

# NFU MUTUAL CLIMATE TRANSITION PLAN



November 2024



**NFU Mutual**  
INSURANCE | PENSIONS | INVESTMENTS

# FOREWORD



Nick Turner,  
Group Chief  
Executive

At NFU Mutual, we are committed to standing side by side with our members to build towards a better future. We strive to do business the right way and be there for our members in times of need and we believe that our responsibility extends beyond providing financial protection. To underline that commitment, we have established a refreshed Responsible Business Strategy in recent years, which sets out our Environmental, Social and Governance (ESG) ambitions.

Climate Change is our highest priority focus area within this strategy. We take the impact of our operations on the world we all live in seriously. We are aiming to both reduce our own environmental impact and support our members in their climate efforts.

In this inaugural Climate Transition Plan, we've outlined the action we're taking to reduce our emissions footprint and promote environmentally sustainable practices. We believe it's important to share where we are on our journey to Net Zero so that, together, we can work to ensure a sustainable future for generations to come.

**Nick Turner, Group Chief Executive**



Iain Baker,  
Risk Director

As Risk Director of our mutual insurance company, I consider it my responsibility to ensure that we are prepared to face the challenges posed by climate change. The physical and financial risks associated with climate change are becoming increasingly apparent, which is why we have developed a Climate Transition Plan to guide our efforts in addressing this urgent issue.

Our plan outlines how we will respond to the risks associated with climate change, including the impact on our insurance products as well as on our investment portfolio. We are committed to collaborating with our members and all of our stakeholders to create a sustainable and resilient future for all. We believe that our efforts will not only help mitigate the risks associated with climate change but also present opportunities to innovatively respond to the challenges posed. We are excited to embark on this journey towards a more sustainable future together.

**Iain Baker, Risk Director**

# CONTENTS

Introduction	5
Overview	8
Executive Summary	9
Strategy	12
Action and Engagement	22
Accountability	40
Appendix	45

# INTRODUCTION

NFU Mutual's Climate Transition Plan sets out the actions we are taking to achieve our ambition of becoming a Net Zero business by 2050. It is important to acknowledge that our Net Zero journey is still in its early stages and therefore we will iterate and refine our plan over time. This is the first release of our transition plan – the content and structure of which is based on best practice guidance from the UK Governments' Transition Plan Taskforce (TPT).

Our Climate Transition Plan covers the NFU Mutual Group entities shown in Appendix A and is part of a suite of climate-related and broader Environment, Social and Governance (ESG) information that we share publicly. Further information can be found in the following publications:

- NFU Mutual Responsible Business Report – This publication explains our Environment, Social and Governance (ESG) Strategy and includes information on the ESG-related activity we are undertaking across our business.
- Climate Change Report – This publication provides our stakeholders, including customers and regulators, with information about our Climate Change Strategy and how we are robustly identifying and managing the risks and opportunities arising from climate change.
- NFU Mutual Report and Accounts – We include climate-related information within our annual Report and Accounts in line with legislative reporting requirements, including the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, and Streamlined Energy and Carbon Reporting (SECR).
- Stewardship Report – We are proud signatories of the UK's Stewardship Code and annually publish our performance, including how we embed consideration of climate change within our investment activities.
- Retail Investment Climate Disclosures – We publish climate-related metrics for our retail investment funds, so that customers can access a summary of emissions performance for each fund when making their investment decisions.



## Context

The scientific consensus is clear: the world must limit global warming to 1.5°C to avoid a climate catastrophe. This means reducing global greenhouse gas emissions to Net Zero by 2050 through transition to a low-carbon economy. Without significant action across the whole economy, impacts from climate change will continue to increase, until some insurance risks potentially become uninsurable.

Climate transition plans can support global goals to limit temperature rises by setting out a structured approach to the integration of environmental factors into business strategy and planning. By implementing comprehensive climate transition plans, companies can define the roadmap for a more sustainable and climate-resilient future.

### **The role of insurance in the climate transition**

Climate change poses one of the most significant challenges to humanity today. NFU Mutual aims to develop insurance-related products and services that aim to help mitigate the impacts of climate change and support the transition to a low-carbon economy.

Equally, as an industry, insurance has a role to play in protecting our economy from the increasing impacts of climate change and enabling the transition. Through underwriting and financing positive climate action, the industry will contribute to solutions in the short, medium and long term. Through its collective influence and risk expertise, the

industry also has a powerful voice to educate, inform and drive momentum.

In 2021, the ABI (Association of British Insurers) in partnership with Boston Consulting Group, published its Climate Change Roadmap, stating, “Addressing Climate Change is fundamental to the future of our planet and will determine our future as a sector. Global temperature rises alongside the loss of natural habitats and biodiversity will result in systemic risks through extreme weather and disruption to our environment, causing a negative impact on physical and mental wellbeing, along with an increased risk of infectious diseases and pandemics.

Even within the 1.5°C scenario, there will be significant changes to the environment that will affect societal wellbeing and investment outcomes. Therefore, our sector’s contribution to managing risk and adapting society to these changes is vital.”

ICMIF (International Cooperative and Mutual Insurance Federation) also highlights the importance of the mutual sector in bringing to life the real risks that could impact their members: “The cooperative/mutual sector is the most impactful segment of the insurance industry when it comes to identifying and managing the socio-economic and environmental risks that determine our planet’s future sustainability.”

This is why we believe it’s important to develop our inaugural Climate Transition Plan and, set out the steps we’re taking towards our ambition of achieving Net Zero emissions across our Scope 1, 2 and 3 emissions by 2050. Our transition to become a low-carbon

business is vital for protecting the planet, our members, our industry, and our business for future generations.

We also recognise, however, that no individual company can achieve Net Zero in isolation. It requires co-ordinated action on a global scale, effective and stable policies at a national level and collaboration across the whole economy to deliver a successful outcome.

We’ve built our transition plan using a set of assumptions and dependencies relating to actions taken by others, which are set out in more detail on page 47 of the Appendix.



# OVERVIEW

Overarching Net Zero Ambition	Net Zero by 2050 with interim targets and metrics to track progress	
Our Strategy	<ul style="list-style-type: none"> <li>To understand and respond to the impacts of climate change on our customers and our industry during the transition to a Net Zero Business</li> <li>Prioritising engagement and influence over exclusion</li> </ul>	<ul style="list-style-type: none"> <li>Seven strategic intents, focussing on members, employees, insurance, investments, premises, supply chain and solvency</li> </ul>
Our Insurance Business	<ul style="list-style-type: none"> <li>Develop insurance related products and services that aim to help mitigate the impacts of climate change and support the transition to a low-carbon economy</li> </ul>	<ul style="list-style-type: none"> <li>Reduce emissions associated with our claims services</li> </ul>
Our Investments	<ul style="list-style-type: none"> <li>Prioritise engagement with our investees over divestment</li> <li>Finance the transition by investing in green assets</li> </ul>	<ul style="list-style-type: none"> <li>Reduce emissions associated with our property investment portfolio</li> <li>Actively manage our portfolio to mitigate the impact of climate risk on our investments</li> </ul>
Our Operations	<ul style="list-style-type: none"> <li>Reduce emissions associated with our occupied premises</li> <li>Reduce emissions associated with business travel</li> </ul>	<ul style="list-style-type: none"> <li>Enable our employees to take positive climate-related action</li> </ul>
Our Supply Chain	<ul style="list-style-type: none"> <li>Prioritise engaging and influencing suppliers over supplier de-selection</li> <li>Work with suppliers to develop climate-related solutions</li> </ul>	<ul style="list-style-type: none"> <li>Actively monitor and manage supply chain emissions</li> <li>Embed ESG factors into supplier selection and management processes</li> </ul>
Our Industry Influence	<ul style="list-style-type: none"> <li>Engage with the industry stakeholders, such as DEFRA, the farming unions, and the ABI to drive progress towards Net Zero</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to industry initiatives, such as ClimateWise and Principles for Responsible Investment to develop climate solutions and leverage industry influence</li> </ul>
Our Accountability	<ul style="list-style-type: none"> <li>Clear accountability and oversight of our Climate Change Strategy and Net Zero Roadmap</li> <li>Consideration of climate change incorporated into frameworks across the business to embed in decision making</li> </ul>	<ul style="list-style-type: none"> <li>Internal communication and education for all employees to embed climate throughout our culture</li> </ul>

# EXECUTIVE SUMMARY

NFU Mutual’s Climate Change Strategy aims to ensure that our business remains resilient to the impacts of climate change, that we develop products to mitigate the impacts of climate change and support the transition to a low-carbon economy, and we reduce the greenhouse gases associated with our activities to become a Net Zero business by 2050. In support of this we have set the following targets:

**NFU Mutual aims to become a Net Zero company by 2050**

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

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

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

## Our insurance business

Our approach is to understand and respond to the impacts of climate change on our members and our industry. We are developing insurance-related solutions that aim to help mitigate the impacts of climate change and support transition to a low-carbon economy.

We are also protecting the long-term resilience of our business by factoring climate change impacts into capital management, solvency analysis and financial planning decision making.

## Action and engagement

We are developing and launching new insurance solutions, including the UK’s first parametric insurance for dairy heat stress in cattle, and partnering with NFU Energy on their Renewable Energy Solutions service.

Our Climate Change Strategy focusses on the impacts that climate change could have on different aspects of our business. For each of these we have set out a strategic approach, which we are actively working to deliver:

We continue to develop underwriting covers for renewable and low-carbon technologies and have adapted our personal motor insurance to meet the needs of electric vehicle drivers.

In our claims services, we have developed capability to repair rather than replace items damaged in the home, and use of recycled parts in motor repairs. We have increased the use of technology to reduce mileage traveled to inspect losses following a claim and also became one of the first insurers to join Flood Re's Build Back Better scheme in 2022.

