NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022

HCSC Group 2023 Reporting Year Responses

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.

Response: Identifying and assessing climate-related risks is a multi-disciplinary Company-wide responsibility within HCSC's overall enterprise risk management framework. Management leads sustainability efforts, including climate change strategies, and oversees the Company's sustainability program. Management is responsible for implementing and managing climate-related strategies, projects, and disclosures.

A. Oversight of financial and risk-related matters fall under the general oversight responsibilities of two committees of the Company's Board of Directors. These committees have oversight responsibilities which include oversight of Company finances and strategic risks, which would include climate-related risks and opportunities should they present themselves. At this time, climate change does not currently pose a material risk to the Company's financial soundness.

B. Identifying and assessing climate-related risks is a multi-disciplinary Company-wide responsibility within the Company's overall enterprise risk management framework which engages with all line of business and operational divisions of the Company. Climate change does not currently pose a material risk to the Company's financial soundness. HCSC has crisis management, business continuity, and disaster recovery strategies in place to manage extreme weather events and natural disasters. Management is responsible for implementing and managing any climate-related strategies, projects, and disclosures. HCSC has committed to operating responsibly by embedding sustainable business practices such as support for biodiversity, pursuing energy efficiency at our facilities, and implementing waste mitigation protocols.

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.

Response: Climate change does not currently pose a material risk to the Company's financial soundness. HCSC has crisis management, business continuity, and disaster recovery strategies in place to manage extreme weather events and natural disasters. Management is responsible for implementing and managing any climate-related strategies, projects, and disclosures. HCSC has committed to operating responsibly by embedding sustainable business practices such as support for biodiversity, pursuing energy efficiency at its facilities, and implementing waste mitigation protocols. HCSC highlights these efforts in its annual Corporate Social Responsibility (CSR) Report, which is promoted on its website and through Company newsletters to customers, stakeholders, and business partners. Topics covered include emissions reduction projects; e-waste and paper recycling; organic waste diversion through composting and meal donation programs; the use of recycled and green products; the use of high performance, energy efficient technology; commitment to renewable energy; building design and green building programs; and the protection of wildlife. For more information: https://www.hcsc.com/our-impact.

Following its commitment to corporate citizenship, HCSC's sustainability team is responsible for monitoring and responding to increasing stakeholder expectations on corporate citizenship, especially environmental responsibility, with authenticity, transparency, and action. The Company promotes the use of more efficient modes of transport both internally (e.g. through low-impact commuting incentive programs, telecommunicating, and work-from-home opportunities) and across our community. In 2023, several waste audits were conducted to better understand the waste footprint of the organization. An estimated 3,400 pounds of waste are generated daily across the five headquarters buildings, and up to 32% is currently properly diverted from landfills through recycling and composting, depending on location. In response to these results, the Tulsa, OK, office has contracted with a waste hauler that converts the methane gas from its landfill into electricity that powers 25,000 homes in Osage County. The office is also shifting to a centralized waste collection model over deskside bins with color-coded recycling containers and bin liners to ensure proper waste sorting. The Company's commitment to corporate citizenship also includes several energy-efficiency and renewable energy procurement programs, such as the use of efficient lighting and high-performance, energy-efficient technology in its buildings and Green Building Features and Programs. HCSC also supports the generation of renewable energy by purchasing Renewable Energy Credits (RECs). For HCSC's 2023 greenhouse gas (GHG) inventory, the Company has proceeded with the purchase of additional RECs to cover 100% of its Scope 2 electricity footprint with renewable energy.

To help increase transparency in its sustainability initiatives, HCSC submits an annual response to the CDP (formerly the Carbon Disclosure Project) Climate Change questionnaire. Both the Montana and Texas Plans' headquarters buildings are LEED certified and all five of HCSC's Plan headquarters buildings are both WELL Health-Safety Rating and Fitwel Certified. In addition, HCSC participates in the WELL at scale program which includes sustainability assessments for its entire building portfolio. LEED certification is a mark of quality and achievement in green building. Fitwel and WELL certifications are focused on the health and well-being of building occupants and sustainable building practices. All HCSC facilities use state-of-the-art building automation technology to lower the cost and environmental impact of energy used by heating, cooling, and lighting.

