TruStage™

# 2022 Task Force on Climate-related Financial Disclosure

August 2023

TruStage™

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At TruStage, formerly known as CUNA Mutual Group, our historic purpose is one of helping people achieve financial security. We believe a brighter financial future should be accessible to everyone. We exist to enable more people in more ways to make financial decisions that work for them. Naturally this leads to certain risk exposures for the Company. Increasingly this includes the identification and management of physical and transitional risks associated with climate change.

This report discusses TruStage's evolving approach to managing climate conditions consistent with the recommendations of the NAIC using the Task Force on Climate-related Financial Disclosure (TCFD) framework.

# 1. Governance

TruStage has integrated the consideration of climate change risk into its governance framework and enterprise risk management processes. Governance for climate change risk has been established through assigning oversight responsibility at both the senior management level and at the Holding Company Board of Directors level.

## A) Senior Management

The Chief Risk & Assurance Officer (CRAO) has responsibility for ensuring a comprehensive and consistent Enterprise Risk Management (ERM) framework for the organization. This role has responsibility for understanding the changing landscape of risk and working with cross functional teams to identify potential ways to address climate risks.

The CRAO works closely with the Executive Management team, meeting quarterly to discuss potential risks, including transition and physical risks resulting from changing climate conditions. The CRAO meets regularly with the Board of Directors and various committees to report on relevant climate-related risks and strategy concerns.

The TCFD Working Group has responsibilities for climate change reporting and disclosures, and reports to the CRAO. The Company is establishing an Environmental, Social, Governance Core Team that will help to develop related priorities, goals, and metrics for the organization.

The Vice President of Risk Transfer has responsibility for managing the organization's ceded reinsurance placements and corporate insurance programs. In addition, a P&C Product Management Committee has been tasked with developing and maintaining a climate change

strategy for property risks – providing recommendations and ongoing monitoring over time. This committee provides information to the Senior Vice President of P&C Solutions.

## B) Board Oversight

The Board's responsibilities are shared through the following committees:

- Governance Committee - has oversight of the Company's Environmental, Social, and Governance (ESG) Framework and climate-related risks
- Audit Committee - has oversight of Product-related risks (e.g., climate impacts on P&C coverages) and Operational risk (e.g., physical operations impact)
- Human Resources and Compensation Committee – has oversight of human resource related risks (e.g., employee safety and well-being)
- Investment and Capital Committee - has oversight of the investment portfolio construction including climate-related impacts

In addition to the committee responsibilities, the Board of Directors of the Company has oversight responsibility for the Enterprise Risk Management (ERM) framework. In support of this responsibility, the Board has received education on climate-related impacts and risks. The Board committees receive quarterly risk assessment updates including the climate change risks that are included in the Risk Universe.

# 2. Strategy

## A) Climate-related Risks and Impacts on TruStage's Business, Strategy, and Financial Planning

TruStage considers climate risks and opportunities across a range of time horizons. The short-term timeframe of 1-5 years aligns with the forecast period for the Company's detailed financial plans. The medium-term timeframe of 5-10 years aligns with our emerging risk analysis period as well as certain regulatory timeframes. The long-term timeframe of 10-30 years aligns with anticipated longer term climate risks and intergenerational goals.

Risks and opportunities are considered material if they could be expected to reach a key or high residual impact level based on the ERM risk scale. This scale includes both quantitative and qualitative measures of impact. To date, the Company has focused on climate-related risks and opportunities in the short- and medium-term horizons, with limited planning focus on the long-term impacts.

The following are specific climate-related risks that TruStage has identified in each timeframe. The following should not be construed as a characterization regarding the probability, materiality, or potential financial impact of these risks.

| Climate Risks | Strategic & Financial Impacts |
|---|---|
| Short-term (1-5 Years) * | |
| Increased regulatory and disclosure requirements as well as possible mandates on existing products and services **Policy & Legal (Transitional)** | • Increased staffing to keep up with expertise, system changes and reporting requirements<br>• Elements of our strategy become outdated<br>• Operational stress (e.g., systems/processes) to comply with state specific requirements<br>• Eroding profitability |
| Reliance on historical models have the potential to impact how the Company responds to climate- | • Inaccurate pricing/forecasting/reserving on assumed and ceded risk<br>• Increased operating expense due to restrictions on use of model results |