## Our investment business

### Approach

We believe that engagement with the companies we invest in is a better approach than divestment, to achieve our targets. By remaining invested in companies, we retain the ability to influence their approach to addressing climate change and provide support on the path to reduce their Greenhouse Gas (GHG) emissions.

We aim to deliver climate resilient returns for our members and enable the transition to a low-carbon economy.

### Action and engagement

We engage with the highest emitting firms in our portfolio to actively influence the transition to a low-carbon economy. We take stewardship seriously and are signatories of the Principles for Responsible Investment and the UK Stewardship Code.

ESG-related factors are integrated into investment decision making and we actively measure and manage emissions associated with our investment portfolios.

We invest in assets labelled as low-carbon and green investments, to support the transition to a low-carbon economy.

We incorporate climate-related factors into our lease agreements with tenants, including procurement of renewable energy, minimising detrimental impacts on energy performance and sharing of climate-relevant data to achieve our emissions targets.

## Our operations

### Approach

Our employees are critical to delivering our Climate Change Strategy. We therefore build climate understanding at all levels, incentivise senior managers to deliver climate targets and enable our employees to take action that benefits the climate.

We are also taking steps to ensure the buildings our employees work from are as energy efficient as possible and to reduce emissions associated with business travel.

We are working with our supply chain to reduce our emissions footprint and deliver climate-resilient products and services.

### Action and engagement

We are implementing a number of initiatives that are reducing emissions associated with our operations, including:

- Our Hybrid Working Policy enables employees to work from home up to 80% of the time, which reduces emissions associated with business commuting
- We have revised our company car scheme to encourage employees who are eligible for company cars to select low emissions or electric vehicles

- We have been implementing climate-related improvements across the sites where our employees work, for a number of years, including fitting LED lighting, transitioning away from fossil fuel powered heating and deploying building management systems to maximise energy efficiency. We have also installed electric vehicle charging stations at some of our sites and have installed solar panels at our head office in 2024.

Actions to implement climate-related improvements in our supply chain include:

- Incorporating ESG factors into our procurement decision making
- Engaging with key suppliers to understand how we can work together to deliver mutually beneficial climate-related solutions
- Developing our understanding of the emissions associated with our supply chain and the level of maturity of our suppliers' climate change strategies
- Improving our access to ESG supplier information, through our proactive contribution to the development of a Financial Services & Insurance industry tool.

Our Climate Change Strategy recognises that we cannot achieve our Net Zero ambition on our own and the importance of collaborating with internal and external stakeholders. We are therefore committed to our climate engagement approach of **prioritising engagement and influence over exclusion**.

# STRATEGY

Addressing climate change is a collective responsibility, and we all have a role to play in transitioning to a low-carbon future. As a UK based insurer with rural communities at our heart, NFU Mutual is developing insurance related solutions that aim to help mitigate the impacts of climate change and support transition to a low-carbon economy.

By engaging across our value chain we aim to deliver real-world change.

To ensure our Climate Change Strategy encompasses our aims and includes the entirety of our business, we have broken it out into three key elements:

## Climate Change Mission Statement

Tackling climate change is a shared global responsibility and we all have a part to play. As a UK based insurer with rural communities at our heart, NFU Mutual is both responding to the insurance needs of our members and actively reducing our own environmental impact to help drive the transition to a low-carbon economy.

## Focussed Activity

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

- Customer
- Insurance
- Solvency
- Investments
- Employees
- Premises
- Supply Chain

## Net Zero Roadmap

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

## Our Net Zero Ambition

Defining and delivering a Net Zero Roadmap is a key part of our Climate Change Strategy and we have set the ambition to:

**Become a Net Zero company by 2050**

This aligns to the globally recognised target and UK government legislation. Our aim is to achieve a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere by:

1. Reducing emissions generated to the lowest level it is realistic to achieve
2. Compensating for emissions that cannot reasonably be eliminated by removing emissions elsewhere.

We recognise that credible emissions reduction targets and ambitions need to align to science-based methodology to limit global temperature rises. They also need to extend beyond the scope of our own operations and, over time, encompass our whole

emissions footprint. In developing our Net Zero Roadmap, we have taken account of best practice guidance available, including from the Transition Plan Taskforce (TPT) and the Science Based Targets initiative (SBTi). This ensures that our targets and ambitions are credible and make a meaningful contribution to limiting global warming.

We are focussing our work in the short to medium term on maximising emissions reduction and delivering solutions that will facilitate the transition to a low-carbon economy. Offsetting solutions, including nature-based solutions and engineered carbon capture and storage solutions, are still developing and will need to be available at appropriate cost and scale to enable us to achieve net zero by 2050, therefore they are not a current focus.

We have set public targets for reductions in our own emissions and our investment portfolios, and we are developing targets for other emissions sources, which will be published as part of future transition plan updates.

## Summary of targets

We have set targets over different time periods to support our strategic ambition to become Net Zero by 2050, with defined metrics that allow performance against targets to be consistently tracked over time, and to identify when additional action may be necessary.

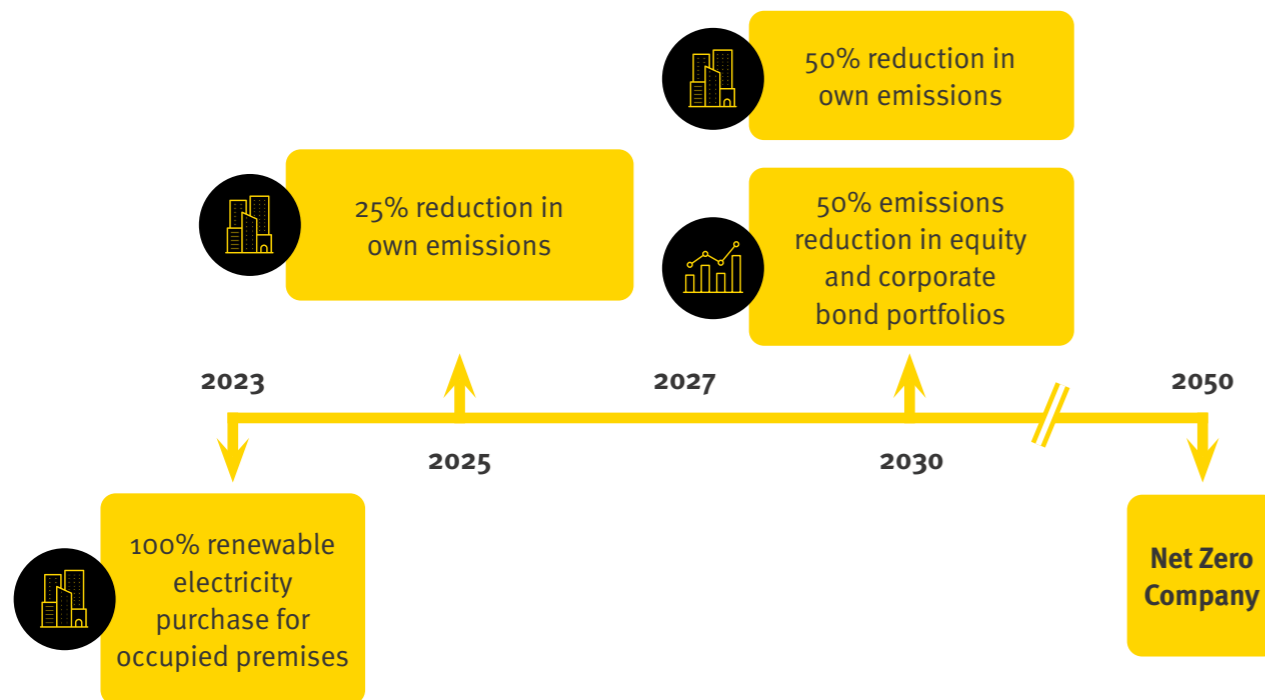
The diagram below provides a summary of the targets we've set as part of our Net Zero Roadmap. Percentage reductions are measured against a base year of 2019.

Each target is tracked on a regular basis to determine progress and reported to our Board annually. To date, we are making positive progress towards achieving targets. If this changes in the future, accountable managers will identify potential options to overcome challenges, which will be escalated through the Group's governance framework for discussion and agreement.

Our targets were developed using guidance published by the Greenhouse Gas Protocol Accounting Standards and the Science Based Targets Initiative (SBTi) and align to a 1.5°C pathway. The process and methodology we followed to develop targets for our own emissions has been independently validated by an external third party.

Metrics used to measure progress against targets are dependent on the appropriate quality and quantity of data being available. The availability and quality of climate-related data is still evolving; therefore we use estimated data and proxies where necessary to compensate for data challenges.

Further detail on specific targets can be found throughout our transition plan in the relevant sections.



## Climate change mission statement

Our climate change mission statement summarises our commitment to tackling climate change.

It provides a clear statement that emphasises the need to transition to a low-carbon economy and represents our values and principles as an organisation. By ensuring the business has a clear overarching message, we can ensure that all aspects of our strategy align with our core values.

“Tackling climate change is a shared global responsibility and we all have a part to play. As a UK based insurer with rural communities at our heart, NFU Mutual is both responding to the insurance needs of our members and actively reducing our own environmental impact to help drive the transition to a low-carbon economy.”

NFU Mutual Climate Change Mission Statement

### Alignment to Group Strategy

At NFU Mutual our overarching strategy is to deliver a local, personal and attentive service that is second to none, so that we can protect and enhance the lives of our customers and rural communities.

A core aim of our Environmental, Social and Governance (ESG) strategy is to embed ESG

considerations in all aspects of our decision-making, and climate change is a priority component of our ESG strategy.

