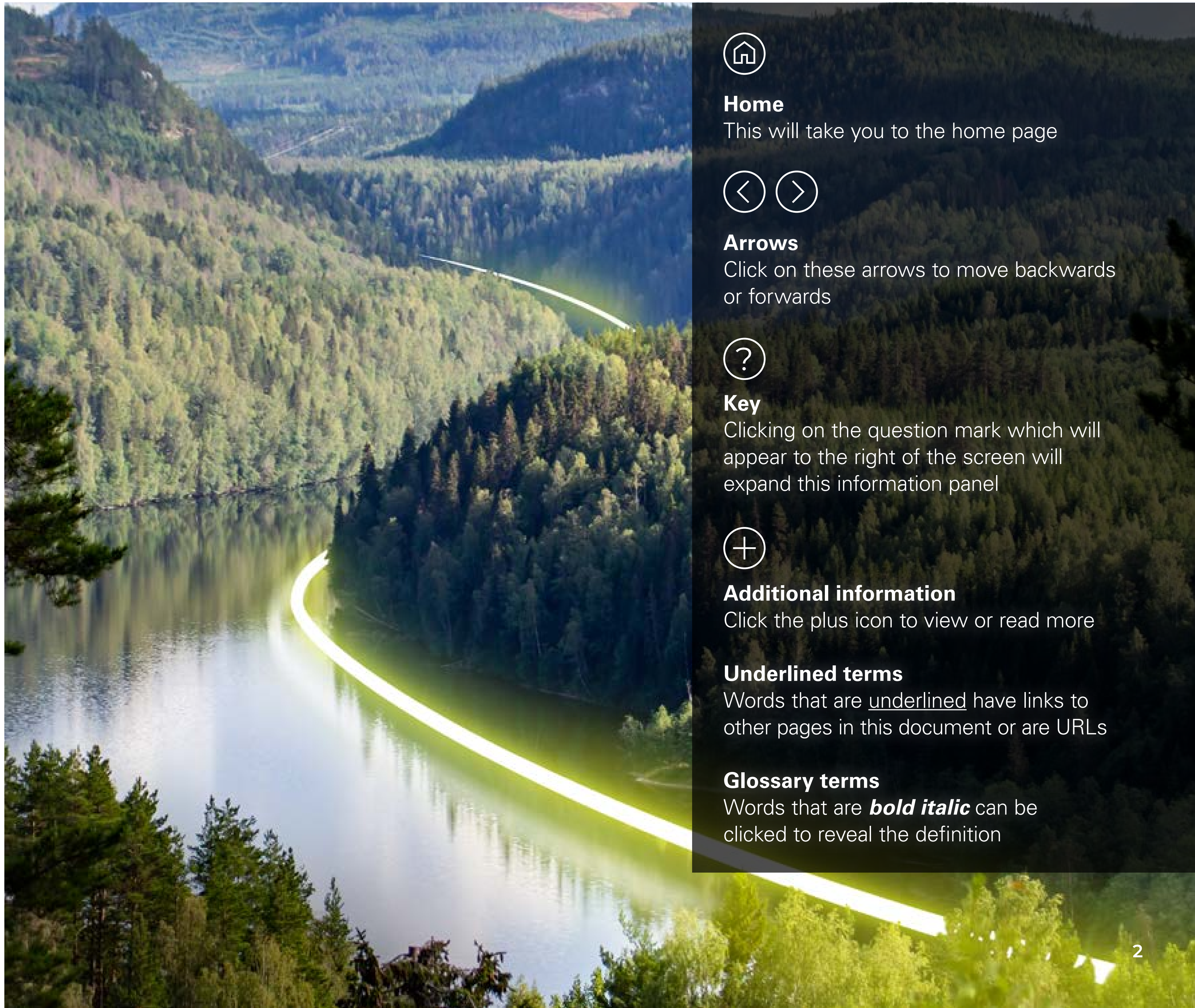
Chesnara

NAVIGATING OUR REPORT

Welcome to our 2022 Sustainability Report. If you need any navigation tips at any point, just click on the question mark icon for more information. The navigation bar at the top gives the headline topics; underlined words will take you through to more detail in our report or on other websites; or click any words in bold italics for definitions.

We've tried to keep things simple and avoid repeating the material shared in our ***Climate-Related Financial Disclosures*** in our Annual Report and Accounts.

For any phrases you may not be familiar with, we've also included a glossary of terms.



Home
This will take you to the home page

Arrows
Click on these arrows to move backwards or forwards

Key
Clicking on the question mark which will appear to the right of the screen will expand this information panel

Additional information
Click the plus icon to view or read more

Underlined terms
Words that are underlined have links to other pages in this document or are URLs

Glossary terms
Words that are ***bold italic*** can be clicked to reveal the definition

INTRODUCTION

As Chair of our Group Sustainability Committee, I'm very pleased to present our first Annual Sustainability Report.

Sustainability means fulfilling the needs of the present without compromising the future: a balance of economic growth, environmental protection and social responsibility.

As an insurer and provider of financial products, thinking about the long term comes naturally to us and is key to our success. Meeting our sustainability goals means making forward-looking decisions in the interests of all our stakeholders, including our customers, investors, regulators, the planet and its natural resources.

This report details why becoming a sustainable business is important to us. It explains our current position and sets out our long term goals and short term actions. We'll be tracking our progress and I look forward to updating you on how we're doing.

Our principles are: **Do no harm. Do good. Act now for later.** On this basis, we're working to put sustainability at the heart of everything we do and although we're not there yet, our 2023 plans demonstrate our commitment.

Thank you for reading and I'll be delighted to receive any feedback, questions or comments, so please get in touch with me or the wider Chesnara team directly if you have any.

Jane Dale

Jane Dale, Chair of Group Sustainability Committee

OUR SUSTAINABILITY COMMITMENTS AND TARGETS

Our sustainability commitments:

1 To support a sustainable future, including our ***net zero*** transition plans

2 To make a positive impact, including our plans to invest in positive solutions

3 To create a fairer world and ensure our group is an inclusive place for all employees, customers and stakeholders

Our targets:

A NET ZERO EMITTER

INVESTING IN POSITIVE SOLUTIONS

INCLUSIVITY FOR ALL STAKEHOLDERS

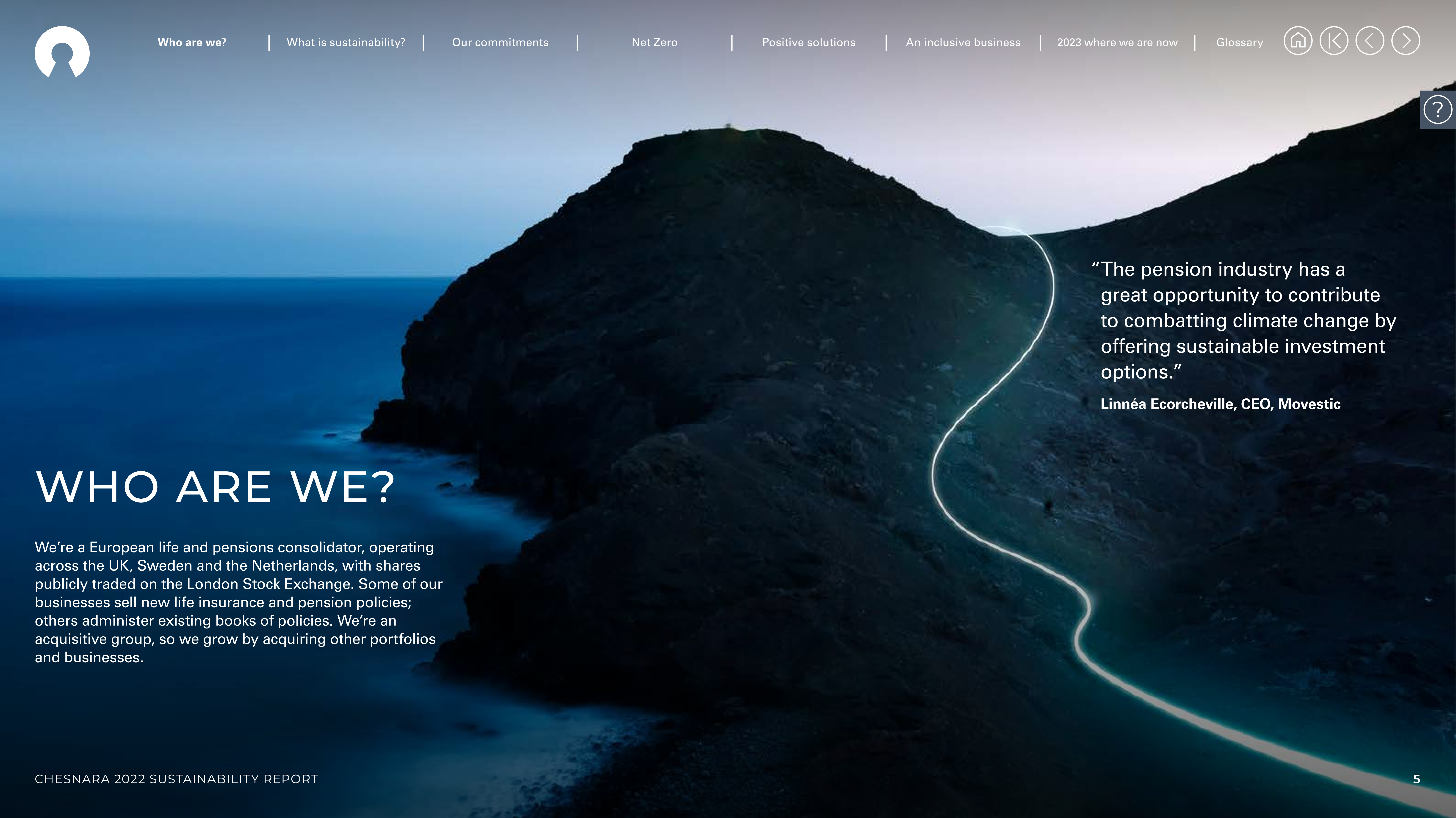
Our 2023 plans:

