

Mutual of Omaha

Task Force on Climate-Related Financial Disclosures Report Reporting Year 2023

Introduction

Mutual of Omaha Insurance Company, and its affiliates, (“Mutual of Omaha” or “Company”) is a diversified financial services company primarily engaged in the sale and distribution of life, health, and annuity products.

The purpose of this report is to discuss our approach to evaluating and managing climate change risks and opportunities and is guided by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The recommendations of the TCFD focus on four thematic areas that represent core operational elements, including: (1) Governance, (2) Strategy, (3) Risk Management, and (4) Metrics and Targets.

This TCFD report aims to inform stakeholders about how Mutual of Omaha addresses climate risk across the organization. The scenarios outlined by the TCFD highlight key factors of a possible future; however, they are hypothetical constructs, not forecasts, predictions, or sensitivity analyses. Therefore, the forward-looking statements in this report are subject to uncertainty and should not be solely relied upon.

This report satisfies the NAIC Climate Risk Disclosure Survey for RY 2023 and provides a comprehensive summary of our perspective on climate-related opportunities and risks. It serves as an input to our planning processes going forward. While we currently believe that climate change risks do not pose a material financial threat to our operations, we are committed to ongoing monitoring and review as these risks develop or change. This proactive approach reflects our dedication to understanding and mitigating potential impacts related to climate change.

Governance

Climate-related considerations which fall under the Environment piece of our Environment Social Governance (ESG) program play an increasingly important role at Mutual of Omaha. Oversight of the company's ESG program, including strategy, priorities, and reporting, falls under the responsibility of the Vice President of Social Impact. ESG considerations are not only the responsibility of the ESG program, but rather are woven throughout our normal business practices. The program oversight ensures integration of ESG material topics into business activities and collaborates and aligns with risk management and governance oversight.

Climate-related risk is overseen at the highest levels of leadership, starting with our Board of Directors. The Investment and Risk Committee of the Mutual of Omaha/United of Omaha Board of Directors (the “IRC”) has been designated as responsible for the oversight of financial risk from climate change. Mutual of Omaha’s Chief Financial Officer (CFO), who is the Chair of the management-led Financial Risk Oversight Committee (FROC), has been designated as the member of senior management responsible for managing financial risk from climate change. The CFO reports directly to the Chief Executive Officer (CEO). The FROC is tasked with oversight of financial risk from climate change for the Company. Climate change vulnerability is considered by the FROC in their oversight of financial risks impacted by climate change.

Senior management of the Investment Management Department is tasked with coordinating ESG/climate related issues within the department. These representatives also work with partners across the enterprise on ESG/climate related issues. We review ESG related issues with the IRC on an as needed basis. The Investment Management Department also maintains an ESG statement that is reviewed annually and updated periodically.

Mutual of Omaha's Enterprise Risk Management Committee (ERMC)'s primary purpose is to assist the Board in fulfilling its oversight responsibilities of key risks inherent in Mutual of Omaha's business activities such as strategic, operational, compliance, and financial risks. The ERMC Charter provides that this oversight includes consideration of risk factors that impact these areas of risk, such as ESG issues.

The Enterprise Risk Management (ERM) Program is overseen by the ERMC, the committee comprised of the CEO and senior leaders from business units and operational areas to which the IRC has delegated responsibility for risk oversight. The ERMC utilizes management-led Risk Oversight Committees to govern and exercise oversight of the Company's risks. The committees include the FROC, the Operational Risk Oversight Committee (OROC), and the Compliance Risk Oversight Committee (CROC). Mutual of Omaha's ERM Program documents state that the Company recognizes the emergence of stakeholder expectations with respect to ESG issues as a risk factor that may impact a number of identified risk types, and that each Risk Oversight Committee is responsible for considering the impact of ESG risk on their covered risks, including identifying, assessing, and monitoring risk exposure and developing key risk indicators (KRIs) as necessary. The ERM Program explicitly includes "climate change vulnerability" as part of these ESG issues.

The Aligned Assurance Operation (AAO), which includes ERM, oversees multiple risk assessments and reviews, which may include the identification and management of risks associated with the impact of climate change on financial risks. For example, questions to senior leaders for both physical risks and transition risks of climate change have previously been incorporated into the top-down risk assessment. Due to materiality, our risk focus is evaluated with each assessment and that focus has the potential to change annually. Climate risk may be considered a factor during the annual plan scenario process and may also be considered indirectly through sensitivity testing on key assumptions, such as mortality, that could be impacted by climate change. With respect to investment management, Mutual of Omaha's Investment Management Department maintains an ESG statement that describes their consideration of ESG factors when evaluating investments.