Successfully implementing our Climate Change Strategy is crucial to protecting and enhancing the lives of our customers in the coming years and ensuring that climate impacts are considered in decision making at all levels.

Our Climate Change Strategy also supports the achievement of our three long-term objectives.

**Sustainable profitable growth** – remaining resilient to the impacts of climate change and taking advantage of opportunities in core markets will help us to achieve our long term growth ambitions.

**Great company to do business with** – through our climate change engagement approach, we aim to work with customers and third parties, including our suppliers, agency network and the companies we invest in, to transition to Net Zero in a mutually beneficial way.

**Great place to work** – we offer employees a number of climate-beneficial opportunities - including hybrid working, season ticket loans and shuttle bus services - that reduce travel-associated emissions. There are also opportunities to directly benefit the environment through volunteering days or through learning about climate change and how an individual's actions can make a difference.





## Strategic intent

To ensure that our Climate Change Strategy covers the whole of our business effectively, we have defined seven impact categories and set out an overarching strategic intent for each of these.

We are already taking action across all of these areas to contribute to achieving our overarching strategic ambition. We've included some examples in this section, with more information in the following 'Action' section.

### Our customers

NFU Mutual aims to develop insurance related solutions that help to mitigate the potential negative impacts of climate change and to enable effective climate adaptation.

Our close relationship with the farming community enables us to understand how agriculture is adapting and how the needs of our farming members are changing because of climate change.

We are developing and launching new insurance solutions, including the UK's first parametric insurance for dairy heat stress in cattle, and partnering with NFU Energy on their Renewable Energy Solutions service.

### Our insurance activities

NFU Mutual will deliver underwriting and claims solutions that aim to help mitigate climate change impacts and support the transition to a low-carbon economy.

Changes to weather patterns and the long-term climate will impact our core insurance activities and we'll also need to respond as the UK acts to de-carbonise its economy. We regularly review our insurance products to ensure they remain resilient to the impacts of climate change and continue to meet our members' needs in the short, medium and long term. Our insurance products now offer cover for a range of low-carbon solutions, from electric cars and solar panels, through to anaerobic digestors and micro wind turbines.

We've also implemented a range of claims solutions, including the use of recycled parts in motor claims and repair over replace for some property and motor claims.

**Our solvency**

NFU Mutual will factor climate change impacts into capital management, solvency analysis and financial planning decision making to ensure ongoing financial resilience.

At NFU Mutual, we perform regular scenario analysis, including climate-related modelling, to understand the interrelationships between climate change and our solvency position, testing potential vulnerabilities and climate-related impacts. This allows us to assess the resilience of our business under a range of potential climate change scenarios.

Alongside this, we annually review climate-related impacts on our actuarial reserving practices and methodology, and therefore our booked reserves, to ensure long-term financial resilience.

**Our investments**

NFU Mutual will embed climate change in investment decision making to deliver climate-resilient returns for our members and enable the transition to a low-carbon economy.

NFU Mutual has joined a number of industry bodies, including becoming signatories to the Principles for Responsible Investment (PRI), to ensure that climate-related investment activity aligns with leading industry practice. For NFU Mutual, responsible investing encompasses integrating Environmental, Social, and Governance (ESG) considerations

into all aspects of investment analysis and decision-making. Through these initiatives we're also supporting industry-wide efforts to influence the transition towards a low-carbon economy.

Actions we are taking as part of our strategy include engaging with highest emitting investee firms and investing in assets labelled as low-carbon and green investments. These actions are contributing to our short- and medium-term targets, which are reviewed by the Board annually.

We are implementing a long-term plan to continue to drive reductions in emissions across our property portfolio.

**Our employees**

NFU Mutual will incentivise our senior managers to deliver our Climate Change Strategy and enable our employees to take climate-beneficial action.

Employees are key to delivering NFU Mutual's Climate Change Strategy and are impacted by its outcomes. Ways in which employees are encouraged to contribute to NFU Mutual's transition to Net Zero include offering climate-related training and volunteering opportunities, provision of a free shuttle bus between our Stratford-upon-Avon sites and access to low emissions cars through a salary sacrifice scheme, for eligible company car drivers.

In 2023 we added climate change factors into executive remuneration schemes as part of the Group's long-term incentive plan for

the first time. The metrics are aligned to the achievement of own emissions targets set as part of our Net Zero Roadmap. The metrics and targets are reviewed on an annual basis.

**Our premises**

NFU Mutual will reduce the emissions footprint of the buildings occupied by our employees, and ensure they are resilient to impacts from climate change.

We continue to take action to improve the energy efficiency of the buildings occupied by our employees. For example, recent refurbishments and renovations of our offices have improved our Energy Performance Certificate (EPC) scores, so that 80% of Group occupied offices are now rated C or above, up from 65% in 2022. We report on occupied premises emissions as part of our 2025 and 2030 targets for our own emissions.

**Our supply chain**

NFU Mutual will work with our supply chain to reduce our emissions footprint and deliver climate-resilient products and services.

We acknowledge our responsibility for the emissions in our supply chain and we are continuing work to quantify these utilising tools from our partnership with Hellios<sup>1</sup>. We plan to use this data to understand the climate-related activities of our supply chain, proactively engage to identify potential solutions and inform our purchasing decisions.

By engaging with our suppliers, we can influence their actions and learn from them.

In 2024 we launched our 'NFU Mutual Supplier Relationship Code' which describes the requirements and ways of working that NFU Mutual applies to its supply chain.

We have also developed our assessment framework for evaluating suppliers to include ESG specific criteria.

<sup>1</sup>Hellios is a supplier information and risk management company. It collects, validates and monitors our suppliers' information all through one system, optimising the management of our supply chain. Further information on our partnership with Hellios can be found on page 31.

## Climate and Nature

NFU Mutual is committed to making a positive difference for our members, for our employees, for rural communities, and for the environment.

As part of caring for the environment, we recognise our role in responding to climate change and also the importance of protecting nature and biodiversity. We have therefore included nature and biodiversity as a distinct component within our ESG strategy.

Climate change and nature are intrinsically connected, with the former having profound impacts on the natural world. Conversely, nature plays a critical role in mitigating climate change and therefore preserving and restoring nature is essential for climate resilience.



Our Group Head of Properties is accountable for developing our nature and biodiversity approach, which will align with our existing Climate Change Strategy.

Across our Stratford-upon-Avon sites, we have 14 hectares of open green space with over 1,000 trees of 79 different species. We also operate a number of different initiatives to encourage nature and biodiversity and prevent nature loss. These include: wildflower gardens to encourage flying insects and, in turn, bats; log piles to provide habitats for insects, fungi, mosses and lichens; bird feeding stations; bee hotels; and bird, owl and bat boxes across our sites. We have installed signage explaining the benefits of each of the initiatives to help raise awareness and educate employees on what they could do at home.

Agriculture has a critical role to play in delivering nature-based solutions to climate change, that simultaneously remove greenhouse gases from the atmosphere and promote nature and biodiversity. Through our close association with the industry, we are engaging with our farming members, the UK farming unions, the Department for Environment, Food and Rural Affairs (DEFRA), Natural England and other specialists across the UK, to understand the role NFU Mutual can have in supporting biodiversity initiatives set out by the Government and private enterprises. Within the insurance industry we have contributed to the Association of British Insurers' (ABI) guide to nature risks.

## Climate and the Just Transition

The Just Transition is a principle that seeks to ensure that the transition to a low-carbon economy is fair and equitable, particularly for workers and communities that are reliant on industries that may be affected by this transition.

### Provision of insurance

In the UK, we continue to see an increase in extreme weather events.

Scenario analysis is a key tool used to understand potential future climate impacts. Under a plausible scenario where we fail to curb global emissions (Representative Concentration Pathway 8.5), the Intergovernmental Panel on Climate Change (IPCC) suggests that high intensity rainfall could be four times as frequent by 2080 compared to the 1980s.

Our membership of Flood Re currently ensures that those regions that are more susceptible to these types of extreme weather events, and the floods they cause, are still able to access insurance protection.

### Circular economy

The circular economy refers to sharing, repairing, and reusing within society. This reduces emissions, the strain on natural resources and waste.

To reduce our waste to landfill, and associated emissions, we promote the donation of office furniture as an alternative to standard

disposal. In 2023, we donated 574 pieces of office furniture to the local community. We also donated a further 4,108 items to Waste to Wonder to be redistributed for reuse.

### Social enterprises

Social enterprises focus on maximising ESG benefits whilst delivering their goods and services, to create a more equitable, inclusive and sustainable economy. Research by Social Enterprise UK uncovered that 67% of social enterprises plan to, or already have, embedded climate change into their constitution or articles of association.

NFU Mutual is now a proud partner on the Buy Social Corporate Challenge, which is a ground-breaking initiative supporting large businesses to direct their procurement spends towards social enterprises - businesses with a social or environmental mission. In 2023, NFU Mutual spent £794,631 with social enterprises and not-for-profit organisations, as part of Social Enterprise UK's Buy Social Corporate Challenge, with a target to increase spend by 10% in 2024. Longer term NFU Mutual aims to widen its use of social enterprises across its supply chain.

These organisations are often focussed more widely on ESG issues so, by working together, we can learn from each other to make progress.

# ACTION AND ENGAGEMENT

## Action across our Insurance Products

We are experiencing an increase in the frequency of extreme weather events in the UK, which creates a demand for products that offer resilience to these risks. As our members are being impacted both by physical and transitional risks, we have seen a growing uptake in the adoption of new technologies, such as solar electricity generation and electric vehicles. Through regularly reviewing and developing our insurance offering and working closely with key stakeholder groups, we are adapting to support members as they adopt new climate beneficial solutions.

“We are committed to making a positive difference for our members, our people, our farming and rural communities, and for the environment, by doing business the right way.”

