

**The Northwestern Mutual Life Insurance Company  
2023 TCFD Report**

## **1 – GOVERNANCE**

---

### **1A) Describe the board’s oversight of climate-related risks and opportunities.**

The vision and commitments of Northwestern Mutual’s Enterprise Sustainability & Impact (ESI) department includes focus on activities, initiatives, and policies related to climate risk governance and environmental stewardship. The Northwestern Mutual Board of Trustees (Board), elected by our policyowners, carries the oversight responsibility and ultimate authority for all company matters (other than those matters reserved to the policyowners), including oversight of enterprise strategy and risk management efforts, both of which include climate-related considerations. The Board appoints the Chief Executive Officer (CEO) and principal officers who comprise the Senior Leadership Team (SLT). The SLT, described in further detail in section 1B, establishes the vision and strategies for the enterprise and recommends financial and business plans to the Board for approval.

Each Board Committee is responsible for providing oversight for certain risk categories, with the following Committees specifically tasked with oversight of climate-related risks:

- *Human Resources, Nominating, and Corporate Governance Committee* exercises primary oversight responsibility for the Company’s activities, initiatives, and policies related to climate risk and environmental stewardship, including sustainability, corporate social responsibility, and corporate governance matters. The Committee reviews and assesses the mix of expertise and experience of the Board in the context of its current membership and seeks to ensure that the right combination of talents, skills, and characteristics needed to maintain an effective Board are possessed by members of the Board. Our current Board of Trustees has sustainability and Environmental, Social, & Governance (ESG)-related expertise, core competencies that we actively seek to maintain going forward.
- *Finance Committee* reviews and provides oversight of the Company’s investment practices, including those related to environmental stewardship, including sustainability, social responsibility, and governance matters related to invested assets.
- *Audit & Risk Committee* provides oversight of the Company’s enterprise risk management framework, including approving on an annual basis the enterprise risk appetite framework which articulates the aggregate level and types of risk that the Company is willing to accept or wishes to avoid in order to achieve its business objectives.

Along with its Committees, the Board receives periodic updates regarding the risks and actions management is taking to respond to those risks. An on-going risk identification process led by the Company’s Enterprise Risk Management & Resiliency (ERMR) department includes an annual formal written *Enterprise Risk Assessment* report to the Board which identifies the current and emerging risk themes that present the greatest concern to the Company and require

oversight at the highest levels. Factors that influence identification and prioritization of enterprise risks include: the size of impact, likelihood, pervasiveness throughout the organization, speed of onset, and the Company's ability to control and influence the risk outcome. The Company's Corporate Strategy department plays a key role in these discussions, providing yet another viewpoint, and accordingly prioritizing those risks that have the potential to adversely impact the successful execution of the Company's strategy. This assessment also includes a review of cross-cutting risks that impact multiple themes, or transversal risks, which includes climate risk. The Enterprise Risk Assessment serves as an input to the Company's planning process and feeds into its solvency assessment process. Consistent with its oversight responsibility for the Company's enterprise risk management program, the Audit & Risk Committee reviews, and the full Board receives, the Company's *Own Risk and Solvency Assessment (ORSA) Summary Report* on an annual basis, which includes a discussion of the Company's assessment of climate-related risk from a solvency perspective.

**1B) Describe management's role in assessing and managing climate-related risks and opportunities.**

Northwestern Mutual's governance framework and processes include climate considerations. The Board appoints the Chief Executive Officer (CEO) and principal officers who comprise the Senior Leadership Team (SLT), which oversees the other Corporate Committees. SLT oversees risk management for enterprise-level issues and delegates oversight of certain risk categories to Corporate Committees while retaining direct oversight of others. The SLT also establishes the vision and strategies for the enterprise and recommends financial and business plans to the Board for approval.

Corporate Committees, composed of cross-functional senior leaders, have oversight accountability for enterprise-level issues and risk categories delegated by SLT. The cross-functional nature of our Corporate Committees facilitates not only the identification of enterprise-level risks, but also the appropriate evaluation and prioritization of risk management efforts. One such Corporate Committee is the Enterprise Risk Executive Committee (EREC), chaired by the Chief Risk Officer (CRO). The EREC oversees the efficacy of risk governance structures and practices and evaluates and recommends improvements to risk management efforts for the enterprise, including Company subsidiaries. The EREC also facilitates an integrated enterprise perspective on significant risks and drives appropriate prioritization, coordination of efforts, discipline, and accountability.

The EREC oversees the Company's Climate Risk Stakeholder Group (CRSG), which is a cross-functional group of subject-matter experts tasked with performing physical and transition climate risk and opportunity identification and analysis, determining integration points for climate-related considerations into relevant operations, strategic planning, and reporting, and evaluating how emerging climate risk practices, guidance, and standards may impact the Company. This group is led by the Enterprise Sustainability & Impact (ESI) department with representation from members of the following departments and teams: ERMR, Law, Corporate Strategy, Treasury, Risk, Investment Operations, Analytics & Data (TRIAD), Managed Investments, Campus & Event Experiences, Strategic Communications, Government & Community Relations, Financial Planning & Analysis, Wealth and Investment Management, Underwriting Research & Standards, Sourcing & Procurement, and Actuarial. Policy considerations are addressed by the Solvency & Governance Regulation Working Group, a subcommittee of the Company's Public Policy

Committee, while integration of climate considerations into the Company's *Own Risk & Solvency Assessment (ORSA)* is the responsibility of the ORSA Team, reporting to the EREC.

In addition to the CRSG, the following groups contribute to the Company's assessment of climate-related risks and opportunities:

- The *ESI department* sets ESG-related strategy and is responsible for implementation of these initiatives across the enterprise, including goal setting, stakeholder engagement and communication, key performance indicators (KPI) collection and monitoring, disclosure, and process improvement. This department reports to the Board annually on ESG-related topics and is led by the Company's Chief Sustainability & Impact Officer who reports to the Company's Chief Legal & Public Affairs Officer (CLO);
- The *ESI Leadership Council* is a cross-functional group of senior leaders led by the ESI department and sponsored by the CLO. The ESI Leadership Council approves ESG-related strategy, goals, and direction, and guides external ESG-related communications and commitments;
- The *Infectious Disease and Environmental Risk Team (IDERT) Climate Change subgroup* is a cross-functional group of subject-matter experts tasked with assessing potential climate change impacts on insured mortality and morbidity;
- The *Treasury, Risk, Investment Operations, Analytics and Data department (TRIAD)* analyzes investment exposure to climate and other invested asset risks. TRIAD, whose leadership reports to the CRO, advises the Company's Investment Committee in its oversight of invested asset risk;
- The *Campus and Event Experiences* department manages sustainability-related initiatives for the Company's home office built environment, and in partnership with ESI delivers GHG (Greenhouse Gas) Protocol-compliant calculation of scope 1 and 2 emissions;
- *Enterprise Business Continuity Management* identifies environmental and other threats to the operational capabilities of the Company and oversees the business continuity planning that informs the Company's response to such threats. The cross-functional Crisis Management Team (CMT) is in place to monitor and respond to crises that could impact our people, space, technology, or operations; and
- Departmental ESI focus groups analyze climate-risk considerations and regulatory requirements specific to their business function and escalate issues having broader enterprise impact to their respective representatives on the cross-functional teams.

