A SUSTAINABLE CHESNARA

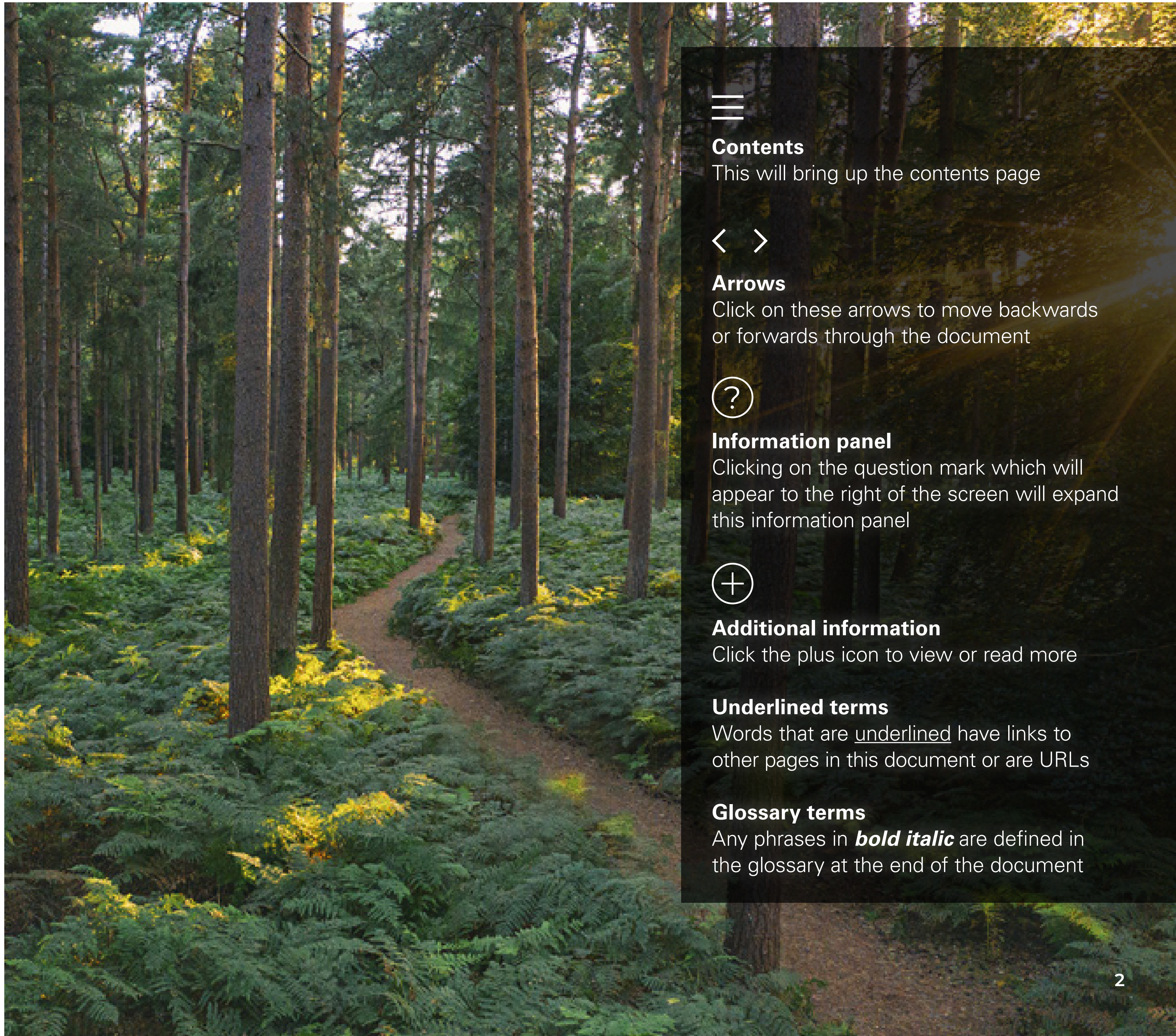
2023

Chesnara

NAVIGATING OUR REPORT

Welcome to our 2023 Annual Sustainability Report. If you need any navigation tips, just click on the question mark icon for more information. Clicking the Chesnara logo in the top left corner of pages will return you to this page or if you click ≡ you'll be taken to the contents page. Underlined words will take you through to more detail in our report or on other websites and any words in bold italic are defined in the glossary at the end of the document.

We've tried to keep things simple and have pulled out the key aspects from our ***Climate-Related Financial Disclosures*** report rather than showing the full detail. For more information, including our assessment of our climate-related risks and opportunities, view the full report.



Contents
This will bring up the contents page

Arrows
Click on these arrows to move backwards or forwards through the document

Information panel
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
Any phrases in ***bold italic*** are defined in the glossary at the end of the document

CONTENTS

INTRODUCTION 4

5 Our sustainability commitments and targets

6 Our strategic pillars

WHO ARE WE? 7

8 Our divisions

WHAT IS SUSTAINABILITY? 9

10 Becoming a sustainable group

11 The global call to action

OUR JOURNEY TOWARDS SUSTAINABILITY 12

13 Highlights of 2023

15 Embedding sustainability

16 Group Sustainability Summit

17 Our governance framework

18 Looking after our stakeholders

OUR COMMITMENTS 20

NET ZERO 21

22 Financed emissions

27 Operational emissions

INVESTING IN POSITIVE SOLUTIONS 29

30 Positive solutions

AN INCLUSIVE BUSINESS 31

32 An inclusive Chesnara

33 Social value framework

34 Engagement and collaboration

WHAT'S NEXT? 36

37 Reporting on our progress

38 Shaping a sustainable future

39 What's next for 2024 and beyond

40 A sustainable Chesnara

GLOSSARY 43

DISCLAIMERS 46

View our Climate-Related Financial Disclosures report here

CONTENTS

5 Our sustainability commitments and targets

6 Our strategic pillars

INTRODUCTION

Welcome to our second Annual Sustainability Report. I'm very pleased to update you on what we've been doing over the last 12 months on our ambition to become a sustainable business.

At Chesnara, looking ahead over the long term comes naturally to us and it's key to our success. We're working hard to embed sustainability at the heart of everything we do, making it part of our DNA right across the business, guided by our principles:

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

2023 showed us, more than ever, how critical our ambition is: a record number of days breached the 1.5°C temperature limit; global responses to climate and nature emergencies were inadequate; funding for climate, nature and social solutions was insufficient; and social and humanitarian crises continued across the world. It's both urgent and important for businesses to do everything they can to contribute to social and economic sustainability.

