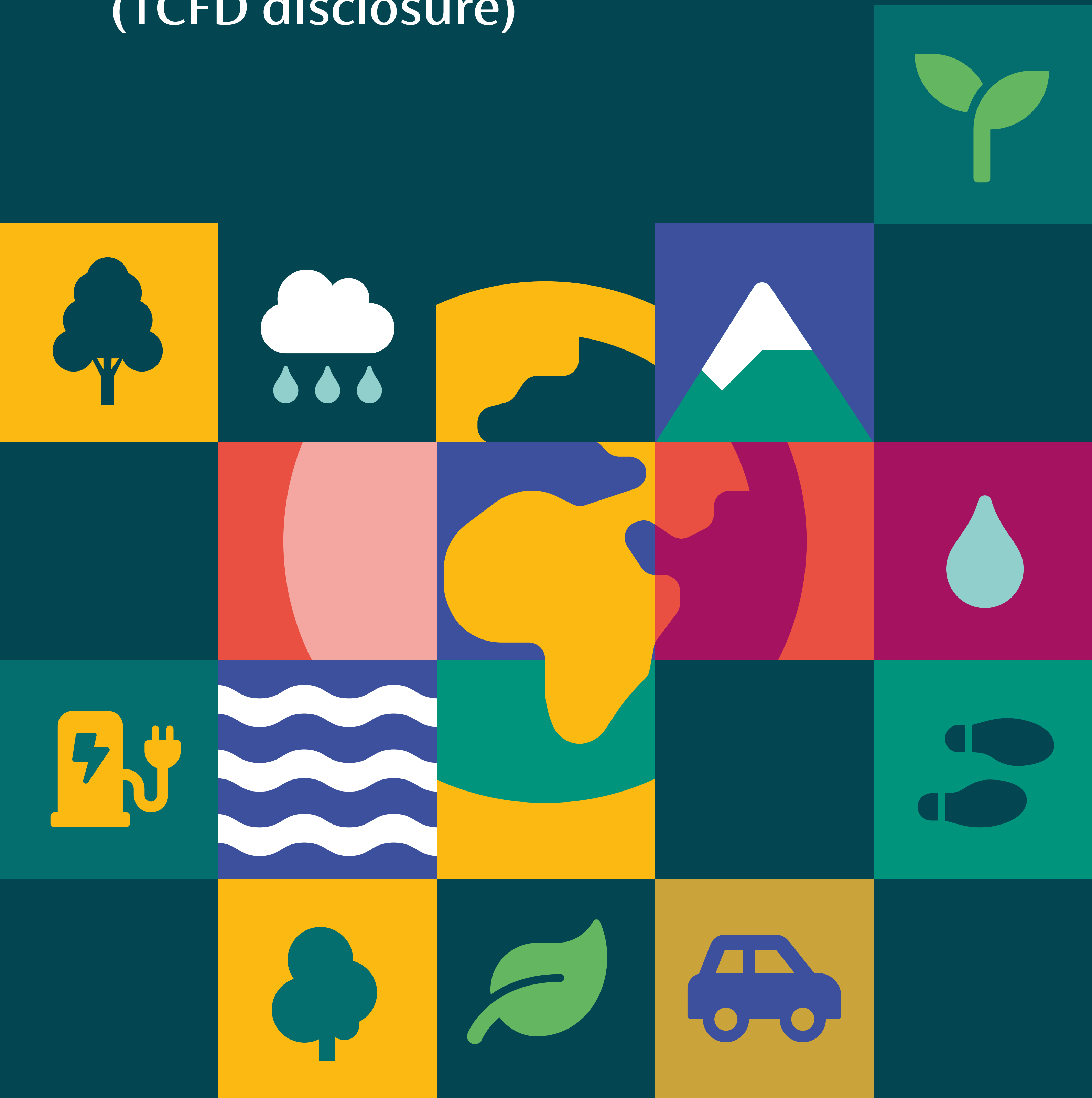
Benefact Group Environmentally positive (TCFD disclosure)



About the Group

Owned by Benefact Trust, the Benefact Group is an international group of financial services businesses, that gives available profits to charities and good causes. Each business is individually recognised as a specialist in their market, but united by the belief that everyone benefits from better business. Doing right by our customers earns their business; their business enables us to give back to good causes and communities.

Giving our profits to good causes means we are driven by something far greater than the need to satisfy shareholders. We are motivated to make a real difference in the lives of the people and properties we help protect, the financial futures we fortify and the communities we were built to help.

The Group comprises three main areas of business:

- **Specialist insurance**
- **Investment management**
- **Broking & advisory**

The family of specialist financial services businesses is focused on delivering sustainable profit to increase giving to good causes. All the Group's available profits deliver a social benefit. Entwined with this social benefit is an increasing connection to environmental impact. The Group and Trust's charitable giving is therefore having an increased climate and environmental impact. This is being consciously grown through large grants programmes funding transition charities and organisations supporting our customers and communities to tackle their climate challenges.

Specialist Insurance

Ecclesiastical UK / Ansvar UK / Ansvar Australia / Ecclesiastical Canada / Ecclesiastical Ireland

Our award-winning insurance businesses offer insurance products and risk management services to customers in sectors including faith, heritage, charity, leisure, education and real estate. We have particular expertise in valuing and protecting distinctive properties both old and new – from cathedrals to concert halls, schools to stately homes and iconic modern buildings to youth hostels.

Committed to being the most trusted and ethical specialist financial services group, we are proud that our UK home insurance has again been awarded the First Place Gold Ribbon in this year's independent Fairer Finance Customer Experience ratings, for the 18th consecutive time.

Ethical Investment

EdenTree

With over 30 years of experience in responsible and sustainable investing, our investment management team manages and sells Environmental, Social and Governance investment products to institutional customers. This includes the charity and faith markets, and to retail customers through the advisory market. EdenTree also manages the majority of the Group's financial investments. This year, for the 15th consecutive year, EdenTree celebrated winning 'Best Ethical Investment Provider' at the Moneyfacts Investment Life & Pensions Awards.

Broking and Advisory

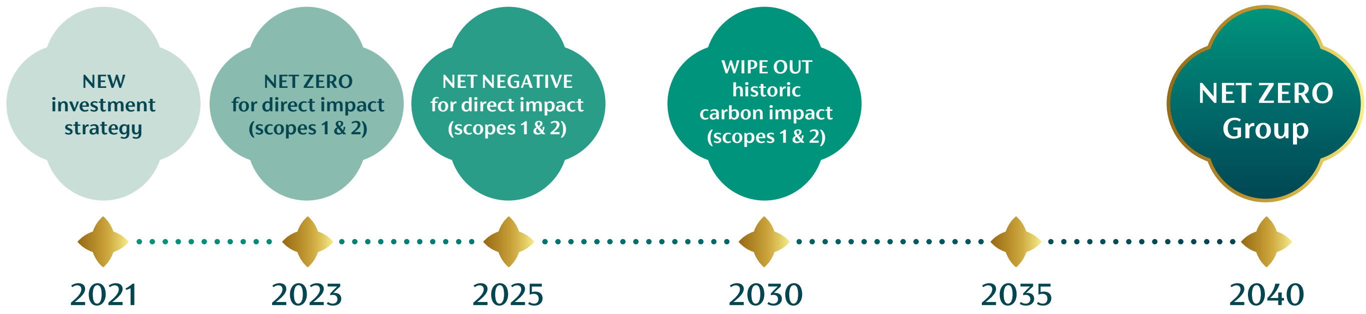
Ecclesiastical Financial Advisory Services (EFAS) / Ecclesiastical Planning Services Ltd (EPSL) / Lycetts Insurance Brokers (Lycetts) / Lycetts Financial Services / Lloyd & Whyte

Our specialist brokers, Lycetts, provide tailored insurance products for customers, particularly those in the high net worth, farming and rural estates, equine, animal trades, and specialist motor insurance sectors. EFAS and Lycetts Financial Services offer financial advice to businesses and individual customers including Church of England clergy. EPSL markets and administers prepayment funeral plans under the Perfect Choice brand. Lloyd & Whyte is a specialist provider of insurance and financial services to professional associations and their members, including dentists, doctors and vets.

