utmost™
GROUP

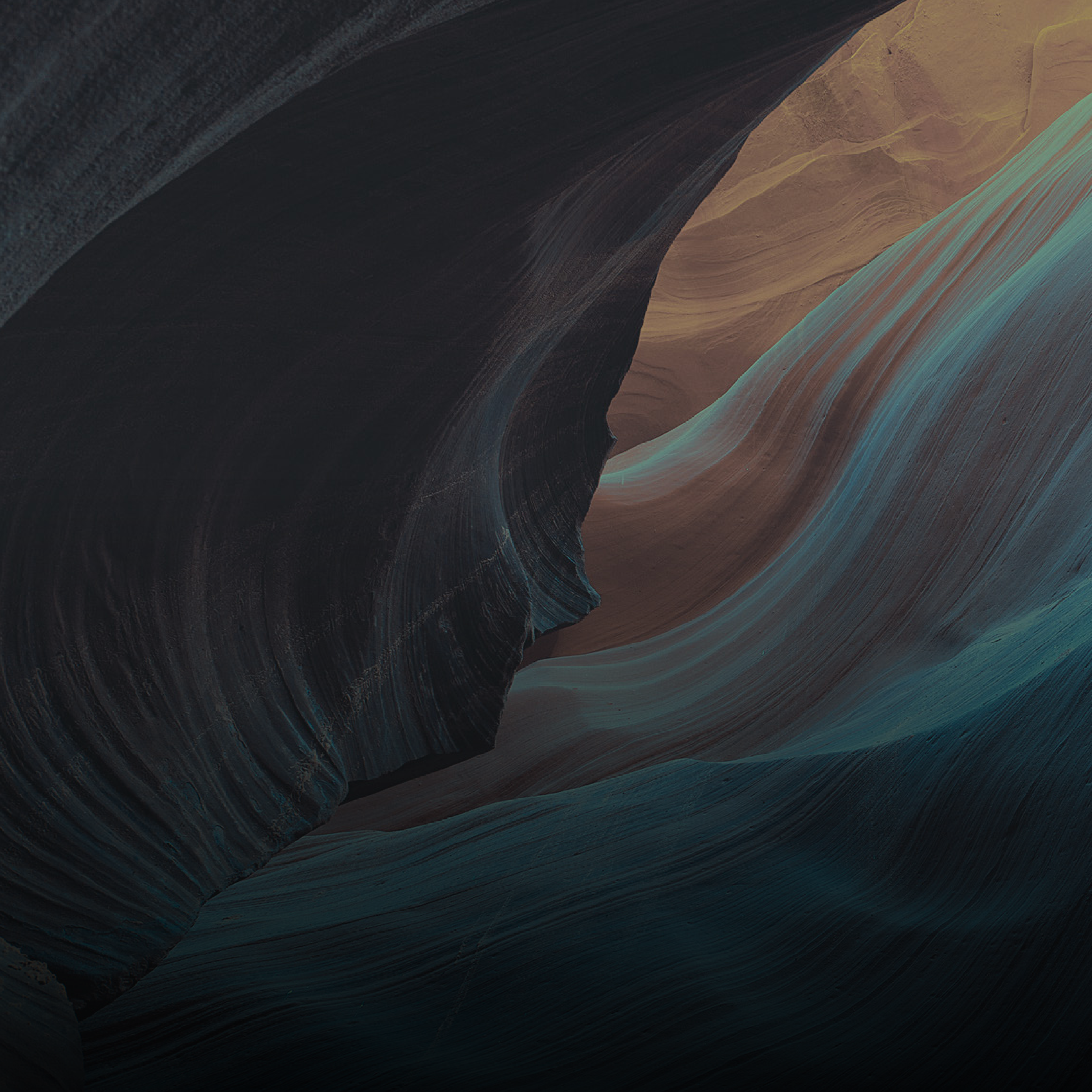
Reassuringly different

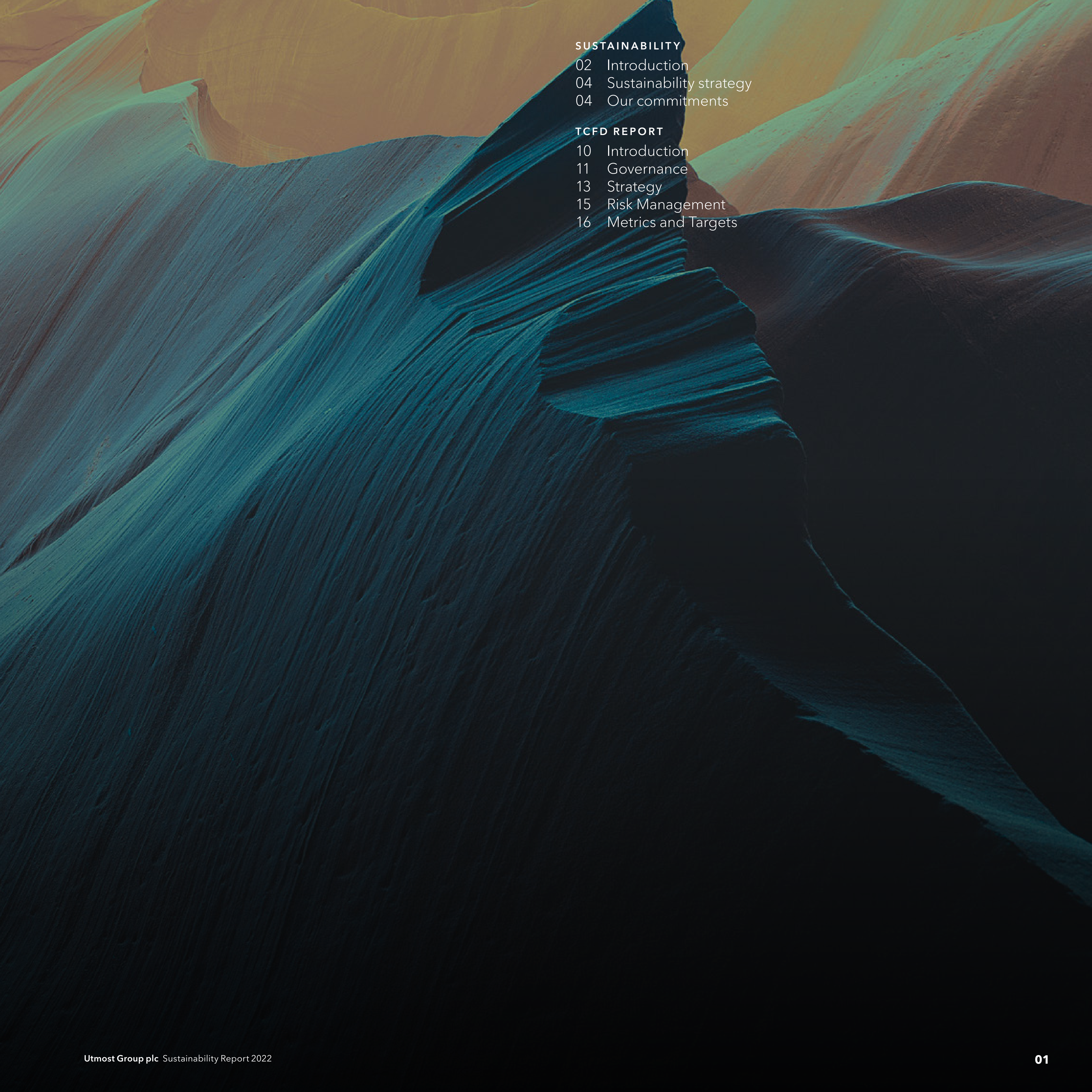
Utmost Group is guided by its mission and its values to behave and invest sustainability.

