

2024 Climate-related financial disclosure

Foresters Financial UK

in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)

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Foresters Financial UK

This report comprises of both Forester Holdings (Europe) Limited and Forester Life Limited (FLL) companies, herein referred to as Foresters Financial UK. FLL is a wholly owned subsidiary of Forester Holdings (Europe) Limited ("FHE"), a company registered in England & Wales.

FHE is a wholly owned subsidiary of The Independent Order of Foresters ("IOF"), a fraternal benefit society, headquartered in Canada, owned by its members. IOF has branch and subsidiary operations in the US, Canada and the UK.

Our purpose is to enrich the well-being of members, their families and communities.

Governance

Board oversight

The Global IOF Board, which meets quarterly, has oversight of the management of sustainability and climate risk at a global level.

The UK Board, which also meets quarterly, has responsibility for sustainability and Environmental, Social and Governance activities from an investment, employee engagement, member engagement and regulatory perspective.

The UK Risk and Investment Committee, which also meets quarterly, has oversight of climate-related risks and opportunities, and other risks related to Environmental, Social and Governance factors. Climate risk is a regular agenda item at the UK Risk & Investment Committee, which reports to the UK Board. We report climate risk metrics such as 'Carbon Intensity' and 'Climate Value at Risk' to the UK Risk & Investment Committee, and have targets for these metrics. See metrics section for further information.



The diagram above is an illustration of climate risk governance, not an organization chart.

Management's role

Climate-related responsibilities are assigned to the UK Chief Risk and Compliance Officer (CRCO), supported by the Head of Sustainability.

The CRCO and Head of Sustainability identify and review climate risks in consultation with others across the business such as the risk team, Chief Finance Officer, Head of Investments, Chief Actuary, Chief Distribution Officer, Chief Customer and Operations Officer, Chief Executive Officer and our asset managers. Foresters Financial UK assesses against its standard risk likelihood and impact assessment matrix and reports the risks to the Board and senior management. Risks are managed as part of the strategic, financial and operational planning for Foresters Financial UK.

At a Group level, the Group Chief Risk Officer is responsible for climate and ESG risks, and is the Group Executive Sustainability Sponsor.

Strategy

Climate risks and opportunities and how they shape strategy, and financial planning

As a business Foresters Financial UK faces both transition risks - risks from the process of transitioning towards a low-carbon economy, and physical risks - risks as a result of more frequent and severe weather events and longer-term shifts in climate.

To understand the implications of climate change for the business and to prompt longer term strategic thinking about risks and opportunities, Foresters Financial UK has conducted climate scenario analysis looking at different possible paths for climate policy and global warming. These are not forecasts, and the future will be dependent on government policy, technology developments, as well as supplier, customer, and societal responses. Further detail is provided in the scenario analysis section.

The scenarios were used to identify the material areas of risk and opportunity facing our business. These are outlined, alongside the actions being taken to manage them, below.

Time horizons have been set for each risk. For climate risk, the short-term horizon looks at a five-year period, the medium-term horizon looks forward up to 10 years and the long-term horizon looks at the time horizon up to 2050.

- Regulatory and policy risk (Transition. Short / Medium) - ensuring Foresters is abreast of the changing requirements and is meeting them. Mitigated through monitoring of and compliance with upcoming legislation. How this might impact expense risk has been modelled in the scenario analysis.
- Changing Consumer Preferences (Transition. Short / Medium / Long) - changing demand for products and solutions from customers. In 2023, the Foresters Stakeholder (Schroders) Sustainable Future Managed Fund was launched to customers, and % of new business invested in this fund is monitored. The fund invests at least 70% in companies and countries that are working to lower carbon emissions or are already keeping their carbon emissions low. The Head of Sustainability works with marketing and distribution teams to understand customer attitudes. This could impact new business and encashments / persistency.
- Reputational Risk (Transition. Short / Medium / Long) - in terms of not meeting stakeholder (consumers/employees) expectations on climate change, as well as reputational risks linked to mis-selling and/or greenwashing. Foresters Financial UK has increased customer communications on sustainability on the website and reports on our purpose and sustainability impact. Work has been undertaken with the marketing team, the compliance team and the

sales team to raise awareness of greenwashing and how to avoid it. Whilst difficult to model, reputational risk has the potential to impact new business, encashments / persistency and expense risks. In 2025, our Foresters Stakeholder (Schroders) Sustainable Future Managed Fund adopted the newly launched 'Sustainability Mixed Goals' label.