Governance

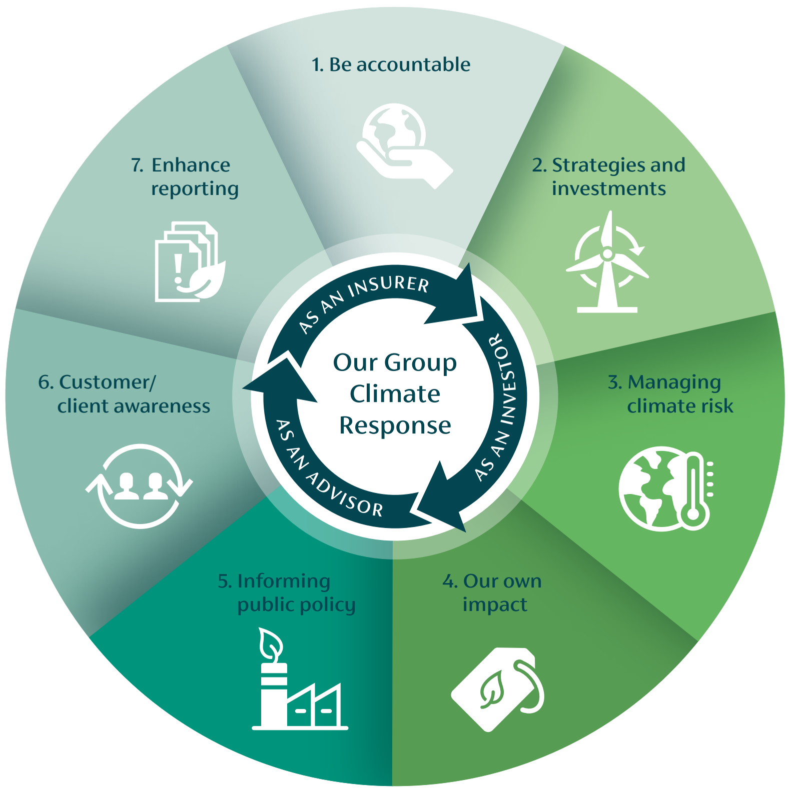
The Benefact Group has developed a roadmap to net zero, in which it commits to:

- Net Zero for direct impacts by 2023
- Net Negative for direct impacts by 2025
- Wiping out the group's historic impact (scopes 1 and 2) by 2030
- Becoming a Net Zero company by 2040



In order to deliver this roadmap, a healthy ecosystem of climate governance and oversight has evolved, which is subject to effective and robust controls. Benefact Group is a member of ClimateWise, a voluntary initiative to drive climate responsibility and action.

Climate strategy is centred around the ClimateWise framework which is aligned to Taskforce on Climate related Financial Disclosure (TCFD) principles.



ClimateWise and TCFD principles

Disclose the organisation's governance around climate-related risks and opportunities.

See the **Governance** *section*

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

See the **Strategy** *section*

Disclose how the organisation identifies, assesses and manages climate related risks.

See the **Risk** *section*

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

See the **Metrics and Targets** *section*

Climate Governance at the Benefact Group

How the Board oversees climate response

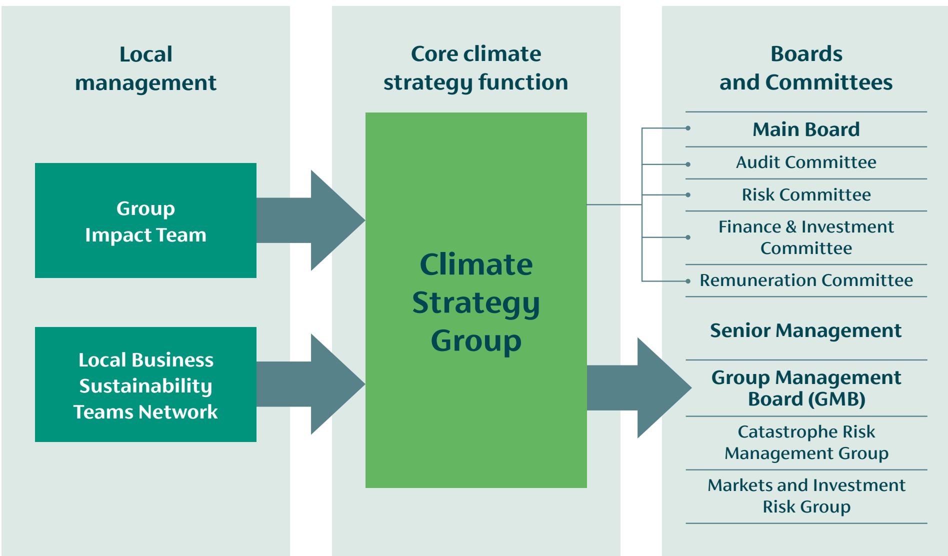
The Board has overarching responsibility for strategy and risk. Due to the cross-cutting nature of climate risk (as identified by our enterprise-wide risk management framework) the Board has delegated responsibility for oversight of climate risk to the Group Risk Committee (GRC). Responsibility for overseeing these risks (primarily physical and transition) is delegated to appropriate Board committees. Climate strategy and progress has designated responsibility with a named Group Management Board member and specific Non-Executive Director.

Supporting Boards and Committees

The Board and GRC are supported by functions including investment, risk, underwriting and capital management to embed commitment to and action towards our decarbonisation targets. The following infographic summarises the Group's climate governance ecosystem:

Central team responsible for driving and developing social and environmental performance. Climate Impact Manager recruited in 2022 to lead climate strategy.

Representatives in businesses around the Group responsible for environmental management and reporting and risk. Monthly meetings to keep this group informed.



Responsible Non-Executive Director on the Board named for climate; formal Board report 2x year – progress and performance; regular reporting to Audit and Risk Committees; annual Board training.

Review and sign-off of all Board and Committee reporting; in-depth sessions on specific topics including: offsetting, climate positioning.

The Group's Impact Team provides central climate management and leadership through the Group Impact Director and newly-appointed Climate Impact Manager. It is supported and informed by a network of sustainability leads based in Group businesses.

The Climate Strategy Group is now a well-established forum for central oversight and development of climate strategy. It comprises experts from all relevant areas, meets every six weeks and is chaired and sponsored by a GMB member.

The Climate Strategy Group has a regular and planned approach to engagement with the Board and its key committees (Risk and Audit primarily) and frequent reporting to and engaement with the Group Management Board, the Group's most senior leadership function led by the Group CEO.