## 2 – STRATEGY

---

### **2A) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**

Northwestern Mutual's enterprise risk and opportunity identification and prioritization processes have been adapted to take into consideration the unique characteristics of climate-related issues, while still ensuring comparability of rankings relative to other risks identified at the

enterprise level. Given these unique characteristics, short-, medium-, and long-term time horizons are defined in fewer and broader increments than the timeframes utilized more traditionally for enterprise-wide risk prioritization. For the purpose of this climate analysis, the Company has elected to follow guidance promulgated by the New York Department of Financial Services which characterizes the short-term as 3-5 years, medium-term as 5-10 years, and long-term as 10-30 years and beyond.

Climate risk type	Risk driver	Description	Affected time horizon(s)
Transition Risk	Policy & Legal	Conflicting regulatory and reporting expectations on climate-related topics may result in varying perceptions of the Company's ability to manage climate-related risks.	Short-, medium-, long-term
		Enhanced emissions reporting obligations will likely be required for the Company's operations and potentially for investment portfolios.	Short- to medium-term
		Climate-related disclosures and certain retail investment products could face heightened scrutiny, potentially resulting in claims of misrepresentation or "greenwashing."	Short-term
		Regulation and supervision of climate-related risk may increase at the state, federal and local levels.	Short- to medium-term
		Heightened potential for climate-related litigation associated with investment portfolio holdings and perceived adequacy of operational climate-related resiliency and adaptation efforts.	Medium- to long-term
	Reputation	Increased stakeholder concern, negative stakeholder feedback, and/or negative press coverage around company behaviors or investment holdings could have adverse implications for the Company's credit ratings, ESG ratings, and/or ability to attract and retain clients as well as talent.	Short- to medium-term
		The life insurance industry could potentially be stigmatized if stakeholders' various climate preferences are not reflected in business practices.	Short-term
	Market	Changing stakeholder preferences could alter demand for more ESG-related products or climate-sensitive practices.	Short- to medium-term
		The Company could face higher operating costs because of increasing raw materials prices, such as energy and water.	Short-term
		The Company's investment portfolios could be negatively impacted by asset re-pricing, write-offs, and/or impairments due to both physical and transition climate-related risks.	Short-, medium-, and long-term
	Technology	The Company may incur costs to transition to lower-emissions technology.	Short, medium, and long-term
Physical Risk	Acute	Extreme weather events could result in damage to the Company's facilities, re-pricing of invested assets, disruption to operations within our supply	Short, medium, and long-term

		chain, and business continuity, and/or adverse mortality and morbidity experience.	
	Chronic	<p>Increasing ambient temperatures from rising carbon emissions over time may result in unfavorable mortality and morbidity experience.</p> <p>Rising sea levels, climate-related migration patterns, and evolving weather patterns may, over time, result in investment portfolio losses and impact insurance coverages for real estate assets.</p> <p>Potential loss of total addressable market and reduced impact of its field force, driven by consumers' loss of financial security and potentially less willingness and/or ability to purchase products.</p>	Medium- and long-term

Climate opportunity	Opportunity driver & description	Affected time horizon(s)
Resource efficiency	Adoption of low-emission energy sources could reduce the Company's operational carbon footprint and operating costs.	Short-, medium-, long-term
Increased demand for products and services	Concern over potential health or financial security impacts of climate risks could increase the demand for life insurance and/or investment products and services designed to enhance financial security.	Short-, medium-, long-term
Access to new markets	Retail investment clients may be increasingly interested in ESG and climate-related investment products, creating a market for new offerings to attract new assets under management.	Short-, medium-, long-term
Improved resilience	Enhanced reporting of climate-related risks and opportunities, along with incorporating these considerations into company governance, risk management, and strategy, may improve climate resiliency across our business and physical operations. Education on health awareness and emergency preparedness may improve the physical resiliency of our workforce, policy owners, and clients.	Short-, medium-, long-term

Risk identification, evaluation, and response occur at both an enterprise level and within functional areas. Enterprise-level risks are described in the Company's *Enterprise Risk Assessment* report which informs management decision making, risk management activities, and the annual audit plan. The report describes various enterprise-level risk themes and includes specific risks that fall within those risk themes. The Company views climate change as a transversal risk that cuts across multiple risk themes, time horizons, scales, and scopes; the cross-functional Climate Risk Stakeholder Group (CRSG), introduced in section 1B, provides a cross-cutting perspective in identifying climate-related risks and opportunities.

The Enterprise Risk Management & Resiliency (ERMR) department maintains an enterprise risk prioritization framework which is adapted by business units across the enterprise to increase consistency and objectivity in evaluating risks. This framework provides a disciplined and objective approach to elevate and rate risks consistent with the ranking of enterprise-level risks and audit issues, while allowing for inclusion of qualitative factors and professional judgement. The CRSG applies an adapted version of the enterprise prioritization framework, modifying it slightly to consider the unique characteristics of climate risk, adding dimensions such as speed of onset and vulnerability. As part of the *Enterprise Risk Assessment*, the ERMR department performs an evaluation of enterprise risks to make an initial determination of those risks that are most meaningful at the enterprise level, considering size of impact, likelihood, timeframe, environmental factors, and risk mitigants. Risks are assessed on their potential to adversely impact the successful execution of the Company's strategy or impacts from a customer harm, employee or field harm, or legal and regulatory perspective, or potential to result in losses to surplus or income or operational losses. These initial determinations are then validated through meetings with the appropriate Corporate Committees and members of senior leadership, the Enterprise Risk Executive Committee (EREC), and the Senior Leadership Team (SLT), to ensure that knowledge and insights from across the organization are appropriately incorporated into the *Enterprise Risk Assessment*.

Those risk categories that have the largest potential immediate financial impact on the business include insurance product risk and invested asset risk.

#### *Investment Risk & Opportunity*

Given the nature of the Company's insurance products, the most meaningful financial risk to the Company resulting from climate change will likely come from investment losses over the short-, medium-, or long-term, in reaction to, or in anticipation of, the transition away from carbon-intensive activities, as well as physical risk related to real estate and other investment assets resulting from climate change. Additionally, the impact of climate risk on the P&C industry may impact the availability and price of insurance coverage on real estate investments.

The corresponding opportunities associated with climate change—resource efficiency, favorable policies, access to new and transitioning markets, increased demand for products and services, and improved resiliency—could increase the value of certain investments that we hold over the short-, medium-, or long-term. Additionally, enhanced disclosure requirements would improve our ability to diligence climate-related issues that pertain to our investments, thereby reducing investment risk exposure to the extent data and methodologies allow.

#### *Insurance Product Risk & Opportunity*

Insurance product risks are risks associated with insurance and annuity products, including those related to mortality and morbidity. Mortality refers to the number of deaths, and financial impact associated with those deaths, during a particular time period among a particular type or group of people, while morbidity refers to the frequency, duration, and financial severity of populations becoming sick, injured, or disabled. Northwestern Mutual's mortality exposure relates to core life insurance products. Much of that business is whole life or other permanent life insurance, and, simultaneously, any term life insurance business product generated is fully convertible to a whole-life product, emphasizing the importance of long-term potential impacts. The physical risks associated with mortality primarily encompass the gradual increase of global temperatures which will eventually be the cause of additional deaths among both the U.S. population and Northwestern Mutual's insured population.

