

Reassuringly different



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

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

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

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

PAUL THOMPSON,
GROUP CHIEF EXECUTIVE OFFICER

SUSTAINABILITY CONTINUED

I am proud of the progress the Group has made in 2021 with regards to its Sustainability Strategy. In this sustainability section, we incorporate our inaugural 2021 TCFD Report and provide detail on the pillars of our Sustainability Strategy.

Utmost Group is dedicated to securing the financial futures of both present and future generations. Securing a brighter future for future generations requires urgent action to turn the tide on climate change. Recognising this, the Group committed to be net zero across our business by 2050 including our operations and investment portfolio, and we are now setting out the steps to make this pathway a reality.

The days when sustainability was seen as niche are in the past. Firms that fail to incorporate sustainability across their strategy run the risk of becoming uninvestable. It is vital that the Group both assesses its own business model and investment portfolio for sustainability risk exposures and that our own values and culture enable our organisation to navigate these risks in the future.

We are looking to shift our portfolios towards more sustainable investments as well as providing sustainability data to clients so they can assess the characteristics of their own holdings. Additionally, we are supportive of the developing industry standards on comprehensive and transparent sustainable disclosures. We are building out our sustainability reporting, and support the recommendations of the TCFD (see TCFD Report on page 10), making use of the data and tools available to us at the current time.

The Group exerts influence through our stewardship and engagement activities. Stewardship is critical to how the Group delivers a positive difference when managing investments on behalf of its policyholders and shareholders. We look to actively foster responsible stewardship of all investments that are managed on our behalf. We actively promote good sustainability practices through our ownership, and oversight of our asset managers' engagement and voting policies and practices.

We recognise that exerting influence provides a significant opportunity to help foster change. We champion measures to address climate change in our own operations. We have various initiatives ongoing to reduce our initial greenhouse gas emissions and foster a sustainable workplace.

We are a supporter of the Paris Climate Accord and the transition to carbon neutrality. This is best demonstrated by our commitment to being net zero in our investment portfolio by 2050, and setting ourselves interim targets to support immediate action. Our ambition is demonstrated by being a signatory of the UN PRI and our membership to the IIGCC.

We are proud of the progress we have made with our sustainability agenda and readily accept there is more to do going forward. At Utmost Group, we see this as a fundamental part of our commitment to providing our present and future generations security for the future.

Paul Thompson
Group Chief Executive Officer

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

PAUL THOMPSON
GROUP CHIEF EXECUTIVE OFFICER

1.14 tCO₂e
GHG Emissions per Employee

SUSTAINABILITY STRATEGY

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

Sustainability must be integrated across our business in order for us to make a positive difference. The formalisation of our Sustainability Strategy provides firm foundations. The development of processes to measure, manage and reduce our contribution to climate change as an investor and as a business was a key development this year. We recognise this is a fast-moving area which requires an evolving response.

Looking forward we will continue to focus on the issues that matter most to our stakeholders. We will continue to embed our climate change strategy and work to understand our impact in more detail, as well as developing the disclosures in our TCFD Report. Embedding and enhancing our responsible investment capabilities across our entire business will continue to be a key priority. We understand our responsibility to help clients and partners invest in a way that is aligned with their views on sustainability.

SUSTAINABILITY WORKING GROUP

Paul Thompson, Group CEO, has overall accountability for ensuring our business is run in a sustainable manner and is supported by a working group with representatives from across the Group.

OUR COMMITMENTS

Customer Outcomes

- To provide products which are **suitable for customers across each socio-economic group**
- To continually develop our proposition in order to **provide suitable outcomes to our customers**
- To provide **excellent customer service and communicate openly and honestly** with customers
- To work to provide **additional sustainable investment options** to our customers
- To support customers with the provision of data which helps them **understand the Environmental, Social and Governance ("ESG") characteristics of their investments**

Environmental Impact

- Utmost Group is on track to have **fully embedded climate risk into our business and risk management processes by the end of 2022**
- To **reduce and minimise the environmental impact** of our operations
- To maintain a **net zero carbon status in our operations** and reduce our initial operational carbon emissions
- To **reduce the environmental impact of our supply chain**, looking to work with select organisations which operate in line with our corporate philosophy and help us deliver our long-term vision

Responsible Investments

- **Net zero by 2050 with a 50% reduction by 2030 aligned with a maximum temperature rise of 1.5°C** above pre-industrial levels as outlined in the Paris Agreement
- Utmost Group is a **signatory to the UN PRI and a member of the IIGCC**
- Utmost is a **supporter of the Financial Stability Board's TCFD** and endorses its recommendations.
- Committed to regular and transparent reporting on our sustainability activities

Community Engagement

- To create an environment where our people can **achieve their aspirations and reach their full potential**
- To **increase diverse representation** and strengthen our leadership **focus on diversity and inclusion**
- **To participate in our local communities**

