

Reporting Year 2023 NAIC Climate Risk Disclosure Survey Responses
Essent Guaranty, Inc.
NAIC # 13634

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:

- i. Identify and include any publicly stated goals on climate-related risks and opportunities.
- ii. Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.
- a. *Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.*
In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:
 - iii. Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.
- b. *Describe management's role in assessing and managing climate-related risks and opportunities.*

Essent Response to Governance: The Nominating, Governance and Corporate Responsibility Committee of our Board of Directors oversees our environmental and sustainability-related efforts. We seek to operate our corporate facilities in an environmentally sustainable, safe and healthy manner. We strive to be energy efficient across our facilities, utilizing energy management systems intended to reduce energy use and greenhouse gas (GHG) emissions, improve water efficiency, reduce waste to landfills and increase employee awareness. At this time Essent does not have a formal plan to assess its emissions in its operations.

- Several of our corporate facilities are outfitted with LED lights, occupancy control sensors and reflective energy saving film on the windows, among other energy conservation measures designed to reduce energy consumption.
- Green and eco-friendly landscaping, cleaning and janitorial supplies are sourced and used whenever possible to improve the health and well-being of our employees and partners and further lower our environmental impact.
- Our corporate headquarters in Radnor, Pennsylvania is Energy Star® certified as an environmentally conscious corporate headquarters.

Strategy

1. *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:*
 - i. Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.*
 - ii. Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.*
- a. *Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.*

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

 - iii. Define short, medium, and long-term, if different than 1-5years as short term, 5-10years as medium term, and 10-30 years as long term.
- b. *Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.*

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

 - iv. 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.
 - v. Discuss if and how the insurer makes investments to support the transition to a low carbon economy.
- c. *Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.*

Essent Response to Strategy: Essent's products and activities are limited to the transaction of mortgage guaranty insurance, which we expect does not generate significant GHGs. At this time Essent does not have a formal plan to assess its emissions in its operations, but it has taken steps to improve energy efficiencies in its offices, encourage recycling and reduce travel. Our corporate headquarters in Pennsylvania is ENERGY STAR certified by the U.S. Environmental Protection Agency. Commercial buildings that earn the Energy Star use an average of 35% less energy than typical buildings and also release 35% less carbon dioxide into the atmosphere. We take steps to manage our energy use including with respect to our data center and computing-intensive processes. Essent has not taken steps to engage key constituencies on the topic of climate change. The reason for this is that as a monoline

mortgage guaranty insurer, Essent does not insure climate change-related risks, and specifically excludes losses resulting from physical damage to the properties securing the loans we insure.

Risk Management

1. *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:

- i. 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.*
 - ii. Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.*
 - iii. Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.*
- a. *Describe the insurers' processes for identifying and assessing climate-related risks. In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:*
 - i. Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.*
- b. *Describe the insurer's processes for managing climate-related risks.*
- c. *Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.*

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

- i. 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.
 - ii. 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.
 - iii. 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.

Essent Response to Risk Management: Our enterprise risk management program is aimed at considering all risks facing the company, including climate risks and their potential impact on our business and investments. The company has not identified current or anticipated risks that

climate change will pose to our company. Essent has a Disaster Recovery Plan, Business Continuity Plan, and a Pandemic Plan to address catastrophic events that may affect our employees or operations. The company has not taken steps to encourage policyholders to reduce the losses caused by climate change-influenced events. The reason for this is that as a monoline mortgage guaranty insurer, Essent does not insure climate change-related risks, and specifically excludes losses resulting from physical damage to the properties securing the loans we insure. The company has considered the impact of climate change on its investment portfolio. We engage external asset managers to assist in the management of the majority of our investment portfolio. A key consideration to achieving these objectives is to invest responsibly. We acknowledge that environmental, social and governance (ESG) factors can be financially material, and related risks and opportunities can have an impact on the long-term fundamentals and returns expectations of our investments. Consistent with our investment objectives, our approach to ESG is focused on risk management and downside mitigation in order to enhance the risk adjusted return of the portfolio. As such, we have instructed our managers to leverage an integrated ESG approach when appropriate. Our managers have dedicated teams and resources focused on ESG and utilize a combination of external data providers as well as proprietary research. ESG has been incorporated into credit research both at the sector and issuer levels and has been fully integrated into the portfolio management process when appropriate. Essent's investment policies are in compliance with the insurance regulatory framework of the Commonwealth of Pennsylvania, its domicile state.

Metrics and Targets

1. *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:

- i. Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.
- a. *Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process. In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:*
 - ii. In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

- b.** *Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.*
- c.** *Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.*

Essent Response to Metrics and Targets: Given the nature of our business we are not exposed to property catastrophic risks. Essent is a monoline mortgage guaranty insurer and does not insure climate change-related risks. However, our investment portfolio managers have incorporated climate risk assessment into their processes, and as a company we are managing our operations and our workforce with an aim to mitigate climate-related risks and our own impacts on the environment.