



2021

Genworth 

Task Force for Climate-Related Financial Disclosures (TCFD) Report



About Genworth

Genworth Financial, Inc. (NYSE: GNW) (Genworth or the Company) is a Fortune 500 insurance holding company committed to empowering families to navigate the aging journey with confidence. Headquartered in Richmond, Virginia, Genworth traces its roots back to 1871 and became a public company in 2004. In September of 2021, Genworth completed a minority initial public offering of Enact Holdings, Inc. (Enact) (NASDAQ: ACT), a leading provider of private mortgage insurance to lenders. As of the publication of this report, Genworth's ownership interest in Enact's common shares is approximately 81.6%. Enact remains within Genworth's operational control and is, therefore, included in our reporting boundary.

Governance

Describe the board's oversight of climate-related risks and opportunities (CDP C1.1a, C1.1b)

Board governance occurs at the holding company level, or Genworth, while risk exposures are assessed and managed at the entity level. (Enact has its own Board governance structure). The Nominating and Corporate Governance Committee (NCGC) of the Genworth Board of Directors oversees the Company's environmental, social, and governance (ESG) programs and has general oversight of climate-related issues. This committee periodically reviews the Company's environmental policy and practices during at least one of its scheduled meetings and receives regular updates on the Company's ESG initiatives (at least annually) during its meetings. The NCGC assesses ESG initiatives and, from time to time, oversees the implementation of new procedures and reporting metrics. Four of the Genworth Board's eight independent directors serve on this committee.

The Risk Committee of Genworth's Board is responsible for oversight of both climate-related risks and Genworth's investment portfolio and strategy. This committee considers climate-related risks in its assessments of standard operational risks, which also include risks related to the regulatory environment, technology, and Genworth's reputation. Our mortgage insurance business, Enact, reports potential risks associated with mortgage loan delinquencies as well as risk mitigation actions following natural disasters to the Genworth Board's Risk Committee. Four of the Genworth Board's eight independent directors serve on the Risk Committee.

The NCGC's oversight has extended to enhanced environmental disclosures, including the publication of Genworth's inaugural sustainability report in 2021. In addition, the NCGC reviewed an update of Genworth's environmental policy, which was formally adopted in 2022. The Board's Risk Committee has received reports related to (1) adoption in 2021 of Genworth's Investments ESG Policy Statement, (2) formation of the Company's Investments ESG Committee, and (3) implementation of an ESG sensitive sector strategy and an ESG scoring system applied to Genworth's corporate and municipal bond holdings. In 2022, the Board's Risk Committee reviewed the risk framework management developed to assess qualitative and quantitative climate risk exposures.

Four new directors joined the Genworth Board in 2021 and participated in an educational ESG orientation session conducted by management. (Three of the directors who joined the Genworth Board in 2021 currently serve on the Board's Risk Committee). In 2022,

management conducted an educational orientation session for the new Chair of the Board's Risk Committee that included a review of a preliminary qualitative risk assessment completed for the in force business (liabilities only) in Genworth's U.S. Life Insurance companies. In addition, all Genworth Board members participated in an in-depth ESG educational session in 2022.

Describe management's role in assessing and managing risks and opportunities (CDP C1.2)

At the management level, Genworth's Executive Council, which is led by the Company's Chief Executive Officer (CEO) and comprised of senior management, provides enterprise oversight, including the management of climate risks. Genworth's CEO is a member of the Genworth Board and generally participates in all meetings of the Genworth Board's NCGC in addition to its Risk Committee, where climate risks are discussed as a standing agenda item at least annually. Genworth's CEO also is a member of Enact's Board of Directors.

Genworth's Chief Risk Officer (CRO) reports to the CEO and Board Risk Committee. The CRO is responsible for ensuring that climate risk exposure materiality is assessed and reported, and that appropriate mitigation plans are in place where needed. Enact also has a Chief Risk Officer who functionally reports to Genworth's CRO.

Climate-related risks are managed through our existing enterprise risk management (ERM) function and framework, which is directed by the Company's CRO. Our risk, legal, and compliance functions align to review and assess risks and controls. The Leader of ERM and Reporting Risk is responsible for assessing our exposure to climate change risks across the enterprise. Additionally, Genworth has assigned risk managers, dedicated to Credit Risk, Market Risk, Insurance Risk, and Operational Risk, all of whom report directly to Genworth's CRO. These risk managers are responsible for identifying, analyzing, mitigating, and reporting all risks in their respective risk domains.