| Climate Risks | Strategic & Financial Impacts |
|---|---|
| related risks **Technology (Transitional)** | |
| The risk that weather-related events could result in increased litigation **Litigation (Liability)** | • Unexpected benefit payments<br>• Extra-contractual obligations (ECO) |
| The risk of negative stakeholder reaction to climate strategy **Cultural/Brand (Transitional)** | • Various potential impacts arising with customers, regulators<br>• Impacts to company culture, reputation, and product sales |
| The risk of negative impacts on the credit or prospects of companies TruStage invests in or may otherwise invest in **Investments (Transitional/Physical)** | • Reduced return on investment<br>• Increased operating expense to assess risk |
| Medium-Term (5-15 Years) * | |
| The risk that a change in customer behavior leads to a change in demand for products **Products & Services (Transitional)** | • Change in revenue mix<br>• Decreased revenue<br>• Unexpected geographic or coverage mix results in forecast miss<br>• Anti-selection |
| The risk that the frequency or severity of natural catastrophes and/or systemic clash events negatively impact the property insurance book of business and financial performance **Chronic (Physical)** | • Reduced profitability of property book of business<br>• Corporate insurance and reinsurance pricing and availability<br>• Anti-selection<br>• Increased claim processing costs |

| Climate Risks | Strategic & Financial Impacts |
|---|---|
| The potential that extreme weather increases the possibility of an event negatively impacting staff, building assets, service capabilities or vendors **Acute (Physical)** | • Damage to company buildings, system outages, reduced productivity, loss of life (involving us or vendors)<br>• Our ability to effectively conduct business could be severely compromised<br>• Corporate insurance and reinsurance pricing and availability |
| Long-Term (15-30 Years) * | |
| The risk that Life and Annuity products are impacted by climate-related changes in mortality or morbidity **Chronic (Physical)** | • Life and annuity products are mispriced impacting profitability |
| The risk that our consumers, business partners, and credit union customers are increasingly and disproportionately impacted by climate change in ways that could impact our business model **Chronic (Physical)** | • Consumers move away from coasts and flood-prone areas and lose credit union connection<br>• Social disparities |

*Timeframe represents initial impact period but identified risk or opportunity may continue to later years

Short-Term 1-5 Years

1. Increased regulatory and disclosure requirements as well as possible mandates on existing products and services (short-term transitional)

   TruStage has observed emerging guidance and reporting requirements from state and national regulators that may require additional measuring, monitoring, and reporting on the impacts of climate change. These new requirements may impact product specifications, profitability, or markets, and elements of our strategy may become outdated. Increases in property catastrophe risk associated with climate change will manifest gradually over a period of many years, while P&C insurance policies are usually of one year duration. This dynamic allows P&C insurers to adjust rates, coverages, and underwriting guidelines in response to trends that demonstrate an increase in the frequency and/or severity of natural catastrophe events. An emerging concern is that regulatory regimes do not allow sufficient flexibility to ensure that pricing is set at actuarially sound levels, and, in effect, impose rate

review and approval processes that are slow to react to changes in risk levels or reinsurance costs. In addition, there is the risk that requirements may not be consistent across jurisdictions. Increased complexity of regulation could require increased staffing and expertise including but not limited to reporting and systems changes.

2. Reliance on historical models have the potential to impact how the Company responds to climate-related risks (short-term transitional)

   Natural catastrophe modeling is critical to evaluate and quantify climate-related physical risk for our P&C book of business. A major challenge in this regard is that catastrophe models based on historical data are unlikely to capture potential future climate change related shifts of extreme weather events leading to model-miss. Reliance on industry models to assess level of risk can create disconnects between pricing and perceived risk when there are significant changes to the models. Unanticipated climate-related events could impair our financial performance.

3. The risk that weather-related events could result in increased litigation (short-term liability)

   Climate change could increase the number of weather-related claims and subject us to litigation-related to coverage disputes, class action lawsuits, or litigation stemming from consumer groups. For our book of business, this type of litigation could result in extra-contractual obligations (ECO).

4. The risk of negative stakeholder reaction to our climate strategy (short-term transitional)

   As the Company strategy evolves and responds to changing climate conditions and transitional challenges, it could become misaligned with the needs and expectations of employees, customers, regulators and or rating agencies. Thoughtful planning and effective communication with stakeholders will help mitigate negative impacts on company culture, product sales and brand.

5. The risk of negative impacts on the credit or prospects of assets TruStage invests in or may otherwise invest in (short-term transitional/physical)

   Global climate change could impact assets that the Company invests in, resulting in realized and unrealized losses in future periods that could have a material adverse impact on the Company's results or financial position. In addition, government policies or regulations to slow climate change, such as emission controls or technology mandates, may have an adverse impact on several sectors including but not limited to utilities, transportation, commercial real estate, and manufacturing, and our investments in these sectors. Depending on the severity of the impacts, the Company may incur additional operating

expense due to the need for additional personnel and/or third-party services to monitor and assess these risks in the investment portfolio.

Medium-Term Risks – 6-10 Years

6. The risk that a change in customer behavior leads to a change in demand for products (medium-term transitional)

   Using a combination of experience and climate projections, the Company has expanded our P&C Programs business in select areas and has adjusted coverage offered in areas prone to catastrophes. It is anticipated that climate change will first impact population health and morbidity, and then ultimately translate to higher mortality. Life insurance policyholders may have more awareness of their health deterioration and opportunity to anti-select against the Company either at purchase or through inforce persistency.

