

NAIC CLIMATE RISK DISCLOSURE SURVEY

TCFD-ALIGNED QUESTIONS

UPDATED 2022

GOVERNANCE

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

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

Boston Medical Center Health Plan, Inc., d/b/a WellSense Health Plan (WellSense), is a Massachusetts non-profit, tax-exempt corporation established in 1997. WellSense's mission is to assist and support the mission of its affiliate - Boston Medical Center Corporation (BMC) - in providing and enhancing access to effective, efficient medical care among low income, underserved, disabled, elderly and other vulnerable populations. WellSense is an HMO licensed in Massachusetts and New Hampshire. Its product lines are Medicaid, Medicare and commercial products. As of July 31, 2024, it services approximately 690,000 members in both states.

BMC Health System, Inc. (Health System) is a Massachusetts non-profit, tax-exempt corporation which oversees numerous entities within its health system. Health System entities include WellSense, BMC and various other affiliates supporting the mission of the health system. The Health System is the sole corporate member of both WellSense and BMC.

BMC is a private, not-for-profit, academic medical center located in Boston, Massachusetts. As the largest safety-net provider and busiest trauma and emergency services center in New England, BMC's mission is to provide exceptional care, without exception to all patients. Its patient population has the highest public payer mix of any acute care hospital in Massachusetts with over half of its patients receiving care funded through the state's combined program for Medicaid and the Children's Health Insurance Program (MassHealth) or free care (i.e. uninsured). A significant number of BMC patients are enrolled in WellSense managed care programs.

The Health System, WellSense and BMC are each governed by separate Boards of Trustees (Boards). Several Board Committees, such as the Finance Committee, Investment Committee and Audit and Compliance Committee, operate for the health system and play a role in overseeing climate-related risks and opportunities.

Finance Committee. This Committee oversees the financial management of the Health System and its various entities. As such, it reviews and recommends policies and activities that maintain and improve

the financial health and integrity of the organizations, and makes recommendations on the financial aspects of major proposed programs and services, including real estate development plans. In this role, the Committee takes into consideration applicable impacts of climate risks on the health system.

Investment Committee. This Committee oversees the investment activities of the various Health System entities, including WellSense and BMC. The Health System, WellSense and BMC utilize, in general, the same investment adviser and investment managers. As such, the implications of climate related issues affect overall investment strategy. The Committee’s role includes taking climate change related considerations into account. The investment policies for WellSense, BMC and the Health System, includes an Environmental, Social, & Governance (ESG) Consideration section. The goal of the section is to add an assessment of the level of ESG integration into the decision-making process of the organizations’ investment managers and resulting investment holdings. While the Committee would like to incorporate ESG considerations, it would like to ensure that investment performance is not impacted in a volatile fashion. As such, a long-term view has been incorporated into decision making.

Audit and Compliance Committee. This Committee oversees, among other functions:

- The establishment and maintenance of an Enterprise Risk Management (ERM) program. The Committee discusses the major risk exposures facing the System entities (including climate-related risks), the steps management has taken to monitor and control these exposures, and guidelines and policies to govern the risk assessment and risk management processes for the Health System entities.
- The development, communication, monitoring and review of the corporate compliance program of WellSense, BMC and other Health System entities.

In addition, WellSense has its own Risk Oversight Committee, which oversees all health plan key organizational risks under its Own Risk and Solvency Assessment (ORSA) framework. In recognition of the growing risks and opportunities of climate change and the need to monitor, assess, report on and mitigation climate risks, in 2021 WellSense added climate change to its ORSA process as one of its operational key risks. As such, WellSense monitors this risk on a quarterly basis, as further described in our annual ORSA summary report. The Audit and Compliance Committee and the WellSense Board receive updates on the ORSA monitoring activities of the Risk Oversight Committee.

STRATEGY

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

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer’s businesses, strategy and financial planning, insurers should consider including the following:

- Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency. *
- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations. *

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

- Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term, and 10-30 years as long term.

