

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.

The Atradius group is part of the wider group Grupo Catalana Occidente (GCO), based in Spain. Via GCO, Atradius has committed to the following:

- UN principles of the UN Global Compact on Human Rights, Climate Change and Anti-Corruption;
- Principles for Sustainable Insurance (PSI); and
- Principles for Responsible Investment (PRI)

- 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.

The climate-related disclosure is handled at the Group and Shareholder level.

Currently, the parent company GCO is subject to the EU Non-Financial Disclosure Directive and files a Sustainability Report annually, which includes information at an aggregated level for the entire Group. These reports can be found here:

<https://www.grupocatalanaoccidente.com/eng/non-financial-information/reports>

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

In 2020, GCO established the Group Sustainability Committee to steer the sustainability efforts within the Group. The Group Sustainability Committee defined a Sustainability Master Plan, with 10 work streams:

- 1) ESG Products
- 2) Responsible Investment
- 3) Management of ESG Risks
- 4) Digitalisation and multichannel
- 5) Innovation
- 6) Environmental and associates management
- 7) Employee experience
- 8) Formalizing investment in society and volunteering
- 9) Ethics and integrity
- 10) Communication and relationship with stakeholders

For each work stream, the following is defined:

- **Actions** – the high-level objectives of the work stream
- **Responsible department(s)**

- **Road Map** – deliverables for 2020, 2021 and 2022-2023
- **Monitoring indicators** – indicators to track performance in the area covered by the work stream

Within the Atradius group, in 2022 a dedicated ESG Committee was created chaired by the CFO, Claus Gramlich-Eicher. A number of the ESG Committee members are part of the overall Group Sustainability Committee.

A Head of ESG was also appointed at the beginning of 2023 to promote and coordinate the ESG initiatives.

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.

The CFO, Claus Gramlich-Eicher, is the sponsor for ESG topics at Management Board level of Atradius NV.

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

Please refer to section 1A.

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. *

As one of the world's largest credit insurers, Atradius plays an influential role in global trade, and can make the most impact by supporting global trade (both our own and our customer's businesses) to become more sustainable and promote prosperity. This entails an ongoing commitment to innovate and support the most sustainable ways of doing business now and in the future, so that we deliver positive outcome for people and planet.

- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations. *

To make Atradius' own operations carbon neutral, Atradius is implementing new Corporate Real Estate Standards (CRES) with embedded ESG goals for energy saving measures and new procurements procedures. In addition, to reduce emission caused by (international) travel, all travel budgets have been significantly reduced.

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.

With the exception of the new Corporate Real Estate Standards (CRES) discussed in Section 2 above, Atradius has not, to date, identified climate related risks and opportunities in its core insurance business.

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.

With the exception of the new Corporate Real Estate Standards (CRES) discussed in Section 2 above, Atradius has not, to date, identified climate related risks and opportunities in its core insurance business or financial planning.

- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

The Each year an investment target in sustainable investments is defined.

B. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

To date, Atradius has not evaluated the resilience of its strategy regarding climate-related scenarios.

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. *

There is overlap between "ESG risks" (identified through processes steered by our ESG Committee and Group Sustainability Committee) and "climate-related risks"; to date Atradius considers climate-related risks under the category of strategic risks – which are discussed in our Strategic Risk Platform and reported to the Management Board and Supervisory Board as part of overall risk reporting.

The increasing frequency of events linked to global warming, such as floods, wildfire, tornado, etc., may have a negative impact on Atradius by affecting our operations and/or our customers and their buyers. Additionally, government interventions, signalling a transition to a lower carbon economy, are introducing new policies, regulations and changes to market dynamics that may impact Atradius' top line. Whilst (1) Business Continuity measures can help mitigate the direct impact upon Atradius operations and (2) pricing and underwriting strategy can help counter the financial impact to Atradius of the effect on customers and buyers, uncertainty remains regarding the overall financial impact of climate change. Atradius has committed to the principles of the UN Global Compact since 2008, with associated actions/monitoring and most recently in developing actions in response to the environmental aspects of ESG as part of a group-wide programme. Reinsurance capacity for Atradius is not considered impacted due to potential large Catastrophic Climate events.