Our organisation exists to support current and future generations to prosper.

It is imperative we consider the impact of our activities over the long term not just for our customers, colleagues and capital providers, but for future generations.

Reassuringly different





SUSTAINABILITY

TCFD REPORT

> "As stated by the Chair of the IPCC at the opening of COP27, the voice of science on climate change could not be sharper, stronger or more sobering: the world is not on track today to limit global warming to 1.5°C. The time for collective action is now. At Utmost, we are committed to driving forward with our Sustainability Strategy to help preserve the environment for future generations."

The planet's long-term warming trend continued in 2022. The Earth's average surface temperature in 2022 tied with 2015 as the fifth warmest on record. Our warming climate is already making a mark with intense heatwaves breaking temperature milestones, droughts wreaking havoc, severe forest fires and rising sea levels.

Utmost is committed to do its part in addressing climate change, alongside its broader sustainability goals. The Group recognises the power of collective action. Through our being a signatory to the UN PRI, and a member of the IIGCC, we hope to exert collective influence with our industry peers to promote sustainable investment and contribute to developing a more sustainable global financial system.

In 2022, the Group demonstrated progress towards the commitments set out in its Sustainability Strategy. In this Sustainability Report, we provide details on the pillars of our Sustainability Strategy, our key commitments and progress towards these. The Group's TCFD Report 2022 is provided, with details of the Group's climate-related strategy, governance, risk management and metrics.

A key achievement in 2022 was the adoption of the Group's first Responsible Investment Policy. The Policy formalises the Group's net zero 2050 commitment for its shareholder investment portfolio. It outlines how the Group integrates ESG factors into its investment decision making. The Policy sets out guidelines for fund and manager selection, incorporating ESG factors as a part of this process.

The burning of thermal coal for energy is the single largest contributor to man-made global temperature increases, accounting for about one third of the 1.1°C temperature rise above pre-industrial levels already observed. Several other sectors cannot be decarbonised if power generation and supply are not decarbonised first.

With this in mind, the Board was pleased to adopt thermal coal exclusions into our Responsible Investment Policy.

The Group continues to champion measures to address the environmental impact of its own operations. In this Report, we detail initiatives to reduce our initial GHG emissions and foster a sustainable workplace.

The Group is supportive of developing industry standards on comprehensive and transparent sustainability disclosures. The Group supports the recommendations of the TCFD. It has continued to develop its sustainability reporting in 2022, making use of the data and tools available to it at the current time. We await the final International Sustainability Standards Board ("ISSB") sustainability standards drafts which aim to develop a comprehensive global baseline of sustainability disclosures, building on the recommendations of the TCFD.

Our organisation exists to support current and future generations to prosper. It is imperative we continue to consider the impact of our activities over the long term, not just for our customers, colleagues and capital providers, but for future generations. The actions taken by the Group reflect our commitment to build a better future. They reflect our respect for the environment. We are committed that our products and operations create a positive impact on our environment and the places we operate. Our Group is actively working to build a better future.

Paul Thompson
Group Chief Executive Officer

"Our mission is to secure our clients' financial futures through the delivery of insurance and saving solutions and life and pension solutions, which result in greater prosperity for present and future generations."

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GHG EMISSIONS PER EMPLOYEE

Sustainability Strategy
Utmost Group is guided by its mission and its values to behave and invest sustainably. Our organisation exists to support current and future generations to prosper. It is imperative we consider the impact of our activities over the long term, not just for our customers, colleagues and capital providers, but for future generations.

Our Sustainability Strategy is framed along four pillars: Environmental Impact, Customer Outcomes, Responsible Investment and Community Engagement. The strategy aims to integrate sustainability across our business to support the Group in making a positive difference.

In 2022 the Group has focused on embedding a sustainability focus in its business-as-usual processes. A key development was the formalisation of the Climate Risk Framework. The Group has developed its sustainability reporting, both through the provision of regular management information to the Board, for example through the development of a Climate Disclosure Dashboard to monitor and measure key metrics, and through the development of our TCFD.

Sustainability Working Group
The Group's Sustainability Strategy, including management of climate-related risks and opportunities, is implemented by the Sustainability Working Group ("SWG").

The SWG reports to the Group Executive Committee, where sustainability is a standing agenda item. The Group Executive Committee meets six times a year and supports the Board with fulfilling the commitments made as a part of the Sustainability Strategy.

The SWG comprises key functional representation from across the Group. It is chaired by the Head of Strategy and Corporate Affairs. The Group CEO is the executive sponsor of the SWG. The Working Group meets every month and is responsible for implementing the Sustainability Strategy and its underlying environmental commitments including initiatives which are climate-related.