7. The risk that the frequency or severity of natural catastrophes and/or systemic clash events negatively impact the property insurance book of business and financial performance (medium-term physical)

   Global climate change from rising planet temperatures over the last several decades has been linked to a number of factors that contribute to the increased unpredictability, frequency, duration and severity of weather events, including changing weather patterns, a rise in ocean temperatures, and sea level rise. Further increases or persistence in these conditions would lead to higher overall property and casualty losses and higher reinsurance costs. The Company has been intentional in its diversification and underwriting strategy as it relates to climate risks.

   Changes in the reinsurance market due to climate change are anticipated, including restrictions in available reinsurance capacity or scope of coverage. The Company is prepared to adjust its risk transfer program accordingly, including seeking alternative risk financing mechanisms or retaining more risk on a net basis.

8. The potential that extreme weather increases the possibility of an event negatively impacting staff, building assets, service capabilities or vendors (medium-term physical)

   Severe weather events have the potential to threaten the business operations or result in unexpected energy costs. TruStage maintains extensive business continuity and disaster recovery programs. Nonetheless, a natural disaster could affect a single office location or a regional area impacting remote employees. Such an event could disrupt company operations and pose a threat to employee safety. There is low risk of service disruption due to system outages, as there is geographic diversification of data/systems as well as our employee base. The Company provides a disaster time-off benefit to assist employees facing climate-related issues.

If third party vendors are unavailable following a disaster, our ability to effectively conduct business could be severely compromised. However, the Company's approach to vendor management includes identification of third-party business continuity plans, minimizing the risk.

Long-Term Risks – 10-30 Years

9. The risk that Life and Annuity products are impacted by climate-related changes in mortality or morbidity resulting in negative impacts on our financial performance (long-term physical)

   Climate change could impact frequency of future pandemics or environmental exposures that affect long-term mortality and morbidity trends which are not contemplated in the pricing of Life and Annuity products. This would result in unanticipated claims or reserve requirements impacting financial performance.

10. The risk that our consumers, business partners, and credit union customers are increasingly and disproportionately impacted by climate change in ways that could impact our business model (long-term physical)

    TruStage was founded as the trusted partner to credit unions and their members. Eighty-five years later the Company remains a critical part of the credit union movement while expanding the distribution of some solutions to meet the needs of other middle market consumers. Recent research[1] indicates that more than half of all credit unions are located in areas deemed vulnerable to extreme weather events. TruStage recognizes the growing climate change interest and related needs among this core customer group as an important part of long-term strategy.

    TruStage relies on a global network of service vendors to manufacture and distribute its products. While climate change could cause disruption within this network, we are sensitive to the potential for impacts that could arise if these services need to be relocated.

## B) Climate-related Opportunities and Impacts on TruStage's Business, Strategy, and Financial Planning

The following are specific climate-related opportunities that TruStage has identified. The following should not be construed as a characterization regarding the implementation, materiality, or potential financial impact of these opportunities.

| Climate Opportunities | Strategic and Financial Planning Impacts |
|---|---|
| Resource Efficiency | |
| 1. Potential to further improve campus building design to reduce both expenses and environmental impact while improving employee experience<br>2. Move toward paperless environment<br>3. Development of centralized procurement process to include assessment of climate-related risks | • Increased value of assets (highly rated energy efficient)<br>• Reduce costs and lower environmental footprint<br>• Enable greater insight into environmental practices and resiliency/vulnerability of partners |
| Energy Source | |
| 4. Progress over time to take advantage of cleaner energy sources | • Reduce costs and lower environmental footprint |
| Products & Services | |
| 5. New insurance products, services or features allowing us to differentiate offerings based on R&D<br>6. Improved risk consulting with credit unions on environmental issues | • Allocate more resources to product development<br>• Stronger relationships with customers<br>• Stronger relationships with credit unions<br>• Increased knowledge by credit union decision makers about issues related to climate<br>• Improved loss controls and reduced claims exposure for credit unions and TruStage |
| Markets | |
| 7. ESG investing may represent an opportunity assuming options offer competitive returns and are consistent with diversification strategy | • Support global carbon reduction through investments |

| Resilience | |
|---|---|
| 8. Opportunity for upskilling across company functions and culture change creating environmental stewards | • Employees develop new skills and become more engaged<br>• More employee awareness and involvement in climate-related decisions and strategies |

1. Potential to further Improve campus and building design to reduce both expenses and environmental impact while improving employee experience.

