CORPORATE & SOCIAL RESPONSIBILITY

Our goal is to be a sustainable group and manage our business for the long-term benefit of all stakeholders, including our customers, shareholders, employees, regulators, suppliers and partners, local communities, and the planet.

The Chesnara board has defined its sustainability vision and long-term net zero targets. This vision builds on the foundations laid in previous years and through our ingrained sense of stakeholder purpose. This vision will be further progressed during 2023 with the development of our net zero transition plans and interim decarbonisation targets.

TRANSITIONING TO A SUSTAINABLE GROUP

We have a clear corporate and social purpose. As a business we help protect people and their families from the economic impact of an early death, through life assurance protection, and help support them during retirement through pension and investment savings. We believe that stakeholder value creation is best delivered through the embedded consideration of environmental, social and governance issues. In this regard, among our key considerations are the following strategic aims:

- Maintaining a long-term sustainable working environment for our staff, suppliers and partners, and local communities;
- Genuine care about our customers, helping them create financial security now and for the future;
- Investments focusing on long-term sustainability and strong financial solvency for the company; and
- Assessing and managing our impact on the planet and natural environment, including climate-related risks to our business.

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

Our Annual Sustainability Report provides detail on our sustainability vision and long-term targets. We are basing our plans on the principles of Do no harm. Do good. Act now for later. We want sustainability at the heart of decision making across the business and have committed to:

1. **Supporting a sustainable future**, including our net zero transition plans
2. **Making a positive impact**, including our plans to invest in positive solutions
3. **Creating a fairer world**, ensuring our group is an inclusive environment for all employees, customers and stakeholders

These commitments have been developed with the UN Sustainable Development Goals in mind. These 17 goals are an urgent call to action to promote peace and prosperity for people and the planet, now and into the future. We'll focus our activities on those goals where we feel we can have the greatest impact; however, we will support all of the goals wherever possible.

THE GLOBAL GOALS
For Sustainable Development

Find out more at **globalgoals.org**

As described on pages 58 and 93, a key part of this work includes the annual review of the effectiveness of our Risk Management System and the system of governance so as to ensure that we can achieve our business objectives and safeguard the interests of our stakeholders. The overall conclusion from the review conducted in 2022 was that Chesnara has a stable and well understood risk profile, controlled by an effective and embedded system of governance.

The sustainable management of our Funds Under Management is a critical component of our sustainability journey. In all three of our territories, we work with fund managers that are committed to the UN SDGs and the UN's Principles of Responsible Investment (UNPRI), with Movestic Livförsäkring also a signatory to the UNPRI. Movestic is a signatory of the UN Global Compact and it submits an annual Communication on Progress report setting out specific actions taken with regard to the four designated categories covering human rights, labour, environment and anti-corruption.

We believe that sustainability is not solely for our board and leadership teams, and we have taken and will continue to take steps to educate, involve and support our workforce and other stakeholders, including our suppliers, in the delivery of our sustainability strategy. Each of our businesses have also incorporated sustainability into their Investment Policy, Investment Committee Terms of Reference and investment decision making. We are expanding this to capture all policies across the business to ensure that sustainability is a key consideration.

Our TCFD report on page 70 describes our assessment of climate change risks and opportunities under four pillars – Governance; Strategy; Risk Management; and Metric and Targets. Further regulatory and disclosure requirements around sustainability are forthcoming and we will take measures to ensure that we give full and appropriate disclosure of our progress as these standards are issued.

UNDERSTANDING THE NEEDS OF OUR CUSTOMERS

Our products and services

We offer and manage life and health insurance and pension products for our customers to help them meet their financial goals. We achieve this by paying attention and understanding the customer's point of view, by regularly asking for feedback and by investigating any complaints thoroughly and promptly. Lessons learned from our interaction with customers are used to train and develop our staff, make our processes more efficient and to take further steps to ensure our policyholders are treated fairly. Our aim is to consistently exceed industry service standards.

Reuniting customers with their policies

We appreciate that customers can lose touch with their policies due to business acquisitions, house moves, name changes and passage of time, so we actively try to trace and recontact customers wherever possible.

Digitalisation

Advancements in technology and data usage are having a significant impact on how business is conducted, and the way regular communication is taking place. We have continued to invest in digital technology and applications so that we can meet the expectations of our business partners and customers, whilst maintaining the traditional contact methods for customers that are more comfortable using that option.

Regulatory compliance

We maintain an open and constructive relationship with the regulators in the jurisdictions we operate in. Understanding and implementing regulatory requirements is a key part of management responsibility, including the timely and accurate submission of information requested by the regulator. None of the business entities were subject to any regulatory intervention during 2022 and no penalties were imposed.

OUR COLLEAGUES

Health, safety and welfare at work

As would be the case of any responsible business, at Chesnara we place primary importance on the health, safety and welfare of our employees. The Chesnara board and our management teams took swift action during 2020 as lockdowns were imposed to ensure that our employees were safe and able to continue to work from home, taking into consideration individual circumstances where necessary so that appropriate support could be provided. Once restrictions were lifted, management sought the views of their teams on working from the office, and consequently implemented a hybrid model under which staff can continue to work from home for part of the time and this has been in place throughout 2022.

In the UK division, a Wellbeing Hub was launched last year to provide staff with access to health care information and to share resource material on mental health, coping with change, and support that is available. Subsequently, the hub has been updated with information about health care benefits, including discounted gym membership, PMI and cash plans, and an assistance line. Training has been provided to staff who have come forward to become Wellness Champions so that they can discuss their experiences openly and confidently in a safe space. Also in the UK, 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.

The management teams and employees in Sweden and Netherlands have also taken steps to guide and support colleagues under a new hybrid working arrangement.

Each of our business units ensures that the health and welfare of our staff is supported by employment contract provisions, including access to health insurance for all employees and encouragement and support for flexible working, amongst other benefits such as life cover, occupational pension and parental leave. All staff are made aware of these benefits through contracts of employment, the staff handbook and staff briefings. They are also reminded of their duty to act responsibly and do everything possible to prevent injury to themselves and others. Management teams across the group monitor the level of sick leave and absence and, where necessary, they take appropriate action to address any issues identified.

Relevant policies and procedures are reviewed on a regular basis so as to ensure that they meet appropriate standards. Any hazards or material risks are removed or reduced to minimise or, where possible, exclude the possibility of accident or injury to employees or visitors.

Equal opportunities and diversity

Chesnara always aims to attract, promote and retain the best candidates suitable for the roles that are transparent within all our operations. Our approach is to be open, entrepreneurial and inclusive in how we select and manage our employees.

We are committed to providing equal opportunities in employment and will continue to treat all applicants and employees fairly regardless of race, age, gender, marital status, ethnic origin, religious beliefs, sexual orientation or disability. Chesnara has policies in place to ensure that no employee suffers discrimination, harassment or intimidation and to effectively address any issues that come to light.

Year end headcount	2022		2021	
	Male	Female	Male	Female
Directors of Chesnara plc	5	3	5	2
Senior management of the group	6	2	6	2
Heads of business units and group functions	24	15	19	9
Employees of the group	174	190	149	147
Total[1]	**209**	**210**	**179**	**160**
Gender split %	49.9%	50.1%	52.8%	47.2%

Note 1. The number of staff reported in the table above is based on the number of employees employed at the year end. This differs to the employee note, which is calculated based on average FTEs during the course of the year. Staff numbers have increased in 2022 due to the acquisitions that took place during the year.

Gender diversity forms an important part of Chesnara's selection and appointment process at group level. The Hampton-Alexander report recommends a board diversity target of 33% for FTSE 350 companies. Our board diversity ratio for 2022 was 62% male and 38% female (71% male, 29% female in 2021). Our Group Audit & Risk Committee has a female Chair and Movestic is headed up by a female CEO.

Senior management includes employees other than group directors who have the responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the business, and for the most part, covers the local CEO and CFOs of our divisions. We have provided additional disclosures, including an analysis of diversity, which show 'Heads of business units and group functions' separately from the remainder of employees.

Employees with a disability

Chesnara endeavours to provide employment for persons with a disability wherever the requirements of the business allow and if applications for employment are received from suitable applicants. Where an existing member of staff becomes disabled, every reasonable effort is made to achieve continuity of employment by making reasonable adjustments to give the staff member as much access to any training, promotion opportunities and employee benefits that would otherwise be available to any non-disabled employee.