B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

BMC Health System views climate related risks and opportunities from an enterprise-wide perspective, but recognizes that these risks and opportunities present themselves in different ways for the different system entities. As such, risk mitigation strategies will vary across the system entities.

WellSense:

- Climate related risks for WellSense are likely to have their biggest impact on the health care claims WellSense pays. It is anticipated that over time climate change will exacerbate climate-related respiratory issues. WellSense's underwriting cycle is relatively short compared to life, property or casualty insurance carriers. Minority and low-income communities in the Massachusetts and New Hampshire communities we serve, including Boston, are disproportionately at risk for exposure to environmental hazards and related poor health outcomes such as asthma, heart disease, lung disease, heat stroke, and heat-related illness.
- WellSense has recently reduced its carbon footprint in two significant ways: In 2020, it transitioned the vast majority of its workforce to a virtual environment; and in 2022 it substantially reduced its leased real estate space in Charlestown to reflect its significantly reduced need for physical office space. Furthermore, WellSense terminated the remainder of its Charlestown 75,513 square foot lease in September, 2023 and leased an even smaller space (approximately 26,000 square feet) to accommodate the now very modest in-person space needs of the organization. Effective August 2024, WellSense has taken possession of the 26,000 square feet of space in another Charlestown location. As mentioned, the space will primarily be used for organizational meetings and only its two mailrooms will be present on a full time basis.

Health System:

During 2024, the Health System partnered with Omicelo, a sustainability-focused investment group, to form Oakwell, a comprehensive solution for health system sustainability and real estate optimization.

Oakwell's offerings can help mitigate challenges currently facing health systems, including patient access and capacity constraints by freeing up capital to be reinvested in patient care. By 2035, Oakwell aims to create pathways for one million more people to gain access to quality care with the savings that the company will have produced for clients.

Oakwell will leverage proven methods to empower health systems to conceptualize, implement, and meet climate and fiscal goals by leveraging BMCHS' extensive experience and Omicelo's data-driven approach to financial sustainability. To date, BMCHS' sustainability-focused efforts have resulted in over \$500 million in reduced costs and averted capital spending. Oakwell can support health systems in replicating this model.

In February 2024, the Health System named Robert Biggio as Senior Vice President, Chief Sustainability and Real Estate Officer reporting directly to the CEO. While Mr. Biggio has been leading efforts to optimize

BMC's physical footprint and energy usage since 2012, his new title reflects the Health System's sustainability strategy and its commitment to carbon reduction in recognition of the major impact global warming will have on our communities.

Finally, the Health System has developed a Health Equity Accelerator plan to address racial disparities in health care. This plan will amplify the Health System's sustainability efforts, as climate resiliency is one of the pillars noted under efforts to improve social determinants of health for BMC patients and WellSense members.

BMC:

Climate related risks and opportunities have the most current impact on BMC, which presently has the more mature strategy for addressing these risks/opportunities. BMC became the first non-profit health care organization in the nation to issue sustainability bonds with a \$232 million bond sale in 2023 that reflects the hospital's commitment to carbon reduction and health equity for its patient population. Sustainability bonds are both green bonds – recognizing BMC's leading efforts on environmental issues – and social bonds, with reflect BMC's role as an essential safety-net provider and national leader on health equity and social determinants of health supports in wraparound care for patients.

BMC completes a Hazard Vulnerability Analysis on an annual basis to assess weather and climate impacts to assure it is prepared from an emergency planning perspective.

With support from the bond offering, BMC is continuing the process of adding 70 new inpatient beds, including 60 medical-surgical beds and 10 ICU beds, five new operating rooms, new pre and post-op areas, and outpatient improvements through a \$222 million renovation and expansion of existing facilities. The expansion project supports BMC's goal to become carbon net zero in 2030, while also increasing access to patient care and wraparound social supports to historically underserved populations.

