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.

The executive risk management committee is responsible for overseeing our enterprise-wide risk management (ERM) program. The Chief Risk Officer, who is a member of the Executive Risk Management Committee, has primary responsibility for our ERM program and is supported by management committees and other governing bodies.

Senior Management that sits on the ERM committee, are updated quarterly on all current and emerging risks including climate change. As climate-related risks materialize, "risk owners" are identified and charged with providing the relevant committees with regular updates about changes to the inherent risk level and the status of mitigating initiatives.

Additionally, the Board is updated quarterly about all current and emerging risks including climate change. As part of the oversight of the company's strategic direction and risk management, Board members monitor progress of Unum's ESG strategies and initiatives. Discussions with senior management focus on the rapidly changing landscape, opportunities for leadership, and execution against strategic goals and priorities. The Board and committees are regularly engaged on issues related to corporate social responsibility, public policy, inclusion and diversity, corporate culture and climate change.

Each of these groups work to develop and review the company's ESG strategy, review important environmental, social and governance topics on a quarterly basis and help guide the strategic sustainability focus and initiatives.

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.

Our sustainability strategic framework is designed to support our corporate strategy and is closely linked to our purpose and our values. Our framework contains three main focus areas: responsible investments, inclusive products and practices, and reducing environmental impact.

As part of understanding the potential impacts of climate change to our business, we conducted a qualitative risk assessment across all of our business functions. Using International Energy Agency (IEA) scenarios, we also modeled transition risks within Unum's investment portfolio and climate change impacts to Unum's underwriting practices in 2 degree C scenarios across multiple time horizons.

The underwriting scenario analysis supports our belief that we can effectively manage the impacts of climate risks, both transitional and physical, as they materialize over time. We analyzed the sensitivities of our key insurance risk factors, e.g. morbidity, mortality, persistency, and longevity of policyholders, to climate change impacts under different warming scenarios across multiple time horizons. Our ability to reprice group contracts is a significant mitigant against climate change-related risks. Furthermore, our business is diversified across geographies and we perform regular concentration risk studies to limit the impacts from hurricanes, wildfires, extreme heat and flooding. Our exposure to higher risk industries is relatively limited and we have the ability to replace any lost business with new sectors that are likely to emerge. While climate change could potentially lead to unfavorable life and short-team claims under certain scenarios due to increased mortality and incidence, in these scenarios the impacts would not be universally adverse across our diverse product portfolio, and under other scenarios some claims may be favorable based on changing customer behavior and technological advances.

The quantitative analysis for underwriting scenarios supports our perspective about financial impacts ranging from negative to positive depending on the scenario, with significant ability within our business to mitigate and manage emerging impacts. We evaluated the longer-term impacts of certain broad climate-related scenarios on our inforce business over a 30-year time horizon, capturing the impacts to each material product with long-term risk exposure. Certain products like Group Life and Disability were exclude4d from this analysis given our ability to react and manage the exposure and pricing of the business. For the quantitative analysis, we modeled each scenario's financial impact relative to baseline expected cash flows for claims incidences and recoveries, mortality and lapses.

Additionally, we evalkuate4d the impacts of scenarios related to operating expenses relative to our baseline expenses, and the impact of interest rate scenarios to the extent that we have investment risk underlying products in our portfolio. We considered the renewability features for the contracts underlying each product segment, and determined the extent to which future rate increases might be a further mitigant to emerging financial pressures from adverse impacts by product.

The quantitative scenario analysis for investments supports our decision to integrate climate change analysis into our overall ESG risk assessment process to help us better understand and monitor the changing landscape.

We have identified the Energy and Utilities sectors as having more risk associated with climate change. We believe our portfolio is well-positioned. We will continue to monitor climate risk exposure. There are a few sectors that have emerged which may present investment opportunities. We continue to evaluate the risks and merits of these investment opportunities seeking to maximize the benefits to our customers and all stakeholders.

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.