Genworth's Executive Vice President (EVP)/Chief of Staff, with input from the Board, manages the Company's ESG program, including general oversight of the assessment and management of climate-related risks and opportunities. The EVP/Chief of Staff leads our Sustainability Committee, which supports work to assess and manage climate-related risks and opportunities. Genworth's Investments ESG Committee assists in reviewing ESG-related investment strategies, risks, and opportunities to guide investment decision-making. See *Figure 1 below for an illustration of our governance structure for climate risk.*

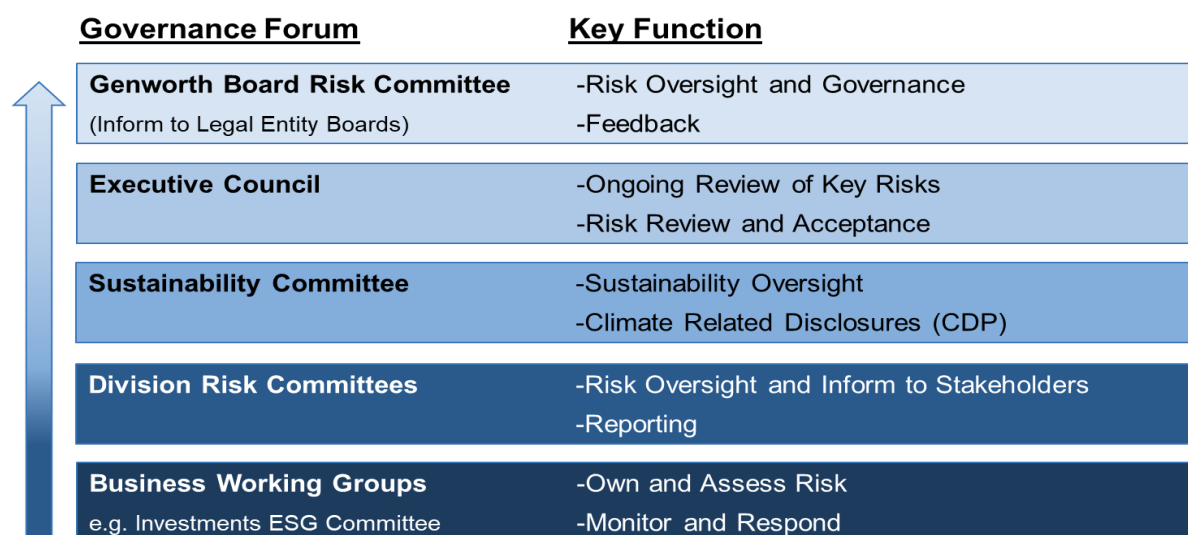


Figure 1. Climate Risk Governance Structure

Strategy

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term (CDP 2.1a, C2.3, C2.3a, C2.4, C2.4a)

Genworth recognizes that climate change poses significant potential risks to the environment, the global economy, and to human health and well-being. The Company has chosen to align its definition of applicable time horizons with those identified in the New York Department of Financial Services (DFS) guidance, which defines short-term as 0 to 5 years, medium-term as 5 to 10 years, and long-term as 10 to 30 years.

Physical Risk

Operational Risk: Increased severity of extreme weather events, such as hurricanes, may have the potential to cause operational disruptions at our facilities, reputational risks, increased capital costs related to the restoration of damaged property, and employee benefit costs associated with the increased risk of injury in the short-term. To mitigate these potential risks, in 2020, Genworth invested approximately \$570,000 to implement Business Continuity Plans and remote work capabilities, including a "Work From Home" Policy. As a result of these efforts, our employees are able to work remotely should we encounter extreme weather-related events.

Underwriting Risk:

Acute Risk: A natural disaster, such as a hurricane, could lead to unexpected changes in persistency rates if policyholders and contract holders who are affected by the disaster are unable to satisfy their contractual obligations, such as payment of premiums on our insurance policies, deposits into our investment products, and mortgage payments on loans insured by our mortgage insurance policies. A natural disaster could also significantly increase our mortality and morbidity experience in the affected region, exceeding assumptions that supported the pricing for our insurance and investment products previously sold through our U.S. Life insurance division.

Should a natural disaster trigger an economic downturn in the geographic areas affected directly or indirectly, Enact, our majority-owned Mortgage insurance subsidiary, could, among other things, experience a decline in business and/or increase in delinquencies in those areas, which potentially could lead to increased incurred loss experience and/or the need for reserve adjustments. Disasters also could disrupt public and private infrastructure, including communications and financial services, which may impact our normal business operations.