Staff training and development

Our employees are a key asset of the Chesnara business and we invest in our staff through individual and group training and development plans. All staff are encouraged and supported to acquire relevant knowledge and build their skills and competence. Financial support is provided to staff who wish to achieve recognised qualifications that are appropriate for specific roles and the needs of the business.

CORPORATE AND SOCIAL RESPONSIBILITY (CONTINUED)

Fair pay
We believe that all our employees deserve fair and just remuneration appropriate for the roles they hold and the work they perform. In our UK division, our employees and service contractors meet the Real Living Wage pay level set by the Living Wage Foundation and based on a calculation of the cost of living and what employees and their families need to live.

All UK employees, subject to a minimum service requirement, also have access to our SAYE scheme, improving employee engagement with company performance and directly linking a proportion of employee benefits to our performance.

At the start of 2022, the Remuneration Committee consulted with employees on the alignment of directors' pay with UK employees. Details of our staff pay and benefits, and in relation to executive pay, are set out in Section C as part of our Remuneration Report.

Employee engagement
Across our businesses, we provide high quality jobs with competitive remuneration along with requisite training and good working conditions. Regular contact with employees and keeping them updated on business strategy, priorities and achievements is a key part of management responsibility at Chesnara. Frequent employee engagement has become even more important over the last few years given the shift to more remote working. Each of our businesses has a multi-channel approach for effective employee communication such as regular updates from the CEO, monthly team and departmental meetings, company briefings, discussions via Employee Forums, and the use of employee surveys to highlight issues and drive any necessary change.

As the Workforce Engagement NED appointed by the Chesnara board, Carol Hagh's liaison with the CEOs, HR teams and Employee Forum representatives has been invaluable in terms of independent engagement with staff and also for the on-going assessment of our culture and embedding of our values across our UK, Swedish and Dutch divisions.

Within the UK division, the Employee Forum has continued to meet on a monthly basis. This forum comprises staff members who represent each functional area, rotated from time to time, for the purposes of discussing any matters of concern or areas of interest for the staff and management.

Our operations in Sweden and the Netherlands make similar use of Employee Forums, staff surveys, formal and informal employee engagement both at the individual, team and whole company level. In the Netherlands (Scildon), this is formalised through the operation of a Works Council and in Sweden, staff representation is via a Working Environment Committee and a trade union.

Chesnara's aim is to continue to grow via acquisition of life assurance businesses and our due diligence plan incorporates an assessment of all relevant workforce matters which are reported to the board to assist its deliberations on any potential acquisition opportunities.

Whistleblowing
Each of the Chesnara businesses has a Whistleblowing Policy which complies with local regulatory requirements and is reviewed on an annual basis. In the UK the Audit & Risk Committee Chair is appointed as a Whistleblowing Champion, whose responsibilities are aligned to the prescribed requirements set out in the PRA's Senior Managers Certification Regime. The policy is shared with all new joiners and whenever it is updated it is provided to all existing employees. All staff are requested to read and confirm that they understand the contents, and the attestation response has been 100% during 2022. Similar arrangements are in place within our overseas divisions.

Within the UK there were no relevant regulatory changes, and the policy was reviewed in March 2022 and confirmed as fit for purpose. Confirmation was also received that each outsource service provider (OSP) has a Whistleblowing Policy in place which is provided to all employees.

In Sweden and the Netherlands, new regulations came into force in December 2021 under which organisations have to implement stringent internal procedures for reporting misconduct and include explicit requirements against retaliation and safeguarding of reporter identities. These obligations are now incorporated within their policies by the business units.

No whistleblowing incidents have come to light across any of our divisions during 2022 and our overall conclusion is that the policies and related control systems have been operating effectively.

SUPPLIERS AND BUSINESS PARTNERS

At Chesnara, we believe in developing mutually respectful and sustainable relationships with our suppliers and business partners. Our preference is to establish long-term relationships where they remain commercially competitive and operationally viable. This is achieved through a structured due diligence process before selection, followed by clear agreement of the business objectives, consistent implementation of regulatory requirements and relevant policies, and effective attention to resolving issues fully. We require our suppliers and business partners to apply high standards of ethical conduct in all their dealings with us and their other stakeholders.

We are conscious that through our outsourcing arrangements we indirectly utilise the services of a much larger workforce and we seek to ensure that our suppliers are similarly adopting appropriate arrangements for proper engagement with their own workforce.

HUMAN RIGHTS

Human Rights and the Modern Slavery Act 2015
Human rights belong to all human beings regardless of nationality, gender, race, age, religion, language, physical or mental ability or any other political, economic or social status. Such rights are protected by the rule of law through legal mechanisms designed to prevent abuse by those in positions of power. Modern slavery is just one such form of human rights abuse. In addition to the freedom of expression, human rights includes:

- the right to life;
- prohibition on torture;
- the right to a fair trial; and
- the right to fair and just working conditions.

Chesnara has zero-tolerance to the abuse of human rights and modern slavery and is committed to acting ethically and with integrity in all of its business dealings and relationships. We seek to avoid causing or contributing to adverse human rights impacts by operating and enforcing effective systems and controls to ensure human rights abuse and modern slavery are not taking place anywhere in the group or its supply chains.

The Modern Slavery Act (2015) requires a commercial organisation over a certain size to publish a slavery and human trafficking statement for each financial year.

The Modern Slavery Act does not apply to our European divisions, but instead they adhere to the European Convention on Human Rights (ECHR) treaty which is similarly designed to protect people's human rights and basic freedoms.

In the UK, our Human Rights & Modern Anti-Slavery Policy is made available to our entire workforce and is also available via the Chesnara website.

There have not been any breaches of human rights or the Modern Slavery Act during the reporting period.

ANTI-BRIBERY AND CORRUPTION

In addition to other financial control policies, Chesnara has group-wide Anti-Money Laundering and Anti-Bribery & Corruption Policies in place which are reviewed at least annually. Their scope includes all directors, employees and third-parties operating on behalf of the group.

We have zero tolerance to financial crime, including money laundering and bribery and corruption. Our internal control framework includes the maintenance and review of a Gifts & Hospitality Register, the disallowance of any political contributions or inducements and careful consideration of any charitable donations. These controls act as a monitoring and prevention system. Policies are made available to all staff and they are required to attest that they have read and understood their importance and application. There were no instances of money laundering or bribery or corruption in the period.

TAXATION

We adopt a responsible and open approach to taxation and, consequently, pay the appropriate taxes due throughout the group, details of which are set out in the respective annual reports and accounts for each of our operating entities.

OUR COMMUNITIES

Chesnara's management and staff support local community initiatives to the extent deemed appropriate given our financial responsibilities as a public limited company. During 2022, across the group, we donated £65k to various charitable causes (2021: £4k), the majority of which went towards supporting the people of Ukraine. In the Netherlands, Scildon has continued to support Sherpa, a local charity that helps people with physical and intellectual disabilities to function as independently as possible, as well as a number of other charitable donations.

'During 2022, across the group, we donated £65k to charitable causes, the majority of which went towards supporting the people of Ukraine.'

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

CONTEXT

Disclosure requirements on the impact of climate change were introduced by the Financial Conduct Authority (FCA) for premium listed companies with effect from 1 January 2021. This is our second progress report in support of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

The TCFD maturity map sets out recommendations under four pillars – Governance; Strategy; Risk Management; and Metrics and Targets – through a pathway from the beginner stage to intermediate and full disclosure. It is widely understood that the information and analysis have to be accurate and reliable, and that it will take some time for the recommendations to be fully implemented by firms. We have taken appropriate steps to determine the impact of material climate change risks upon our businesses and reflect the outcome of our analysis with the aim of providing intermediate or moderate level disclosures with respect to the TCFD recommendations shown within the TCFD maturity map.

COMPLIANCE STATEMENT

All disclosures required within 'TCFD Recommendations and Recommended Disclosures' are on pages 72 to 84 with additional information such as illustrations and case studies included in the Annual Sustainability Report which is cross-referenced where applicable throughout this section.

