

## Climate Risk Disclosure Survey Guidance Reporting Year 2020

### *Survey Questions*

***Question One: Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?***

***Yes - The company has a plan to assess and reduce or mitigate emissions in our operations or organizations - Please summarize.***

***No - The company does not have a plan to assess and reduce or mitigate emissions in our operations or organizations - Please describe why not.***

Insurers who are unfamiliar with frameworks for greenhouse gas emission measurement and management are encouraged to review the principles of “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)” developed by the World Resources Institute and the World Business Council for Sustainable Development (“the GHG Protocol”).

Each insurer is encouraged to clarify whether its plan for measuring and management of its emissions in operations and/or its subsidiary organizations’ operations includes emissions related to energy use for data storage or other computing-intensive processes.<sup>1</sup>

Talcott Resolution Life Insurance Company, under Talcott Resolution, is reducing its environmental impact through the following ways:

- All Talcott Resolution employees have been working remotely since March 2020 due to the coronavirus pandemic, reducing the Company’s carbon footprint.
- Efforts to reduce printed materials:
  - Customers:
    - In 2020 Talcott Resolution added several documents into scope for eDelivery, including fund prospectuses and shareholder reports. That effort, combined with a shift to summary fund prospectuses and shareholder postcard notices under SEC rule 30e-3, resulted in savings of an additional 94 million pieces of paper per year. All total combined with savings from our existing eDelivery program Talcott Resolution now saves approximately 107 million pieces of paper per year.
  - Employees:
    - Monitors are installed in all conference rooms and our collaboration tools allow for screen-sharing during meetings.
    - Print reduction efforts are further enhanced by providing employees cost information for all in-office printing.

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<sup>1</sup> Data centers consume more energy than any other area of an organization because they contain both IT equipment and the infrastructure that is needed to cool that equipment. The Environmental Protection Agency found that data centers consumed about 60 billion kilowatt- hours (kWh) in 2006, roughly 1.5 percent of total U.S. electricity consumption. Nancy Feig, Insurance & Technology “The Greening of Data Centers” Mar 07, 2008. URL: <https://www.insurancetech.com/data-and-analytics/the-greening-of-data-centers/d/d-id/1310251.html>

- Talcott Resolution began using more ecofriendly printing paper at the start of 2020.
- Business operates on a cloud-first platform to decrease our footprint; employees utilize softphones vs. regular desk phones.
- When in the office, employees had access to a water-bottle filler and have been provided several environmentally friendly items like reusable water bottles, bamboo silverware, and reusable tote bags.
  - Talcott Resolution rents space in an energy efficient building with environmentally friendly landscaping and has centralized waste and recycling collection, including compost bins.
  - Employees were proactive, with several building-led recycling programs including bottle/can recycling and paper shredding.
- An environmentally focused employee interest group influences a culture of sustainability and educates employees to do the same at work and in their communities.

***Question Two: Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management?***

***Yes - The company has a climate change policy with respect to risk management and investment management - Please summarize.***

***No - The company does not have a climate change policy with respect to risk management and investment management - Please describe how you account for climate change in your risk management, or why you do not account for climate change in your risk management.***

Questions to consider include:

- Where in the structure of the company is climate risk addressed?
- Does the company approach climate change as an Enterprise Risk Management (ERM) issue?
- Does the company have a dedicated point-person or team within the company that is responsible for managing its climate change strategy?
- What is the role of the board of directors in governing climate risk management?
- Does the company consider potentially correlated risks affecting asset management and underwriting?
- Has the company issued a public statement on its climate policy?

While Talcott Resolution acknowledges that climate change will impact all companies, Talcott Resolution views this risk as more impactful to property casualty insurers and health insurers and a secondary risk that has the potential to impact Talcott Resolution's primary risk exposures, both Financial and Operational Risks. Talcott Resolution's life and annuity business is primarily deferred and payout annuities, so the direct impact on our Company of climate change is minimal. Therefore, while Talcott Resolution does not have a specific standalone policy that addresses climate risks, Talcott Resolution addresses second order impacts on the economy, business

operations and potential alterations to the Earth's geological, biological, and ecological systems from climate change as part of a comprehensive approach to its risk management and investment management programs and processes.

As part of Talcott Resolution's Enterprise Risk Management (ERM) framework, emerging risks like climate change are tracked to understand how these risks can impact Talcott Resolution's capital and surplus. Annually, ERM compiles emerging risk data obtained through management discussion groups and industry survey reviews and leads risk committee discussions to prioritize the emerging risks that should be focused on over the coming year. Talcott Resolution ranks these emerging risks based on industry and management responses and potential financial impact to the organization. The results of the surveys are presented to our most senior risk committee (ERCC) and the committee decides if any actions need to be taken.