There's no quick way to do this effectively but we're already making progress and everyone in our organisation is prepared for the journey. This year's report explains the path we've set for ourselves, the early progress we're making, and our next steps over the years to come. In some areas, the path towards sustainability is clear but elsewhere it is less straightforward. We've started scaling up a team to collaborate across the group on sustainability.

Thank you for reading and please get in touch with feedback, questions or comments. We'd love to hear from you.

Steve Murray

Steve Murray, Group Chief Executive Officer

OUR SUSTAINABILITY COMMITMENTS AND TARGETS

Our sustainability commitments:	Our targets:	How we did against our plans:
1 To support a sustainable future, including our ***net zero transition plans***	A NET ZERO EMITTER	We've successfully calculated our financed and operational emissions and set our initial interim targets for financed emissions p21
2 To make a positive impact, including our plans to invest in ***positive solutions***	INVESTING IN POSITIVE SOLUTIONS	We established our positive solutions framework and identified our existing investments p29
3 To create a fairer world and ensure our group is an inclusive place for all employees, customers and stakeholders	INCLUSIVITY FOR ALL STAKEHOLDERS	We took the first steps to embed sustainability into decision-making p12

What we'll do next:

- Continue to develop our transition plans and implement our actions for a ***just transition*** to net zero, including assessing our nature-related dependencies, impacts, risks and opportunities
- Continue to embed sustainability into decision-making at all levels across the group
- Roll out our social value framework and start to deliver our Engagement and Skills Development programme to all employees
- Progress our assessment of the reporting frameworks including ***CSRD, ISSB*** and ***TNFD***

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 the Strategic Report and Corporate Governance sections of our Annual Report and Accounts.

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 divisions sell new business, including life insurance and pension policies; others administer existing books of policies. We're an acquisitive group, so we also grow by acquiring other portfolios and businesses.

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 where it operates, its business model, 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.

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CONTENTS

10 Becoming a sustainable group

11 The global call to action

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.

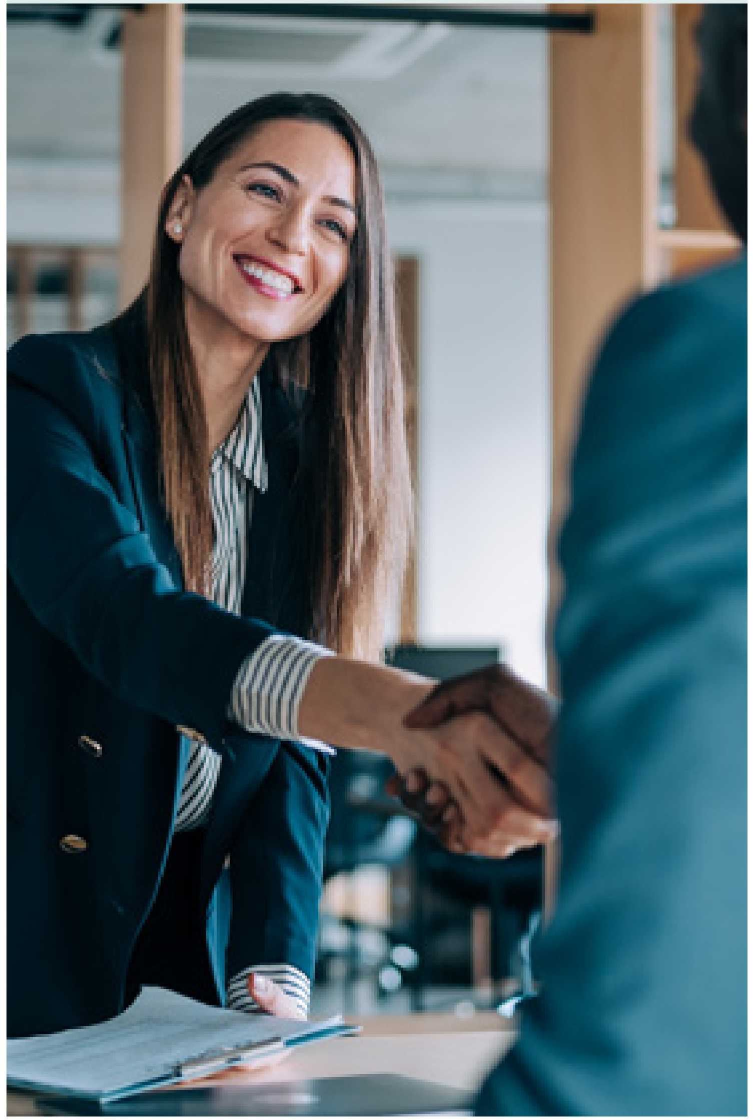
> "We are ready to play our part to ensure what we do and how we do it is sustainable."
>
> **Steve Murray, Group CEO, Chesnara**

BECOMING A SUSTAINABLE GROUP

Becoming a sustainable group is complex and we can only do this if we understand the need for change, commit to making the change, and have a plan for how to go about it. Addressing the climate and nature emergencies is a global imperative and we're determined to play our part.

NEED FOR CHANGE

COMMITMENT TO CHANGE



MAKING THE CHANGE

THE GLOBAL CALL TO ACTION

The Sustainable Development Goals are the basis of the UN's shared blueprint for peace and prosperity for people and the planet, now and into the future. They represent a call to action and our commitments and plans are developed with these important goals in mind.

Ultimately, we'll support all of the goals, where we can, but over the last year we've been considering how we can have the greatest impact in the short term, by focusing on specific goals. Positive impacts in some areas will take longer for us to realise so for those areas we'll look to gain momentum as time goes on.

Currently we've shaped our plans in the areas where we're confident we can make the biggest difference:

Click on each tile to reveal more information about these goals and how the United Nations articulates the challenge we should be collectively tackling.

globalgoals.org/goals/

CONTENTS

13 Highlights of 2023
15 Embedding sustainability
16 Group Sustainability Summit
17 Our governance framework
18 Looking after our stakeholders

OUR JOURNEY TOWARDS SUSTAINABILITY

There's a lot of work to do but we've made good progress in 2023 to establish the foundations for change.