2020

Carbon neutral in our operations

2030

Halve emissions by 2030

2050

Net zero by 2050

KEY HIGHLIGHTS 2021

CUSTOMER OUTCOMES	ENVIRONMENTAL IMPACT	RESPONSIBLE INVESTMENTS	COMMUNITY ENGAGEMENT
Review of International product range, selecting best-of-breed products	Develop our climate-related financial disclosures in line with the recommendations of TCFD	Signatory to the UN PRI	Maintained high level of diversity throughout our organisation including senior leadership
UK online portal launch due in mid 2022	Set a target to embed our climate risk framework by YE 2022	IIGCC membership	Continued to participate and contribute towards our local communities
Continued provision of excellent customer service	Offset our operational carbon footprint	Pathway to Net Zero: net zero in our investment portfolio by 2050	Implemented a volunteering policy
Provide additional responsible investment options to customers to meet their views on sustainability	Implemented initiatives in our offices to reduce our environmental impact	Enhanced stewardship and engagement practices	

CUSTOMER OUTCOMES

Projected population ageing in our society has far-reaching implications including an increased requirement for individuals to provide for their own retirement. Our business is particularly sensitive to the relevance, needs and consequences of an ageing global population and our solutions help support individuals in saving for their own retirement.

Across our International and UK businesses, our products support the financial futures of a range of clients, from straightforward savings needs through to more complex requirements.

Good client outcomes have been demonstrated this year in the review of the combined Utmost International and Quilter International product ranges with the best-in-class products chosen to be open to new business going forward. New product launches have introduced modern, flexible features and more cost-effective charging structures for clients across our markets. Across our guided architecture ranges, the majority of our funds are in the top two quartiles, demonstrating good value for customers.

Our UK business will launch its online portal in mid 2022 to aid customer access to information enabling clients to view and manage their policies online.

Since 2021, we have included ESG scores on our fund factsheets. These support clients in selecting investments which match their views on sustainability. The scores provide information on the ESG risk exposures of each fund.

In 2022 we will continue to develop our responsible investment framework. We want to support our customers on their sustainable investment journeys. We will follow industry developments closely, particularly in the wake of COP26 as the financial industry adapts to address the challenges of the global climate crisis.



ENVIRONMENTAL IMPACT

The IPCC Special Report published in H2 2021 categorically linked human activities to global warming. Human activities are estimated to have caused approximately 1.1°C of global warming above pre-industrial levels. Global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate. Climate-related risks depend on the magnitude and rate of warming and a strengthening of the global response to the threat of climate change is required.

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

Utmost Group is committed to reducing and minimising the environmental impact of our operations and embedding a sustainable mindset into our corporate philosophy.

Our local sustainability working groups encourage employees to embed the “reduce, reuse, recycle” philosophy across our business. This has encouraged a number of initiatives such as a move towards the removal of single-use plastics, uptake of recycling, increased use of renewable energy in our offices, installation of electric charging points in our car parks

and paperless initiatives. In 2021, we planted a tree for each employee to support the carbon offsetting of our operational carbon emissions from 2020, becoming net zero in our operations for 2020. We have committed to be net zero in our operations in future years.

We are proud that our Isle of Man business has become a Partner of the Isle of Man UNESCO Biosphere, taking a pledge to protect the area’s natural resources and develop the economy in a sustainable way. Other initiatives in our offices included adoption of cycle-to-work schemes and solar panels to generate hot water.

Going forward we will look to reduce our initial carbon footprint to support our net zero operational commitment. As contracts come up for renewal with our suppliers, we will look to choose sustainable options, for example where any single-use plastics are in use. Similarly, any energy contracts will be replaced with renewable alternatives at the point of renewal where feasible. Where paperless client servicing is possible, we will implement it and look to develop the systems and processes to enable this across all our businesses.



RESPONSIBLE INVESTMENTS

In order to meet its fiduciary duty to manage risks while achieving target investment returns, Utmost Group recognises that its net zero commitment must be embedded holistically incorporating, but not limited to, climate change.

The Group has joined the UN PRI to support the integration of its responsible investment approach. The Group believes that committing to the UN PRI principles provides a market-leading framework for us to follow. By becoming a signatory, it will support our efforts to contribute to developing a more sustainable global financial system.

In 2021, the Group embedded its responsible investment standards and stewardship standards across the businesses. These mandate that ESG factors must be considered as an integral part of investment decision making. The Group also set minimum ESG standards for funds included in our guided ranges. Via the Stewardship Standard, the Group has enhanced oversight of its managers' engagement and stewardship.

The Group is putting together a comprehensive Pathway to Net Zero, as well as setting intermediate targets to maintain progress towards our longer-term goal. The Group will monitor the carbon intensity of its shareholder assets, expressed in "tonnes CO₂e/m USD borrower revenue" or an equivalent sectoral measure, and use this as the metric to measure progress towards the net zero goal.