Most of Northwestern Mutual's current morbidity risk relates to the stand-alone disability income product. Long-term care products are also morbidity-oriented products. Additionally, core life products have some morbidity risk given available riders such as waiver of premium and accelerated care benefit. The increasing frequency of acute physical risk such as natural disasters, combined with chronic physical risks stemming from changing weather patterns and extreme variability in weather patterns, could result in increased disability insurance claims. Based on assessments to date, the Company does not expect physical risk to significantly impact the morbidity of Northwestern Mutual's insured population over the short term and expects impacts to be relatively low over the medium- and long-term. If the Company's views on the impacts of physical risk on morbidity changes or if external factors change, additional monitoring of occupational-specific claims experience may be conducted on an ad hoc basis on the modest number of outdoor-oriented occupations the Company insures does not have unfavorable experience.

Acute or chronic physical risk events or a sudden and dramatic transition to a low carbon economy could impact financial markets in a way that may trigger a severe economic downturn over the short-, medium-, or long-term. Prior experience shows that severe economic downturns can result in increased death claims and disability income insurance claims.

As the effects of climate change are felt and understood more broadly in the United States, Northwestern Mutual may experience increased demand for its insurance products, which aim to provide financial security for consumers.

**2B) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.**

Northwestern Mutual recognizes the importance of holistic risk awareness in making business decisions. The evaluation of identified risks is a critical input to the Company's five-year Business Plan, which is developed as a collaborative effort among business units, financial teams, and senior management and is subject to extensive levels of review and validation. The Company performs solvency assessments of its Business Plan, which considers the prospect of operating in both normal and stressed environments. Scenarios are designed to reflect the most relevant and plausible stress scenarios from a solvency perspective over the five-year Plan time horizon. Management actions in response to these scenarios, validated by subject matter experts, reflect potential options that management could reasonably take under such circumstances.

As part of the strategic planning process, the Company assesses how climate change may influence pre-existing risk exposures identified as having the largest potential immediate financial impact on the business: insurance product risk and invested asset risk. Potential climate-related impacts to mortality and morbidity and managed investments were assessed in 2021 and again 2023. The Company does not view climate risk as currently presenting a material solvency threat. However, emerging trends and mega-trends, including those related to climate change, are reported on and used in multi-year strategy setting and in setting annual priorities and operating budgets.

In 2024 the Company has engaged a third party to assist with a formal Enterprise Sustainability & Impact (ESI) materiality assessment. This process involves outreach to a broad spectrum of internal and external stakeholders in multiple formats to better refine our understanding of the

ESG-related topics most critical to the long-term success of our business. Learnings from this exercise will inform future ESI and climate-related strategy, initiatives, and risk management exercises.

#### *Insurance Product Risk*

As Northwestern Mutual only sells products domestically, physical risks within the United States are most relevant to the Company's insured population. Based on currently available leading models for the United States, the Company's Actuarial and Medical departments view climate change as having a muted impact on company mortality and morbidity over various time horizons. Still, this is an area that will be continuously monitored as scientific understanding advances.

In addition to the regular monitoring of environmental-related claims by the Actuarial department, the Climate Change subgroup of the Company's Infectious Disease and Environmental Risk Team (IDERT) performed an assessment in 2021 of the potential climate change impact on insured mortality and morbidity, which was updated in 2023 as additional resources and new scientific knowledge became available. The cross-functional group of subject matter experts continue to conclude that there is no substantial evidence to support any significant short-term risk of worsening life, disability income, or long-term care experience for the Company because of climate change. Individuals who purchase or maintain coverage from insurance products are likely to have access to necessary protections should climate change worsen their physical environment. Still, while the scientific body of literature on how human health may be impacted is ever-growing, the exact path that climate change may follow over the medium- and longer-term timeline is not fully understood. Although the Company's view has not changed significantly since the 2021 assessment, the 2023 update reinforced the need for ongoing diligence in tracking all areas in which human mortality and morbidity can be impacted.

#### *Investment Risk*

Northwestern Mutual's Treasury, Risk, Investment Operations, Analytics and Data (TRIAD) department performed an analysis of the Company's investment exposure to climate risk. This analysis considered the size of investments in the sectors anticipated to be the most vulnerable to climate risk (energy, utilities, and transportation), real estate holdings in areas that have a higher exposure to potential climate related losses such as sea level rise, flooding and wind, and aggregate portfolio vulnerability exposure as measured by climate change preparedness of foreign countries and domestic states and cities. This assessment showed the Company's portfolio to be well-diversified across asset classes and geographic concentration with significant guardrails against exposure concentration to reduce the impact of climate risk on any individual asset class, sector, or geographical location of the portfolio.

TRIAD also employs methodologies introduced by the International Association of Insurance Supervisors (IAIS) Global Insurance Market Report (GIMAR) to build scenario analysis and gain further insights into the general account portfolio's Public Investments holdings performance, utilizing climate scenarios as defined by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). These scenarios describe how insurers' public asset classes may be impacted by physical and/or transition risks caused by climate change. To gain another perspective and improve understanding of the extent to which the general account portfolio may be exposed to transition risks and how it compares to a market benchmark, TRIAD used the open-source Paris Agreement Capital Transition Assessment (PACTA) model. While limitations such as sector and exposure coverage exist, the model was a useful tool to assess the



exposure to certain carbon intensive sectors relative to the benchmark. These climate risk scenarios, when applied to the Company's general account portfolio's Public Investments holdings, indicate that potential incurred losses are manageable, within historical ranges, and estimated to be in-line with other North American insurers.

Additionally, for physical risk, we used ArcGIS mapping to analyze two decades of wildfires in trying to assess the potential consequence of increase of wildfire risk on our real estate holdings. After thorough examination, our analysis revealed a discernible pattern, that although certain notable fires in history transpired in proximity to significant economic hubs, their occurrence has predominately been on the outskirts of such areas. Consequently, their impact has been primarily felt by residential communities situated in remote areas, rather than commercial centers. Similar mapping was used to assess California and Pacific Northwest fault lines. While we hold considerable exposure in this region, the Company's owned real estate portfolio is well-diversified, and insured within standard insurance industry modeling for seismic risk losses. In addition to the use of ArcGIS mapping, we have conducted further analysis of the risk over various timeframes associated with flood, fire, and wind events by property in the Company's portfolio. This comprehensive assessment involved the quantification of potential risk associated with flood, fire, and wind events and the likelihood of damage over different time frames: one, fifteen and thirty years. Similar to above, the data revealed that our real estate portfolio is well-diversified, considering the various risk factors. Furthermore, the Company is managing the evaluation of new investments in regions that are more prone to climate-related risks thereby mitigating our exposure. The Company continues to explore different approaches, services, and assessment capabilities related to portfolio scenario analysis as well as to expand assessments to other owned asset classes.

#### *Geographic Concentration of Risk*

To ensure adequate diversification, Northwestern Mutual conducts an annual assessment on the Company's geographic concentration of insurance exposures and investment concentration across all portfolios. This information can be used to highlight areas of high concentration risks for use in real estate investment decision-making and evaluating catastrophic mortality risk relative to financial tolerances. Concentration may either take the form of a high-level exposure to individual companies or a high level of geographic exposure to individual countries, metropolitan areas, or regions. The growing severity and frequency of climate risk related losses, combined with insurance premium increases and rising construction costs can challenge expected returns and profitability of real estate assets. These dynamics are incorporated into the investment strategy with risk mitigation through allocation to less exposed areas, development deal diversification and through the concentration limits framework.

Geographic concentration is measured by country and within broad metropolitan statistical areas (MSAs) and submarkets within these broad MSAs. Limits are determined based on pre-determined parameters of potential loss within these regions, focusing specifically on the United States Geological Survey's (USGS) catalog of hundreds of potential scenarios involving earthquakes and tsunamis.