We're acutely aware that we must act now to address the climate and nature emergencies and social inequality, so this year we have started to define our roadmap to sustainability and create the structure and framework that will ultimately deliver a sustainable Chesnara.

It is almost 20 years since Chesnara was formed and, as we look ahead to our next 20 years in business, we know that sustainability will remain a key focus.

Our overall targets for sustainability are ambitious and we don't expect the path to be a straight line. We'll be collaborating with peers across our industry to share learnings and sometimes we'll have to modify our plans as things evolve and change. Being pragmatic and flexible in this way will be key to our overall success and we'll be transparent about any adjustments we make to achieve our sustainability goal.

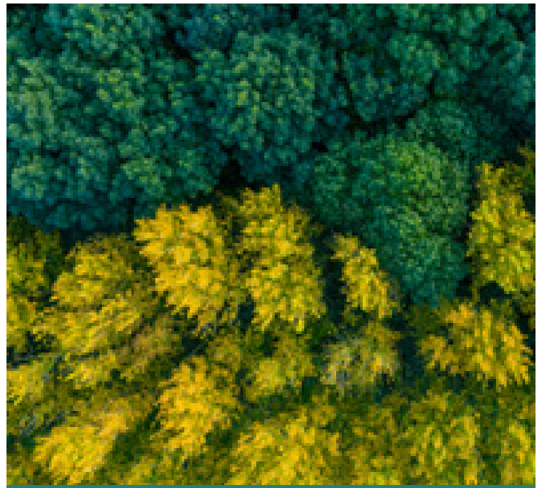
The scale of our challenge is significant and we're determined to take responsibility for everything we do.

"We're making good progress with our plans and everyone in our organisation is getting prepared for the journey to become a sustainable Chesnara."

Andy Meek, Group Head of Sustainability, Chesnara

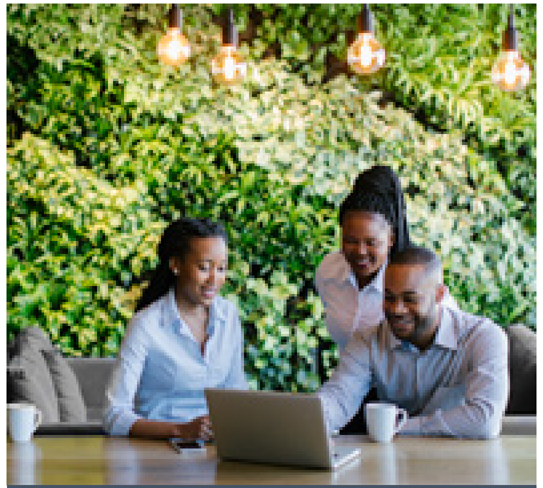
HIGHLIGHTS OF 2023

In our 2022 report, we highlighted four areas we'd focus on during 2023:



BASELINE OUR FINANCED EMISSIONS AND CREATE OUR TRANSITION PLAN TO BE A NET ZERO GROUP

ESTABLISH OUR FRAMEWORK FOR INVESTING IN POSITIVE SOLUTIONS



PLAN AND IMPLEMENT CHANGES TO REDUCE OUR OPERATIONAL CARBON FOOTPRINT

EMBED SUSTAINABILITY INTO DECISION-MAKING AT ALL LEVELS ACROSS THE GROUP

We made good progress and we've learned a great deal about the scale and complexity of the challenge. In some areas we didn't achieve everything we hoped to but we've exceeded expectations in other areas.

We've now established how we're going to best direct our efforts and resources to make further progress during 2024.

We're looking forward to reporting on more positive impacts and achievements next year.

EMBEDDING SUSTAINABILITY

It's not enough to just tag sustainability on to our existing business model. Our goal is for it to be owned by everyone in the business, at every level; for sustainability to be integral to every conversation we have and every decision we make.

To help achieve this, in 2023, we have built a team to help the business to embed sustainability into everything we do.

95%

of our UK-based employees believe that Chesnara is committed to being a sustainable business

Source: January 2024 UK staff survey

2023 PROGRESS

These are some of the steps we've taken this year:

- We held our first Group Sustainability Summit, bringing leaders together to underscore the importance of the group's sustainable future.
- We provided bespoke training to the board and senior leaders across the group on the relevance and necessity of sustainability, including the risks of failing to become a sustainable business.
- We started developing a sustainability Engagement and Skills Development training programme to be rolled out across the group.
- We began assessing group and divisional policies to ensure that sustainability is factored in to each one.
- We worked with our performance management framework and remuneration advisors to start integrating sustainability objectives into our executive and employee assessment and reward schemes.
- We delivered regular groupwide sustainability communications to update and inform all employees on progress and key developments.

Development of the embedding process is ongoing with more training planned for all employees during 2024. We look forward to updating you on this further next year.

GROUP SUSTAINABILITY SUMMIT

In June 2023, leaders and key personnel from across the group gathered for a two-day summit focused exclusively on sustainability. This was a milestone event to evaluate our position and assess the enormity of the challenge to deliver a sustainable Chesnara.

We began by breaking the challenge down into four areas that we could conceptualise, manage and measure:

1. **VISION**
   including commitments, strategy and oversight
2. **INVESTMENTS**
   including where to direct capital and how to achieve net zero
3. **OPERATIONS**
   including social purpose, training and decarbonising our business
4. **REPORTING**
   including transparency of our disclosures and assessing our forthcoming reporting requirements

A range of external parties, including Accenture, A Future Worth Living In, Schroders and KPMG, as well as our host, the Zoological Society of London, shared their own sustainability journeys with us in a series of talks and training workshops. Over two days, we explored a broad range of topics and began developing cross-group and multidiscipline teams to clarify our common objectives.

We weighed up the carbon cost of gathering together in this way and we mitigated some of that cost by selecting sustainable partners and venues; designing a plant-based menu; and facilitating sustainable travel, including the use of electric taxis, wherever possible.

The summit was a crucial step in planning, motivating and aligning our people, and beginning to embed sustainability in the business at a strategic development and decision-making level. Leaders left feeling united by a shared enthusiasm for delivering a sustainable Chesnara.