Utmost Group is making its first climate change-related disclosures. In the wake of COP26 we expect to see increased and persistent focus from all parts of society in reducing carbon footprints to slow warming and avoid the worst impacts of climate change. Given the geographical concentrations of our shareholder portfolio towards the UK, our Pathway to Net Zero should be aided by the UK's continuing shift towards net zero, focusing on greener energy generation. The majority of world governments have set net zero targets; our success is intrinsically linked to the success of governments in implementing these strategies.

Going forward, the Group will develop its Pathway to Net Zero. The Group believes regular and transparent reporting will support progress and is committed to providing clear and regular updates. We are building out our responsible investment function in order that we can act in line with industry best practice as set out by the UN PRI.



COMMUNITY ENGAGEMENT

Utmmost Group aims to make a positive difference to our employees, our customers and our communities.

Our employees are core to the success of the Group, both individually and collectively. It is an important priority of the Group that our employees enjoy a diverse and vibrant work environment which ensures they are fulfilled and committed.

We have a civic responsibility to commit time and resources to support our local communities to thrive and prosper. We want to be an active participant in our communities. To support our colleagues' participation in our local communities, we implemented a volunteering policy. Colleagues can take one day of paid work time per year to participate in their local community.

Across the Group, and despite continued restrictions, colleagues have used their volunteer days to contribute positively to their local communities. Colleagues from our Ireland office participated in a project to transform the play areas of a local school seriously damaged by fire. Groups have also participated in beach cleans, school playground painting, and local environment area clean-ups.

Following a hiatus through the pandemic we have recommenced the Utmmost Challenge to support our employees' charitable giving, help us engage with the communities we work in and contribute towards them. Employees can apply for a donation to their chosen charity. To be selected for a donation, the employee must complete an outstanding challenge. The challenges which are selected are highly notable and are the "utmost" achievement in their field. At the beginning of 2022, Utmmost Group donated £25,000 to be split across the British Red Cross and the Irish Red Cross to support the people affected by the Ukraine crisis.

This year, we became an accredited Living Wage employer across our UK offices. Our Living Wage commitment is confirmation that all UK employees at Utmmost earn at least the real Living Wage. This commitment applies not only to directly employed staff but also to our third-party contracted staff. The accreditation demonstrates the Group's commitment to creating a positive impact in the communities where we operate.



SUPPORTING OUR LOCAL SPORTS

- Isle of Man Swimming Association
- Isle of Man Junior Cycling team
- Guernsey Team for the Biennial International Island Games
- Navan Rugby Football Club



COMMUNITY ENGAGEMENT CONTINUED

In our 2020 Annual Report, we set out our commitment to inclusion and diversity (“I&D”) and we remain committed to the promotion and advancement of I&D across Utmost.

Utmost Group’s Five-Year I&D Strategy:

- INCREASE DIVERSE REPRESENTATION
- STRENGTHEN OUR LEADERSHIP FOCUS ON INCLUSION AND DIVERSITY
- ENSURE EQUAL OPPORTUNITIES FOR PROGRESSION AND DEVELOPMENT FOR ALL

We have been intentional in setting out this strategy over five years. This enables us to make deliberate and considered actions, which hold Utmost employees and stakeholders at their core. More broadly, as an organisation we have made the conscious decision to not assign targets to our I&D strategy. We are not shying away from the proactive implementation of I&D. Rather we believe that the implementation of targets can cause unintended consequences, with the focus removed from the intended beneficiaries – our employees. We will continue to place employees at the heart of our I&D decision-making processes and to foster a culture in which all have an equal opportunity to succeed.

We remain committed to attracting, developing, and retaining talent, the success of which is underpinned by maintaining a culture across the Group that fosters equal access, inclusion and belonging, and encourages diversity of perspective and experience. We have invested in LinkedIn Learning across our Utmost International businesses, with colleagues encouraged to pursue diverse learnings to expand their knowledge and develop a more holistic skillset. We also provide targeted learning pathways for colleagues in particular roles, to expand their role-specific skills. We are mindful of the power of in-person learning which continued to be restricted in 2021. Despite this, our Isle of Man office ran “Accelerate” – an in-person leadership and development programme for select future leaders, further emphasising our commitment to providing the tools for colleagues to realise their ambition.

In 2021, we enhanced our reporting to capture diversity information about our senior teams and Boards. This information is reported to the relevant Executive Committees and enables an understanding of the current diversity landscape at Utmost, as well as identifying future opportunities and corresponding talent at Utmost. When hiring across all roles, we have promoted the enhancement of diversity as a consideration. With our recent INED appointment in the ULP business, we intentionally looked for diverse candidates and have successfully hired on that basis. This contributed not only to diversity of gender for the Board of Utmost Life and Pensions Limited (“ULPL”), but further contributed to the diversity of thought and perspective that has been central to Utmost’s continued success.

Going forward, we want to continue the progress that we have made in 2021 and strengthen our ties to our local communities.



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Utmmost Group is committed to achieving net zero across its business by 2050. The Group has set out a pathway to achieve net zero backed up with meaningful actions and intermediate milestones in the years ahead.