   The Company makes ongoing building investments and takes regular actions to improve energy efficiency and install energy savings infrastructure. Actions taken as of 12/31/2022 include:

   - The Company has reduced the onsite data center square footage by about 75% over the last 10 years. In 2020, server optimization and replacement of uninterrupted power supply (UPS) units contributed to a reduction in electricity usage from 2019 of the overall onsite data center. As a result, the Company reduced Greenhouse Gas emissions in annual electricity use for the onsite data center in 2021 and continues to work on improvements.
   - The Company has installed EV charging stations at campuses in Madison WI and Waverly IA.
   - The Company continues to incrementally leverage cloud providers for IT service needs which will continue to reduce direct energy usage.
   - Newly completed in 2022 is a new five-story building at the Madison campus using LEED, Parksmart and other green building design principles.

2. Make progress toward paperless environment

   TruStage is planning to work towards a paperless culture. The Company is tracking multifunctional device utilization and plans to reduce paper, including working with each department to determine alternative solutions, as needed. In the future, printers will be eliminated throughout the building, and employees will use a print center in cases where printed materials are unavoidable.

   TruStage has recently reduced the environmental impact of its direct mailing campaigns by using paper stock that is lighter weight and has less impact on the environment. The

Company is also continuing to invest in digital marketing campaigns, which will ultimately reduce use of direct mail over time.

3. Development of centralized procurement process to include assessment of climate-related risks

   The Company is currently moving toward a centralized enterprise procurement office. This will enable a more holistic evaluation of TruStage's vendor/partner portfolio, including enabling the Company to have greater insights into third party risk management capabilities and assess risks in general, including risks related to climate change (geographical location, business resiliency in the event of a climate-related disaster, and general environmental impacts of vendors/partners).

4. Progress over time to take advantage of cleaner energy sources

   TruStage has historically looked for opportunities to leverage cleaner energy sources and seeks alternatives for cleaner energy sources when possible. In 2022 we began buying green-power from utility providers. Since September of 2017, the Waverly, Iowa campus has been partially powered by the sun. The two solar arrays of 1,894 panels, generate approximately 775,000 kWh of electricity per year. In addition, less energy efficient light sources are being replaced with alternatives, such as LED, enterprise wide.

5. Opportunities to offer new insurance products, services or features allowing us to differentiate offerings based on R&D

   Environmental and regulatory changes have the potential to create opportunities for new products or product features designed to address climate change. In addition, regulatory requirements imposed on credit unions have the potential to uncover needs that product and service areas could fulfill.

6. Improved risk consulting with credit unions on environmental issues

   Climate change and climate-related risks are a significant challenge faced by financial institutions. Credit unions should consider how climate change impacts their business and how business practices and actions may contribute to it. Leveraging the existing climate change risk review and creating additional dialogue related to key discussion points such as credit union processes/policies related to climate, including influence on business continuity and planning, impact on loan properties and the potential need for office/equipment modifications may help to drive a stronger awareness and increased risk mitigation related to climate change.

7. ESG investing may represent an opportunity assuming options offer competitive returns and are consistent with diversification strategy

   The Company's investment process has considered climate change and its impacts for many years. The company has made deliberate efforts to limit exposure to coal and Canadian oil sands, consider environmental factors in real estate, and invest in green energy projects and companies.

   Over the last couple of years, the Company has been exploring more ways to incorporate ESG factors into its investment analysis throughout the portfolio. As ESG ratings are made available for more companies and asset classes, there will be an opportunity to further integrate ESG factor analysis into investment processes and strategy.

8. Opportunity for upskilling across company functions and culture change creating environmental stewards

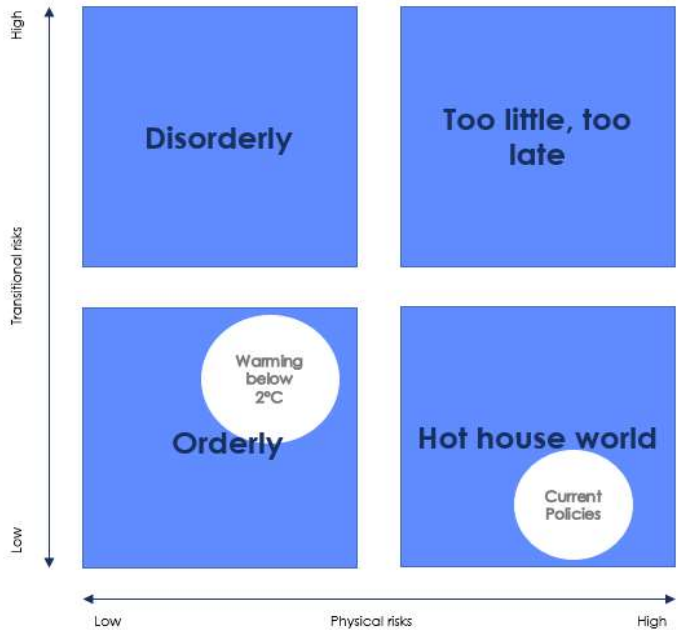
   As the impacts of climate change emerge, the Company is seeking unique solutions to offset these impacts. This creates opportunities for employees to collaborate more broadly across the Company, develop new skills, and pursue new roles. The Company has increased focus on providing education and promote a consistent understanding of changing legislative and disclosure requirements throughout the organization. From an operational and facilities perspective, the Company has communicated waste and energy reduction efforts to all employees regarding recycling and efficient lighting updates. TruStage supports an employee-led sustainability team who promote and support sustainable, low-emission practices at the Company's Madison and Waverly campuses. Employees that are more engaged and have more depth of knowledge can ultimately help develop new climate-related decisions and strategies.

