

NAIC CLIMATE RISK DISCLOSURE SURVEY

TCFD-ALIGNED QUESTIONS

UPDATED 2022

GOVERNANCE

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

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

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

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

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

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

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

RESPONSE FOR GOVERNANCE

All risks, including climate-related risks are discussed at all levels and managed accordingly. The Savings Bank Mutual Life Insurance Company of Massachusetts (SBLI) has also included environmental, social, and governance (ESG) awareness in its investment practice. Over the short, medium and long term SBLI is educating, evaluating, and implementing behaviors of the ESG set of standards demonstrating that SBLI is socially conscious and aware of its community. Educational sessions have been held with the Audit/ERM Committee regarding ESG. SBLI continues to maintain its Business Continuity Plan with long term consideration to climate change risks.

Senior Management incorporates risk management in its decision-making process and set its risk tolerance threshold at very low. As part of its ERM program, SBLI formed the Internal Risk Committee as a forum for business line representatives to discuss concerns and identify risks on a regular basis. Senior Management remains accountable for risks within their areas of responsibility and meets routinely to evaluate concerns. The objective of SBLI's ERM program is to identify, evaluate, and develop an action plan for risks that exist throughout the Company. The results are used to assist in planning and/or prioritizing components of the Company's strategy. The Audit/ERM Committee has an oversight role in the process.

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 FOR STRATEGY

As a life insurer, SBLI does not feel the need to strategize for a 2 degree Celsius or lower scenario. SBLI does not have a formal plan directed specifically at reducing emissions. However, as noted below, we have taken several measures that have had that effect.

SBLI encourages its policyholders and applicants to take advantage of its numerous paperless services. Included among them are: online applications; SMS/Texting reminder notices; online customer portal for policy delivery; processing of transactions via the online customer portal; and electronic document storage services.

We have in place centralized scanning of all incoming customer documents and recycling programs. We have established a website for customers so they can review their account rather than sending them hard copies of information. We give our customers the option to receive notices and other information in an electronic - "paperless" -format. Additionally, we have recently introduced a new SMS/Text Messaging service to provide certain policyholder notices/reminders in a non-paper option.

We have also made improvements to our main office that have increased efficiencies. For instance, we have installed more efficient air conditioning units, converted all lighting to LED lighting, and our main office is powered 100% by electricity (no fossil fuels). We have significantly reduced our electricity usage by moving our computer room to an offsite location. Additionally, we have added four (4) electric car-charging stations to our employee parking lot for employee use.

We also have a hybrid workplace schedule (two days work from home) that has saved on commuter gasoline and some overall energy use within the building itself.

Over the short, medium and long term SBLI is educating, evaluating, and implementing behaviors of the ESG set of standards demonstrating that SBLI is socially conscious and aware of its community. Educational sessions have been held with the Audit/ERM Committee regarding ESG. SBLI continues to maintain its Business Continuity Plan with long term consideration to climate change risks.

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 FOR RISK MANAGEMENT

From a climate risk standpoint, our application submission and underwriting process over the last 10 plus years has consisted of a digital process with paperless solutions. Our underwriting requirements including medical record submissions and laboratory results are all submitted digitally. The data is assessed by an underwriting engine or the underwriter. Our Underwriting and New Business Teams have the ability and/or are assigned to work from home.

Please refer to our “Strategy” response on how we encourage policyholders to take advantage of paperless services.

SBLI does consider how climate change could affect our investment portfolio. As with any risk, we take this into account when assessing investments. SBLI has taken steps to limit new exposure and duration in thermal coal/high-carbon emission sectors. Furthermore, when considering investments, SBLI focuses on steps companies are making to address climate change issues. Additionally, SBLI has recently increased its allocation to renewable energy investments.

We tend to avoid companies that don’t have a plan to reduce their carbon footprint. In addition, with regards to our existing holdings, we examine the cost of investment for decarbonization plans and potential impacts of such investments on their credit profile. We review these companies on at least an annual basis.

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Please refer to our “Governance” response on how the company manages climate related risk.

One important tool in the Company’s ERM efforts is a quarterly ‘Balanced Scorecard’ developed to measure and monitor key risk. We have undertaken a new initiative (AuditBoard) that will ensure we are adequately addressing and managing top risks that we face as an organization. The Actuarial and Investment functions complete annual modeling to assess and manage risk. SBLI does not currently measure climate-related risk directly in the Balanced Scorecard.

SBLI’s commercial real estate holdings, a sector most likely susceptible to climate change, are managed externally. The managers utilize a formal process to identify and assess hurricane/wind,

flood and sea level rise, heat stress, wildfire and water stress risks as part of the investment underwriting process. Furthermore, Moody's 427 Climate Change Forecasting report is incorporated on every property considered investment, to quantify these risks. Climate change risk is one of many factors considered when making an investment.

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 FOR METRICS AND TARGETS

Please refer to our responses on "Governance" and "Risk Management" on how management accesses climate related risk.

Our current ERM program does not incorporate Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions.

From an investment portfolio perspective, we continually review to understand the quality and credibility of companies' transition plans. We utilize a methodology to assess the creditability of net zero targets.

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