# Task Force on Climate-related Financial Disclosures Index

As of September 16, 2022

## Governance

### Describe the board's oversight of climate-related risks and opportunities.

Lincoln Financial Group's (LFG's) commitment to sustainability is formalized through board and senior management oversight. The Corporate Governance Committee provides oversight of our governance, sustainability, and corporate social responsibility strategy.

Our Chief Sustainability Officer reports to the Corporate Governance Committee at least twice annually, as well as collaborates with business units and functional areas to develop strategies, determine priorities, address issues, and integrate Environmental, Social, and Governance (ESG) strategies aligned with the business.

As part of its oversight of the enterprise risk management function, our Audit Committee provides oversight of risks, which can include ESG risks, including climate risk. Our Office of Corporate Sustainability and Enterprise Risk Management team works together to screen for environmental risks across the enterprise through the Enterprise Risk Self-Assessment process.

**ADDITIONAL INFORMATION:** LFG CSR 2021 Report Section 4 Responsible Business; CDP 1.1

### Describe management's role in assessing and managing risks and opportunities.

Established in 2012, Lincoln's Sustainability Advisory Group, which is a cross-functional team comprised of senior managers at the company, meets quarterly with our Chief Sustainability Officer and team to consider market developments, societal trends and the potential impact, risk and opportunity for the company related to identified issues.

The Office of Sustainability, led by the Chief Sustainability Officer (CSO) reporting up through the Chief Investment Officer and Head of Risk & Sustainability, develops and implements our sustainability strategy, through the following actions:

- Issue identification
  - We regularly gather information on sustainability issues from a broad range of industry sources and stakeholders.
- Stakeholder communication
  - We track and internally and externally report on key indicators related to our social and environmental impacts, including through responses to specific information requests and third-party questionnaires.
  - We have a proactive, ongoing shareholder engagement program designed to solicit shareholder perspectives on issues that are important to them, including our environmental, social and governance practices.

- Risk and opportunity assessment
  - We apply a structured, consistent process to evaluate and prioritize identified risks and opportunities across sustainability matters.
- Risk and opportunity management
  - We work together with business units and functional areas to determine priorities, address issues, and integrate strategies that make sense for the business.

**ADDITIONAL INFORMATION:** 2021 LFG CSR Report Section 4 Responsible Business; CDP 1.2

## Strategy

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

The climate-related risks identified include disruption originating from a weather-related event resulting in loss of revenue, impact to reputation and cost associated with reconstituting and/or recovering business operations.

Extreme weather events, such as tornadoes, hurricanes and floods, have the potential to impact LFG's facilities and workforce. For example, LFG's offices located in the southeastern United States, such as Greensboro, NC, and Atlanta, GA, may be vulnerable to increased flooding as a result of the severity, duration and frequency of seasonal storms.

In the event of a disaster, such as a natural catastrophe, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business and on our results of operations and financial condition. This is true particularly if those problems affect our computer-based data processing, transmission, storage, and retrieval systems and destroy valuable data. In addition, in the event that a significant number of our managers were unavailable following a disaster, our ability to effectively conduct business could be severely compromised. These interruptions also may interfere with our suppliers' ability to provide goods and services and our employees' ability to perform their job responsibilities.

To mitigate the risk of a business disruption based on a weather-related event, business continuity and disaster recovery plans are in place for critical business units. Lincoln's Business Continuity Plans (BCPs) address advance preparations and actions to be taken in response to disruptions of various magnitudes. The BCPs address the potential impact of varying risks of disruptions to Lincoln employees, equipment, computer and telecommunications systems, and office facilities. Lincoln's Business Continuity Plans are reviewed as necessary, and at least annually, to ensure they account for technology, business, operations, structure, or location.

The company's planning, procedures and training are tailored to each location and its specific risks. Risk assessments are conducted at sites with greater exposure to natural risks, such as severe winter weather and tornadoes. Lincoln uses a tiered structure for incident management, which helps empower the appropriate level of leadership to manage an incident. It also helps make sure applicable decision makers are involved throughout the process.

