NAIC CLIMATE RISK DISCLOSURE SURVEY
TCFD-ALIGNED QUESTIONS
UPDATED 2022
Caterpillar Insurance Company – NAIC 11255

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 to Governance:

Caterpillar Inc. (Caterpillar) works to minimize its environmental impact by focusing on energy conservation, greenhouse gas (GHG) emission reduction, water conservation and waste reduction. Caterpillar has set energy-efficiency targets in its operations since1998 and has set GHG emission reduction targets since 2003. Caterpillar currently has operational targets for an increased reliance on alternative and renewable energy and a reduction in energy intensity and GHG emissions intensity. Caterpillar publicly reports on its progress towards this and other sustainability-related goals in its annual Sustainability Report. Caterpillar Insurance Company operates in a building that is LEED Gold Certified by the U.S. Green Building Council.

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 to Strategy:

Caterpillar helps customers build a better world, and customers increasingly want to build that world by using less fuel and generating less GHG emissions. These customer needs provide valuable business opportunities to Caterpillar. Caterpillar continues to invest in research and development aimed at products that generate fewer direct emissions. In addition, Caterpillar is increasing its investment in high-efficiency energy conversion and electrification – working to increase power density, expand the use of alternative fuels, maximize efficiency of power systems, and introduce electrification into its product lines while significantly decreasing owning and operating costs. A significant part of Caterpillar's business is committed to the supply of energy through efficient power-generation solutions. With distributed generation solutions using diesel and natural gas engines, as well as alternative fuels, Caterpillar helps get power where its customers need it. Caterpillar has implemented hundreds of distributed power generation systems all over the world, which contribute to improving energy access while emitting fewer GHG emissions compared with traditional power grid systems. Caterpillar provides combined heat and power systems and combined-cycle power systems that can double the efficiency of power generation when compared with the efficiency of conventional power grids. In addition, Caterpillar's power systems use fuels from diverse sources such as gas from landfills, livestock operations, wastewater treatment operations, mine methane, flare gas, syngas and biofuels. These systems provide energy diversity from plentiful (and in many cases, renewable) energy sources.

Current and anticipated risks that climate change poses to the company are emissions regulations and new technology that reduces carbon emissions. This impacts pricing of the insurance products. There is also risk for machine/engine transfers from highly regulated regions of the world to less regulated or non-regulated regions. The company covers mechanical breakdown exposure on equipment and engine components. Hence, climate change impact on the company is focused mostly around emission regulations and technology changes. The company does not cover external risks to the machine so property catastrophic exposure is not an issue.

Generally, changes in environmental and climate change laws or regulations, including laws relating to GHG emissions, could lead to new or additional investment in product designs and could increase environmental compliance expenditures. Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including increased energy and raw materials costs. If environmental laws or regulations are either changed or adopted and impose significant operational restrictions and compliance requirements upon us or our products, they could negatively impact our business, capital expenditures, results of operations, financial condition and competitive position.

Further, Caterpillar supports integrated carbon and climate policies that effectively balance environmental and economic considerations.

Caterpillar understands that the most immediate and measurable benefits will occur through energy-efficiency improvements and corresponding GHG emissions reductions.

In response to the challenge of reducing GHG emissions, Caterpillar is:

• Setting aggressive energy-efficiency and GHG-reduction goals for its operations.

• Investing in energy-efficiency and GHG-reduction technologies for its products that are important to its stakeholders and represent significant areas of opportunity for our business.

• Committing to the development and deployment of advanced technologies that capture and store GHG emissions.

• Supporting policies and mechanisms that harness the marketplace to drive innovation, mobilize investment and facilitate sharing these technologies.

Encouraging the coordination of domestic and international programs that maximize the use of flexible, proven mechanisms to sequester carbon in soils, plants and ecosystems.

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 to Risk Management:

Caterpillar regularly identifies and monitors business risks through a robust internal management system and engages in constructive regulation and public policy discussions that benefit employees, customers and

shareholders. We manage operational, strategic, financial and compliance risk through two programs: the Enterprise Risk Management (ERM) Program and Caterpillar's Compliance Program.
Each year, we conduct a comprehensive Enterprise Risk Assessment by reviewing risk information from multiple sources, including business units. To better inform our decision making, Caterpillar evaluates risks using three dimensions (significance, likelihood and velocity) at the business unit and enterprise level.
The results of this ERM risk assessment are incorporated into future action plans to mitigate the identified risks. Compliance risks are also reviewed as part of the ERM risk assessment process and are managed as part of Caterpillar's Compliance Program. These risks cover abroad range of issues, including legal and regulatory compliance.

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 to Metrics and Targets:

Caterpillar Insurance Company is not exposed to property catastrophic risk for its products.

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