# Group Environmental, Social & Governance (ESG) Disclosures

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| Executive Owner | Steve Weston, Group Customer Director |
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| Review and updates | This document sets out the Group's ESG Disclosures effective from 8 June 2022.<br><br>An update was done on 06 July 2023 to capture updates to the 2023 Scorecard, 2022 Carbon Footprint Assessment and Cinven requirements etc. |
| Date last reviewed and updated | Approved by the IFGL Board on 21 September 2023<br><br>Next update planned for 2024<br><br>Full version history on page 12 |

# SECTION 1: GOVERNANCE

## 1.1 Overview

We believe that Environmental, Social & Governance (ESG) risks and opportunities can affect the long-term performance of our business. Therefore, this document sets out the high-level steps that we have taken to integrate ESG considerations into the operations and decision-making of our business.

Additionally, ESG and Compliance are very important to our principal shareholder, Cinven because it is part of their core strategy. Cinven believes that a responsible approach towards its portfolio companies, their employees, suppliers and local communities, the environment and society is an essential part of its success. We assessed that we are tracking well to the Cinven stated ESG objectives and we will continue to (i) liaise with Cinven regarding our ESG initiatives and performance; as well as (ii) work with staff and other stakeholders to continue to reduce our impact on the planet.

## 1.2 Accountability

Our Board is ultimately accountable for the oversight of the Group's ESG performance. The core principals of Corporate Governance are well established and embedded in our business, specifically:

- An independent Chair leads our Board.

- The roles of our Board Chair and Group Chief Executive Officer (CEO) are separate.

- Our Board and its Committees retain the requisite balance of skills, experience, knowledge and independence.

- We have clear and fair remuneration practices that incentivise value creation.

## 1.3 Delegation

The Board is responsible for setting the Group's Risk Strategy, Risk Appetite and Risk Culture. The day-to-day risk management is delegated to the Group CEO, who delegates operational aspects to Executives.

The Group CEO has delegated responsibility for implementing practical steps to deliver effective ESG performance to an Executive-led ESG Working Group (the Working Group). The Working Group is responsible for driving our ESG plans with activities.

The Working Group meets monthly and membership includes Risk, Compliance, Customer Services, Marketing, Technical and Human Resources (HR), across our Head Office and branches.

To provide direct line of sight over the effectiveness of integration and embedding of ESG considerations, the Terms of Reference of the following Management Committees include responsibility for oversight of ESG considerations:

- Risk & Compliance Committee
- People Committee
- Customer & Operations Committee
- Finance & Capital Committee
- Fund Review Committee

Most Working Group members are standing members of formal Management Committees and/or sub-committees.

## 1.4 Integration

The Board is committed to high standards of corporate governance to enable them to promote the success of the businesses under their control.

Our Group Corporate Governance Manual sets out the group level policies and controls. The Board undertakes an annual review of our compliance against corporate governance benchmark standards and principles. This is to support the annual Directors' Certification required by, our lead regulator, the Isle of Man Financial Services Authority (see Section 1.5).

Executive Director Policy Owners ensure Group Risk Policies remain fit-for-purpose by reviewing them at least every second year, or sooner if there is material change in strategy, risk profile or regulations. The Group Audit & Risk Committee, on behalf of the Board, approve material changes to the Group Risk Policies. Our Group Risk Policies include our integrated approach to ESG matters, which are specifically set out in the:

- Group Risk Management Framework where ESG has been identified under the "secondary risk category".

- Group Code of Conduct which sets out the standards of behaviour that the Board expects in relation to our Group Values. This means that ESG factors must be considered in our engagement with all our stakeholders including customers and advisers; shareholders; regulators and government; and our staff.

- Group Financial Risk Policy where ESG shifts have been included under Market Risk and Liquidity Risk.

- Group Conduct Risk Policy where sustainability and environmental considerations should be taken into account when developing products.

- Group Operational Risk Policy where events relating to climate considerations have been included in the risks controlled by the policy.

- Group Human Resources Risk Policy covers social aspects such as employee relations, diversity and equal opportunities, employee development, as well as talent management.

