

Priority Health 2023 NAIC Climate Risk Survey

Governance

Priority Health is a nationally recognized nonprofit health benefits company focused on improving the health and lives of over one million members across Michigan. For over 30 years, and with 1,600+ employees, Priority Health continues to be recognized as a leader for quality, customer service, transparency and product innovation. Priority Health is part of an integrated health system with Corewell Health, a Michigan-based not-for-profit health system with a team of 65,000+ team members including 11,500+ physicians and advanced practice providers and 15,000+ nurses providing care and services in 22 hospitals, 300+ outpatient locations and several post-acute facilities. Corewell Health is not only Michigan's largest health system, but also Michigan's largest private employer. Through experience and collaboration, we are reimagining a better, more equitable model of health and wellness.

Sustainability is woven into various departments throughout the organization with three departments predominantly owning the climate change mitigation and resiliency initiatives needed to prepare for the effects of climate change. Those three departments include Enterprise Risk Management (ERM), Business Assurance, and Sustainability.

The Priority Health enterprise risk management program encompasses the culture, capabilities, and practices, integrated with strategy-setting and its performance, that organizations rely on to manage risk in creating, preserving, and realizing value. The program examines the organization's risks, considers how these risks interrelate and develops an appropriate risk mitigation approach to address high risk areas in a manner consistent with the organization's longer-term strategy and overall risk appetite. The goal of the enterprise risk management process is to identify the organization's most pressing exposures and uncertainties and to focus improvement activities on actions to manage those exposures more effectively. The Priority Health Board of Directors has delegated oversight of the Priority Health ERM program to the Board Finance and Audit committee, and Priority Health relies on the Corewell Health Environment, Social and Governance (ESG) Program to mitigate climate risks through sustainability efforts.

The Business Assurance Program provides a framework using four distinct domains (emergency preparedness, operational readiness, business continuity, and situation management) to promote proactive risk and opportunity identification, analysis, evaluation, and treatment. This includes loss control and risk strategies that minimize adverse effect of loss and enhances opportunities within the operational, clinical, safety, human capital, reputational, strategic, financial, regulatory, technological, and hazard domains of the organization. This team is currently redesigning their governance structure.

Environmental Sustainability is overseen by the Director of Supplier Performance Management and Sustainability Analyst who report to the SVP of Supply Chain, the Executive Sponsor for Sustainability, and the CFO for Corewell Health. Social Sustainability rolls up to the Chief DEI and Sustainability Officer of Corewell Health. Accountability and transparency have been established through an executive level Quarterly Steering Team to review goals, progress against each, celebrate wins, and discuss challenges. Output of the steering team is a quarterly sustainability report with a deep dive on each goal on at least an annual basis that is shared with the senior leadership team (SLT).

Metrics and Targets

In line with the Healthcare Anchor Network, the metrics we use to measure progress towards sustainability related goals include various qualitative and quantitative KPIs respective to each goal. We have deployed sustainability initiatives broadly across the Corewell Health and Priority

Health integrated system, with goals touching various departments and teams. There is a sustainability policy in place to provide shared ownership and accountability over sustainability goals. Our sustainability goals that are relevant to Priority Health include:

❖ **Corewell Health Sustainability Goals relevant to Priority Health**

- **By 2025:**
 - Recycle, compost or reprocess 40% of waste.
 - Purchase 20% of total food products from local, diverse and sustainable sources.
 - Reduce carbon emissions from energy consumption by 15%.
- **Beginning in 2025:**
 - 50% of newly purchased or leased fleet vehicles will be electric, hybrid or other alternative fuel vehicles.
- **By 2040:**
 - All Corewell Health facilities carbon neutral.

Climate risk related metrics and targets are to be determined. Measurement of Scope 1 and 2 GHG emissions are underway.

Strategy

At Priority Health and Corewell Health, we understand that if we are to deliver on our mission to improve health, instill humanity and inspire hope, we must purposefully choose actions that make a positive, sustainable impact on people, our environment, and the economic health of the communities we serve: **People, Planet and Prosperity**. Our goal is to be able to meet our needs without compromising the ability for future generations to fulfill their needs. As an organization, we view sustainability holistically, taking into consideration all potential influential aspects, from product procurement to patient treatment, customer service and everything in between.