91%

of attendees felt engaged with the topic of sustainability

Source: Post sustainability summit survey

OUR GOVERNANCE FRAMEWORK

Across all our divisions, we operate a well-established, robust governance framework which underpins everything we do, and which gives long-term peace of mind to all our stakeholders. We'll be building on the bedrock of this governance framework as we transition to sustainability.

The Group Chief Executive Officer takes overall accountability for sustainability at group level, with the support of divisional CEOs and other executive management. There is a short term incentive bonus scheme for group and UK executives and the 2023 scheme included ESG as part of the group directors' strategic objectives. More detail is provided in the Annual Remuneration Report within the 2023 Annual Report and Accounts. The ratio allocated to sustainability will be assessed on an ongoing basis.

GROUP BOARD

GROUP SUSTAINABILITY COMMITTEE (GSC)

SENIOR LEADERSHIP TEAM (SLT)

GROUP INVESTMENT COMMITTEE (GIC)

SUSTAINABILITY WORKSTREAM WORKING GROUPS

ACQUISITIONS

LOOKING AFTER OUR STAKEHOLDERS

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

LOOKING AFTER OUR STAKEHOLDERS

We have policies and principles that underpin the work we do and the way we do it. Our fundamental duty is to look after our stakeholders and these policies and principles are designed to ensure that we do. Some of the key areas are shown below:

- CUSTOMER CARE
- BUSINESS ETHICS
- FINANCIAL CRIME, BRIBERY AND CORRUPTION
- TAX
- DATA PRIVACY
- CYBER CRIME

OUR COMMITMENTS

We will work in line with our principles of

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

CONTENTS

22 Financed emissions

27 Operational emissions

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 and our customers invest in. Our financed emissions are the ones generated by our investments, and these are far larger 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: www.un.org/en/climatechange/net-zero-coalition

FINANCED EMISSIONS

The majority of the emissions that we are responsible for are generated by the companies in which we and our customers invest. We are committed to being net zero for these emissions by 2050.

THE BIGGER PICTURE

The world needs to decarbonise which means companies like ours need to get on board quickly. We could start by shifting all our investments away from carbon intensive industries to 'green' our portfolio, but that wouldn't necessarily achieve the wider societal and economic decarbonisation needed.
A more considered approach that will contribute to a fair and balanced transition is needed. We believe the right way forward is to engage with companies and industries, including the heaviest polluters, either through our asset managers or collaboratively with other ***asset owners***, to help them transition to a sustainable approach.

ENGAGEMENT

If all investors divested away from a large company which was a heavy emitter of carbon, it would have a positive impact on net zero targets but might have a negative impact on the company's workforce, local economies and wider communities. So, we prefer to look at the bigger picture and, through our asset managers, engage and encourage the companies we invest in to develop their own transition plans. Our asset managers will monitor the pace of change and we have the option to divest if there's an unacceptable amount of progress or a lack of transparency.

WHAT THIS MEANS FOR US

First, we needed to understand our share of the emissions produced by the companies we invest in so we can track our progress.

One particular challenge is that our baseline will shift every time we make a new acquisition and therefore tracking progress will be more difficult. For example, in 2023, we acquired Conservatrix and its assets which we had to factor into our calculations.

We will set out clearly the impact that acquisitions have and make sure our targets and reporting reflect our business.

FINANCED EMISSIONS

During 2023, the Transition Plan Taskforce issued its final recommendations and, in November 2023, issued its sector specific guidance for asset owners. We've started to assess these, together with the ***IIGCC's Net Zero Investment Framework***, to help us develop our long-term transition plans. We believe our transition plans must also detail our approach to tackling the nature emergency, as they're two sides of the same problem. We'll progress our plans during 2024 and expect to finalise them as part of our interim reporting in 2025. We'll also continue to assess the benefits for an organisation of our size of aligning to the ***Science-Based Targets Initiative***.

Calculating our financed emissions

We have calculated our financed emissions baseline using the MSCI platform. This gives us a starting position for our decarbonisation journey and enables us to measure progress.

Calculating our interim targets involved following the IIGCC's Target Setting Guidance and taking the ***Intergovernmental Panel on Climate Change*** (IPCC) Special Report on Global Warming of 1.5°C (SR1.5) into consideration. This states that in mitigation pathways with no or limited overshoot of 1.5°C, global net carbon emissions need to decline by between 41% and 58% from 2010 levels by 2030, reaching net zero around 2050.

Setting our initial interim targets

To set our targets, we've used the IPCC scenario with no or limited overshoot for target setting. This is one of a few approaches recommended by the ***Paris Aligned Investment Initiative*** and a scenario that ***Paris Aligned Asset Owners*** members and asset managers have historically used. Based on this, we've set an initial interim reduction target of 50% by 2030.

Our 50% reduction target is for the scope 1 and 2 emissions of our listed equity and corporate fixed income assets which we are able to influence or control. We will also be working with partners and customers for those assets where we have less control or influence, for example those where policyholders self-select their own investments. We remain strongly committed to net zero by 2050 for all our financed emissions and so our targets will expand over time to include all asset classes. The production of our transition plans will be a key step in identifying the more detailed actions we will take to tackle our assets.

2023 is our baseline year because, although 2019 has been commonly used elsewhere, we agreed that it would be more efficient to start from now and commit resource to making real world changes. Choosing our baseline as 2023, rather than 2019, means any actions we've taken in that period will be reflected in the starting position, as well as actions taken by anyone in our supply chain or investment universe.

High level analysis of the national greenhouse gas emissions reductions for our locations over the period from 2019 to 2023 shows an average fall of approximately 10%. We do have 2022 data available but as those emissions were largely based on the previous year's reporting, we felt that due to the ongoing impact of COVID19 and the national lockdowns during 2021, the use of 2022 as a baseline would be less relevant. As we produce our transition plans, we'll assess and report the impact of using a 2023 baseline on our target.

50%

emissions reduction target by 2030 for the scope 1 and 2 emissions of our listed equity and corporate fixed income assets which we are able to influence or control

By 2030, our target is to reduce the scope 1 and 2 emissions of the in-scope assets by 50% from a baseline of 2023. In-scope assets are corporate bonds and listed equity, which we can control or influence, which we expect to represent the majority of those assets. The level of control or influence varies for those assets held within our collective investments. All assets remain in scope of our 2050 net zero target. We will provide more detail of which assets will be included when in our transition plans.