Chesnara plc has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures except for the following matters:

AREA	REQUIREMENT	EXPLANATION
Strategy (c)	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios.	In the 2021 TCFD report, our UK business applied climate-related scenarios, including a 2°C or lower scenario, but as at the 2021 year end this work was outstanding for our European entities. During the course of 2022, this work has progressed to cover the outstanding business units, as committed. However, this is not yet embedded for all of the acquisitions completed during 2022, as the entities are going through the process of being integrated into the Chesnara group processes including the ORSA. We expect this to be completed during 2023.
Metrics (a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	In the 2021 disclosures, we used climate-related metrics to monitor and report carbon emissions, energy consumption and water usage within our operations. We currently report scope 1, 2 and non-financed 3 (together, 'operational emissions') and we identified that we would be working towards reporting financed emissions over the course of 2022. Progress has been made and further work to baseline our financed emissions is needed through 2023. Once complete, we will disclose this information.
Metrics (c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	In March 2023, our group-wide net zero targets for all emissions were approved by the board. During 2023, we will continue to baseline the data for financed emissions, as discussed above, to enable us to set interim targets. We will also conclude on how we will measure progress in terms of absolute or intensity-based metrics.

GROUP SUSTAINABILITY REPORT

Alongside the financial statements, the group has published its inaugural Annual Sustainability Report (see our corporate website, www.chesnara.co.uk) and provides further detail on a number of items noted in this report which are referenced as appropriate.

WHAT HAS HAPPENED DURING 2022?

The key activity during the year at Chesnara level has been to determine our vision for a sustainable group and the associated long-term net zero targets, incorporating climate-related risks and opportunities. Guiding and overseeing the implementation of this vision during 2023 and beyond will be led by our newly formed Group Sustainability Committee. This committee, chaired by our Senior Independent Director, Jane Dale, and consisting of executive management from across the group will direct our sustainability strategy and ensure that it is embedded within our group overall strategy and operations, as well as ensuring that sustainability is at the heart of our activities and the decisions that we make.

Our vision, A Sustainable Chesnara, is built on the work already done in our divisions and aligning to their strengths. Our businesses have different strengths and have identified different opportunities but the need for a business to focus on sustainability is universal and therefore, bringing together our strategy under the group vision, whilst acknowledging our individualism, is critical to our success in tackling climate-related risks.

Some of the activities that occurred during 2022 are as follows:

1 | March 2022
We delivered a group climate change risk assessment to the GA&RC that considered quantitative and qualitative risk assessments and also documented how we have embedded CCR (climate change risk) for the GA&RC to review and challenge.

2 | May 2022
A group board session which was primarily to facilitate discussion, considering: what our stakeholders expect and where we are compared to our peers; detail of where our programme is up to and asking ourselves what we want to achieve as an organisation; and consideration of our short-term objectives.

3 | September 2022
Sustainability vision, including the group's net zero targets, was presented to the board. These targets were formally approved in March 2023.

4 | Throughout 2022
Our 2022 ORSA included a group-wide climate change-related scenario analysis that encompassed both physical and transitional risks on 3 different scenarios for future climate outcomes (with the exception of CASLP).

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

GOVERNANCE

The Chesnara board sets the values and culture of how the business divisions operate and the group invests time and resources to ensure that the governance structures in place remain appropriate for the evolving business and regulatory landscape. Further information on the group's governance is provided in Section C (corporate governance) of the accounts.

a) Board oversight of climate-related risks and opportunities

The chart below sets out the group reporting structure and, in particular for the group, sets out how the board has oversight of climate-related matters.

CHESNARA GROUP BOARD

Meets at least quarterly

The board defines the group's strategic aims, ensures that the necessary resources are in place and sets the targets to review management performance. Chesnara has sustainability, covering environmental, social and governance, as a regular agenda item across the group.

GROUP AUDIT & RISK COMMITTEE (GA&RC)

Meets at least quarterly

The GA&RC focuses on corporate governance requirements and developments related to environmental and social obligations, including the monitoring of climate-related risk exposures across the group and how such risks are treated. The GA&RC advises the board as appropriate.

NOMINATION & GOVERNANCE COMMITTEE

Meets quarterly

The Nomination & Governance Committee plays a key role in ensuring that the board's composition and balance are appropriate and that members have the necessary skills, knowledge and experience to discharge their duties effectively with regards to climate change.

GROUP REMUNERATION COMMITTEE

Meets quarterly

The role of the Remuneration Committee is to ensure that the Remuneration Policy promotes, encourages and drives long-term growth of shareholder value of which climate change plays a key role. In 2022, they allocated a 10% weighting of the Group CEO and CFO annual bonuses linked to a number of sustainability actions.

GROUP SUSTAINABILITY COMMITTEE (GSC)[1]

Meets at least quarterly

Established at the end of 2022: The GSC interacts with the board and the committees below in the following ways: with the board on the sustainability strategy and embedding it into the overall group strategy; with the GA&RC on ESG risks and external disclosures, including TCFD; with the Nomination & Governance Committee on matters regarding composition and sustainability-related skills, knowledge and experience; with the Remuneration Committee on trends in which management are and should be incentivised on ESG factors; with the GIC on investment-related matters, including the transition plan to net zero; and with the GEC and divisional Executive Committees to facilitate all of the above.

GROUP EXECUTIVE COMMITTEE (GEC)

Meets monthly

Is in place to challenge and support the Group CEO and the leadership team. The GEC is accountable for the review and sign-off of the quarterly risk report, including any material variations in the impact of climate change upon the group, as well as monitoring risk appetite compliance. It is also responsible for oversight of the sustainability programme.

GROUP INVESTMENT COMMITTEE (GIC)

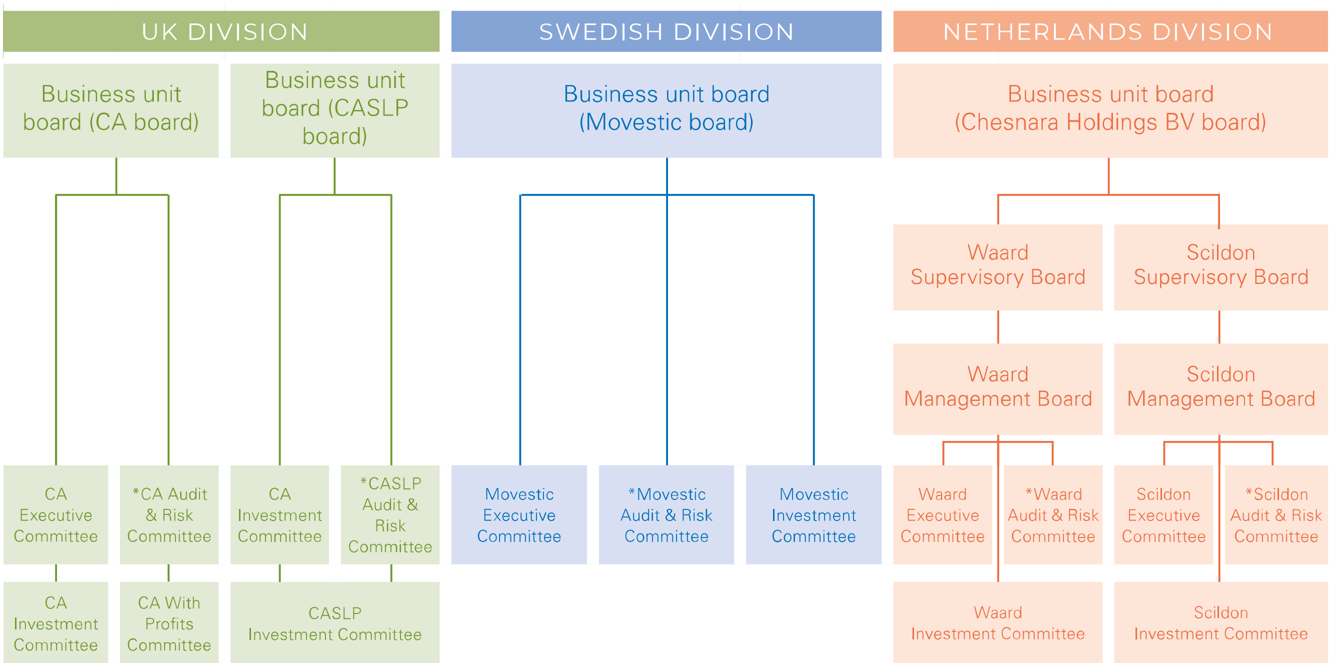
Meets twice a quarter

Is in place to challenge and support the Group CEO and the leadership team. The GIC's Terms of Reference specifically include consideration of ESG factors, including overseeing the asset managers' approach to ESG and climate change related matters.