The table below summarises this governance in action:

Governance forum	Function	Examples of climate topics discussed/ decisions made in 2023
Group Board	Has overarching responsibility for approach to strategy and risk. It has increased its oversight of climate risk in the reporting period. The Group strategic plan includes climate and is discussed and agreed at the main Board four times a year. Non-Executive Director Sir Stephen Lamport is the Board's nominated lead on climate risk. The Climate Strategy Group (or representatives) meets with Sir Stephen at least four times a year in particular in advance of every Board.	• Approved climate planning and priorities. • Approved climate strategy and progress. • Trained on Just Transition. • Updated on ClimateWise performance.
Group Audit Committee (GAC)	Assists the Board in fulfilling its oversight responsibilities by reviewing and monitoring: • the integrity of the financial, narrative and regulatory statements and other financial information; • the Group's system of internal controls and risk management (including whistleblowing arrangements and climate change considerations); • the internal and external audit process and auditors; and • the processes for compliance with laws, regulations and ethical codes of practice.	• Conducted full internal audit, supported by external partners, to assess climate strategy and progress. • This report was presented to and approved by the Group Audit Committee and supported the Group's approach. • A training session was delivered to the GAC on Sustainability Reporting and specifically TCFD requirements, led by a third party and included an update on the Group's approach. • External risk consultants were commissioned to provide assurance support of the Group's footprinting approach.
Group Risk Committee	The Group Risk function is led by the Group Chief Risk and Compliance Officer (CRO) who has responsibility for the risk framework, of which climate change risk is a key component. Climate change is embedded as a component of the quarterly CRO Report to the GRC. In addition, regular updates on progress of the management of climate risk is provided to the GRC. The Group Risk Committee (GRC) meets four times annually.	• Reviewed and approved Climate Risk Appetite, Climate Risk Taxonomy. • Own Risk and Solvency Assessment (ORSA) Report included enhanced section on Climate Change risks.
Group Market & Investment Risk Executive	A management body chaired by the Chief Financial Officer (CFO) that oversees investment strategy and risk has consideration of climate change included in its terms of reference and is responsible for overseeing the Group's exposures to climate change risk and strategy responses.	• Reviewed and approved EdenTree's climate targets and strategy, which is applied to managing the Group's funds. • Reviewed and recommended the Responsible and Sustainable strategy before it went to the Finance and Investment Committee. • Reviewed the overview undertaken on the Group's property portfolio. • Received training from EdenTree's Responsible Investment team. • Receives regular reports from EdenTree on adherence to the policy.
Group Management Board (GMB)	Leads the Group functions and supports the business divisions. It focuses on Group delivery of culture and values; strategy and direction; governance and risk management; key projects and programmes; budgets; reviewing performance; working with the Board and Benefact Trust; rating agency and shareholder issues; and leadership and communication. Climate strategy has designated responsibility with a Group Management Board member. Senior Management Function (SMF) responsibility for the Group's management of climate change risks is assigned to appropriate SMF holders throughout all three Lines of Defence – overall Line 1 responsibility being taken on by a GMB member, responsibility for specific aspects resting with other relevant SMFs. The Chief Risk Officer (CRO, who is SMF4) and Head of Internal Audit (SMF5) also have appropriate oversight responsibilities.	• Approved climate planning and priorities. • Approved the choice of offsetting partner and project for 2022's direct emissions. • Approved climate strategy and progress. • Updated on ClimateWise performance. • Received a specific request escalated from the Group Audit Committee to inform the Board about the carbon footprinting methodology we have in place. • Updated on progress towards calculating the Group's underwriting emissions.

Governance forum	Function	Examples of climate topics discussed/ decisions made in 2023
Group Remuneration Committee	Assists the Board to fulfil its responsibility to shareholders to ensure that: a) remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and b) executive remuneration is aligned to company purpose and values and linked to delivery of the Company's long-term strategy.	The Board Remuneration Committee has approved a Long-Term Incentive Plan (LTIP) which measures specific, targeted improvement in ClimateWise performance and reduction in direct emissions. These targets were agreed following a review of remuneration targets with an external partner to ensure best practice. Performance against these targets has been reported to the Board Remuneration Committee.
Finance & Investment Committee	Reporting quarterly, the F&I Committee is responsible for assisting the Board to monitor and oversee management of certain of the Group's financial assets, including its investment portfolio. It is guided by the Group's responsible and sustainable investment policy which governs investment decisions for its general business funds. The Group's owned investment assets are managed by subsidiary EdenTree. It reports to the Finance & Investment Committee quarterly on research, engagement (voting) and footprinting.	The F&I Committee has reviewed and approved the Group's revised responsible and sustainable investment strategy; it has also reviewed the externally-commissioned review of the Group's property investment portfolio.
Business Unit Management Boards	The heads of general insurance businesses have responsibility for ensuring climate risk is appropriately considered and managed within their business units. Reference to Climate Change has been included in the Terms of Reference of key governance bodies and expectations of business units, making clear that this a key responsibility of Committees and management throughout the Group.	Regular discussions at management boards throughout the Group took place throughout 2023.
Climate Strategy Group	Comprising senior representatives from across business functions, this group develops, oversees and drives climate strategy and action across the Group, while tracking best practice across the industry.	This group drives and develops the Group's climate strategy, it meets every six weeks and monitors a plan of progress. Specific meetings included: • Planning and drafting ClimateWise reporting. • Developing the Group's external climate positioning. • A ClimateWise performance discussion to focus action and improvement for the coming year. • Presentations by team members on topics including the EdenTree's Climate Stewardship Plan, Risk Taxonomy development, property portfolio, TNFD and measuring our underwriting emissions.
Business sustainability groups	Identify and deliver local initiatives while supporting company-wide programmes.	• Inputted into and promoted the Group employee commuting survey and personal footprinting tool. • Developed and delivered local sustainability initiatives. • Supported work on building the Group's GHG and underwriting footprint. • Developed responses to managing climate risk.
Impact team	The Group's responsible business team.	Providing subject matter expertise, this team develops, leads and delivers the Group's climate strategy and reporting. It conducts and is currently extending measurement of the Group's footprint is evolving the Group's decarbonisation strategies and action plans, manages offsetting and engagement with the Board and other management groups.
Group-wide	• Each insurance business has assigned responsibility for relevant aspects of managing climate change risk; in particular the Chief Underwriting Officers in each territory are leading on the development of risk assessments and responses and Heads of Claims are responsible for managing impacts on the claims processes. • Each insurance business is developing local climate risk registers to focus on risks and opportunities specific to their business profile and geography. • Recognising the importance of reinsurance in its business model and the industry as a key influence on climate risk, it has a strong governance structure which includes a Catastrophe Risk Management Group tasked with focusing on climate impact. The Group engages with and takes advice from key reinsurer partners. • The Group operates an enterprise-wide risk management framework which identifies climate as a cross-cutting risk, with responsibility for overseeing these risks delegated to the most appropriate Board committees.	

Strategy

The Group underwrites property and casualty insurance risks across the UK, Ireland, Canada and Australia. In each of these territories the Group operates as a specialist insurer focusing on areas in which it has expertise, including the faith, heritage, real estate, charity and charity care sectors. It is also a community insurer.

The Group has an investment portfolio of assets which it owns to back liabilities and provide regulatory and working capital. This portfolio includes equities, directly owned properties and government and corporate bonds. All assets are managed by the Group's asset management subsidiary, EdenTree.

The Group aims to be:

1) **The most trusted specialist insurer**
Our aim is to be the most trusted specialist insurer, offering unrivalled expertise and knowledge in our core markets, with appealing customer propositions and an excellent claims service that meet the concerns and needs of our customers and business partners.

2) **The most trusted specialist adviser**
We aim to be the most trusted specialist adviser in our chosen markets, delivering excellent service with long-term sustainable relationships with clients and insurer partners. Providing our customers with the best independent and impartial insurance or financial advice in order to meet their needs.