FINANCED EMISSIONS

Reducing our financed emissions for in-scope assets by 50% by 2030 is incredibly challenging. We need to get them down by approximately 10% year-on-year and a great deal depends on factors outside our control. Within our specific industry there are several significant headwinds, including:

1

LEVEL OF CONTROL OVER INVESTMENT DECISIONS

For a 2030 target to be meaningful and effect real change, we have to include the assets that we can influence or control which are held in collectives.

For a lot of these collectives, we don't decide the assets the fund invests in and so decarbonising will involve active engagement with our asset managers.

2

ASSET MANAGERS

Across the group, our asset managers will have significant responsibility. Simply put, if they're on a path to decarbonisation that aligns with our own, then achieving our targets should be easier. If they're not on a similar path to us, or haven't set any targets, meeting the targets will be tougher.

Plenty of our assets managers do have net zero transition plans but there are still a number that don't. We'll be encouraging them to set net zero targets that will support us in achieving our own.

3

OUR FAIR SHARE

We're aiming for a 50% reduction because that's what the market as a whole needs to achieve. If, however, some of the companies we invest in have already progressed well with their reductions, or others have less potential for decarbonising in the short term, then that 50% target will become less likely. We haven't reached a conclusion yet but initial analysis on some of our UK funds by our asset manager, Schroders, and our exposure to ***Climate Action 100+*** companies, suggests that our fair share may be less than 50%. We will assess this as part of the development of our transition plans.

The radical change required to reduce by 50% by 2030 will depend on some factors completely out of our control, such as the pace of decarbonisation in the real economy, organisations across the financial system, and the development of new technologies and government policies to support the transition. We're producing transition plans which will give us more clarity on what needs to happen and when.

It's vital to have ambitious targets and plans that drive real action. At the same time, we don't want to set unrealistic goals which we can't achieve. It's also key to ensure that our plans do not under commit as we know the need for us to play our part.

As we've suggested, 50% is a stretching target but rather than shy away from it, we're making it our ambition – a challenging target that will drive behaviour and action.

It's important we set this clear goal and we expect that, as plans develop, and as science, methodologies and data evolve, our targets and plans may change and evolve too. We're going to be iterative in our approach and we'll communicate openly and transparently when and why targets may change.

FINANCED EMISSIONS

We have calculated our 2023 financed emissions, as shown below, using the MSCI platform. For more information on how these figures are calculated, please see our 2023 Climate-Related Financial Disclosures report.

This calculation gives us a starting position for our decarbonisation journey and enables us to measure progress using the following three metrics:

1. **Total carbon financed emissions (absolute emissions) (tCO_2e)**
   This shows our absolute greenhouse gas emissions (GHG) and allows us to establish the emissions baseline of our portfolio by measuring financed scope 1, 2, and 3 emissions.

2. **Financed carbon emissions (absolute tCO_2e emissions normalised by $M invested)**
   This enables us to compare the emissions of different portfolios. This shows the total carbon financed emissions of a portfolio normalised by the market value of the portfolio.

3. **Weighted Average Carbon Intensity (WACI) (tCO_2e/$M revenue)**
   This enables us to understand our exposure to carbon intensive companies within our portfolio.

We hope that this combination of metrics will show the relative and absolute performance of our decarbonisation activities.

Financed emissions calculations are our proportion of the emissions generated by the companies in which we invest and are calculated using available data and the MSCI tool. Investments included are primarily corporate fixed income, listed equity, sovereigns and collectives. As noted, data is not complete for all our investments and so we extrapolate the results for the companies we do have data for to determine the emissions for the portfolio. This assumes that the investments for which data isn't currently available have the same emissions profiles as those included in the data coverage percentage. As data availability increases for those investments not currently included, any variances in their emissions profiles will result in a difference to the total financed emissions and financed emissions totals. Assets that do not currently form part of the calculations for the portfolio are structured notes, collateralised securities, cash and deposits, mortgages and loans, and property.

Financed emissions targets are how much we are committing to reduce the emissions from our investments. Our initial interim 2030 target is to reduce scope 1 and 2 emissions generated by our corporate fixed income and listed equity, which we can influence or control, by 50% from a baseline year of 2023. Our 2030 target is therefore a subset of our calculated emissions. Our 2050 target is to be net zero for all emissions, including all classes of investments.

For both the calculations and the targets, as methodology and data becomes available for our remaining assets classes, we will expand our calculations and targets to capture them.

Click here to enlarge the tables below

2023 financed emissions baseline (Tonnes of CO_2e)

	Scope 1 and 2	Scope 3
Total financed carbon emissions (absolute emissions)	533,073	4,345,991
Financed carbon emissions (normalised by $m invested)	38.7	315.4
Data coverage percentage	*58%*	*56%*

2023 Weighted Average Carbon Intensity (WACI)

	Corporate Constituents (tonnes CO_2e/USD M sales)		Sovereign Constituents (tonnes CO_2e/USD M GBP nominal)
	Scope 1 and 2	**Scope 3**	**GHG Intensity**
Chesnara group	71.8	653.7	206.5
Data coverage percentage	***62.1%***	***59.2%***	***10.7%***

FINANCED EMISSIONS

When it comes to financed emissions, some assets will be quicker and easier to decarbonise than others, depending on how much control we have over the investment decisions and the industries in which they operate. Different categories of assets will need different plans and timescales and, in each case, it's our asset managers who will understand and oversee their own net zero transition targets.

We hold investments in some of the world's 163 (2023: 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 2023, we held direct investments in 59 (Q3 2022: 54) of those 163 companies, a total of £131m or approximately 1% (Q3 2022: £128m) of assets under management. Only three (Q3 2022: five) of these, representing £9m (Q3 2022: £12m) of our investments, don't have a net zero plan in line with the Paris Climate Agreement.

It's useful to remember that acquisitions can bring other heavy emitters into the group. For example, in 2022, we acquired SLP and Robein Leven, which increased our investments in the Climate Action 100+ companies and so we had to adjust our plans to take this into account.

We must also consider our impact on nature. ***Nature Action 100*** is a global investor engagement initiative, focused on reversing nature and biodiversity loss, which has identified 100 companies to engage with that have a high potential impact on nature.
At the end of Q3 2023, we held direct investments in 37 of those 100 companies, a total of £78m or less than 1% of our assets under management. As we progress our transition plans, we will work with our asset managers to factor this in.