Across the spectrum of scenarios covering both insurance product risk and investment risk, Northwestern Mutual's prudent capital management and financial flexibility demonstrate that the Company has the resources necessary to execute the multi-year Business Plan in accordance with risk appetite.

Considering emerging climate risk practices, guidance, and standards, and recognizing the uncertainty surrounding the timing, scale, and scope of climate-related risks, the Company has taken further measures to strengthen the Company's climate-related risk management capabilities and resiliency. Examples of these measures include:

- Environmental, Social, and Governance (ESG)-related accountability and leadership to set enterprise ESG-related strategy and enable close monitoring of and compliance with climate and other regulatory initiatives;
- Refined processes to continually refresh the analysis of the impact of climate change on insured mortality and morbidity; conducted by the Climate Change subgroup of IDERT, the following research pillars inform business practices and risk assessment:
  - o Academic Research: IDERT medical subject matter experts will stay abreast of current medical and public health literature as new information becomes available.
  - o Industry Research: various IDERT members attend industry conferences, discuss best practices with peer insurers, and stay abreast of actuarial publications relevant to climate change implications on mortality and morbidity and
  - o Internal Research: the Company's existing Geographic Concentration of Insurance Exposure and Catastrophic Analysis will continue to be leveraged to provide insights into various geographic risks related to climate change, in particular, severe weather events. Death claims with acute climate-related causes of death will be tracked and reported.
- Annual calculation of scope 1 and 2 greenhouse gas (GHG) emissions profile in alignment with the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol Corporate Standard and Scope 2 Guidance (collectively, the GHG protocol).
- Consideration of material climate and ESG-related factors as appropriate in the Company's general account portfolio to identify future investment risks and opportunities that affect invested assets. The Company believes material ESG factors impact investment performance, and that proactively integrating ESG-related considerations enhances the ability to deliver significant, long-term value for policyowners while effectively managing risk in the general account portfolio. These initiatives include:
  - o Working to understand GHG Protocol-compliant calculation of financed emissions across investment portfolios; and
  - o Using best efforts to have at least 5% of general account investment portfolio assets meeting certain internally established socioeconomic, green, or impact objectives;
- Collaboration between the ESI and Sourcing & Procurement functions to develop supplier sustainability surveys, conducted at the beginning of new supplier relationships and annually by existing suppliers. To better gauge the environmental impact of the Company's value chain, primary climate-related questions will focus on GHG emissions

profiles and energy efficiency. Additionally, the Company's Enterprise Third Party Risk Management (TPRM) Program ensures that Northwestern Mutual as an enterprise is identifying, monitoring, and managing risks associated with third parties; and

- The offerings of ESG retail investment products by Northwestern Mutual Wealth Management Company (NMWMC), the Company's wealth management subsidiary, in response to and anticipation of growing client demand to invest their personal assets in a manner consistent with their environmental, social, and/or governance-related values.

#### *Holistic Resource Management Plan*

Campus and Event Experiences (CEE) has a dedicated sustainability leader, since 2023, focused on developing and overseeing the mission, execution, and effectiveness of a holistic operational sustainability program related to the Company's home office built environment, including strategies to address energy and water use and conservation; greenhouse gas emissions reduction; waste diversion and reduction; and building and facility design.

The CEE sustainability leader engages key stakeholders across CEE and the enterprise to improve operational sustainability, engage and educate employees on direct climate action they can take, and to develop a sustainability roadmap that considers internal and external factors, with key metrics to measure toward progress on driving efficiencies within our operational footprint. CEE has also worked to:

- Continuously evaluate environmentally sustainable ideas, designed to enable a holistic, return on equity (ROE)-based approach to decision-making and resource allocation;
- Upgrade and expand campus-wide energy management technology that aims to minimize environmental impact by assessing and closely monitoring the energy usage of infrastructure, incorporating environmentally sustainable business practices when building physical facilities, and strategically reducing campus emissions over time; and
- Modernize the Company's Milwaukee-based, 18-story North Office Building with sustainability in mind. The design and development of this project, launched in 2023, includes a focus on the reduction of embodied carbon through opportunities to reuse as much preexisting structure as possible, including cement content, materials, and finishes. An external sustainability consultant is assisting with carbon-smart design and guiding the project towards its LEED Gold and WELL Gold certification goals.

As part of the CEE sustainability journey, the Company has implemented various sustainability measures, including:

- *Green Building Certifications*
  - o Of its 3.27 million square feet of corporate office space across three campuses—more than 40% of that office space is LEED Gold certified (our Milwaukee Tower, Commons and Van Buren buildings). LEED buildings use, on average, 25% less energy than conventional buildings.
- *Air Quality Improvements*

- Ionization systems at the Milwaukee and Franklin campuses connected to all air handling units, resulting in cleaner indoor air and energy conservation;
  - Ultraviolet germicidal irradiation (UVGI) technology connected to air handling units (an established way to disinfect air) that serve the Milwaukee and Franklin Mutual Health Centers; and
  - Annual proactive third-party indoor air quality testing at the Milwaukee and Franklin campuses to ensure ASHRE air quality standards are being met and exceeded.
- *Energy Efficiency, Waste and Water Reduction*
- Implementation of energy-saving building systems (LED lighting, daylight controls, CFDs, high efficiency boilers, low-flow water fixtures, etc.) to improve energy efficiency and reduce energy usage when facilities are not in use;
  - Expanded use of virtual machines and servers work to reduce environmental impacts associated with physical units, and a software application serves to reduce physical camera device counts and associated electrical usage;
  - Encouraging employees to increase efficiency by identifying opportunities to digitize internal processes and client communication. Additionally, new technology was implemented across all three campuses (Milwaukee, Franklin, and New York), allowing our workforce to submit facility service requests “on the go” with their mobile devices. Requests and reports are used to help identify opportunities to save energy on heating and cooling, reduce the potential of water waste, and improve the overall employee experience;
  - Engaging employees in continually decreasing waste, coordinating recycling of paper, plastic, cardboard, metal, batteries, shoes, glasses, ink pens and more— with a specialized technology recycling program to address computers, monitors, printers, and other equipment. The Company has moved to centralized waste and recycling receptors, to encourage conscious consumption behaviors;
  - Elimination of bottled water from Milwaukee and Franklin cafeterias and break areas, promoting water stations for reusable cups and drink containers, discouraging use of plastics at meetings and events, and encouraging re-use and repurposing of attendee gifts and name badges;
  - Expansion of composting efforts across campus restaurants to maximize diversion of food waste from landfills in 2023 and 2024. By partnering with local food and composting providers, the Company diverted thousands of pounds of food waste from landfills in 2023. The cafeterias at our Milwaukee and Franklin campuses minimize food waste by planning and buying ingredients accurately, using “just in time” food production and composting organic materials; and
  - Replacing low flow faucet fixtures in the Milwaukee campus South Building.
- *Transportation and Commuting*

- Enabling use of electric vehicles by installing free electric charging stations in Company-owned parking structures suited to accommodate automobiles, motorcycles, E-bikes, and E-scooters; and
- Upgrading the Milwaukee campus experience for bicycle commuters through the addition of new bicycle parking stations and amenities such as a repair station, water bottle filling station, and easy access to the Company's showers and fitness facilities.

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

Northwestern Mutual recognizes the symbiotic relationship between risk management and company strategy and the importance of holistic risk awareness in making business decisions. The Company's enterprise risk management (ERM) framework is designed such that components of strategy provide definition to the Company's approach to risk, while at the same time ensuring that the execution of strategy must not violate the risk tolerances and other considerations articulated in the risk appetite. The evaluation of identified risks is linked to relevant outcomes in the Company's strategy map and is an input to the five-year Business Plan which serves as the basis for solvency assessments.