## Farming

NFU Mutual was founded in 1910 by seven Warwickshire farmers and since then we have become the UK's leading rural insurer.

Through our close relationships with the agricultural industry, including the UK farming unions, we are able to understand how the industry is adapting to climate change and how our members' needs are changing.

In recent years, we have launched products which cover the investments farmers have made in low-carbon solutions and protect against increasing weather-related risks.

We are committed to supporting the farming industry on its Net Zero journey and it is a strategic focus to understand future needs and develop appropriate strategies and solutions.

## Parametric heat stress protection

In 2023, working in partnership with Skyline Insurance, NFU Mutual piloted the UK's first parametric insurance product for dairy heat stress, to manage heat risk amongst cattle. A parametric insurance product is a type of insurance that pays out a predetermined amount in the event of a specific trigger or event - in this case temperatures and humidity rising to a certain level - without requiring proof of income losses to be provided by the insured.

Our members can therefore receive payment quickly without needing to go through a lengthy claims process. As farmers are facing hotter periods, parametric insurance was chosen for our dairy heat stress product to enable more reliable and efficient payment of claims, as the actual loss amount may be difficult to assess.

Following the successful pilot, we are now reviewing our parametric heat stress proposition prior to wider rollout.

## Renewable energy schemes

Renewable energy schemes are one way for farmers to diversify their business and make their farms sustainable for the future. We are working with NFU Energy on their Renewable Energy Solutions service as their exclusive insurance partner, helping and supporting NFU members with their insurance needs for small-scale renewable energy projects.



**Alternative fuels**

NFU Mutual is working with agricultural vehicle suppliers to create insurance products that can cover vehicles and equipment powered by alternative fuels, such as electricity or methane gas. This is still an evolving technology, which may allow cattle farmers to capture methane produced in cattle sheds and use it as fuel, which reduces the amount of methane released into the atmosphere and provides an alternative fuel source to the fossil fuels typically used in these vehicles.

**Home insurance**

Home insurance products can play an important role in managing the consequences of climate change by helping individuals and communities to become more resilient and adapt to the impacts of extreme

weather events, which are likely to become more frequent and severe due to climate change.

Providing comprehensive home insurance products that cover weather events, such as floods and storms, can help homeowners to recover and rebuild while minimising the financial and emotional impacts of such events.

**Supplier spotlight: Magicman**

We are working with Magicman, a hard surface repair specialist that is able to repair items such as kitchen worktops, tiles and bathroom suites. This reduces the need for replacement items to be sourced and in 2023, prevented 1498kg of waste going to landfill.



**Environmentally friendly repairs**

Our claims team is continually exploring new initiatives and suppliers that may support our commitment to being a responsible business.

By utilising more sustainable solutions, such as using non-toxic materials, and recycling parts from damaged equipment, we can reduce the environmental impact of repairs.

**Flood resilience**

NFU Mutual has been supporting flood claims with innovative measures, such as raising plug sockets above flood levels, since 2018. We were also one of the first insurers to join Flood Re’s Build Back Better scheme, delivering resilient repairs for our members.

This includes activities such as installing floodproof airbricks to prevent water from seeping through, and putting in place no return soil pipes to reduce the risk of water backflow.

**Motor insurance**

Transport is a significant source of GHG emissions and, as such, the transition to low-carbon vehicles is integral to achieving Net Zero emissions globally.

We continue to define and develop our roadmap for electric vehicle (EV) propositions and are developing our claims capabilities to support the transition to a low-carbon economy.

**Electric vehicles**

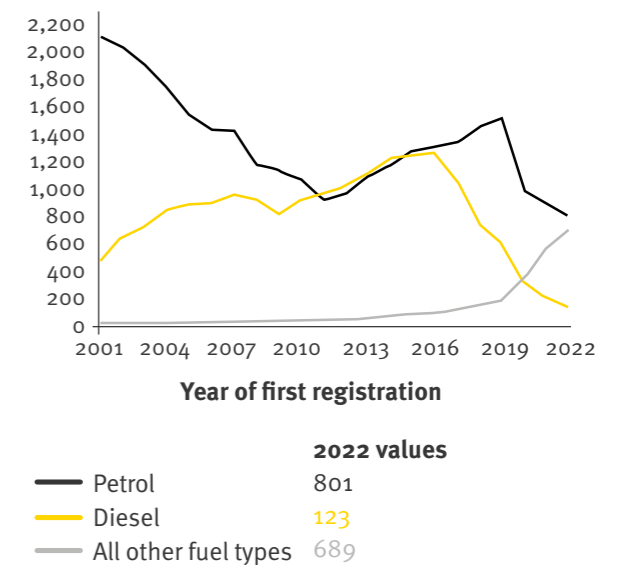
As we transition to Net Zero as a country, we will see a transition from traditional

diesel and petrol fuelled vehicles towards electric vehicles. This is underpinned by the government’s ban on the sale of new petrol and diesel cars from 2035. The following graph shows the number of registrations of different types of cars in the UK and shows a steady increase in adoption of electric vehicles, which we anticipate will continue as the UK moves towards the government’s 2035 target.

To support this change, the UK government has implemented a number of incentives such as EV grants, charging grants and salary sacrifice EV schemes. This has resulted in a significant increase in EV cars in our motor insurance portfolio.

We offer comprehensive cover across a range of EVs in the market and continue to improve our product offering as our experience increases.

**Thousands of cars registered for the first time | GB**





**Green parts scheme**

To support our commitment to being a responsible business, we operate a recycled\* parts scheme, in partnerships with SYNETIQ and Vizion.

In 2023, SYNETIQ were awarded a silver medal by EcoVadis, one of the largest and most trusted providers of business sustainability ratings. This reflects their efforts across the themes of Environment, Labour & Human Rights, Ethics, and Sustainable Procurement.

Through our wider partnership with SYNETIQ Mechanical Solutions network, recycled\* parts are used as a repair option for claims involving mechanical damage. We are also trialling the use of recycled parts to prevent

older vehicles being written off, such as the replacement of stolen catalytic converters.

**Supplier spotlight: SYNETIQ**

NFU Mutual, in partnership with SYNETIQ, sources recycled\* parts that can be used when a vehicle needs repair. When recycled\* parts are used, we issue the customer with a sustainability certificate to recognise the positive impact this has. It's still early days for this initiative and, from January 2023 to October 2024, NFU Mutual had so far sourced over 160 recycled\* parts from SYNETIQ, as well as a smaller number of recycled engines through SYNETIQ Mechanical Solutions.

\*Repair quality and safety are of paramount importance to NFU Mutual. Therefore, we will not fit any recycled parts that are safety-critical to the vehicle and its occupants.

**Action across our Investments**

As a mutual, we are owned by our members, and it is our responsibility to invest carefully to maintain our financial strength and generate returns that benefit our members. We do not have shareholders and can therefore reinvest returns into the insurance products and services we offer, and also directly benefit our members, for example via Mutual Bonus for General Insurance members.

NFU Mutual is a composite insurer, which means we provide general insurance and financial services products and services. As part of our financial services business, we offer retail investment products.

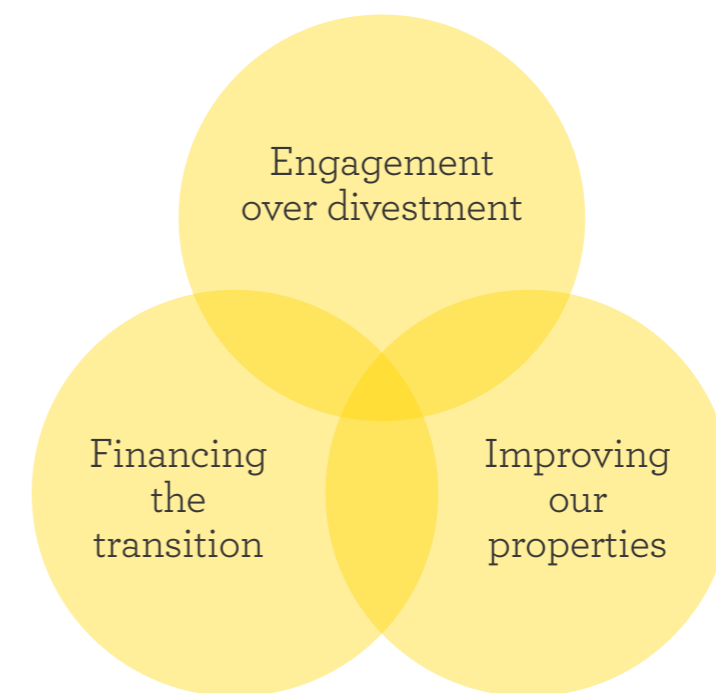
Responsible investing has always been an essential part of our investment approach, both for the funds we manage as a mutual society and for an individual's investments.

We have an extensive history of advocating for good corporate governance and communicating with the companies in which we invest.

Our core investment beliefs include integrating ESG matters into investment strategy and decision making. We recognise that ESG-related factors need to be considered alongside other investment criteria, as their effects on investment and real-world outcomes, including climate change, can be significant.

As part of our commitment to protecting the environment and operating responsibly, we have set a target to reduce emissions in our equity and corporate bond portfolios by 50% by 2030, compared to a 2019 base year.

To ensure we achieve these targets, we have three core strands of work we are actively pursuing:



### Engagement over divestment

At NFU Mutual, we believe that engagement with the companies we invest in is a better approach than divestment to achieve our targets.

By remaining invested in companies, we retain the ability to influence their approach to addressing climate change and provide support on the path to reduce their GHG emissions.

Our engagement approach is set out in more detail in our section on ‘Engaging through our investments’, beginning on page 34.