Baselining our financed emissions and creating our ***transition plan*** to be a net zero group

Establishing our framework for investing in ***positive solutions***

Planning and implementing changes to reduce our operational ***carbon footprint***

Embedding sustainability into decision-making at all levels across the group



“The pension industry has a great opportunity to contribute to combatting climate change by offering sustainable investment options.”

Linnéa Ecorcheville, CEO, Movestic

WHO ARE WE?

We’re a European life and pensions consolidator, operating across the UK, Sweden and the Netherlands, with shares publicly traded on the London Stock Exchange. Some of our businesses sell new life insurance and pension policies; others administer existing books of policies. We’re an acquisitive group, so we grow by acquiring other portfolios and businesses.

OUR STRATEGIC PILLARS

Embedding sustainablity into our group strategy is essential to becoming a sustainable group. Our business has three strategic pillars:

1

MAXIMISE VALUE FROM EXISTING BUSINESS

2

ACQUIRE LIFE AND PENSIONS BUSINESSES

3

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

UNDERPINNING THESE IS OUR GOVERNANCE AND RISK MANAGEMENT FRAMEWORK* AND OUR COMMITMENT TO BECOMING SUSTAINABLE

*For extensive detail of our Governance Framework please see Sections B and C of our Annual Report and Accounts.

OUR DIVISIONS

We operate in three different countries – the UK, the Netherlands and Sweden – and each business has a different story to tell. Each has its own unique elements, relating to geography, internal strengths, the markets, wider society, and stakeholders.

This means that each of our divisions, and each acquisition that joins us, brings its own knowledge and experience to share with the wider group, raising standards to the highest level and making us greater than the sum of our parts.

Countrywide Assured

CASLP

Scildon

Waard

Movestic

WHAT IS SUSTAINABILITY?

Sustainability means fulfilling the needs of the present without compromising the future: a balance of economic growth, environmental protection and social responsibility.

"Considering the long term is second nature to us. We are ready to play our part to ensure what we do and how we do it is sustainable."

Steve Murray, CEO, Chesnara

We'll need to deliver complex change to become a sustainable group. We can only deliver this successfully if we understand the need for change, commit to making the changes, and know how to make them.

Addressing the climate crisis is a global imperative and as a group, we're committed to playing our part and making it happen.

NEED FOR CHANGE

COMMITMENT TO CHANGE

MAKING THE CHANGE

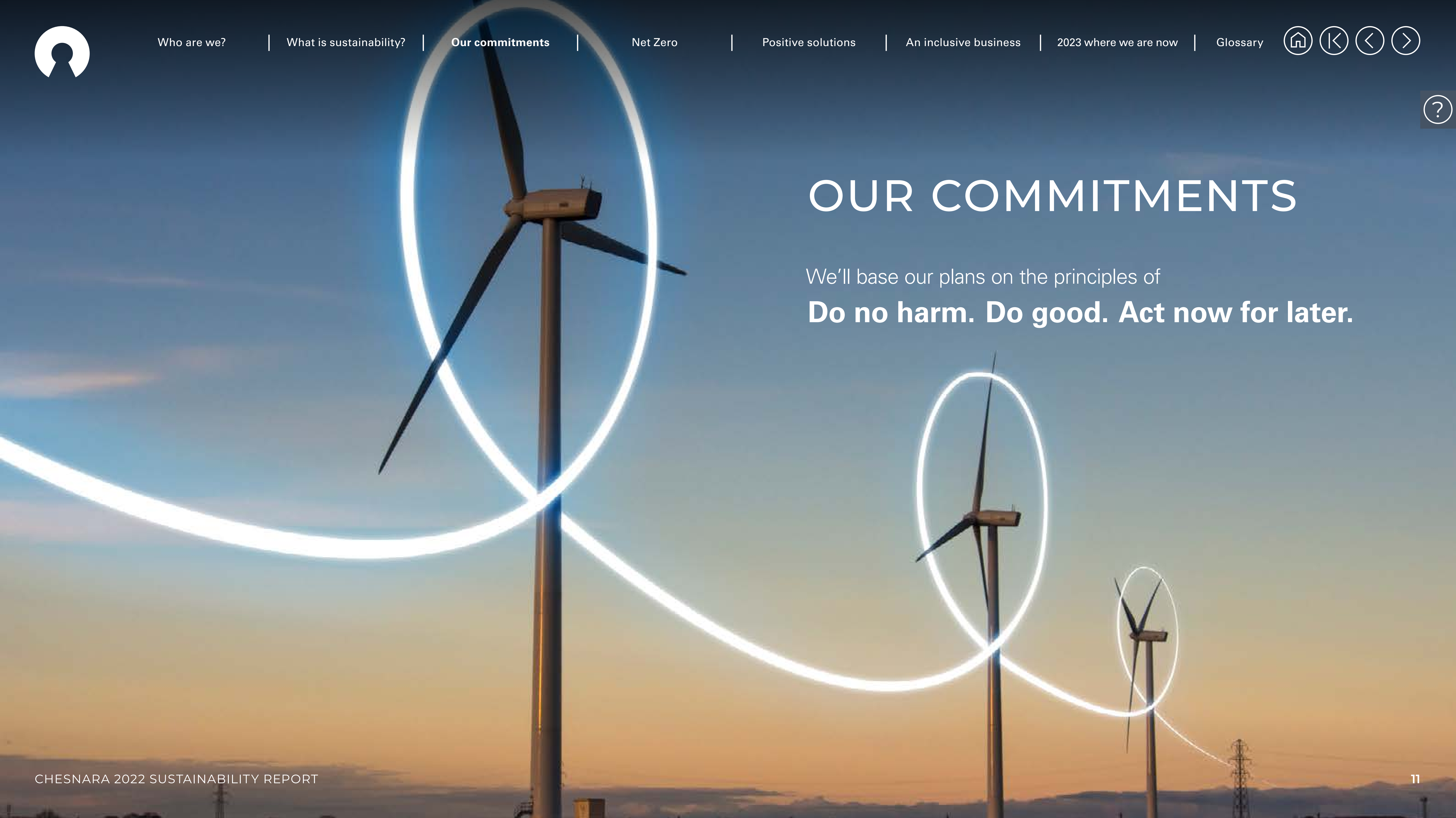
THE GLOBAL CALL TO ACTION

Our commitments have been developed with the ***UN Sustainable Development Goals*** in mind. These 17 goals are an urgent call to action and are at the heart of the UN's shared blueprint for peace and prosperity for people and the planet, now and into the future.

We'll support all the goals wherever possible and will focus our activities on the ones that we feel we can impact the most.

Within this report, we highlight some of the positive things we're doing. This isn't to ***greenwash*** but we feel it's important to highlight the excellent work our team is doing to make a positive impact. We have lots more to do and our plans show the next steps we'll take.