TCFD

Climate change is the greatest risk facing us all. Around the world storms, floods and wildfires are intensifying and unpredictable weather causes untold damage to homes and livelihoods. To achieve the Group’s mission of securing a brighter future for our policyholders and future generations, urgent action is required by individuals, by corporations and by nations to turn the tide on climate change.

Throughout this report, climate change is used as a shorthand for the impacts and consequences of increasing atmospheric CO₂ including related risks whose consequences are likely to include rising sea levels, increased incidence of heat waves and extreme weather events and acidification of the oceans.

I. GOVERNANCE

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

Board Oversight

The Board oversees the delivery of the Group Sustainability Strategy, a key element of which is the management of climate-related risk and opportunities. Paul Thompson, Group CEO, is the Executive Board Director responsible for the implementation and delivery of the Group’s Sustainability Strategy.

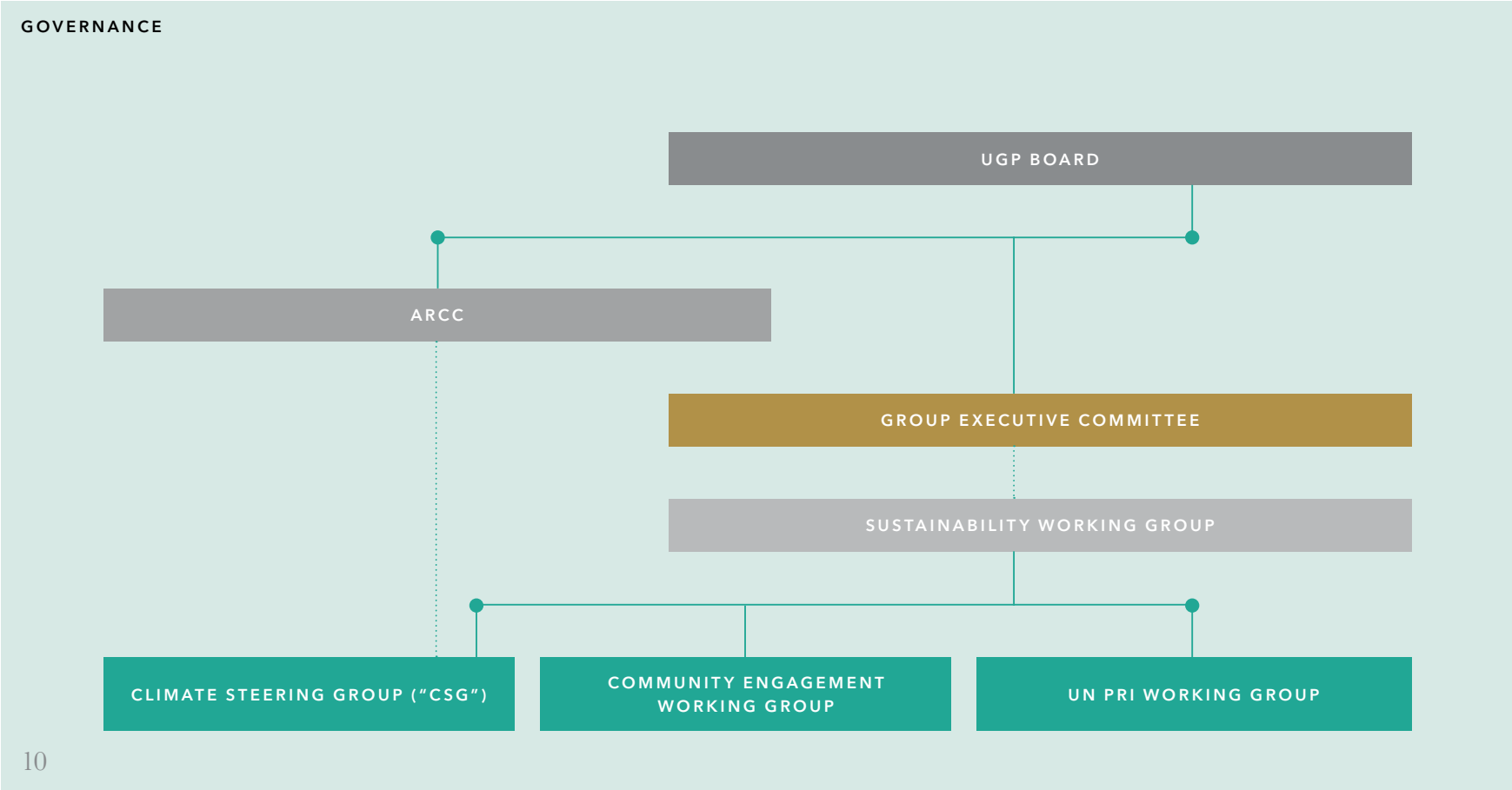
During 2021, the Group Board discussed the Group’s sustainability initiatives on several occasions, including reviewing progress made in implementing the Sustainability Strategy launched in early 2021 and consideration of various industry initiatives. The Board considered and approved the Group becoming a signatory of the UN PRI.