## C) Resilience of the Organization's Strategy

The Company assessed the resilience of its strategies against two scenarios defined as "Current Policies" and "Warming Below 2°C" by the Network for Greening the Financial System (NGFS)[2]. The assessment was based on interviews with business leaders across the organization where they were asked to consider the qualitative impact and likelihood of each scenario on products, strategy, operations, and investments. The assessment included the physical, transitional and liability risk presented in each scenario in the short-term (5 years) and long-term (30 years). Consideration was given to the Company's ability to change strategies as potential risks develop.

Current Policies: This scenario assumes that **only** currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080 leading to about 3°C of warming and severe physical risks, while transitional risk will be low since few policies will be introduced.

Warming Below 2°C: This scenario assumes that new climate policies are introduced immediately and gradually become more stringent, resulting in a 67% chance of limiting global warming to below 2°C. Carbon dioxide removal deployment is relatively low. Net-zero $CO^2$ emissions are achieved after 2070. Physical risk is expected to be lower, while transitional risk is somewhat higher due to an orderly implementation of new policies.



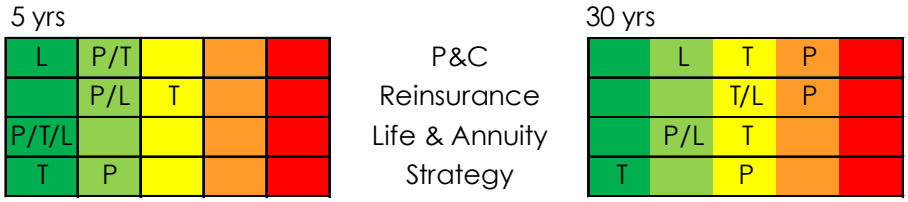

A color scale was used to assess physical, transitional and liability risk for each scenario. Physical, Transitional and Liability Risk is denoted as P, T, & L respectively.

| Low | Low/Med | Med | Med/High | High |
|---|---|---|---|---|

The following sections present the assessment of climate change impact on Products and Strategy, Operations, and Investments.

## Scenario Assessment – Products & Strategy

### Current Policies




### Warming <2°C


Scenario assessment summary: TruStage current products and strategy will exhibit resilience to climate change over the next 5 years under either scenario. In the long-term, increased physical risk under the Current Policies scenario would require the Company to increase focus on rate adequacy and retention levels. Under the Warming <2°C Scenario, transitional risk would necessitate additional resources to respond to legislative and reporting requirements.

Current Policies:

In the short-term, TruStage product strategy will effectively address slow emergence of climate change impacts on P&C lines and Reinsurance. Similarly, Life & Annuity product strategies will remain unchanged as increases in morbidity and mortality will take time to materialize. TruStage strategy continues to remain attuned to the impacts of climate change on its customers to best meet their needs.

In the long-term, regulatory constraints could cause rate development models to lag experience, reinsurance markets may shrink their capacity and/or scope of coverage and affordability of insurance could become an industry-wide issue. The company has implemented processes to ensure that Property and Casualty rates, policies, forms and underwriting can adjust relatively quickly to adapt to changing risk environments. These processes will need to evolve to address the increasing transitional risk as new products could require higher premiums but still need to remain competitive. Population shifts could cause more concentration of morbidity and mortality. Economic strain on targeted sales demographic could put additional pressure on new sales growth or force business to a riskier demographic. TruStage's strategy will need to

