

NAIC CLIMATE RISK DISCLOSURE SURVEY

TCFD-ALIGNED QUESTIONS

UPDATED 2022

GOVERNANCE

1. *Disclose the insurer's governance around climate-related risks and opportunities.*

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

The Nominating and Governance Committee of the Board of Directors for DHITIC's ultimate controlling party ("UCP"), D.R. Horton, Inc. ("D.R. Horton", "the Company"), is formally charged with the oversight of climate-related and ESG risks, and they receive regular updates on ESG topics from both internal and external subject matter experts throughout the year.

The UCP's management of ESG and climate risks is integrated into the day-to-day operations, processes and overall risk management systems of numerous departments and levels throughout the organization. The oversight of some of the key risk areas are incorporated into the roles and responsibilities of the following departments and individuals within the organization:

- Human Resources and Legal oversee the day-to-day management of employee risk;
- Real Estate and Environmental oversee the process for environmental assessments of land and lots and consult with our divisions on conditions or issues as necessary;
- Purchasing manages relationships with national vendors and identifies solutions to help maintain a sustainable supply chain;
- Business Development and Innovation researches and manages investments in new, more efficient ways to build and more sustainable building products;
- Risk Management is responsible for preparing for and preventing property loss, helping establish emergency preparedness procedures and overseeing the operations of our captive insurance agency;
- Investor Relations has oversight of regulatory updates related to ESG disclosures and data requirements, manages engagement with investors and other stakeholders, prepares and compiles ESG reporting and disclosures and provides insights and updates to the executive team and Board of Directors;
- The National Sustainability Manager participates in and engages with industry groups, governmental agencies, energy raters and related organizations; helps manage the ENERGY STAR program; and keeps divisions apprised of changes in regulations, etc.;
- DHI Mortgage monitors and implements any necessary actions in response to updated regulations for financing;

- Region Presidents, Division Presidents and City Managers, Region and Division Operations and Purchasing personnel are all responsible for building quality homes that adhere to local regulations and requirements for construction, energy codes, certificates of occupancy, etc.

The executive management team of the UCP actively oversees each of these functions and stays apprised of the key elements of each risk area through their day-to-day oversight duties.

STRATEGY

2. *Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.*

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

- Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency. *
- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations. *

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

- Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term, and 10-30 years as long term.

B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.
- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

D.R. Horton (the UCP) has been the largest homebuilder by volume in the United States since 2002. The UCP's business operations consist of homebuilding, rental, a majority-owned residential lot development company, financial services and other activities. Our homebuilding operations are our core business, and we focus on maintaining a diverse product offering across geographies and strive to drive home affordability in each of our markets. We spend significant time and resources identifying, entitling and developing land parcels and building, selling and closing homes. Our geographic diversity and the risk management processes we have implemented help us manage and mitigate risks in our business, including climate-related risks. Our climate strategy includes careful consideration of risks and environmental conditions when sourcing land; thoughtful continued improvement in the building quality and energy efficiency of our homes while maintaining affordability for our homebuyers; exploration of and investments in new technologies and sustainable building products that may improve efficiencies and reduce environmental impacts of our homes; ongoing engagement with our key stakeholders, especially our vendors and suppliers; and measurement and continued improvement in our data quality and disclosure of metrics like certified HERS Index Scores, ENERGY STAR certifications and greenhouse gas emissions. Additional description around these topics can be found in the UCP's 2023 ESG Report, which is available at investor.drhorton.com.

The UCP has not performed a detailed climate scenario analysis to date; however, our Board of Directors reviewed an enterprise-level ESG risk assessment in fiscal 2021 to identify and understand specific risks within the ESG realm that could have a material impact on the Company, including those associated with climate change. Key risks discussed include those pertaining to environmental law, building codes, land identification and development activities, the impacts of increased frequency and severity of extreme weather events, risks of health and safety incidents, lack of diversity and economic risks that could arise. As a result of this risk assessment, engagement with external parties, including sustainability experts and through completion of an ESG Materiality Assessment and the day-to-day management of our company operations, the UCP has identified several risk factors that could have an impact on the UCP’s business, including acute physical risks (increased frequency and severity of extreme weather events), chronic physical risks (shifts in climate patterns) and transition risks (increase in government restrictions, standards or regulations and shifts in consumer preferences). The potential impacts arising from these risks are further described in the section below.

When reviewing risk management and overall company strategy, including the consideration and management of climate-related risks and opportunities, the UCP considers a period of 1-3 years as short term, 3-8 years as medium term and 8 or more years as long term.