- Group Remuneration Risk Policy sets out the remuneration framework to support the delivery of the Group's strategy, objectives, values and long-term interest regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. This would relate to both the governance and social aspect of ESG.

- Group Health & Safety Risk Policy where as part of the social aspect, sets out the health and safety management requirements to be implemented and maintained across the Group.

## 1.5 Monitoring

An annual Employee Accreditation and Management Attestation process provides insight into how well our Group Risk Policies are embedded.

Group Risk, Legal & Compliance review and validate the results, and then provide feedback to the business on areas that are managed well and where improvement is required.

The outcomes of these assessments are used by the Board to inform their annual assessment of the effectiveness of our systems of Risk Management and Governance (see Section 1.4).

## 1.6 Reporting

The Working Group is responsible for reporting performance against our ESG plans, quarterly to the Board. To enhance this reporting, an annual ESG Report detailing key performance metrics and progress, is presented to the Board each September.

Additionally, material ESG risk matters are included in the Group Chief Risk Officer's quarterly reports to the Executive, the Group Audit & Risk Committee and the Boards. This includes risk insights and actions taken to mitigate risks, and is informed through:

- A top-down risk assessment for the Top-of-Mind and Emerging Board Risk Registers where each risk is owned and assessed by an Executive Director, and also assessed by Group Risk, Legal & Compliance.

- The Risk & Control Self-Assessment, which documents department level risks and tracks changes in risk exposure, control effectiveness and actions to ensure risk remains within Board approved appetite.

- Risk incident and breach reporting.

- The annual Own Risk and Solvency Assessment (ORSA) Process, where plausible scenarios and scenario testing is undertaken.

# SECTION 2: STRATEGY

## 2.1 Climate-related opportunities

Opportunities, for our business, on a short to medium term basis include:

| Risk Classification | Opportunity | Potential Impact |
|---|---|---|
| **Business Risk** | • Further expanding our ESG fund range over the next 5 years.<br>• Improve ESG Board and Management Information.<br>• Improve staff awareness and communication. | • Increase in new business.<br>• Clearer line of sight, improved understanding of ESG risks and performance leading to better decision-making.<br>• Increased understanding of ESG risks.<br>• Increased commitment to ESG performance.<br>• Improved ability to attract and retain staff who care about ESG matters.<br>• Greater contribution to society. |
| **Reputational Risk** | • Develop a feasible plan to reduce our carbon footprint. Specifically, improving the social aspects for our employees and making a positive impact on the community. | • Increase in new business.<br>• Favourable impact on brand.<br>• Ability to attract investors, employees and distributors. |
| **Regulatory Risk** | • Establishing an Executive-led cross-functional Working Group to develop an ESG plan and actions. | • Continued stable levels of regulatory scrutiny.<br>• Decrease potential for regulatory interventions and sanctions. |

## 2.2 Climate-related risks

Our risk assessments show no immediate direct risks to climate risk. Climate related risks on a short to medium term basis are:

| Risk Classification | Risk Description | Potential Risk Impact |
|---|---|---|
| **Business Risk** | There are shifts in customer preferences and we have insufficient ESG funds to attract customers. | • Decrease in new business. |
| **Reputational Risk** | Our key stakeholders may view our Group negatively if we do not aim to reduce our carbon footprint. | • Decrease in new business.<br>• Adverse impact on brand.<br>• Inability to attract investors, employees and distributors. |
| **Regulatory Risk** | Not meeting increasing regulatory ESG expectations as countries target 'net-zero' carbon impact, carbon neutrality[1]. | • Increased regulatory scrutiny.<br>• Potential regulatory interventions and sanctions also affecting reputation. |

[1] This risk has been recognised on the Board's Emerging Risk Register

## 2.3 Resilience of our business Strategy

While our ESG Strategy is developing and becoming embedded, we considered the following scenarios in our 2023 ORSA Cycle to show that our business strategy is resilient to climate conditions over our five-year forecast time horizon.