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

OPERATIONAL EMISSIONS

The second pillar of our decarbonisation journey relates to our operations. We have set a commitment to decarbonise the operational emissions that we control by 2028.

During 2023, we implemented a carbon management platform, Greenly. We've used this platform to gain greater insight into our operational emissions and to get a fuller picture of our scope 3 emissions, including those coming from our supply chain.

The results from the platform show that our supply chain is the most material component of our operational emissions, as shown in the table to the right. These emissions are categorised in line with the Green House Gas Protocol of 2001 and are the basis for mandatory GHG reporting in the UK. The results use a variety of estimates and assumptions at this stage but as more data becomes available in the market, these results will become more and more refined.

Breakdown of 2023 operational emissions

SCOPE	CATEGORY	TOTAL M tonnes of CO_2e	SHARE	LEVEL OF CONTROL
1.1	Generation of electricity, heat or steam	61	1%	Medium
1.2	Transportation of materials, products, waste and employees	14	0%	Medium
1.4	Fugitive emissions	8	0%	Medium
	SCOPE 1 TOTAL	83	2%	
2.1	Electricity related indirect emmissions	97	2%	Medium
	SCOPE 2 TOTAL	97	2%	
3.1	Purchased goods and services	4,035	81%	Low
3.2	Capital goods	97	2%	Medium
3.3	Fuel and energy related activities not included in Scope 1 or Scope 2	54	1%	Low
3.4	Upstream transportation and distribution	224	5%	Medium
3.5	Waste generated in operations	32	1%	Medium
3.6	Business travel	183	4%	Medium
3.7	Employee commuting	109	2%	Low
3.8	Upstream leased assets	48	1%	Low
	SCOPE 3 TOTAL	4,782	96%	
	TOTAL OPERATIONAL EMISSIONS	4,961	100%	

Scope 1.3, 2.2 and 3.9-3.14 are not applicable for our group. Those emissions in category 3.15, financed emissions, are considered separately.

Click here to enlarge the table above

OPERATIONAL EMISSIONS

Our 2028 target primarily relates to scope 3 emissions arising from operating our offices; however, we now know that the amount of those emissions is small relative to our operational total. We'll be leading by example and decarbonising what we control and we remain committed to being net zero for all our operational emissions in the longer term. Therefore, in 2024 we'll increase our focus on those items that generate a higher proportion of our operational emissions as changes here will generate greater reductions in the long run.

These higher value items are shown in the table to the right. Purchased goods and services make up the bulk of the total and we will need to engage with the suppliers of these goods and services and their decarbonisation plans. Naturally, we have little control over these but working with our suppliers to make changes here can have a bigger impact. Targeting higher value categories like these, where the level of control varies, will require additional effort which may take longer to show results.

For example, emissions caused by commuting and home-working employees are outside our direct control. We can encourage employees to choose to reduce these emissions through such initiatives as our electric car scheme in the UK but we can't make change mandatory.

Our commitment to become a net zero group doesn't change but we will continue to adjust and flex the path we take to get there.

We remain focused on reducing the carbon emissions associated with our operations and investments, but we're also examining the important, complex role offsetting can play in the global transition to net zero. For now, we're supporting high-quality ***carbon offsetting*** projects. In 2023, we decided to offset our operational emissions, excluding scope 3.1 purchased goods and services, of 930 tonnes of CO_2e by supporting several verified projects in alternative energy and increasing water safety, as well as planting trees in the UK. These are high quality carbon reduction projects that comply with international verification standards and are amongst the ***Carbon Footprint*** Limited's offset projections portfolio, details of which can be found at **www.carbonfootprint.com**.

High value operational emission items

SCOPE	CATEGORY	TOTAL M tonnes of CO_2e	LEVEL OF CONTROL
3.1	Purchased goods and services	4,035	Low
3.4	Upstream transportation and distribution	176	Medium
3.6	Business travel	183	Medium
2.1	Electricity related indirect emissions	72	Medium
1.1	Generation of electricity, heat or steam	45	Medium
3.8	Upstream leased assets	40	Low
	TOTAL HIGH PRIORITY ITEMS	4,552	
	TOTAL OPERATIONAL EMISSIONS	4,961	
	%	92%	

Some high value items are lower than our total operational emissions figures because they only include the divisions where there is a material value of emissions. The immaterial divisions will be included in our longer term transition plans.

Click here to enlarge the table above

30 Positive solutions

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*** (SDGs). 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.

POSITIVE SOLUTIONS

We're committed to making a positive impact. During 2023, we designed a framework for investing in positive solutions linking it to our chosen SDGs and its proposed impact.

UN-commissioned research, conducted in 2021, highlighted how important it is to direct capital to positive solutions. That research found that the world needs $125tn of climate investment by 2050 to slash its emissions and meet its Paris Agreement goals. The International Energy Agency said we need $4.5tn every year by the early 2030s for clean energy alone. The world is a long way off these targets and these figures don't directly cover the requirements for nature or social inclusion and equality. Maybe we can't move the dial far in this respect but we can take responsibility for the assets we control: we can invest some of our capital into positive solutions, covering climate, social and nature-based investments too.

£80m

of investments in green and social bonds in Scildon

We're an insurance company, so we have to account for liquidity and capital requirements to make sure we're running our business effectively: benefitting all our stakeholders and operating within our risk tolerances. We must also consider which capital we could direct into positive solutions. We have initially agreed it would be most appropriate to look to invest our surplus assets, and that we should continue to explore other sources of capital that can be invested in the longer term.

At the end of 2023, our group held approximately £80m of investments in green and social bonds within Scildon. We're looking to expand our impact investments during 2024 across our divisions.

Alongside these investments and making a positive impact with other investments, we'll keep offering sustainable product choices to the market, aligned with the Paris Climate Agreement, such as our Easy B product. Together with our asset manager, Cardano, 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 2023, we held over £170m invested in these funds. Scildon has also continued its partnership with Justdiggit – a non-governmental organisation working to regreen degraded land in Africa by restoring the vegetation that helps cool the planet.

We've also continued to offer sustainable fund choices for our Movestic customers, including:

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

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.

"Investments are a true enabler for change. Whenever and wherever we can, we will try to invest in companies who contribute to making our world a better place."

Pauline Derkman, CEO, Scildon

CONTENTS

32 An inclusive Chesnara
33 Social value framework
34 Engagement and collaboration

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.