Board · Board Committee · Group Executive Committee

[1]The GSC is not a board committee but operates across the group, interfacing with the board, and works with its board committees and Group Executive Committees.

The business units feed into the group governance structure via quarterly divisional MI packs and risk reporting and annual local business plans. The business units have the following local governance structures:



*Business unit Audit & Risk Committees also have a dotted reporting line to the Group Audit & Risk Committee.

b) Management's role in assessing and managing climate-related risks and opportunities

Who is assigned responsibility – Management responsibility for matters related to climate change are assigned to the Group Chief Executive at group level and the respective CEOs at business unit level. All divisions and business units are responsible to the relevant Divisional Chief Executive who has dual reporting lines to the divisional board and the Group Chief Executive. Sustainability forms part of the executive management short-term incentive bonus scheme, and the ratio allocated to sustainability will continue to be assessed on an ongoing basis.

How are management informed of and monitor climate-related issues

Chesnara's approach to climate-related risks is manifested in the following ways:

- **Group board** – The board has sustainability, including climate change, as a regular agenda topic for discussion. During 2022, this has specifically considered the group climate change risk assessment (through the GA&RC), the overall vision and approach of the group in regards to sustainability and group-wide climate change-related scenario analysis in the ORSA.
- **Group Sustainability Committee** – This has been established since the end of 2022 and will be chaired by Jane Dale, the group's Senior Independent Non-Executive Director. Its membership consists of the executive management across the group and its divisions. As noted in the diagram above, this committee is the key focal point for discussions on climate-related risks and opportunities and links in with the other group governance committees. The GSC annual agenda planner determines which topics are covered at each meeting and those meetings, together with the GIC and GEC, will determine the items to be escalated to the board. The interactions of the GSC with the different committees and the board are detailed on the previous page.
- **Group Executive Committee** – The Group Executive Committee regularly discuss climate-related issues and how they factor into business planning, strategy and risk management.
- **Group Investment Committee** – Working with the GSC, the Group Investment Committee (GIC) will focus on the just transition of the group's asset portfolio in line with its net zero targets. The GIC and GSC will also work together to identify potential areas of impact investing.
- **Sustainability working group** – Established alongside the GSC, this group consists of the key sustainability leaders across all divisions in the business, for both investments and operations and reports directly into the GSC to update on progress on the sustainability strategy and agenda across the group.
- **Acquisitions** – As part of the due diligence process for potential acquisitions, we assess the target company's approach to climate-related risks and consider the emissions of their operations and underlying assets.

Board and management competence and training – Over the previous 18 months, specific sessions of note include the board being provided with both training on ESG matters from Schroders and TCFD specific teaching as part of Corporate Governance training. As part of the development of our sustainability vision during 2022, we have engaged with external experts to support our understanding, particularly of the transition to net zero and establishing financed emissions baseline data and targets. Training is a key responsibility of the GSC and needs across the business will be assessed throughout the year.

To enhance the skillset and understanding, as well as utilising external experts and expanding our in-house team, members of the GSC have completed the Cambridge Institute for Sustainability Leadership's Business Sustainability Management course as well as working towards the Chartered Insurance Institute's Certificate in Climate Risk.

Specific training will be provided across the group to increase the carbon literacy of all employees during 2023.

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

STRATEGY

Sustainability, including the group's approach to climate risk and decarbonisation, is a fundamental part of our future strategy. Changes in the environment and the effect of global warming can potentially affect how we achieve our strategic objectives either through the way we operate our businesses or through the returns to our customers and shareholders. We are committed to applying sustainability-informed investment and operational decision making across the group.

Chesnara supports the UN Sustainable Development Goals (UNSDGs), including Climate Action. We have set our long-term net zero targets and during 2023, we will produce our transition plan and the all-important shorter-term 2025 and 2030 targets.

As transition plans are being developed and baseline data is further understood, the targets may be refined at a later date to better reflect the position of the group.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

What do we consider to be the relevant time horizons to monitor climate-related risks

SHORT TERM	MEDIUM TERM	LONGER TERM
12 months	2-5 years	6+ years
In line with our budget setting process	In line with our business planning and ORSA projection period	Post business plan horizon

In the 2021 financial statements, the risks were considered over the short term only. Over the course of 2022, work has progressed to expand the scenario testing to cover the short, medium and long term. During the setting of the time horizon profile, we considered the useful life of the group's assets and believe our definitions of short, medium and long-term appropriately take this into account. The average duration of the wider group's assets is between 5-10 years, but the group is acquisitive and writing new business so the risk assessment needs to consider a longer time horizon also. The short-term period of 12 months aligns with the risk basis that underpins SII, and the medium term is aligned to our business planning period.

What do we consider to be our materiality level in assessing climate change related risks

The materiality levels of the group are approved by the board annually as part of the Principal Risk Definition (the board approved materiality criteria to be applied in the risk scoring and in the determination of what is considered to be a principal risk) report and considers a number of factors that are broader than purely financial indicators. The range of materiality is defined below.

LOW	HIGH
EcV†: <£2.5m	**EcV:** >£40m
Cash generation†: <£250k	**Cash generation:** >£10m
Reputational: no publicity	**Reputational:** stakeholders withdrawing services
Regulatory: admin only	**Regulatory:** business limited or suspended
Other: low safety issue	**Other:** high safety issue

Materiality covers a number of qualitative and quantitative factors, which are all considered in the assessment of risks when determining the potential impact on the group. This materiality range applies to all risks including those related to climate change.

Within the risk definition report, there are five categories of materiality (very low, low, medium, high and very high). Whilst each risk impact is considered individually, generally, if the impact falls into the low or very low category, it would not be drawn out as a disclosure within the TCFD report, noting that this would indicate an EcV impact of £10m or less and a cash generation/cash flow impact of £1m or less (the materiality level also considers reputational, regulatory and customer impacts alongside financial). This is deemed to be an appropriate limit and is predicated on the group risk assessment thresholds that are discussed and approved by the board annually. As per these thresholds, impacts that are classified as low (or below) would be those that represent a threat to the efficiency or effectiveness of some aspects of the group's business, but at a level that can be dealt with internally. We believe this is a reasonable disclosure level and would enable a user to appropriately assess our exposure to climate-related issues.

† Alternative performance measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.

What are the different types of climate-related risk?

PHYSICAL RISKS	TRANSITION RISKS
Arise due to the direct impact of events such as heatwaves, flood, wildfire, storms, increased weather variability, and rising mean temperatures and sea levels.	Emerge from the process of change towards a low carbon economy such as: climate-related developments in policy and regulation; technological change (e.g., electric vehicles); a shift in consumer sentiment and social attitudes; and climate-related litigation against firms that fail to mitigate, adapt or disclose climate-related financial risks.

As some risks are more material than others, the 'bubble chart' overleaf demonstrates the relative materiality of each risk, what kind of risk it is (physical or transition), what part of the business if affects (by geography) and over what time horizon we believe the risk to manifest. We have then provided more context on the material risks and how these feed into the financial planning process and strategy decisions of the group.