Chronic Risk: Longer term shifts in climate patterns, such as rising temperatures and sea level rise, could have a significant impact on our business. Since we rely on historical results to price future liabilities in our U.S. Life insurance division, a longer-term shift in climate patterns could lead to an increase in our mortality and morbidity experience in life and long-term care, exceeding the assumptions we used in pricing these insurance products. A longer-term shift in climate patterns could also disrupt investment in business, housing, and infrastructure and lead to changes in demographics, family formation, and consumer behavior – the exact results of which are being assessed and evaluated as an Emerging Risk.

In the shorter term (as noted above), climate-related risks could lead to unexpected changes in persistency rates, as policyholders affected by a natural disaster may be unable to satisfy their contractual obligations, such as payment of premiums. Increased coastal hurricane activity, for example, could gradually, but steadily, result in economic deterioration: home price depreciation, lower origination, and lower tax revenues in areas where we have mortgage insurance exposure. Consequently, among other things, we could experience a decline in business and increase in claims in those areas which may lead to increased loss experience in our mortgage insurance businesses and/or the need for reserve adjustments.

Credit Risk: Physical risks may also impact the credit risk of both Genworth's and Enact's investment portfolios, if extreme weather events impact the facilities of companies we hold.

Transition Risk

Reputation Risk: Certain ESG-sensitive exposures in our investment portfolio potentially could cause reputational damage to Genworth. In 2021, we adopted an ESG policy and formed an Investments ESG Committee to consider the impact of ESG criteria as we seek to continue to manage our investment portfolio prudently. We also began the implementation of an internal Investments ESG scoring system to assess our portfolio and to ensure that we are not overly exposed to high-risk assets in this regard. The Investments team began the initial build on a platform in 2020 to track and analyze these exposures which was implemented in 2021. The platform was used to score the portfolio and perform benchmarking against Genworth's peers in 2021.

Credit Risk: Genworth's investment portfolio is subject to transition risks as climate regulations may impact the profitability of certain industries. Our Investments team continues to undertake ESG initiatives that enable us to assess these risks, determine materiality, and consider potential mitigation where appropriate.

Genworth has identified "Cap and Trade" systems as an example of a climate transition risk, and the California Cap-and-Trade Program specifically would be classified under our Risk Framework assessments as a credit risk. The California Cap-and-Trade regulation would not directly impact Genworth as we are not considered a significant Greenhouse Gas (GHG) emitter. However, it may indirectly result in greater credit risk if high-emitting companies in

our portfolio are adversely affected by their inability to comply with Cap-and-Trade requirements.

Technology Risk: Genworth considers mandates implemented by governments and regulators that require the use of renewable resources or energy efficiency equipment (those with minimum energy efficiency ratings) as a relevant transition-related technology risk. These additional requirements could increase our capital costs associated with the installation of renewable resources or energy efficient equipment replacements, although these costs are likely to be at least partially offset by associated long-term cost savings.

Climate-Related Opportunities

Genworth recognizes the opportunities stemming from prudent climate action, such as reputational benefits and reduced operational and credit risks. In 2021, for the third year in a row, we were awarded a Management “B” score for our CDP assessment. In fulfilling Genworth’s commitment to climate action, we made several energy efficient upgrades to our facilities. By improving heat, ventilation, and air conditioning systems in 2020, we saw a decrease of almost 300 metric tons in our Scope 1 and Scope 2 CO₂ emissions – equal to a 6.34% drop in intensity. We acknowledge that a significant driver of the decrease resulted from the pandemic’s physical office closures. However, following the physical office closures resulting from the pandemic, we temporarily relocated our Richmond, Virginia operations, consolidating four buildings to one. We just recently announced plans to relocate to a permanent existing facility, as opposed to constructing from the ground up, and will seek to incorporate energy and water efficiencies in our new Richmond location.

Genworth has identified opportunities to position our investment portfolio for the climate transition. We believe incorporation of sustainable investing practices improves risk-adjusted returns and enhances the long-term value of our investments. When we purchase a security or issue a commercial real estate loan, we determine if the investment meets our ESG risk criteria. Once a security is in the portfolio, our Investments team performs regular ESG assessments. We also conduct periodic reviews of the ESG policies of our external managers and independent advisors working in emerging markets, alternative assets, and middle market loans. All of our external asset managers are UN PRI signatories and have ESG policies.

Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning (CDP 2.3a, C2.4a, C3.1, C3.2a, C3.2b, C3.3, C3.4, C-FS3.7, C-FS3.7a)

Recognizing and incorporating climate risks and opportunities into our business strategy will drive financial benefits as our organization’s resiliency to climate-related risks continues to improve. We are utilizing our Enterprise Risk Management framework to assess climate impact on our existing risks. We have initiated a multi-phase climate risk management process – in 2022, we began work on a series of risk assessments and scenario analyses, the first of which was performed in our mortgage insurance subsidiary, Enact, and is detailed in the section below.

We have engaged an independent consultant and are in the process of conducting a quantitative scenario analysis within our U.S. Life Insurance division’s operations and liability portfolios further to understand this division’s resilience and to make informed decisions

about how to prepare for potential impacts from climate change. We plan to use the findings from this analysis to inform our enterprise risk management and business strategy.

Products and Services

Climate-related risks and opportunities have informed our strategy when evaluating the products and services offered by our mortgage insurance subsidiary as extreme weather events, such as hurricanes, have the potential to lead to increased insurance claims liability for Enact. Enact accounts for a potential spike in delinquencies and hardships during natural disasters, such as hurricanes, by posting appropriate reserves in the event of job loss resulting from the disaster event, which may lead to default and, ultimately, claims on our mortgage insurance policies. The Enact actuarial team estimates the impact of the event by analyzing performance of cures (i.e., a borrower becoming current on a loan by repaying all delinquent payments) and claims from similar events that occurred previously.

Risks are discussed at various forums, including the annual in-force reviews that occur at the Enact Risk Review Committee meetings attended by the subsidiary's executive leadership. Key metrics (delinquencies etc.) are monitored at monthly meetings of this committee.

New business insurance volumes may shift permanently in geographies impacted by climate change events as those locations become less desirable for employers and home buyers. However, we have observed only temporary interruptions in this regard, followed by slightly higher economic activity due to rebuilding efforts. Over the long-term, home prices can be permanently impacted as locations often affected by climate-related events become unaffordable due to excessive property & casualty (P&C) premiums. While we have not observed any such permanent pricing anomalies, we continue to monitor.

Overall, Genworth considers climate-related risks associated with our products and services to have a medium-term time horizon.

Value Chain

We have considered the possibility that climate-related risks, such as a severe weather event, could cause an operational disruption for one of our third-party suppliers, particularly where we contract to provide services directly to our policyholders. To mitigate this particular risk, Genworth's Supplier Management team conducted reviews of 208 third-party service providers in 2021, who were identified using risk-based criteria (suppliers identified as "high risk" are reviewed annually; suppliers identified as "medium risk" are reviewed biennially). High and medium risk suppliers represent 76% of our annual procurement spend and many must comply with our requirement to have a business continuity/disaster recovery plan. During the review process, the Supplier Management team did not identify any material issues with the business continuity/disaster recovery plans for the select providers who were required to have them.

While third-party suppliers are required to make affirmative representations at the time of contract about their compliance with applicable laws and regulations, including those related to the environment, we attempt to assess their environmental efforts during our periodic reviews. We also assess the continued feasibility of outsourcing arrangements, considering a full spectrum of risks, in order to make informed choices that align with our strategic direction.

Genworth considers climate-related risks associated with our supply chain and/or value chain to have a medium-term time horizon.

Operations

Prior to the COVID-19 pandemic, Genworth identified alternative work sites as part of our Business Continuity Planning (BCP) and conducted tests to assess readiness for all employees to work from home. The COVID-19 pandemic further tested and confirmed the capability for all associates to work remotely and expanded the geographic dispersion of our associates. Hiring practices continue to support this geographic diversification of our workforce which will help to mitigate climate-related risks.

Genworth is currently exploring Cloud solutions which will diminish the dependence on physical data centers and expand the geographic diversification of our data centers.

To reduce our GHG emissions, Genworth has improved our heat, ventilation, and air conditioning systems, decreasing our scope 1 and 2 emissions by approximately 300 metric tons (6.34% drop in intensity). Enact's Raleigh, NC headquarters is Gold LEED certified, using 30% less water than comparable buildings, in addition to other efficiencies.

In both our U.S. Life insurance division and Enact subsidiary, we have enabled a significant transition away from paper to digital processing, reducing the overall carbon footprint. In 2018, we created a platform, MyGenworth, which permits customers to access their information and transfer documents electronically. Prior to 2018, we implemented DocuSign, an automated tool that permits policyholders to affix a digital signature to a form instead of a traditional ink signature (this process eliminated the previous requirement for paper transmission between Genworth and our U.S. Life Insurance companies' policyholders).