For the communities in which we operate, this means supporting them to deliver lasting positive change.

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.

AN INCLUSIVE CHESNARA

We want Chesnara to be an inclusive place for all stakeholders and to contribute in a meaningful way to a fairer world. Our Corporate & Social Responsibility reporting within our 2023 Annual Report and Accounts details some of the policies and procedures we have in place to support this. During 2023, we completed employee satisfaction surveys in Movestic and the UK, achieving employee net promoter scores (eNPS) of 33 and 48 respectively. Moving forward, all our divisions will conduct employee satisfaction surveys at least annually.

In 2023, we developed our social value framework to focus on how and where we can contribute to society beyond our reported profits. Specifically, we're examining the day-to-day activities, initiatives and specific interventions that actively benefit our employees, communities and customers.

Our start point for this initiative was the ***UN Global Compact***, which integrates ten principles and guiding principles into strategy, systems of governance, culture and day-to day-operations. These principles provide a universal definition for responsible business and a foundation from which we can act on the UN Sustainable Development Goals.

We've designed a two-tiered framework which focuses on our people, our communities and our customers. We'll support groupwide common initiatives alongside divisional specific activities, linked to the specific indicators of the UN SDGs. This means we can maximise our impact as a group and continue our support for the local causes that mean so much to our teams.

Our framework is underpinned by six social sustainability themes:

Equal Opportunities/DE&I
We will invest in our people, recognise talent and effort and provide opportunities to those from all backgrounds.

Climate and Nature
We will make changes to safeguard our planet, recognising the positive social impact that can be generated from environmental stewardship and climate action.

Community Impact
We will support our communities to deliver lasting positive change.

Sustainable Supply Chains
We will work with partners to create sustainable supply chains, facilitating an inclusive, low-carbon and socially just transition.

Customer Care
We will provide products and services that meet our customer's changing needs.

Health and Wellbeing
We will promote the health and wellbeing of our employees through compassion, flexibility and the delivery of programmes to achieve a healthier workplace.

SOCIAL VALUE FRAMEWORK

Our programmes are designed to support key UN SDG indicators, with a sharp focus on these goals:

As part of our social value framework, we've been supporting our charity partners across the divisions. These longer term partnerships for Sherpa and Safenet are very important to us and our employees.

SAFENET

A charity in the north west of England which provides domestic abuse services and refuge to those that need it. The UK team provides essential donations to residents.

We're also a ***Living Wage*** employer and our UK team has maintained its relationship with Preston City Council in its efforts to become a Living Wage city. We're members of the action group that is working to help address poverty in the city by increasing the number of employers that commit to paying the Real Living Wage for all staff.

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 ten years through employee volunteering and donations.

ENGAGEMENT AND COLLABORATION

Engaging with other organisations and bodies lets us share learnings and get involved in relevant discussions. We're looking forward to embracing and encouraging a spirit of collaboration that'll help deliver real-world impact. The challenge ahead is urgent and there's no doubt that sharing knowledge and experience will speed up the process of Chesnara and society becoming truly sustainable.

We take part in a range of initiatives that relate to us as a business and the journey we're on:

UN Global Compact – we're a signatory to the compact, which is the world's largest corporate sustainability initiative and a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

Pay Your Pension Some Attention – our UK business, CA, supports the campaign which aims to raise awareness of the importance of financial wellbeing later in life.

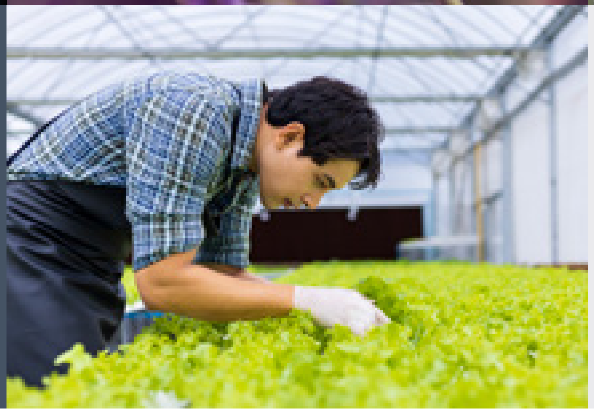
Institutional Investor Group on Climate Change (IIGCC) – we're members of the IIGCC which is working to create the change the world needs by unlocking investor action on climate change.

Association of British Insurers (ABI) – we're members of the ABI which is the voice of the UK's insurance and long-term savings industry. As an active member, we're supporting their purpose: together, driving change to protect and build a thriving society.

Principles for Responsible Investment (PRI) – following in the footsteps of Movestic, who've been signatories for several years, the group has applied to become a signatory of PRI. The PRI works to achieve an economically efficient, sustainable global financial system as a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.

Living Wage Foundation – We're a Living Wage employer and our UK team has continued its work with Preston City Council in its efforts to become a Living Wage city. We're members of the action group that's helping to address the issue of poverty in the city by increasing the number of employers that commit to paying the Real Living Wage for all staff.

UK Sustainable Investment and Finance Association (UKSIF) – we are in the process of becoming members of UKSIF which exists to bring together the UK's sustainable finance and investment community.



Finance for Biodiversity Pledge – we are signatories to the pledge and members of the Finance for Biodiversity Foundation which calls on financial institutions to commit to protect and restore biodiversity through their finance activities and investments.

CONTENTS

37 Reporting on our progress
38 Shaping a sustainable future
39 What's next for 2024 and beyond
40 A sustainable Chesnara

WHAT'S NEXT?