- Reduced Consumer Demand impacting new business and encashments / persistency (Transition and physical. Medium / Long) - Foresters' growth could potentially be affected by decreased demand for products driven by slower economic growth, due to physical and transition risks. Risks to encashments / persistency and new business are explored in the scenario analysis.
- Expense risk (Transition and physical. Short / Medium / Long)
 - o Transition: Regulatory requirements could lead to higher staff costs, which could be exacerbated due to skills gaps and high demand. There may be expense pressures linked to cars for the financial advisers, such as fuel costs or vehicle costs linked to the transition to electric vehicles.
 - o Physical: High increasing physical risks are linked to worsening health which could impact staff productivity, and therefore staff costs. Risks to facilities, such as flooding, would impact insurance costs. Physical risks to our supply chain could also increase costs.

Expenses are modelled in the scenario analysis. Increased expenses would limit our profitability and ability to invest in the business.
- Investment Market Risk (Transition and physical. Short / Medium / Long). A reduction in assets under management would impact fee revenue. We recognise the potential implications of climate change on the valuation and outlook of investment assets, which we manage in line with our fiduciary duty to act in the best long-term interests of our customers. ESG and climate risks are addressed in our Investment Market Policy and our Credit Risk Policy. Our asset managers use Environmental, Social and Governance (ESG) factors as part of their investment analysis ensuring they invest in businesses which they expect to be more profitable in the long term. Investment risks were explored in the scenario analysis.

Scenario analysis

In 2024 Foresters undertook scenario analysis to 2050 using the 2024 ORTEC Finance scenarios, replacing the Climate Change Biennial Exploratory Scenario (CBES) 2021 used in 2023. The assessment focuses on two key scenarios: High Warming and Net-Zero. This analysis was conducted in collaboration with Schroders, Forester's asset manager for the open book.

Two 'ORTEC' scenarios were used; 'Net-Zero' and 'High Warming'. According to the November 2024 climate action tracker, there is a 10% chance of being 3.6°C or higher in 2100 with current government policies. The High Warming scenario, which has warming of 3.7°C by 2100, is therefore an extreme one, but one that is useful to consider as high physical risk scenarios are of the greatest concern.

Overview of ORTEC scenarios

Net-Zero

In the Net-Zero scenario, global CO2 emissions reach net zero by 2050, and global average temperatures stabilize at 1.5°C above pre-industrial levels by 2100. This scenario explores the risks and opportunities of an optimistic, ambitious but orderly transition to net zero by 2050.

A highly ambitious set of policies aimed at reducing emissions are introduced. These policies include global carbon pricing and energy taxation, a phase-out of coal and other fossil fuel technologies, energy efficiency regulations, and subsidies for renewable energy, electric vehicles, afforestation and reforestation. New power generation technologies, including hydrogen and carbon capture and storage (CCS) are assumed to be viable and there is significant adoption of afforestation and reforestation activities to offset hard-to-abate emissions.

The world experiences comparably low impacts from acute physical risk (extreme weather events) and chronic physical risk (gradual warming) as the world adapts to the effects of climate change. The financial market implications arising from transition and physical risks are not materially disruptive.

High warming

In the High Warming scenario, the global average temperature is around 2°C warmer than pre-industrial levels by 2050 and 3.7°C warmer by 2100. This scenario explores the risks of a failed transition leading to very severe physical risks.

There are no new low-carbon policies enacted in this scenario and some existing ones are scaled back. Multiple climate tipping points are reached and many countries suffer from extreme drought and water shortages. The higher average temperatures affect human health and damage crop yields, driving a reduction in labor and agricultural productivity. In addition, infrastructure damage from extreme weather events leads to direct losses and indirect effects to the economy via supply chain disruption. The triggering of multiple climate tipping points drives an exponential increase in extreme weather events. The lost productivity and extreme weather events have large financial market implications in the 2020s and 2030s, due to lower expected performance.

Assumptions

Schroders calculates market risks for each of their funds, which make up most of FLL’s UK assets under management. These calculations use the full range of data provided in the ORTEC scenarios. The ‘High Warming’ Scenario is expected to cause bigger stresses on assets over the next 40 years compared to other scenarios.

Insurance assumptions on Encashments, Expenses and New Business Sales were developed internally.

These assumptions are summarized below:

Net-Zero	High Warming
<ul style="list-style-type: none">• Market Risks: Minor reductions due to transition risks, not materially disruptive.• Encashments: Generally align with the plan, with minor headwinds before 2030 due to transition risks.• New Business: Experiences short-term challenges before returning to best-estimate levels in the long term.	<ul style="list-style-type: none">• Market Risks: Significantly worse due to escalating physical risks negatively impacting the economy, especially beyond 2035.• Encashments: Due to squeezed household income encashments would worsen each year, exceeding planned levels slightly every year, reaching 140% of the best-estimate assumption by 2050.