In managing the overall risk profile of the Company, adherence to quantitative risk capacity and financial tolerance is critical. These tolerances, however, are generally most directly applicable to investment, product, and operational risks that result in quantifiable financial impacts. The management of risk must reflect and recognize potential threats to all components of the company's strategy and appropriately consider both those risks that are more easily quantified along with the equally important strategic risks that while difficult to quantify, could impact the long-term vitality, financial strength, and marketplace relevance of Northwestern Mutual. Both the Corporate Strategy and Investment Strategy departments are represented on the cross-functional Climate Risk Stakeholders Group (CRSG) as contributors to the climate-related risk and opportunity identification, prioritization, and assessment processes, as well as receivers of the CRSG's risk identification, evaluation, and prioritization output in order to incorporate the Company's views on emerging trends and risks into the strategic planning process and better inform scenario analysis practices and operating budgets. As previously mentioned, scenario analyses were conducted on both underwriting and investment activities. These exercises will be further refined over time and as data and methodologies allow.

*Underwriting Activities Scenario Analysis*

As global temperatures increase, there is an expectation that more extreme environmental events, including heat waves, will eventually result in additional deaths within both the U.S. population and the Northwestern Mutual insured population. These incremental deaths will be somewhat offset by reductions in deaths from reduced exposure to extreme cold weather.

Northwestern Mutual does not have sufficient data to assess the impact of climate change on the mortality of its insured population. To provide a reasonable basis for analysis, we looked at external literature of the mortality implications of climate change. Even still, the available literature is limited. The Company's 2021 assessment of the impact of climate change on mortality and morbidity was supplemented with the 2017 paper "Projected Temperature-Related Deaths in Ten Large U.S. Metropolitan Areas Under Difference Climate Change Scenarios" by Kate R. Weinberger, et al., whereby the authors projected the additional annual expected

deaths in the combined general population of ten large U.S. metropolitan areas (fixed in size at their 1997 populations) that may result from climate change by 2050 and 2090 under moderate and high greenhouse gas scenarios. In the interim, literature has become available which includes scenarios with up-to-date data: Gasparrini, et. al., provided a salient analysis in their paper, "Projections of Temperature-Related Excess Mortality Under Climate Change Scenarios," which projected excess mortality for both cold and heat and the net change through 2099 under three climate change scenarios. While the projections are worldwide, the North American sections are key to Northwestern Mutual with a predominantly US-based insured population.

Given the significant uncertainty and time horizon for which climate change could affect population mortality as well as how future climate change and human mortality is impacted by future human behavior, we felt it was instructive to understand more deeply the most severe yet plausible climate scenario from a mortality perspective in order to appropriately scope the potential materiality of the risk. We chose to first focus on the high greenhouse gas scenario (RCP 8.5) rather than a two-degree scenario (RCP 2.6) to evaluate worst-case outcomes. We chose the higher carbon, and thus higher ambient temperature scenario, as our group's preference was to examine the worst-case scenario first. In this analysis we assumed that the more affluent insured population would have better-than-average access to protective measures as the global temperature increases. We also assumed that the extra deaths would not be spread uniformly across all ages, but rather be distributed mainly among the elderly, whose life insurance policies tend to be older and smaller. Such policies typically have low net amounts at risk (i.e., death benefit less reserves released upon death), which is a proxy for the financial impact to the company's operating gain before dividends and taxes.

At present, available data show that under these scenarios, excess mortality is unlikely to significantly impact the Company's overall mortality results and surplus testing over the short-term time horizon, especially relative to the pandemic testing that is conducted as part of the ORSA process. Hence, we can assume that the lower-carbon scenario represents a lesser threat. Over extremely long-term time horizons, the materiality of potential excess mortality will vary based on which path comes to fruition, although potential excess mortality projected to occur approximately 50 to 70 years from now under the most extreme RCP 8.5 scenario still would be manageable for Northwestern Mutual.

Finally, while the study cites an estimate for temperature-related deaths in the general population in 1997, Northwestern Mutual claim experience aggregated from 1990-2022 had minimal claim activity with acute environmental-related cause of death.

#### *Investment Risk Scenario Analysis*

Northwestern Mutual's Treasury, Risk, Investment Operations, Analytics and Data (TRIAD) department performed an analysis of the Company's investment exposure to climate risk. This analysis considered the size of investments in the sectors anticipated to be the most vulnerable to climate risk (energy, utilities, and transportation), real estate holdings in areas that could be impacted by sea-level rise, and aggregate portfolio vulnerability exposure as measured by climate change preparedness of foreign countries and domestic states and cities. This assessment showed the Company's portfolio to be well-diversified across asset classes and geographic concentration with significant guardrails against exposure concentration to reduce the impact of climate risk on any individual asset class, sector, or geographical location of the portfolio.

TRIAD also employs methodologies introduced by the International Association of Insurance Supervisors (IAIS) Global Insurance Market Report (GIMAR) to build scenario analysis and gain further insights into the general account portfolio's Public Investments holdings, utilizing climate scenarios as defined by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). These scenarios describe how insurers' public asset classes may be impacted by physical and/or transition risks caused by climate change. To gain another perspective and improve understanding of the extent to which the investment portfolio may be exposed to transition risks and how it compares to a market benchmark, TRIAD used the open-source Paris Agreement Capital Transition Assessment (PACTA) model. While limitations such as sector and exposure coverage exist, the model was a useful tool to assess the exposure to certain carbon intensive sectors relative to the benchmark. These climate risk scenarios, when applied to the Company's general account portfolio Public Investments holdings, indicate that potential incurred losses are manageable, within historical ranges, and estimated to be in-line with other North American insurers.

Additionally, for physical risk, we used ArcGIS mapping to analyze two decades of wildfires in trying to assess the potential consequence of increase of wildfire risk on our real estate holdings. After thorough examination, our analysis revealed a discernible pattern, that although certain notable fires in history transpired in proximity to significant economic hubs, their occurrence has predominately been on the outskirts of such areas. Consequently, their impact has been primarily felt by residential communities situated in remote areas, rather than commercial centers. Similar mapping was used to assess California and Pacific Northwest fault lines. While we hold considerable exposure in this region, the Company's owned real estate portfolio is well-diversified, and insured within standard insurance industry modeling for seismic risk losses. In addition to the use of ArcGIS mapping, we have conducted further analysis of the risk over various timeframes associated with flood, fire, and wind events by property in the Company's portfolio. This comprehensive assessment involved the quantification of potential risk associated with flood, fire, and wind events and the likelihood of damage over different time frames: one, fifteen and thirty years. Similar to above, the data revealed that our real estate portfolio is well-diversified, considering the various risk factors. Furthermore, the Company is managing the evaluation of new investments in regions that are more prone to climate-related risks thereby mitigating our exposure. The Company continues to explore different approaches, services, and assessment capabilities related to portfolio scenario analysis as well as to expand assessments to other owned asset classes.

### **3 – RISK MANAGEMENT**

---

#### **3A) Describe the organization's process for identifying and assessing climate-related risks.**

Consistent with the Company's strong risk management culture, existing risk management frameworks and processes have been updated to include climate factors.

Risk identification, evaluation, and mitigation occur at both an enterprise level and within each functional area, resulting in the Company's *Enterprise Risk Assessment* report which informs management decision making, risk management activities, and the annual audit plan. This report is a significant component of the Company's *Own Risk and Solvency Assessment (ORSA)* process.