Effectively taking and managing risks is essential to the success of our company. To facilitate this effort, we have a formal ERM program with a framework comprising the following key components:

Risk Appetite
Risk-aware culture and governance
Risk identification and prioritization
Risk modeling and controls

Effectively taking and managing risks is essential to the success of our company. To facilitate this effort, we have a formal ERM program with a framework comprising the following key components:

- **Risk Appetite**
- **Risk-aware culture and governance.**
- **Risk identification and prioritization.**
- **Risk modeling and controls.**
- **Risk reporting and communication.**

<u>Risk Appetite</u>

Unum maintains a risk appetite policy which not only describes the risks we are willing to take, but also defines the amount of enterprise risk exposure we deem acceptable in pursuit of our goals. It highlights boundaries, tolerances and limits within which the Unum Group is to operate. The policy forms the foundation upon which the Unum Group's Enterprise Risk Management (ERM) program is based. The policy summarizes the most significant risk categories, the risk strategy and the principles embedded in the risk management strategy. Climate risk is determined to be within our risk appe4tite and not currently a principal risk to Unum over our planning horizons. However, management and the Board recognizes the importance of responsibly managing climate-related risks to both shareholders and the future of Unum and its operating businesses.

<u>Risk-aware culture and governance</u>

We employ a risk management model under which risk-based decisions are made daily on a local level. To achieve long-term success, risk management mut be the responsibility of all employees. The individual and collective decisions of our employees play a key role in successfully managing our overall risk profile. Our culture is reinforced by our system of risk governance. The Board Governance Committee oversees Unum's strategy, reputation and activities concerning corporate sustainability. It regularly reviews and discusses ESG developments, including the advancement of Unum's ESG program and key initiatives. We have increased ESG disclosures and used a materiality assessment and international frameworks to guide these disclosures. In addition, our Board has an active role, as a whole and through its committees, in overseeing management of our risks, including climate change.

The Board is responsible for the oversight of strategic risk and regularly reviews information regarding our capital, liquidity and operations, as well as the risks associated with each. The risk and finance committee of the Board is responsible for oversight of our risk management process, including financial risk, operational risk and any other risk not specifically assigned to another board committee. The finance committee also oversees risks arising under our business resiliency programs, including disaster recovery and business continuity risks. The Regulatory Compliance Committee of the board is responsible for oversight of risks related to regulatory, compliance, policy and legal matters, both current and emerging, and whether of a local, state, federal or international nature. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks in addition to the risk information it receives directly.

<u>Risk identification and prioritization</u>

Risk identification and prioritization is an ongoing process, whereby we identify and assess our risk positions and exposures, including notable risk events. ERM and other second-line bodies rely on the collective observation, acumen and diligence of the entire enterprise to identify new and emerging risks related to climate change. Knowing our potential risks allows us to monitor and manage their possible effects by adjusting our strategies as appropriate. In addition, Unum seeks additional inputs and perspectives from various outside parties like trade groups, consultants, business periodicals and networks. The risks identified through these channels are generally introduced in risk committees to leverage the subject matter expertise in assessing the

potential impacts of identified risk to Unum's operations. As part of our climate risk identification process, we engaged with a consultant to complete a formal TCFD assessment.

Climate risks can manifest themselves in different ways and in different combinations depending on how climate change scenarios materialize.

For example, a warming scenario of <2oC, which is aligned with the Paris Agreement track for net zero carbon emissions by 2070, would potentially result in transitional climate risks for Unum over the next 20 years:
Example 1:

- **TCFD Risk: Change in Customer behavior**
- **Risk Manifestation: Customer preferences shift toward sustainable products/companies, and demand for Unum products reduces if climate strategy is not adequately integrated into business processes.**
- **Time Horizon: 10 years**
- **Potential impact to Unum: Increase in lapses and reduction in premiums leads to reduced profitability.**

Example 2:

- **TCFD Risk: Contraction of market demand**
- **Risk manifestation: Loss of group business in impacted sectors, e.g. oil and gas; decline in value of fossil fuel-based investments.**
- **Time Horizon: 20-30 years**
- **Potential Impact to Unum: Loss of group business, Increased volatility/potential for losses in investment portfolio.**

By contrast, a warming scenario of >20C, which incorporates today's policy intentions and targets that have already been announced, would potentially result in physical climate risks for Unum over the next 20 years:
Example 1:

- **TCFD Risk: Extreme weather events**
- **Risk Manifestation: Extreme events lead to increasing mortality/incidence rates and impacts to reinsurance market; decrease in real estate values and economic instability.**
- **Time Horizon: 10-20 years**
- **Potential impact to Unum: Assumptions used in pricing/valuation are incorrect and cause a deficiency in reserves, earnings, and capital impacts; unable to rely on reinsures to pay claims as expected; investment portfolio experiences volatility, interest rates depressed.**