It is possible that these scenarios may materialise under worsening long-term climate conditions and we will remain vigilant as this develops:

<table>
<tr><th>Scenario and link to strategic objective</th><th>Business Impact</th><th>Management Actions</th></tr>
<tr><td>Financial Crisis: Focuses on the impact of adverse market turbulence on our business, including: [a] Equity value reduction; [b] interest rate decrease.; [c] reduction in forward discount rate; and, [d] increase in credit spreads.<br><br>Strategic objectives: Organic growth; new territories and licences; Mergers & Acquisitions; diversification with broader services</td><td>The Board agreed that the Group’s activities were carbon light. In the five-year forecast time horizon, while market turmoil may result from the direct consequences of climate change, the business remained resilient.</td><td rowspan="2"><ul><li>We are working with our sustainability partner, where we have identified a range of carbon offsetting projects which meet the Verified Carbon Standard (VCS). The projects will be focused on our office locations and aim to deliver environmental, economic and social benefits to the surrounding communities.</li><li>As of 22 February 2023, the Executive approved the updated 2023 Group ESG Scorecard and the metrics include: [a] expanding the recycling scheme, maintaining and monitoring the car sharing scheme; [b] increasing the use of electric car charging points; and [c] ongoing staff awareness and communication initiatives</li><li>We remain vigilant to the impact of changing regulation and we have responded to all regulatory consultations.</li><li>Our relationships with our regulators remain a high priority, with proactive and open engagement at a strategic and operational level.</li></ul></td></tr>
<tr><td>New Business Volumes: Considered the impact of a material reduction in new business whilst maintaining expenses at original projected levels, in the context of regulatory changes and restrictions.<br><br>Strategic objective: Organic growth</td><td>In the five-year forecast time horizon, solvency and liquidity remained within risk appetite.</td></tr>
</table>

The Group’s Recovery Plan does not define a precise threshold at which the Company becomes non-viable but the interaction between new business volumes and expenses is critical from the perspective of the Company’s long-term viability. An extreme scenario, which could include the effects of climate change, could result in the requirement to significantly cut expenses, close to new business and/or undertake wind down procedures. The ability of the Company to respond to extreme scenarios is tested on an annual basis through a Board Simulation exercise (commencing from September 2023).

# SECTION 3: RISK MANAGEMENT

## 3.1 Identifying and assessing climate related risks

As set out in Section 1.6, our processes for identifying and assessing climate-related risks are included in the Board approved "Group Risk Management Framework".

Section 2.3, sets out how we have used stress and scenario testing to inform climate related risk exposure, capital management and strategic direction.

This is complemented by the Board approved Group Risk Policies (see Section 1.4), which detail the mandatory requirements for the identification, assessment, measurement, management, monitoring and reporting of material risk exposures.

The Group Risk Policies establish the high-level principle based mandatory requirements to manage key risks. Procedures and controls required to implement the policies are documented, embedded and applied across the Group.

The Group Risk Policies are designed to support a consistent approach to behaviours and decision making across IFGL and its subsidiaries, including the Branches. This is aligned to the Board approved Risk Appetite framework.

## 3.2 Processes for managing climate related risks

As set out in Section 2.3, we have undertaken assessments to help us understand our Corporate Carbon Footprint, at the following levels:

- Isle of Man level where our Head Office and most of our staff are based; and
- International operating level where our Branch staff are based

This allows us to manage climate-related risks by planning to reduce our Corporate Carbon Footprint by:

- Working with our sustainability partner to implement carbon offsetting projects.
- Remaining vigilant to the impact of changing regulation.
- Ensuring our relationships with our regulators remain a high priority.
- Assessing relevant capacity building and formalising ESG training requirements to allow for a better understanding of climate related risks across the organisation at all levels.

## 3.3 How decisions to mitigate, transfer, accept, or control those risks are made

Decisions to mitigate, transfer, accept or control climate-related risks are made in line with the procedures set out in our "Accepted Risk Requirements" document. This document is part of our Group Risk Management Framework and sets out the governance requirements for identifying, approving and managing risk exposures.

## 3.4 How climate-related risks are integrated into our overall risk management

See Section 1.4, which sets out how climate-related risks are integrated into our overall risk management framework.