REPORTING ON OUR PROGRESS

Providing transparent updates on our progress in line with recognised reporting frameworks is a critical part of our journey to a sustainable group. The reporting road ahead is busy and complex across the UK and Europe and we welcome the various frameworks that will apply to our business. Details on some of those current and expected frameworks are as follows:

Click on each tile to reveal more information

INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

TRANSITION PLAN TASKFORCE (TPT)

TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD)

SUSTAINABILITY DISCLOSURE REQUIREMENTS (SDR)

UK GREEN TAXONOMY

CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDDD)

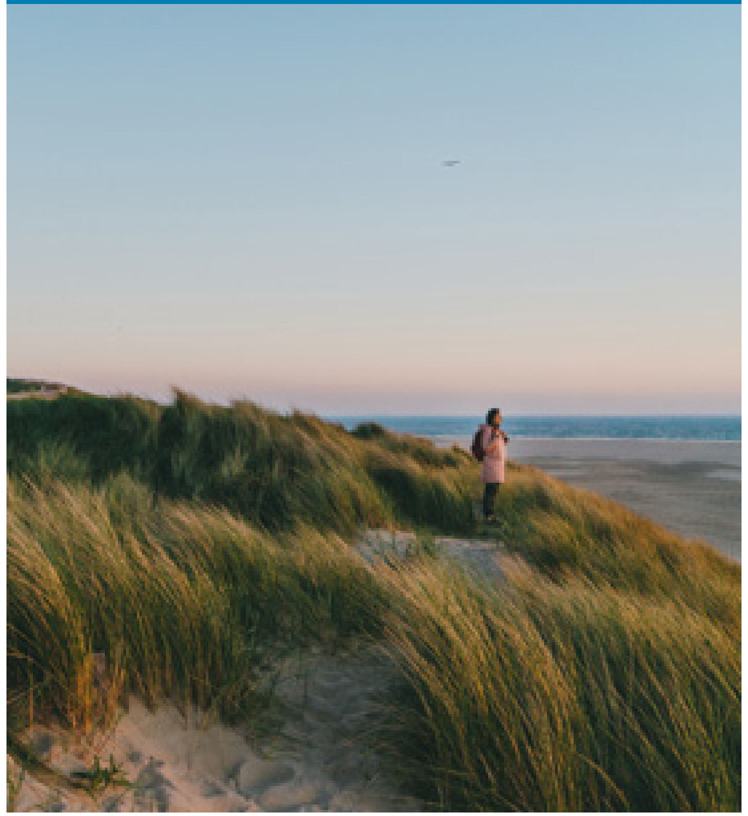
SUSTAINABILITY FINANCE DISCLOSURES REGULATION (SFDR)

SHAPING A SUSTAINABLE FUTURE

A SUSTAINABLE ASSET OWNER

Sustainably managing £11.5bn 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

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

WHAT'S NEXT FOR 2024 AND BEYOND

As we said at the start of this report, 2023 was yet another clear indicator that we must urgently transition to a sustainable society and immediately improve our responses to the climate and nature emergencies.

In our 2022 report, we spelt out some of our most pressing tasks and we've progressed with all of them. Some things are going more slowly than we hoped while others are moving forwards quickly. As we continue our journey, we'll be reporting faithfully and transparently and we'll keep facing every challenge creatively, pragmatically and with integrity.

Our work in 2024 will continue the themes from 2023. In some areas we've largely set our course so we can continue to work on our detailed transition plans; in other areas we still have more work to do to plot the way ahead.

We recognise there's a significant amount of work to do. It is truly important to us so we will continue to dedicate time and resource to meeting our commitments. We will take responsibility for what we do and how we do it and will deliver real change, effectively and efficiently.

Our 2024 tasks are significant and include:

Continue the development of our transition plans and implement our actions for a just transition to net zero, including assessing our nature-related dependencies, impacts, risks and opportunities, and the action we need to take to all us to start integrating nature into decision-making

Continue to embed sustainability into decision-making at all levels across the group

Roll out our social value framework and start to deliver our Engagement and Skills Development programme to all employees

Progress the assessment of the reporting frameworks including CSRD, ISSB and TNFD

A SUSTAINABLE CHESNARA

We're determined to become a sustainable group 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 continuing to report 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 Head of Sustainability
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 2023 – 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 CO2 emissions are fully balanced by a combination of CO2 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.

CSRD, ISSB and TNFD
Please refer to page 37 for definitions

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

Greenhouse Gas Protocol of 2021
Greenhouse Gas Protocol provides standards, guidance, tools and training for business and government to measure and manage climate-warming 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.

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.

Intergovernmental Panel on Climate Change
The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.

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.

Nature Action 100
A global investor engagement initiative mobilising institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action to stem nature and biodiversity loss.

GLOSSARY

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.

Paris Aligned Asset Owners
Paris Aligned Asset Owners are a global group of 56 asset owners, with over $3.3 trillion in assets. Consistent with their fiduciary obligations to clients and beneficiaries to avoid financial risk and to maximize long-term value of assets they have made individual commitments to transition their investments to achieve net zero portfolio GHG emissions by 2050, or sooner, drawing on the Net Zero Investment Framework to deliver these commitments.

Paris Aligned Investment Initiative
The Paris Aligned Investment Initiative (PAII) is a collaborative investor-led global forum to support investors to align their portfolios and activities to the goals of the Paris Agreement.

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.

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.

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.

GLOSSARY

UN Global Compact
A call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

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”.

CAUTIONARY STATEMENT AND FORWARD-LOOKING STATEMENTS

This document should be read in conjunction with the other documents distributed by Chesnara through the Regulatory News Service. This document contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements with respect to certain of the plans and current expectations relating to the future financial condition, business performance, results, strategy and/or objectives (including, without limitation, climate-related plans and goals) of Chesnara plc.

Statements containing the words 'believes', intends', 'will', 'expects', plans', 'aims', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward looking.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Chesnara plc including, amongst other things, UK domestic, Swedish domestic, Dutch domestic and global economic, political, social, environmental and business conditions, market-related risks such as fluctuations in interest rates, currency exchange rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Chesnara plc and its subsidiaries operate. As a result, Chesnara plc's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

No representation is made with regard to forward looking statements, including that any future results will be achieved. As a result, you are cautioned not to place undue reliance on such forward-looking statements contained in this document. Chesnara undertakes no obligation to update any of the forward-looking statements contained within this document or any other forward-looking statements we make. Forward-looking statements in this report are current only as of the date on which such statements are made.

The climate metrics used in this document should be treated with special caution, as they are more uncertain than, for example, historical financial information and given the wider uncertainty around the evolution and impact of climate change. Climate metrics include estimates of historical emissions and historical climate change and forward-looking climate metrics (such as ambitions, targets, climate scenarios and climate projections and forecasts). Our understanding of climate change and its impact continue to evolve. Accordingly, both historical and forward-looking climate metrics are inherently uncertain and Chesnara expects that certain climate disclosures made in this document are likely to be amended, updated, recalculated or restated in the future. The information in this document is unaudited.

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