Mutual of Omaha has adopted a "Three Lines of Defense" model for effective risk management. The first line of defense is composed of risk owners or individuals responsible for identifying, assessing, owning, and managing risks. The second line of defense includes ERM, which is responsible for creating and managing a risk management program, monitoring risk exposures, providing risk management program governance and oversight, ensuring the accuracy and consistency of risk documentation, and assisting business units in the development of risk responses. The Risk Oversight Committees are responsible for risk management oversight. Internal Audit makes up the third line of defense and is responsible for providing assurance on the effectiveness of governance, risk management, and internal controls.

On an annual basis, Mutual of Omaha models a number of stress scenarios as part of the annual planning process. In 2021, Mutual explicitly modeled out a climate change physical risk scenario. This scenario considered the long-term (over 30 years) physical risks resulting from climate change (mortality and third-party business disruption) applied as a shock starting in 2022. Additionally, the impact of a transition risk scenario related to climate change on Mutual of Omaha's credit portfolio was considered (but not explicitly quantified). These scenarios were reviewed by senior leadership and the FROC.

Strategy

Mutual of Omaha's Social Impact Team leads our strategic ESG approach and is responsible for coordination, reporting, communication, and business integration. ESG oversight involves our Chairman and CEO, senior leadership, formal risk frameworks and our board of directors to ensure alignment with our strategic business priorities. The continued integration and governance of ESG topics across our business practices brings value to our customers by ensuring transparency, authenticity, and accountability.

Mutual of Omaha has developed a comprehensive strategic approach to Environmental Sustainability, focusing on four key areas, with a few 2023 highlights noted below:

1. **Sustainable Operations:** In 2023, Mutual of Omaha began construction on a new corporate headquarters. The new facility is set to open by mid-year 2026. This development is set to substantially reduce our environmental impact, including our carbon emissions and corporate footprint. We will achieve this by significantly downsizing our current home office headquarters from 1.7 million square feet to approximately 900,000 square feet in the new building. Throughout the early stages of building construction, we have prioritized LEED certification, aligning with our commitment to environmental responsibility. The large reduction in square footage also signifies our commitment to a hybrid work model which helps reduce emissions associated with employee commuting. Furthermore, we designed the new building to promote employee well-being and environmental awareness. Additionally, we are prioritizing investments in technological enhancements aimed at reducing paper consumption, lowering energy usage, and implementing other eco-friendly measures, making it easier for our customers to do business with us.
2. **Community Engagement and Philanthropy:** In 2023, Mutual of Omaha partnered with the charitable organizations One Tree Planted and Hawaiian Legacy Reforestation Initiative to plant over 100,000 new trees. This investment spanned three different reforestation projects supporting Hawaiian Koa forests, California Rim wildfire recovery and ecological support for Eglin Air Force Base. Each project restores natural habitats, reduces erosion, supports local wildlife, and removes pollution. Mutual of Omaha is also a proud corporate sponsor of Keep America Beautiful, a national organization committed to inspiring and educating people to improve and beautify their community. With more than 700 local affiliates across the country, their work has a positive and strong collective environmental impact.
3. **Employee Education and Activation:** In 2023, Mutual of Omaha subsidized the cost for all employees who wanted to purchase an America the Beautiful Park pass. This pass provides access to enjoy and explore 2,000 federal recreation areas across the country, including U.S. Forests, all U.S. National Parks, and several other natural public habitats. We regularly communicate practical and actionable insights to help employees integrate eco-consciousness within their daily routines. Employees have ongoing access to articles featuring topics such as tips for sustainable holidays, eco-friendly back to school practices and sustainable household cleaning. We also hosted an interactive webinar with charitable partner, Washed Ashore, to increase awareness about eliminating plastic pollution in the ocean and waterways.
4. **Wild Kingdom:** In 2023, Wild Kingdom returned to NBC with the new series "Mutual of Omaha's Wild Kingdom: Protecting the Wild," co-hosted by Peter Gros and Dr. Rae Wynn-Grant. The show aims to inspire a new generation to preserve species at risk of extinction, showcasing the efforts of modern conservationists. As part of our Wild Kingdom sponsorship, Mutual of Omaha has formed strategic partnerships with the Association of Zoos and Aquariums (AZA) and the National Wildlife Federation (NWF). We have donated to AZA's Saving Animals from Extinction program and collaborated with the NWF to create a College and University Grant Program, providing financial support to students, faculty, and staff working to protect wildlife and their habitats.