3) **The best ethical investment provider**
We aim to be the best ethical investment provider and thought leader on socially responsible investment, building on industry leading reputation and a consistent, proven approach to deliver long-term investment success. Building on an impressive track record, we will continue to enhance our proposition and our ethical credentials, leading the debate on the ethical investment issues that matter to our customers.

Climate related risks and opportunities

Climate change presents increasing levels of risk to our businesses, our customers, our suppliers and our strategy. These risks fall into the three groups listed in the table below. We know that warming will continue, with consequent changes to weather patterns, and that actions will be taken globally to seek to mitigate and adapt. Physical risks are linked to the location and vulnerability of the Group's property insurance portfolio and investment assets in the face of increasingly frequent and severe weather events. Risks will crystallise over a much longer-term horizon than typically seen for other risk exposures. Whilst the greatest impacts of these risks are expected to materialise in the medium to long term, there will also be shorter term implications and it is important that actions are taken now to mitigate and manage risks arising from climate change. Climate risks are intricately bound up with risks to society and nature.

Insurance risks by territory

The key risk exposures for the Group's businesses are linked to the location and vulnerability of its property insurance portfolio to changes in the frequency and severity of weather event perils, leading to increasing attritional claims and catastrophe losses. Risk exposures vary by territory with respect to the types of perils and the outlook for the future. These have been assessed over short term (up to 5 years) and medium (5 to 20 years) to long term (20+ years). Our strategic response focuses on these risks and their associated opportunities.

- In the **UK and Ireland**, the key risks are from increased river flooding due to changes in rain volumes and coastal flooding and storm surge driven by higher sea-levels. More intense rainfall in short periods increases the likelihood of flash-flooding events, particularly in urban areas. With our reinsurance brokers, work is underway to use climate conditioned proprietary models to assess the likelihood and impacts of UK and Ireland flood risk over the medium to long-term.
- In **Australia**, the Bureau of Meteorology has declared Australia is now in an El Niño climate pattern, with increased likelihood of drier and hotter weather and increased risks for people, property and communities. Impacts from El Niño include widespread property loss from fires to disruptions to community services as electricity grids fail.
- **Canada** has also experienced a significant number of weather events in recent years including wildfires, flood and hurricanes. Nearly all risk exposure is in the southern part of the country, away from areas projected to experience the greatest change. The impact of changes in rainfall and increased heat is expected to have a material impact on the risks insured.

The table below outlines the key climate risk categories.

Risk	Nature of risk	Time horizon	Actions being taken to understand and mitigate impact on business, strategy and planning
Physical	Direct damage to assets both owned and insured and indirect impacts from supply chain disruption. The Group's main physical risk exposures stem from its property underwriting portfolio and from its investment assets.	They can be acute and event-driven or longer-term and therefore chronic.	• In the UK and Ireland, work is in progress with our reinsurance brokers to model and assess exposures to higher levels of flood risk over medium to long-term periods. • In Canada, preventative action is being taken to manage exposure to wood-framed buildings that are considered vulnerable to wildfire and geographic areas of elevated risk are being mapped. • In Australia the Group has changed its underwriting criteria to stop insuring risks in areas subject to tropical storms and higher flood risk, while acknowledging that these areas are expanding and mapping these area as they grow. • Work is underway using the methodology developed by the Partnership for Carbon Accounting Financials (PCAF) to understand the carbon intensity of the Group's underwriting portfolios.

Risk	Nature of risk	Time horizon	Actions being taken to understand and mitigate impact on business, strategy and planning
Transition	Relates to financial risks resulting from transitioning to a low carbon economy. They arise from two related transformations, namely in regulatory policy such as carbon taxes and technology and market disruption that will include innovation in renewable energy. Additional implications include the subsequent changes to consumer expectations, demand and behaviour as a result of these policy and technological transformations. The Group's main exposure to transition risks is on the value of its investment assets through the impact of changes to a low carbon economy on investee companies.	Short to medium term	• The Group's responsible and sustainable investment policy excludes investment in fossil fuel exploration and production and thermal coal extraction, and eschews investment in high carbon emitters (automotive, aviation and heavy industry). • EdenTree employs a positive climate screen to assess the transition risks facing investee companies. It analyses investees' governance of climate risk, commitments to phase out any coal, oil and gas, their use of renewable energy, emissions reduction targets and performance, and their decarbonisation strategies. • On behalf of the Group, EdenTree applies a discretionary thematic strand, 'Sustainable Solutions', which invests in companies providing solutions that will enable the low-carbon transition alongside providing a compelling investment case. • Climate change is a permanent pillar of EdenTree's engagement strategy. EdenTree has supported various initiatives over the years. It has contributed for seven consecutive years to the CDP's non disclosure campaign, asking more businesses to report on their climate risk management, and has been actively encouraging companies to set Science Based Targets via in-house engagement and collaborative initiatives such as CA100+. It supported the Paris Pledge for Action in 2015 and is a signatory to the Montreal Pledge and TCFD Framework. EdenTree also maintains memberships including the UK Sustainable Investment and Finance Association, UN Principles for Responsible Investment and the Institutional Investors Group on Climate Change. • In 2023 the Group conducted an independent review of the transition risk of its property portfolio of its likelihood of any becoming stranded assets from physical risks (such as flooding) or transition risks (if their energy performance levels cannot be improved preventing compliance with energy efficiency regulation, for example). This found that that investment in energy performance is already in place (i.e. removing gas heating). Stranded assets are likely to be concentrated in the office sector; demand is increasing for properties with higher EPC ratings. While the portfolio is in a positive and improving position, the Group remains mindful of future regulation.
Liability	Stems from the potential for litigation if entities and boards do not adequately consider or respond to the impacts of climate change. This may include the potential breaching of directors' duties. There are potential exposures through the Group's liability underwriting portfolio.	Short term	• Each territory has assessed its exposure to the potential for receiving future liability claims relating to climate related litigation arising from customers' activities. The Group will continue to track potential for insured customers to be exposed to liability risks and the evolving legal environment.

Opportunities

While climate change brings risks, it also brings opportunities, including: greater resource efficiency, using expertise to help customers, and investing in areas that will profit from changes as we transition to a low carbon economy. Each of the Group's insurance businesses have a mature risk management capability to help their customers effectively manage their risks. There is an opportunity to incorporate the management of climate change risk within this service and so both help existing customers and provide an added attraction for new customers.

Another opportunity is the rising demand in ethical and sustainable insurance. Green-focused broker NatureSave is part of the Group's Broking & Advisory division. The specialist broker fits with the Group's portfolio of broking businesses and expands the division's climate expertise. With over 30 years' experience and top rated by Ethical Insurance magazine, Naturesave arranges insurance for individuals, homes, businesses, charities, community groups and renewable energy projects. The Naturesave Trust – its registered charity – funds sustainability projects and to date, Naturesave has donated over £1 million to the Trust.

The Group's investment strategy also includes an allocation to infrastructure assets. These investments can not only generate attractive returns and offer diversification from other assets but also help enable the transition to a low carbon economy and help mitigate the impacts of climate change.

Testing risks and resilience through scenarios

The Group uses stress and scenario analysis to assess its principal risks, with primary focus on its insurance underwriting businesses and as an asset owner as illustrated in the table below. These scenarios align to those defined in the Prudential Regulation Authority's (PRA) Climate Biennial Exploratory Scenario (CBES) which includes three projections exploring transition and physical risks. An assessment is cascaded down to various parts of the business, who then make local judgements of how climate change will affect them, using their local knowledge.