RISK MANAGEMENT

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk. *
- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. *
- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. *

A. Describe the insurers’ processes for identifying and assessing climate-related risks.

In describing the insurers’ processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed. *
- B. Describe the insurer’s processes for managing climate-related risks.*
- C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer’s overall risk management.*

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer’s overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer’s general enterprise-risk management process or a separate process and how frequently the process is completed.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.
- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

PHYSICAL RISK - ACUTE Increased frequency and severity of extreme weather events

Potential impacts arising from acute physical climate risks include:

- Increased legal, crisis response, insurance and repair costs due to damage from weather events to active construction sites;
- Delays in land development and home construction timelines due to severe weather events;
- Increase in cost and/or reduction in availability of property and casualty insurance for homebuyers; and
- Increased direct costs due to unfavorable impacts on the availability or pricing of materials or labor as a result of severe weather events.

Potential opportunities resulting from acute physical climate risks include:

- Gains in market share due to the quality and reliability of D.R. Horton homes;
- Strengthened trade and vendor relationships by providing certainty to our partners in times of crisis; and
- Opportunities to expand our geographic footprint as individuals move out of more climate change sensitive locations.

Ways in which we are mitigating potential impacts resulting from acute physical climate risks include:

- Our operating footprint is geographically diverse across 118 markets in 33 states, which provides heterogeneity in our exposure to climates, weather events, topography and other characteristics;
- We employ multiple strategies to mitigate the risks associated with our supply chain, including supplier diversification through the use of vendors and suppliers of varying sizes across multiple geographies and through continued investment in new and emerging technologies, including potential alternatives to traditional products;
- We focus on ongoing engagement with our vendors and suppliers on a variety of sourcing and sustainability topics;
- We build our homes to code in all locations where we operate to ensure that our homebuyers are best prepared for severe weather events or natural disasters; and
- We have an independent, captive insurance agency that assists our homebuyers with obtaining property insurance in all 33 states where D.R. Horton operates. The D.R. Horton Insurance Agency's capture rate increased from 53% of homes closed by our homebuilding operations in fiscal 2022 to 56% in fiscal 2023, with higher capture rates in coastal states like Florida and California.

PHYSICAL RISK - CHRONIC Shifts in climate patterns

Potential impacts arising from chronic physical climate risks include:

- Decrease in homebuyer demand due to increased insurance costs for homebuyers and lower overall home affordability in more climate-sensitive areas;
- Increased construction costs due to construction delays or labor availability driven by abnormally high temperatures;
- Lack of product and materials availability driven by changing vendor supply chains; and
- Shifts in our land and lot portfolio away from areas with rising sea levels, water scarcity or sustained higher temperatures to areas with potentially higher land costs.

Potential opportunities resulting from chronic physical climate risks include:

- Gains in market share due to our broad geographical footprint, shorter cycle time and affordably-priced offerings; and
- Increases in revenues by implementing additional WaterSense certified and other water and resource efficient products or potentially seeking whole-home water certifications in response to increased consumer demand.

Ways in which we are mitigating potential impacts resulting from chronic physical climate risks include:

- Our operating footprint is geographically diverse across 118 markets in 33 states, which provides heterogeneity in our exposure to climates, weather events, topography and other characteristics;

- We take steps in areas with higher risk for certain physical risks during land development, including obtaining water rights for sustainable water sources in locations subject to drought and remediating lots located within historical flood zones prior to vertical construction to help mitigate the future impacts on our homeowners;
- The majority (75%) of our land and lot portfolio is controlled via purchase contract, which allows us to renegotiate terms or walk away from land parcels altogether if they no longer meet our needs, fit our underwriting criteria or do not meet our environmental standards;
- We cater our building processes based upon the needs of each market, such as in many of our Florida markets where we utilize concrete block in the construction of our homes to prevent damage and withstand substantial winds that could be caused by hurricanes or other weather events; and
- We have engaged external sustainability resources who have assisted us in conducting an ESG materiality assessment and measuring our annual GHG inventory and are helping us explore climate risk mitigation strategies and preparing us to potentially implement climate risk assessments within our overall business strategy.

TRANSITION RISK Increase in government restrictions, standards or regulations

Potential impacts arising from increased government standards or regulations include:

- Increases in operating and compliance costs;
- Increased technology requirements and additional capital investment;
- Elongated cycle times or delays to construction due to restrictions or additional requirements on land development and home construction in certain areas; and
- Reduction in the availability of mortgage financing provided by government agencies.

