

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.

RESPONSE: Highmark released its first formal Environmental, Social, and Governance (ESG) report in June 2023 (formally titled the Highmark Health 2022 Enterprise Impact Report). The report not only includes the enterprise's response to climate change, but also contains formalized metrics associated with material environmental, social, and governance categories. As part of this effort, the enterprise continues to develop formally defined publicly stated goals.

- 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.

RESPONSE: Climate-related disclosure will be handled at the Highmark Health level. A number of enterprise stakeholders have been identified that play a critical role in climate-risk management, identification, monitoring, and response activities, with consideration for applicability at both a managed care and healthcare delivery entity, respectively.

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 climate-related financial risks.

RESPONSE: The charter for the Highmark Health's Board-level Risk Committee includes an explanation of its responsibilities specific to ESG risk oversight, including climate-related risks. The Risk Committee meets four (4) times throughout the year and is provided with ongoing ESG updates (minimally) on a semi-annual basis or ad-hoc in the event that any issues or relevant topics arise. The Risk Committee resides at Highmark Health but would receive relevant updates specific to all Business Units (BUs) ... and then subsequently any BU-specific topics would be presented at each individual BU audit committee meeting throughout the year. This includes relevant climate-related and/or ESG-related updates.

As described in response to Question 1.B. below, the Investment Management Team has incorporated ESG risk into their investment due diligence and decisioning process. The team presents all investment recommendations to the Investment Committee for consideration and approval.

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

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RESPONSE: The Highmark Health Enterprise Risk Management Framework guides the process by which enterprise risks are identified, analyzed, and monitored. The ERM framework includes consideration of environmental risk (and opportunity) across all operating units of the enterprise. In 2021, Highmark Health formed an Environmental, Social, and Governance (ESG) Implementation Focus Group to address the growing concerns surrounding ESG topics worldwide and the impacts, both short and long-term, on Highmark Health, its affiliates, subsidiaries, business partners, third-party vendors, members, and investments. The workgroup consists of senior leaders and subject matter experts from Corporate Affairs, Enterprise Risk & Governance, and Finance. In addition, an executive leadership steering committee was established with oversight from the Highmark Health Chief Risk, Audit & Compliance Officer; Chief Financial Officer; and Chief Corporate Affairs Officer. This workgroup was charged with assessing the Enterprise for ESG reporting readiness and materiality which helped in the development of the Highmark Health 2022 Enterprise Impact Report, which is rooted in the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) reporting frameworks.

Highmark Health formally hired and onboarded a dedicated senior leader, Director, ESG & Sustainability, who has accountability for the identification, analysis, and management of ESG, including climate-related risks and opportunities. This leader reports to the Vice President, Risk Strategy under the Chief Risk, Audit and Compliance Officer, within the Enterprise Risk & Governance division.

Highmark Health's ESG approach is evident in its approach to investing. Good governance, sustainability, ethical and compliant business practices - all are considered in investment decisions.

- Over 80% of the Highmark portfolio's externally managed market value is aligned with managers that are United Nations Principles for Responsible Investment (UN PRI) Signatories. Alignment with our approach is evidenced in a number of ways, including;
 - screening tobacco and e-cigarette companies out of portfolios
 - participating at issuance in certain social bonds supporting the healthcare industry
 - purchasing bonds that were dedicated to the creation of affordable housing in New York
 - partnering with other local institutions to help finance community development projects in our business regions, clean local brownfield sites and enhance employment opportunities
 - questioning the level of minority board participation on boards of companies held by private equity funds
 - considering investments in renewable energy funds
 - recently partnering with a minority-owned investment bank to issue bonds.

Governance – closed ended questions:

- Does the insurer have publicly stated goals on climate-related risks and opportunities? **N**
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate—related financial risk? **Y**
- Does management have a role in assessing climate-related risks and opportunities? **Y**
- Does management have a role in managing climate-related risks and opportunities? **Y**

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.

RESPONSE: Key constituents include employees, group and individual policyholders, certificate holders, and the greater communities in which Highmark Health does business. These stakeholders are engaged on the topic of climate change by offering resources about how to effectively reduce consumption and waste, lessen one's environmental footprint, as well as environmental health topics. Previous topics include energy audits and conservation tips, recycling, air quality, multi-modal transportation, and local foods. Highmark Health is also a Founding Partner in the Pittsburgh and Erie 2030 Districts committed to the reduction goals for energy, water, emissions, and improvements in air quality. As a Partner, the Enterprise presents energy and water conservation projects to businesses and community constituents.