The Board has established the ARCC to assist it in the discharge of its responsibilities. Formal terms of reference have been adopted, details of which are found in the Annual Report 2021.

The Group identifies climate change as a key risk to the strategic aims of the organisation alongside the broader risks associated with sustainability. The Group ARCC has oversight of climate-related risks and opportunities.

The Group ARCC met once in 2021 and has five meetings scheduled for 2022. The Group ARCC will take a key oversight role of the internal controls and financial reporting procedures and will be recommending the Annual Report 2021 to the Board for approval, including the TCFD Report.

More information on climate risk can be found in the Risk Management Report in the Annual Report 2021.



Our local Boards and Risk Committees oversee the management of climate-related risks and opportunities. They ensure these are managed in line with our risk management framework, risk strategy, risk appetite and risk profile as well as compliance with local regulatory requirements.

Management Oversight

The Group Executive Committee meets six times a year and is responsible for oversight, management, delivery and reporting of the overall Sustainability Strategy and programme and its underlying climate-related initiatives. Sustainability, incorporating climate-related risk, is a standing agenda item at the Executive Committee.

The Group CEO is the Executive Board Director responsible for the identification, assessment, management and reporting of climate-related risks and opportunities.

Sustainability Working Group

In 2021, the Group established a Sustainability Working Group, which comprises key functional representation from across the business and is chaired by the Head of Strategy and Corporate Affairs. The Working Group meets every month and is responsible for the oversight, delivery, management and reporting of the overall Sustainability Strategy and its underlying environmental commitments including initiatives which are climate-related. The Sustainability Working Group reports to the Group Executive Committee on its activities and progress monthly and at least twice a year to the Board.

Climate Steering Group

The Sustainability Working Group is supported by the CSG which was established in 2021 and oversees the TCFD implementation programme. The broader aim of the Steering Group is to ensure Utmost Group has an integrated approach to managing climate-related risk and opportunities and a strategic approach to managing climate change.

The Steering Group is accountable for the implementation of the climate change strategy including assessing and managing climate-related risks and opportunities. It comprises key executive representatives from across the business and meets monthly. The Climate Steering Group is chaired by the Group Head of Risk and Compliance and reports to the Group ARCC and the Sustainability Working Group.

Future Initiatives

Future work includes implementing and embedding the climate-risk framework in accordance with the Group Sustainability Strategy as well as enhancing the governance framework across the Group to address climate-related risk and opportunities. Initiatives including training will be undertaken to develop the skills and expertise of the Board, Executives and the wider Group.

II. STRATEGY

Sustainability is at the heart of our strategy. Climate change is a pressing issue requiring urgent action and the window of opportunity to tackle it is diminishing. The Group has focused its efforts through committed and pragmatic actions, aligned with our mission to build a brighter future for our clients.

The Group's Sustainability Strategy is framed along four pillars: customer outcomes, environmental impacts including climate-related risks, responsible investments and community engagement. The Group's climate change strategy is incorporated into our Sustainability Strategy.

➤ Please see our Sustainability Strategy on page 3

The IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels provides emission pathways consistent with 1.5°C global warming. In model pathways with no or a limited overshoot of 1.5°C, net CO₂ emissions decline by 45% from 2010 levels by 2030, reaching net zero around 2050. The Group aims to align its business model to a 1.5°C world, and as such our climate change strategy incorporates a Pathway to Net Zero by 2050.

What have we achieved so far?

- Net zero in our operations using Verified Carbon Standard approved carbon credits
- Committed to a Pathway to Net Zero by 2050 in our shareholder investment portfolio
- Considering the use of low carbon benchmarks in future product development
- Monitoring the progress of the Bank of England Climate Biennial Exploratory Scenarios ("CBES") and using it to guide development of our own climate scenario analysis

SMALL CHANGES EVERY DAY TO MAKE A BIG IMPACT. THROUGH OUR VALUES WE ARE:

**INSPIRING
MOTIVATED
PERSONABLE
ADAPTABLE
COLLABORATIVE
TRUSTWORTHY**

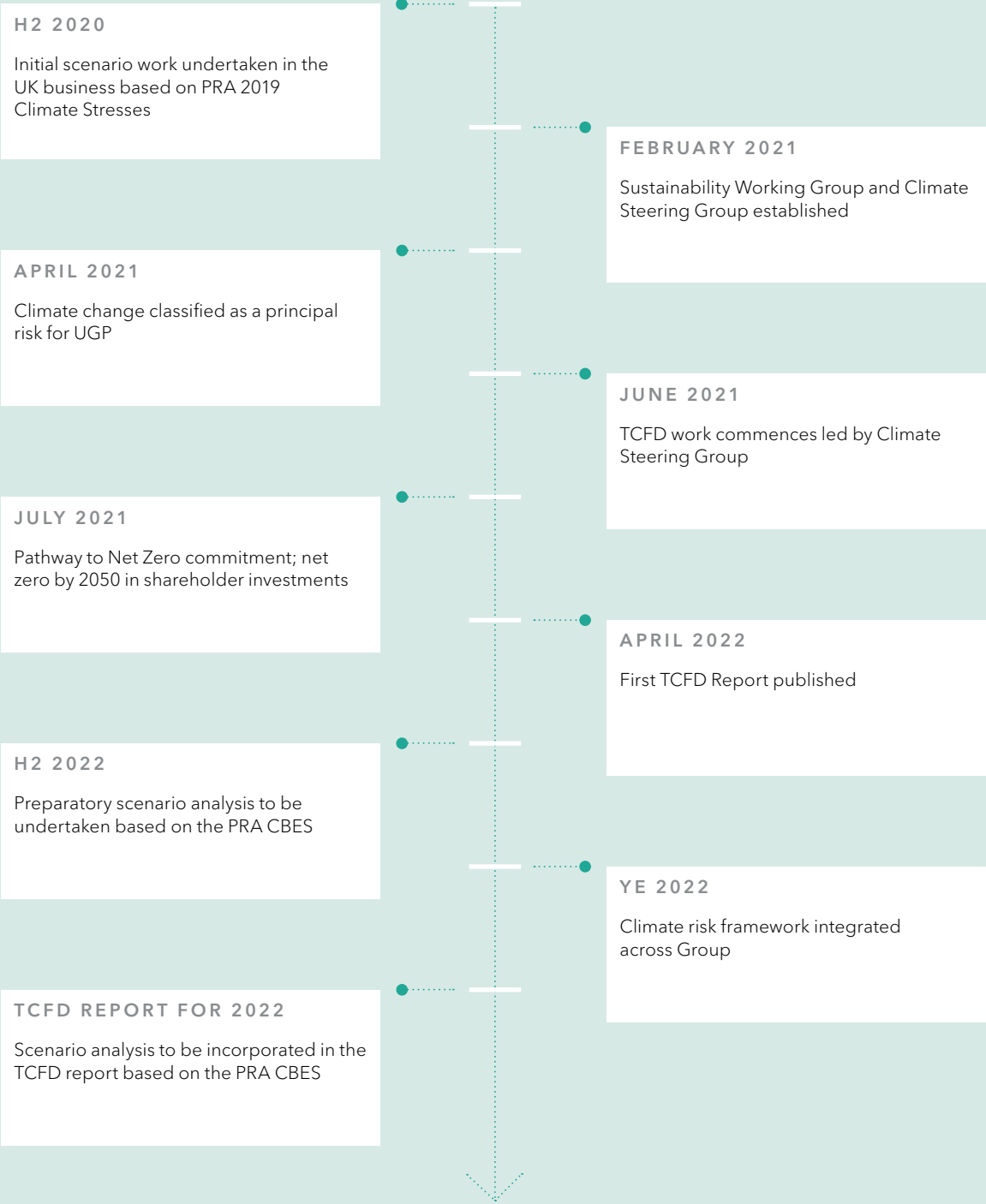
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To achieve the Group's mission of securing a brighter future for our policyholders and future generations, urgent action is required by individuals, by corporations and by nations to turn the tide on climate change.

PAUL THOMPSON
GROUP CHIEF EXECUTIVE OFFICER

1. Source: IPCC Working Group report, Climate Change 2021: the Physical Science Basis

CLIMATE ROADMAP



Identification of Climate-Related Risk and Opportunities

The decarbonisation of the global economy as it transitions towards net zero poses a number of risks and opportunities to our Group. Utmost Group is exposed to physical climate impacts, low carbon transition risks and potential opportunities. These impacts are summarised in the table below and considered over the following time horizons:

	Description	Timeframe	Impact
PHYSICAL			
Acute	Disruptions and damage to operations due to extreme weather events	Short	<ul style="list-style-type: none"> – Increased expenses – Operational disruption
Chronic	Chronic changes including temperature rises increase energy consumption and impact mortality and morbidity	Long	<ul style="list-style-type: none"> – Increased expenses – Operational disruption – Demographic assumption changes
TRANSITION			
Policy and Legal	Changes to climate-related regulation will impact corporations; increased compliance costs	Long	– Decreased profitability
Technology	Write-offs in disrupted technologies, investment in new technologies and change costs	Medium	– Impact on asset performance
Market	Changing client behaviour impacting demand for our products	Medium	– Decreased revenue
Reputation	Perception of not having responded appropriately to climate challenges	Medium	<ul style="list-style-type: none"> – Decreased revenue – Brand damage
OPPORTUNITIES			
Energy	Use of new technology and lower emission sources to reduce our environmental impact	Medium	– Reduced expenses
Products	Adapting our proposition to client preferences	Medium	– Increased revenue