While conducting the *Enterprise Risk Assessment*, the Enterprise Risk Management & Resiliency (ERMR) department seeks information about current and emerging risk themes that present the greatest concern to the Company and require oversight at the highest levels. The Corporate Strategy department and ERMR partner to perform a scan of external emerging risk information and conduct emerging trend and risk workshops with leaders from across the Company; this information contributes to development of risk themes. The Company maintains a comprehensive risk taxonomy, which assigns ownership of oversight risk categories across Board committees and corporate committees; climate risk, being a transversal risk, has been recognized as a risk type under multiple risk categories. An enterprise-level risk register is maintained and updated based on the results of these ongoing risk identification efforts.

Significant sources of risk information for the assessment include:

- Cross-functional Corporate Committees tasked with risk identification and evaluation of their assigned categories;
- Discussion with a wide variety of focus groups composed of Company leadership and subject matter experts throughout the organization, including both departmental leadership teams and cross-functional teams addressing specific risk categories;
- Formalized risk identification and assessment processes developed by certain subsidiaries and departments;
- Corporate Strategy-facilitated forums that bring together representatives from formal and ad hoc groups throughout the organization to discuss emerging risks and trends with a cross-functional, enterprise viewpoint;
- Participation in various external groups such as the North American Chief Risk Officer Council and other sources of external expertise;
- Climate Risk Stakeholder Group (CRSG), which is a cross-functional group of subject-matter experts tasked with performing physical and transition climate risk and opportunity identification and analysis, determining integration points for climate-related considerations into respective operations, strategic planning, and reporting, and identifying emerging climate risk practices, guidance, and standards and evaluating how they may impact the Company.

As previously mentioned, the Company views climate change as a transversal risk that cuts across multiple risk themes, time horizons, scales, and scopes. Because climate is not viewed in isolation, the primary responsibility for identification of climate-related risks and opportunities falls to the cross-functional CRSG.

ERMR maintains an enterprise risk prioritization framework which is adapted by business units across the enterprise to increase consistency and objectivity in evaluating risks. This framework provides a disciplined and objective approach to elevate and rate risks consistent with the ranking of enterprise-level risks and audit issues, while allowing for inclusion of qualitative factors and professional judgement. The CRSG applies an adapted version of the enterprise prioritization framework, modifying it slightly to consider the unique characteristics of climate risk, adding dimensions such as speed of onset and vulnerability. As part of the *Enterprise Risk Assessment*, ERMR performs an evaluation of enterprise risks to make an initial determination of those residual risks that are most meaningful at the enterprise level, considering size of



impact, likelihood, timeframe, environmental factors, and risk-mitigating controls. Focus is then given to those risks that have the potential to adversely impact the successful execution of the Company's strategy or those that pose the greatest impacts from a customer harm, employee or field harm, or third-party action perspective, or that pose the greatest threats to surplus or income, or to result in operational loss. These initial determinations are then validated through meetings with the appropriate Corporate Committees and members of senior leadership, the Enterprise Risk Executive Committee (EREC), and the Senior Leadership Team (SLT), to ensure that knowledge and insights from across the organization are appropriately incorporated into the *Enterprise Risk Assessment*.

An example of risk identification and assessment is the Concentration of Risk report, which is an annual assessment of the Company's geographic concentration of insurance exposures and concentration of investments across all portfolios. This process was designed to ensure adequate levels of diversification; the output can be used to highlight areas of high concentration risks for use in real estate investment decision-making and evaluating catastrophic mortality risk relative to financial tolerances. Concentration may either take the form of a high-level exposure to individual companies or as a high level of geographic exposure to individual countries, metropolitan areas, or regions. Geographic concentration is measured by country and within broad metropolitan statistical areas (MSAs) and submarkets within these broad MSAs. Limits are determined based on pre-determined parameters of potential loss within these regions, focusing specifically on the United States Geological Survey's (USGS) catalog of hundreds of potential scenarios involving earthquakes and tsunamis.

Within the general account portfolio, investment teams regularly engage with counterparties, to the extent possible, to extract information that improves the ability to assess material risks to the investee. Teams rely on primary research, credit rating agency publications, and third-party research to inform assessments of various forms of risk. At the portfolio level, the Treasury, Risk, Investment Operations, Analytics and Data (TRIAD) department performs analyses that consider the size of investments in the sectors anticipated to be the most vulnerable to climate risk, real estate holdings in areas that could be most impacted by sea-level risk and has analyzed the Company's investment exposure to climate risk. These analyses consider the size of investments in the sectors anticipated to be the most vulnerable to climate risk (energy, utilities, and transportation), real estate holdings in areas that could be impacted by sea-level rise, and aggregate portfolio vulnerability exposure as measured by climate change preparedness of foreign countries and domestic states and cities. TRIAD also employs methodologies introduced by the International Association of Insurance Supervisors (IAIS) Global Insurance Market Report (GIMAR) to build scenario analysis and gain further insights into the general account portfolio's Public Investments holdings performance, utilizing climate scenarios as defined by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). These scenarios describe how insurers' public asset classes may be impacted by physical and/or transition risks caused by climate change. To gain another perspective and improve understanding of the extent to which the investment portfolio may be exposed to transition risks and how it compares to a market benchmark, TRIAD used the open-source Paris Agreement Capital Transition Assessment (PACTA) model.

The Company continues to review and enhance its climate risk assessment processes to enable better understanding of climate risk exposure and scenario analysis practices across invested asset classes and for broader operations.

### **3B) Describe the organization's process for managing climate-related risks.**

Climate-related risk is considered and managed within the Company's well-established enterprise risk management framework and processes. In managing the overall risk profile of the company, adherence to quantitative risk capacity and financial tolerances is critical; these tolerances are generally most directly applicable to investment, product, and operational risks that result in quantifiable financial impacts. The management of risk must also reflect and recognize potential threats to all components of the company's strategy and appropriately consider both those risks that are more easily quantified along with the equally important strategic risks that while difficult to quantify, could impact the long-term vitality, financial strength, and marketplace relevance of Northwestern Mutual. The Company's management of climate-related risks reflects these considerations while maintaining the Company's core long-term investment principles to protect the Company's long-term financial strength and assure its ability to deliver on the promises made to policyholders.

#### *Risk Management – Three Lines*

Northwestern Mutual employs a risk management philosophy consistent with the "three lines" model. Accordingly, the responsibility for day-to-day management of risks, including response and monitoring, resides within the various business areas. Oversight of these efforts for significant risks is provided by the appropriate Corporate Committee.

The first line is composed of the business areas; the Company strongly believes in a decentralized risk management model that leverages the in-depth knowledge of the individuals running the business. Business units must own and manage the risks inherent in their conduct of business. As such, the management of these units is responsible for maintaining effective internal controls and executing risk and control procedures on a day-to-day basis consistent with applicable defined risk appetite, tolerances, and/or limits, as well as implementation of risk management processes and procedures consistent with the enterprise-level risk management framework.

The Company's Enterprise Risk Management & Resiliency (ERMR) department serves as the central component of the second line for overall risk management. This department reports to the Chief Risk Officer (CRO). The primary roles of the ERMR department are to establish appropriate risk management practices and procedures across the Company, to provide effective challenge as to the adequacy of first line efforts to execute on the risk management framework, and to aggregate and evaluate risks at an enterprise level. In addition to the ERMR group, other groups perform second line duties for specific risk categories or business units. The Climate Risk Stakeholder Group (CRSG) supports ERMR in the coordination of assessments and response to climate-related risks and opportunities across the enterprise, facilitating incorporation of climate risk in the Company's ERM framework and risk assessment processes.