Click here to see which ones we're focusing on now.



OUR COMMITMENTS

We'll base our plans on the principles of

Do no harm. Do good. Act now for later.

These are our three sustainability commitments, which will shape our plans going forward.

1

To support a sustainable future, including our net zero transition plans

2

To make a positive impact, including our plans to invest in positive solutions

3

To create a fairer world, ensuring our group is an inclusive environment for all employees, customers and stakeholders

We're working towards our three targets:

A NET ZERO EMITTER

INVESTING IN POSITIVE SOLUTIONS

INCLUSIVITY FOR ALL STAKEHOLDERS

SUPPORTING AND WORKING TOWARDS THE UN SUSTAINABILITY GOALS

POSITIVE IMPACTS

Our sustainability commitments will benefit all our main groups of stakeholders.

OUR CUSTOMERS

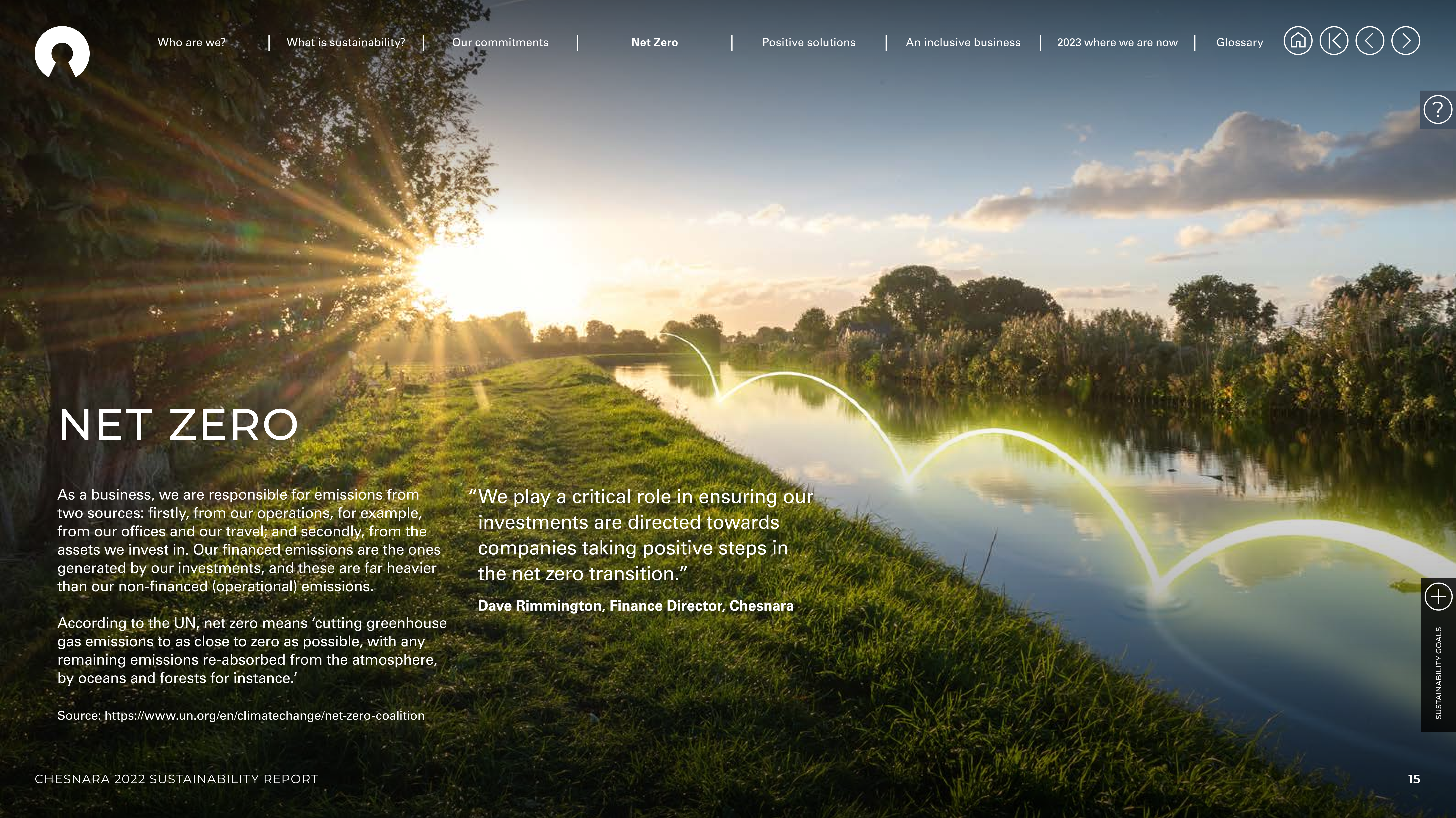
OUR PEOPLE

OUR INVESTORS

THE PLANET

OUR REGULATORS

OUR SUPPLIERS, PARTNERS AND ASSET MANAGERS



NET ZERO

As a business, we are responsible for emissions from two sources: firstly, from our operations, for example, from our offices and our travel; and secondly, from the assets we invest in. Our financed emissions are the ones generated by our investments, and these are far heavier than our non-financed (operational) emissions.

According to the UN, net zero means ‘cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance.’

Source: https://www.un.org/en/climatechange/net-zero-coalition

> “We play a critical role in ensuring our investments are directed towards companies taking positive steps in the net zero transition.”
>
> **Dave Rimmington, Finance Director, Chesnara**

SUSTAINABILITY GOALS

To meet net zero, every organisation needs targets and a plan.

OUR NET ZERO TARGETS ARE:

TO BE OPERATIONALLY NET ZERO BY 2028

We control our own operations and a proportion of the emissions that we generate. Where we can control our emissions, we commit to net zero by 2028 and we've already begun making operational changes that have reduced emissions. There's still a long way to go but we're committed to the 2028 deadline.

What this means for us:
Operationally, we've been ***carbon neutral*** for several years because we've been offsetting. We'd like to be net zero without the need to offset but we don't expect this to be realistically possible by 2028 due to the wider, societal and infrastructure changes that are needed. There are emissions that we can directly impact and so we commit to doing everything we can to reduce the amount of offsets that are necessary.

Our 2023 transition plans will identify exactly what our 2028 targets will be for reducing our own gross emissions.

SUSTAINABILITY GOALS

To meet net zero, every organisation needs targets and a plan.

OUR NET ZERO TARGETS ARE:

NET ZERO FOR FINANCED EMISSIONS BY 2050

We're aligning our targets with the Paris Climate Agreement which aims to limit global warming to 1.5 degrees Celsius above pre-industrial levels. Our financed emissions need to be net zero by 2050.