In 2021, Genworth's U.S. Life insurance division introduced digitized claims packets which permitted policyholders to receive initial claims packets via secure email instead of paper transmission. A total of 6,995 intake packets were sent electronically in 2021. Additionally, policyholders completed 120,187 automated transactions online, while submitting another 360,111 requests electronically, and made nearly 298,502 payments through the online payment feature during 2021.

Investments

Climate-related risks are assessed in the diligence process for our investments in the following areas:

- Corporate/Municipal Bonds - Genworth assesses the risk related to ESG factors as part of its underwriting process;
- Alternative Assets/Middle Market Loans - Advisors consider ESG factors when evaluating investments; and
- Commercial Real Estate - We routinely conduct environmental assessments during the diligence process for real estate we are planning to acquire for investment purposes as well as real property to be acquired through foreclosure.

We also closely monitor trends specific to the utilities (i.e., shifts in energy sources) and energy sectors (i.e., regulatory impacts).

Investments in certain industry segments are periodically impacted by natural disasters attributed to climate change. The Investments team will closely monitor the impact to a company's creditworthiness resulting from a climate-related incident and will consider reducing exposure when warranted to lower risk.

Financial Planning

Upon completion of the scenario analyses described below, we will be better positioned to gauge the potential impact of climate-related risks on financial performance and how they should be incorporated into future financial projections. In both the U.S. life insurance division as well as Enact, historical climate impacts are embedded in the experience used for pricing and reserving. In addition, ESG scoring is considered in evaluating the investment portfolio's risk and potential return.

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. (CDP C3.2, C3.2a, C3.2b)

In 2022, Enact analyzed its in force portfolio's climate risk exposure based on climate data related to physical risks. Enact used Moody's Investors Services' climate risk data to develop risk scores and exposure rankings, aggregated by ZIP code, based on projected average population distribution (2030-2040). This analysis considered both acute physical risks from hurricanes, floods and wildfires, and chronic climate risks from water stress, heat stress, and sea level rise. The results provided a view of relative risk scores across Enact's policies in force. The scores ranged from a low of 'No Risk' (not exposed) to a high or 'Red Flag' risk, which indicated significant exposure to historical or projected risks and the potential for future negative impacts.

The analysis showed that just 5.6% of Enact's policies in force fell into the high 'Red Flag' risk category for all climate events. The U.S. mortgage insurance industry protects lenders against credit risk as opposed to hazard risk. Therefore, Enact's master policy excludes claim payments resulting from defaults due to physical damage to the property. Enact will continue to monitor climate-related risks and perform additional analysis as its approach becomes more mature and additional data becomes available.

Genworth is in the process of conducting scenario analysis on the operations and underwriting functions in our U.S. Life insurance division using an independent consultant. The independent consultant will assist us in preparing climate scenario analyses for Genworth's U.S. life insurance division's liability portfolio and physical operations. The consultant will (1) generate modified liability assumption stresses under different climate scenarios, and (2) use that scenario information and academic data to create realistic stresses to key assumptions under two different greenhouse gas emissions scenarios and three time horizons.

For the operational risk assessment, the consultant will conduct scenario analysis across five physical perils, three time horizons, and representative climate change emission scenarios for selected physical locations. The results of these analyses will assist in further evaluating our resilience to climate change and will be shared in future reporting.

Risk Management

Describe the organization's processes for identifying and assessing climate-related risks (CDP C2.1, C2.2, C2.2a, C-FS2.2b, C-FS2.2c, C-FS2.2d, C-FS2.2e)

Climate-related risks identified through our processes are prioritized based on the following criteria: the likelihood of the risks occurring, the severity of the potential impact, and the resources required to mitigate and manage the risks appropriately. Genworth currently considers as substantive those risks that potentially could result in an impact to operating earnings over \$5MM, which could equate to a ~\$0.01 earnings per share or more impact. Climate risks are evaluated at least annually as part of the Enterprise Risk Management process and may be evaluated more frequently if we determine there is a material need to do so. The Company's risk mitigation processes vary according to the risk type and the potential magnitude of the impacts.

Climate-related liability risks are most directly applicable to our Enact subsidiary and are subject to a specific risk identification, assessment, and management process. Specific to Enact, when a climate-related event occurs, the actuarial team estimates the impact of the event by analyzing the performance of cures and claims from similar events that previously occurred to determine if a reserve adjustment is required.

Enact also tracks all loans in Federal Emergency Management Agency (FEMA) disaster areas, which enables the business to receive Private Mortgage Insurer Eligibility Requirements (PMIERS) capital credit for all delinquent loans in a FEMA designated disaster area.