Utmost Group Sustainability Strategy

Environmental Impact

Our Commitments
- Reduce and minimise the environmental impact of our operations
- Climate risk considerations embedded in business-as-usual processes
- Maintain a carbon neutral status in our operations
- Reduce the environmental impact of our supply chain, working with select organisations who operate in line with our corporate philosophy
- Supporter of the Financial Stability Board's TCFD
- Supporter of the Paris Agreement
- Committed to regular and transparent reporting on our sustainability activities

Key Highlights 2022
- Climate Risk Framework adopted across Utmost to embed climate risk consideration in day-to-day processes
- Carbon neutral operational footprint achieved through reduction and offsets
- Adoption of recycling solutions and green energy options

Customer Outcomes

Our Commitments
- Secure our customers' financial futures
- Continually develop our proposition in order to provide good client outcomes
- Provide excellent customer service and communicate openly and honestly with customers
- Provide sustainable investment options to our customers
- Provision of data to our customers which helps them understand the ESG characteristics of their investments

Key Highlights 2022
- New product launches and enhancements to existing products supportive of good client outcomes
- Launch of MyUtmost, our UK OSC for ULP customers
- Good customer outcomes demonstrated by harmonisation of our International OSC
- Implement the requirements of the UK FCA's new Consumer Duty
- Provision of additional Responsible Investment options to customers

Responsible Investment

Our Commitments
- Fulfil our duties as a signatory to the UN PRI and a member of the IIGCC including commitment to the six Principles › What are the six Principles? see page 08
- Net zero 2050 target for our shareholder investment portfolio as measured by Carbon Intensity
- Interim target to halve the Carbon Intensity of the shareholder investment portfolio by 2030
- These targets align with reductions required to maintain a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement

Key Highlights 2022
- Establishment of a Responsible Investment Policy
- Pathway to Net Zero: Committed to be net zero by 2050 in our shareholder investment portfolio, with a 50% reduction by 2030
- Enhanced manager selection and monitoring processes introduced to embed ESG factors
- Introduction of thermal coal exclusions

Community Engagement

Our Commitments
- Create an environment where our people can achieve their aspirations and reach their full potential
- Increase diverse representation and strengthen our leadership focus on diversity, equity and inclusion
- Be an active participant in our local communities

Key Highlights 2022
- Maintained high level of diversity throughout our organisation including senior leadership
- Active participant in our local communities
- Over £110,000 raised for charitable causes

Environmental Impact

It is clear that man-made climate change is a threat to the health of our planet and to the wellbeing of all species inhabiting it. Reports published by the IPCC presented to the world in 2022 show that the technology and know-how to tackle climate change exist. However immediate and deep cuts in the emissions of GHG are required to keep global warming within limits, particularly below 1.5°C. This highlights the urgency of prioritising timely, ambitious, coordinated and enduring action.

The Group has a responsibility to continue to reduce its environmental impact and to protect the environment. Our Board and our employees take this responsibility seriously.

In 2022, the SWG supported the implementation and embedding of the Climate Risk Framework. The Climate Risk Framework embeds climate-related risk within the Group's existing Risk Management Framework. The Group's governance framework, including the risk appetite, has been enhanced to address climate-related risk and opportunities.

The Framework sets out the overall approach adopted by the Group to identify, assess, manage, monitor and report risks associated with climate change and ensures that climate-related factors are considered when assessing the overall risks to the organisation. The Framework provides guidelines for the Group's Functions to consider their management of climate-related risks, linking back to our overall strategy to manage and reduce our environmental impact.

The Group is committed to regular, transparent disclosures. The Group reports its Scope 1, 2 and selected Scope 3 operational emissions on a tCO_2e basis.

› Please see page 06 for the Group's Streamlined Energy and Carbon Reporting ("SECR")

The SWG has developed a Climate Disclosure Dashboard which is reported to the Board on a quarterly basis. This enables the Board to monitor and manage certain environmental metrics of its shareholder investment portfolio.

› Please see page 16 for further details of the Climate Disclosure Dashboard

For those currently unavoidable emissions, the Group uses carbon offsets, supporting projects that contribute to the mitigation of climate change, whilst also delivering tangible benefits to at-need communities. To offset the Group's 2021 emissions, the Group supported a renewable energy project in Brazil that alleviates deforestation, avoids GHG emissions and promotes a more sustainable supply chain.

The Group has hired a Head of Procurement. They will be mandated to understand the environmental credentials of our key third-party suppliers, introducing a Supplier Standard to embed minimum standards in line with the Group's carbon neutral commitment.

Our Community Group has promoted coordinated activity in our offices to raise awareness of the environmental impact of our activities and take actions to reduce these.

Activities include the installation of electric car chargers in two of our main offices, participation in Recycling Week to educate our employees on the benefits of recycling, and upgraded air conditioning systems. Our employees continued their voluntary litter picking and beach clean sessions to remove the litter that contaminates our seas and natural environment.

The Group is working with its landlords to raise awareness of the benefits of switching to renewable energy suppliers.

Navan Rewilding Project

Protecting our planet's biodiversity is critical. With biodiversity loss inextricably linked to climate change, these two pressing issues cannot be considered individually. The recent COP15 heralded a new historic global treaty on the conservation of the planet's lands and oceans likened to the Paris Agreement for Climate Change.

Employees in our Navan office have initiated a rewilding project with the aim to increase biodiversity in their local area to reduce the decline of wild bees, hoverflies, and other insects. Long term it will contribute to the creation of stable pollinator populations which are crucial for the natural ecosystem.

ENVIRONMENTAL IMPACT continued

Streamlined Energy and Carbon Reporting ("SECR")
The Group has measured its GHG emission sources on a tCO_2e basis in respect of the Group's operations, in accordance with the UK Government's SECR Guidance and as required under the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and GHG Protocol, and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs ("DEFRA") and the Department for Business, Energy and Industrial Strategy ("BEIS"). The assessment follows the market-based approach for assessing Scope 2 emissions from electricity usage.[1] The operational control approach has been used.

The Group has compared its 2022 GHG operational emissions against its baseline year of 2021.

The 2021 total tCO_2e emissions of 761.08 represents the emissions of the legacy Utmost Group employees for 12 months of 2021 and the legacy Quilter International employees for the month of December 2021. The calculations assume a weighted average of 1,009 employees for the year. The 2022 total tCO_2e emissions of 1,394.04 represents the emissions of the enlarged Utmost Group's employees for the whole of 2022. The calculation assumes 1,499 employees for the year.

2022 saw an increase in total energy consumed and in total CO_2e emissions. This is largely as a result of a full year of Quilter International colleagues, which gave rise to an increase in employee numbers, an increase in the prevalence of in-office working and a rise in business travel following the near-full lifting of pandemic-related restrictions.

Utmost Group will be offsetting these emissions through a Verified Carbon Scheme. Utmost has introduced several environmental initiatives throughout 2022 to reduce operational emissions. Details can be found in the Sustainability Report and TCFD Report.

The table below fulfils the requirements of the SECR framework, including our operational energy and carbon emissions. The data is for the reporting year: 1 January 2022 to 31 December 2022. A comparison to 2021 is provided. This is provided on a market-based emissions basis.