To make our own operations carbon neutral Atradius is implementing new Corporate Real Estate Standards (CRES) with embedded ESG goals for energy saving measures and new procurements procedures. For example; when sourcing new premises for Atradius, specifications always include criteria for maximizing sustainability to adhere to certifications and ensuring new office locations are easily accessible by public transport and encourage walking/cycling to work. For refurbishment we ask suppliers to take into account cradle to cradle philosophy for materials such as furniture and carpet.

Underwriting risk

Regarding the effect of climate on our underwriting risk, any materialisation of such risk would appear in the form of increased credit risk related to our customers and/or their buyers (and ultimately credit defaults and claims for non-payment). As such, climate-related risk is not classified as a separate topic to be identified, assessed and managed.

On a more strategic level, factors such as transition risk would form part of the development of our commercial and underwriting strategy. Again, this is not seen in a separate climate risk assessment.

- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. *

The GCO Group has established a Sustainable Investment Policy that applies to Atradius. This policy can be found here: <https://www.grupocatalanaoccidente.com/eng/responsible-investment>

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. *

In line with EIOPA's opinion and guidance on the use of climate change risk scenarios in ORSA, Atradius is preparing to incorporate climate-related risks in a more extensive manner in our risk assessments. The ORSA process is carried out on an annual basis and climate-related risk assessments would form part of this exercise in the future.

C. Describe the insurer's processes for managing climate-related risks.

As mentioned above, our Business Continuity program will help to mitigate any direct impacts on Atradius operations. Regarding underwriting risk, any materialisation of such risk would appear in the form of increased credit risk related to our customers and/or their buyers (and ultimately credit defaults and claims for non-payment). As such, climate-related risk is not classified as a separate topic to be identified, assessed and managed, but, the vulnerability of customers/buyers, industry sectors and geographies to adverse climate-related developments is considered as part of the credit assessment of the underwriting risk profile.

On a more strategic level, factors such as transition risk would form part of the development of our commercial and underwriting strategy. Again, this is not seen in a separate climate risk assessment.

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

On a more strategic level, factors such as transition risk would form part of the development of our commercial and underwriting strategy. Again, this is not seen in a separate climate risk assessment.

Our Business Continuity Management program considers the severity of climate-related incidents on our direct operations and prepares mitigating measures accordingly.

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.

Please see above for how climate-related risks are addressed in our overall risk management practices.

- 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.

We expect to incorporate climate scenarios in our ORSA process in line with guidance from EIOPA. We will undertake this in alignment with our parent company, Grupo Catalana Occidente.

- 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.

Please refer to Section 3A.

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.

By “collateralized risks” we interpret this to refer to insured risks (as we do not typically take collateral to support our risks).

The company operates a system of metrics and targets as well as risk reporting which enables the communication of relevant information to the appropriate decision-makers. Examples of the focus areas in this system are:

- Buyer and limit underwriting performance reporting: provisions, underwriting targets, notifications of non-payment, claims paid and received, recovery success rate, premium earned, acceptance rates, market developments;
- Exposure distribution information : distributions of buyer rating, concentrations in industry sectors, buyer countries, and buyer groups; and
- Economic capital consumption

For measurement of economic capital-related aspects of underwriting risk, we employ a proprietary internal model, which has been assessed and approved for use by our College of Supervisors, consisting of DGSFP (Spanish supervisor) and CBI (Irish supervisor), Among other things, the results of this quantitative model are used in scenario, stress tests and sensitivity analyses to inform our business and underwriting strategy. It is also used to determine and manage a target capital structure (solvency ratio).

Currently, climate-related risks are not modelled separately from other risks, but the internal model and our other metrics are considered fit-for-purpose for managing our material risk exposures.

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