### Financing the climate transition

Alongside engaging with companies, we actively seek out opportunities to invest in assets which support the climate transition.

Whilst the downside risks of climate change to investment performance are more commonly reported and commented on, we continue to respond to opportunities by adding investment to bonds that are labelled green or, sustainable to our portfolios where appropriate.

In 2023, we made a net investment of £23m in funds labelled as green or sustainable, with £5m of that being gilts. NFU Mutual’s aggregate holdings at year-end (2023) were £320m, of which £60m was gilts.

Our key responsibility towards our members is to maximise our risk-adjusted return. Whilst investing within the constraints of our mandates, we search out opportunities to

choose companies we believe can contribute to the climate transition, supported by analysis of a company’s transition plan or SBTi target status.

We recognise that reducing the emissions of our investment portfolios is dependent on the progress of our investee companies on their own Net Zero journey, so we actively engage with them as part of our transition plan activities.

An externally-managed fund, with an explicit focus on sustainability, is available for those who hold retail investments and wish to invest in funds with a sustainability mandate.

### Disclosing emissions performance

We published the emissions associated with our investment portfolios for the first time in our 2023 Report and Accounts. The success of our ESG investment strategy to date has resulted in a 19% reduction in absolute emissions in our General Insurance Fund (2019 - 663,638tCO<sub>2e</sub>, 2023 - 470,870tCO<sub>2e</sub>), compared to a 2019 base year. The majority of emissions reductions reflect improvements in the performance of the firms within the fund. However, this has been offset by some asset changes made to diversify the portfolio, that have increased emissions for certain classes. We will continue to actively balance achieving our investment objectives whilst reducing emissions in line with our published targets, to deliver sustainable returns for our members. In 2024 we published emissions information for each of our retail investment funds for the first time. This provides members who invest in our retail funds with access to a summary of the emissions performance for each fund to enable informed decision making.

### Improving our investment properties

Our property investment team manages around £1.5bn of UK real estate investments on behalf of the Group. We aim to invest in opportunities that deliver long-term sustainable performance, and which align to our integrated ESG approach.

In 2022, over £300m of property investment transactions were completed which helped to improve exposure to energy-efficient investments and, at the end of 2023, 97% of all property investments had an Energy Performance Rating (EPC) of C or better and 54% rated B or better. This is ahead of expected legislative requirements for minimum EPC ratings for commercial property.

Where NFU Mutual is responsible for electricity procurement across our property investment portfolio, we only acquire renewable electricity.

### Action across our Operations

Climate change affects our employees and the way we manage our offices. We need to make changes to our operations to respond to these impacts and help mitigate the impact that climate change has on our business.

### Supporting our employees

Our managers stay informed about climate-related topics through many different routes, including participating in relevant industry initiatives, monitoring external publications, receiving updates from centralised

Since January 2022, we have included green lease provisions on new property investment leases, and we have also included these in mid-term amendments where possible. For our new property developments, we ensure that we are meeting BREEAM standards.

### Green Leases

Inclusions to be agreed to constitute a green lease clause:

- Inclusion of data sharing – collaboration to deliver sustainable solutions
- Inclusion of minimising adverse effect on EPC
- Inclusion of procuring renewable energy.

compliance and climate change teams and holding discussions in risk and management committees. We also have a dedicated page on our internal website to provide all employees with key climate change information.

Being a responsible business is an important part of NFU Mutual’s Great Place to Work objective. Our ESG and climate change strategies help define how we operate as a business and contribute to an inclusive culture, where our employees feel valued and engaged. We achieved world-class employee engagement scores, as ranked

by the Gallup Q12 Employee Engagement Survey for the 10th year running in 2024 and have maintained our 99th percentile rating. We have also recently been recognised as a Top Employer for 2024 by the Top Employers Institute for certified excellence in employee conditions.

**Improving our premises**

We have a long running programme in place to maximise the energy efficiency of our office premises. We have implemented initiatives including upgrading lighting with energy efficient LED alternatives, transitioning to energy efficient heating systems powered by electricity, and deploying building management systems that allow us to maximise the energy efficiency of our buildings.

When on-site equipment is due for replacement, or office refurbishments take place, we aim to maximise the energy efficiency and sustainability of work undertaken.

Since the pandemic and the introduction of our Informal Homeworking policy, we have seen a reduction in the number of days employees work from our offices. This is allowing us to rationalise our occupied office space and will further contribute to meeting our own emissions targets.

The actions we have taken to date to improve our office estate have resulted in a 33% reduction in office-related emissions as at the end of 2023, compared to a 2019 base year. This means that we have surpassed our 25% reduction by 2025 target two years early.

We continue to find opportunities for emissions reduction and, in 2024, we installed solar panels at our head office in Stratford-upon-Avon. We estimate that this will provide around 18% of the power demands for the office, significantly reducing our demand on the grid.



**Action across our Supply Chain**

We work closely with third party suppliers to successfully deliver our insurance services. We recognise that emissions associated with these relationships form a significant portion of our emissions footprint. To support our Net Zero targets, it is crucial that we engage and collaborate with our suppliers and consider ESG factors in contract renewals and the selection of new suppliers.

In 2023 we analysed our strategic and key suppliers in order to calculate their contribution to our emissions footprint. This has allowed us to gain an insight into areas of our supply chain which have a higher carbon intensity, giving us data to effectively prioritise and engage.

In our procurement process, we work closely with HELLIOS, a leading due diligence provider. HELLIOS collect, validate and monitor our suppliers' information through the Financial Services Qualification System (FSQS), a shared due diligence utility, which optimises supply chain management. Together with HELLIOS, we have championed the inclusion of ESG-related questions within our procurement process. Our engagement with HELLIOS has led to the inclusion of ESG-related factors in supplier scoring, which now constitutes between 5% and 15% of each supplier's total score and is a key factor in our decision making.

Details of our ongoing engagement with suppliers can be found in the 'Engaging with our Supply Chain' section of this report on page 36.

**Our partnership with HELLIOS**

In 2024, HELLIOS launched an ESG analysis tool which enables us to review our suppliers ESG factors and identify any gaps.

We have taken this work further and have supported HELLIOS with the development of their ESG analysis. This will give us a more detailed insight into the ESG credentials of a company, allowing us to challenge, support and learn from our key and strategic suppliers.

Our Procurement and Group Properties teams work closely to ensure that sustainable practices are integrated in the management of our properties. We recently amended our cleaning contracts to specify the use of green cleaning products to minimise the use of harmful chemicals that can adversely affect the environment.



To successfully achieve our climate ambitions, we need to work collaboratively across a range of stakeholder groups. Building on our core long-term objectives of being a great place to do business with and a great place to work, our Net Zero approach is underpinned by the principle of:

**Prioritising engagement and influence over exclusion**

Using this approach, we aim to deliver meaningful emissions reductions and positive stakeholder outcomes.

**Engaging with our Members**

As a mutual insurer, members are at the heart of our business. Across all of our business lines, we want to support our members to understand, manage and mitigate risks from climate change.

**Engaging through communications**

To support members with the climate-driven increase in severe weather events, we regularly share advice on how members can best protect their property ahead of a storm. Through media relations and our online presence, we strive to ensure that members feel supported before, during and after an extreme weather event.

From sharing examples of renewable farm diversifications to shining a light on the latest climate-positive technology, we have also published a range of articles on our website to help educate our members on environmentally-friendly innovations.

By using online channels, we can reach a large proportion of our customer base and wider society with rich content related to current events.

**Engaging via NFU Mutual Agents and Financial Advisers**

Our agents establish strong relations with current and prospective members, to understand and advise on their insurance needs. For example, discussing historic trend data for a member’s farm in relation to our parametric heat stress product.

We also employ a number of financial advisors who advise current and prospective members on their life insurance and investment needs.

These relationships allow us to reach members on the matters they care the most about.

**Engaging via the Farming Unions**

We maintain close associations with farming unions across the UK, through our Regional Advisory Boards, National Association of Group Secretaries (NAGs), Senior Leadership meetings and farming membership on our Board. We therefore maintain a clear understanding of climate-related risks and opportunities associated with the farming community, which allows us to continue developing insurance-related solutions to support the evolving needs of the industry.

**Engagement with the farming community**

Engaging with the agricultural sector and farming community has always been a core part of what we do at NFU Mutual. We provide support to our members through a range of services such as expert risk management, innovative insurance products, and financial solutions.

We recognise the vital importance of the agricultural industry for both the rural and national economy. The agricultural sector contributes to UK GHG emissions and is also directly vulnerable to the impacts of climate change. The sector has a key role to play in the transition to Net Zero as it evolves to become resilient to climate risks, innovates solutions necessary to decarbonise and enhances food security for future generations.

NFU Mutual not only assists farmers through our products and services, we also foster a sense of community by engaging frequently and understanding evolving needs during these challenging times. We also attend farming related events, such as Groundswell, to learn about new practices that support biodiversity.

Our proactive and hands-on engagement helps us remain responsive to the farming community’s varied requirements and work alongside them to improve the community’s resilience, strengthen its sustainability, and safeguard rural livelihoods.



## Engaging through our Investments

As a mutual we don't have shareholders, so all our assets are invested for the benefit of our members and the long-term security of our business. We also offer retail investment funds to our members via the Financial Services part of our business.

We, and all of our external fund managers, are proud signatories of the Principles for Responsible Investment (PRI), supported by the United Nations. We are also members of the Investor Forum, which we believe enhances our stewardship capabilities and helps to raise standards across the investment industry.

We are aligned to the aims of the UK Stewardship Code of setting high stewardship standards for those investing on behalf of savers and pensioners. The UK Stewardship code requires an annual application and Financial Reporting Council (FRC) approval, which ensures we regularly review and benchmark our performance against expectations.