Utmost Group market-based emissions[2]

	2022		2021[3]	
Activity	UK Operations only	Global	UK Operations only	Global
Total energy consumed (kWh)	**774,852**	**3,862,278**	231,033	3,116,782
Total CO_2e emissions (in tonnes)	**192.28**	**1,394.04**	77.35	761.08
Scope 1	**90.83**	**233.54**	–	200.33
Scope 2	**100.02**	**666.62**	77.35	392.46
Scope 3	**1.43**	**493.88**	–	168.29
Intensity ratio (tCO_2e per employee)	**0.89**	**0.93**	0.44	0.75

1. The location-based approach reflects the average emissions intensity from electricity coming from the national grid supply. A market-based approach reflects emissions from electricity that companies have purposefully chosen. This method utilises supplier-specific factors as a preference, with residual factors being used where supplier-specific factors are not available. The market-based approach reflects Utmost's decision to utilise renewable energy sources where possible
2. Please note that certain estimates and assumptions are used in the production of this data. This data is provided on a best efforts and indicative basis
3. Our 2021 emissions were restated following the publication of our 2021 Annual Report. This resulted in a decrease in our overall energy consumption and CO_2 emissions for both UK operations and Global operations

Customer Outcomes

The volatile macroeconomic environment and inflationary environment have created challenges for our policyholders looking to secure their financial futures. This is an environment in which our robust insurance and savings solutions can support our clients.

Supporting our customers to preserve and protect their savings to create a more secure financial future is at the heart of what we do. Throughout the year, our teams have worked closely with our customers and our partners to navigate the fast-changing landscape.

The ongoing development of our proposition has prioritised outcomes and value-for-money, which will help support our clients navigate this period. Examples include the provision of modern, flexible investment choices with the provision of ESG data and revised charging structures for some of our legacy savings products.

One way to support our clients is through accessibility. The Group has developed its UK and International OSCs in 2022. The changes improve customer accessibility to their policy information and valuations, whilst retaining access to our Client Service team for ongoing support and assistance with more complex issues.

The UK OSC, MyUtmost, launched in H2 2022. MyUtmost enables clients to view their policy values, communicate and transact online.

› Please see page 21 of the UGP Annual Report for a Case Study on MyUtmost

The International OSC have been harmonised to provide a consistent level of functionality to all clients.

The investment in online servicing reflects the benefits of being part of a larger, focused Group and is an outcome of our digital strategy, championed by our Group CTO.

The Group is supportive of the UK FCA's Consumer Duty, which will further strengthen focus around delivering good outcomes for customers. The Group is working through the implementation of the requirements. Our UK business has an established a Fair Customer Outcomes Group which governs the delivery of good customer outcomes, having regards to their characteristics and needs. Board-level champions have been appointed in our life companies to ensure the Duty is implemented and embedded in strategy and governance in each of the relevant operating businesses.

Utmost Technical Insights Series

Utmost ran nine sessions of its Technical Insights series in 2022. These sessions are targeted at our partners. Senior members of our Technical Services team present on the details of our propositions and potential benefits to clients as part of their overall wealth planning strategy. The sessions support advisers' technical understanding of our proposition so that they can best advise their clients on the most suitable solutions. In 2022 over 3,000 advisers attended these sessions.

Responsible Investments

The Group recognises its role as a long-term allocator of capital and the duty of care owed to our policyholders and our shareholders in the responsible allocation of their assets. In recognition of this duty, the Group is a signatory to the UN PRI and has committed to the six Principles for Responsible Investment.

The Group's Responsible Investment Policy is a key milestone in aligning the Group's approach to investment with the Principles.

In line with the UN PRI first principle, the Policy sets out how the Group will incorporate ESG factors into investment decision making processes. Our in-house investment manager is formalising their integration process in line with this first principle.

The Policy sets out the Group's commitment to align our portfolios with the aims of the Paris Agreement, the international treaty on climate change whose long-term temperature goal is to keep the rise in mean global temperatures to well below 2°C (3.6°F) above pre-industrial levels, and preferably limit the increase to 1.5°C (2.7°F), recognising that this would substantially reduce the effects of climate change.

A commitment to net zero is one of the clearest ways that we can tackle climate change and reduce global warming. Deliberate and proactive actions, as a Group and within the industry more widely, will be critical to limiting emissions and protecting our planet.

The Group is utilising third-party data and performing analysis of its shareholder investment portfolio as it builds out its Pathway to Net Zero, the strategy that will set out how the Group will achieve net zero by 2050. The Group's commitment will be supported by the greening plans of the UK and other G10 economies. The Group, however, will not be a passive bystander in the charge to net zero and a greener world, and will make proactive decisions to reduce our impact.

One example of this is the Group's introduction of a thermal coal exclusion. This is in recognition that the burning of thermal coal for energy is the single largest contributor to man-made global temperature increases. The Group will no longer invest in issuers who generate greater than 5% of their turnover from thermal coal in its shareholder investment portfolio.

The Group will work with its external investment managers to embed our expectations into our externally managed portfolios. We will enhance our selection, appointment and monitoring of the Group's investment managers to ensure our responsible investments expectations are being met through the investment cycle. Our oversight of our manager's approach to responsible investment and partnering with investment managers who are UN PRI signatories, is in line with Principle 4 and 5.

Our commitment to regular transparent disclosures, by ourselves, our investment managers and issuers we invest in, is in line with Principles 2, 3 and 6.

Principles for Responsible Investment

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest

Principle 4: We will promote acceptance and implementation of PRI within the investment industry

Principle 5: We will work together with other members to enhance our effectiveness in implementing PRI

Principle 6: We will report on our activities and progress towards implementing PRI

Source: https://www.unpri.org/

Community Engagement

Utmost Group aims to make a positive difference to our employees, our customers and our communities. Our employees are core to the success of the Group, both individually and collectively. It is an important priority of the Group that our employees enjoy a diverse and vibrant work environment which ensures they are fulfilled and committed. The actions we take are focused on making a tangible impact that leads to lasting change.

The Group prides itself on being an employer that celebrates difference and authenticity, where our employees are satisfied and appreciated. The Group is committed to providing opportunities and access to all. This year, we have made strides in our ambition to make financial careers accessible to all.

We have supported younger candidates by offering internships and mentoring on interview techniques. Our employees have supported a local secondary school, providing support and guidance to the students on career planning.

Core to the success of these initiatives is providing a work environment that encourages and welcomes diversity. We continue to foster a culture in which all have an equal opportunity to succeed.

The Group is passionate about contributing to local causes to support our local communities thrive and prosper. Our employees support a range of charities that aspire to create real and tangible change in their communities. All colleagues are offered a paid volunteering day, with our employees giving their time to enrich the communities in which the Group operates. The Group has a Community Engagement Working Group that meets quarterly with representatives to coordinate and collaborate with community-based initiatives.

Across the Group, we donated more than £110,000 to causes including mental health support and cancer, reflecting the depth of meaningful causes that our employees support. Looking forward, we will continue to provide the foundations for charitable donations to drive impactful change.