HCSC is also committed to supporting local plants and animals in all the communities it is a part of. The work we do regarding biodiversity varies based on the state and location. HCSC is conscious of the plants and landscaping at our offices, opting for native grasses and flowers that would thrive in places like its New Mexico Plan headquarters. To support plant life and pollination, HCSC began hosting over 20,000 honeybees at its Illinois corporate headquarters in 2019 and expanded the urban beekeeping program to the remaining Plan headquarters buildings and service centers inTexas and Illinois in 2022 and 2023. This program was updated in 2024 to align with recent biodiversity research supporting the 4,000 species of native North American pollinators. Each office with urban beekeeping now hosts two bee homes providing shelter and safety to these additional species.

HCSC's onsite recycling efforts resulted in nearly 2.7 million pounds of paper and 176,000 pounds of electronic equipment diverted from landfills in 2023. In its cafes, HCSC promotes and upholds sustainable practices which include, but are not limited to, sourcing environmentally-conscious products and implementing waste reduction efforts. All of its cafes are Green Restaurant Certified, a testament to the Company's commitment to environmental sustainability practices in energy use, water consumption, responsible waste disposal, use of low-impact disposables, and providing sustainable food options. HCSC's Illinois corporate headquarters, Texas Plan headquarters', and Montana Plan headquarters' cafes also participated in composting partnerships that diverted over 116,000 pounds of organic waste in 2023. HCSC's Illinois corporate headquarters' cafe also directly supports local organizations, like the Chicago Bridge Project and Heartland Alliance, in donating thousands of meals annually.

HCSC's sustainability team is dedicated to furthering the Company's commitment to sustainable practices and creating opportunities for employees to be a part of these conversations. In 2023, HCSC created an opportunity for employees to represent their states through voluntary participation in the Sustainability Engagement Committee. This committee, along with the sustainability team, hosts events to raise awareness around various sustainability topics such as renewable energy and ecological impacts. Employees across the enterprise are engaged and informed about HCSC's sustainability practices and are encouraged to make sustainable choices. Collaborations with other employee engagement groups have resulted in onsite trash cleanups, wildflower seeding events, and educational opportunities. In 2024, this opportunity was expanded to also include voluntary Green Teams chaired by the regional Sustainability Engagement Committee representatives.

A. The short-term (0-3 years) horizon is tied to risks and opportunities that may impact business continuity, disaster recovery, and communications. HCSC has several internal departments that work together to address short-term climate-related issues.

The medium-term (3-5 years) horizon is aligned with business practices which are regularly scheduled to maintain building systems, which in turn, enables HCSC to monitor and regulate energy consumption across the enterprise. This is accomplished through various software programs that are utilized to track and monitor its energy consumption (which is linked to our impact on climate change) and maintain the building systems in our facilities.

The long-term (5-10 years) horizon is aligned with the financial investments HCSC makes to serve its members. Currently, HCSC has invested in Renewable Energy Credits (RECs) to offset 75% and 50% of its greenhouse gas emissions from its facilities in Illinois and Texas, respectively, through its utilities providers. For HCSC's 2023 GHG inventory, the company purchased additional RECs to cover 100% of its Scope 2 electricity footprint across all its five states with renewable energy. HCSC also researched setting a long- term Science Based Target (SBT) in 2019 and conducted a Renewable Energy Opportunity Assessment (REOA) in 2023. The results of this research, and feedback received on the Company's annual CDP (formerly Carbon Disclosure Project) responses, have driven the Company's decision making for such investments. The Company is continuously looking into innovative technologies to enable it to ensure resilience of its business to longer term climate-related changes.

B. Climate change does not currently pose a material risk to the Company's financial soundness. HCSC has crisis management, business continuity, and disaster recovery strategies in place to manage extreme weather events and natural disasters. Offices and call centers are the primary facilities to enable it to serve its members. A reduction in the emissions from operating these facilities is considered as a low carbon product/service. Company investment in offsetting Scope 2 greenhouse gas emissions, energy-efficiency upgrades, and waste reduction programs across the enterprise are the most impactful reduction measures from the last several years. HCSC continues to look for additional opportunities to further reduce our carbon emissions at all facilities through its Sustainability team, which has representatives serving in all 5 states to provide a comprehensive perspective of the needs of each region.