### Engagement over divestment

We consider it our responsibility to invest carefully and have always integrated responsible investing as part of our investment activities. We believe that engagement with the companies we invest in is a better approach than divestment to achieve our Net Zero targets.

ESG factors need to be considered when making investment decisions and can have a significant impact on investment outcomes.

As long-term investors looking to build quality portfolios, our fund managers consider ESG factors throughout the investment process.

We look to invest in companies that offer fundamentally sustainable investment opportunities.

Our fund managers use a mixture of internal and external research to monitor investee companies and frequently meet with management teams or their representatives to ensure that their interests are aligned with our own and that we are comfortable the company has a strong culture. Alongside our own internal ESG analysis, we consider ESG information provided to us by our third-party data providers, whether that's through reports focusing on individual companies or thematic research across wider industries and markets.

The consideration of traditional financial measures and non-financial factors builds a picture of how a company provides a positive contribution, whether that be for the environment on issues such as climate change, for social change such as working standards, or for governance standards such as executive pay. The aim is to foster positive change through the companies that we invest in on behalf of our members.

When our fund managers identify climate-related risks or issues that may affect the company's long-term sustainability or reputation, our preferred approach in most cases is to positively influence the behaviour of companies we invest in rather than excluding them from our investment portfolios. We continually monitor the performance of our investment portfolios and engage with companies, whilst carefully

considering the performance of holdings in hard to abate sectors which may present challenges to our decarbonisation targets.

By remaining invested in companies and engaging with them when we identify risks or issues that may affect their long-term viability, we retain the ability to influence their approach to addressing climate change and provide support on their path to reducing their GHG emissions.



Voting can also be a powerful tool for holding companies accountable and ensuring that they act in the best interests of their shareholders. As both an asset owner and manager, we have a responsibility to use our voting power to promote long-term shareholder value in a pragmatic and constructive manner.

We publish our voting record on our website, including information on the companies we voted on and the resolutions.

By taking this approach, we can encourage companies to transition towards sustainable practices, improve their corporate governance, and disclose their environmental risks and opportunities.

We believe that divestment alone does not necessarily solve the problem of climate change, as divesting from companies may simply result in those assets being acquired by investors with less of a focus on ESG factors. Divestment can also lead to missed opportunities to influence and engage with companies to help them manage relevant risks and opportunities, and transition towards a low-carbon economy.

Thanks to our engagement strategy, we can identify areas for improvement and help companies to build a sustainable future, whilst ensuring that our investments are aligned with our Net Zero goals. For us, constructive engagement rather than divestment supports the overall transition towards a more sustainable and resilient future.

## Engaging with our Supply Chain

Our supply chain represents a significant portion of our overall emissions footprint and is an essential area for emission reduction efforts. We have a responsibility to address environmental impact across our supply chain and work collaboratively to reduce emissions.

### Operational supply chain

Regularly engaging with our suppliers on sustainability issues is crucial to us meeting our Net Zero targets and can encourage the adoption of sustainable business practices, promote transparency, and reduce environmental risks and costs. Through such engagement, we can encourage suppliers to adopt and improve their sustainability practices, such as reducing material waste, increasing the use of renewable energy, transportation efficiencies and reducing GHG emissions, ultimately enhancing supply chain sustainability.

We have developed and piloted a climate change maturity assessment which is used within the supplier selection process. We use the same criteria on an annual basis to inform how our suppliers align to NFU Mutual's sustainability ambitions.

Stakeholder engagement is critical, along with understanding where suppliers are on their sustainability journey, so we are holding knowledge share meetings with key and strategic suppliers to identify how we can work together to be more sustainable.

### Claims supply chain

Within our motor portfolio, we continue to engage with our partners, supporting Vizion and SYNETIQ to realise their own sustainability ambitions.

Through our network of approved repairers, we adopt a range of measures aimed at reducing the use of new replacement parts. These include promoting the fitment of recycled parts where appropriate to do so, and delivery of training through external providers who help to ensure that the most up to date repair techniques are adopted. This helps us to reduce the number of vehicles written off and reduces our impact on the environment.

Our home insurance claims team are working closely with independent loss adjusters. We are meeting regularly with these companies to discuss improvements in data reporting so that we can begin to track the emissions associated with home repairs. We also continue to advocate for more sustainable materials being used in repairs where appropriate, and for additional support for local builders in using more sustainable materials. Furthermore, if suitable to our customers, Claims Investigators can carry out virtual inquiries. This reduces the time taken to carry out the claims process, whilst also reducing emissions, as travel between sites is significantly reduced. In 2022, 53% of investigations were completed remotely, compared to 15% before the pandemic in 2019. This meant a 56% reduction in miles travelled by our Claims Inspectors in 2022, a 44% CO2 saving compared to 2019. In addition, the introduction of DocuSign, which facilitates electronic signatures, has allowed 50% of Claims Inspectors to move to entirely paper-free working.

## Engaging with the Insurance Industry

The insurance industry has a vital role to play in shaping the resilience of society to manage the risks of climate change.

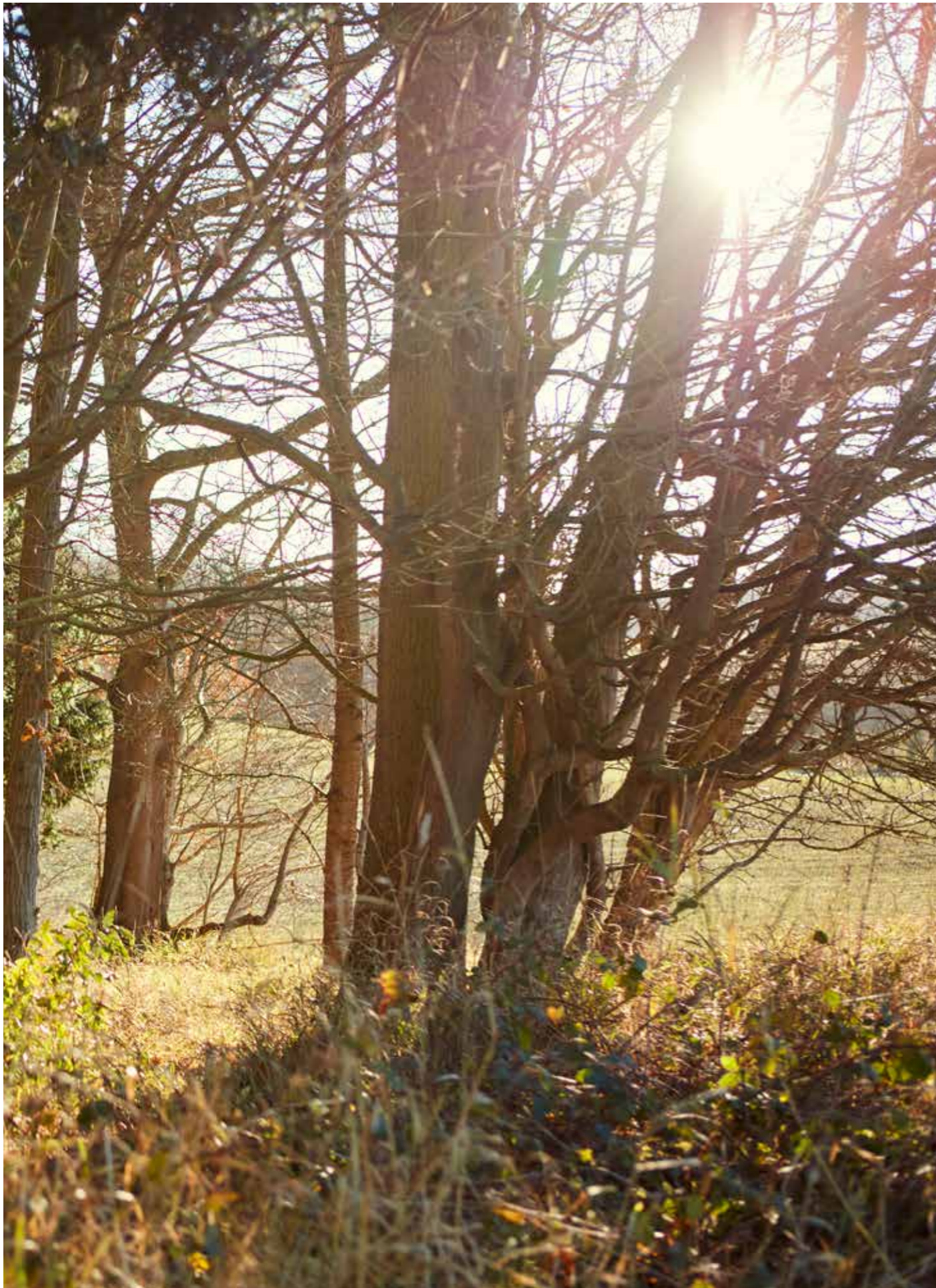
Collective action, including sharing ideas, developing best practice for managing climate risks and influencing governments and other key stakeholders, can make a positive difference in the UK's transition to Net Zero.

NFU Mutual engages with several industry initiatives to promote climate-beneficial action. As the leading rural insurer in the UK, we are a member of the Association of British Insurers (ABI) which represents over 200 member companies. We actively participate in the ABI's working group on climate change, to understand and contribute to climate-related topics and regulation impacting the insurance industry.

Through key working groups, we are able to use our subject matter expertise to provide a unique perspective on government or regulatory queries, and to help guide industry response to specific items of regulatory change. We have also been contributing to industry transparency by voluntarily sharing our climate information in our annual Report and Accounts since 2020.

We are also active members of other specialist bodies. For example, we are members of the Investment Association, the Chartered Institute for Securities & Investment (CISI) and, during 2023, we were also part of a Transition Plan Taskforce working group to develop guidance for the food and agriculture sectors.