Example 2

- **TCFD Risk; Extreme variability in weather patterns**
- **Risk Manifestation: Higher rain, wind and flooding, and extreme hot and cold temperature events lead to increasing mortality/incidence rates.**
- **Time Horizon: 30 years**
- **Potential impact to Unum: Assumptions used in pricing/valuation area incorrect and cause a deficiency in reserves, earnings, and capital impacts.**

Example 3

- **TCFD Risk: Rising mean temperatures**
- **Risk Manifestation: Rising temperatures cause increasing heat-related deaths and vector borne diseases, increasing likelihood and severity of pandemics.**
- **Time Horizon: 30 years**
- **Potential impact to Unum: Assumptions used in pricing/valuation are incorrect and cause deficiency in reserves, earnings, and capital impacts.**

Example 4

- **TCFD Risk: Decreased air quality**
- **Risk Manifestation: Decreasing air quality causes diminishing health outcomes**
- **Time Horizon: 30 years**
- **Potential impact to Unum: Assumptions used in pricing/valuation are incorrect and cause a deficiency in reserves, earnings, and capital impacts.**

Once a portfolio of relevant risks has been established, "risk owners" are identified. These can be Risk Committee members with first-line knowledge of a specific risk, charged with identifying inherent risk levels, mitigating activities and risk indicators, and providing the committees with regular updates about changes to the inherent risk level and the status of mitigating initiatives. Through these regular reports the second-line can monitor residual risk levels and ensure appropriate management of risks.

Risk modeling and controls

Unum recognizes the long-term inherent risks of climate change, but we believe we have the ability to manage these risks such that the residual risk is immaterial over our planning horizons and currently not a significant risk to our corporate strategy or our solvency. For transition risk related to climate change, we believe our disciplined approach to providing financial protection products at the workplace puts us in a position of strength. In contrast to many multi-line peer companies, we do not offer retirement savings, traditional medical benefits, or property and casualty insurance. Our corporate strategy is focused on providing group, individual and voluntary benefits, either as stand-alone products or combined with other coverages, that create comprehensive benefits solutions for employers. We have market leadership positions in the product lines we offer and believe this combination of focused expertise and experience is a competitive advantage forming the foundation of our approach to risk management. The products and services we provide have never been more important to employers, employees, and their families, especially given the emergence of the COVID-19 pandemic. Our strategy remains centered on growing our core businesses through investing and transforming our operations and technology to anticipate and respond to the changing needs of our customers, expanding into new adjacent markets through meaningful partnerships and effective deployment of our capital across our portfolio.

For physical climate-related risks, certain geographies and demographics are more likely to be affected by extreme weather and temperature variability. Our business is well-diversified by geography, industry exposures and case size, and we continue to analyze and employ strategies that we believe will help us navigate the current environment. Our business is concentrated in group contracts, which can be repriced based on experience, and the group business is centered around the working age population, which significantly reduces the vulnerability of our block of business to climate change impacts. Furthermore, many of our products have offsetting mortality and morbidity impacts from climate change that further diminish the impact to Unum. For example, rising mean temperatures can lead to an increase in vector-borne diseases, increasing the likelihood and severity of pandemics. This would lead to unfavorable life and short-term disability claims, while long-term care, long-term disability and individual disability insurance are likely to see favorable claims behavior.

At the core of our climate risk management strategies is our prudent underwriting with effective risk selection, pricing discipline, sound reserving practices and high-quality claims management. We manage concentration risk to that individual exposures will not threaten our solvency. We monitor our concentration risk to that individual exposures will not threaten our solvency. We monitor our concentration exposures against internally established limits, and we make conscious efforts to diversify our earnings sources to reduce potential volatility. We have underwriting guidelines to restrict writing high levels of coverage on any individual which has limits on

the volume of coverage we will write on an employer/group. We also have various reinsurance treaties that cap our exposure. These agreements include capping individual exposure on life and accidental death and disability coverage along with maintaining a catastrophic reinsurance program that protects the surplus from a major natural or man-made disaster. In addition, we can leverage our existing economic models and scenario testing to help us better understand our business and related exposures to climate change, monitor our risk limit and tolerance levels, contribute to preemptive and contingent action planning, and influence our strategic choices and decision-making.

We use a 1-in-20 stress to simulate an extreme but plausible event to get a better understanding of the potential volatility in distributable earnings so we could experience over our planning horizon.