C. HCSC has finalized an internal three-year sustainability roadmap to support its commitments to climate change mitigation, which includes continued investigation in the development of a transition plan that aligns with a 1.5°C world. As a step towards developing a plan, the Company conducted a Renewable Energy Opportunity Assessment (REOA) to determine the feasibility of on-site renewable energy and other renewable projects in 2022. The REOA results have resulted in additional renewable energy procurement through existing utilities vendors, and commitments toward renewable energy projects. The Company is also in the process of several other feasibility assessments to help determine the capacity to further reduce its waste output and water usage. In the past, the Company has considered the Sectoral Decarbonization Approach (SDA) which applies RCP 2.6 scenario as the basis for the 2°C decarbonization pathway for SBT modelling. These actions enable it to prepare for political or economic uncertainty, as well as align with the Paris Agreement and the ethical imperative to avert the most devastating effects of climate change.

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.

Response: Identifying and assessing climate-related risks is a multi-disciplinary Company-wide responsibility within the Company's overall enterprise risk management framework which engages with all line of business and operational divisions of the Company. Climate change does not currently pose a material risk to the Company's financial soundness. HCSC has crisis management, business continuity, and disaster recovery strategies in place to manage extreme weather events and natural disasters. Management is responsible for implementing and managing any climate-related strategies, projects, and disclosure. HCSC has committed to operating responsibly by embedding sustainable business practices such as support for biodiversity, pursuing energy efficiency at our facilities, and implementing waste mitigation protocols.

The Company does not have a stand-alone climate change policy with respect to risk management; instead, the Company considers climate-related issues (weather related/natural disasters) in its overall risk management processes. As a health insurer, underwriting risk is central to the Company's business and addressed in pricing on an annual basis. Climate change impacts on policyholder health status would likely be long-term in nature, as one of several factors influencing inflation in health care costs and would implicitly be considered in the Company's normal pricing and underwriting process. The indirect impacts of climate change are similarly implicitly addressed within the Company's normal risk management process. The sustainability team began collaborating with other others in 2022 to discuss climate-related trends and member health.

From an investment management perspective, the Company actively invests in energy efficiency projects and renewable energy purchases, and the Company is integrating diversity, equity, and inclusion and other socially responsible investment themes, such as sustainability, into its investment strategies.

HCSC participates in the annual CDP (formerly Carbon Disclosure Project) disclosure process to not only ensure environmental transparency within its supply chain but also receive regular, measurable feedback on its sustainability practices. The process of compiling this disclosure allows HCSC to better understand its greenhouse gas (GHG) inventory and to quantitatively assess its progress. The feedback received upon disclosure enables HCSC to progress towards environmental stewardship through benchmarking and comparison with its peers.

A. Identifying and assessing climate-related risks is a multi-disciplinary Company- wide responsibility within the Company's overall enterprise risk management framework which engages with all lines of business and operational divisions of the Company. Climate change does not currently pose a material risk to the Company's financial soundness. HCSC has crisis management, business continuity, and disaster recovery strategies in place to manage extreme weather events and natural disasters. Management is responsible for implementing and managing any climate-related strategies, projects, and disclosure.

B. Managing climate-related risks is a multi-disciplinary Company-wide responsibility within the Company's overall enterprise risk management framework which engages with all line of business and operational divisions of the Company. HCSC has crisis management, business continuity, and disaster recovery strategies in place to manage extreme weather events and natural disasters. Management is responsible for implementing and managing any climate-related strategies, projects, and disclosure.

C. Identifying, assessing, and managing climate-related risks is a multi-disciplinary Company-wide responsibility within the Company's overall enterprise risk management framework which engages with all line of business and operational divisions of the Company. Climate change does not currently pose a material risk to the Company's financial soundness. HCSC has crisis management, business continuity, and disaster recovery strategies in place to manage extreme weather events and natural disasters. Management is responsible for implementing and managing any climate-related strategies, projects, and disclosure. The Company's investments are highly regulated. A substantial portion of the Company's investment portfolio is invested in short-term investments, less subject to impacts of climate change. The Company monitors investment strategy guidance and has determined that alterations in its investment strategy based on climate change are not currently warranted.

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.