Highmark Health also maintains the myEarth employee network which offers green living resources. The network includes an internal site where employees can ask questions, post resources, and have discussions on environmental/climate change topics. The network also includes presentations led by employees featuring subject matter experts on various environmental-related topics.

- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

RESPONSE: Highmark Health measures Greenhouse Gas (GHG) Emissions Scope 1 and 2, and energy and water usage across major facilities, through the Environmental Protection Agency's (EPA) ENERGY STAR Portfolio Manager. We also track Scope 3 emissions related to business travel. This scope includes the parent company and HMIG headquarters

offices in Pittsburgh and corporate data center near Hershey, PA. We perform energy audits of these facilities to identify projects that will conserve energy and help meet our energy management strategy goals. We have set goals of 50% emissions, energy and water reduction by 2030. 2022 performance results for emissions and energy show a 48% emissions reduction and 45% energy use reduction for Highmark Health's corporate headquarters in Pittsburgh. Additionally, this building achieved ENERGY STAR certification annually 2016 – 2020 – pre-COVID. Because ENERGY STAR certified buildings are verified to use 35% less energy, on average, than similar buildings, they can also be verified to contribute 35% fewer greenhouse gas emissions to our atmosphere. Post-covid we maintain ENERGY STAR certification for Highmark Health's data center.

In May 2021, we achieved the WELL Health-Safety Rating for 2.4 million square feet of office space and our data center and renew this rating annually in August. The WHSR is an evidence-based, third-party verified rating for all new and existing building and facility types focusing on operational policies, maintenance protocols, stakeholder engagement and emergency plans. Within our offices, we have garnered most of the low-hanging efficiencies by upgrading to LED lighting, adding controls and upgrading HVAC systems. During COVID, maintaining a healthy workspace has been our biggest priority.

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 1-5years as short term, 5-10years as medium term, and 10-30years as long term.

RESPONSE: Impact Term Definition: As related to financial solvency only, Highmark Health defines short term as one to three (1-3) years based on our Own Risk and Solvency Assessment (ORSA) summary report. Therefore, medium term is defined as four to ten (4-10) years and long term as eleven to more than thirty (11-30+) years. Our Climate Risk Assessment will look at short-term impacts as the next twelve months.

Climate-Risk and Opportunity Identification: Highmark Health continues to utilize information provided by various government and private resources to identify climate change related risks and impacts in the regions where we operate. These resources have indicated that immediate impacts could include increased average annual precipitation concentrated in the winter rather than summer months, extreme and extended heat resulting in increased wildfire activity and extreme weather events. Highmark Health has a multi-faceted business resiliency approach to ensure its ability to maintain services in the event of any business disruption. The goal is to provide for the continuation of time sensitive, mission critical business functions in the event of a disruption while continuing to meet regulatory requirements. This includes having business continuity plans that are formally documented, tested, and available in the event of an unexpected situation.

The Highmark Health Actuarial Department identifies medical trends and recommends actions to get ahead of, and react to, these trends, as described at **Question 3.C**. This is important, as the longer summers have brought with them an increase in health risks. Warmer temperatures increase pollen production and ground ozone formation, which exacerbates asthma, allergies, and other respiratory conditions. Also, the change in climate favors the survival of insects and disease carriers, such as mosquitoes and ticks that may increase West Nile virus and Lyme disease diagnoses.

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

RESPONSE: Highmark Health has not identified significant climate-related risks or scenarios that would materially impact our financial solvency or our business, strategic, and financial planning decisions in the next 12 months, however we continue to track environmental trends and their impacts, likelihood on our organization and communities we serve in developing a formal assessment. A more formal Climate Risk Assessment will be performed under the direction of the Director - ESG and Sustainability. The Risk Assessment will review potential impacts on physical assets, disruption of operations, and impact of customers/patients and related changes in utilization. Results will be shared through the NAIC Climate Survey as they are available.

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.

RESPONSE: This would not be in alignment with our responsibility as a health insurer and would be most applicable to commercial insurers ability to offer risk financing tools for new technologies and business models to reduce carbon emissions. We look for ways to reduce the emissions of our operations and support our company's transition to a low carbon economy and adaptation to climate-related risk.

- Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

RESPONSE: Highmark Health, the parent company of HM Health Insurance Company, HM Life Insurance Company, Highmark Casualty and United Concordia Insurance Company, is non-profit, private institution with investment policy restrictions regulated by the NAIC and the Commonwealth of Pennsylvania. Our corporate investment strategy is focused, providing liquidity and safety for the benefit of our policy holders. The treasury department constantly evaluates investment opportunities and weighs the benefits of each strategy, but each strategy must clearly enhance the liquidity and capital adequacy of the organization. As an entity with a core value of enhancing the health of our customers, our policies do contain restrictions regarding investments in companies with products clearly and indisputably harmful to health (i.e., tobacco companies). While we participate in environmentally friendly business practices, regulatory and business practices limit our investment resources and require our focus to this core value. We evaluate environmentally responsible investments when they supplement our health and wellness objectives.

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

RESPONSE: Highmark Health utilizes an economic capital model to determine capital sufficiency under normal and stressed scenarios as well as solvency under a 1:200-year stress scenario. As Highmark Health has not identified significant climate-related risks or opportunities that would materially alter or impact the insurer's business, strategic, or financial plans in the short-term, there is confidence that the Enterprise's capital buffer is sufficient to handle the impact of an unforeseen climate-related event over the three-year period. We continue to track environmental trends and their impacts, likelihood on our organization and communities we serve in developing a formal assessment, which will look at short-term impacts over the next twelve months.

Discussion of the economic capital model, the results of stress-testing, climate risk considerations, and available vs required economic capital (capital buffer) is available within the ORSA Summary Report filed with Highmark Health's lead state of Pennsylvania.

Risk Strategy – closed ended questions:

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? **Y**
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? **N**
- Does the insurer make investments to support the transition to a low carbon economy? **Y**
- Does the insurer have a plan to assess, reduce or mitigate is greenhouse gas emissions in its operations or organizations? **Y**

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.

Commented [BH1]: Phyllis to discuss with Brian B.

Commented [STL(H2R1): @Barber, Phyllis (Highmark Health) are we all set with this one?

Commented [BBP(H3R1): @Smith, Tracy L (Highmark Health) - We'll be all good, but Phyllis and I caught up this afternoon and she's going to make a few minor tweaks based on our conversation then we'll be set.

Commented [BH4R1]: @Smith, Tracy L (Highmark Health) @Behan, Brian P (Highmark Health) I added language in yellow highlights here and first paragraph in section B (p.4) and section A (bottom of p. 3). Does this make sense to distinguish ORSA financial solvency from looking at all potential climate risk impacts?

RESPONSE: Underwriting exposure to physical, transition, and liability risk in relation to climate-change is applicable to the property and casualty insurance sector.

- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.

RESPONSE: This question is not applicable to health insurance providers.

- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.

RESPONSE: Refer to Question 1. B. for information related to investment practices.

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.

RESPONSE: Highmark Health will continue to expand upon the Climate Risk Assessment under the direction of the Director - ESG & Sustainability. Financial implications will be considered for inclusion in that assessment.

B. Describe the insurer's processes for managing climate-related risks.

RESPONSE: Highmark Health follows the philosophy that risks are best managed at their source, therefore the ESG Implementation Workgroup is made up of constituents from across the Enterprise, including individuals from Corporate Real Estate, Finance, Treasury, Enterprise Risk & Governance, Community Affairs, Human Resources (including DE&I) and Social Determinants of Health (SDOH). Climate risk response discussions currently occur with this group of leaders. The Director - ESG & Sustainability will develop methods for identifying climate risks and work with the risk owners to document and monitor their risk response plans. Updates and discussions surrounding the risks identified will occur at the ESG Implementation Workgroup with significant risks reported to the Board-level Risk Committee.

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.

RESPONSE: The Highmark Health Risk Strategy team, within the Enterprise Risk and Governance division, consists of Risk Initiatives (risk partners for large scale strategic projects/initiatives), Enterprise Risk Strategy (traditional enterprise risk management activities), and ESG & Sustainability. The Risk Strategy team authored and follows the Enterprise Risk Management Framework for risk identification, analysis, and monitoring. They also maintain an Enterprise Risk Inventory (ERI) where enterprise risks are centrally documented. If any climate risks identified present material impact to Highmark Health's strategic objectives, they will be documented on the ERI with key risks reported to the Board-level Risk Committee.