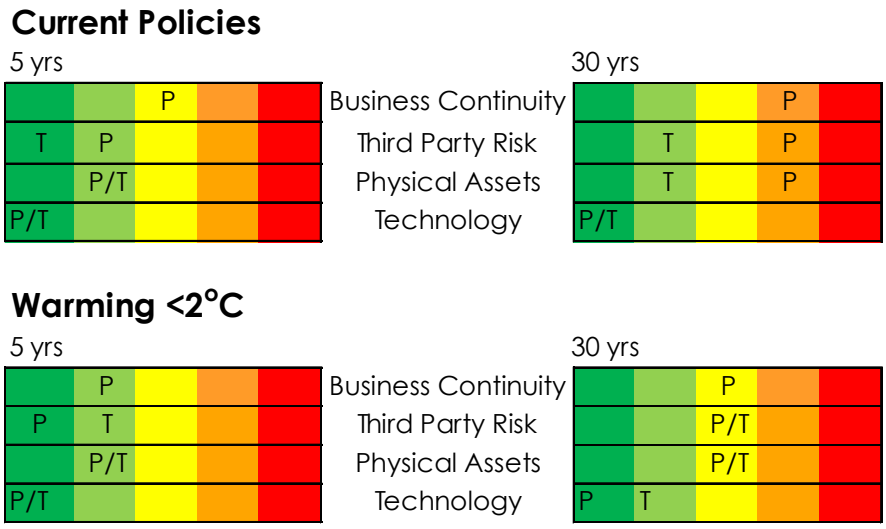
focus on shaping its protection products (life, health, P&C, auto, home) to aid consumers in managing physical climate-related risks.

Warming Below 2°C:

In the short-term, stricter legislative and reporting requirement under the Warming <2°C Scenario will result in increased resource needs and associated expenses. These changing requirements could also impact product strategy and the ability to meet consumer needs.

In the long-term, physical risk could be less severe. However, even under these more favorable conditions, the Company will need to be prepared to respond quickly and make changes to rates, policies, forms, and/or underwriting. Reinsurers and catastrophe modeling firms will need time to stabilize and reflect the longer-term benefits of climate change actions. Under this scenario there will be earlier indications of pricing adequacy for climate change, enabling better representation of the risk in the pricing process, lowering the long-term transitional risk.

## Scenario Assessment – Operations




Scenario assessment summary: Under the current policies scenario, the Company is already experiencing physical impacts and expects that strategies to develop alternative power and fuel sources will become critical to the Company and its vendors in the long-term. Under the Warming <2°C Scenario, the Company will need to develop these alternative sources as well as implement changes to infrastructure to meet emerging requirements.

Current Policies:

Physical impacts of climate change are already manifesting and it is expected that extreme weather events will increasingly disrupt facilities and operations over the next 5 years. Disruptions to energy and transportation systems will lead to more frequent and longer-lasting power outages and fuel shortages. Tornados or wind could damage buildings and pose a threat to employee safety. Power supply could be disrupted due to damage on Company grounds, or to service vendors. Rising temperatures and increased storm risk could also cause outages requiring alternative short-term vendor solutions or bringing services back in-house. Physical risk to technology is low under this scenario due to geographic diversification of data/systems as well as the employee base.

Longer term, Impacts are projected to continue to intensify and will lead to more frequent and longer-lasting service disruptions, with cascading impacts. Given this, the business continuity program will need to be continuously reinforced to remain robust in the face of a greater number and severity of climate change related challenges over time. The Company also anticipates potential increased expenses in the long-term as increasing energy costs could increase vendor expenses. The Company's facility design would not require major changes under this scenario.

Warming Below 2°C:

Under this scenario, physical impacts will be more moderate. Longer term impacts would include the potential for increasing energy costs and carbon regulation which could cause vendor costs to increase, and contracts could become more complex. The Company would need to respond to stricter climate change infrastructure requirements to reduce emissions and reduce energy consumption. As the cost of energy increases, the Company could expand solar energy sources to mitigate some of the impact.

## Scenario Assessment – Investments

Scenario assessment summary: Under the current policies scenario, the Company's current investment strategies will withstand the short-term impacts of climate change under either scenario. In the long-term, Current Policy physical impacts may necessitate an abrupt shift in the Company's investment strategy. While adjustments in portfolio companies' operations may result in increased transitional risk. Under the Warming <2°C Scenario, impacts would be more moderate.

Current Policies:

In the short-term, impact on investments will be low/medium. Select industries that impact the Company portfolio are starting to experience more natural disasters and crop damage, however, impacts are developing slowly. In the long-term, an increase in frequency and severity of events could impact investments across multiple industries resulting in severe impacts on portfolio results. As conditions worsen, TruStage may need to abruptly shift its investment strategy. Transitional risk is high in the long-term recognizing that portfolio companies may require abrupt changes in their operations. A lack of climate-related action on the part of portfolio companies may increase their litigation risk.

Warming Below 2°C:

Short-term impacts will be similar to those described under the Current Policies Scenario above. In the long-term, with more stringent policies in place, the Company could experience moderate to severe portfolio impacts. Stricter legislative and reporting requirements could require additional resources for the extra reporting, modeling, and analysis, causing some minimal disruption in both the short and long-term. The impacts of increased liability risk would be minimal in both the short and long-term.

# 3. Risk Management

## A) Processes for Identifying and Assessing Climate-Related Risks

The Company regularly monitors the level of risk it is exposed to, whether because of climate change related risk or otherwise, to ensure adequate protection against excessive levels of exposure. Climate change risks may negatively affect the credit or prospects of companies TruStage invests in, may threaten the continuity of business operations, and may impact the Company's property insurance book of business. Recognizing that climate-related risks can develop in multiple areas, the Company has identified related risks within the ERM framework that are monitored as sources for such risk.