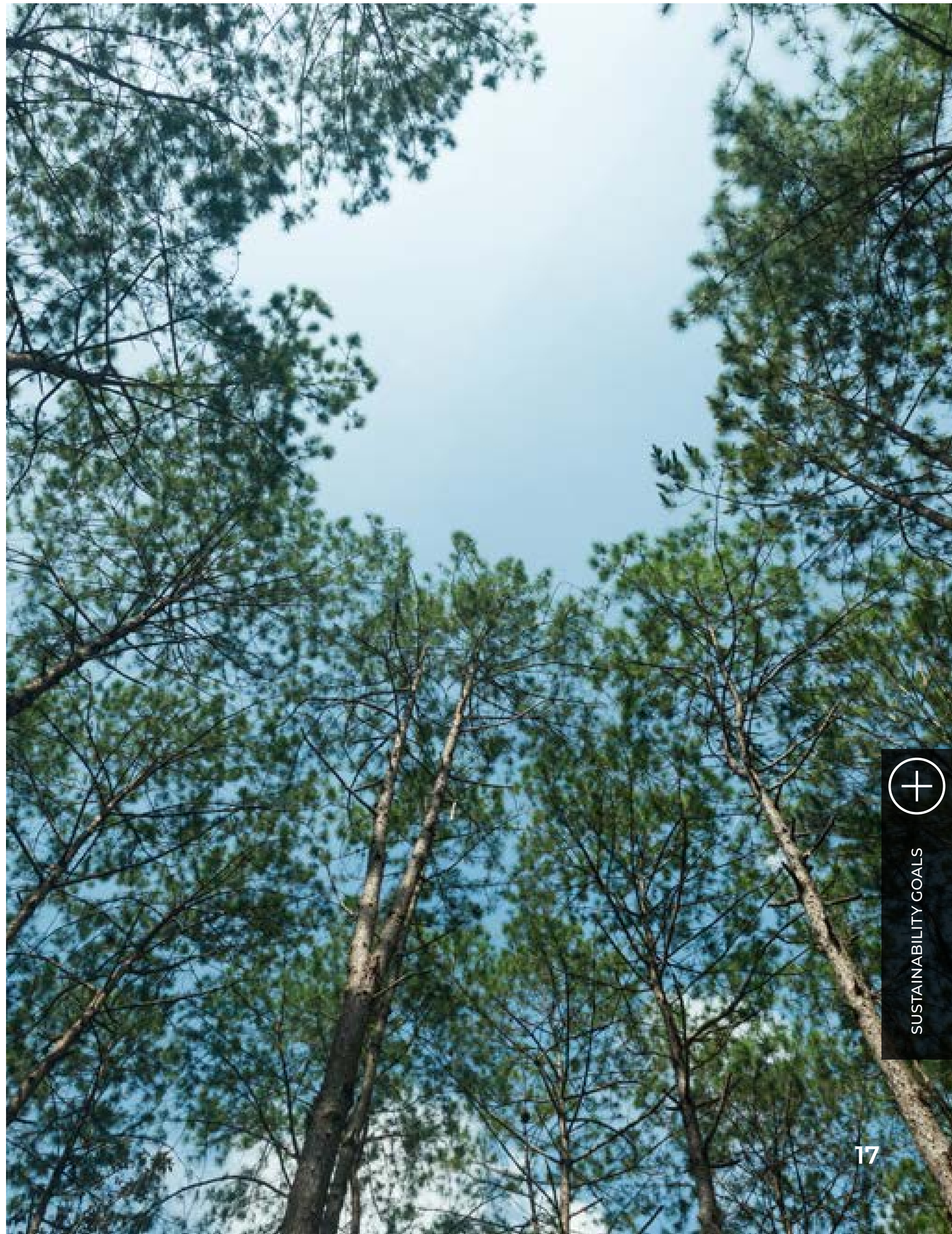
What this means for us:
First, we need to understand our share of the emissions produced by the companies we invest in and the carbon footprint of our whole asset portfolio. Once we've set our baseline, we can track our progress. At the moment, we know how to work out the carbon impact of some assets, such as equities. Others, such as sovereign debt, don't yet have an agreed methodology. So one by one, we'll measure and factor in each asset's emissions as the methodologies become available.

Our baseline will shift every time we make a new acquisition which will make tracking progress more difficult. We'll rise to that challenge and ensure our targets reflect our business as we grow.

2023 is the year for us to set our interim goals and determine how to measure and track our progress through absolute and intensity targets. We're members of the ***IIGCC*** and we'll use their ***Net Zero Investment Framework*** and the ***Transition Plan Taskforce*** guidance to help us shape our crucial shorter term targets and longer term plans.

We recognise that aligning our net zero journey to ***Science Based Target Initiatives (SBTi)*** will help to give reassurance of our commitment to net zero. We will further consider the benefits of the initiative for a group of our size as we develop our transition plans.

See the glossary for the explanation of scope 1, 2 and 3 emissions.



SUSTAINABILITY GOALS

Our journey towards sustainability will take time and will be complex and challenging. It'll involve tackling problems that don't yet have immediate solutions.

The bigger picture
We could potentially shift all our investments away from carbon intensive industries as quickly as possible, which would be one way to 'green' our portfolio. However, this wouldn't be part of a long term, wider solution and is unlikely to enable a fair and balanced transition.

We think the right way forward is to engage with companies and industries, including the heaviest polluters, through our asset managers to help them transition to a more sustainable approach.

Engagement
Engagement is all about committing to a ***'just transition'***. If, for example, all investors divested away from a large company which was a heavy emitter of carbon, there'd be a negative impact on its workforce and wider community.

We prefer to look at the bigger picture and encourage our invested companies to develop their own transition plans. Our asset managers will be able to monitor the pace of change and we'll ultimately divest an asset if there's an unacceptable amount of progress or a lack of transparency.

SUSTAINABILITY GOALS

NET ZERO FOR INVESTED ASSETS

For our financed emissions, some assets will be much quicker and easier to decarbonise than others – largely dependent on how much control we have.

We'll be developing different plans and timescales for different assets. In every case we'll be reliant on our asset managers to understand and oversee their own net zero transition targets.

We hold investments in some of the world's 167 biggest emitters, as identified by ***Climate Action 100+***. The net zero plans for these top emitters form an important part of our own decarbonisation transition. At the end of Q3 2022, we held direct investments in 54 of those 167 companies, a total of £128m of assets under management. Only five of these, representing £12m of our investments, do not have a net zero plan aligned to the Paris Climate Agreement.

Acquisitions can bring other heavy emitters into the group. For example, SLP and Robein, who we acquired in 2022, increased our investments in the Climate Action 100+ companies. We'll adjust our plans to take into account any new assets from acquisitions.

Most control — DEGREE OF CONTROL — **Least control**

Assets that we control where they are invested	Assets that can influence where they are invested	Assets which are invested without our control or influence
These are our direct investments and we choose what assets are held	These are investments where we can choose into which fund they are invested but that fund isn't specific to us and our requirements	These are assets where we offer a product or a platform for others to make the investment choices

CASE STUDY

REACHING NET ZERO WITH SCHRODERS

We work with a large number of asset managers across a significant number of funds and we need them all to set and deliver their own net zero targets. In Countrywide Assured, we work closely with our asset manager, Schroders, to align our sustainability agendas.

Schroders has a 2040 net zero target and was one of the first institutions to have its targets validated by the SBTi.

READ MORE

SUSTAINABILITY GOALS

INVESTING IN POSITIVE SOLUTIONS

Investing in ‘positive solutions’ means investing in assets, industries and organisations that will generate specific, measurable, social and/or environmental benefits in addition to financial returns. We commit to directing capital into activities that deliver or enable the UN Sustainable Development Goals. We’ll focus our activities on those goals where we feel our impact will be the largest; however, we will support each of the goals wherever possible.

Occasionally investments may increase our carbon emissions in the short term. For example, building wind farms generates emissions, and so when we assess potential solutions, we’ll have to take this into account.