- 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.

RESPONSE: The actuaries begin with a thorough understanding of the benefit designs of the products being priced and the data systems. Past experience is used to project future experience by accounting for all relevant items and making adjustments for components that may be different in the future. Some of the considerations and responsibilities include the following:

- Adjusting for elements that affect expected future results which may include changes in the following items: selection of risks and demographic characteristics, policy provisions, business operations, premium and benefit levels, utilization and cost of services, administrative procedures, and the health care delivery system.
- Creating the specifications for the base data pulls and overseeing the execution of the data pulls.
- Performing the analysis of claim trends and the projection of future claim trends.
- Assessing the impact of premium stabilization programs such as risk adjustment and reinsurance as well as the impact of cost sharing reductions (CSR).
- Working with the cost accounting and financial reporting areas to understand what administrative expense loads are appropriate for future rates.
- Providing technical support of, and participate in, the financial forecasting process for products and segments of business.

Although specific climate change scenarios are not utilized, the health impacts from climate change would be considered in this process, if significant.

- 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.

RESPONSE: Highmark Health's investment portfolio is included in the economic capital modeling discussed in Question 2C

Risk Management – closed ended questions:

- Does the insurer have a process for identifying climate-related risks? **Y**
If yes, are climate related risks addressed through the insurer's general enterprise-risk management process?
- Does the insurer have a process for assessing climate-related risks? **Y**
If yes, does the process include an assessment of financial implications? **N**
- Does the insurer have a process for managing climate-related risks? **Y**
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? **N**
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? **N**
- Has the insurer considered the impact of climate-related risks on its investment portfolio? **N**
- Has the insurer utilized climate-related scenarios to analyze their underwriting risk? **N**
- Has the insurer utilized climate-related scenarios to analyze their investment risk? **N**

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.

RESPONSE: Highmark Health maintains an Enterprise Risk Management Framework designed to identify significant risk to the Enterprise and its subsidiaries, to date, the ER&G Risk Strategy team has not identified any climate related risks that would have significant, material financial impact in the next twelve months. The company will continue to source potential climate-related risks as part of its overall Risk Management program as outlined previously.

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

RESPONSE: As Highmark Health has not yet identified any material current or foreseeable risks related to climate change in the next twelve months, the company has not begun to assess, monitor, and report quantitative metrics. However, the cross functional ESG Implementation Workgroup outlined at the response to Question 1.B. is charged with developing a strategy for ESG reporting and investment strategy which will include climate change risk evaluation. As part of ESG reporting, the following environmental metrics are tracked and will be reported: Energy Use Intensity, Energy Consumption, Water Use Intensity, Water Consumption, Scope 1 and Scope 2 emissions.

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)

RESPONSE: Highmark Health may consider these exposures as part of the Climate Risk Assessment performed under the ESG & Sustainability Program over the next twelve months.

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

RESPONSE: For year-end 2022, Highmark Health's* Scope 1 & 2 GHG emissions (from stationary combustion and purchased & consumed electricity) were 26,712 CO2e metric tons compared to 26,773 in 2021, and 34% less than 2011 baseline.

* For purposes of this analysis, calculation applies to all Highmark Health properties which the company owns or manages and excludes the Allegheny Health Network (AHN).

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

RESPONSE: As stated in the response to Question 4, Highmark Health has not yet identified any material current or foreseeable risks related to climate change in the next twelve months and has not yet begun to assess, monitor, and report quantitative metrics. However, the cross functional ESG team outlined previously is charged with developing a strategy for ESG reporting and investment strategy which will include climate change risk evaluation. At such time as climate related risks are identified, metrics and targets will be identified, tracked and monitored as part of the company's overall Enterprise Risk Management program.

Metrics and Targets – closed ended questions:

- Does the insurer use catastrophe modeling to manage your climate-related risks? **N**
 - Does the insurer use metrics to assess and monitor climate-related risks? **N**
 - Does the insurer have targets to manage climate-related risks and opportunities? **N**
 - Does the insurer have targets to manage climate-related performance? **N**
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