## SECTION 4: METRICS AND TARGETS

### 4.1 Metrics to assess climate-related risks and opportunities

We recognise that our reputation is based on our delivery of our products, which is executed through strong relationships with our Advisers and credible Customer Services. This is broadened to how we value our relationships with current and future employees, Advisers, customers, suppliers, government and regulators and the wider community.

During 2022, IFGL developed and began implementation of its own ESG strategy through a series of actions and initiatives such as:

- Developing and embedding our ESG Scorecard
- Calculating our carbon footprint baseline
- Launching the Car Sharing Scheme, installing electric vehicle charging points at both of our Isle of Man offices, and enhancing our recycling schemes
- Forming a combined Isle of Man based staff Charity Committee to facilitate fund raising and support of local and international charities
- Participating in regulatory consultations on ESG and continuing to facilitate a proactive and open approach to regulatory engagement at a strategic and operational level
- Becoming partner of UNESCO Biosphere Isle of Man

For 2023, we have established a new baseline and series of initiatives to continue our ESG journey.

The 2023 Scorecard below follows the same structure as 2022, and builds on the initiatives that have already been implemented.

| Impact | Metric | | Status |
|---|---|---|---|
| **Governance** | 1 | Produce annual ESG Report and implement quarterly ESG reporting to the Board | In progress |
| | 2 | Include material ESG risks in the quarterly Group Chief Risk Officer's Report | Ongoing & met |
| | 3 | Participate in regulatory consultations by specified deadlines | Ongoing & met |
| | 4 | Ensure all relevant Committee Meetings Terms of Reference consider any ESG considerations | Ongoing & met |
| | 5 | Proactive and open approach to regulatory engagement at a strategic and operational level | Ongoing & met |
| **Environmental** | 6 | Expand ESG fund range over the next 5 years | In progress |
| | 7 | Increase Assets under Administration invested in ESG funds | In progress |
| | 8 | Identify carbon offsetting projects by 31 December 2023 | In progress |
| | 9 | Recalculate IFGL CO2 emissions for 2022 and see how changed since initial assessment. Due end of H123. | Complete |
| | 10 | Engage with IOM Government advisors around 'Green' electricity tariff | In progress |
| | 11 | Maintain and monitor Car Share Scheme | Ongoing & met |
| | 12 | Expand recycling Scheme in all locations by 31 December 2023 | In progress |
| | 13 | Increase usage of electric car charging points in Isle of Man office locations by 31 December 2023 | In progress |
| **Social** | 14 | Be a local living wage and hours employer by 31 December 2023 | Ongoing & met |
| | 15 | Evaluate and encourage our core suppliers to become local living wage employers, with a view to increase % of suppliers to adopted | In progress |

| | | | |
|---|---|---|---|
| | 16 | Maintain the Isle of Man based Staff Charity Committee | Ongoing & met |
| | 17 | Support local charities across all offices during 2023 | Ongoing & met |
| | 18 | Develop, and extend our succession plans with a view to increasing our leadership diversity across the Group | In progress |
| | 19 | Staff awareness and communications for each initiative | Ongoing & met |

## 4.2 Greenhouse gas emissions and related risks

During 2021, IFGL was navigating the aftermath of the Coronavirus pandemic whereby business travel was still limited and many of our business areas were still transitioning back to office based working. As a consequence we expected to see the 2022 result (see below) being higher than the 2021 result, and that this would be a fairer reflection of our true carbon footprint.

In 2022, IFGL's business activities generated 2,237.35 tonnes of CO2, which corresponds to a CO2 footprint of 258 Europeans (even though IFGL employs over 550 people). The 2022 assessment is a 22.6% increase from the 2021 assessment, and the largest changes was due to employee travel where there was an increase in both business travel (i.e. flights) as well as employee commuting after relaxing of the Coronavirus restrictions.