SUSTAINABILITY GOALS

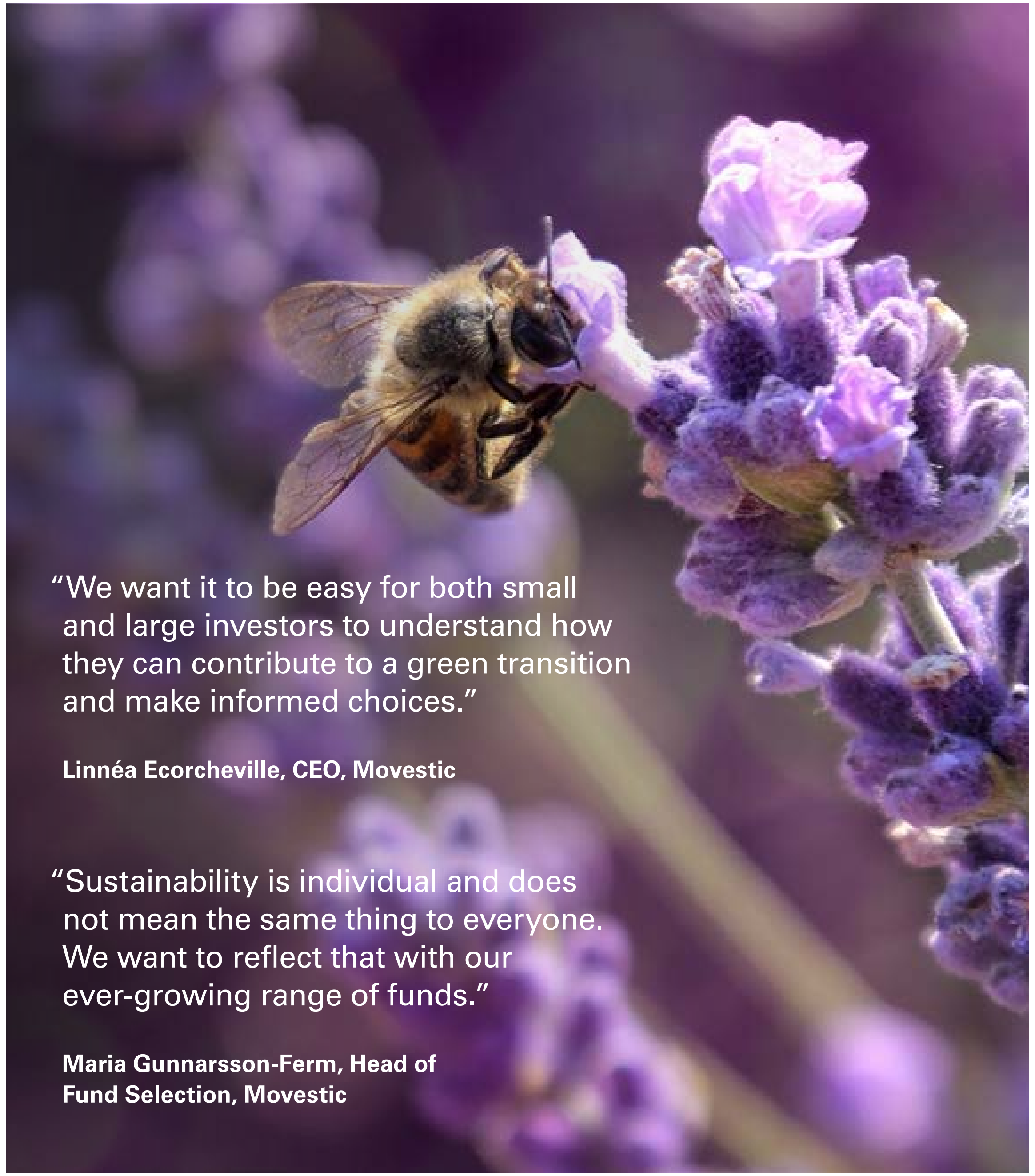
CASE STUDY

SUSTAINABLE CHOICES FOR SWEDISH CUSTOMERS

In 2022, we launched sustainable fund choices for our Movestic customers. There are nine sustainable investment fund choices in total, including:

- a unique impact fund dedicated to promoting biodiversity
- a mixed fund focusing on green transition
- an actively managed equity fund investing exclusively in solar energy

We offer other options in healthcare, digital infrastructure and green technology. These alternative fund options give customers a chance to make pension contributions and capital investments that generate returns and make a positive impact on society and the world.

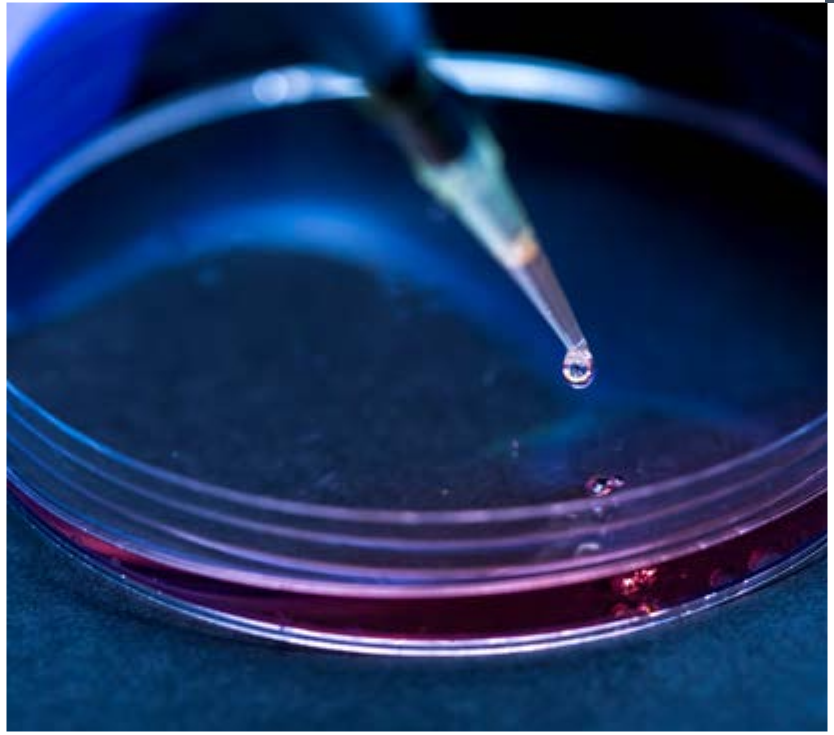


"We want it to be easy for both small and large investors to understand how they can contribute to a green transition and make informed choices."

Linnéa Ecorcheville, CEO, Movestic

"Sustainability is individual and does not mean the same thing to everyone. We want to reflect that with our ever-growing range of funds."

Maria Gunnarsson-Ferm, Head of Fund Selection, Movestic



CASE STUDY

ALIGNING PRODUCTS WITH THE PARIS CLIMATE AGREEMENT

Our Dutch business, Scildon, is a great example of how we're bringing sustainable product choices to the market aligned with the Paris Climate Agreement, such as our Easy B product. Together with our asset manager, Actiam, we're dedicated to proving that sustainability, financial returns, and positive social impact go hand in hand and are mutually beneficial. By the end of 2022, we held over £125m invested in these funds.

Scildon also partner with Justdiggit – a non-governmental organisation working to regreen degraded land in Africa, restoring the vegetation that helps cool the planet. Justdiggit work with local farmers to make soil fertile again and for every Easy B product sold in 2023, we commit to:

- collecting 54k litres of waters
- employing local residents in the restoration of the landscape
- greening 2.6km² of land
- planting 10 trees, and
- capturing 2 tonnes of CO_2

"'Scildon Easy B' offers a sustainable way of investing and we are very proud to partner with Justdiggit and contribute to this important mission!"

Ingrid Oudhuis, Director Businessline Retail, Scildon

SUSTAINABILITY GOALS

AN INCLUSIVE BUSINESS

We're committed to being an inclusive business – considering our stakeholders first with everything we do.

For our team, this means a working environment that makes every employee feel valued, supported and able to thrive, regardless of who they are or what they do, while also acknowledging their differences.

For our customers, this means providing financial security and, more widely, it means supporting those in society that need it most.

Inclusivity and sustainability go hand in hand, and we're continuing to embed both within our business. We're proud of our ambition here and we want all our stakeholders to feel the same.

Our case studies reveal how it's our people who are driving these partnerships and engagements because they care about finding solutions to the problems that cause hardship and instability for others.

CASE STUDY

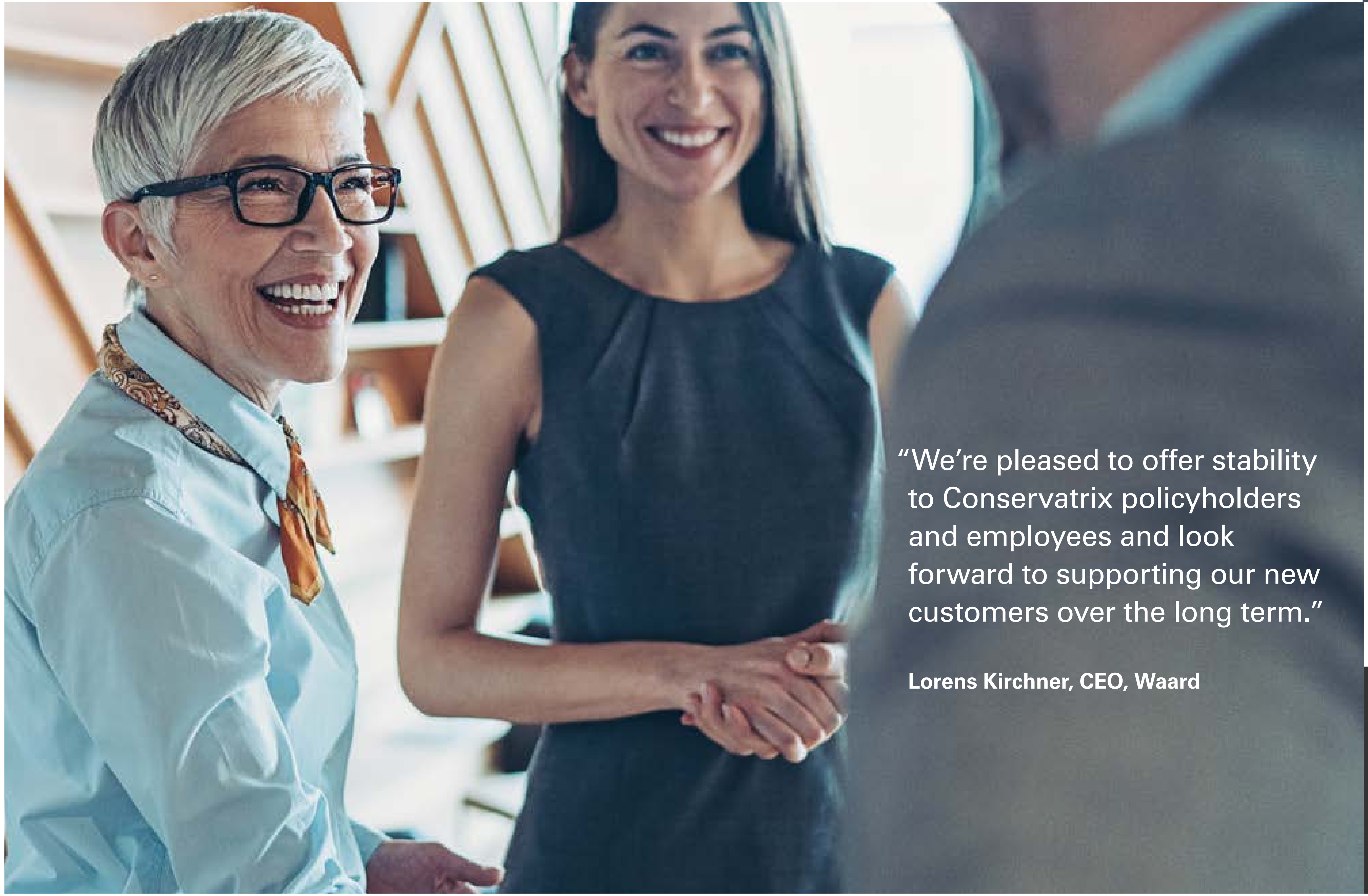
A SECURE FINANCIAL FUTURE FOR CONSERVATRIX