Climate-Related Risk Table:

Time Horizon	Climate Issue	Impact/Assessment	Response/Mitigants
Short-term	Transition Risk (shift towards carbon-neutral)	Consideration of Third-Party reviews/benchmarking Not currently considered to be a material risk	Investment's ESG Statement Consideration of ESG when evaluating risk vs return of investments
Medium to Long-term	Physical Risk (Adverse health/mortality outcomes in the general population related to Climate Change)	Quantified stress scenarios considering potential impacts to mortality driven by climate change over a 30-year period Annual stress tests run consider mortality and morbidity stresses	Monitor/review mortality & morbidity assumptions annually as a part of assumption governance Risk considered when determining hurdle rates for sales of new products

The Company's primary products and services are life and health insurance policies that are not directly or substantially impacted by climate change based on recent experience. However, we acknowledge the potential for adverse climate change to have a negative impact on human health that could adversely impact our claims over time. As such, we recognize and consider climate change with our mortality and morbidity assumptions and their potential impact over the long term.

When evaluating investments, we consider many characteristics of each investment including climate. Our investment approach centers on developing high-quality portfolios diversified across asset classes that closely adhere to risk tolerances and practices. ESG principles are considerations of our investment process. Our approach is to identify, evaluate, monitor, and react to investment risks in a manner that promotes our objectives, particularly over the long term. We recognize that our investments are a powerful tool for generating ESG impact alongside strong financial returns. Within the Investment Portfolio, while we have no predefined limits on climate related investments/sectors, we consider the maturity profile of our investments and the inherent risks associated with longer dated investments.

In 2021 and 2022 Mutual of Omaha made investments in a Renewable Energy private fund which is investing in a mix of solar, wind, electricity storage, and other renewable assets. The Company has also invested a small subset of the corporate bond portfolio in green bonds.

As a mutual company we have an ongoing obligation to our policyholders to invest in a prudent manner that is designed to meet present and future policyholder obligations by investing in assets to meet present and future contractual requirements and to maximize the long-term financial return on invested assets.

Mutual of Omaha performs annual scenario and stress testing on number of different risks that could be impacted by climate change including, but not limited to investment credit risk, market risks, mortality, and morbidity risks. Climate risk specific scenarios inclusive of physical risks and transition risks related to climate change have been considered in the past. These scenarios are assessed to demonstrate the solvency of the Company as well as to understand the potential impact on the Company's Strategic Plan.

Risk Management

The AAO, which includes ERM and Internal Audit, is responsible for ensuring that the Company establishes and maintains a sound ERM Program. This program is overseen by the ERMC, the committee comprised of the CEO and senior leaders from business units and operational areas, to which the IRC has delegated responsibility for risk oversight. ERM is responsible for developing, overseeing, and administering an effective and consistent risk management program to support the Company in identifying, analyzing, monitoring, and managing enterprise-wide risks, including climate-related risks. Consideration of climate change risk is implicitly a part of the overall risk management process. The ERM Program is designed to identify potential events that may affect the Company, manage risk to remain within its risk appetite, and provide reasonable assurance regarding the achievement of the Company's business objectives.

Within the Investment portfolio, careful consideration and an assessment of a variety of issues and risks related to climate change is an important part of our overall investment process. More specifically, climate change-related risks (along with a myriad of other risks) are factored into the evaluation of new investment opportunities and are also considered as part of the ongoing management of the existing investment portfolio. At a more tactical level, the relevant issues to be considered can vary widely depending on the sector or individual company involved, with certain higher-risk sectors/companies subject to more vigorous investment research, due diligence, and monitoring specifically related to climate change. From a broader, more strategic perspective, a prudent, ongoing assessment of the impact of climate change on individual investments and the investment portfolio as a whole remains an important consideration in the context of our overall investment approach and decision-making process.

The Company has created an ESG Risk Management Practice Statement, which states that climate change vulnerability is considered by the FROC in their oversight of financial risks impacted by climate change. Climate change vulnerability is defined in the Statement as "Loss occurs as a result of impacts to our assets, policyholders, talent, and business activities by: (1) Physical climate change risk results from events (e.g., flooding) or longer-term climate pattern shifts that have financial impact and (2) Transitional climate change risks related to large organizational or external changes (e.g., technology) that are required to transition to a lower-carbon economy."