Potential opportunities resulting from increased government standards or regulations include:

- Increase in the availability or magnitude of credits and incentives to build more energy efficient homes;
- Increase in the availability or magnitude of credits and incentives to utilize less resource-intensive products and supplies in our homes; and
- Increase in the availability or magnitude of credits and incentives to redevelop land/utilize greyfield and brownfield sites.

Ways in which we are mitigating potential impacts resulting from increased government restrictions, standards or regulations include:

- We maintain a robust due diligence process for evaluation of new land parcels and ensure compliance with relevant regulations and standards during land development and home construction;
- We leverage the expertise and knowledge of our locally based teams who maintain familiarity with current and upcoming regulations within their local markets to ensure we follow any and all relevant building codes and specifications that govern those markets;
- Our National Purchasing team has a National Sustainability Manager to provide additional resources and support to our divisions in developments in building energy codes, green building practices and exploring cost-benefit analyses of making proactive changes to our construction practices, among others;
- We have proactively measured our company's baseline greenhouse gas emissions and have taken steps to assess certain impacts of the homes we build on the environment and believe we are wellpositioned to navigate future regulatory increases; and
- DHI Mortgage participates in industry groups to stay apprised of and provide input on potential changes in regulations and regularly adjusts their mortgage underwriting criteria to meet the standards accepted by government agencies.

TRANSITION RISK Shift in consumer preferences

Potential impacts arising from shifts in consumer preferences include:

- Increases in direct construction costs due to adjustments to building techniques, fixtures or finishes in homes to meet increased consumer demand for more environmentally friendly homes;
- Increases in selling, general and administrative expenses in order to drive revenues; and
- Decreases in market share and market growth due to lower demand.

Potential opportunities resulting from shifts in consumer preferences include:

- Increase in revenues driven by incorporation of more energy efficient features and more sustainable materials in line with consumer preference;
- Improved overall costs of homeownership and ongoing operation for homebuyers that have purchased more energy efficient homes; and
- Growth in markets and market share by providing high-quality, affordable and resilient homes for homebuyers.

Ways in which we are mitigating potential impacts resulting from shifts in consumer preferences include:

- We adjust our product offerings, sales pace, home prices and sales incentives as necessary in each of our markets to meet consumer demand and maintain affordability;
- We offer a diverse product portfolio that appeals to a broad range of homebuyers;
- We are proactively working to improve the energy efficiency and sustainability of our homes by increasing our participation in energy efficiency programs like HERS and ENERGY STAR in markets where the cost-benefit trade off is aligned with maintaining affordability;
- We are actively engaging with many of our key stakeholders, especially our vendors and suppliers, about the sustainability of their products and the benefits to our homebuyers; and
- Our Business Development and Innovation team collaborates with our National Purchasing team to identify new technologies, opportunities and investments that can make building homes more efficient, cost effective, sustainable and affordable.

Title insurance, historically, has not been negatively impacted as a result of climate change.

METRICS AND TARGETS

4. *Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.*

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions.

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

The UCP has identified three primary metrics used to assess and manage climate-related risks and opportunities, including: certified Home Energy Rating System (HERS) index scores, ENERGY STAR certifications and greenhouse gas (GHG) emissions. Each metric is briefly described below. To date, the UCP has not set any formal targets related to these metrics.

A Home Energy Rating System (HERS) Index Score is one way to measure a home’s energy performance and is a nationally recognized benchmark that helps homebuyers and the public quickly assess the level of energy efficiency of a home. The HERS Index Score was developed by the Residential Energy Services Network (RESNET), a recognized national standards-setting body for building energy efficiency rating and certification systems in the United States. A HERS Index Score requires independent third-party verification and testing during construction and accounts for the energy used in a home including lighting, appliances, framing, insulation, air sealing, water heating and HVAC. A HERS Rater inspects the home at different stages of the construction process to verify critical details before they are “hidden” behind the walls. The HERS Index Score rates homes on a 0 to 100 scale where 100 represents a home built to meet the 2006 International Energy Conservation Code, or standard new home, and a score of 0 represents a Net Zero Energy home. For D.R. Horton, 30,642 of the homes we closed in fiscal 2023, or approximately 37%, received a HERS Index Score, which is an increase from 23,325 homes closed in fiscal 2022 that received a score. Of the homes we closed in 2023 that received a HERS score, our average score was 60, which is consistent with our score in 2022 for rated homes. This means that, on average, our new homes that received a HERS score in 2023 are approximately 40% more energy efficient than the standard reference home and approximately 70% more energy efficient than typical existing homes.