On 1 January 2023, we acquired the insurance portfolio of Conservatrix*.

Conservatrix is a 150-yr-old specialist provider of life insurance and mortgages which was founded in 1872 and was unfortunately declared bankrupt in December 2020. When we brought the Conservatrix insurance portfolio into our group, it meant security and stability for the customers and staff that supported it.

Acquiring portfolios and businesses is a critical part of our strategy and the long term financial security it provides for stakeholders is a positive outcome.

*Nederlandsche Algemeene Maatschappij van Levensverzekering Conservatrix N.V, based in Utrecht, Netherlands.



"We're pleased to offer stability to Conservatrix policyholders and employees and look forward to supporting our new customers over the long term."

Lorens Kirchner, CEO, Waard

CASE STUDY

SUPPORTING OUR CHARITY PARTNERS

Supporting local charities and employee-led initiatives across the group is very important to us.

Sherpa
A charity local to Scildon which helps people with physical and/or mental disabilities to function as independently as possible. Sherpa and Scildon have been working together for over nine years through employee volunteering and donations.

Safenet
A charity in the North West of England which provides domestic abuse services and refuge to those that need it. Each Christmas, we provide essential donations to residents.

"Under the motto 'now for later', we support Sherpa and help to give their people a great day. A smile is everything!"

Matthijs Vernooij, Director Businessline Corporate, Scildon

"Many women and children arrive at the refuge with little or no belongings and your donation goes a long way to helping them to rebuild their lives."

Gill Taylor, Safenet

SUSTAINABILITY GOALS

CASE STUDY

SUPPORTING VULNERABLE CUSTOMERS

Countrywide Assured is committed to providing support for vulnerable customers; front line staff are trained to be able to identify vulnerability and respond appropriately, such as making reasonable adjustments to policy and processes to make sure all our customers receive fair customer outcomes.

"We're taking appropriate steps to help our customers when they're vulnerable, considering their needs and how we would feel if in a similar position."

Kerry Hutchinson, Customer Engagement Manager, Countrywide Assured

SUSTAINABILITY GOALS

CASE STUDY

EMBEDDING SUSTAINABILITY WITHIN THE INSURANCE SECTOR

Scildon has become a founding partner of a platform called INSERV. This is an industry body of insurers and financial advisors collaborating to accelerate sustainability in the insurance sector.

INSERV will develop information, training and tools for financial advisors to integrate sustainability into consultations with customers – beginning a process of ingraining sustainability into every decision.

"We are proud to be supporting ***IFAs*** and contributing to a more sustainable insurance industry."

René Tuitert, CFO, Scildon

SUSTAINABILITY GOALS

CASE STUDY

A LIVING WAGE FOR ALL

Our head office is in Preston so naturally we've got strong local ties to this historic city. More than 12,000 people and 30% of women in Preston are in jobs that pay below the real living wage and, even more shockingly, almost a quarter of children here are living in poverty.

We are a ***Living Wage*** employer and we're pleased to be working with the Living Wage Foundation – an enterprise that is supporting Preston becoming a Living Wage city. Initiatives like this are crucial in the fight against social inequality – allowing people the dignity of being able to support themselves in work that pays them enough to meet their everyday needs.

SUSTAINABILITY GOALS

CASE STUDY

SUPPORTING OUR PEOPLE

2022 was a year that hit everyone hard with the cost of living crisis, so our UK business made special payments to our lower earning employees to help them cope with soaring food and energy bills.

We partnered with the Business Health Group to provide sessions for employees to discuss physical and mental health challenges that they face. Proactively discussing these challenges and providing potential tools to address them helps to support people through difficult times.

We also offer an electric car salary sacrifice scheme through Octopus EV, aiming to give everyone on our team the option to drive more sustainably at affordable prices.

SUSTAINABILITY GOALS

2023. WHERE WE ARE NOW

Our sustainability commitments:

1 To support a sustainable future, including our ***net zero*** transition plans

2 To make a positive impact, including our plans to invest in positive solutions

3 To create a fairer world and ensure our group is an inclusive place for all employees, customers and stakeholders

Our targets:

A NET ZERO EMITTER

INVESTING IN POSITIVE SOLUTIONS

INCLUSIVITY FOR ALL STAKEHOLDERS

Our 2023 plans:

Baselining our financed emissions and creating our transition plan to be a net zero group

Establishing our framework for investing in positive solutions

Planning and implementing changes to reduce our operational carbon footprint

Embedding sustainability into decision-making at all levels across the group

2023 AND AHEAD

Shaping a sustainable future.

A SUSTAINABLE ASSET OWNER

Sustainably managing £11bn of assets across the group is critical to delivering our commitments.

READ MORE

THE COLLECTIVE CHALLENGE

Our journey towards sustainability will be inclusive and collaborative.

READ MORE

In common with a great many companies seeking to become sustainable, it's largely unchartered territory and many of the problems we need to solve won't have immediate solutions. Some of the biggest challenges will be around ensuring we have high quality data, robust methodologies and consistent standards used across industries and markets. So there'll need to be a spirit of collaboration from companies in our industry, regulators, governments, customers and other stakeholders.
We'll need to learn from, and build on, each other's experiences as we take on challenges one by one. Working together will be key to making our organisation, the world, and society truly sustainable. Our approach will be inclusive and collaborative.

HONEST COMMUNICATION

We're proud of our reputation for doing the right thing.

READ MORE

EVOLVING STAKEHOLDERS

Shifting social, economic, cultural, political and environmental landscapes need agile responses.

READ MORE

OUR NEXT STEPS

The climate and biodiversity emergency is happening now and we need to act. 2023 is the year for us to set our course and show how we will deliver meaningful change well before 2050.

We're scaling up our team to make sure we've got enough capacity, experience, passion and commitment to tackle the challenge.

We'll continue to partner with organisations across industries and society to help us meet our goals.

Our immediate tasks are to:

- Baseline our financed emissions and create our transition plan to be a net zero group
- Plan and implement changes to reduce our operational carbon footprint
- Establish our framework for investing in positive solutions
- Embed sustainability into decision-making at all levels across the group

A SUSTAINABLE CHESNARA

As a business, we're at the beginning of our journey towards sustainability. We're determined to get there and we know that speed is of the essence. Our principles will always be:

Do no harm. Do good. Act now for later.

This is reflected in our sustainability commitments. These commitments will shape our plans and activities and we look forward to reporting progress against them.