<ul style="list-style-type: none"> • Expenses: Slightly higher in the short term due to efforts to transition to green technologies, stabilising at best-estimate levels afterwards. 	<ul style="list-style-type: none"> • New Business: A reduction in household disposable income causes a decline to best estimate of 1% per year, reaching 75% of planned levels by 2050. • Expenses: Reduced overall due to lower commissions tied to decreased new business volumes. However, this is partially offset by higher insurance costs and reduced staff productivity.
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Results

We modelled the impact of these scenarios on own funds, capital requirements, solvency coverage and assets under management beyond the time frame of the business plan until 2050.

Whilst we see greater headwinds in a Net Zero scenario on a time scale of less than five years due to transition risk impacting market performance and economic conditions, beyond a five year timescale of years, the impacts are worse in a High Warming scenario. The High Warming scenario showed economic stresses caused by physical risks, particularly impacts on equities and customers' inability to save are the biggest threats to Foresters. This had the greatest impact on assets under management, and therefore fee income and our ability to cover expenses.

Limitations

Scenarios used in this exercise are illustrations of possible paths for climate policy and global warming, not forecasts, and the future will be dependent on government policy, technology developments, as well as supplier, customer, and societal responses.

Foresters Financial UK recognises expertise in modelling climate-related risks is in its infancy. The models we have used do not factor in other potential geopolitical impacts of severe climate change such as increases in migration and conflict, which alongside their enormous human costs, are likely also to result in further financial losses.

It is widely acknowledged that these risks are underestimated by many models, and the industry. While projections may seem extreme, they likely overlook the full extent of cascading impacts.

When calculating market and credit risk, the portfolio is assumed to stay fixed over the projection horizon of 30 years. Whilst this makes the interpretation of the results more straightforward, this ignores that Foresters Financial UK's asset allocation would likely change in response to climate policies.

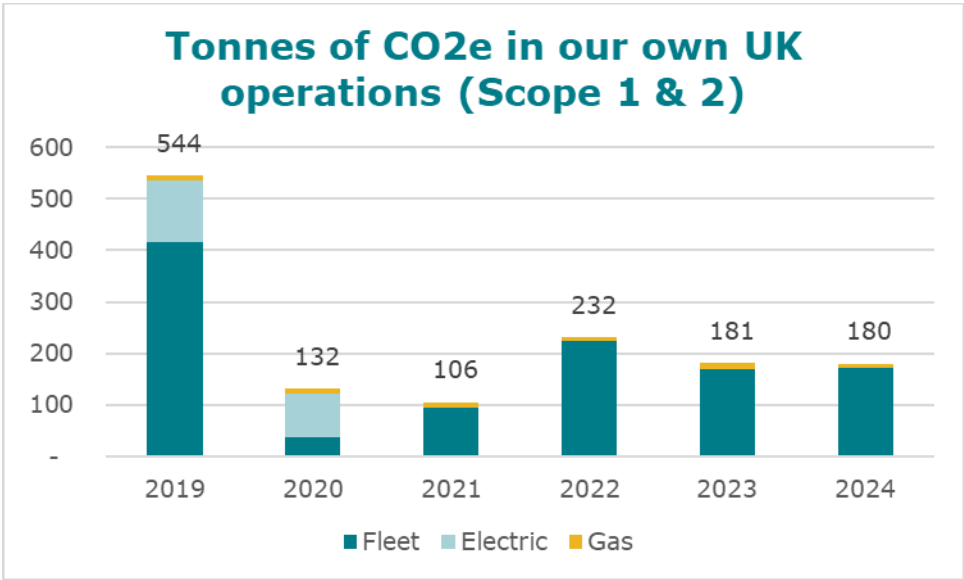
The transition to a low carbon economy

The Climate Change Act commits the UK government by law to reducing greenhouse gas emissions by at least 100% of 1990 levels (net zero) by 2050. The UK has set targets to reduce carbon emissions by 68% by 2030 compared to 1990 levels – and by 77% for 2035.

As set out in the scenario analysis section, Foresters Financial UK is more successful in the Net-Zero scenario compared to the High Warming scenario. This transition is dependent on timely and appropriate government policy, technology developments, as well as supplier, customer, and societal responses.