Climate-related issues for each time horizon

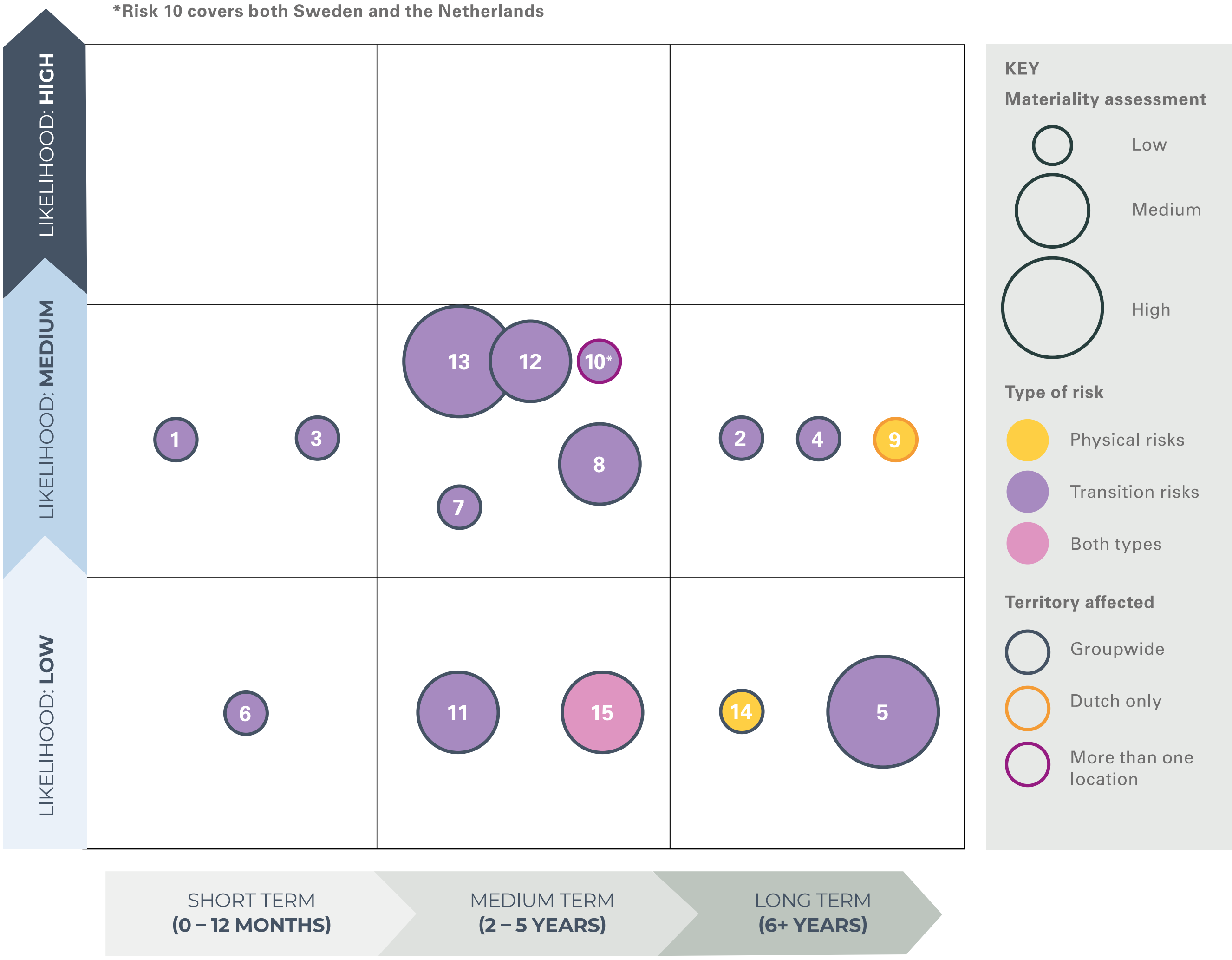
The key climate-related risks of the group are documented below, and the impacts are shown pictorially in the following bubble chart.

1	Financial losses from short-term shocks to assets exposed to carbon intensive industries. A reduction in the value of shareholder direct asset holdings would have a direct impact on the value of the business and could also reduce the solvency position depending on whether the reduction was offset by a corresponding reduction in liabilities. A reduction in the value of unit-linked assets would reduce the present value of expected future charges applied to those funds as well as reducing the current investment returns achieved by policyholders.
2	Financial losses from longer term asset under-performance arising from transition risk/stranded asset risk. This could arise if the companies that Chesnara invests in do not evolve or deliver on ESG related matters and assets decline in value and become un-saleable resulting in stranded assets. A reduction in the value of shareholder direct asset holdings would have a direct impact on the value of the business and could also reduce the solvency position depending on whether the reduction was offset by a corresponding reduction in liabilities. A reduction in the value of unit-linked assets would reduce the present value of expected future charges applied to those funds as well as reducing the current investment returns achieved by policyholders.
3	Customer return impacts from short-term shocks to assets exposed to carbon intensive industries arising from reduction in customer asset values caused by underperformance of assets more exposed to transition risk. This would mainly arise through unit-linked business.
4	Customer return impacts from longer term asset under performance arising from transition risk/stranded asset risk arising from reduction in customer asset values caused by underperformance of assets more exposed to transition/stranded asset risk. This would mainly arise through unit-linked business.
5	Energy price driven inflationary impacts from global climate policy failure. This could impact on future profits through an increase in the expense base but could also adversely affect the economic operating conditions of the business resulting in poor investment performance, causing a reduction in the value of the business and anticipated future profits.
6	Failure to meet regulations/disclosure requirements with reputational impacts or sanctions. Increased disclosure and reporting requirements will make it much easier to hold companies and their boards accountable. Reputational impacts could lead to a decline in persistency or new business volumes or could result in third parties preferring not to contract with Chesnara, adversely affecting the business model.
7	Data limitations hinder ability to properly understand asset exposures to transition risks. This might arise primarily for unit-linked business where look-through data is more challenging and subject to change. There is a risk that Chesnara is unable to fully understand its exposure through lack of access to a comprehensive view of data leading to stranded assets, potential greenwashing, and deviation from its adopted ESG strategy.
8	Costs of keeping up with climate change goals materially exceed budget, resulting in higher one-off and ongoing expenses resulting in a reduction in value and a reduction in annual profits/cash generation.
9	Operational disruption from longer term physical impacts, such as the need to relocate offices etc. The Netherlands would be expected to be the most exposed to this risk.
10	Reputation – New business dips from climate-related reputational impacts. This could arise if potential new customers or IFAs considered Chesnara or its businesses to be doing too little to positively impact the effects of climate change, or offering too few choices for customers such as the availability of green funds for unit-linked business.
11	Reputation – Persistency of existing business declines from climate-related reputational impacts. This could arise if customers considered Chesnara or its businesses to be doing too little to positively impact the effects of climate change, or offering too few choices for customers such as the availability of green funds for unit-linked business.
12	Reputation – Supplier/outsourcer refusal to continue to partner with the group or its businesses. This might arise if either Chesnara's chosen stance or execution of its climate-related policies do not align with those of its existing or potential future third party partners. Such a risk materialising could cause operational or strategic disruption or result in costs arising from lower availability of providers or from the need to switch to new providers.
13	Reputation – Inability to raise finance to support acquisition strategy. This could arise if the climate-related requirements of debt and equity investors are not adequately met by Chesnara. The impact could be that the cost of finance causes a reduction in future profitability of acquisition opportunities, or results in the group becoming unable to finance larger acquisitions, thus more materially affecting the business model.
14	Impacts on morbidity or mortality experience resulting from physical effects of climate change on living conditions. This could arise if the longer term physical effects of climate change impacted on quality of life for Chesnara's insured populations.
15	Third party supplier defaults arising from either physical or transitional effects of climate change. Supplier and third parties costs impacted by increased costs of raw materials/supply chain changes or disruption/changing customer behaviour/cost of monitoring of ESG compliance. Such a risk materialising could cause operational or strategic disruption or result in costs arising from lower availability of providers or from the need to switch to new providers.

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

The chart below considers the climate-related risks the group faces, and assesses them covering a number of factors such as materiality (as defined earlier in the report), likelihood etc.

***Risk 10 covers both Sweden and the Netherlands**



b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

How do the risks impact business strategy and financial planning – in respect of those risks that have a 'high' materiality assessment, as referred to in the previous chart.