A key component of the ERM framework at Northwestern Mutual is the identification, evaluation, mitigation, and communication of the Company's most significant current and emerging risk themes. The Enterprise Risk Assessment, as described, is the output of this process used to inform management decision-making, risk management activities, and the annual audit plan. It is a significant component of the *Own Risk and Solvency Assessment (ORSA)* process.

The third line is represented by Corporate Audit, an independent internal audit function providing assurance services that include the design and execution of risk management practices and procedures, including those associated with climate risk and ESG. The

Company's internal Corporate Audit department has established a three-year cadence for formally assessing elements of the Company's ESG-related practices.

### *Risk Appetite*

The Company's vision of freeing Americans from financial anxiety guides the types of risks the Company is willing to accept. Northwestern Mutual's Risk Appetite Framework articulates the aggregate level and types of risk willing to be accepted or avoided to achieve business objectives. Key components of this framework include, but are not limited to:

- Risk philosophy, including how the Company's risk appetite is informed by and informs the Company's vision and strategy;
- Quantitative risk capacity and financial tolerances, and risk limits developed to operationalize the overall risk appetite; and
- Qualitative risk considerations including reputation and trust, compliance and ethics, financial strength ratings, and the regulatory environment, and influence factors that can impact the Company's resilience to risk events.

The Risk Appetite Framework is established by the Enterprise Risk Executive Committee (EREC) and subject to approval by the Senior Leadership Team (SLT) and the Audit & Risk Committee of the Board of Trustees. Review and approval occur at least annually.

### *Risk Response & Monitoring*

Risk response and monitoring are accomplished through a combination of functional areas and the Corporate Committee structure. To aid in decision making and monitoring regarding risks, risk tolerances and guidelines have been developed, and a variety of investment, product, and operational limits have been established. Also, risk monitors have been established for certain risks to anticipate instances where a risk may go beyond an established limit.

Given observations of a steady increase in atmospheric carbon dioxide concentrations over recent years, the Company has conducted analysis on the potential impact of climate-related risks from these trends on mortality and morbidity. The Infectious Disease and Environmental Risk (IDERT's) Climate Change sub-group continues to conclude that there is not substantial evidence to support any significant short-term risk of worsening life, disability income, or long-term care experience for the Company because of climate change. Yet, various scenarios do exist for the pace at which climate change could advance, and its potential impact on mortality and morbidity for the medium- to long-term timelines is less certain. Thus, the impact of climate risk to mortality and morbidity will continue to be evaluated as circumstances dictate. Also, the Company assesses the potential impact of climate change on mortality and morbidity within a group of insured lives, focusing on the review of life insurance claims classified in the "environmental" category, review of literature and analysis to gauge how changes in ambient temperature could impact mortality.

Furthermore, the Company's investment strategy and risk management processes address climate-related transition and physical risks, as well as other risks, and analyze portfolio-wide investment exposure to climate-related risk by conducting various analyses on potential physical and transition risks that may arise. Given its investment time horizons, the Company's attention to climate risk, and the active management of its investment portfolio, the Company can

prudently adjust its portfolio as appropriate. The Company anticipates that as climate risk-related systems and data capabilities advance, this will enable the Company to build out enhanced reporting for products, operations, and investments.

**3C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.**

Northwestern Mutual has updated its existing enterprise risk management (ERM) framework and processes to include climate factors.

As previously mentioned, the Company has taken steps to formalize its approach to climate risk management by refining and expanding the charter of its Climate Risk Stakeholder Group (CRSG) which is overseen by the Enterprise Risk Executive Committee (EREC). The CRSG, led by the Enterprise Sustainability & Impact (ESI) department and utilizing its cross-functional subject-matter experts spanning the Enterprise Risk, Law, Corporate Strategy, Investment Risk, Managed Investments, Finance, Campus and Event Experiences, Strategic Communications, Government Relations, Retail Investments, Sourcing & Procurement, Medical, and Actuarial departments, has taken on the following accountabilities to coordinate climate risk and opportunity assessments across the enterprise:

1. Perform climate-related risk and opportunity identification across functions, describing physical and transition risks and opportunities across varying time horizons;
2. Assist in determining integration points for climate-related considerations into respective operations, strategic planning, and reporting;
3. Identify existing data sources for climate-related disclosures, provide context around existing controls, and identify gaps;
4. Assist in defining climate-related use cases for data and technology across the enterprise;
5. Provide insights and input into anticipation and shaping of regulatory and other external expectations.

Additionally, the following groups contribute to the Company's assessment of climate-related risks across the enterprise:

- The *Enterprise Sustainability & Impact (ESI)* department sets ESG-related strategy and is responsible for implementation of ESG-related initiatives across the enterprise, including goal setting, stakeholder engagement, KPI collection, monitoring, disclosure, and process improvement, and internal and external reporting. The ESI function oversees the CRSG and is tasked with climate risk and opportunity education of key constituents across the enterprise. This group is led by the Company's Chief Sustainability & Impact Officer who reports to the Chief Legal Officer;
- The *ESI Leadership Council* is a cross-functional group of senior leaders led by the ESI department and sponsored by the Company's Chief Legal Officer. The ESI Leadership

Council approves ESG-related strategy, goals, and direction, and guides external ESG-related communications and commitments;

- The *Infectious Disease and Environmental Risk Team (IDERT)* Climate Change subgroup – cross-functional group of subject-matter experts assessing potential climate change impacts on insured mortality and morbidity;
- *Treasury, Risk, Investment Operations, Analytics and Data (TRIAD)* analyzes investment exposure to climate risk and other invested asset risks. TRIAD, whose leadership reports to the CRO, advises the Company's Investment Committee in its oversight of invested asset risk;
- The *Campus and Event Experiences* department manages sustainability-related initiatives for the Company's built environment, and partners with ESI to deliver GHG Protocol-compliant calculation of scope 1 and 2 emissions;
- *Enterprise Business Continuity Management (EBCM)* identifies environmental and other threats to the operational capabilities of the Company and oversees the business continuity planning that informs the Company's response to such threats. The cross-functional Crisis Management Team (CMT) is in place to monitor and respond to crises that could impact our people, space, technology, or operations; and
- Departmental ESI focus groups analyze climate-risk considerations and regulatory requirements specific to their business function and escalate issues having broader enterprise impact to their respective representatives on the cross-functional teams.

Northwestern Mutual determines materiality of climate-related issues consistent with how materiality of other information included in financial and regulatory filings is determined. Identified climate-related risks are subject to the Company's risk prioritization framework, a tool that enables evaluation and ranking of risks consistent with the ranking of enterprise-level risks and audit issues. This framework has been modified to account for the unique characteristics of climate risk, in particular different effects based on geography and activities, longer time horizons and long-lived effects, changing magnitude and non-linear dynamics, and novel and uncertain nature. As previously mentioned, the Company views physical and transition risk as transversal, assessing how these risks may impact pre-existing categories within the risk taxonomy. These risks are managed within the boundaries of the Company's ERM framework.

Additionally, the Company engages key constituencies on sustainability and environmental preservation, including encouraging employees to reduce their personal carbon footprint in several ways, directly and by serving as an example, as described in section 2B. The company continues to seek appropriate and meaningful opportunities to engage in constructive discussions on these topics both internally and externally.