For financial services companies, there are some climate risk drivers that could impact the reputation of the entire sector. One example might be the ability to attract and retain talent. There is a risk of losing or being unable to attract talent, particularly among millennials, if they do not view the industry, or Lincoln, as a "responsible company." Because Lincoln's programs, such as the Leadership Preparation Program (LPP), focus on attracting new talent, the company could be affected by this risk. A reduced supply of early talent might hinder the company's ability to compete for talent and require us to rethink strategy and restructure our talent acquisition program.

In certain business segments, which include Group Protection and Retirement Plan Services, existing and potential customers may be looking to assess climate change-related risks in their supply chain. Were they to use climate change risk as a primary or secondary criterion for selecting an insurance or retirement plan partner, and were they to find Lincoln unprepared, this may impact their decision to do business with us. Lincoln continuously monitors requests for climate-related information in Requests for Proposals so that we can keep pace with market expectations in this regard. In the past year, Lincoln has noted increased focus in some requests for proposals in this regard and has incorporated such information into established feedback loops to inform our continuous improvement process.

Lincoln recognizes that our customers are thinking about ESG factors in their investments. For this reason, a variety of socially responsible investment options are available within the subaccounts of our products, including our individual and group variable annuities, variable universal life, and other retirement plan solutions. In addition, Lincoln's proprietary ESG fund, the LVIP Delaware Social Awareness Fund, is one of the longest-tenured ESG funds in the insurance industry and is available across our products. There are currently 373 socially-conscious/sustainable funds (as categorized by Morningstar) available to plan participants within Lincoln Financial Group's Alliance Product offering. The *Lincoln Alliance®* product is a mutual fund-based 401(k) product sold through advisors and pension consultants to medium- and large-size 401(k) plans. Within *Lincoln Investor Advantage®* variable annuity, *Lincoln ChoicePlus℠* variable annuity, and Lincoln's Variable Universal Life, Group Variable Annuity 403(b), and 401(k) (*Multi-Fund®* and *Lincoln Director℠*) product lines, ESG fund choices are also available.

**ADDITIONAL INFORMATION:** CDP 2.2. 2.2a, 2.3a

### Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

To evaluate the potential impacts to our products based on climate change, our product and underwriting teams evaluate a wide range of data resources, participate in industry studies, and closely monitor the mortality and morbidity of our insured population. In addition, critical assumptions for these liabilities are evaluated on an annual basis through a governance structure that ensures consistency across the enterprise and elevation of experience analysis, sensitivity testing, and impacts on liabilities to executive leadership.

Climate change can impact health status but, to date, we have not noted unfavorable mortality or morbidity experience related to climate change. For that reason, climate change has not impacted product pricing or assumptions. Product and risk representatives within Lincoln participate in the Sustainability Advisory Group and discuss these findings with the Office of Sustainability.

Additionally, the head of Business Resilience is a member of multiple risk committees and workgroups, ensuring business resilience planning remains at the forefront of risk management. This ensures that planning, response and recovery risks are recognized as part of the operational risk management process.

Lincoln Financial has a dedicated strategy within our alternative investments portfolio to invest in equity and debt of renewable energy companies and projects. These investments include wind, solar and other renewable energy strategies that are aligned with Lincoln's long-term investment objectives.

For investments that Lincoln manages internally, specifically mortgages and real estate holdings, Lincoln incorporates a range of factors in its investment management process. We require and review environmental assessments on all real estate securing our commercial mortgage loan investments and routinely conduct environmental assessments for real estate we acquire.

**ADDITIONAL INFORMATION:** 2021 LFG CSR Report Section 4 Responsible Business; ESG Investment policy; CDP FS2.2c, FS2.2d, FS2.2e, 2.3, 2.3a, 2.4, 2.4b, 3.3, 3.4

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

Lincoln has completed an initial analysis of physical climate scenarios RCP 2.6 and RCP 8.5, which take into consideration extreme and baseline scenarios to qualitatively identify the key risk categories associated with these scenarios. Potential for risk mitigation actions in scenarios were also considered during the evaluation, though opportunities were excluded for conservatism. Current enterprise stress testing for each identified risk was leveraged to understand the materiality of the risks.