Risk	Potential impact (linking to financial statements)	How is the risk being managed, mitigated and addressed?	How does the risk impact strategy?	How does the risk input into financial planning?
5) Energy price driven inflationary impacts from global climate policy failure This is a principal risk captured under expense risk **Time horizon:** longer term 6+ years	Primarily financial impacts of inflation of the expense base but also potentially operational risks arising from high inflationary environment or from energy shortages in transition. A 1% increase (based on HY 22 results) in inflation is estimated to reduce SII absolute surplus by £29m/ EcV† by £27m. On an IFRS basis, we would expect this scenario to increase administrative expenses and insurance reserves.	Active consideration of inflation sensitivities and hedging options.	Affects all pillars of the strategy – i.e. impact on existing business value but also on pricing capability on new business and acquisition.	Best estimate of short and long-term inflation assumptions included in the financial projections, with suitable sensitivities considered. Strategically, inflationary impacts are considered as part of deal assessments and project business cases.
13) Reputation risk through inability to raise finance to support acquisition strategy* This is a principal risk captured under reputational risk **Time horizon:** medium term 2-5 years	Potentially a fundamental hit to the business model plus reputational impacts. It is difficult to quantify a financial impact as this is completely subject to the deal opportunities. Generally, acquisitions will impact the IFRS financial statements by increasing net assets.	Proactive consideration of ESG branding, governance agency scoring and disclosures plus being very open and transparent with key investors.	Direct consequences for execution of the acquisition strategy.	Risk is monitored, managed and will be addressed as it arises. For any acquisitions, financing solutions are considered and the risks of those are factored into the relevant decisions.

** Chesnara is an acquisitive group, with M&A being one of its three strategic pillars, and therefore continually considers opportunities as they become available. Deal financing would be completely dependent on the size and nature of the transaction but may include the necessity to raise additional external financing either through debt or equity. A failure to appropriately address climate change risks may impact on our ability to raise this finance and in turn adversely affect the growth of the group.*

Opportunities

As a provider of long-term financial solutions, there are opportunities for the group to address the growing desire of customers to have sustainable financial products. Addressing this need involves making sustainable fund choices available for customers to access so that they can invest their money in sustainable ways. Movestic, our business unit in Sweden, and the fund managers that assist with our investment activities across our business are all signatories to the UN Principles for Responsible Investment (PRI) to help shape this approach. Some of the examples of the way in which we have sought to address these needs are:

Opportunity	Time horizon	Part of the business affected	Potential impact on strategy and financial planning
Alternative fund choices offered to customers including a solar fund and a biodiversity fund. We will continue to expand our fund offering in line with customer demands.	Ongoing	Sweden (Movestic)	Factored into financial planning and strategy by assessment of the potential market for the funds and the associated costs.
Customers are able to select our Easy B product, an investment-based life insurance policy, which provides a sustainable return.	Ongoing	Netherlands (Scildon)	Factored into financial planning and strategy by assessment of the potential market for the product and the associated costs.

Further information on these is detailed in the Annual Sustainability Report. Furthermore, whilst it has not yet been finalised, there are potential opportunities arising from the recently announced government plans to reform the UK's financial regulations, including giving insurance firms more freedom to invest in long-term assets such as housing and wind farms, together with the forthcoming updated Green Finance Strategy. We will monitor these developments to identify potential opportunities and act accordingly.

† Alternative performance measure (APM) used to enhance understanding of financial performance.
Further information on APMs can be found in the additional information section of this Annual Report and Accounts.

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios

Resilience of the organisation
As part of our 2022 ORSA process, we have considered and modelled three scenarios in respect of climate change risk, covering a 2° and 4° stress. This considered: a) sudden transition, b) long-term orderly transition and c) policy failure. The first two achieve a temperature rise below 2 degrees and the latter a rise in excess of 4 degrees by 2100. To model the impact, we have taken each of the asset classes and applied suitable stresses to the equity values dependent on how the change in temperature is expected to affect the portfolio. Please refer to the earlier table with regards to how material climate-related risks affect strategy and business planning.

Chesnara's 2022 ORSA scenarios are based on the PRA's 2019 UK Insurance stress test scenarios. Whilst these contain a number of approximations and limitations, they are more prescriptive in nature and easier to apply than some of the more complex climate change risk models, and they also benefit from being more transparent and easier to understand. Full details of the derivation of those scenarios, and their limitations, is set out in the PRA's specification guide available publicly on the Bank of England's website (Life Insurance Stress Test 2019: Scenario Specification, Guidelines and Instructions (**bankofengland.co.uk**)). The shocks are calibrated by the PRA to represent the 1-in-100 Value-at-Risk under the three climatic scenarios and are expressed as instantaneous impacts on the portfolios. Further detail of the scenarios is included in the table below:

Ref	Scenario	Key assumptions
a	2°, sudden transition	The impact materialises over the medium-term business planning horizon that results in achieving a maximum temperature increase of 2°C (relative to pre-industrial levels) by 2100 but only following a disorderly transition. In this scenario, transition risk is maximised.
b	2°, long orderly transition	The scenario is broadly in line with the Paris Agreement. This involves a maximum temperature increase of 2°C by 2100 (relative to pre-industrial levels) with the economy transitioning to be greenhouse gas-neutral in the next three decades by 2050.
c	4°, policy failure	A scenario with failed future improvements in climate policy, reaching a temperature increase in excess of 4°C (relative to pre-industrial levels) by 2100 assuming no transition and a continuation of current policy trends. Physical climate change is high under this scenario, with climate impacts for these emissions reflecting the riskier (high) end of current estimates.

Time horizon: While the tests are calibrated to longer horizon climate scenarios, we have applied all of the tests as though the transition effects are immediate, with instantaneous stress test impacts and also projected over 5 years. We expect the longer term (post 5 years) effects to be immaterial.

Results: the climate change test results show **a low impact on all business units and at group level**, with the group solvency ratio impacted by no more than 5% at any point over the short to medium term. A key factor leading to this result is a relatively low exposure to carbon intensive industries. While the results of this assessment of the financial risks arising from climate change are clearly comforting, Chesnara is not complacent about the wider risks arising from climate change and the broader sustainability agenda, including strategic, reputational and operational risks. It is for this reason Chesnara has established a group-wide sustainability programme with board level representation on the steering group. The programme has a detailed risk assessment of the broader risks arising from climate change and will continue to update and refine this as the programme progresses.

From a strategy and financial planning perspective, whilst the risk is not material, it is still considered as part of key decision making processes and we, as a group, have made commitments to transition to net zero to influence and affect the factors that we can change and we are taking responsibility for this. This commitment feeds into the financial plans largely through the associated costs, and strategic decisions are made considering this commitment also.

At a group level the 2022 assessment results support the following conclusions:

a) Chesnara has a stable and well understood risk profile, controlled by an effective system of governance that is well embedded across the business units.

b) Chesnara is a resilient group in terms of its current solvency level and can comfortably withstand all the stress and scenario tests that were applied in 2022.

c) The three year group projections evidence long-term viability, a well-diversified business, stable solvency ratios, and a steady source of emerging surplus.

RISK MANAGEMENT

Risk and solvency management are at the heart of Chesnara's robust governance framework, and the group is well capitalised.

a) Describe the organisation's processes for identifying and assessing climate-related risks and b) Describe the organisation's processes for managing climate-related risks

PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS

Below is a high level summary of Chesnara's Risk Management Framework:

Chesnara's **Risk Management Policy** which sets out the framework of principles and practices, policies and strategies for the group's Risk Management System.	The **Risk Management System** supports the identification, assessment and reporting of risks.	The **Group Risk Management Framework** is designed to embed effective risk control systems with a holistic and transparent approach to risk identification, assessment, management, monitoring and reporting. The definition and scope of each principal risk category is based on a set strategic and operating principles/tolerance limits.	The **Group's Risk Appetite** reflects the Chesnara board's view on the amount of risk the group is willing to take and sets boundaries to determine when there is too much or too little risk.

In addition, Chesnara's Investment Policy contains investment criteria which are monitored by the Investment Committee.

The Group Chief Risk Officer is responsible for maintaining the overall Risk Management Framework. The CEOs for each business unit are required to ensure that the framework is fully integrated into the business model and decision making processes. Each of our divisions are required to apply the Risk Management Policy and operate within the limits set by the risk appetite. Each business unit is responsible for identifying risks which might create, enhance, accelerate, prevent, hinder, degrade or delay the achievement of the group's objectives, together with the sources of risks, areas of impact, events, and their causes and potential consequence. These risks are recorded in the risk register and evaluated based on the likelihood of occurrence and severity of impact. Depending upon the nature and impact of the risk, the risk is either accepted, avoided, managed or transferred. Climate-related risks and opportunities are identified and evaluated according to this framework by the respective management teams in our business units.