Response: In 2019, HCSC considered the Sectoral Decarbonization Approach which applies RCP 2.6 scenario as the basis for the 2°C decarbonization pathway for SBT modelling. This enables the Company to prepare for political or economic uncertainty, as well as aligning with the Paris Agreement and the ethical imperative to avert the most devastating effects of climate change. To develop more focused climate scenario models in the coming years, the Company plans on integrating qualitative approaches into its crisis team management playbook to explore climate-related risks, opportunities, and key business uncertainties further into the future with example scenarios corresponding to warming by 2100. These scenarios will consider different reliable and publicly available climate projections for emissions reductions and climate impacts. Annually, HCSC's property portfolio is independently modeled to consider catastrophic climate events and impact on property insurance. Results are reviewed and the impact to coverage terms and deductibles are analyzed to ensure adequacy given HCSC's real estate footprint.

A. HCSC utilizes the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) to collect activity data and calculate emissions. Emissions data is collected, documented, and analyzed annually. Metrics accounted for are: Gross global Scope 1 emissions (mtons CO2e); Scope 2, location-based emissions; Scope 2, market-based emissions; Purchased goods and services-related emissions (mtons CO2e) using spend-based calculation method and Quantis Scope 3 Evaluator; Capital goods-related emissions (mtons CO2e) using spend-based calculation method and Quantis Scope 3 Evaluator; Fuel-and-energy- related activities emissions (mtons CO2e) using supplier-specific Department for Environment Food and Rural Affairs (DEFRA) method; Waste generated in operations-related emissions (mtons CO2e) using waste-type-specific method; Business travel-related emissions (mtons CO2e) using U.S. EPA Center for Corporate Climate Leadership as well as DEFFRA methods; Employee commuting- related emissions (mtons CO2e) using distance-based DEFRA method; and Downstream leased assets-related emissions (mtons CO2e) using lessor-specific method. Energy efficiency project success is measured, and third party verified, by: Estimated annual CO2e savings (mtons Coe2); Annual Monetary Savings; Investment Required; Payback period; and Estimated lifetime of initiative. Energy consumption totals (MWh), including feedstocks, are analyzed annually. Metrics accounted for are: MWh from renewable sources; MWh from non-renewable sources; and MWh for non-fuel (heat, steam, and cooling) electricity consumption. HCSC is continuing to improve its collection of data across numerous sustainability metrics as more data is compiled and appropriate methodologies found for calculation into emissions. Metrics are third-party verified utilizing ISO14064-3 annually.

B. The following data reflects the GHG emissions from the period of January 1, 2023 to December 31, 2023: Scope 1: 5,822 metric tons of CO2 equivalent; Scope 2 (Location-Based): 46,376 metric tons of CO2 equivalent; Scope 2 (Market-Based): 0 metric tons of CO2 equivalent; Scope 3: Category 1 – Purchased Goods & Services: 253,006 metric tons of CO2 equivalent; Category 2 – Capital Goods: 35,308 metric tons of CO2 equivalent; Category 3 – Fuel and Energy-Related Activities: 15,425 metric tons of CO_2 equivalent; Category 5 – Waste Generated in Operations (limited to paper recycling at all locations, recycled electronics from sites in IL, MT, NM, OK, and TX, and multiple waste streams at all headquarters locations)) from all sites: 174 metric tons of CO_2 equivalent; Category 6 - Business Travel (air travel, rental cars, hotel stays): 6,050 metric tons of CO_2 equivalent; Category 7 – Employee Commuting: 36,104 metric tons of CO_2 equivalent; Category 13 – Downstream Leased Assets (Location-Based): 5,702 metric tons of CO_2 equivalent; and Category 13 – Downstream Leased Assets (Market-Based): 5,131 metric tons of CO_2 equivalent. Data and information supporting the Scope 1 and Scope 2 GHG emissions statement were in most cases historical in nature. Data and information supporting the Scope 3 GHG emissions statement were in some cases estimated rather than historical in nature. This data has been externally verified and validated utilizing the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2) and the WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3).

C. Emissions Target - 46.6% targeted reduction in Scope 1 & 2 emissions from base year 2018. HCSC utilized a Sectoral Decarbonization Approach (SDA) for setting the SBT which is equivalent to reducing 46.6% of our Scope 1 & 2 emissions by 2030, with a 2018 baseline. This 12-year medium-term target applies to the whole Company. As the target was set in 2019 and HCSC opted to purchase Renewable Energy Credits to cover 100% of its Scope 2 electric power load in 2021, this target is classified as “Achieved” due to the reductions made to Scope 1+2 emissions.

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