By integrating business continuity and emergency management practices, Corewell Health and Priority Health can effectively address climate risks and reduce vulnerability to potential disruptions. The Business Assurance team contributes to climate risk mitigation and resiliency by:

- Identifying and prioritizing the essential functions and assets that are most exposed to climate hazards and implementing strategies to protect them.
- Developing and testing contingency plans and procedures for responding to and recovering from different types of emergencies and disasters, such as floods, storms, wildfires, or cyberattacks.
- Building and maintaining relationships with internal and external stakeholders, such as employees, customers, suppliers, regulators, and emergency responders, and ensuring effective communication and coordination during a crisis.
- Enhancing the capacity and capability of the organization to adapt to changing conditions and to learn from past experiences and best practices.
- Promoting a culture of preparedness and resilience that fosters awareness, engagement, and innovation among staff and leaders. The Business Assurance team is essential for ensuring operational continuity in a changing and uncertain environment.

Additionally, the sustainability team is focused on climate change mitigation and resiliency by reducing greenhouse gas emissions and waste at an operational level. To date, Corewell Health and Priority Health has committed to the Impact Purchasing Commitment (IPC) through the [Healthcare Anchor Network \(HAN\)](#), which is an organization that catalyzes health systems to build inclusive local economies to address economic and racial inequities in community conditions that create poor health. By signing the IPC, we have committed to aligning our

purchasing power to improve societal health and well-being and to catalyze prosperity for all, particularly those impacted by a legacy of divestment and discrimination. Below is a list of sustainability initiatives we accomplished in 2023:

- Energy efficiency, optimization and shift to renewable energy resulted in 2.7% reduction in carbon emissions specific to energy use.
- Installation of ten EV level 2 charging stations at our business service center located in Southfield, MI which provides energy to fleet, staff, and visitor electric vehicles.
- Transitioned 12% of fleet vehicles to hybrid vehicles.
- In 2023, Corewell Health and Priority Health recycled and composted 2,535 tons of waste.
- Significant progress made on each of our four HAN goals (Waste Anesthesia Gas, Alternative Fuel Vehicles, Greening the Operating Room, and Sustainable Food) through workgroup structure, quarterly progress and data reporting, as well as clinical and executive support.
- Corewell Health signed an agreement with our energy company, DTE, called the MIGreenPower program, to offset 50% of our East region emissions to be generated from renewable resources.
- We are in the end stages of conducting our first ever Sustainability Materiality Assessment which has invited input from nearly 100 internal and external stakeholders to help guide our environmental sustainability strategy over the next 3-5 years.
- Launched a green team business resource group called Planet Health BRG. This is a grassroots employee group focused on sustainability for Corewell Health and Priority Health.
- A continued focus on sustainable, local, and diverse owned food/beverage businesses resulted in 13% sustainable food spend, 28% in local food spend, and 23% in diverse-owned food/beverage business spend in 2023.
- In May of each year, the Greater Grand Rapids Bicycle Coalition organizes a week in which the goal is to walk, run, ride a bike, or carpool to work called Active Commute Week. Priority Health takes a prominent role in helping to promote and sponsor this weeklong event.
- Hosted an electronics recycling event for team members to bring in old, damaged, or unwanted electronics to be recycled, diverting 14,938 lbs. of electronic waste from going to the landfill in honor of Earth Day.
- Corewell Health's goal to be carbon neutral by 2040 represents a long-term investment in improving the local, regional, and global environment that reflects the organization's longstanding commitment to improving community health.

Risk Management

Priority Health's Enterprise Risk Management program includes design of metrics - KPIs and KRIs – related to Operational, Financial, Strategic, Information Security, and Compliance risk domains. Climate Change has been added to the 2025 Strategic Risk Assessment which will be used to help determine the top risks for 2025. Enterprise Risk Management will partner with business owners to evaluate the current environmental initiatives we have in place as they relate to sustainability. Metrics will be adjusted based on feedback from business owners during the annual risk assessment process.