Management teams keep up to date through the monitoring and assessment of emerging risks, reviewed by the executive teams on a quarterly basis.

Given that we consider climate change to be a cross-cutting risk, that manifests through other existing risk types, climate-related risks and opportunities are identified, assessed and managed in a similar manner to other known and emerging risks. Primarily for Chesnara, climate change risk will arise through other financial risks e.g. equity risk, credit risk etc (PR1 - Investment and liquidity risk) and also regulatory risk given the level of ongoing change. With regards to the sector specific guidance, we believe the impact of: physical risks from changing frequencies and intensities of weather-related perils; transition risks resulting from a reduction in insurable interest due to a decline in value; transition risks of changing energy costs; and liability risks that could intensify due to a possible increase in litigation, we consider the impact would currently fall into low materiality and therefore not disclosed within the TCFD report. Chesnara has developed an Environmental, Social and Governance (ESG) Policy Statement for the group, in which it recognises the importance of understanding climate change risk in its operations and its investments and continued monitoring of associated risks.

Chesnara believes its businesses that hold investments (insurance companies and investment companies) should consider sustainability and implications for climate change in their investment policies. It expects each company to consider the implications of these for its business and investments, and document its position. Chesnara's businesses have adopted, either directly or via their respective fund managers, the six UN Principles of Responsible Investment with the aim to continue to invest responsibly with ESG considerations in mind and to provide a choice of sustainable funds to customers, e.g. green investments which aim to solve climate issues or which primarily focus on companies that invest in improving health. The group is also exposed to strategic and reputational risks (PR9 – Reputational risk) arising from its action or inaction in response to climate change.

The 2022 Group ORSA process (and previous ORSAs) assessed on both a qualitative and quantitative basis, climate change risks. This included a group-wide consistent climate change scenario that assessed the impact of the 2019 PRA Climate Change Stress Test. The 2019 PRA Climate Stress Test includes three scenarios: sudden transition, long-term orderly transition and climate policy failure, and considers both the transitional and physical risks within these. The results and insights from the ORSA are taken account of by the board for the purposes of capital management and business planning, noting that, as a life insurance company, Chesnara is not generally exposed to physical risks, so proportionality has been applied.

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

INTEGRATION OF PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS

An integral part of Chesnara's governance and Risk Management Framework is compliance with the Prudential Solvency II Regulations to perform the ORSA on an annual basis. The Chesnara board is responsible for the overall design of the ORSA process including its annual review. Climate-related risks are considered within the ORSA process and the impact of material risks upon the solvency and resilience of the business is documented. The views of the Actuarial Function Holder and any recommendations or prior feedback from the regulator is taken into account when conducting the assessment at business unit level. Conclusions drawn from the risk and solvency assessment are reported to the respective regulators by each of our businesses every year.

Each business unit provides quarterly to its own Audit & Risk Committee and the Chesnara Audit & Risk Committee, and on a monthly basis to the Group Executive Committee, a forward looking perspective on risks that are emerging. A summary of principal risks and emerging risks is also provided quarterly to the Chesnara board. From a climate change perspective this involves considering the content of relevant publications and guidance, in relation to the Chesnara risk landscape, such as the reports published by the Intergovernmental Panel on Climate Change (IPCC) on the physical climate change risks to the environment. Similarly, our management teams evaluate the possible effects of transition risk by keeping abreast of relevant policy and legal developments, technological advancements, changes in market risk due to demand shifts and any legal and reputational risk exposure. Amongst other matters, business performance and risk management are discussed at the Group Executive Committee on a monthly basis.

Chesnara's approach to assessing financial risk is to identify and assess factors that could potentially threaten the continued successful delivery of the anticipated stakeholder outcomes over a 3-year time horizon, including risks to the business model and strategy. The Chesnara board requires the management teams to ensure a good understanding of the solvency position at any point in time. In Q2 2022 a series of stress and scenario tests were selected for the ORSA with the requirement to follow the testing principles set out in the Group Risk Management System Policy. As well as current known risks, the stresses and scenarios took account of forward looking and emerging risks.

These selected stresses and scenarios along with the rationale were reviewed and approved by the Chesnara board. The tests conducted covered changes in equity asset values, yields and credit spreads, fluctuations in currency rates, expense inflation, post COVID-19 fixed interest rate shock, persistency of the in-force books, any material impact of physical and transition risk due to climate change, and operational resilience. Performance against the business plans as well as known and emerging risks and opportunities are discussed at quarterly business review meetings at entity and group level. Climate-related risk impacts and opportunities are considered at these meetings.

More detail on Chesnara's Risk Management Framework is set out in this Section B of the Annual Report and Accounts.

METRICS AND TARGETS

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

In March 2023, our board signed off the group's long-term sustainability targets:

1. Net zero financed scope 3 emissions by 2050, with the interim targets and transition plan to be determined during 2023 in line with the IIGCC's Net Zero Investment Framework (Financed emissions).
2. Net zero scope 1, 2 and 3 (other/non financed) by 2028 (Operational emissions) where we are in control of emissions.

Setting these long-term targets is arguably the easy part and now the hard work really starts; determining short-term actions needed to deliver them and working to implement those actions. This work will continue during 2023.

To support the understanding of above, the difference between carbon neutral and net zero is explained below.

NET ZERO	CARBON NEUTRAL
When a company first reduces all its GHG emissions as much as possible, and only then offsets the remaining residual emissions with removals.	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 GHG emissions.

More detail on our targets is noted below and further progress will be made on baselining and developing our transition plans over the coming year. The table below sets out how we intend to report on our targets; however, some of the entries are still 'work in progress' as we continue on with the sustainability work during 2023.

	COMMITMENT	IMPACT	PERFORMANCE
1	Net zero scope 3 financed emissions (absolute value) by 2050. *Interim targets and baseline year to be defined during 2023.*	Our net zero transition plan will detail how we intend to achieve our net zero targets, including what the risks around this are and the associated costs. To be defined during 2023.	Performance data not yet available as we expect scope 3 financed emissions to be available for 2023 reporting.
2	Net zero (absolute value) operational emissions by 2028. *Interim targets and baseline year to be defined during 2023.*	Our net zero transition plan will detail how we intend to achieve our net zero targets, including what the risks around this are and the associated costs. To be defined during 2023.	Performance data not yet available as we have not yet defined our baseline year and interim targets; however, the movement on prior year is shown below. We expect this to be available for 2023 reporting.

Performance against these targets will be reported annually to the board through the GSC and each year in our Annual Sustainability Report. The control framework for the preparation of these results will be developed alongside the transition plans, however, for the collection of the operational emissions data, there is a control mechanism in place which involves a number of layers of internal review. The basis of preparation has been explained in some detail below the emissions table within this report on page 83.

As well as the above targets and commitments, we commit to assessing and investing in sustainability solutions, by intentionally directing capital into activities that deliver (or enable) the achievement of the UN Sustainable Development Goals. Actions against this will be reported each year, starting in 2023, detailing the level of investments, the source and the division responsible. These activities will be monitored by the GSC and reported annually to the board.

Carbon offsetting

We know that carbon offsetting is not the answer to making our business sustainable and the first step is to remove as many emissions from our activities and investments as possible. We also however recognise that it is unlikely that we will be able to fully mitigate our carbon emissions through normal activities, so to ensure that we minimise our impact on the environment, the group has, as consistent with previous years, decided to be 'carbon neutral' for its operational emissions by fully offsetting our remaining emissions. The goal of our transition plan will be to reduce these required offsets to as close to zero as possible. Adopting the same approach for 2022 as we did last year, the group has decided to offset 200% of the total remaining emissions (575 tonnes) through planting 1,150 trees in the UK and providing financial support to a number of alternative energy production projects (wind power and solar power) and also clean drinking water. 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**.

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Chesnara's greenhouse gas emissions, energy consumption and water usage data are provided below.

Energy usage
Chesnara is fully committed to complying with the Energy Saving Opportunity Scheme Regulations 2014 (ESOS). The group's energy consumption in the form of lighting, heating and fuel usage is assessed by an independent company every four years. The next assessment is due in December 2023.