BMC is a member of the U.S. Health Care Climate Council, a leadership body of 19 health systems committed to protecting their patients and employees from the health impacts of climate change and becoming anchors for resilient communities. BMC is also a member of Practice Greenhealth, and has regularly received awards in recognition of its leading work in this area, including the Practice Greenhealth "Top 25 Environmental Excellence Award" – the group's highest honor for hospitals which BMC has received 6 times. We are also recognized for our work in greening the OR, including reducing anesthetic gases.

BMC operates a substantial physical campus to provide medical and hospital care to patients, many of whom are WellSense members, year round. It has recognized that significant disparities exist and persist in exposure to environmental hazards that can negatively affect health. As a result, it has prioritized reducing greenhouse gas emission and increasing the climate resiliency of its campus and operations. Since 2011, BMC has reduced its Scope 1 and Scope 2 emissions by 90% through a combination of campus redesign, energy efficiency, and renewable purchasing projects. For example:

- The completion of a \$300 million campus redesign that positioned BMC to meet its greenhouse gas emissions reduction goals under City of Boston and Commonwealth of Massachusetts guidelines ahead of schedule. The completion of BMC's consolidation into a single clinical campus in 2018 resulted in \$20-\$25 million of annual savings, including the reduction of an additional 11-million-kilowatt hours of electricity consumption. Subsequent to the campus redesign, BMC began generating much of its electricity and heat through a natural gas-fired, 2 megawatt combined heat and power plant on the roof of one of its ambulatory care centers and entered into a solar power purchase agreement with the Massachusetts Institute of Technology and the Post Office Square Redevelopment Corporate that enabled the construction of a 650-acre, 60-megawatt solar facility in North Carolina. This is the largest renewable energy project ever built in the U.S. by an alliance of diverse buyers. BMC's solar purchase is the equivalent of 100% of BMC's expected electricity consumption.

- During the fall of 2022, BMC opened an inpatient behavioral health facility in nearby Brockton, MA. The facility has net zero carbon emissions and incorporates the green principles utilized at the BMC main campus, including:
 - Reuse and adaptation of an existing building (constructed in 1973) into a modern, efficient medical facility;
 - Upgrade of the building envelope with all new high performance windows and insulation;
 - Installation of 150kw of rooftop solar and another ~300kw of solar parking canopies;
 - Electrifying the full building and installing geothermal heating and cooling; and an extension of the BMC Rooftop Farm at a grade level where patients can actively participate.

RISK MANAGEMENT

3. *Disclose how the insurer identifies, assesses, and manages climate-related risks.*

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk. *
- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. *
- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. *

A. Describe the insurers' processes for identifying and assessing climate-related risks.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed. *

B. Describe the insurer's processes for managing climate-related risks.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.
- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

WellSense maintains a robust Enterprise Risk Management (ERM) program. The ERM program is an essential component of WellSense's business planning and execution. It assists senior management in creating a structured, consistent and continuous process of identifying, assessing, responding to and reporting on risks and opportunities that may affect the achievement of the organization's objectives. The WellSense ERM

program aligns and works in conjunction with the system-wide ERM program (which identifies arising risk and assesses system-wide ERM program effectiveness as it relates to strategic, operational, financial, and clinical and other related risks, including environmental, human resource and technology risks). WellSense’s ORSA process is an important component of its overall ERM process. As noted earlier, WellSense added climate change as one of its ORSA operational key risks in 2021. This addition created a formal structure for monitoring, assessing and mitigating, as appropriate, climate risks potentially impacting WellSense’s current and prospective solvency position.

As mentioned previously, WellSense currently insures approximately 690,000 members as of July 31, 2024. Of that membership, approximately 588,000 of the total, or 85%, are enrolled in WellSense’s Medicaid programs in Massachusetts and New Hampshire. Through its Medicaid contracts with state Medicaid agencies, both of these Medicaid programs have risk corridors in place to ensure that the program is not over- or under- funded in any specific contract period; therefore, any acute climate event would be protected through that risk mitigation system. The remaining balance of members are primarily subsidized commercial members and Medicare members. As a result, the population of underwritten members is minimal, but would be captured in its annual rate development process which is reviewed and approved by the Centers for Medicare and Medicaid Services (CMS) and state government actuaries.