KEY

SHORT	<5 years
MEDIUM	5-10 years
LONG	>10 years

Impact of Climate-Related Risks and Opportunities on the Group's Businesses, Strategy and Financial Planning

Utmost Group is exposed to climate change across numerous aspects of its business and our processes are being adapted to address climate-related risks and opportunities:

	Proposition How we evolve our product range	Investments How we invest our assets	Engagement How we use our influence	Operations How we operate our businesses
EXPOSURE	Client preferences and behaviours may impact demand for our products	A key source of climate-related risk for our business is our shareholder investment portfolio	The Group can use its scale and influence to support the transition to a low carbon economy and reduce the adverse physical effects	The Group can lead by example through reducing the carbon footprint of its assets and the direct carbon footprint, supporting our long-term resilience
FUTURE ACTION	Adapt product range in response to opportunities	Net zero by 2050 in our shareholder assets with a 50% reduction by 2030	Apply high stewardship standards and mandate our asset managers to engage on our behalf	Continue to be net zero in our operations and take further action to reduce emissions

The Group is building its capabilities with regards to scenario analysis. The CSG is closely following the progress of the 2021 CBES which explores the financial risks posed by climate change for the largest UK banks and insurers. The Group will use the CBES scenarios to guide the approach which the Group adopts to assess the climate risk exposure in its assets and liabilities. The Group will look to build out this analysis in 2022 and it will be useful in guiding our understanding of the Group’s exposures to physical and transition risk.

The Group has carried out qualitative analysis of climate-related risks with investments considered to be the most material risk area.

Physical risks are more likely to impact the Group over the medium- to long-term. Chronic physical risks such as increasing temperatures may impact mortality and morbidity as well as increasing the risk of operational disruption across the Group. The demographic assumptions used in modelling our business may change, which could impact the liabilities of our businesses. The Group is exposed to transition risks arising from regulatory and legal changes, market and economic factors and the implications for our reputation. Policyholders may be exposed to transition risks depending on the nature of assets backing their policies. Regulatory and legal changes may impact the value of securities in certain sectors.

Should the Group not adequately respond to the challenges posed by climate-related risk, the Group may face reputational damage, legal challenge or increased regulatory scrutiny. If climate-related considerations are not embedded, organic growth may be adversely impacted should clients and brokers direct business elsewhere. Similarly, the Group is embedding climate-related considerations into its own selection processes as it looks to appoint new asset management partners.

Opportunities available to the Group include developing its proposition in response to client preferences. As awareness of climate change increases there may be opportunities for Utmost Group to offer products and services to meet increased demand and gain competitive advantage.

Our investors’ views are important to us as we develop our climate-related risk processes.

Investment Strategy
In considering climate-related risks, the Group’s investments can be divided into three main categories:

- Open Architecture
- Guided Architecture
- Shareholder Assets

In relation to climate-related risks, the approach the Group has adopted for each category differs depending on the degree of control the Group has over their management.

- **Open Architecture** – Our policyholders or their advisers select their own investments for products with an open architecture investment style. The Group does not exercise control over these investments.
- **Guided Architecture** – Our policyholders or their advisers select investments from a fund range constructed by Utmost Group for products with a guided architecture investment style. The Group takes account of ESG as a part of its fund selection activity. The Group has expectations of how its asset managers respond to climate change, set out in our Unit Linked ESG Investment Standards which sits under our Investment and Market Risk Policy.
- **Shareholder Assets** – The Group controls the investment allocation of the shareholder asset portfolios and has put in place a Pathway to Net Zero for these assets. The Group measures the carbon intensity of these portfolios and has set a target to be net zero by 2050 when measured by carbon intensity with a 50% reduction by 2030. The Group considers the asset classes, sectors and geographies of its shareholder assets. The overall exposure to climate risk can be reduced by holding investments in asset classes, sectors or geographies with lower climate risk.

- The Group has developed a Shareholder Asset ESG Standard as a part of the Investment and Market Risk Policy to govern how climate change and ESG considerations are embedded into the shareholder assets.

The Group does not operate any blanket sectoral exclusion policies as we do not believe that rapid total divestment is the optimal strategy for either limiting climate change, or other ESG impacts.

The Group became a signatory to the UN PRI in January 2022. This demonstrates the Group’s commitment to including sustainability factors in its investment decisions and ownership. Becoming a signatory to the UN PRI demonstrates our commitment to responsible investing and encourages investments that contribute to prosperous and inclusive societies for current and future generations. The Group has previously announced that it will only work with asset managers who are signatories to the UN PRI in the management of its own assets and guided architecture ranges.

Resilience to Climate Change
The Group has limited exposure to investment and mortality and morbidity risk given the nature of its liabilities are predominantly unit linked with limited guarantees.

The shareholder assets are invested in high quality government and corporate bonds. These factors limit the Group’s exposure to climate change, should governments achieve their own net zero policies and support an orderly net zero transition in society.

The Group is building out its scenario analysis capabilities. This scenario analysis will measure the Group’s exposures and highlight more highly exposed geographies and/or sectors.