Energy consumption in the group is reported on an actual basis where the records are kept in the business (scope 2 – office use and scope 3 – business travel) and converted to emission measures using standard conversion factors from the UK government website. For commuting and home working, where detailed records are not kept, estimates have been agreed for each division as appropriate. These estimates have then had the standard conversion factors applied. Our energy consumption over the last two years is shown in the following table.

	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. Usage has increased compared to 2021 due to the acquisitions in the year and the new offices acquired.

Chesnara's Environmental Policy encourages all employees to take reasonable steps to reduce waste, and to re-use and recycle office materials, and the document reiterates our commitment to carbon neutrality. In addition to this, we use a mixture of renewable energy across the business, including the use of solar panels in Scildon. The Chesnara office in the UK also moved to a 100% renewable energy contract at the end of 2021.

With regard to the sector specific guidance requiring insurance companies to provide aggregated risk exposure to weather-related catastrophes of their property business by relevant jurisdiction; the extent to which their insurance underwriting activities are aligned with a well below 2°C scenario; and also indicate which insurance underwriting activities are included – this has been considered and the impact is either immaterial or not applicable to the business, and therefore, no disclosure has been made.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

The table below has been prepared based on the requirements within the Streamlined Energy & Carbon Reporting (SECR) framework.

All our employees mainly operate from offices or from home under a hybrid working model, which came into place following the offices being closed during the height of the COVID-19 pandemic. To increase energy efficiency, management in each of our business units take practicable steps to minimise the effect of our operations on the environment and our workforce is encouraged to conserve energy, use video conferencing, and minimise waste.

Furthermore, we use environmentally friendly certified paper, unwanted equipment is recycled or donated, and staff refreshments are purchased from sustainable sources. Scildon's offices within our Netherlands division were redesigned to limit carbon emissions and active management of energy usage has reduced the emissions this year. Scildon also uses solar power for some of its energy consumption, and all Scildon's company cars are electric. Whilst a number of these actions are a continuation from the previous year, there have also been new steps taken this year.

We measure and report greenhouse gas emissions from our operations in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the Defra Carbon Trust conversion factors, as well as the disclosure requirements in Part 7 of the Companies Act 2006. The table below has been prepared based on the requirements within the Streamlined Energy & Carbon Reporting (SECR) framework. The data shown in the table covers all group owned entities over which Chesnara has financial and operational control.

	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***

*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 the underlying assumptions used to calculate emissions and, therefore, have restated the 2021 comparatives to be on the same basis.

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

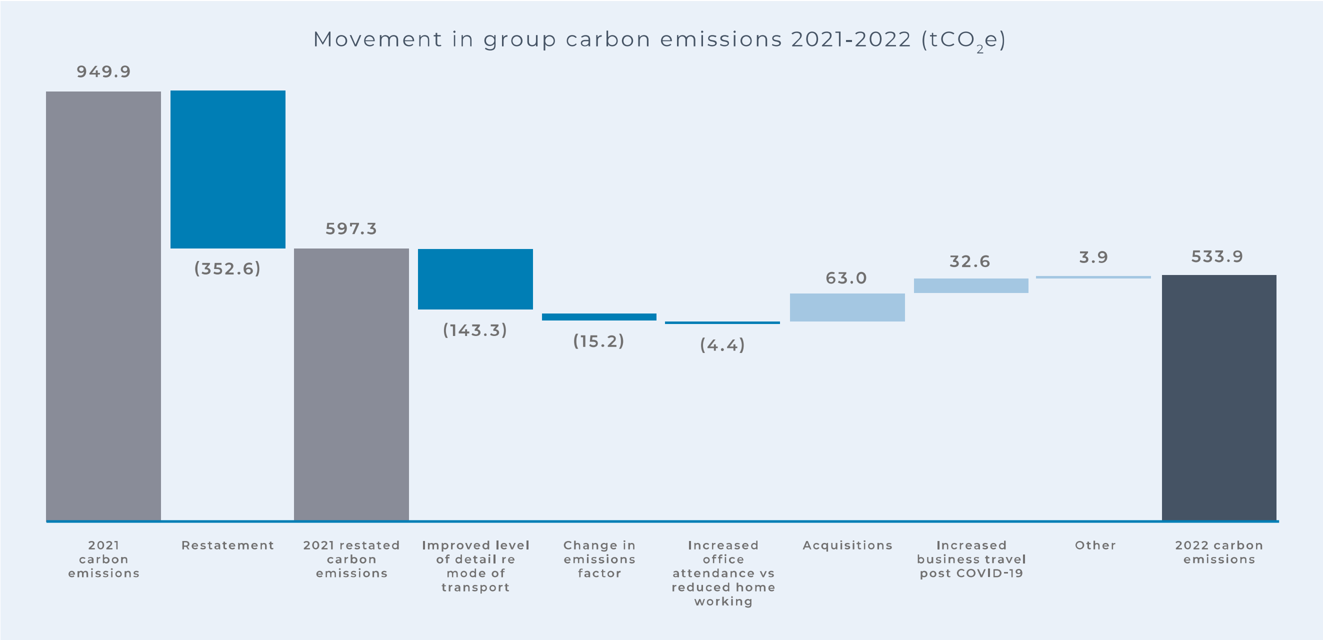
There are 6 (2021: 8) company-leased vehicles in total across the group which are used primarily for commuting and not business-related activities, this is in addition to 13 company-owned vehicles.

Basis of preparation – the table below details the key assumptions and methods of calculation by scope:

Scope 1	There are no emissions that fall under the category of scope 1 for the group, which is activities controlled by the organisation that release emissions into the atmosphere such as from combustion on owned controlled boilers and furnaces.
Scope 2	The emissions that fall within this category are related to the energy usage for the group's offices. This excludes the usage of the outsourcers as they do not work exclusively for the group and, therefore, we have not been able to estimate the impact. The government-set conversion factors are used to calculate the carbon emissions based on the kWh of gas and electricity used during the course of the year. We believe this is a prudent approach in estimating the emissions for the European divisions.
Scope 3	The 15 disclosure categories published under the GHG Protocol for scope 3 emissions have been considered, and the main emissions from our operations fall within categories 6 (business travel) and 7 (employee commuting). We understand there may be a very low level of emissions under category 5 (waste generated in operations); however, we believe this to be minimal. The figures in the table also comprise emissions incurred by our staff and our outsourcers as a result of remote working. A summary of the calculation process is noted below: – Office emissions – energy usage for the year is converted into carbon emissions using the government-set conversion factors. – Business travel – distance travelled is converted into carbon emissions based on the mode of transport where available and the government-set conversion factors (car, rail, air). – Remote working – the appropriate working from home % is used to calculate total home working hours for all FTEs across the group. The government-set conversion factors are then used to calculate the carbon emissions based on the number of hours. – Commuting – the appropriate office attendance is multiplied against the number of staff and the average commute distance to give a total commuting distance (this is split by mode of transport where available). The government-set conversion factors are then used to calculate the emissions. As part of the work for 2023, we will be calculating and reporting our financed emissions as well as working on refining the calculation for the operational emissions, where possible. More detail of which will be provided in next year's TCFD report.

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES (CONTINUED)

Inherent within the calculations are a number of assumptions that we believe provide a comfortable level of prudence, particularly in the commuting estimates and the fact that we use a blended average of energy usage for office emissions when we actually have 100% renewable energy sources in some of the group's offices. However, this is partly offset by other minor areas such as being unable to estimate the mileage impact from employees using taxis in the course of business travel, and emissions associated with waste management from our offices. Over the course of 2022, we have refined our data collection across the group to make the calculations more accurate, and as such, this 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.



A brief explanation of the blocks has been provided below:

- **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-19 pandemic.
- **Business travel** – has increased during 2022 as restrictions were lifted following COVID-19, 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. With regard to the sector specific guidance requiring insurance companies to disclose weighted average carbon intensity or GHG emissions associated with commercial property and speciality lines of business, this has been considered and the impacts expected to be immaterial and not wholly applicable to Chesnara, therefore, it has not been disclosed.

The Strategic Report was approved by the board on 29 March 2023 and signed on its behalf by:

Luke Savage
Chair

Steve Murray
Chief Executive Officer