ENERGY STAR certified homes are independently verified to meet strict guidelines for energy-efficient construction set by the U.S. Environmental Protection Agency (EPA). The ENERGY STAR Single-Family New Homes program is an above-code green building program that requires homes to be at least 10% more energy efficient than a new home built to current energy codes. The program is delivered through independent, thirdparty energy raters who are specially trained and qualified in energy efficient construction techniques that are unique to each climate. Energy raters conduct onsite inspections and testing on homes to verify they are built to meet the program’s thermal enclosure, HVAC system and water management system program requirements. This inspection process follows a set of comprehensive ENERGY STAR checklists designed to deliver better efficiency, comfort, quality and durability. The EPA’s ENERGY STAR Certification is more rigorous and much more costly to obtain than a standard HERS rating, and the requirements have become more stringent over time as state energy codes evolve. 10,419, or 13%, of the homes D.R. Horton closed in fiscal 2023 were ENERGY STAR certified homes, which equates to an annual energy savings of over 14.1 million kWh when compared to the energy consumption of a new home built to code. Participation of our homebuilding divisions in the ENERGY STAR program has grown significantly over the past year, resulting in a 269% year-over-year increase in the number of D.R. Horton homes certified. In fiscal 2022, we only had a few divisions participating in the ENERGY STAR program compared to over 30 of our divisions participating in some capacity today. We are continuing to evaluate additional opportunities to obtain ENERGY STAR certifications, while also evaluating the cost of certification in terms of its impact on home affordability, which continues to be at the forefront of our consideration.

As part of the UCP’s efforts to provide information regarding our companywide environmental impact, the UCP engaged a third-party sustainability firm to assist with the calculation of baseline Scope 1 and Scope 2 greenhouse gas (GHG) emissions for fiscal 2019, fiscal 2020, fiscal 2021 and fiscal 2022. This project was completed in accordance with the requirements defined by the Greenhouse Gas Protocol, a joint initiative of World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The calculation of these GHG emissions used recognized emission factors from The Climate Registry, Intergovernmental Panel on Climate Change (IPCC) and the United States Environmental Protection Agency (EPA). Our GHG emissions were classified into two categories, in accordance with the GHG protocol:

- Scope 1 encompasses an organization’s direct owned and controlled emissions
- Scope 2 accounts for an organization’s indirect emissions through the purchase of utilities

The results for each fiscal year’s Scope 1 and Scope 2 GHG emissions calculation are detailed in the UCP’s 2023 ESG Report on pages 78-79, which can be found at investor.drhorton.com. In all four fiscal years reviewed, emissions from purchased electricity accounted for the majority of the UCP’s calculated carbon footprint. These emissions include those associated

with energy and electricity consumed at company office buildings, homes in inventory, model homes, rental homes and apartments and energy projects. For offices and homes, impacts are representative of the time period during which we had operational control. The next largest emissions source was related to the operation of our energy assets. The largest remaining material emissions category was the combustion of natural gas, which is also primarily attributable to offices and homes. Regional uses of natural gas varied, and homes in the North and East regions of the United States utilized the most natural gas per square foot, primarily due to their cooler climates and need for additional heating. Emissions from other sources are considered to be immaterial and each comprised 5% or less of the total calculated emissions in all four periods reviewed.

The total Scope 1 and Scope 2 GHG emissions increased from fiscal 2019 to fiscal 2022 primarily due to D.R. Horton’s significant increase in size and scale over that time period. During this four year period, we increased our number of employees by over 4,300, or 48%, increased our annual homes closed by our homebuilding operations by almost 26,000 homes, or 45%, started our single-family rental business, continued to scale our multi-family rental business and grew our consolidated revenue by nearly \$16 billion, or 90%. With this in mind, the UCP also examined GHG emissions using a per home/unit closed intensity metric, which remained relatively consistent over the examined period. We also examined the results using a per revenue dollar earned intensity metric, which showed slight improvement over the examined period.

We will continue to evaluate our Scope 1 and Scope 2 GHG emissions in the coming years and will assess our readiness to meet future potential requirements to estimate our Scope 3 emissions.. Additionally, the UCP may consider and evaluate potential future GHG reduction targets once the UCP has more fully evaluated the company’s impacts, potential strategies and the evolving landscape of regulatory requirements. The UCP will continue to strive to build more energy efficient homes and limit D.R. Horton’s overall impact on the environment.

* Asterisks represent questions derived from the original Climate Risk Disclosure Survey.