Each of the scenarios has been documented to enable businesses within the Group to assess their risks and consider strategic responses using a consistent set of potential outcomes. Workshop approaches have been used to enable sharing of views and ideas on the impact of climate change – these are typically facilitated by a member of the Climate Strategy Group. Workshop outputs are then shared with leadership teams to enable them to understand the thought processes and assumptions used to develop the assessments of climate change impacts.

How scenarios are defined

The definitions of scenarios include data on pathways for changes in weather conditions, notably temperature increases, precipitation changes and sea level rise besides impacts on macro-economic conditions and values of companies in specific sectors.

To date, the Group's scenario analysis has focused on short and longer-term horizons. There is generally a greater understanding of shorter time horizons (up to 5 years) building on changes that have been observed in recent years, so the greatest emphasis from scenario analysis has focused on the longer term (up to 30 years) where conditions are projected to be materially different from today.

Testing risks through scenarios

Insurance	Investment
• **Focusing on worst case scenario**: the Group's assessment of insurance underwriting risk has focused on the worst-case scenario of the Bank of England's three Climate Biennial Exploratory Scenario (CBES) scenarios (the No Additional Action scenario) because this enables identification of the most extreme outcomes, therefore the greatest risks to the business, particularly over the medium to long-term. The scenarios have been used primarily in a qualitative nature to identify the types of perils that are most likely to affect the current insured portfolio. • **Considering socioeconomic impacts**: besides considering the direct impact of weather events, the economic and social impacts on key customers were also considered, in this case also using the scenarios whereby Paris-aligned targets are met, to identify some of the issues they likely face in the various circumstances. This analysis is being used to inform customer propositions and how the Group might work with and support customers to manage and mitigate climate risk. The process has been used to assess the Group's insurance footprint in various geographies, for example assessing wildfires in Canada, temperature rises in Australia and windstorm and flood in the UK. For example, in the UK a tool for flood and storm mapping, Mapview, is used to manage individual and accumulated local exposures.	• In 2023, an assessment of the **Group's property investments** was completed. Using a Real Estate Environmental Benchmark (REEB) benchmark, Energy Performance Certificate (EPC) schedule priority, physical and climate risk assessments and scope 1, 2 and 3 data completion, it also included emissions reduction targets and a decarbonisation plan. • **Footprinting**: tools used by EdenTree enable the Group to view its investments from various perspectives. These include the portfolio emission pathway vs climate scenario budgets (and whether it is overshooting) and the associated temperature increase. • Based on current targets, the Group's equity investments are expected to be aligned with the Sustainable Development Scenario by 2050, representing a potential temperature increase of 1.5°C by 2050 compared to 2.9°C for the benchmark. • This figure is tracked annually to ensure continued alignment. This temperature alignment score is based on the ISS-ESG methodology and shows the estimated temperature increase which the portfolio is associated with by 2050. • We also track the current proportion of holdings that have adopted a Science Based Target (SBT). Increasing this is a key part of our engagement work to support the decarbonisation of our portfolio.

Impact of climate risks and opportunities on business, strategy and financial planning

In 2023, a high-level quantitative assessment was conducted for the Group's Own Risk and Solvency Assessment (ORSA) to gauge the potential impact of increased claims from perils most likely to be affected by climate change. Currently, the position is that the gross risk would increase materially but not necessarily lead to a large increase in capital requirements. It does however mean that increased reinsurance would be needed, requiring the market to maintain appetite for providing sufficient capacity. In addition, some customers would need to pay significantly higher premiums to maintain property insurance coverage.

Climate-related risks, opportunities and finacial impact

The Group does not operate in sectors that give material exposure to sector-specific climate change risks. However all organisations have a carbon impact and emissions represent risk, and the Group wants to support its customers to decarbonise and understand the carbon intensity of its portfolio. To do this, it has started applying the PCAF (Partnership for Carbon Accounting Financials) methodology and developing a plan to engage customers on their emissions. This work is ongoing.

Understanding investment risks and opportunities

The Group's responsible and sustainable investment policy requires specific engagement on climate change with investee companies. The Group does not invest in fossil fuel exploration and production, thermal coal or heavy emitting industries, and its mandate with EdenTree specifies that assets are invested in alignment with this policy.

Based on current targets, the General Fund is expected to be aligned with the Sustainable Development Scenario by 2050, representing a potential temperature increase of 1.5°C by 2050 compared to 2.9°C for the benchmark. The Group has set targets for key metrics that it uses for measurement of its climate risk asset exposures; to maintain alignment with a 1.5°C scenario and for 80% of financed emissions to be covered by a science-based target by 2025.

Screening climate risks

EdenTree deploys a positive climate screen to challenge the environmental performance of investee companies. It assess investees' governance of climate risk, use of renewable energy, emissions reduction targets and performance, and their decarbonisation strategy. If a company's climate risk management is deemed poor, or if the company is highly exposed to climate risks, these factors can act as a brake on investment.

Investment decarbonisation strategy

In 2023, EdenTree developed and launched a new climate strategy, designed to enhance its management of climate risk on behalf of its stakeholders, including the Benefact Group. Approved by the Group for all of its invested funds, the updated approach is based on four pillars, where EdenTree aims to:

1. decarbonise its funds
2. accelerate the transition
3. collaborate to drive change
4. and embody its standards.

EdenTree has also defined the actions it intends to take to ensure its targets and overarching ambitions are met. More information on EdenTree's Climate Change Strategy can be found in its Climate Stewardship Report, available here.

As part of EdenTree's new Climate Strategy, the Benefact Group have approved new climate targets for its equity funds: to maintain an implied temperature rise aligned with 1.5°C and to ensure that 80% of the funds' financed emissions are covered by a Science Based Target by 2025. Both targets aim to reduce the Group's financed emissions in line with its target to achieve net zero scope 3 emissions by 2040.

Launch of the Climate Stewardship Plan

- EdenTree has developed a proprietary Climate Stewardship Plan which is its primary lever for meeting the targets within its Climate Change Strategy. This includes the two decarbonisation targets that cover the Benefact Group's equity funds.
- The Plan contains the companies which are responsible for the majority of EdenTree's financed emissions, and, in turn, the financed emissions of its clients, including the Benefact Group. Over two thirds of the Group's General Fund's financed emissions are covered by the Climate Stewardship Plan (equities and fixed income).
- The Plan sets out 13 climate-related expectations which EdenTree views as best practice and assesses the performance of the high-impact companies against them. Over the next three years, EdenTree will conduct focused engagements with the companies contained in the Plan, aiming to improve performance. Progress against the 13 expectations will be re-assessed annually.

Helping our customers to understand and tackle climate risks

A key part of our strategy is helping our customers across our insurance, investment and advisory businesses to better understand and tackle their climate risks. In 2023 examples of activity included:

- **Broker net zero research**
  Research among brokers on attitudes to net zero targets and actions they're taking to reduce their climate impacts is now in its second year, generating coverage in the broker trades and referenced in climate-related articles. The Group continues to engage with the British Insurers Brokers' Association (BIBA) on the topic. One of its "Covered in 15" podcasts was a conversation with Steve White from BIBA about how BIBA acts as the voice of brokers through its lobbying efforts. The net zero story remains one of our highest placed stories on a Google news search of Ecclesiastical, suggesting it continues to be searched and viewed.