NFU Mutual became a member of ClimateWise in 2023 to further support industry efforts to better respond to the risks and opportunities associated with climate change. ClimateWise is a global insurance industry collaboration with the University of Cambridge Institute for Sustainability Leadership. As part of our new partnership, we report annually to ClimateWise on our climate change approach and activities. This allows us to benchmark our performance against best practice frameworks and our insurance peers.



## Engaging with Society

At NFU Mutual, we are setting targets to support the UK government's goal of reaching Net Zero by 2050. Our climate targets are based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement. Engaging with the government and public sector allows us to influence policymaking by contributing to the development of a policy framework that supports the transition to a resilient and sustainable future for our members and wider society.

### **Case Study: NFU Mutual's impact in the local community**

Our community support activity provides another opportunity for us to play our part in protecting and enhancing the environment. This is possible through the causes we support, such as our charitable partnership with the Tree Council, as well as through our employee volunteering scheme. In 2023, 58% of our overall employee volunteering hours were spent completing tasks to support local nature and biodiversity initiatives.

NFU Mutual recognises the vital role that farmers play in providing healthy food, maintaining ecosystems, and supporting rural economies. We are working collaboratively with our members, the UK farming unions, DEFRA and Natural England to support sustainable agriculture and promote the conservation of ecosystems in rural communities.

Through these relationships, we are providing guidance, support, and resources to farmers looking to adopt more sustainable farming practices. We are also gaining valuable insights into emerging environmental concerns and wider policy development, enabling us to better advise our members and tailor our solutions to the specific needs of the farming sector.

Additionally, NFU Mutual actively works with our partner organisations to promote environmental conservation initiatives which include the promotion of agroforestry, biodiversity, and soil health management to improve ecosystem services, which contribute toward achieving Net Zero targets and preserving biodiversity.

# ACCOUNTABILITY

## Informing our Employees

We are committed to informing and educating our employees, so that they can all contribute to our ESG and climate change ambitions.

### How do we keep our employees informed?

We have a specialist ESG team, whose responsibility is to develop and advise on delivery of our overarching ESG Strategy and lead on all key internal and external communication campaigns. They work closely with colleagues across the business to find new and engaging ways of keeping our employees informed about the activities the business is taking to be more responsible. One initiative is producing short ESG films, each focussing on a different business area and their climate activity.

We also have a dedicated Climate Change team, whose responsibility is to implement our Climate Change Strategy and also support, inform and educate internal stakeholders at all levels. The team has a depth of insurance and climate change expertise, as well as access to external networks, enabling them to understand the external landscape and ensure NFU Mutual's Climate Change Strategy remains effective.

Senior management and board members are also kept abreast of climate change activities and knowledge, with relevant presentations at governance committee meetings throughout the year.

### Case study – Carbon Literacy Project

Teams across the business including Claims, Risk and our Executive Committee, have completed carbon literacy training, to increase their understanding of the fundamentals of climate change.

This covers emissions, the mechanisms behind our climate and the personal and professional changes we can make to play a part in tackling climate change.

This has been a hugely successful initiative with real-life applications for our employees and resulted in NFU Mutual being the first insurer to be awarded the Bronze Accreditation.

## How are our specialists trained?

For those working in specific climate-related roles, NFU Mutual will fund and support employees working towards the relevant professional qualifications, such as the Chartered Body Alliance's Certificate in Climate Risk. We also encourage employees to participate in industry working groups and attend relevant industry events to build networks and knowledge.

## Climate throughout the business

NFU Mutual has three clearly defined long-term objectives that drive the culture of our business:

- Sustainable, profitable growth
- Great company to do business with
- Great place to work

We have strong governance and accountability structures in place, to ensure that all action taken by the business aligns to these objectives and is subject to the appropriate level of scrutiny and oversight. This ensures consistency in our strategy at all levels, culminating in the exceptional service our members know and trust.

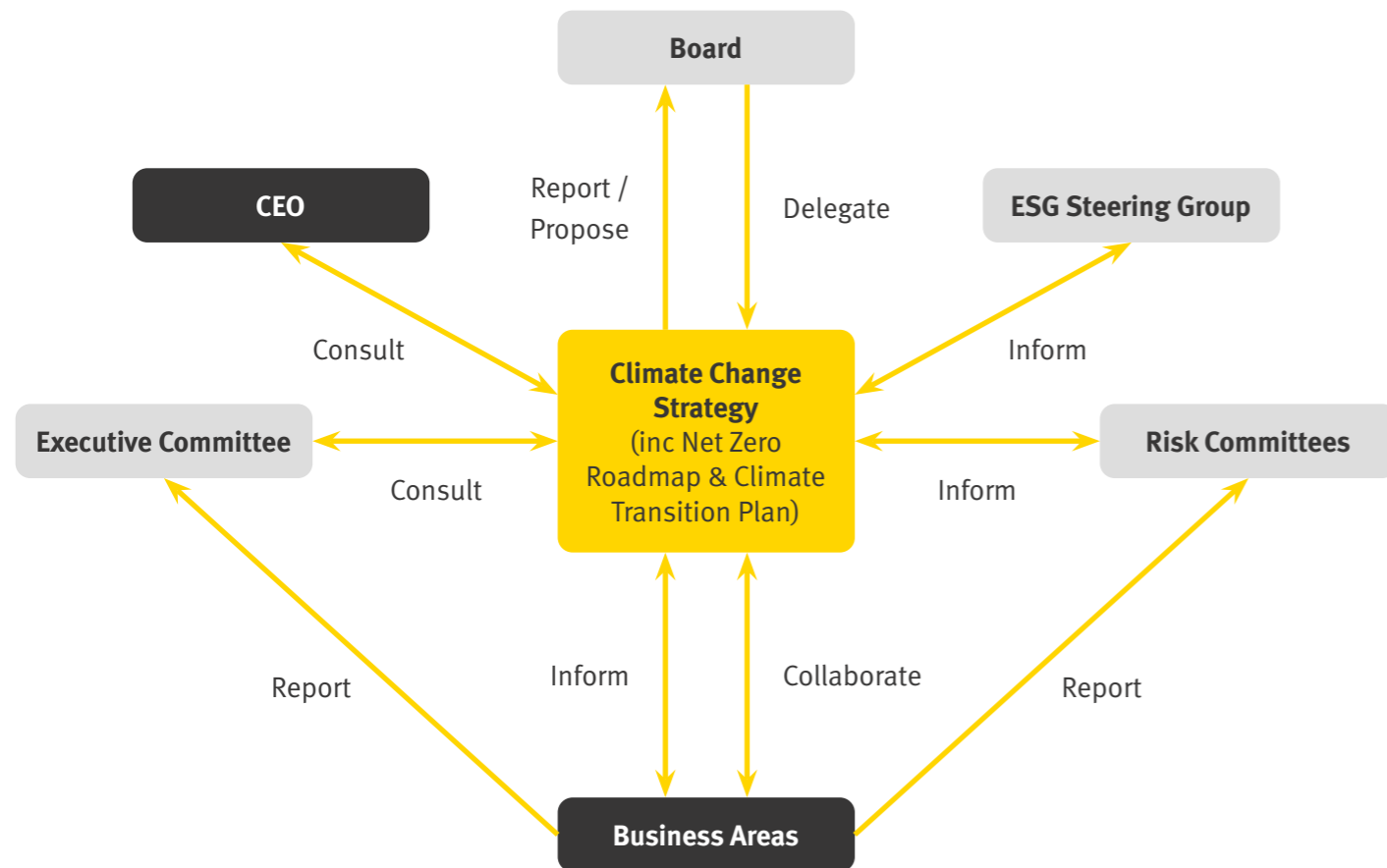
Climate change has the potential to impact all three of our long-term objectives, both positively and negatively. It will present challenges we need to respond to both now and in the future. We recognise this through its designation as a principal risk and we have ensured that it is effectively embedded within decision making frameworks across the Group.

Risks from climate change are managed alongside all other risks within our Risk Management Framework and we supplement this with additional actions, including regular climate-related updates to risk governance committees, climate-specific scenario analysis and consideration of climate change as part of our Own Risk and Solvency Assessment (ORSA).

For further information on how climate change is integrated throughout our business and how we identify and manage risks from climate change, please see our separate Climate Change Report, available on our website. This report is a mandatory disclosure requirement and explains our climate-related governance and risk management activities using the Task Force on Climate-Related Financial Disclosures (TCFD) framework. To avoid duplication, we have chosen not to repeat this information here.

### Governing our Net Zero Roadmap

The diagram below shows how our existing governance and management bodies engage with our Climate Change Strategy. Our strategy is owned by the Board and responsibility for implementation is delegated to our Risk Director, who has a dedicated team to support delivery. The governance diagram emphasises the level of climate change engagement across the Group and our commitment to delivering meaningful climate action.



**Setting incentives**

At NFU Mutual, we link reward and remuneration to the right behaviours as part of a culture that maintains ethical behaviour at all times. For the first time in 2023, we included climate change factors into senior manager remuneration schemes as part of the Group’s long term incentive plan. In 2024 the weighting will increase to 5% for the 2024 – 2026 senior management Long Term Incentive plan. The metrics are aligned

to achievement of our own emissions targets, set as part of NFU Mutual’s Net Zero roadmap. The metrics and targets will be reviewed on an annual basis and will evolve over time.

As part of annual performance management processes, climate-related objectives may be set for relevant managers to ensure appropriate focus on achieving climate-related goals.