**ADDITIONAL INFORMATION:** 2021 LFG CSR Report Section 4 Responsible Business; CDP C3.1, 3.2, 3.2a, 3.2b

## Risk Management

### Describe the organization's processes for identifying and assessing climate-related risks.

Enterprise risk management is central to our business processes. Senior management establishes the policies and procedures we use to assess and manage significant risks to our company.

We have a Corporate Enterprise Risk and Capital Committee, comprised of members of senior management and the Chief Risk Officer, that provides oversight of our enterprise-wide risk structure and of our processes to identify, measure, monitor and manage significant risks, including capital markets, product, and operational risk. Lincoln's Board of Directors exercises regular oversight of the overall risk management process, including reviews of operational, financial, legal and regulatory, cybersecurity, compensation, strategic, competitive and ESG risks.

Climate change risks are identified in the company's Risk Control Self-Assessment (RCSA) process. The RCSA process surveys the Risk Liaison Network, comprised of risk representatives from across the organization, including the CSO, at least twice a year. Risks are prioritized based on likelihood and impact (financial and nonfinancial) and aggregated into a corporate view. The Enterprise Risk Management team works with the Risk Liaison Network to identify emerging risks (strategic, reputational, and competitive), including risks related to climate change. Risk Liaisons reach out to the members of their area to identify key risks facing the organization from the area's perspective. This process is continually evolving to develop a better understanding of risks facing the organization. The CSO provides key information on climate change risks and opportunities during this process. To gather this information, Lincoln's Sustainability team regularly engages with consultants, associations, and Lincoln's Sustainability Advisory Committee. Discussions cover developments in the market and trends related to climate change and the potential risks and opportunities for the company.

**ADDITIONAL INFORMATION:** CDP 2.2, 2.2a, FS2.2c

### Describe the organization's processes for managing climate-related risks.

#### Asset Level

At an asset level, Lincoln considers risks related to its physical assets and investments. For physical asset risks, sites with a higher likelihood of being impacted by severe weather are assessed.
From an investment perspective, Lincoln requires its third-party asset managers to consider ESG factors, including climate-related risks, in their selection and review process as appropriate. For investments managed internally (mortgage and real estate holdings), Lincoln incorporates ESG and climate change factors into a range of factors in its investment management process. We review environmental assessments on all real estate securing our mortgage loan investments. We also consider opportunities such as investments in renewable energy companies and projects.

#### Products

As a financial services provider primarily engaged in the sale of products and services associated with life insurance, annuities, employer-sponsored retirement plans and group benefits, our company is focused on a variety of risks associated with these business lines. The primary risks include mortality, morbidity, longevity, policyholder behavior and capital markets risk, each containing climate-related implications. As a result, enterprise risk management is an integral part of our business processes.

#### Investments

At Lincoln Financial, we recognize that ESG considerations are an important aspect of our investment decisions.

**ADDITIONAL INFORMATION:** ESG INVESTMENT POLICY; CDP 2.2, 2.3A, 2.4B

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

CDP C2.1, C2.1b, C2.2, C2.2a

## Metrics and Targets

### Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

LFG CSR 2021 Report Section 3 Environmental; CDP C4.2, C4.2b, C6.1, C6.2, C6.3, C6.4, C6.5, C9.1

### Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

CDP C6.1, C6.3, C6.5

### Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

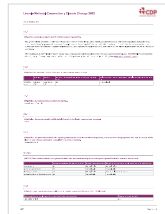
In 2021 we reduced our Scope 1 and Scope 2 emissions by 38% based on a 2019 baseline. This exceeds our target set in 2020 to reduce Scope 1 and Scope 2 emissions by 25% by 2025. We're working to identify ways to continue our progress in the new hybrid work environment. Our future emissions reduction strategies will incorporate the new hybrid environment, with more remote work and less travel.

CDP C4.1, C4.1a, C4.1b, C4.2, C4.2a, C4.2b

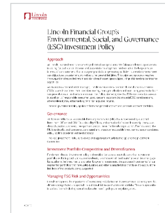
**ADDITIONAL INFORMATION:**

[CSR Report]


[2022 CDP]



[Responsible Investment Policy]



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