Talcott Resolution addresses climate risk to its investment portfolio as set forth in its response to question five below.

***Question Three: Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.***

***Yes - The company has a process for identifying climate change-related risks and assessing the degree that it could affect our business including financial implications - Please summarize.***

***No - The company does not have a process for identifying climate change-related risks and assessing the degree that it could affect our business including financial implications - Please describe why not.***

Questions to consider include:

- How may climate change shift customer demand for products?
- What implications may climate change have on liquidity and capital needs?
- How might climate change affect limits, cost, and terms of catastrophe reinsurance, including reinstatement provisions?
- Has the insurer considered creative methods of risk distribution such as contingency plans to reduce financial leverage and resolve any liquidity issues in the event of a sudden loss in surplus and cash outflows as a result of a catastrophic event?
- How are these impacts likely to evolve over time? Does the company have plans to regularly reassess climate change related risks and its responses to those risks?

As part of Talcott Resolution's Enterprise Risk Management (ERM) framework, emerging risks like climate change are tracked to understand how these risks can impact Talcott Resolution's capital and surplus. Annually, ERM compiles emerging risk data obtained through management discussion groups and industry survey reviews and leads risk committee discussions to prioritize the emerging risks that should be focused on over the coming year. Talcott Resolution ranks these emerging risks based on industry and management responses and potential financial impact

to the organization. The results of the surveys are presented to our most senior risk committee (ERCC) and the committee decides if any actions need to be taken.

Given that Talcott Resolution does not have significant exposure to climate change, Talcott Resolution's liquidity and capital needs are not impacted by climate change. In order to monitor Talcott Resolution's liquidity needs, Talcott Resolution runs monthly liquidity stresses to ensure that we have sufficient cash and liquid assets to fund potential cash needs.

Talcott Resolution addresses climate risk to its investment portfolio as set forth in its response to question five below.

***Question Four: Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks.***

***Yes - The company has identified current or anticipated risks that climate change poses to our company - Explain the ways that these risks could affect your business - Include identification of the geographical areas affected by these risks.***

***No - The company has not identified current or anticipated risks that climate change will pose to our company - Please describe why not.***

Questions to consider include:

- Which business segments or products are most exposed to climate-related risks?
- Has the company considered its potential exposure to climate liability through its D&O or CGL policies?
- Are there geographic locations, perils, or coverages for which the company has increased rates, limited sales, or limited or eliminated coverages because of catastrophic events? How do those actions relate to assessments of climate change impacts made by the company?
- Has the company examined the geographic spread of property exposures relative to the expected impacts of climate change, including a review of the controls in place to assure that the insurer is adequately addressing its net exposure to catastrophic risk?

Climate change can bring on alterations to the Earth's geological, biological, and ecological systems. For Talcott Resolution, these changes have the potential to primarily impact mortality and longevity, two "core" offsetting risks for Talcott Resolution. As noted in question two, Talcott Resolution's business is primarily annuities with more exposure to longevity risk than mortality risk. Therefore, events resulting from climate change that could impact these core offsetting risks - including extreme weather, natural disasters, wildfires, and even an increase spread of airborne infectious disease - are not considered significant risk exposures for Talcott Resolution.

Talcott Resolution has a responsibility to employees, policyholders, regulators, and other business counterparties when a business disruption event occurs (or potentially occurs). To ensure potential disaster scenarios do not impair our ability to meet these responsibilities, Talcott

Resolution invokes a well understood and practiced set of business resiliency protocols designed to support our critical business functions until the Company is able to resume “business as usual”.

Talcott Resolution’s primary recovery strategy of its business continuity plans (BCP) is remote access for all employees. In addition, the Talcott Resolution BCPs also contain, to any extent necessary depending on the functional area’s needs, detailed plans for: loss of facility, loss of staff, loss of critical technology, and loss of critical vendor.