Key metrics

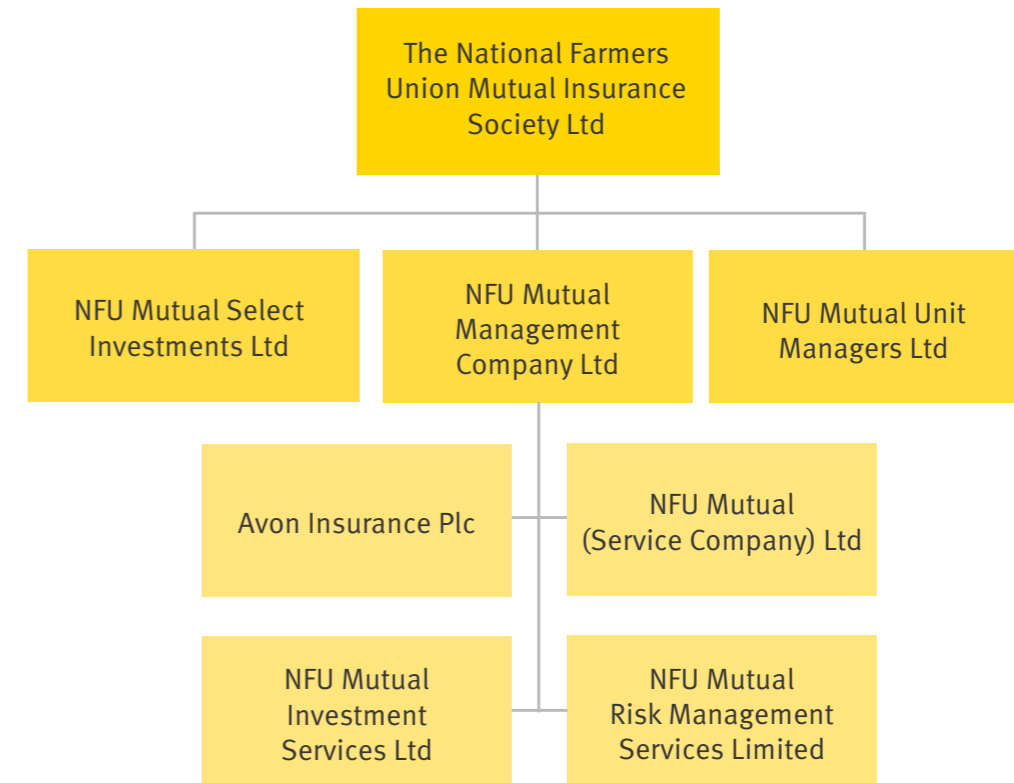
Embedding consideration of climate change within existing frameworks and processes across the Group means that climate-related impacts are captured through on-going business monitoring and reporting. The table below outlines the key metrics we use across the Group to measure our climate-related performance:

What we measure	Metrics used	Description
<b>Business Performance Metrics</b>		
Ability to meet business performance targets	<ul style="list-style-type: none"> <li>• % of planned new business achieved</li> <li>• % of customers who renew their insurance annually with NFU Mutual</li> <li>• % of quotes converted into new business</li> </ul>	These measures indicate how successful we are as a business. Through regular monitoring we are able to identify factors, such as climate change, that are affecting our success, both positively and negatively, and to respond appropriately.
<b>Insurance Metrics</b>		
Exposure to physical climate impacts, including: <ul style="list-style-type: none"> <li>• Windstorm</li> <li>• Flood</li> <li>• Freeze</li> <li>• Subsidence</li> <li>• Extreme heat</li> <li>• Sea level rise</li> </ul>	<ul style="list-style-type: none"> <li>• % of total sum insured in high risk postcodes for each impact type</li> <li>• % of estimated maximum losses caused by fire</li> <li>• % of poultry risks with heat stress extensions</li> </ul>	We measure physical climate-related exposures to understand potential impacts on our members and our general insurance business. This allows us to ensure risks are appropriately reflected in premiums, adapt cover and identify new opportunities in response to climate change impacts.
Exposure to transitional climate impacts, including: <ul style="list-style-type: none"> <li>• Electric vehicles</li> <li>• Renewable technologies</li> </ul>	<ul style="list-style-type: none"> <li>• % of electric vehicles insured as part of overall private car account</li> <li>• £ gross written premium for renewable technologies</li> </ul>	We measure how our insurance business is changing in response to climate change to understand the needs of our members, adapt cover and identify new opportunities.

What we measure	Metrics used	Description
<b>Emissions Metrics</b>		
Absolute emissions	tCO <sub>2</sub> e	Measuring the total amount of emissions enables us to identify reduction actions and set targets.
Emissions intensity	tCO <sub>2</sub> e/£m turnover tCO <sub>2</sub> e/£m sales tCO <sub>2</sub> e/m <sup>2</sup> tCO <sub>2</sub> e/KWh KgCO <sub>2</sub> e/mile tCO <sub>2</sub> e/unit produced	An alternative measure that divides absolute emissions by a relevant metric to allow for easier comparison between similar sources. Measuring emissions intensity allows us to focus on high emitters and also track progress over time.
Implied temperature rise	°C	This forward-looking metric is used for investment portfolios to indicate how well a fund is aligned to the objectives of the Paris agreement of limiting temperature increase to no more than 1.5°C by 2050.
Alignment to science-based targets	% alignment to SBTi	For our supply chain and investment portfolios, we capture the percentage of firms that have set science-based targets. This indicates a firm's level of commitment to reducing emissions and informs our forecasts for reductions in our emissions over time.
Energy performance	Energy Performance Certificate (EPC) rating	We measure the energy performance of our occupied and investment properties to understand their contribution to our emissions footprint and identify opportunities for improvement.

# APPENDIX

## Group structure



## Key Assumptions

In order to develop our Climate Transition Plan, we have used a number of key assumptions about our business, our industry, and wider society. We have the ability to influence these assumptions to varying degrees, dependant on our ability to manage or influence the stakeholders involved. The key assumptions that underpin the report are summarised below.

### Dependencies on global and UK specific policies and regulatory change

- Continued commitment from international regulatory bodies and the UK Government to prioritise Net Zero
- Climate policies and initiatives achieve effective climate adaptation and mitigation. These are not overly costly or resource intensive and are widely supported and complied with. Global action is therefore successful at avoiding a 'hot house' climate scenario
- Implementation of international and UK government policies in a timely and consistent manner avoids significant economic disruption
- Continued UK commitment to a ban on the sale of combustion engine cars by 2035
- Continued Government incentives for farming to adopt and develop renewable schemes and other sustainable solutions.

### Dependencies on insurance industry action

- Insurance industry continues to use its collective voice to influence policymakers and key stakeholders to decarbonise the economy and implement effective climate resilience
- Insurance industry continues to develop capabilities, data and methodologies to enable the effective identification and management of emissions and risks from climate change.

### Dependencies on technological developments

- Technology continues to develop to deliver low-carbon solutions for sectors including building, transport and agriculture
- Technology innovations are affordable and widely available
- Infrastructure is implemented to enable the widespread adoption of electric vehicles to meet the government's 2035 target to phase out the sale of new fossil fuel powered cars.

### Dependencies on public and member behaviours

- There is widespread positive sentiment to support the transition to Net Zero and individuals are willing to make positive climate-related change and decisions
- Members adopt low-carbon solutions, such as electric vehicles, in line with wider population trends
- There is member demand for low-carbon insurance solutions that enable their sustainability activity.

### Operational dependencies that could impact our ability to transition to a Net Zero business

- Supplier ability to develop the capability and capacity to respond effectively to the transition to a low-carbon economy
- Supplier commitment and ability to transition to Net Zero by 2050 in line with interim targets
- Capability, commitment and pace of investee companies within our investment portfolio to decarbonise in line with interim targets
- Tenant cooperation to support delivery of emissions reductions in our property investment portfolio
- Low carbon/renewable energy supplies continue to be available at an affordable cost
- Data availability and quality improves over time while remaining affordable
- Counterparties we work with are willing to share relevant data with us.



## Mapping to Transition Plan Taskforce guidance

	Disclosure Sub-elements	Pages
<b>Ambition</b>		
TPT 1. Foundation	1.1 Strategic Ambition	p12 - 15
	1.2 Business model and Value Chain	p12 - 16
	1.3 Key Assumptions and External Factors	Appendix B
<b>Action</b>		
TPT 2. Implementation Strategy	2.1 Business Operations	p29 - 31
	2.2 Products and services	p22 - 29
	2.3 Policies and conditions	p17 - 19
	2.4 Financial planning	See below
<p>We have chosen not to articulate our financial planning information within this version of the plan for commercial sensitivity reasons. Internal and external factors that could impact the success of our business are considered in annual and medium-term planning processes to set assumptions and define forward-looking targets.</p>		
TPT 3. Engagement Strategy	3.1 Engagement with value chain	p31 - 36
	3.2 Engagement with Industry	p37
	3.3 Engagement with Government, Public sector, Communities and Civil Society	p34
<b>Accountability</b>		
TPT 4. Metrics & Targets	4.1 Governance, Engagement, Business and Operational metrics and targets	p40 - 42
	4.2 Financial metrics and targets	See below
<p>NFU Mutual uses a number of financial metrics and targets to effectively manage our business, including metrics and targets that are relevant for climate change. We describe the climate relevant metrics in use within our public disclosures but do not currently disclose actual performance for the majority of these. Core metrics used to monitor business performance are used to provide insight into whether climate change is impacting our success. Where variance against our plan is identified, analysis is carried out to identify potential causes, including climate-related causes.</p>		
TPT 4. Metrics & Targets	4.3 GHG metrics and targets	p44
	4.4 Carbon credits	p13 See above
TPT 5. Governance	5.1 Board oversight and reporting	p42
	5.2 Management Roles, responsibility and accountability	p41
	5.3 Culture	p11 & 40
	5.4 Incentives and Remuneration	p42
	5.5 Skills, competencies and training	p41

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