1

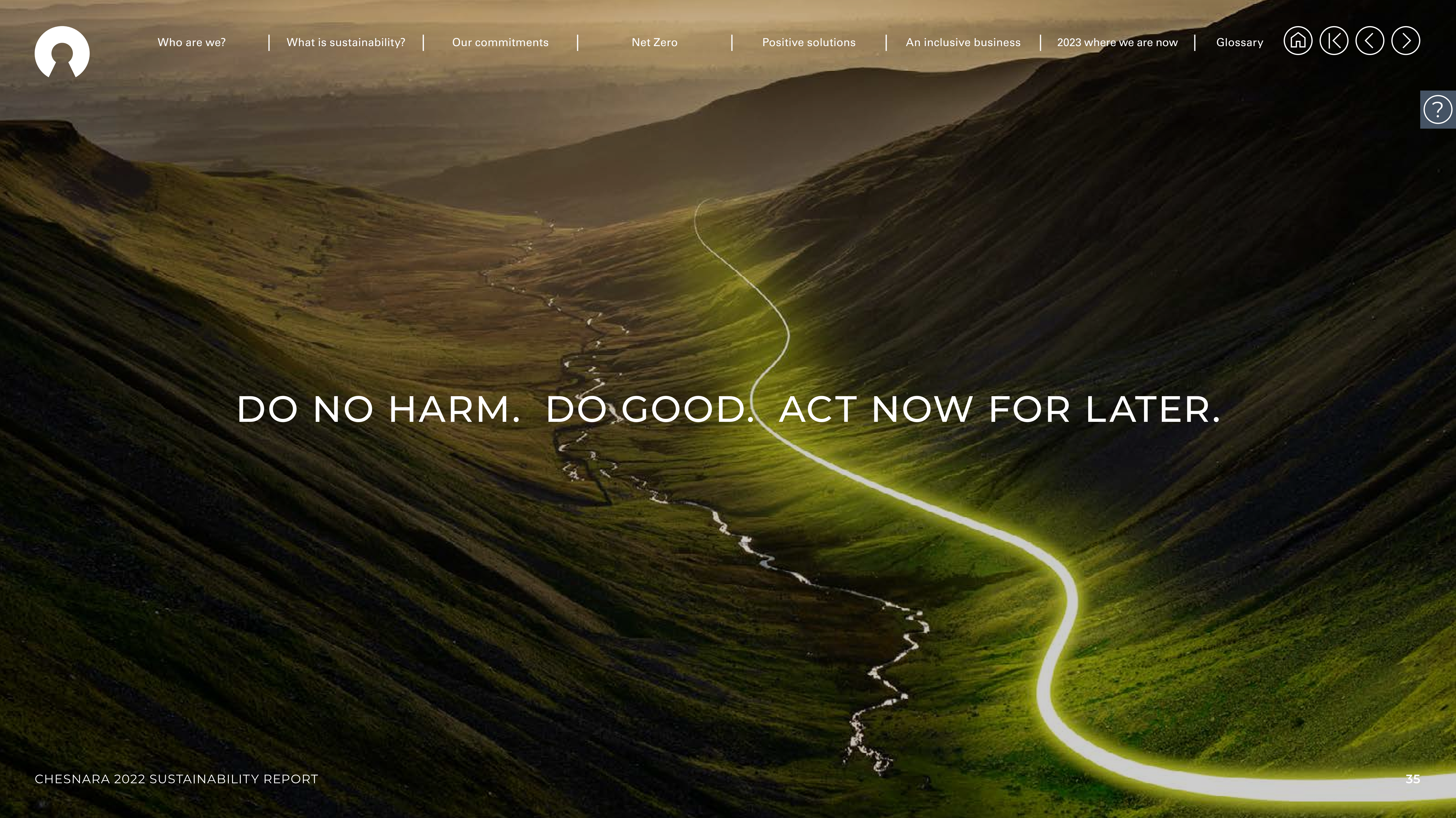
We commit to supporting a sustainable future, including our net zero transition plans

2

We commit to making a positive impact, including our plans to invest in positive solutions

3

We commit to creating a fairer world, ensuring our group is an inclusive environment for all employees, customers and stakeholders



DO NO HARM. DO GOOD. ACT NOW FOR LATER.

GET IN TOUCH

Please get in touch with us if you have any feedback, questions or comments.

Andy Meek, Group Sustainability Lead
sustainability@chesnara.co.uk

Or if you want to read more about what we do and how we do it,
here are some links to where you'll find that.

Chesnara plc

Reports & Presentations 2022 – Chesnara plc

GLOSSARY

Asset owner versus asset manager
Asset owners are institutions or people who own the underlying assets but entrust the management of those assets to an asset manager. Chesnara and its divisions are asset owners and we employ a number of asset managements across the group to manage our assets.

Biodiversity
Biodiversity, also called biological diversity, is the variety of life found in a place on Earth or, often, the total variety of life on Earth.

Carbon footprint
A carbon footprint is the total greenhouse gas emissions caused by an individual, event, organisation, service, place or product, expressed as carbon dioxide equivalent.

Carbon neutral
When a company's CO_2 emissions are fully balanced by a combination of CO_2 reductions and/or offset by removals without necessarily reducing any of its greenhouse gas emissions.

Carbon offsetting
The action or process of compensating for carbon dioxide emissions, arising from industrial or other human activity, by participating in schemes designed to make equivalent reductions of carbon dioxide in the atmosphere.

Climate Action 100+
Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Their benchmark focuses on 166 companies that are critical to the net zero emissions transition.

Climate-Related Financial Disclosures
The Task Force on Climate-Related Financial Disclosures has developed a framework to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes.

Decarbonisation
An organisation's approach to reducing its production of greenhouse gas emissions.

Greenwashing
Greenwashing is false, misleading or untrue actions or claims made by an organisation about the positive impact that a company, product or service has on the environment.

IFA
Independent financial adviser.

IIGCC
Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change. Their mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future.

Just transition
The term used to describe the transition to a climate-neutral economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.

Living Wage
The Living Wage Foundation is an organisation at the heart of the campaign for a wage for all based on the real cost of living.

Natural capital
Natural capital describes the natural assets in the world around us, such as soil, air, water and all living things. From this, humans derive a wide range of services which make human life possible.

Net zero
Cutting greenhouse gas emissions to be as close to zero as possible and doing things that absorb carbon dioxide from the atmosphere too.

Net Zero Investment Framework
The Net Zero Investment Framework, published in March 2021, provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net zero emissions by 2050 or sooner.

ORSA
Own Risk and Solvency Assessment.

Positive solutions
Investing with the aim of generating specific beneficial social or environmental effects in addition to financial gains. For us, this means intentionally directing capital into activities that deliver (or enable) the achievement of the UN Sustainable Development Goals.

Paris Climate Agreement
A legally binding treaty adopted by 196 countries at the climate change conference in Paris in 2015. The main goal of the agreement is to cut global greenhouse gases in order to limit global temperature increases as close as possible to 1.5 degrees Celsius above pre-industrial levels.

GLOSSARY

Scope 1, 2 and 3 emissions – emissions / financed and operational emissions
Scope 1, 2 and 3 is a way of categorising the different kinds of carbon emissions a company creates in its own operations, and in its wider value chain.

Scope 1 emissions — greenhouse gas emissions that a company makes directly — for example, while running its boilers and vehicles.

Scope 2 emissions — the emissions a company makes indirectly — like when the electricity or energy it buys for heating and cooling buildings is being produced on its behalf.

Scope 3 emissions — all the emissions associated, not with the company itself, but that the organisation is indirectly responsible for, up and down its value chain. For example, from buying products from its suppliers, and from its products when customers use them.

The big one for insurance companies is a sub-section of scope 3 which relates to emissions from the investments you make. This sub-section is called financed emissions; everything else above is called operational or non-financed emissions.

Science Based Targets initiative (SBTi)
More than a thousand businesses around the world are already working with the SBTi. Science-based targets provide companies with a clearly-defined path to reduce greenhouse gas emissions in line with the Paris Climate Agreement goals.

TCFD
The Task Force on Climate Related Financial Disclosures (TCFD) — created in 2015 by the Financial Stability Board — provides information to investors about what companies are doing to mitigate the risks of climate change.

Transition plans
A transition plan shows stakeholders how an organisation will reach net zero in line with its targets across the organisation's operations and value chains.

Transition Plan Taskforce
Launched by HM Treasury in April 2022 to develop the gold standard for private sector climate transition plans.

UN Sustainable Development Goals
A collection of 17 interlinked objectives designed to serve as a "shared blueprint for peace and prosperity for people and the planet now and into the future".

APPENDIX

Our operational emissions, water and energy usage will help provide the baseline for our net zero plans. More information on our emissions and usage is included in the TCFD report in the 2022 Annual Report and Accounts.