Regulatory

The Company monitors the regulatory landscape for changes related to climate change legislation including new disclosures and reporting requirements and adopts them accordingly. The Corporate and Legislative Affairs department as well as the Legal, Risk and Compliance

department monitor legislative guidance and regulatory action at the Federal and State level, both within the U.S. and Canada. The Company works with trade associations and peer companies to further understand and monitor the landscape of climate-related risks.

The Company has increased its focus on providing education, understanding, and disclosure support throughout the organization and with industry trade associations.

Insurance/Underwriting

The Company's P&C Product teams run the book of property insurance through the catastrophe models provided by Risk Management Solutions (RMS) and Verisk to understand potential concentration of risk and to understand potential losses associated with natural catastrophes, including those that might be influenced by climate change.

Investments

The Company's analysts and portfolio managers regularly assess any risks or threats to companies in which TruStage invests or may invest to guide investment decisions. The Chief Investment Officer and portfolio managers consider and strive to limit the concentration of coal and oil related investments in the Company's investment portfolio. A geography report is compiled on a quarterly basis that monitors the Company's exposures in the United States by Metropolitan Statistical Area. Companies with specified environmental risks are monitored to inform investment decision making process.

Operations

The Company's Protection and Resiliency Office monitors weather events at all corporate sites and maintains a regional crisis team to monitor significant disruptive events using a threat intelligence application to assist remote employees. The Company maintains business resiliency plans and protocols that ensure appropriate escalation and communication of risks. The Business Resilience team conducts a Site Hazards Assessment on an annual basis in support of ISO 22301, the International Standard for implementing and maintaining effective business continuity plans, systems and processes.

## B) Processes for Managing Climate-Related Risks

Insurance/Underwriting

The Company's life and health insurance underwriters monitor and analyze all statistically relevant actuarial data to assess risks posed to that business. Accordingly, where climate change risks manifest themselves in statistically relevant and measurable ways that would affect books of business, TruStage incorporates those risks into the current risk analysis framework and decision making.

The Company's property and casualty insurance underwriters use detailed data directly and through trade associations to model potentially severe weather or geological events and factor those issues into underwriting and reinsurance levels. As described above, the book of property insurance is run through the catastrophe models provided by Risk Management Solutions and Verisk to understand the concentration of risk and to understand potential losses associated with natural catastrophes, including those that might be influenced by climate change. Once these events are considered, the Company actively monitors the level of risk it is comfortable with and, when necessary, takes measures to adjust exposure to the appropriate risk level, including the use of reinsurance.

TruStage provides credit union customers with risk management services including guidance and consultation regarding disaster preparedness and other effects of extreme weather or geological conditions. That guidance is intended to better prepare customers to handle and mitigate the effects of an extreme weather or geological event. Many educational materials are also made available to credit unions in the Protection Resource Centers, including webinars and self-assessments. Examples of risk management materials include disaster planning templates as well as flood risk and fire prevention materials.

Investments

The Company considers the geographical location and concentration of the asset portfolio, as well as the tenor of the security when evaluating the risk profile of individual investments and the portfolio. To the extent that climate change risks increase the amount of investment risk exposure, the Company has policies in place to mitigate those risks. For instance, if risk concentration in a geographical location were to exceed the exposure limits of the Company's risk tolerance because of updated loss models (whether caused by climate change or otherwise), the Company would assess options for reducing, transferring, or mitigating that risk to bring the exposure back within tolerance.

Operations

The Company maintains business resiliency plans that account for events such as natural catastrophes that impact business operations. The Company executes these plans as offices or employees are impacted by weather-related events. The Protection and Resiliency Office tracks all disruptive events that require such a response. Vendor resiliency remains a risk. The Business Resiliency team onboarded an industry standard management tool that will help identify critical vendors; until that system is fully functional, business areas remain the most important link between vendors and the business processes they manage for TruStage.

## C) Processes for Integrating Climate-Related Risks into the Organization's Overall Risk Management

TruStage engages in annual strategy and planning processes that are designed to include staff from across the Company in discussion and education around longer-term risks and opportunities – inclusive of climate change. On an ongoing basis the Company also monitors competitive and market Intelligence as well as regulatory and compliance related activity. Climate risk is managed through the existing Enterprise Risk Management Framework, Internal Audit function, and Enterprise Internal Control Program.

ERM framework

Enterprise level climate-related risks are managed along with other risks as part of the Enterprise Risk Register. The register includes climate-specific risks that are regularly monitored and assessed by the Vice President of Risk Transfer, as well as other risks that have climate components. These other climate-related risk areas include business resiliency, investments, IT, various product areas, strategy, facilities and vendor management.