In investments, we have implemented an ESG framework to assess our portfolio that calculates a discrete ESG score for all our corporate and municipal bond holdings (covering 78% of our total portfolio). The ESG score in high transition risk sectors is based on information collected on the companies we hold in our portfolio, such as emissions, energy usage, emissions reduction targets, climate transition plans, TCFD disclosures, etc. and is used to guide investment decisions.

Describe the organization's processes for managing climate-related risks (CDP C2.1, C2.2, C-FS2.2d, C-FS2.2e)

Genworth utilizes a "three lines of defense" risk management model. The 1st line of defense includes the Operations, Investments, and Facilities teams as they have primary accountability for the underlying risks. The 1st line is responsible for identifying, managing, and mitigating risks. The 2nd line of defense is comprised of the Risk, Legal, and Compliance teams. These teams assist the 1st line in assessing exposure and in ensuring remediation plans and appropriate regulatory reporting is in place where required. The 3rd line is our Internal Audit team which is responsible for reviewing processes and control effectiveness and reporting any material deficiencies to management.

Initial risk exposure assessments are conducted to identify the highest risk exposure areas based on impact and likelihood ratings along with the strength of existing mitigation activities and a qualitative consideration of current and emerging trends, enabling us to focus our risk management efforts in these areas. The materiality of a risk exposure also will be based upon, among other things, (1) the size of the dollar impact to the company's balance

sheet and/or income statement, and (2) the degree of potential operational and/or reputational risk. Genworth has risk managers dedicated to Credit Risk, Market Risk, Insurance Risk, and Operational Risk who are responsible for identifying, analyzing, mitigating, and reporting all risks in their respective risk domains.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management (CDP C2.1, C2.2)

Climate-related risks are integrated into Genworth's multi-disciplinary, company-wide risk management program which includes assessments of risk appetite and risk tolerance limits, as well as risk identification, quantification, governance processes, and applicable policies and procedures. The assessments evaluate our direct operations along with inputs and impacts up and down stream.

During the risk identification process, we evaluate, among other things, markets, consumers and consumer behavior, macroeconomic and environmental conditions, catastrophic occurrences, and potential changing paradigms using information that is publicly available or otherwise accessible. This assessment occurs across a spectrum of standard risk categories and time horizons.

Genworth's enterprise risk management program also includes processes to monitor, measure, control, mitigate, and report the types of risks to which the Company is subject. We regularly review our risk management programs to ensure that they are aligned with evolving global best market practices.

Metrics & Targets

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process (CDP C4.2, C4.2a, C4.2b, C9.1)

Genworth monitors our energy use, Scope 1, Scope 2, and nearly all relevant Scope 3 GHG emission categories, except for waste generation due to our current inability to obtain this information.

We also have implemented a framework to assess our investment portfolio that includes a discrete ESG score for all our corporate and municipal bond holdings (covering 78% of our total portfolio). This ESG score is based, where relevant, on information collected on the companies in our investment portfolio, such as emissions, energy usage, emissions reduction targets, climate transition plans, TCFD disclosures, etc.

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks (CDP 6.1, C6.3, C6.5, C6.5a, C-FS14.1, C-FS14.1a, C-FS14.1b)

Genworth GHG Emissions Inventory (as of 2021)	
Scope	t CO₂e
Scope 1 Emissions	592.4
Scope 2 Emissions	5,679
Scope 3 Emissions	
Purchased Goods and Services	28,609
Capital Goods	1,075
Fuel-and-Energy-related Activities	1,485
Business Travel	133
Employee Commuting	7,034

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets (CDP 4.1, C4.1a, C4.1b, C-FS4.1d, C4.2, C4.2a, C4.2b)

Genworth has not yet established targets relevant to the management of climate-related risks and opportunities. Following our physical office closure resulting from the pandemic, we temporarily relocated our Richmond, Virginia operations, consolidating four buildings to one, and just recently announced plans to relocate to a permanent existing facility. These facility changes have impacted our consideration of a baseline year. However, we are tracking certain metrics that will guide our decisioning in this regard and are currently assessing the feasibility of establishing a GHG reduction target in line with the Science Based Targets Initiative.



Thank you for reviewing our 2021 Task Force for
Climate-Related Financial Disclosures (TCFD) Report.
We welcome your comments – please email us at
GNWCommunityRelations@genworth.com.

©2022 Genworth Financial, Inc. All rights reserved.

713301 11/29/22