

Blue Cross Blue Shield of Minnesota

Climate Risk Survey

2023

Response to Governance:

Blue Cross does not have a specific process related to review of climate change related risk. We do have a process to review risks for our enterprise in total, if climate change becomes a more significant risk for our organization, we would identify, review and evaluate it as part of that process.

Weather-related risks are monitored through frequent news scans and intelligence briefings from federal agencies (DHS, NOAA, FEMA, FBI). These risks are analyzed for impact to the organization and are reported to senior leadership as required. The leader of our Enterprise Crisis Management Team is a member of FEMA's National Business Emergency Operations Center supporting the public/private coordination during a catastrophic event.

Response to Strategy:

Blue Cross complies with all Federal, State, and local standards as they relate to low carbon. Blue Cross implemented an extensive composting program in 2018 and tracks volume. Full LED lighting was installed in one of the larger buildings with motion sensors, with plans to complete the other building within the next year. We replaced old Chillers and Boilers with higher efficiency models that consume less energy and refrigerant. And we upgraded the building automation systems to better control lighting, heating, and cooling in unoccupied spaces as well as evenings and weekends. Blue Cross reports annually to the MPCA on emissions generated by all stationary internal combustion engines. All building mechanical and electrical equipment procurement and installation involves professionally engineered design solutions. All plans are reviewed by utility providers to ensure energy efficient design and to ensure Blue Cross realizes maximum financial benefit for energy efficient equipment installations. Blue Cross contracts with an energy audit firm that reviews all utility invoices and uses the data to provide reports on energy consumption and costs as well as information on building performance. Performance is measured using the EPA Energy Star Portfolio Manager rating system. The reports also provide Blue Cross with a carbon footprint analysis measured in pounds of carbon emissions released by Blue Cross buildings in the atmosphere.

We do not believe that gradual climate change creates significant risks to our Company currently. To the extent that climate change impacts our claims and administrative expenses or processes over time, we believe we will be able to anticipate this change in our product pricing and our operational plans. We believe climate change risks are similar across all of Minnesota, which is where most of our members are located. We also believe we can react quickly if an extreme weather event impacts our members.

Response to Risk Management:

While climate change risk is not a key risk for the organization, it is a growing concern for the insurance industry with potentially far-reaching implications. As such, the organization does assess climate-related risks and responds to them in various ways described below.

Climate change poses the following risks to the organization:

- Operational: Extreme weather events have the potential to impact the organization's locations or the locations of critical vendors or other suppliers. US critical infrastructure, including transportation, oil and gas, telecommunications, money & banking, health care and other sectors may experience disruption that could directly or indirectly impact our business or our employees' ability to support the business.

In addition to our own operations, extreme weather events could also significantly impact the health care sector's ability to provide care should the weather event impact health infrastructure.

- Medical Cost: Rising temperatures and extreme weather have the potential to negatively impact member health by causing increased and prolonged hospitalizations, disease outbreaks, and/or increased incidence of chronic illness. This in turn could result in challenges in accurately pricing products as well as an increase in medical cost and utilization rates. Climate change impacts have the potential to disproportionately affect those that already experience health inequities.

To address climate-related risks that are identified, the organization has implemented the following practices:

- The Business Resilience Program continually monitors climate threats impacting all cities in which the organization has operations. Detailed and thorough business continuity and disaster recovery plans are in place should an extreme weather event occur and threaten the efficacy of operations. Vendors are also expected to have disaster recovery plans in place to protect our operations. The Business Resiliency Program also sends out emergency notifications to associates who are at risk of being impacted by an extreme weather event. These plans have been enacted on occasion and have been successful.

- Actuarial considers the effects of climate change on the member population as appropriate when analyzing and responding to medical cost and utilization trends.

- The organization became a signatory to the United Nation's Principles for Responsible Investing (PRI) in 2021, meaning that we are committed to incorporating environmental, social and governance (ESG) factors such as climate change into our investment decision-making.

Response to Metrics and Targets:

In considering the climate change specific risk factors and risk mitigation practices in place, we consider climate change risk to be immaterial and qualitative in nature currently.