As a Group, we supported a range of charities in 2022, including:

Lord Mayor's Appeal Charity
The Children's Centre
Jack and Jill Children's Foundation
SPACE – providing support and care in difficult times
Breast Cancer Now – The research & care charity
SOSAD Ireland
The Guernsey Society for Cancer Relief
Isle Listen

Sources:
https://climate.nasa.gov/news/3246/nasa-says-2022-fifth-warmest-year-on-record-warming-trend-continues/#:~:text=Continuing%20the%20planet’s%20long%2Dterm,GISS)%20in%20New%20York%20reported
https://www.climate.gov/news-features/understanding-climate/climate-change-global-temperature#:~:text=Earth’s%20temperature%20has%20risen%20by,0.18%C2%B0%20C)%20per%20decade

TCFD REPORT

Utmost Group's mission is to secure our clients' financial futures through the delivery of insurance and savings solutions, which result in greater prosperity for current and future generations. It is this mission which drives our Sustainability Strategy and related commitments, which sit alongside the Group's four strategic pillars. Our mission is a sign of our commitment to act and invest in a way that supports a sustainable future.

As stated by the Chair of the IPCC at the opening of COP27, the voice of science on climate change could not be sharper, stronger, or more sobering: the world is not on track today to limit global warming to 1.5°C. The time for collective action is now.

Reports by the IPCC presented in 2022 warned that the world is set to reach the 1.5°C level within the next two decades. The Group recognises that material steps are required now to significantly cut carbon emissions, the reduction of which is crucial to prevent an environmental disaster.

Throughout this report, climate change is used as a shorthand for the impacts and consequences of increasing atmospheric CO_2 and other greenhouse gases, including related risks whose consequences are likely to include rising sea levels, increased incidence of heat waves and extreme weather events and acidification of the oceans.

Small changes every day to make a big impact. Through our values we are:

Inspiring
Motivated
Personable
Adaptable
Collaborative
Trustworthy

> "Our mission is a sign of our commitment to act and invest in a way that supports a sustainable future."

Paul Thompson
Group Chief Executive Officer

Governance

Our governance framework clearly defines the roles and responsibilities for effective oversight and management of climate-related risks and opportunities at the Board and senior management levels.

The Board oversees the delivery of the Group's Sustainability Strategy, a key element of which is the management of climate-related risks and opportunities. Paul Thompson, Group CEO, is the Executive Board Director with overall responsibility for the Sustainability Strategy. This incorporates the Group's approach to climate-related risks and opportunities. The Group CEO is informed of climate-related issues via the SWG of which he acts as executive sponsor.

Sustainability, incorporating climate-related risks and opportunities, is a regular agenda item at the Board. The Board meets at least four times each year. Topics under discussion during the year have included responsible investments and community engagement. The Board had a dedicated training session on the Climate Disclosure Dashboard to better understand the metrics provided. The Board considered and approved the Group Responsible Investment Policy, which incorporates goals and targets with regards the approach to climate-related risks and opportunities.

In light of the global threat of climate change and the potential impact of this on society and infrastructure as well as the geopolitical and macroeconomic environment, the Group identifies climate-related risks as a key risk to the strategic aims of the organisation alongside the broader risks associated with sustainability. The Group Audit, Risk and Compliance Committee ("ARCC") sets the Group's risk appetite for exposure to climate-related risks. The Group ARCC meets at least four times each year. The Group ARCC met on six occasions in 2022 and climate change was discussed on two occasions. Topics under discussion included the Group's exposure to climate-related risks as informed by climate-related stress and scenario testing, the climate risk appetite, the climate risk framework and the Climate Disclosure Dashboard that is used to monitor the Group's risk profile in relation to climate-related risks.

Senior management keep the Board and the ARCC apprised of any changes in climate-related risks and opportunities as these impact the Group including regular reporting through the Group Risk Report and Climate Disclosure Dashboard. Annual stress and scenario testing is carried out across the Group. This provides quantitative and qualitative information on the Group's exposures to climate-related risks covering a range of aspects including our investment portfolio and the resilience of our operational capabilities.

More information on climate risk can be found in the Risk Management Report in the UGP Annual Report.

The ARCC has a key oversight role of the Group's internal controls and financial reporting procedures. The Group ARCC will be recommending the Annual Report 2022, including the TCFD Report to the Board for approval. The Group views climate-related issues as cross-cutting across the organisation. In line with this, climate-related risks have been incorporated within the Group's existing risk framework.

Each Group Executive Committee and International Executive Committee member is charged with ensuring that consideration of climate-related issues is embedded appropriately within their function. The operating business CEOs, as a part of their role as Executive Committee members, are charged with ensuring their business is addressing climate-related issues, as appropriate for their size, risk exposure and local regulatory regime.

Climate-related issues are considered as a part of the Group's ongoing strategy and development programmes. Some examples are included in the table below.

Consideration of Climate-Related Issues

Function	Description
Investments	– Assess and monitor the climate-related risk profile of investments on a quarterly basis – The Group Responsible Investment Policy was introduced to govern how sustainability, including consideration of climate-related issues, is incorporated into the Group's investment and manager selection processes
Product Development	– New products and enhancements are viewed through a sustainability lens which considers any climate-related risks and opportunities
Acquisitions/Divestitures	– Climate-related risks and opportunities are considered as a part of due diligence – Integration programmes consider climate-related risks and opportunities across the workstreams
Operations and Technology	– Consider impact of climate-related issues on offices and back-up sites – Our Customer Service and IT teams are working to increase the availability of paperless servicing to policyholders to reduce the Group's environmental footprint – Working with our landlords to transition towards low-carbon energy supply
Risk	– Risk policies and risk appetites have been reviewed to incorporate climate-related risks and opportunities – Appropriate metrics have been introduced into the Group's risk appetite
Remuneration	– The Group's Remuneration Policy embeds consideration of sustainability into the Group's approach to remuneration. Individual objectives are set consistently with the Group's objectives, including the commitments made as a part of the Sustainability Strategy and management of climate-related issues – Certain identified roles will have specific objectives linked to the individual's contribution towards the successful implementation of the Group's Sustainability Strategy including climate-related issues

The Group's Risk Appetite statement incorporates climate-related metrics to enable the Board to track the Group's exposure to climate-related issues. The Board Risk Report presents how exposure to climate-related issues has tracked on a quarterly basis.

The SWG developed a Climate Disclosure Dashboard in 2022, following the guidance of the Climate Financial Risk Forum ("CFRF"). The Climate Disclosure Dashboard is presented to the Board on a quarterly basis. Its purpose is to enable to Board to review a range of climate-related metrics relating to the Group's investments to enable the Board to discharge its duty of monitoring and overseeing progress against the Group's climate-related commitments.