Climate Scenario and Potential Related Impacts

CARBON EMISSIONS SCENARIOS	UNDER CONTROL	NOT UNDER CONTROL
GLOBAL WARMING	Non-catastrophic	Catastrophic
IMPACT	Reduced winter deaths Increased longevity	Increased heatwave, drought, famine, extreme weather deaths Increased mortality and morbidity

III. RISK MANAGEMENT

Process for Identifying and Assessing Climate-Related Risks

The Group identifies climate change as a key risk to the strategic aims of the organisation alongside the broader risks associated with sustainability. The Group expects that it has a relatively limited exposure versus industry peers to climate risk given the unit linked nature of its assets and liabilities and its physical locations, and the expected impact on strategy, risk management and governance. Climate scenario work will be undertaken to better understand exposures and it is expected that the focus on climate-related risk will increase over time.

The Group is developing a climate risk framework to ensure consideration of climate risk is embedded across the business. The framework encourages each of the three lines of defence to consider climate risk in their business-as-usual operations. The climate risk framework is being embedded across the Group. This embedding is not limited to risk management processes but will be incorporated into the day-to-day management of the business. The Group's culture is such that employees are encouraged to consider the climate impacts of their business function and decision making.

The Group has elected to take an integrated approach to climate risk and considers it as a causal effect for how other risks may impact on the business. The Group recognises the increased focus of regulators as well as the increasing expectations of employees and policyholders to carefully manage climate risk. As such the Group's focus is increasing and the Group is ensuring it is adequately resourced to manage this risk area.

Policies and Standards

The Group's approach to climate change is set out in its Corporate Social Responsibility policy where the Group's approach to understanding and assessing the financial impact of environmental risks is set out.

The Group is exposed to the risk of not giving sufficient consideration to climate change, especially in relation to investments.

The Group has implemented a Unit Linked ESG Standard and a Shareholder Asset ESG Standard setting out the Group's policy with regards to integrating ESG into its investment decision making. These policies sit under the Investment and Market Risk Policy.

Integration of Climate-Related Risks into the Group's Overall Risk Management

The CSG is a sub-committee of the ARCC, who overview the set of risks to which the Group is exposed. The membership of the CSG is drawn from multiple divisions of the Group and ensures that climate risk is not the preserve of a particular silo and instead encourages initiative from all participants across the three lines of defence risk framework.

Managing Climate-Related Risks

The Group is working to embed its climate risk framework to ensure climate-related risks are captured and assessed. This work will continue as further metrics are developed to monitor and measure these risks.

Next steps

- Embedding the climate risk framework
- Develop climate risk reporting

IV. METRICS AND TARGETS

Utmost Group is committed to achieving net zero across its business by 2050. The Group has set out a Pathway to Net Zero backed up with meaningful actions and intermediate milestones in the years ahead. The Group aims to provide transparency on its progress through regular reporting on key metrics, based on TCFD guidance and best practice, to demonstrate progress towards our goals.

GHG Emissions

The Group measures and discloses its GHG emissions for Scope 1 and 2 (operations) and selected Scope 3 (business travel) each year. These are included in detail in the Annual Report 2021.

The Group's Global GHG emissions in 2021 were 1,153 tonnes of carbon dioxide emissions equivalent basis ("tCO₂e") tonnes or 1.14 tCO₂e tonnes per employee.

In 2021, the Group committed to being net zero in its operational emissions. The Group achieved a net zero operational status for 2020 through carbon offsetting and will do the same for our 2021 emissions. The carbon emissions caused by our organisation will be offset by funding an equivalent amount of carbon savings elsewhere in the world. The Group achieved its net zero carbon status for 2020 through a Tree Budding Scheme in partnership with Carbon Footprint Limited.



As part of the project, the Group arranged to plant a tree for each of its employees, in parallel with a Verified Carbon Standard deforestation programme. In this way, the Group offset carbon by planting and protecting forests and biodiversity on two continents.

Nonetheless, the Group is cognisant of the importance of reducing its own GHG emissions and various initiatives are underway to achieve this. Ongoing activities to reduce operational greenhouse gas emissions across the Group include sourcing renewable electricity in our offices, a zero single-use plastic policy, increased use of online software to replace business travel and raising staff awareness of the importance of sustainability.

Pathway to Net Zero

The Group is committed to transitioning our investment portfolio to net zero greenhouse gas emissions by 2050, aligned with a maximum temperature rise of 1.5°C above pre-industrial levels as outlined in the Paris Agreement. The Group has set an intermediate goal to halve the greenhouse gas emissions of our investment portfolio by 2030. The Group is committed to regular reporting to provide transparency to all stakeholders on our progress towards our goal.

The Group is completing a detailed analysis of the individual assets and sectors in its portfolios using carbon intensity and third-party ESG data. This data will be used to assist the Group in setting out detailed plans to achieve net zero in its portfolios by 2050.

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