The ERMC's primary purpose is to assist the Board in fulfilling its oversight responsibilities of key risks inherent in Mutual of Omaha's business activities, such as strategic, operational, compliance, and financial risks. The ERMC's Charter also includes consideration of ESG issues, which includes climate risk, that may impact these areas of risk. The ERM Program utilizes management-led Risk Oversight Committees to govern and exercise oversight of the Company's risks. The committees include the FROC, OROC, and CROC. The Company recognizes the emergence of stakeholder expectations with respect to ESG issues as a risk factor that may impact a number of identified risk types, and that each Risk Oversight Committee is responsible for considering the impact of ESG risk on their covered risks, including identifying, assessing, and monitoring risk exposure and developing KRIs as necessary. The ERM Program explicitly includes "climate change vulnerability" as part of these ESG issues.

The AAO, which includes ERM, oversees multiple risk assessments and reviews, which may include the identification and management of risks associated with the impact of climate change on financial risks. For example, questions to senior leaders for both physical risks and transition risks of climate change have previously been incorporated into the top-down risk assessment. Due to materiality, our risk focus is evaluated with each assessment and that focus has the potential to change annually. Climate risk may be considered a factor during the annual plan scenario process (and was explicitly quantified as a physical risk stress scenario in 2021) and may also be considered indirectly through sensitivity testing on key assumptions, such as mortality, that could be impacted by climate change. With respect to investment management, Mutual's Investment Management Department maintains an ESG statement that describes their consideration of ESG factors when evaluating investments.

Mutual of Omaha has adopted a “Three Lines of Defense” model for effective risk management. The first line of defense is composed of risk owners or individuals responsible for identifying, assessing, owning, and managing risks. The second line of defense includes ERM, which is responsible for creating and managing a risk management program, monitoring risk exposures, providing risk management program governance and oversight, ensuring the accuracy and consistency of risk documentation, and assisting business units in the development of risk responses. The Risk Oversight Committees are responsible for risk management oversight. Internal Audit makes up the third line of defense and is responsible for providing assurance on the effectiveness of governance, risk management, and internal controls.

On an annual basis, Mutual of Omaha models a number of stress scenarios as part of the annual Own Risk and Solvency Assessment (ORSA). In 2021, Mutual of Omaha explicitly modeled out a climate change physical risk scenario. This scenario considered the long-term (over 30 years) physical risks resulting from climate change (mortality and third-party business disruption) applied as a shock starting in 2022. Additionally, the impact of a transition risk scenario related to climate change on Mutual of Omaha’s credit portfolio was considered (but not explicitly quantified).

Metrics and Targets

To ensure our business actions accurately reflect our view of the risks associated with ESG, we continue to utilize the materiality assessment that was created in collaboration with an independent third-party. This assessment was beneficial in identifying the issues most important to our internal and external stakeholders, helping us prioritize our focus and shape our ESG strategy. While the materiality assessment highlighted several key topics, including climate change vulnerability, it also reaffirmed our long-standing commitment to acting in the best interest of our customer at all times.

Mutual of Omaha does not currently use explicit metrics to track or manage climate-related risks. Instead, we review the risk of climate change through our governance and risk management structures. Climate-related risk is overseen at the highest levels of leadership, starting with our Board of Directors. The FROC is tasked with oversight of financial risk from climate change for the Company. Additionally, we consider the impact of climate change, among other factors, on our investment portfolio where it is part of our investment research process and included in our ESG considerations.

Additionally, Mutual of Omaha does not currently use targets to track or manage climate-related risks. However, our goal, or plan, is to reduce emissions while considering operational and business needs. This is particularly evident as we planned for our new corporate headquarters with sustainability in mind and a prioritization for LEED certification. Additionally, our utility provider, Omaha Public Power District, has an initiative to reach net zero carbon by 2050, which could allow for more energy efficient options for Mutual of Omaha operations.

We continue to evaluate the need for additional disclosures and targets in accordance with regulatory requirements, stakeholder expectations, and best business practices. We also continue to analyze our operations, governance, customer expectations, and supply chain performance to better understand our sustainability impacts and opportunities. We had been exploring a plan to collect baseline data to help inform potential sustainability goals and targets, and in 2023, we decided to acquire an ESG tool to enhance our ability to collect and analyze key ESG factors. This tool will support the measurement of material factors, including Greenhouse Gas emissions across Scope 1, 2, and 3. Implementation of the tool will begin in 2024, with data collection planned to extend over the next several years. As climate change metrics continue to evolve and coalesce towards uniform industry standards, Mutual of Omaha will continue to consider the possibility of including more standardized and consistent targets to manage climate-related risks and opportunities.

Contact

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