Climate Risk Disclosure Survey

Governance – narrative

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:

   Southern Farm Bureau Casualty Insurance Company does not have publicly stated goals on climate-related risks and opportunities. Any required climate-related disclosures are handled through our in-house legal department.

   Climate-related risks and opportunities are addressed through the ERM Committee. The ERM Committee consists of the CEO, Senior Vice Presidents, and the Director – Enterprise Risk Management. It is the ERM Committee's responsibility to implement the ERM process and to provide the tools and resources necessary for effective execution.

   Risk Owners within the ERM committee have the responsibility of ensuring the risks in their respective areas of expertise are identified, assessed, managed and monitored.

Strategy – narrative

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.*[i]

- 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 1-5years as short term, 5-10years as medium term, and 10-30years 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

Catastrophe reinsurance is key to our management of climate-related risks. Thus, we view our reinsurer(s) as key constituents. We utilize our reinsurer's cat modeling expertise to model climate-related risks.

In order to reduce and/or mitigate our contribution to greenhouse gas emissions, the home office building has NEEDLEPOINT BIPOLAR IONIZATION technology (NPBI) for all of air handlers. NPBI delivers clean indoor air that is safe and healthy, producing neither ozone nor other harmful by-products. NPBI products are UL and CE approved. NPBI products purify the air by eliminating airborne particulates, odors, and pathogens. This saves approximately 30% on energy consumption and lowers our carbon footprint by reducing outdoor air intake by up to 75% during summer months when using the chiller system to cool the building.

Other reductions/mitigations include taking full advantage of cooler ambient temperatures during fall and winter months by using outside air for cooling rather than running a chiller system and shutting our natural gas boilers down during spring and summer months; pumps and electric motors are on a schedule to reduce utilization after hours; and an enterprise-wide recycling program.

Other energy saving steps include retrofitting all incandescent and florescent bulbs in the building to LEDs thus, reducing energy usage as well as reducing the heat load in the building; using variable frequency drives (VFD's) on electric motors in order to use only the power that we need; and replacing 4 A/C units in a computer room with one very efficient AC unit.

In the Colorado state office, the energy use intensity (EUI) score through Energy Star is monitored for fluctuations in energy usage so those can be addressed appropriately. The 2023 score was 74.5. EUI is being reduced in compliance with the State of Colorado EUI initiative by 2026 to be 52.4. Set points are maintained on the HVAC system to heat/cool to one temperature to conserve energy. The roof has been replaced in the last 4 years with added insulation and reflective white color which improved the EUI score by approximately 77%. This office is in the process of replacing all inside lighting with LED fixtures. The project will be completed in 2024. Motion sensor lighting in conference rooms and restrooms is being installed to conserve energy. Trash is recycled which has saved 31.8 tons of waste.

We also offer paperless delivery of documents to our customers and options for electronic signature.

Climate-related risks have been identified as hurricanes, wildfire, and severe convective storm activity. These are the same perils that are included in our catastrophe modeling.

We measure our risks in terms of emerging risks and assign rankings of "high," "medium," or "low" for impact to the organization and time horizon of "already beginning to see," "two – five years," or "six – 10 years"

Products offered to customers that support a transition to a low carbon economy include coverage for solar panels and wind power units, fortified home programs, insuring electric vehicles, credits for wind mitigation, and credits for impact resistant roofing materials.

The composition of our municipal bond portfolio supports transition to a low carbon economy. These bonds support clean infrastructure projects, clean nuclear power, alternative energy, clean water projects, and water levy districts.

Risk Management – narrative

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

Frequent monitoring of our risk concentration levels by geographic area enables us to make informed decisions regarding risk tolerance and our reinsurance program regarding climate-related risks.

To encourage our policyholders to manage their potential physical exposure and transition to climate- related risks include offering coverage for solar panels and wind power units, fortified home programs, insuring electric vehicles, credits for wind mitigation, and credits for impact resistant roofing materials.

Our investment portfolio contains conservative investment grade bonds. The bonds purchased support construction of levies, water control and flood abatement.

As an additional risk control, we evaluate concentrations in our municipal bond portfolio and limit exposure to any one geographic region, issuer, state, or political subdivision. This provides diversification across geographic regions and limits exposure to any one peril related to climate risks.

Management of climate-related risks is integrated into the organization's enterprise risk management program. Risk owners identify, assess, manage, and monitor risks. This is an annual process. Emerging risks are identified within our ERM framework with oversight of same.

As a company with agricultural roots, we support clean water, clean air, and fertile grounds. Our investment portfolio considers these factors in investment decisions as they impact the safety and return of principal. Overall, we consider our time horizon to be continuing operations as a going concern. However, our investment duration is short enough to be able to adjust to changes in the environmental conditions and sustainability trends.

Metrics and Targets – narrative

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

Our catastrophe modeling includes perils of hurricane, wind, hail, wildfire, winter storm, severe convective storm, and earthquake. We model from the 5-yr. to 10,000-yrs. return period to determine the range of our Probably Maximum Loss (PMLs).

Property and auto catastrophe risks are assessed based on a one-year horizon.