- **Investment influence**
  EdenTree plays an active part in debate on a range of issues through industry bodies but also through its insights and briefings on topics including river quality, nuclear energy, palm oil, oppressive regimes, impact investing, the just transition, biodiversity and the circular economy. Its Water Insight report contains thematic research designed to inform its business strategies and help to protect its customers' and other stakeholders' interests. It was shared with Ofwat, the Environment Agency England, and National Resources Wales, inviting a conversation around the subject. EdenTree has used this

research to continue conversations with water and utility companies it invests in to improve their business practices. EdenTree has launched three funds designed to contribute to and benefit from the opportunities arising from the transition:

- A Green Future Fund, investing globally in companies which provide sustainable solutions to some of the world's environmental challenges;
- a Green Bond Fund that seeks to deliver measurable positive environmental and social impact alongside a regular level of income;
- Green Infrastructure Fund seeking to invest in infrastructure which demonstrates positive environmental outcomes.

- **Product and proposition development**
  Our response to a changing climate risk landscape is shaping our product and proposition development. Propositions include:
  - Broking & Advisory – cover for woodlands including carbon credits, crop failure, anaerobic digestion, solar, onshore and offshore wind, heat pumps, battery storage and eco funerals.
  - Insurance – resilient reinstatement clauses, provision for renewable energy (solar and wind), plus leak detection devices to prevent floods. Ecclesiastical's Smart Properties initiative supports customers to reduce their direct footprint.

Key climate research: English Heritage partnership

- One of the large grants from the Group's Movement for Good programme was awarded to English Heritage to develop research into the climate impact on historic buildings.
- The project has specific objectives: produce practical advice and support for heritage property owners; challenge and inform the sector.
- To achieve this:
  - A summary video and series of mini videos have been produced to communicate the project to customers and stakeholders
  - A roundtable event with heritage sector partners will be held at the end of the project.
- The project is using Brodsworth Hall in Doncaster as a case study of climate impacts which include water ingress following spring storms; irrigation of grounds due to high temperatures; conservation of interiors.
- The video case study can be viewed here.

Risk

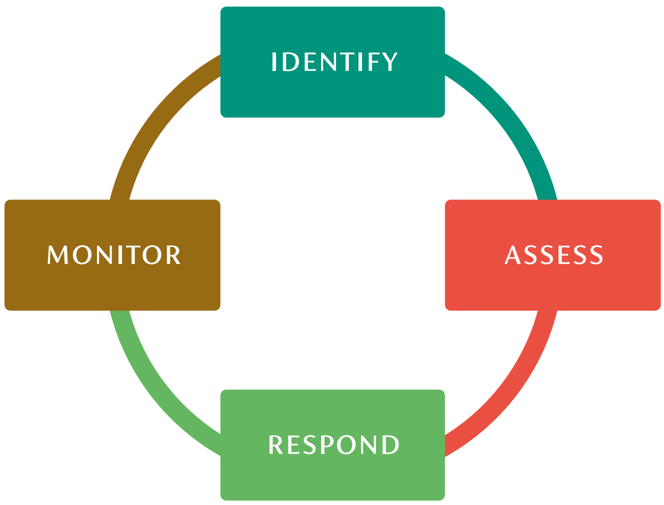
We accept the presence of climate risk in our property insurance underwriting portfolio and seek to manage our exposures by geographies. We have adopted a responsible and sustainable approach to investing that minimises exposure to both physical and transition risks and seeks opportunities that allow us to appropriately manage our investments in assets that will benefit from transition to a low carbon world. We actively seek to limit our exposure to counterparties with material climate risk exposures.

Risk management framework

The Group's Enterprise-Wide Risk Management Framework as illustrated in the **Annual Report and Accounts**, provides the tools, guidance, policies, standards and defined responsibilities that enable us to achieve our strategy and objectives, whilst ensuring that individual and aggregated risks to our objectives are identified and managed on a consistent basis. Our Group Risk Register includes climate change as one of the key risk exposures of the Group. The Group Risk Taxonomy has been updated to reflect the cross-cutting nature of climate change acting as a driver for other risk exposures. A Preference Statement and Risk Appetite statements were also developed for specific elements of climate risk. Recognising the likely impacts on its customers, the Group seeks to support them to address these through our underwriting, claims management and risk management activities.

Risk management process

The Risk Management Process is a structured, iterative method by which the Group, each business unit and significant business areas identify and assess the significance of the risks that it faces in pursuit of its business objectives. Climate risks are managed according to the four-step cyclical process as illustrated opposite:



1) Identify climate risks and opportunities

- **Insurance**: The Group operates a Strategic and Emerging Risk Process that scans the external environment for future risks. Climate developments are a key component of that process. Potential climate impacts are part of the Group's business planning and strategy development processes and it has a robust internal model that simulates the potential for weather-related events. The Group works with a leading geographic information system (GIS) provider to provide high quality data to inform pricing, risk selection and strategy. A GIS partnership enables the Group to provide a tailored service to customers to assess individual risk to storm, flood and subsidence.
- **Investments**: in fulfilling its mandate for the Group, EdenTree identifies climate risks and opportunities and discusses these with key decision-makers for invested assets.

Besides identifying climate change risk as a Level 1 risk-type in our Group Risk Taxonomy, under which sit the sub-risk types of physical risk, transition risk and litigation risk, we have mapped the potential impact of climate change on many of the other risk-types to which the Group is exposed. The Group's emerging risk process includes keeping informed on evolving knowledge and developments in the management of climate change risk. At Group and business unit level we have undertaken exercises to identify the specific risks that climate change will bring to our ability to achieve objectives. Scenario analysis, including potential pathways and looking over a range of timescales, is a key tool employed for this stage.

2) Assess

Having identified the climate risk exposures, the next step is to assess their potential impact. This entails gaining a deeper understanding of the nature and scale of the risks, and where possible seeking quantitative measures of the impact that the risks may have on the financial position of the Group under the different scenarios.

3) Respond

For climate risks, the potential effects of identified risk exposures would emerge in the future, often over much longer timescales than typically for other risks. While impacts may emerge far into the future, sooner actions are often necessary to mitigate the effects. This is why responses to climate change risks are often aimed at making the business more resilient to the future emergence of adverse conditions rather than addressing the immediate potential for loss. Responding to risks also involves identifying opportunities that might arise.

4) Monitor

All business units are expected to define the governance mechanisms for managing their climate risks. These involve the relevant risk and/or management committees receiving information relating to climate change risk exposures and actions. This enables them to monitor key risk exposures, challenge and input into decision making relating to risk assessments and responses, identify any risks that have not been recognised and carry out other monitoring responsibilities in line with their terms of reference.

Risk registers used at Group and business unit levels are not only used to capture, assess and respond to risk, but to monitor and report. Business unit climate risk reporting is shared with the Group Risk function which uses this and Group level information to report to the Group Risk Committee of the Board. This is done via the quarterly Chief Risk & Compliance Officer (CRO) Report which summarises the key risks across the Group.

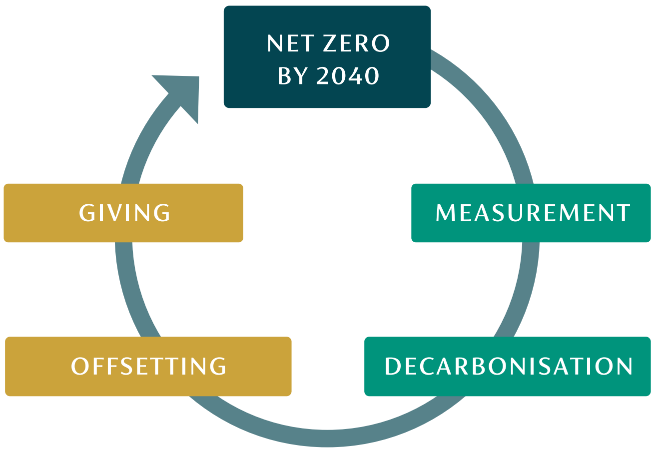
Developing Ansvar Australia's Climate Action Plan

Ansvar Australia provides insurance and risk management solutions for the Care Services, Community Services (Not For Profits), Learning and Education Services, Faith Communities, Arts, Culture and Heritage and Commercial Property Owner sectors. As part of its Climate Action Plan, which it developed in conjunction with Group, it has developed climate guidance for its customers. Called 'Governing Climate Risk' it will be launched in 2024 as part of a series of risk management resources and consulting services. This is the first issued by an insurer in Australia.