Climate risks are identified through interviews with risk owners, risk group owners and senior leaders. Risk owners assess these risks on a quarterly basis using a scale of impact and likelihood based on a credible worst-case scenario. The Chief Risk & Assurance Officer is responsible for monitoring enterprise risks, including climate change risk, and reports findings to management and the Board.

The Company maintains a separate register of emerging risks which have the potential to impact the Company sometime in the future and develops a series of education sessions around external trends.

Internal Audit function

The Company regularly conducts internal audits in areas that could have climate-related risks associated with the function or process under review. In addition, the internal audit function would respond to specific climate-related requests or elevated areas of risk as needed.

Enterprise Internal Control Program

The Company maintains an inventory of controls and mitigations as part of the EICP. The effectiveness of the risk response is monitored and reported to senior management. As climate-related controls are developed, they will be monitored under this program.

# 4. Metrics and Targets

## A) Metrics used to Assess Climate-related Risks and Opportunities

Insurance/Underwriting

The Company monitors catastrophe exposure metrics by region to assess geographic concentration risk. The Company has historically purchased a Property Catastrophe treaty with a 1:250 return period using the blended results from the RMS and Verisk catastrophe modeling which overlays the Company exposure profile on historical weather events.

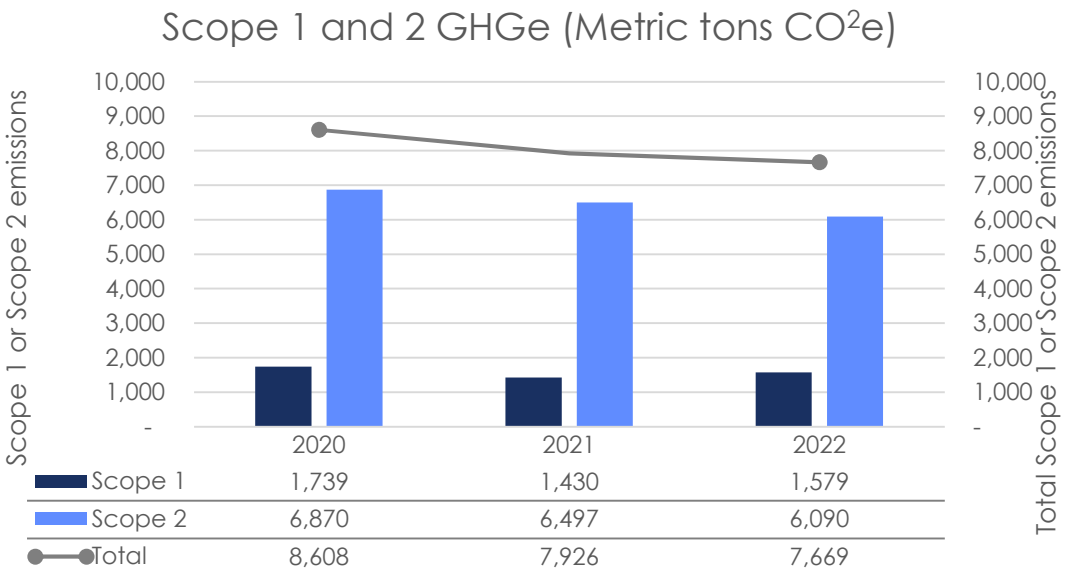
Operations

TruStage tracks energy and electricity use and makes continuous improvements to building infrastructure to achieve maximum efficiency possible. The Company utilizes the EPA tool Energy Star Portfolio Manager to track and assess energy and electricity use and subsequent Greenhouse Gas emissions produced by each facility including its onsite data center facility. The Company benchmarks its energy and electricity use through Energy Star, as well as through county and state level organizations. The Company received the following awards and certifications in 2022:

- Energy Star Certifications - three office buildings qualified
- Wisconsin Sustainable Business Council Green Master Program – attained Green Professional status
- Dane County Climate Champion awards: 1) Building Energy Use – improved from Emerging to 2 stars, 2) Water Savings Practices – 2 stars, 3) Employee Commuting – 1 star, 4) Building Design award – awarded to TruStage and its construction partners

## B) Scope 1, Scope 2 Green House Gas Emissions and the Related Risks

Shown below are the last three years of market-based Green House Gas emissions (GHGe) including Scope 1 (direct) and Scope 2 (indirect) emission measures for all locations. The source of the data is the EPA portfolio, which has been verified as part of the Energy Star certification.




## C) Targets Used to Manage Climate-related Risks and Opportunities and Performance against Targets

The Company continues to work towards a more formal ESG program and policy where climate considerations, metrics and targets will be a consideration.

# End Notes

[1] https://www.ceres.org/resources/reports/changing-climate-credit-unions

[2] https://www.ngfs.net/ngfs-scenarios-portal/explore/