In 2022, climate training was delivered to the Board and the subsidiary boards and Executive Committees, which focused on the metrics reported in the Climate Disclosure Dashboard.

The Group's Sustainability Strategy, including management of climate-related risks and opportunities, is implemented by the SWG. The SWG reports to the Group Executive Committee, where sustainability is a standing agenda item. The Group Executive Committee meets six times a year and supports the Board with oversight of the Sustainability Strategy.

The SWG comprises key functional representation from across the Group. It is chaired by the Head of Strategy and Corporate Affairs. The Group CEO is the executive sponsor of the SWG. The Working Group meets monthly and is responsible for implementing the Sustainability Strategy and its underlying environmental commitments including initiatives which are climate-related. The structure of the SWG ensures sustainability and climate-related matters are implemented consistently across the Group.

The duties of the SWG include: monitoring climate-related issues across the Group and ensuring these are appropriately addressed; proposing climate-related commitments to the Board; monitoring progress against those commitments including the production of suitable management information; ensuring the Group fulfils its regulatory obligations as applied to climate-related issues and the production of climate-related policies; and frameworks to ensure focus on climate-related issues is embedded across the Group.

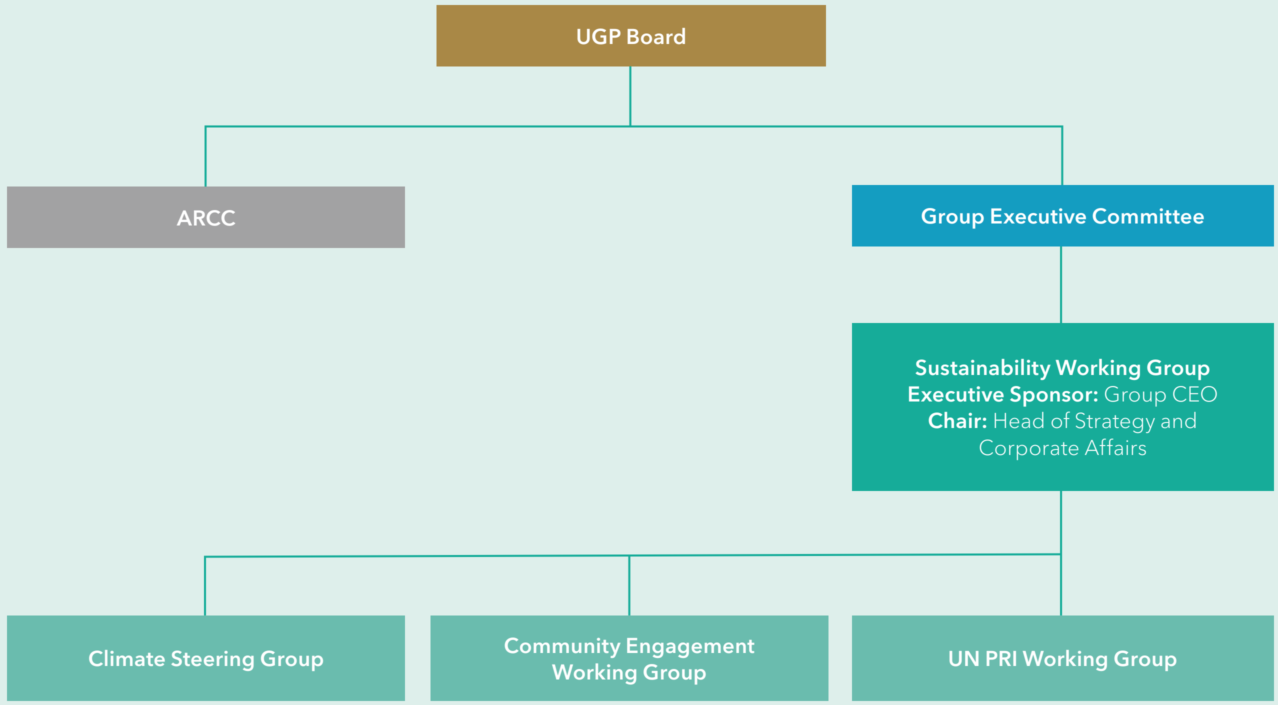
In 2022, the SWG supported the implementation and embedding of the climate risk framework. The Group's governance framework, including the risk appetite, has been enhanced to address climate-related risk and opportunities.

The SWG is supported by the Climate Steering Group. The aim of the Steering Group is to ensure Utmost Group has an integrated approach to managing climate-related risk and opportunities and a strategic approach to managing climate change. It comprises key executive representatives from across the business and meets monthly. The Climate Steering Group is chaired by the Group Head of Risk and Compliance and reports to the Group ARCC and the SWG.

Sustainability is a regular agenda item at the subsidiary boards. The operating businesses have initiated local Sustainability Working Groups as appropriate to the size and regulatory requirements of their entity.

Each operating business has a representative on the SWG. Their role, as a part of the SWG, is to ensure sustainability and the consideration of climate-related issues are embedded into their business in line with the Group's overarching Sustainability Strategy. In order to achieve this, they work with the local functional heads and are charged with reporting on a regular basis to their subsidiary board and Executive Committee.

Governance



Strategy

The decarbonisation of the global economy as it transitions towards net zero poses a number of risks and opportunities to our Group. Utmost Group is exposed to transition risks and physical risks. These impacts are summarised in the table below and considered over the following time horizons: Short term < 5; Medium term 5 – 10 years; and Long term > 10 years.

	Climate-Related Risks	Potential Financial Impacts	Timeframe
Transition			
Policy and Legal	– Enhanced emissions-reporting obligations – Exposure to litigation – Regulation of existing products and services	– Increased operating costs through higher compliance and governance costs – Increased costs and/or reduced demand for products and services	Short/ Medium
Technology	– Costs of transition as existing technology estate substituted with lower emissions options – Unsuccessful investments in new technology	– Early retirement of existing technology estate – Potential poor performance of investments in new technology – Costs to adopt/deploy new practices and processes	Medium
Market	– Changing customer behaviour – Uncertainty in market signals	– Reduced demand for products due to shift in consumer preferences – Abrupt and unexpected shifts in energy costs increasing operating costs – Repricing of assets impacting profits (e.g., fossil fuel reserves, land valuations, securities valuations)	Medium
Reputation	– Increased stakeholder concern or negative stakeholder feedback – Brand perception	– Reduced revenue from decreased demand for products – Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) – Reduction in capital availability	Short/ Medium
Physical			
Acute	– Increased severity of extreme weather events such as cyclones and floods	– Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism) – Reduced revenue due to investment return impacts	Short
Chronic	– Changes in and extreme variability in weather patterns – Rising mean temperatures – Rising sea levels	– Demographic assumption changes impacting profitability – Negative impact on asset prices impacting profitability – Operational disruption increases expenses	Long

Utmost Group also considers climate-related opportunities.

