

WITH-PROFITS (RISK LEVEL 2)

This document covers the following product: Select Pension Plan

CLIMATE-RELATED FINANCIAL DISCLOSURES AS AT 31/12/2023

This document details specific climate-related metrics for the noted fund. It explains the combined greenhouse gas emissions performance of the companies within the fund for transparency and to allow you to make an informed investment decision.

The metrics within this document have been produced using data from MSCI who are a leading ESG data provider. The climate metrics are only provided if reliable climate data, above 40% coverage for holdings the fund invests in, and appropriate methodologies are available.

In addition, NFU Mutual has produced a group level Climate Change Report that sets out how we identify and manage risks from climate change. Where the information contained within the group level Climate Change Report is the same at fund level we haven't duplicated this information.

You can find our group level Climate Change Report at nfumutual.co.uk/globalassets/investments/nfu-mutual-climate-change-report.pdf

For definitions of any of the climate-related terms in this document you can view our glossary at nfumutual.co.uk/about-us/climate-related-financial-disclosures/glossary/

Emissions Metrics

Emissions can be measured in several ways, including:

- A simple sum of all emissions associated with the fund, known as absolute emissions
- Emissions per unit of value or revenue of underlying holdings, known as intensity metrics
- Implied temperature rise, which is a forward looking forecast of the temperature trajectory the fund is most aligned to.

All of these metrics have advantages and limitations, and we therefore disclose a range of metrics below and describe the advantages and limitations of each.

Our carbon metrics have been displayed in tonnes of CO₂ equivalent (tCO₂e). This measure captures aggregate emissions of various greenhouse gases by the companies within the fund, each with different warming potentials, and provides the total warming effect of these emissions in the equivalent tonnes of CO₂.

	Fund	Fund Coverage
Scope 1 & 2 Greenhouse Gas Emissions (absolute tonnes tCO ₂ e)	1,904	48%
Scope 3 Greenhouse Gas Emissions (absolute tonnes tCO ₂ e)	13,787	48%
Total Carbon Emissions	15,691	
Scope 1 & 2 Financed Emissions (tonnes CO ₂ e/£M invested)	81	48%
Scope 3 Financed Emissions (tonnes CO ₂ e/£M invested)	589	48%
Total Carbon Footprint	670	
Scope 1 & 2 Financed Carbon Intensity (tonnes CO ₂ e/£M sales)	176	48%
Scope 3 Financed Carbon Intensity (tonnes CO ₂ e/£M sales)	1,284	48%
Total Carbon Intensity	1,460	
Scope 1 & 2 Weighted Average Carbon Intensity (tonnes CO ₂ e/£M sales)	166	48%
Scope 3 Weighted Average Carbon Intensity (tonnes CO ₂ e/£M sales)	996	48%
Total WACI	1,162	
Implied Temperature Rise (°C)	2.5	50.4%

The Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (GHG Protocol) categorises emissions into three different scopes. To allow for transparent comparison of our emissions performance, the table above summarises our emissions performance by the following scopes.

Scope 1	Emissions directly generated by companies within the fund from their owned or controlled sources.
Scope 2	Companies within the fund use energy purchased from third parties, such as electricity. Emissions associated with this purchased energy are classed as scope 2 indirect emissions.
Scope 3	All other indirect emissions (not included in Scope 2). These are emissions generated externally to the companies in the fund, however they are a direct consequence of the firm's activities, for example supply chain or employee commuting emissions, therefore the companies in the fund must account for these.

The metrics included in the table above are as follows:

Total Carbon Emissions	This metric is the sum of all greenhouse gas emissions associated with the fund. It is a simple measure from a greenhouse gas accounting perspective. However, as it is linked directly to the size of the fund it has limited use for comparison purposes. Emissions are expressed in tonnes CO ₂ e.
Total Carbon Footprint	This metric gives the fund's carbon footprint per million pounds invested. This metric is useful as it allows for comparisons regardless of fund size however the value can be sensitive to changes in the market value of the fund. Expressed in tonnes CO ₂ e/£M invested.
Total Carbon Intensity	This metric provides a measure for how efficient a fund is in terms of emissions per unit of output which has been measured here in sales. This provides an overall intensity of the fund by adjusting for company size. Expressed in tonnes CO ₂ e/£M invested.

Weighted Average Carbon Intensity (WACI)	This metric provides the fund's exposure to carbon intensive companies measured by emissions relative to company sales. The metric is calculated through a simple calculation and allows for comparisons across funds of different sizes. However, as the metric does not capture any measure of investor responsibility the value can be sensitive to outliers. Expressed in corporate constituent tonnes CO ₂ e/£M invested.
Implied Temperature Rise (ITR)	This is a forward-looking metric which is designed to provide an intuitive guide to how well a fund is aligned to the objectives of the Paris agreement of limiting temperature increase to no more than 1.5°C by 2100. Reported in degrees Celsius (°C). For more information on this metric go to the Implied Temperature Rise Descriptor section.

