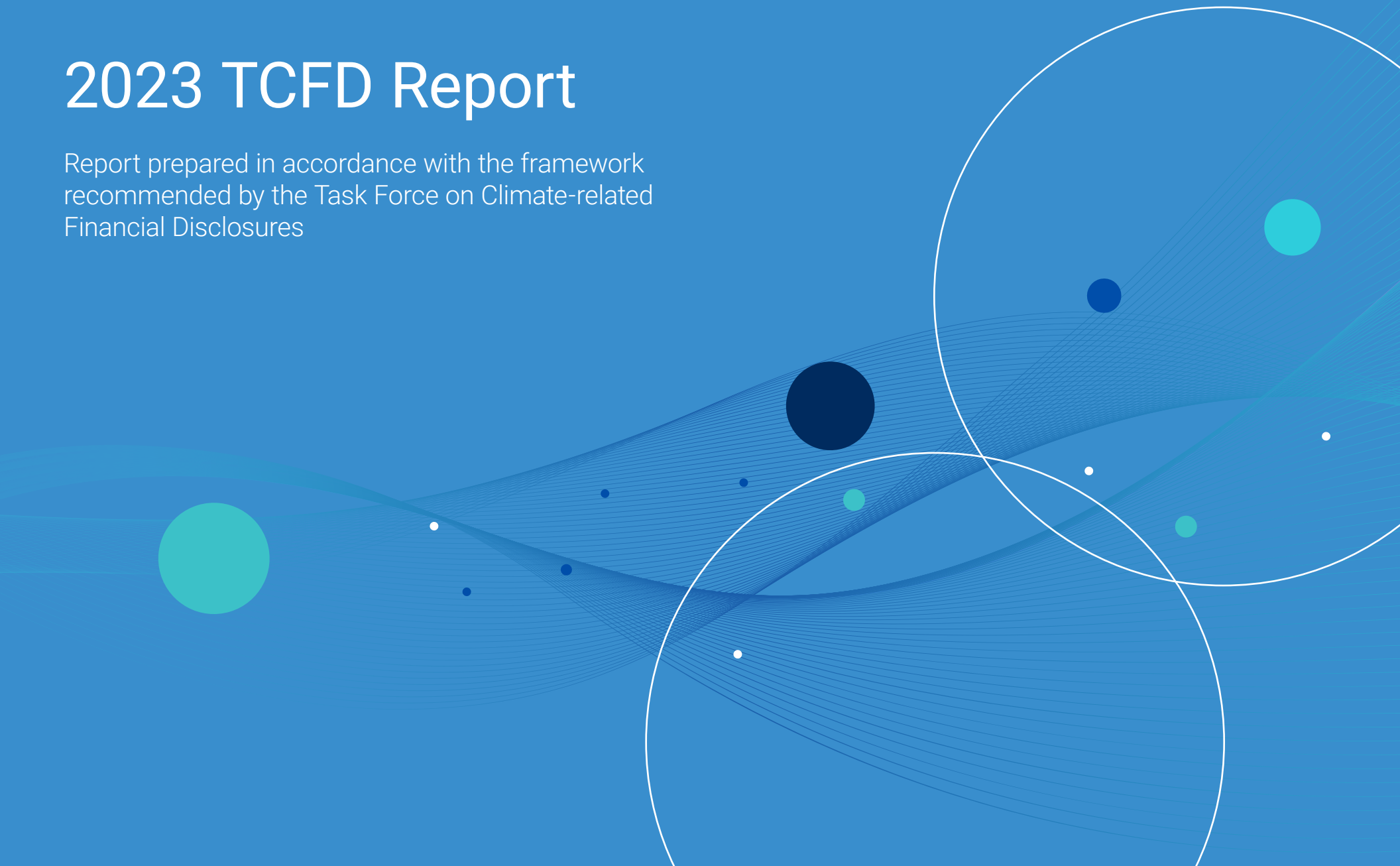
Verisk™

# 2023 TCFD Report

Report prepared in accordance with the framework recommended by the Task Force on Climate-related Financial Disclosures



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# Foreword

Throughout Verisk's 50+ year history, one thing has remained constant: Our solutions and services help business and society make better decisions about risk. Not surprisingly, that theme was repeated by internal and external participants sharing their perspectives during our most recent stakeholder engagement exercise. They noted that, unlike most companies, weather- and climate-related analyses have been embedded for decades in the solutions we provide to insurers, constituting one of many critical components driving our overall strategy and investments aimed at helping clients understand and manage risk and promote resilience.

That same theme underlies our first formal report issued in accordance with the framework set forth by the Task Force on Climate-related Financial Disclosures (TCFD). As a critical business partner to the global insurance industry, whose participants rely on Verisk's rating, coverage, and claims services to drive their businesses, we view this report as more than just an exercise in self-reflection. It's an acknowledgment that we understand and appreciate the trust our clients place in Verisk, and a commitment to not take such trust for granted.

Although we have been disclosing information about Verisk's climate strategy for several years, this is the first time we have incorporated physical risk scenario analyses based on the latest risk assessment methodologies. It's also our first time conducting a transition risk analysis and carbon pricing analysis and extending our perspective to a 2050 timeframe.