	Climate-Related Opportunities	Potential Financial Impacts
Resource Efficiency	– Use of more efficient technology – Use of recycling – Move to more efficient buildings	– Reduced operating costs (e.g., through efficiency gains and cost reductions) – Benefits to workforce management and planning (e.g., improved health and safety, employee satisfaction) resulting in lower costs
Energy Source	– Use of lower-emission sources of energy – Use of new technologies	– Reduced exposure to future fossil fuel price increases – Returns on investment in low-emission technology – Increased capital availability (e.g., as more investors favour lower-emissions producers) – Reputational benefits resulting in increased demand for goods/services
Products and Services	– Development and/or expansion of product range to meet shifting consumer preferences – New investment opportunities	– Increased revenue through demand for lower emissions products and returns on investments – Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	– Access to new asset types	– Increased diversification of financial assets (e.g., green bonds and infrastructure)
Resilience	– Adoption of energy efficiency measures	– Increased market valuation through resilience planning (e.g., infrastructure, land, buildings) – Increased reliability of supply chain and ability to operate under various conditions

Each functional area in each entity is tasked with considering climate-related issues as a part of their business management. Utmost Group aggregates the entity level risks to assess the overall Group exposure. Executive Committee members are responsible for ensuring that their function areas have embedded consideration of climate-related issues into business planning and management. Resources are prioritised according to issues which are considered more material.

The Group considers how climate-related issues may impact its business, strategy and financial planning:

The Group has assessed that it is not materially exposed to climate-related issues, given the predominance of unit linked products and limited exposure to insurance/investment risks. The Group believes its revenue streams and expenses are fairly resilient to the impact of climate-related risks. Its assets and liabilities are well matched, supporting a robust financial position. The Group's shareholder investment portfolio is invested in high quality government and corporate bonds. The Group's commitment will be supported by the greening plans of the UK and other G10 economies.

The Group has carried out climate-related scenarios to assess its risk exposure. It is considered that the Group is currently well positioned to withstand the risks presented by climate-related issues. This is reviewed on a regular basis. These scenarios are described in detail in the Risk Management section.

	Impact on Businesses, Strategy, and Financial Planning
Products and Services	– Proposition team has introduced an assessment of climate-related risks and opportunities as part of their development process
Supply Chain and/or Value Chain	– The Group has hired a Head of Procurement who will be responsible for embedding consideration of climate-related issues into our third-party supplier management
Operations	– Our facilities team consider energy usage and encourage our landlords to switch to renewable energy sources – Recycling has been introduced across our offices – The resilience of our office portfolio to acute events is regularly assessed
Acquisitions/ Divestments	– Climate-related issues are considered as a part of acquisition due diligence across investment portfolios and business lines
Access to Capital	– The Group considers the sustainability requirements of equity and debt investors – Any perception that the Group is not addressing climate-related issues may impair the Group's access to capital, credit rating and cost of borrowing – The Group aims to communicate clearly and transparently with stakeholders so our approach to climate-related issues is well understood – The Group continually monitors climate-related issues including regulatory requirements and policyholder preferences. The Group develops its strategy in response to industry shifts in order to remain an attractive investment opportunity

Risk Management

Risks associated with climate change have increasingly moved from emerging risks to ones that are actively tracked and managed across the industry. The Bank of England and the PRA have highlighted climate-related risk as a key area of focus. The Group's success in achieving its vision to better serve all stakeholders will in part be defined by how well the Group, and society, addresses this key risk.

The Group considers climate-related risks to be a cross-cutting rather than a standalone risk type, given the Group's business and expected exposure. In order to articulate this approach, the Group has set out a Climate Risk Framework consistent with this approach to embed climate-related risk within the Group's existing Risk Management Framework. This sets out the overall approach adopted by the Group to identify, assess, manage, monitor and report risks associated with climate change and ensures that climate-related factors are considered when assessing the overall risks to the organisation. The Group believes this approach is appropriate given the expected materiality of climate-related risks on the Group.

The Group's strategy is to reduce and minimise the environmental impact of its operations while achieving its overarching business objectives. This entails embedding a sustainable mindset into its corporate philosophy. All staff are expected to consider and identify potential climate risks as part of their business as usual ("BAU") activities and decision-making processes. Business entities must identify any significant environmental impacts produced by their operations and put processes into place to prevent, reduce and mitigate them.

The Group uses the climate-related risk taxonomy developed initially by the Financial Stability Board and adopted by many regulators to provide a clear categorisation of the risks associated with climate change.

Stress and scenario testing is used by the Group to help assess the potential impact of a range of plausible climate change pathways on the Group's strategic objectives and to identify areas where additional controls or mitigants could be put in place. This is embedded through the Group and entity Own Risk and Solvency Assessment ("ORSA") processes and includes qualitative and quantitative assessment of climate-related risks on the Group's operational capabilities as well as its financial resources. The Group's assessment is there is currently limited exposure to climate risk given the resilience of our operations, our predominance of unit linked policies and limited insurance and/or investment risk.

The Board and Senior Management are expected to engage with, understand and oversee operational and financial risks from climate change, with a clear accountability for climate change. Overall responsibility for the framework for the identification, assessment, management and reporting of climate-related financial risks and opportunities sits with the Group Head of Risk and Compliance.

Scenario Testing

A top-down assessment of the potential impact of climate change across the Group's strategic objectives has been carried out based on the three pathway scenarios set out by the PRA in its 2019 Life Insurance Stress Test ("LIST") exercise:

- **Scenario 1:** A sudden transition (a Minsky moment), ensuing from rapid global action and policies, and materialising over the medium-term business planning horizon that results in achieving a temperature increase being kept below 2°C (relative to pre-industrial levels) but only following a disorderly transition. In this scenario, transition risk is maximised. The scenario is based on the type of disorderly transitions highlighted the IPCC Fifth Assessment Report (2014).
- **Scenario 2:** A long-term orderly transition scenario that is broadly in line with the Paris Agreement. This involves a maximum temperature increase being kept well below 2°C (relative to pre-industrial levels) with the economy transitioning in the next three decades to achieve carbon neutrality by 2050 and GHG neutrality in the decades thereafter. The underlying assumptions for this Scenario are based on the scenarios assessed in the IPCC Special Report on Global Warming of 1.5°C (2018).
- **Scenario 3**: 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 greenhouse gas emissions reflecting the riskier (high) end of current estimates.