***Question Five: Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.***

***Yes - The company has considered the impact of climate change on its investment portfolio - Please summarize.***

***No - The company has not considered the impact of climate change on its investment portfolio - Please describe why not.***

***Yes - The company has altered its investment strategy in response to these considerations - Please summarize steps you have taken.***

***No - The company has not altered its investment strategy in response to these considerations - Please describe why not.***

Questions to consider include:

- Does the company consider regulatory, physical, litigation, and competitiveness-related climate risks, among others, when assessing investments?
- Has the company considered the implications of climate change for all of its investment classes, e.g., equities, fixed income, infrastructure, real estate?
- Does the insurer use a shadow price for carbon when considering investments in heavy emitting industries in markets where carbon is either currently regulated or is likely to be regulated in the future?
- Does the insurer factor the physical risks of climate change (water scarcity, extreme events, weather variability) into security analysis or portfolio construction? If so, for what asset classes and issuers (corporate, sovereign, municipal)?
- How does climate change rank compared to other risk drivers, given the insurer’s asset liability matching strategy and investment duration?
- Does the insurer have a system in place to manage correlated climate risks between its underwriting and investments?

Talcott Resolution’s General Account and Separate Account Guaranteed investment portfolios are managed entirely by a third-party investment advisor, with robust oversight by Talcott Resolution’s Investment and Enterprise Risk Management departments. Talcott Resolution and its investment advisor share similar views with respect to the many risks, challenges, and opportunities presented by climate change and seek to incorporate, in a repeatable manner, Environmental, Social, and Governance (ESG) attributes into the investment analysis to provide a more complete assessment of the risks associated with each investment.

While such ESG attributes are important, they are just some of many factors analyzed when assessing the relative attractiveness of an investment for Talcott Resolution's portfolios. The challenges and opportunities presented by climate change are complex, volatile, and hard to predict. As such, Talcott Resolution strives to ensure that the investment portfolios which support our future policyholder liabilities are prudently managed and highly diversified by asset class, industry, geography, and duration. Talcott Resolution believes this approach to investment management enables us to best navigate the future impact of climate change.

***Question Six: Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.***

***Yes - The company has taken steps to encourage policyholders to reduce the losses caused by climate change-influenced events - Please summarize.***

***No - The company has not taken steps to encourage policyholders to reduce the losses caused by climate change-influenced events - Please describe why not.***

Questions to consider include:

- How has the company employed price incentives, new products, or financial assistance to promote policyholder loss mitigation? In what lines have these efforts been attempted, and can the outcome of such efforts be quantified in terms of properties retrofitted, losses avoided, etc.?
- For insurers underwriting D&O, CGL and professional liability policies, what steps has the company taken to educate clients on climate liability risks or to screen potential policyholders based on climate liability risk? How does the company define climate risk for these lines?

Since Talcott Resolution Life Insurance Company is not in the property/casualty or health business, the related loss information is not applicable. However, Talcott Resolution encourages policyholders to receive electronic account statements and e-delivery of required mailings.

***Question Seven: Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.***

***Yes - The company has taken steps to engage key constituencies on the topic of climate change - Please summarize.***

***No - The company has not taken steps to engage key constituencies on the topic of climate change - Please describe why not.***

Questions to consider include:

- How has the company supported improved research and/or risk analysis on the impacts of climate change?

- What resources has it invested to improve climate awareness among its customers in regulated and unregulated lines?
- What steps has it taken to educate shareholders on potential climate change risks the company faces?

Talcott Resolution Life Insurance Company has several initiatives underway to engage employees, leadership, and policyholders regarding environmental responsibility; see question one.

In addition, employees have attended industry education sessions sponsored by regulators and the NAIC which provide awareness of industry developments and engagement on this topic.

***Question Eight: Describe actions the company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.***

***Yes - The company is taking actions to manage the risks climate change poses to the business - Please summarize what actions the company is taking and in general terms the use if any of computer modeling.***

***No - The company is not taking actions to manage the risks climate change poses to the business - Please describe why.***

Questions to consider include:

- For what perils does the company believe that future trends may deviate substantially from historical trends due to changes in the hazard? Similarly, for what perils, if any, does the company believe that a catastrophe model extrapolating observed trends would be insufficient to plan for maximum possible loss or yearly average loss? What steps has the company taken to model or analyze perils associated with non-stationary hazards?
- Has the company used catastrophe models to conduct hypothetical “stress tests” to determine the implications of a wide range of plausible climate change scenarios? If so, over what timescale, in what geographies and for what perils?
- Has the company conducted, commissioned, or participated in scenario modeling for climate trends beyond the 1–5-year timescale? If so, what conclusions did the company reach on the potential implications for insurability under these scenarios?

Talcott Resolution Life Insurance Company does not currently use computer modeling to manage climate risk as the company is not in the property/casualty or health business.