Scope 1 and 2 emissions

We are committed to reducing our greenhouse gas (GHG) emissions and have made significant progress in lowering our carbon footprint. Below, we outline our reductions in Scope 1 and 2 emissions and identify areas where further reductions may be achieved.



Since a pre-COVID 2019 baseline, Foresters Financial UK has reduced carbon emissions to just 33% of the baseline level. Despite increased headcount and fee income since 2023, absolute carbon emissions have remained stable, with a slight 0.6% decrease.

2023 gas emissions have been restated to correctly reflect natural gas consumption instead of biogas. Gas usage has decreased by 24% in 2024 compared to prior year most likely due to milder temperatures.

Since COVID, advisers have used a hybrid model of both face-to-face and virtual appointments. This hybrid model has reduced mileage from 2019, and fleet emissions have been reduced further by transitioning to hybrid and electric vehicles. As of 31 December 2024, 94% of company vehicles were hybrid or electric.. Total mileage has decreased by 3.3% compared to prior year. This decrease alongside transitioning to a higher proportion of electric/hybrid vehicles was offset by an increase in the UK GHG conversion factors thus keeping emissions in line with last year.

Since November 2020, Foresters Financial UK has procured zero carbon electricity. Energy usage in kWh has reduced 31% from a pre-COVID 2019 baseline, due to actions in 2021 (new windows with more reflective and insulated glass, solar panels on the roof and installation of more energy efficient aircon units) and 2022 (further upgrading of lighting to LED and more efficient vending machines). A site audit was conducted in 2023 as part of compliance with the Energy Savings Opportunity Scheme, with the full report completed in 2024. This informed an action plan which was submitted in 2025. There has been a slight increase in energy usage in 2024 due to increasing utilised floor space, however as we're using renewable energy sources this has had no effect on scope 2 carbon emissions.

Going forward, further reductions are anticipated as the fleet transitions to fully electric vehicles. For example, the UK Government is targeting that all new vehicles sold will be zero emission by 2035 and aims to fully decarbonise Great Britain's electricity system by 2035.

Foresters Financial UK has engaged employees with reducing organisational carbon emissions, through staff tips and articles in the staff newsletter. Scope 3 emissions such as business travel have also been considered. Initial benchmarking of business travel has taken place, to allow for future comparison and reporting.

Financed emissions

Foresters Financial UK seeks to partner with investment managers who are aligned with Foresters beliefs and actively engaged on Environmental, Social and Governance (ESG) factors. Our professional managers take climate change into consideration as they evaluate risk and opportunity across investments. We survey Schroders, our primary investment manager, on how they manage ESG risk on an annual basis, and review the approach of our other asset managers. We monitor the engagement and stewardship activities of our asset managers. Whilst we do not have a target covering our financed emissions, many of our asset managers do. See the metrics section for more information on our investment climate metrics and risk appetites.

Risk management

Identifying and assessing climate risks and opportunities

Climate risks are embedded into the processes for identifying and assessing risks in the short, medium and longer term:

Short term (less than five years):

- Less than one year

Risks are identified via engagement with key stakeholders across the business. The risks are assessed and recorded in the Executive Risk Register and the relevant business area risk registers. This is both a bottom up-and top-down process. Residual scores are applied to each risk, to show the score once controls have been applied.

The Executive Risk Register highlights regulatory climate risk.

The opportunity to engage customers and employees through sustainability has been identified in the Purpose and Sustainability workstream of the strategy.

- Between one and five years

The 2024 ORSA included scenarios exploring investment climate risk (out to 2050). On a five year time frame, both transition and physical risks were identified, but the magnitude of these risks was less than the other risks modelled as part of the Forward Looking Assessment of Own Risk (FLAOR) within the ORSA.

The business plan spans a ten-year period. The risk review identified sales, inflation, and interest rates as risks within the one to five-year timeframe. However, as previously mentioned, the impact of climate on these risks is not material within this period.

Medium term (between five and ten years)

Medium term risks are captured in the emerging risk register, which includes climate change risk, including physical risk.

The scenario modelling in the ORSA showed both transition and physical risks in this time frame.

The business plan spans a ten-year period. The risk review of the business plan identified expense risk as relevant on a five to ten year time frame. The impact of climate scenarios on expenses was found to be less significant compared to other potential impacts on expenses during this period.

Long-term (more than ten years)

Longer term risks are modelled out to 2050 within the ORSA, with physical risk in a High Warming scenario being of greatest concern.