## **4 – METRICS & TARGETS**

---

**4A) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**

Strategic efforts to minimize impact on the environment align closely with the Company's ongoing efforts to promote the efficient use of resources. Accordingly, the Company will continue to seek appropriate opportunities throughout the organization to lessen its impact upon the environment. Further development of climate risk-related systems, data and methodologies will enable the Company to enhance climate-related reporting metrics for products, operations, and investments, such as tracking the effects that a changing climate have on mortality and morbidity, on resiliency, and on investment portfolio transition and physical risk.

#### *Home Office Operations*

As a financial services company, Northwestern Mutual is not a significant source of direct emissions. Still, the Company has enhanced and expanded a campus-wide energy management platform that aims to minimize environmental impact by assessing and closely monitoring the energy usage of infrastructure, incorporating environmentally sustainable business practices when building physical facilities and strategically reducing campus emissions over time.

As part of these efforts, the Company has engaged consulting and engineering firms to assist with documentation of scope 1 and 2 GHG emissions and energy usage intensity of Home Office operations. A baseline scope 1 and 2 GHG emissions carbon footprint for the year ended December 31, 2022, was established in alignment with the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol Corporate Standard and Scope 2 Guidance (collectively, the GHG protocol). GHG emissions are consolidated under the operational control approach, which includes leased assets.

Also, the Campus and Event Experiences team closely monitors water usage and waste management metrics and seeks opportunities to best utilize the land on which Home Office facilities are built upon, to the community's benefit.

In 2017, the Company completed construction of the Northwestern Mutual Tower and Commons at its downtown Milwaukee campus which incorporates numerous sustainability features including a 4+ acre public green space park, extensive use of natural lighting and lighting sensors, and a 36,000 square foot green roof, designed to prevent more than 500,000 gallons of storm water run-off annually from being diverted into sanitary-storm sewers.

LEED-NC v3 Gold Certification was awarded to the Tower and Commons in August 2018. In 2023 the Company announced the transformative redevelopment of its 18-story North Office Building, also at the Milwaukee downtown campus. The design and development of this project includes focus on the reduction of embodied carbon through opportunities to reuse as much preexisting structure as possible, including cement content, materials, and finishes. An external sustainability consultant is assisting with carbon-smart design and guiding the project towards LEED and WELL Gold certification goals.

The Campus and Event Experiences department now has a sustainability leader dedicated to developing and overseeing the mission, execution, and effectiveness of a holistic operational sustainability program, including strategies to address energy use, conservation, reduction of pollution and waste, and building and facility design. A roadmap is being developed that will consider internal and external factors, with key metrics to measure forward progress on driving efficiencies within our operational footprint.

#### *Mortality & Morbidity*

Metrics are tracked to highlight and monitor areas of high policyholder concentration risk that could result in catastrophic mortality events which exceed established financial risk tolerances. Specifically, the Company looks at life insurance concentration of risk by region, state, and metropolitan statistical area (MSA), and zip code, measuring the total number of lives insured, the net amount at risk in absolute dollar terms, the net amount at risk as a percentage of the Company's total net amount at risk, and the longer-term growth rate of the net amount at risk. Similar metrics are tracked for the Disability Income products issued by the Company.

In 2023 the Company introduced a suite of internal and external leading indicators that may signify a worsening of climate change and its impact on mortality or morbidity, including:

1. Trends in carbon emissions ambient temperatures to gauge which climate pathway scenario is materializing;
2. Excess death projections within each possible future climate pathway scenario;
3. Trends in US air quality collected at outdoor monitors across the United States;
4. Trends in cardiopulmonary death claims, given that cardiovascular deaths occur disproportionately more often with excessive heat, and pulmonary deaths more often with airborne pollutants; and
5. Incorporation of environmental-related cause of death to broader internal cause of death dashboards.

#### *Invested Assets*

Northwestern Mutual Investment Management Company (NMIMC), the Company's primary asset manager for its \$300 billion general account portfolio, has begun integrating climate and ESG-related metrics into its proprietary investment research tools. Within the Public Investments department, the Investment Grade Corporates team tracks the absolute scope 1 emissions profile and ESG ratings of companies within analysts' coverage universe and seek to develop a broader ESG dashboard to compare entities' progress over time and absolute position and progress relative to peers and across sectors. As previously mentioned, the Company continues to explore different approaches, services, and assessment capabilities related to portfolio scenario analysis.

The Company tracks investments in the general account portfolio that are supportive of or sensitive to the environment. Qualifying investments include:

- Public and private corporate and sovereign green, social, sustainable and sustainability linked- bonds and loans;
- Renewable energy projects including alternative energy investments;
- Projects qualifying for Commercial Property Assessed Clean Energy (C-PACE) financing;
- Real estate investments that meet specific nationally recognized sustainable building and occupant wellness (sometimes referred to as "green building") standards, such as Leadership in Energy and Environmental Design USGBC, Energy Star DOE, Green

Globes Building Certification GBI, EarthCraft, National Green Building Standard NAHB, Florida Green Homes, CalGreen, BREEM, Living Building Challenge, and WELL Building Standard IWBI;

- Projects that invest in cleaning up State and Federal environmentally contaminated sites, such as Brownfield programs, CERCLA Superfund designations and Land revitalization projects.

#### **4B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.**

The Company engaged consulting and engineering firms to help document scope 1 and 2 GHG emissions and energy usage intensity of Home Office operations. A baseline scope 1 and 2 GHG emissions carbon footprint for the year ended December 31, 2022, was established in alignment with the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBSCD) Greenhouse Gas Protocol Corporate Standard and Scope 2 Guidance (collectively, the GHG protocol). GHG emissions are consolidated under the operational control approach, which includes leased assets. This same approach was used to calculate scope 1 and 2 GHG emissions for the year ended December 31, 2023:

<b>GHG Emissions Profile, year-ending 12/31/2023</b>	<b>Metric tons, carbon equivalent (MT CO<sub>2</sub>e)</b>
Scope 1	6,025
Scope 2 (location-based)	29,731
<b>TOTAL Scope 1 and 2 (location-based)</b>	<b>35,756</b>

These third parties also worked with the Company's Facilities Construction & Operations team to assess future pathways for improved building efficiency, which will be influenced by design outcomes of the North Office Building construction project which are being finalized as of this report's publication.

#### **4C) Describe the targets used by the organization to manage climate-related risks and opportunities against performance targets.**

Northwestern Mutual aims to use its best efforts to have at least 5% of its general account investment portfolio assets be investments meeting certain internally established socioeconomic, green, or impact objectives. As of December 31, 2023, the Company is meeting this goal.

Investments which are considered that are supportive of or sensitive to the environment, or "green" include the following:

- Public and private corporate and sovereign green, social, sustainable and sustainability linked- bonds and loans;
- Renewable energy projects, including alternative energy investments;



- Projects qualifying for Commercial Property Assessed Clean Energy (C-PACE) financing;
- Real estate investments that meet specific nationally recognized sustainable building and occupant wellness (sometimes referred to as “green building”) standards, such as Leadership in Energy and Environmental Design USGBC, Energy Star DOE, Green Globes Building Certification GBI, EarthCraft, National Green Building Standard NAHB, Florida Green Homes, CalGreen, BREEM, Living Building Challenge, and WELL Building Standard IWBI; and
- Projects that invest in cleaning up State and Federal environmentally contaminated sites, such as Brownfield programs, CERCLA Superfund designations and Land revitalization projects.