**Difference in 2022 vs 2021:**

| Emission Sources | 2021 ($CO_2$ Tonnes) | 2022 ($CO_2$ Tonnes) | % Change in 2022 |
|---|---|---|---|
| **Scope 1:** | **105.80** | **68.66** | Reduced by 35.1% |
| Direct emissions from company facilities | 92.98 | 59.09 | |
| Direct emissions from company vehicles | 12.81 | 9.57 | |
| **Scope 2:** | **554.39** | **652.88** | Increased by 17.8% |
| Purchased electricity (stationary) for own use | 554.39 | 652.88 | |
| **Scope 3:** | **1,164.79** | **1,515.82** | Increased by 30.1% |
| Employee commuting | 812.94 | 874.88 | |
| Business travel | 204.82 | 498.50 | |
| Fuel and energy related activities | 88.54 | 87.78 | |
| Purchased goods and services | 58.49 | 54.65 | |
| **Overall** | **1,824.98** | **2,237.35** | **Increased by 22.6%** |

Whilst there was a decrease in Scope 1 by 35.1%, Scope 2 and Scope 3 increased by 17.8% and 30.1%.

The decrease in Scope 1 was due to (i) replacement of diesel van for a petrol car, (ii) switching of tube lighting for LED lights; as well as (iii) replacement of gas heating boilers with electric heating and cooling system.

Whilst the replacement of gas heating boilers with electric heating and cooling system had reduced Scope 1 emissions, it has increased electricity consumption which is reflected in Scope 2.

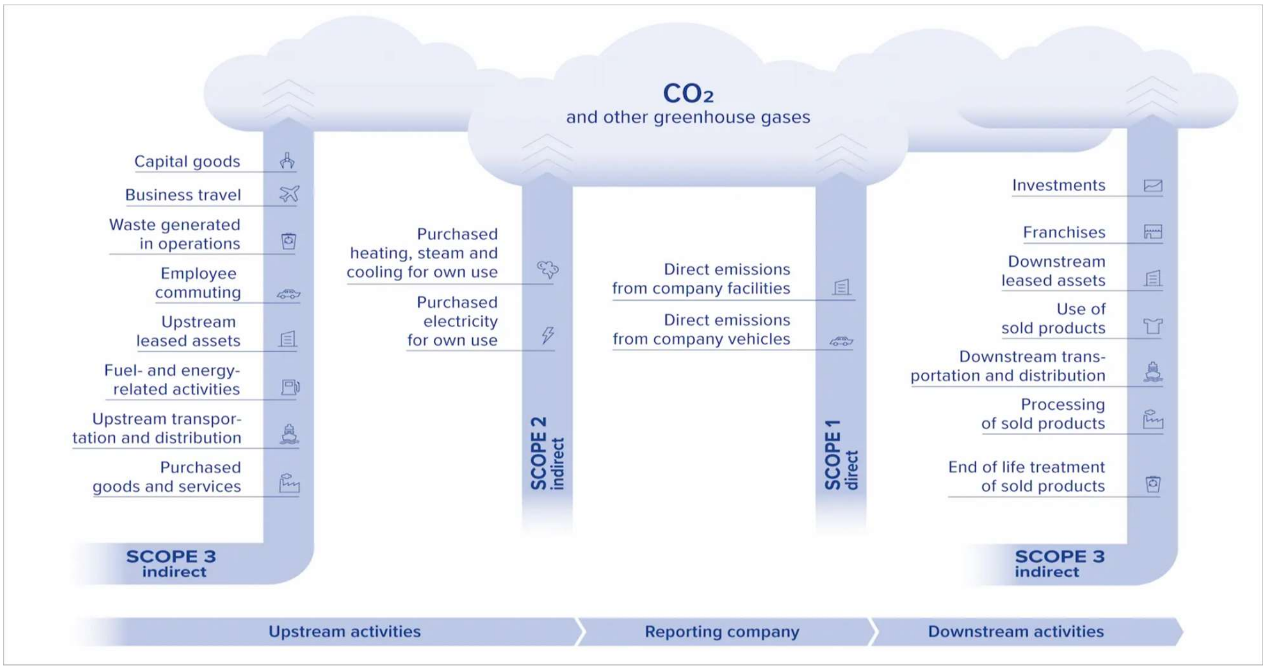
The increase in Scope 3 was primarily attributed to more Business Travel as well as more employee commuting after the relaxing of the Coronavirus restrictions.