Finally, as it relates to WellSense and the System’s investment strategy, the Investment Committee will annually review the ESG ratings dashboard, evaluate the ESG integration status of all funds within the portfolio, and consider these evaluations in its ongoing decision-making process.

METRICS AND TARGETS

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.
A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions.
B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

The Health System has invested in efforts to reduce the environmental impact of its operations with the goal of achieving net zero greenhouse gas emissions. In 2022, BMC signed on to the HHS Health Care Sector Climate Pledge as a voluntary commitment to increase the climate resiliency and reduce greenhouse gas emissions of its hospital operations. This pledge includes reducing the organization’s Scope 1 and 2 emissions by 50% by

2030 and achieving net zero by 2050. BMC's new 2022 inpatient behavioral health facility achieved net-zero from day one, and the main campus achieved the 50% reduction goal in 2022.

Energy efficiency and greenhouse gas reduction was a cornerstone of BMC's campus redesign plan. This principle was extended to innovative projects including the creation of two rooftop farms that have led to a reduction in BMC's reliance on external sources of food and a reduction in emissions related to transporting produce. It has also reduced the resources needed to heat and cool the buildings, and will increase the life of the roofing material up to 20 to 40 years.

BMC will continue to move forward with its initiatives, including the following items that are current action items:

- Benchmarking Scope 3 emissions and developing a strategy to reduce Scope 3 emissions
- Continuing to expand the Clean Power Prescription Program to provide renewable power to more low income households
- Installing a new 520kw Tesla battery storage unit for BMC's main campus
- Transition Public Safety squad cars to electric vehicles;
- Expansion of our rooftop farms and addressing food insecurity in our communities

As an HMO, WellSense's underwriting cycle is relatively short compared to life, property or casualty insurance carriers. We believe that since climate change impacts on WellSense membership are relatively gradual, the chance for significant underwriting errors related to climate change is minimal. However, as noted above, WellSense added climate change as one of its ORSA operational key risks in 2021. It also has a catastrophic and pandemic event operational risk as a standing risk in its ORSA program as well. A climate change event could potentially rise to that level if a particular region or county of its service area was negatively impacted. Presence of these items on our quarterly ORSA dashboard and assessments supports periodic review and action, including mitigation efforts as prudent.

From an investment strategy perspective, the Health System, WellSense and BMC continue to work with the Investment Committee as it annually evaluates the ESG integration status of all funds within the portfolio and considers these evaluations in its ongoing decision-making process. During the 2024 presentation, WellSense and the System's investment manager provided its annual review of ESG integration using its proprietary ESG ratings. The desired outcome is to look for potential opportunities to increase investments in 1 or 2 rated funds.

The evaluation also included ESG ratings as part of the criteria for selecting new investment funds assessing ESG practices and level of integration both at the fund and investment firm level.

The annual ESG rating process involves each investment manager completing a due diligence questionnaire. The questionnaire is reviewed by the WellSense/Health System investment advisor. Meetings/ calls are held between the parties for further discussions. A 1-5 rating is calculated and assigned with rating definition as follows:

- (1) Full – established policies and procedures integrated into investment approach;
- (2) Above Average - developing policies and procedures, material factor in investment approach;
- (3) Average – solid efforts to integrate ESG factors and develop policies;
- (4) Limited – early states of assessment of ESG factors in investment approach.

The ESG interaction ratings improved across all Health System portfolios with 10 of 23 funds being rated as 1 (full integration) in 2024 versus 8 in 2023, 9 being rated as 2 (above average integration) in 2024 versus 3 in 2023, 9 being rated as 3 (average integration) in 2024 versus 7 being rated as 3 in the prior year and finally 2 funds rated as 4 (limited integration) in 2024 versus 3 in 2023.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.