An infectious disease pandemic is part of our annual scenario process. The analysis for this scenario incorporates all the impacts from short- and long-term claim behavior, sales and premium impacts, and the general economic slowdown both under our historical assumptions and new assumptions developed specifically during the COVID 19 pandemic. To assess concentration of risk and keep our exposure within our risk appetite, Unum developed underwriting and pricing protocols to review any policy that could potentially lead to a large loss event and track in-force cases. We manage our asset and liability cash flow match and our asset and liability duration match to manage interest rate risk. Asset and liability portfolio modeling is updated on a quarterly basis and is used as part of the overall interest rate risk management strategy. The majority of our liabilities related to insurance contracts are not interest rate sensitive, and we therefore have minimal exposure to policy withdrawal risk. Our ability to reprice many of our products significantly reduces interest rate and incidence risk related to climate change. Group products, such as Long-Term Disability and Group Life, can be repriced after the expiration of rate guarantee periods. These rate guarantee periods are typically three years or less, allowing reflection of higher incidence rates in future pricing, if needed. Pricing rates on new sales are updated annually, reflecting updated assumptions on interest rates and other insurance risks, and our management teams have regular meetings about both renewal and new business pricing. Individual voluntary benefits products, other than life insurance, are offered on a guaranteed renewable basis which allows us to reprice in-force policies, subject to regulatory approval. Group voluntary benefits products are offered primarily on an optionally renewable basis which allows us to reprice or terminate in-force policies.

We have formal investment policies and guidelines that include overall quality and diversification objectives and establish limits by asset class, investment rating and single issuer. Our investment policies and guidelines require integration of ESG factors into our credit risk assessment making, ESG a key part of our investment decision-making process. Our investment research analysts use a variety of ESG data to assign an ESG Risk rating to substantially all the securities in our portfolio on at least a semi-annual basis. Climate risk assessment is intrinsic to the environmental pillar, and analysts consider both physical and transition risk in relation to climate change. Annually, we apply a stress test to our asset portfolio using historical default rates and downgrade patterns similar to what occurred during the 2008-2010 recession. Doing so not only ensures that we can withstand a credit shock but tracks evolving credit quality of the portfolio over time, including the impacts of climate change. While ERM monitors potential disruptions to our business operations from climate change, such as rising temperatures and health crises, our business continuity, facilities and crisis management teams prepare for such eventualities. Our business continuity and crisis management programs prepare and respond to climate-related incidents that may impact our services and operations. We implement site-specific risk mitigation and action plans, and have local crisis management teams to manage incidents at each of our offices.

Risk reporting and communication

ERM reports are a standard part of our quarterly senior management and Board meetings. The reports summarize our existing and emerging risk exposures, as well as report against the tolerances and limits defined

by our risk appetite policy. Climate change is currently identified as an emerging risk and opportunity in our quarterly risk reporting. Within this report, we monitor the increasing pressure on Unum to disclose climate-related information and confirm levels of integration of climate change into business processes. Furthermore, we monitor shifting customer preferences and demand for Unum products. As climate change contributes to increased spread of infectious or contagious diseases and increases demand for our products, Unum is responding by including additional diagnoses covered in our products, allowing for modularity in benefits selection and plan design across various geographies, and continuing to build our support around return-to work services and overall employee wellbeing. In addition, while climate change introduces a risk of higher lapse rates in industries most impacted, it also presents an opportunity for Unum to expand into new sectors (e.g. renewable energy) that may see more value in the products that we offer. Annually, we file our Own Risk and Solvency Assessment summary report with the applicable insurance regulators for our U.S. insurance subsidiaries. We will continue to consider the emergence and potential impacts of climate change in our ORSA.

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.

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

Our primary focus for climate-relate4d targets is reducing our carbon footprint. This is an area that we are currently monitoring and will continue to explore. We track our carbon footprint with the target of a three percent reduction from the prior year. Our environmental metrics and reports are shown in the ESG report including:

- **Disposition and waste reduction**
- **Water use**
- **GHG Emissions, and associated statement of assurance**

We invest in renewable energy and green bonds and actively monitor climate change factors so that our disclosures are consistent with industry standards. Analyzing the impact of climate change to our portfolio is

embedded into our investment research process and included in our ESG factors. We continue to evaluate climate risk data as well as the ne4ed for additional disclosures and targets in accordance with regulatory requirements, stakeholder expectations and sound business practices.