Metrics and Targets

Having launched its roadmap to net zero in 2022 through its high-level commitments, in 2023 the Group launched its 'Climate Positive Plan': an initiative to help its stakeholders understand the journey to net zero. It is designed as a cycle of continuous improvement.

- **Measurement** – publishing an annual footprint including our energy use, but also footprinting investments and expanding our scope 3 measurement and reporting.
- **Decarbonisation** – which means reducing our impact wherever we can. We're moving into more energy efficient office spaces, more of our fleet is electric and this year we launched an employee electric car lease scheme.
- **Offsetting** – for carbon we can't reduce yet, we are investing in schemes that not only sequester carbon but provide a host of biodiversity and social benefits to communities who are on the frontlines of climate change.
- **Giving** – in 2023 the Group gave £250,000 to climate and nature charities. Recipients included Heal Rewilding, Forum for the Future, the Inter Climate Network and the Wildfowl and Wetlands Trust.



Setting ambitions and targets is an important way to drive and assess climate progress. In 2022 the Benefact Group set out high level climate commitments for the short and long term, monitored and set targets for direct emissions, footprinted investments and expanded measurement and understanding of scope 3 emissions. In 2023 it also completed work to understand and assess its historic impact. Calculating historic direct carbon impact enables the Group to invest in positive charitable environmental projects. Our remuneration scheme also includes an emissions reduction target.

Emissions source	2021				2022				2023			
	UK	Non-UK	Total	Scope 1 & 2 tCO_2/ employee	UK	Non-UK	Total	Scope 1 & 2 tCO_2/ employee	UK	Non-UK	Total	Scope 1 & 2 tCO_2/ employee
Scope 1: fuel, fluorinated gas losses and fuel combustion in offices and company vehicles	97	6	103		143	23	166		142	7	149	
Scope 2: electricity and cooling in premises (location based)[1]	383	97	480		584	92	676		696	84	780	
Scope 2: electricity and cooling in premises (market based)[2]	68	97	165		82	92	174		97	75	172	
Scope 3: business travel[3], waste, water use	172	22	194		734	217	951		439	568	1007	
Total CO2e	337	125	462*	**0.23***	959	332	1,291*	**0.61***	678	650	1,328*	**0.56***

tCO_2e is tonnes of CO_2 and equivalent gases.

* Scopes 1, 2 (market based) and scope 3

In 2023, total energy use is 4,153,785 kWh of which 3,962,931 kWh is UK and 190,853 kWh is non-UK based. In 2022, total energy use was 4,139,168 kWh, of which 3,775,241 kWh was UK and 363,927 kWh was non-UK based.

Measuring our operational emissions

The Group's s operational footprint comprises:

- Scope 1 emissions (fluorinated gas losses and fuel combustion in premises and company vehicles)
- Scope 2 emissions (premises electricity and cooling)
- Scope 3 emissions (business travel, waste, water and commuting).

Footprinting methodology

These emissions are measured and reported according to GHG protocols, to Streamlined Energy and Carbon Reporting (SECR) standards. The Group has reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Its GHG reporting year runs from September 2022 to August 2023. The emissions reporting boundary is defined as all entities and facilities either owned by or under operational control of the Benefact Group. That is, emissions relating to the Group's premises and associated travel by employees

[1] The average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)

[2] Emissions based on how an organization buys its energy

[3] Air, rail, bus, taxi, ferry, car rental and grey fleet

based at those premises. Its data represents 90% of our Group by headcount. We strive to continue improving the coverage and quality of data which informs our report. Scopes 1, 2 and 3 emissions have been calculated using UK government greenhouse gas reporting emission factors (Department for Environment, Food and Rural Affairs), and independently verified according to ISO – 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

Developments for 2023

The Group's operational footprint for 2023 is slightly larger than 2022 due to higher data coverage from Canada and Australia and a larger overall headcount due to the Group's expansion throughout the year. However, the carbon intensity per employee has dropped from 0.61 tCO_2e in 2022 to 0.56 tCO_2e in 2023. Solar arrays at two UK sites have avoided 32.9 tCO_2e. The Group's businesses occupy 40+ office premises of varying sizes and tenancy arrangements across the UK, Ireland, Australia and Canada. It has taken a strategic view of these premises to understand where changes would have the greatest impact and the Group has greatest influence. Based in Gloucester, UK, Benefact House – the Group's HQ and largest office – has achieved key improvements, including:

- **Water reduction** – the premises team have targeted a reduction in water use through a new external irrigation scheme and using storage areas to hold run-off.
- **Energy efficiency** – additional sensors are employed to reduce energy usage. Heat from the server rooms is being recovered and fresh air monitored to reduce unnecessary fresh air intake. Over eighty per cent of heat has been recovered. In 2023, overall energy use was reduced by 5.5%.
- **Sustainable catering** – plant-based choices are promoted using locally sourced ingredients. Avoiding and reducing waste are a priority with leftover food going to staff and local charities. Takeaway options use biodegradable cutlery and packaging. Hot drinks are discounted to anyone using a reusable cup. Used oil is recycled to make biodiesel.
- **Travel** – our Climate Impact Manager represents our Gloucester headquarters in a county-wide business cluster that exchanges knowledge and learning on measuring and understanding commuting patterns and modes, along with opportunities to introduce sustainable mobility solutions. Benefact House has electric vehicle charging points, a secure bike storage facility along with lockers and showers.
- In 2023, one of our broking businesses **Lycetts moved its head office** into a **BREEAM 'Excellent' building** in the heart of Newcastle; designed to reduce CO_2 emissions during the building's lifecycle, using renewable energy and home to sustainable travel facilities.

Scope 3 emissions – investments

Scope 3 emissions comprise the largest source of emissions for the Group. Accessing accurate data and exerting influence are complex and challenging tasks but the Group is committed to making progress. The Group's owned investment assets are managed by subsidiary, EdenTree. EdenTree has an eight-year track record of carbon footprinting its equity funds, and a three-year track record of carbon footprinting the Group's General Fund (encompassing the Group's equity funds and some corporate bond funds).

Financed emissions: metrics

The Group currently measures the emissions of its investments using the following metrics:

1. Financed emissions
2. Carbon Intensity
3. Weighted Average Carbon Intensity (WACI).

Commentary on Group General Fund:

- The Fund's carbon footprint is 29.5 tCO_2e/£m invested, 66.38% lower than the general fund benchmark.
- The weighted average carbon intensity (WACI) of the Fund is 61.17 tCO_2e/£m revenue, 62.49% more efficient than the general Fund benchmark.
- 51.5% of the Fund is covered through this climate analysis, of which 87.3% of companies disclose their emissions. Over one third (38%) of companies have either set a Science Based Target or have committed to doing so.
- Based on current targets the Fund is expected to be aligned with the Sustainable Development Scenario by 2050, representing a potential temperature increase of 1.5°C by 2050, compared to 2.9°C in the benchmark[4].