The fund coverage column in the table above indicates the percentage of investments within the fund that we are able to calculate emissions for. The availability and quality of climate-related data is still evolving and will improve over time as more companies disclose relevant metrics. Where data gaps exist, assumptions and proxies are used in the calculation of emissions, which may result in some variation in reporting over time as data quality and availability improves.

Scenario Analysis

Climate change impacts will be wide ranging and extend beyond normal business planning timescales. The future trajectory of climate change is also uncertain, with dependencies on actions taken in the short term to define medium and long-term outcomes.

We therefore use scenario analysis as a key tool for assessing the resilience of our investments to impacts from climate change over the short, medium and long-term. This enables us to evaluate different potential climate pathways to help us to build resilient investment funds.

The three key pathways we consider are set out below.

Transition Scenario	Overall Fund Risk
Early Policy Action - Transition to a net-zero emissions economy progresses with climate policy action increasing gradually over the scenario horizon. Global temperature rise is limited to 2°C or lower and carbon dioxide emissions (and all greenhouse gas emissions) drop to net-zero around 2050.	In this scenario, climate policies are introduced early and there is a clear plan for de-carbonisation, which provides clarity for firms and allows time for them to adapt. The risk to the fund is therefore expected to be minimal as there is an orderly transition to net zero and the physical impacts of climate change are limited.
Late Policy Action - Transition to a net-zero economy is delayed until 2030 or beyond. The climate policy action required to transition is therefore intensified over a short period and a disorderly transition takes place. Greenhouse gas emissions reduce to net-zero around 2050.	In this scenario, the requirement to de-carbonise over a shorter timeframe puts pressure on the global economy and individual companies and could therefore impact fund performance in the medium term.
No Additional Policy Action - No new climate policies are introduced beyond those already implemented. This leads to increasing global temperatures and chronic changes in the physical environment.	This scenario could impact fund performance in the long term, as a failure to limit the rise in global warming will have wide ranging political and economic impacts that could impact companies in the fund.

Conclusions

We recognise that the investments within the fund could have an impact on climate change and that climate change could also have an influence on the overall performance of the underlying investments.

All investment funds are managed in a consistent way by the NFU Mutual investment team, using robust processes and controls and consideration of Environmental, Social and Governance factors. Where funds are managed by external fund managers, we have rigorous selection criteria and regular interaction with managers alongside strong controls and governance.

We believe that investing across a range of asset classes, geographies, market sectors and individual securities increases the chances of delivering long-term growth and providing some protection against economic shocks. Diversification provides the potential to deliver more stable long-term returns compared to a more concentrated portfolio.

This approach to diversification helps us to ensure our funds do not have concentrated or high exposures to high emitting sectors which includes those involved in energy application, production, and supply.

This is a multi-asset class fund of funds and as such is well diversified across a range of asset classes, geographies, market sectors and individual securities.

Many of the underlying funds have sector and diversification constraints further limiting the risk of concentration in high emission sectors. Our analysis suggests less than 10% of the fund is invested in high emitting sectors.

Please refer to our NFU Mutual **group level Climate Change Report** for more information on our overall governance, risk management, and strategic approach to climate change risks and opportunities.

Implied Temperature Rise (ITR) Descriptor

For the ITR value we have used MSCI data which uses the concept of a carbon budget to provide the implied temperature rise. The carbon budget sets a maximum limit on the volume of emissions the world and individual companies can emit, whilst still being able to achieve the goals of the Paris Agreement.

We model ITR using third party software from MSCI. MSCI derive company specific carbon budgets based on science-based models from the Network for Greening the Financial System (NGFS) and looks to align with 1.55°C budgets for the period 2020-2050. These models are specific to the sector and region a company operates in. Each year a company's emissions are deducted from its remaining carbon budget.

The future emissions of each company are also projected, and these include a credibility assessment of the company's carbon targets, if the targets are not thought to be credible then the projected future emissions will be higher than the company is stating.

The model then calculates if the company is projected to overshoot by emitting more than its remaining carbon budget, or if it is projected to undershoot by emitting less than its remaining carbon budget.

For the fund level metrics we provide, the carbon budget overshoots and undershoots of underlying fund holdings are aggregated before being converted into an implied temperature rise.

The main advantage of providing an Implied Temperature Rise is that it is an intuitive forward looking metric, rather than being retrospective. The main limitations of this metric surround the number of assumptions and estimates required to calculate it.

This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although The National Farmers Union Mutual Insurance Society Limited's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.



NFU Mutual

NFU Mutual Select Investments Limited (No. 08049488).
Authorised and regulated by the Financial Conduct Authority. Registered in England.
Registered office: Tiddington Road, Stratford upon Avon, Warwickshire CV37 7BJ.

**To find out more about how we use your personal information and your rights,
please view the privacy policy on our website.**

Ref: CD-WPRL2-0424

nfumutual.co.uk