Monitoring and managing climate risks and opportunities

Risk appetite

Risk appetite is defined as the amount of risk we are willing to take in the pursuit of our strategic objectives. Risk appetite is set by the Board and is used to ensure that business decisions take

account of our ability to accept and manage risks and to guide management actions. Through the risk management framework, which includes the risk appetite framework, the risk appetite is formally established and communicated.

Climate risk is addressed by risk appetite statements for areas such as regulatory risk, market exposure, persistency and operational risk.

Risk mitigation

Within the risk register, the risk owners provide details of any controls in place against each risk. Residual scores are then applied to each risk, to show the score once controls have been applied.

Risk response

Actions are added to risks on registers where existing controls are not sufficient to mitigate the risk or are not effective. For some risks where additional mitigations are not cost effective, a risk acceptance procedure is in place.

Scenario analysis

Scenario analysis is used to help management understand the resilience of the business to potential future events.

In the 2024 ORSA climate risk was explored through scenario analysis, as set out in the scenario analysis section.

Risk monitoring and reporting

The most significant risks faced by the business are reported to the executive including emerging risks and significant changes to the risk profile of existing risks. The risks on the business area risk registers are regularly reviewed and discussed with management. The CRCO will bring any significant changes to the attention of the executive. Significant risk events are also regularly discussed alongside consideration of their impact on risk profiles.

Committee updates

Effective risk management requires engagement and communication from the board level down, as well as from the executive to the board. The CRCO provides an update on risk matters, including climate risk, to each Risk and Investment Committee meeting. The areas covered include the current risk profile, risk metrics to measure the business against risk appetite, emerging risks, updates on significant projects and a summary of events and potential losses. Ad-hoc reports are provided as required. The CRCO has access to members of the Risk and Investment Committee including the Chair of the Risk and Investment Committee and the Board Chair.

More detail on our climate risk indicators and how they are monitored and reported to the Board is set out in the metrics section.

Metrics

For the funds managed by Schroders, our primary investment manager, and representing over 60 percent of our total assets under management, we monitor carbon metrics on a quarterly basis. These results are included in our quarterly risk reports. We have set target carbon exposures for these metrics, with the aim of decarbonising the portfolios in future years and performing better than their respective benchmarks.

The remainder of our assets under management are largely made up of passive tracker funds from reputable providers.

Carbon Intensity and Climate Value at Risk metrics are reported quarterly to the Risk and Investment Committee.

Carbon Intensity

This monitors the portfolio's exposure to carbon-intensive companies and is a measure of CO₂e in tonnes per £1m in revenue. The aim is for the funds to reduce their carbon intensity over time.

We seek to maintain a carbon intensity that is lower than the relevant fund investment benchmark. If a fund's carbon intensity is significantly higher than its benchmark, or we have concerns with the trend, we would raise our concerns with Schroders and request a plan outlining how they intend to reduce the fund's carbon intensity.

Climate Value-at-Risk

We monitor two Climate Value at Risk (VaR) metrics to assess the potential financial impact of climate related risks on our portfolios. The first estimates the potential loss under a disorderly scenario with high transition risks, reflecting the impact of abrupt policy changes, carbon pricing, and market shifts as the economy moves towards decarbonisation. The second metric captures physical risk under an extreme weather scenario, considering the potential financial effects of more frequent and severe climate events such as flooding, rising temperatures and storms.

We apply a similar target to that used for our Carbon Intensity metric, seeking a lower level of loss than the benchmark. If this metric was significantly worse than the benchmark or we had concerns with the trend we would raise this with Schroders and encourage appropriate action to reduce the fund's exposure to climate-related risks.

Both the Carbon Intensity and Climate Value-at-Risk metric are relatively new concepts for Foresters and the wider industry. We expect to continue building our understanding of these measures over time and remain committed to improving climate risk monitoring across our investment portfolios.

Carbon footprint

We also monitor the total carbon footprint of all our Schroders managed funds, which make up over 60% of our assets under management.

Carbon footprints are available on an annual basis for the majority of the remainder of our funds.

Scope 1 and 2 emissions

Whilst small compared to our financed emissions, we also measure and manage our Scope 1 and 2 emissions, as detailed earlier in this report. These are monitored quarterly as part of the Sustainability dashboard.

Targets

The transition to a low-carbon economy depends heavily on timely and effective government policy, technological developments, and the evolving responses of suppliers, customers, and society. Given this uncertainty, we have not set a formal net zero target at this stage. Instead, our focus remains on risk management. We have established target exposures for carbon intensity and carbon Value at Risk across the major funds within our open book of business and we proactively monitor our carbon footprint, including Scope 1 and 2 emissions.