Expanding our scope 3 measurement

The Group is working towards measuring and disclosing its relevant indirect (scope 3) emissions. To support this, in 2023 it:

- Conducted a full assessment of its property portfolio, setting decarbonisation targets to 2030
- Started applying the Partnership for Carbon Accounting Financials (PCAF) methodology to its underwriting portfolio
- Calculated the carbon footprint of an average claim with our restoration partners
- Conducted the first Group-wide employee commuting survey
- Calculated the footprint of all homeworkers.

Although these emissions are not yet reported, work continues to understand the data and develop appropriate metrics and decarbonisation targets. Through 2024 work is ongoing to further extend the scope of the Group's scope 3 measurement.

Supply chain

Climate change is affecting supply chains now and will continue to do so over the medium to long term. As part of due diligence, evidence is collated of any potential business partners' resilience to climate change risks, and the actions they are taking to address their risks, besides decarbonising. The Group is a member of the Financial Services Purchasing Scheme (FSQS) which is designed to drive up standards in supply chains. Suppliers registered with this scheme and are required to complete an enhanced level of questioning on social and environmental impact. Part of the Group's downstream footprint is the property restoration work we fund through our claims. With our restoration partners, we developed a carbon life cycle assessment of an average claim to identify where in the process emissions are most concentrated. All our restoration companies are ISO 14001 certified.

[4]Source: ISS ESG 31/12/2022.

Remuneration

Climate-focused performance targets are part of the Group's Long Term Incentive Plan (LTIP). These targets were agreed following a review of remuneration targets with an external partner to ensure best practice.

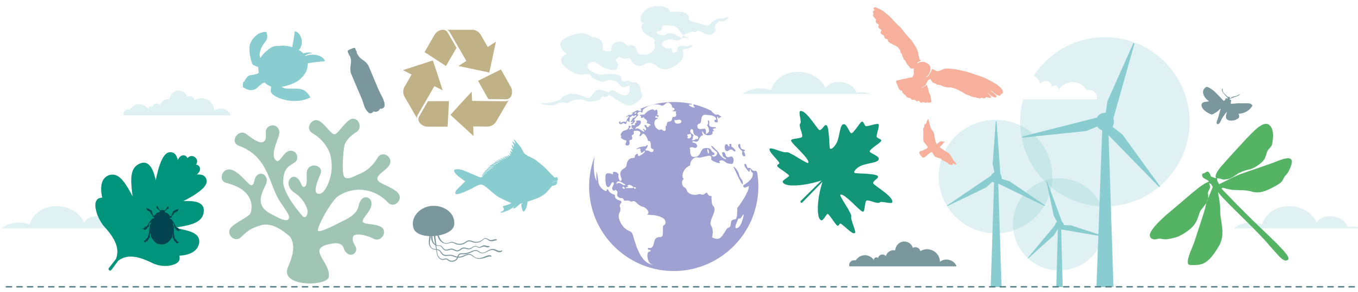
Offsetting

To offset its 2022 direct emissions, in 2023 the Group invested in a project in Kenya that brings subsistence farmers together to improve their farms and the local environment by planting and maintaining trees on degraded and unused land. The project enables participating farmers to collect seeds, plant trees, maintain groves and monitor results and in so doing, start tackling the cycle of deforestation, drought, and famine. It meets all seventeen of the United Nations Sustainable Development Goals.

Besides providing much needed shade, the trees reduce erosion, stabilize and enrich the soil. As the groves mature, they generate income for the farmers along with edible fruits and nuts, medicines, firewood and timber, which bring in additional revenue. Farmers are trained through seminars, training, and cluster meetings. The project also funds community events through which participants can learn about health care. The project provides employment opportunities for women and those suffering from HIV/AIDs. Seventy percent of the programme's profits are shared with local farmers.

Giving

The Group's unique ownership model enables it to give to good causes every year. Funding for transition, biodiversity projects and charities helping customers to reduce their impact has increased over recent years. In 2023, the group awarded £250,000 to climate-related charities including the InterClimate Network; Heal Rewilding; Trees for Cities, Forum for the Future and the Wetlands and Wildfowl Trust. These funds are supporting a wide range of positive environmental projects including biodiversity and rewilding and education programmes with future climate leaders in schools.



ENVIRONMENT

Forum for the Future: supporting regenerative agriculture

- Forum for the Future addresses critical global sustainability challenges by catalysing change in key systems.
- Their 'Growing our Future' project aims to accelerate the transition to regenerative agriculture in the UK. Regenerative practices bring environmental and social benefits and could reduce UK agricultural emissions by over a third.
- The Group's £30,000 grant is facilitating more collaborative meetings between farmers, retailers and other key stakeholders; and enabling farmers to fully participate in the project through the payment of honorariums.

Wildfowl and Wetlands Trust: supporting the Blue Recovery Fund

- WWT's mission is to save wetlands for wildlife and people.
- The Group's £20,000 grant has contributed to the 'Blue Recovery Fund', which will enable the creation and restoration of 100,000 hectares of wetlands across the UK.
- Wetlands are abundant in biodiversity and provide a range of essential 'ecosystem services'. But they have declined dramatically – England alone has lost around 90% of its freshwater wetlands in the past 500 years.
- The Blue Recovery Fund will create new wetland to tackle environmental issues and connect more local communities with nature.

Engaging our people

Engaging our people is a key enabler of our climate strategy. In 2023 we:

- Launched a salary sacrifice electric vehicle leasing scheme
- Shared our climate commitments
- Communicated the results of our ClimateWise scoring internally
- Promoted our 'Climate Positive Plan' and choice of offsetting project
- Launched an employee footprint calculator and first Group-wide commuting survey
- Engaged 200+ leaders from all parts of the Group on our climate position
- Offered employees the chance to be named supporters of a 3x3 metre square at the Heal rewilding site in Somerset
- Promoted our special charity draw (10 x £5k) for environment and climate charities through Movement for Good, and encouraged employees to nominate charities they care about
- Showcased the new, BREEAM 'excellent' head office for our Lycetts broking business.

Employee engagement campaign: The Benefact Acre

- One of the charities we are funding through Movement for Good is Heal Rewilding. We are one of the founding funders of their 460-acre Somerset rewilding site.
- Employee teams have visited the site to contribute to the project through volunteering and to learn more about biodiversity and rewilding.
- As part of the partnership, Heal have allocated What3Words 3x3 squares of the site which employees can be named supporters of.
- The opportunity to be allotted a square was advertised to all employees. Around 35 employees attended a webinar to learn more about the project and its aims.
- Through the Group's Movement for Good programme, is set to continue funding for the project, in 2024 supporting the recruitment of a volunteering manager in order to increase engagement and support for the project.

Employee engagement event: InterClimate Network

- Movement for Good has also funded the InterClimate Network to develop a package of support for climate action in schools.
- We hosted four schools from Gloucestershire, Bristol and Solihull at our HQ for an action planning day.
- Our external comms, web and impact teams volunteered at the event to help the students develop their thinking.
- Group Impact Director Chris Pitt said: *"When it comes to climate, I think the opinions and ideas that really matter should come from young people. We had a fantastic day helping over 30 children to develop climate action plans for their schools, supported by volunteers from InterClimate Network, Benefact Group staff, Gloucestershire Youth Climate Group, Planet Cheltenham and Save the Children UK. I think we learnt a thing or two about passion, creativity and commitment and I hope they all benefitted from it as much as we did."*

BENEFACT GROUP

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