Given the above, key to improving our carbon foot print is to reduce the level of employee commuting, to try and move to a greener source for our electricity, and to see if we can offset some of our carbon emissions as we will not be able to eradicate all sources. These will be monitored via our ESG metrics (section 4.1) such as maintaining and monitoring the car share scheme, increasing electric car charging points, engage with IOM Government advisors around 'Green' electricity etc.

**Further details of IFGL 2022 Carbon Footprint:**

Our total emissions were split into these three categories or scopes and are further illustrated and detailed in the diagram and table below:

- **Scope 1** includes all direct emissions generated by IFGL through company-owned facilities or vehicles.
- **Scope 2** includes emissions released through purchased energy such as electricity and district heating.
- **Scope 3** encompasses indirect emissions such as employee commuting and purchased services.



## CCF Results Table: International Financial Group Limited t/a RL360

Total results for the group **Corporate Carbon Footprint Jan-Dec 2022**

| Emission sources | t $CO_2$ | % |
|---|---|---|
| **Scope 1** | **68.66** | **3.1** |
| Direct emissions from company facilities | 59.09 | 2.6 |
| Heat (self-generated) | 53.36 | 2.4 |
| Refrigerant leakage | 5.73 | 0.3 |
| Direct emissions from company vehicles | 9.57 | 0.4 |
| Vehicle fleet | 9.57 | 0.4 |
| **Scope 2** | **652.88** | **29.2** |
| Purchased electricity for own use [3] | 652.88 | 29.2 |
| Electricity (stationary) | 652.88 | 29.2 |
| Electricity (vehicle fleet) | 0.00 | 0.0 |
| **Scope 3** | **1,515.82** | **67.8** |
| Employee commuting | 874.88 | 39.1 |
| Employee Commuting | 859.86 | 38.4 |
| Home office | 15.02 | 0.7 |
| Business travel | 498.50 | 22.3 |
| Flights | 444.32 | 19.9 |
| Hotel nights | 31.86 | 1.4 |
| Rental and private vehicles | 22.33 | 1.0 |
| Fuel- and energy-related activities | 87.78 | 3.9 |
| Upstream emissions electricity | 78.65 | 3.5 |
| Upstream emissions heat | 9.13 | 0.4 |
| Purchased goods and services | 54.65 | 2.4 |
| Food and drink | 35.91 | 1.6 |
| Electronic devices | 9.81 | 0.4 |
| Office paper | 4.61 | 0.2 |
| Print products | 4.32 | 0.2 |
| **Overall results** | **2,237.35** | **100.0** |

### 4.3 Targets and performance against targets

Our ESG Strategy is an exciting step our history and shows our commitment to providing the best outcomes for all of our stakeholders, as well as addressing important issues to society, the economy and the environment.

Our performance against the above metrics (in Section 4.1) will be updated annually, along with our ESG strategy.

## SECTION 5: DOCUMENT VERSION HISTORY

| Version | Date | Author | Comments |
|---|---|---|---|
| 0.1 | May 2022 | ESG Working Group | Initial draft |
| 0.2 | 25/07/2022 | IFGL Executive Review | Group Strategy Director and Group Risk Director review and sign-off required |
| 0.3 | 04/07/2022 | Sue-Ann Ind | Group Risk Director review |
| 0.4 | 27/07/2022 | IFGL Executive Review | |
| 0.5 | 22/09/2022 | Board approval | |
| 0.6 | 06/07/2023 | ESG Working Group | Update with (i) 2023 ESG Scorecard that was approved by IFGL Executive on 22 February 2023; and (ii) 2022 Carbon Footprint Assessment |
| 0.7 | 07/07/2023 | Sue-Ann Ind | Group Chief Risk Officer review |
| 0.8 | 23/08/2023 | IFGL Executive Review | |
| 0.9 | 21/09/2023 | Board approval | IFGL and FPIL Board approvals |