The assessment has been based on the Group's risk universe to provide an indicative assessment of the potential impact of a crystallisation of a pathway on the risk profile of the Group.

The assessment indicates that the Group is currently well positioned in relation to an orderly transition to a low carbon economy. However, should the transition pathway follow a sudden (or disorderly) transition, there are a number of areas of potential impact both in terms of the Group's financial risks and the impact of changes in the external operating environment. In all scenarios, potential exposures are expected in relation to brand perception, the impact of changes and/or volatility in the geopolitical and macroeconomic markets and the impact of regulatory and legislative change as governments and regulators look to mandate climate-related practices within their work.

Under a sudden, disorderly transition scenario, the largest exposures are expected to be in relation to changes in the geopolitical, macroeconomic and regulatory environments as governments, markets and regulators look to rapidly transition and new regulations are introduced.

The larger financial and insurance impacts are expected to be under a "no transition" scenario. Under this, while regulatory and legislative change is more restricted, the impacts are expected to crystalise through extreme climate changes and weather patterns resulting in significant market volatility and shocks as well as adverse changes in life expectancy and health.

The risks associated with brand perception primarily arise through the potential view from stakeholders that the Group is either not doing enough in relation to transitioning its operations towards a low carbon footprint or is facilitating climate change through its operations, products and/or investments. The risks associated with brand perception are likely to increase over the coming years with projected increases in climate-related regulation and stakeholder expectations.

These risks are being actively managed across the Group with proactive approaches to measuring and reducing the Group's environmental footprint.

While the nature of the Group's products makes it difficult to actively position assets under administration in line with a low carbon economy, particularly where products have an open investment architecture, nudge techniques are used including providing ESG scores on all fact sheets for clients.

Stress Testing

The scenario testing is supported by a stress test which assesses the potential financial impacts of climate change on the Group based on the late action scenario included in the Bank of England's 2021 Climate Biennial Exploratory Scenario ("CBES").

Under this scenario, the transition to a net zero emissions economy is assumed to be delayed until 2031, at which point there is a sudden increase in the intensity of climate policy. In the UK, greenhouse gas emissions are successfully reduced to net zero around 2050, but the transition required to achieve that is more abrupt and therefore disorderly.

The Group has translated this into a market scenario applied as at year end ("YE") 2021 under which equity markets are assumed to fall by 15% while inflation and spreads increase significantly (by 200 Basis Points ("bps") and 175bps respectively). Interest rates are assumed to rise by 150bps in response to inflationary pressures. While the scenario is expected to result in an initial large drop in SII EV, consistent with the impact on the Own Funds, this is projected to recover over time and the impact on the Group's financial position is currently considered manageable, both in terms of Solvency Coverage Ratio and dividend paying capacity.

There is a risk that policyholder exposures to climate risks eventually feeds back into the Group through increased lapse rates.

Metrics and Targets

The Group has set out metrics in its Risk Appetite statement pertinent to climate-related issues. The operating business and Group risk metrics are monitored on an on-going basis. The metrics are reported on at least a quarterly basis to the appropriate Board risk committees as part of ongoing risk reporting.

Strategic External Risk Metrics	Reporting Level	Frequency	Metric	Green	Amber	Red
Climate Change Transition Risk: Exposure to Carbon-Related Assets	Group Only	Quarterly	Percentage of carbon-related assets in the shareholder investment portfolio	≤20%	>20% and ≤30%	>30%
Climate Change Physical Risk: Physical Risk Exposure of Shareholder Assets	Group Only	Quarterly	Sensitivity Weight Adjusted Composite of shareholder investment portfolio	≤40	>40 and ≤50	>50

Utmost Group produces an internal Climate Disclosure Dashboard ("Dashboard"). The purpose of the Dashboard is to provide climate-related data to the Board in order that they can track certain of the Group's climate-related exposures within the shareholder investment portfolio. The Dashboard contains metrics on Transition Risk (Exposure to Carbon-Related Assets), Physical Risks (Physical Risk Heatmap Scores) and Portfolio Decarbonisation (Carbon Intensity).

The Group uses data sourced from S&P Trucost and Sustainalytics to track the climate-related exposures of its investments.

Given the developing nature of climate-related metrics, the Board has elected not to provide quantitative data in its Annual Report at present.

The Group is committed to transitioning its shareholder investment portfolio to net zero GHG emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement. The Group has set an intermediate goal to halve the GHG emissions of its investment portfolio by 2030. This is an intensity-based target tracked using Carbon Intensity. YE 2020 will be used as the baseline position against which progress will be assessed.

Carbon Intensity for the shareholder investment portfolio is assessed on a quarterly basis enabling the Board to check progress against the target. The investment teams will proactively manage the shareholder investment portfolio to achieve the 2050 net zero and 2030 intermediate targets.

Carbon Intensity Measures

Government Bond
Territorial Emissions tonnes CO_2e/PPP GDP m USD

Corporate Bond
Tonnes CO_2e/m USD borrower revenue

The Group will be drafting a public Pathway to Net Zero document. The intention is that this Pathway includes quantitative measures, which will be subject to data availability and quality. The Group is completing a detailed analysis of the individual assets and sectors in its shareholder investment portfolio to aid in the production of the Pathway to Net Zero.

The Group's Remuneration Policy embeds consideration of sustainability into the Group's approach to remuneration. It is intended the Policy provides an important incentive to help achieve our goals and objectives. Individual objectives are set consistently with the Group's objectives, including the commitments made as a part of the Sustainability Strategy and management of climate-related issues.

Remuneration – across fixed and variable pay elements – is based on individual and business performance, and performance reviews incorporate consideration of how the Group has achieved against its sustainability objectives.

Certain identified roles will have specific objectives linked to the individual's contribution towards the successful implementation of the Group's Sustainability Strategy including climate-related issues.

Utmost Group manages predominately unit linked lines of business, with limited insurance risks. The policies may have some exposure to mortality and/or longevity risks. The Group continually monitors its mortality and longevity exposure to identify any outcomes that are materially different from the assumption made and factors these into the Group's overall reserving assumptions accordingly.

› Please see the Risk Management Report in the UGP Annual Report

The Group reports its operational GHG emissions in its SECR. The measurement incorporates Scope 1, Scope 2 and selected Scope 3 emissions.

› Please see page 06 for the Group's SECR including GHG emissions

The Group has committed to be carbon neutral in its operational emissions. The Group achieved a carbon neutral status for 2020 and 2021 through carbon offsetting and will do the same for our 2022 emissions. The carbon emissions caused by our organisation will be offset by funding an equivalent amount of carbon savings elsewhere in the world.

› Please see page 02 of the Group's Sustainability Report for ongoing initiatives to reduce our operational GHG emissions across the Group

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