Energy usage	UK & Offshore	Global (exc UK & Offshore)	Total
2022: Energy consumption (KwH '000)	837	1,824	**2,661**
2021: Energy consumption (KwH '000)*	583	2,404	**2,987**

*2021 energy consumption has been restated (2021 actual was 4,641) in line with a more appropriate home working percentage for the Netherlands, as documented in more detail below.

Water usage	UK & Offshore	Global (exc UK & Offshore)	Total
2022: cubic meters (m^3)	762	1,609	**2,371**
2021: cubic meters (m^3)	145	1,310	**1,455**

Excludes Waard since water usage is incorporated in the office service charge.

Greenhouse gas emissions

	Tonnes of CO_2					
	2022			2021 (restated††)		
	UK & Offshore	Global (exc UK & Offshore)	Total	UK & Offshore	Global (exc UK & Offshore)	Total
Scope 1 Combustion of fuel and operation of facilities	–	–	–			
Scope 2 Electricity, heat, steam and cooling purchased for own use	30.3	112.4	**142.7**	10.8	120.1	**130.9**
Scope 3 Business travel	30.3	34.9	**65.2**	4.9	27.7	**32.7**
Scope 3 Remote working	59.1	124.3	**183.4**	63.6	180.3	**243.9**
Scope 3 Commuting	51.4	91.2	**142.6**	30.4	159.5	**189.8**
Total operational emissions (upstream)	**171.1**	**362.8**	**533.9**	**109.6**	**487.7**	**597.3**
Carbon offset†	**(171.1)**	**(362.8)**	**(533.9)**	**(109.6)**	**(487.7)**	**(597.3)**
Total net emissions	–	–	**–**	–	–	**–**
Company's chosen intensity measurement:						
Tonnes of CO_2e per employee on upstream activities	*0.863*	*0.958*	***0.926***	*0.942*	*1.363*	***1.260***

Energy consumption is calculated on all of our activity shown in the greenhouse gas emissions table below. Energy consumption has reduced compared to 2021 as we have refined our data collection across the group to make the calculations more accurate. This has resulted in a reduction that is not driven by underlying operational change.

Water usage however has increased compared to 2021 due to new businesses acquired in the year by the group, together with an increase in office attendance following extensive home-working in 2020.

†In both 2021 and 2022, the group offset more than the gross emissions figure, as explained earlier in the report, but only 100% of emissions offset is shown here.

††During the preparation of the 2022 disclosures, we have refined our calculations and have identified that the home working percentages for the Netherland entities were not accurately reflective of the actual working patterns of staff, and therefore, we felt it was appropriate to restate the prior year comparison to take this into account.

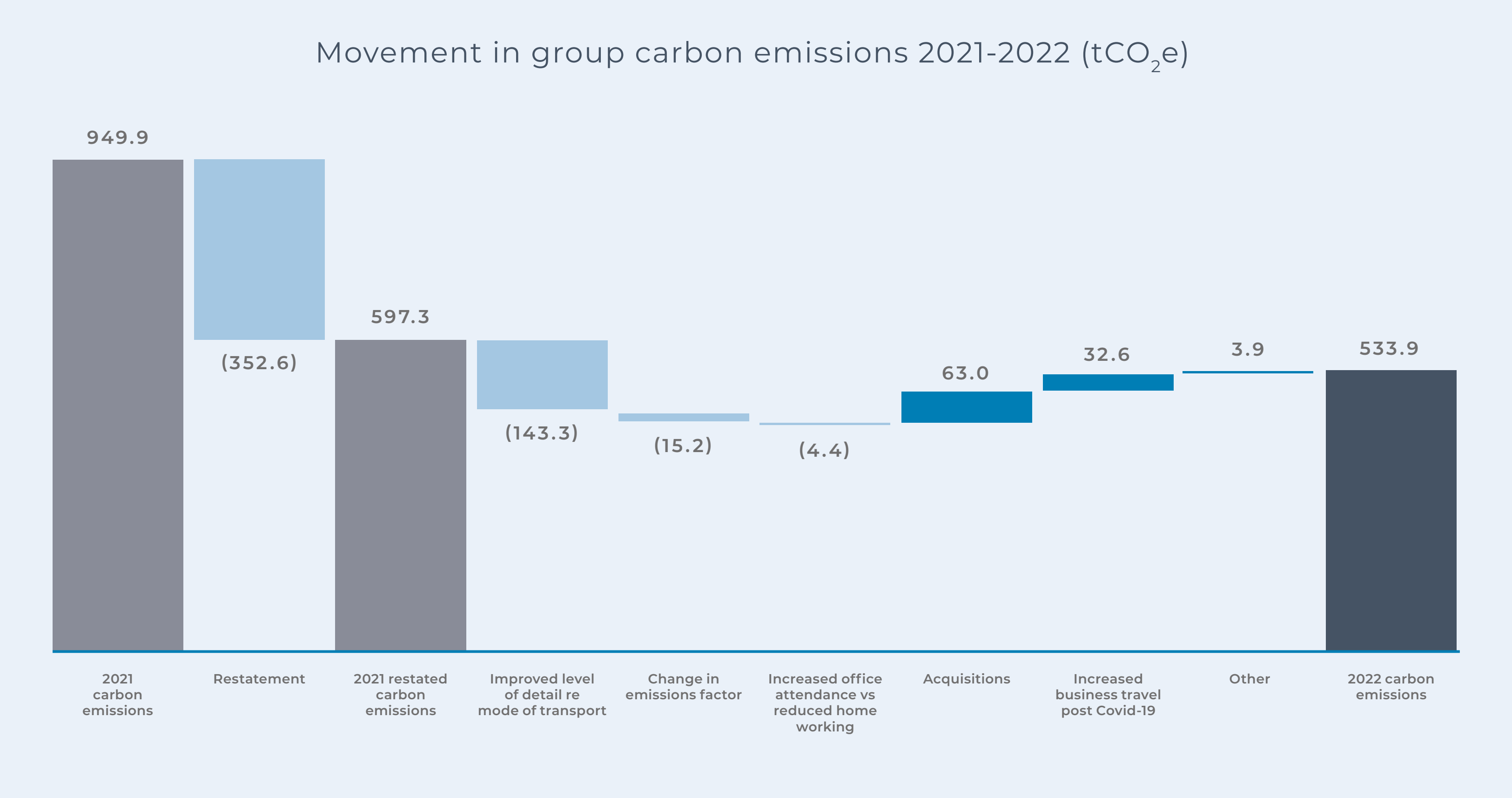
Scope 3 financed emissions (downstream) not yet available but will be provided in the 2023 TCFD report.

As noted above over the course of 2022, we have refined our data collection across the group to make the calculations more accurate which has resulted in variances from the prior year that are not driven by underlying operational change. Over the course of 2023, we will continue to challenge and assess the judgements and assumptions that underpin the results to ensure that they are reflective of actual practice. A waterfall chart has been presented below that captures the movement between 2021 and 2022 emissions which identifies the different categories of change, as a number of the items have resulted in a material change.

APPENDIX

Insight into the movement between 2021 and 2022 emissions is shown here.

More detail is provided in the TCFD report in the 2022 Annual Report and Accounts.



Acquisitions – reflects the impact of the acquisitions during 2022 of CASLP and Robein Leven, which increased the number of group offices and the number of staff.

Improved level of detail – as explained above we refined our calculations through the collection of a deeper level of detail. This has resulted in a reduction, indicating that our estimates in the previous years have been prudent, as we have flagged in our supporting narrative.

Increased office attendance vs home working – in 2022, the group moved to a hybrid working arrangement, which saw the level of office attendance increase from that in 2021. As a result, whilst home working emissions are lower, the impact of increased commuting in place of this has resulted in a higher overall carbon output. Whilst this shows as a rise in emissions, it needs to be taken in the context that 2021 was still an anomaly year, affected by the Covid pandemic.

Business travel – has increased during 2022 as restrictions were lifted following Covid, albeit at a much reduced level to 2019 pre-pandemic.

Intensity measurement: In previous accounts, we presented an intensity measurement that was based on office space. As part of our work on sustainability and climate change during 2022, we believe a more appropriate measure would be to consider operational emissions against staff, given a large proportion of our emissions are driven from commuting and home working (classified as upstream activities). We will look to determine an appropriate intensity measure for financed emissions (downstream) over 2023 as the detail of the targets is determined.