Verisk's climate efforts will continue to evolve. We remain focused on achieving meaningful emissions reductions across our operations and within our supply chain and exploring the best ways for a company of our size and circumstances to align with a 1.5°C temperature trajectory. Even more important, we are structured and resourced to maximize the impact of our climate-related research, solutions, and services across a diverse and growing set of clients. We welcome their advice on how we can help.

Sincerely,

**Lee M. Shavel**
President and Chief Executive Officer

# Introduction and Overview

This Report has been prepared in accordance with the recommendations of the TCFD and is organized around the TCFD's four pillars: Governance, Strategy, Risk Management, and Metrics and Targets. The information and analyses reported herein reflect Verisk's business and operations as a strategic data analytics and technology partner to the global insurance industry during 2023, following the divestment of Wood Mackenzie and cessation of Verisk's activities in the energy and natural resources sector.

Verisk engaged Agendi, a leading independent consultant and CDP accredited services provider, to help structure the deliberative processes, conduct the physical and transition risk scenario analyses, and guide the preparation of content for this Report. A broad, multi-disciplined team of Verisk professionals participated, including senior representatives from all line and staff departments in the Company.

Agendi conducted the physical risk analysis utilizing a tool provided by Sust Global, an independent provider of geospatially validated climate intelligence. The conclusions reached using the Sust Global tool were reviewed by Verisk professionals using proprietary tools made available to Verisk's clients through its Extreme Event Solutions business (EES), formerly known as AIR Worldwide, and through Verisk Maplecroft.

Verisk's EES business is a leading provider of risk assessment tools for the insurance and reinsurance industries. Its models for natural and man-made catastrophes are used across the insurance ecosystem to price and transfer risk in today's climate and develop future strategy and risk management priorities as climate changes. Verisk Maplecroft's global risk datasets and expertise help the world's largest organizations effectively manage the challenges posed by climate change and the energy transition. Its Climate Risk Dataset encompasses physical and transition risks as well as socio-economic vulnerability and is used to perform global risk assessments across operations, supply chains, and investment portfolios.

As noted in the Report, the results of the internal analysis using EES models and Verisk Maplecroft datasets were broadly consistent with the results of the independent assessment using the Sust Global tool, for both specific locations and relative risk measures.

Having conducted scenario analyses encompassing Verisk's operations and supply chain to assess resiliency in relation to varied futures, Agendi concluded that Verisk is not exposed to any physical or transition risks that could be characterized as having critical impact and potentially requiring a major pivot of business, strategy, or financial planning. Although hurricanes/cyclones potentially represent the most substantial physical risk exposure for Verisk, the exposure is driven by the combination of a high severity score and a formulaic presumption that the risk will be largely unmitigated. In fact, Verisk's business model, as well as steps the Company has already taken in furtherance of enterprise risk management, help avoid, mitigate, or minimize the economic and operational impact of such physical risk, whatever the cause.

Verisk is not exposed to any physical or transition risks that could be characterized as having critical impact and potentially requiring a major pivot of business, strategy, or financial planning.

Except for the scenario analysis, this Report is largely unchanged from Verisk's prior disclosures. Climate-related opportunities build on an already significant base of solutions and services Verisk provides to the insurance industry, and they continue the practical path adopted by the Company to expand its business while optimizing efficiency, minimizing resource consumption, and reducing emissions.

Verisk's risk management activities are anchored by an annual Risk Survey that engages a wide range of corporate and business unit leaders to identify the most important risks to the Company and provide better risk reporting to Verisk's Enterprise Risk Management Committee (ERMC) and Board of Directors. The Risk Survey is supplemented by associated processes including Information and Technology Risk Management assessments, Location Risk assessments, Employee Travel Safety Risk assessments, and a Crisis Management framework.

As noted in the Report, Verisk conducts an annual emissions inventory and discloses its emissions on both a location- and market-basis. The Company previously adopted Scope 1 and 2 emissions reduction targets—21% by 2024, compared with a 2019 baseline—calculated by Ecometrica, an independent consultant and accredited CDP services provider in accordance with Science Based Target initiative (SBTi) guidance. After discounting the effects of the 3E and Financial Services divestments, Verisk's actual reduction through year-end 2022 was approximately 30.5% compared with the 2019 baseline.

Verisk's sustainability team and Agendi are currently engaged in a process for proposing emissions reduction targets that meet the requirements of the SBTi and will support a long-term net zero emissions mitigation commitment aligned with a 1.5°C trajectory.

# Governance

**About Verisk**

Verisk is a leading strategic data analytics and technology partner to the global insurance industry. It empowers clients to strengthen operating efficiency, improve underwriting and claims outcomes, combat fraud, and make informed decisions about global risks, including climate change, extreme events, and ESG and political issues. Through advanced data analytics, software, scientific research, and deep industry knowledge, Verisk helps build global resilience for individuals, communities, and businesses.

Verisk's governance framework includes a Board of Directors and Board-level committees responsible for the evaluation of major financial and operational risks to the enterprise and oversight of the Company's ESG strategy, including public disclosures. The Chief Executive Officer and senior leadership team set strategic priorities to mitigate risk, capitalize on opportunities, and promote resource stewardship.

An overview of Verisk's climate governance structure, and a description of roles and responsibilities, are presented in Chart 1 and Table 1, respectively.

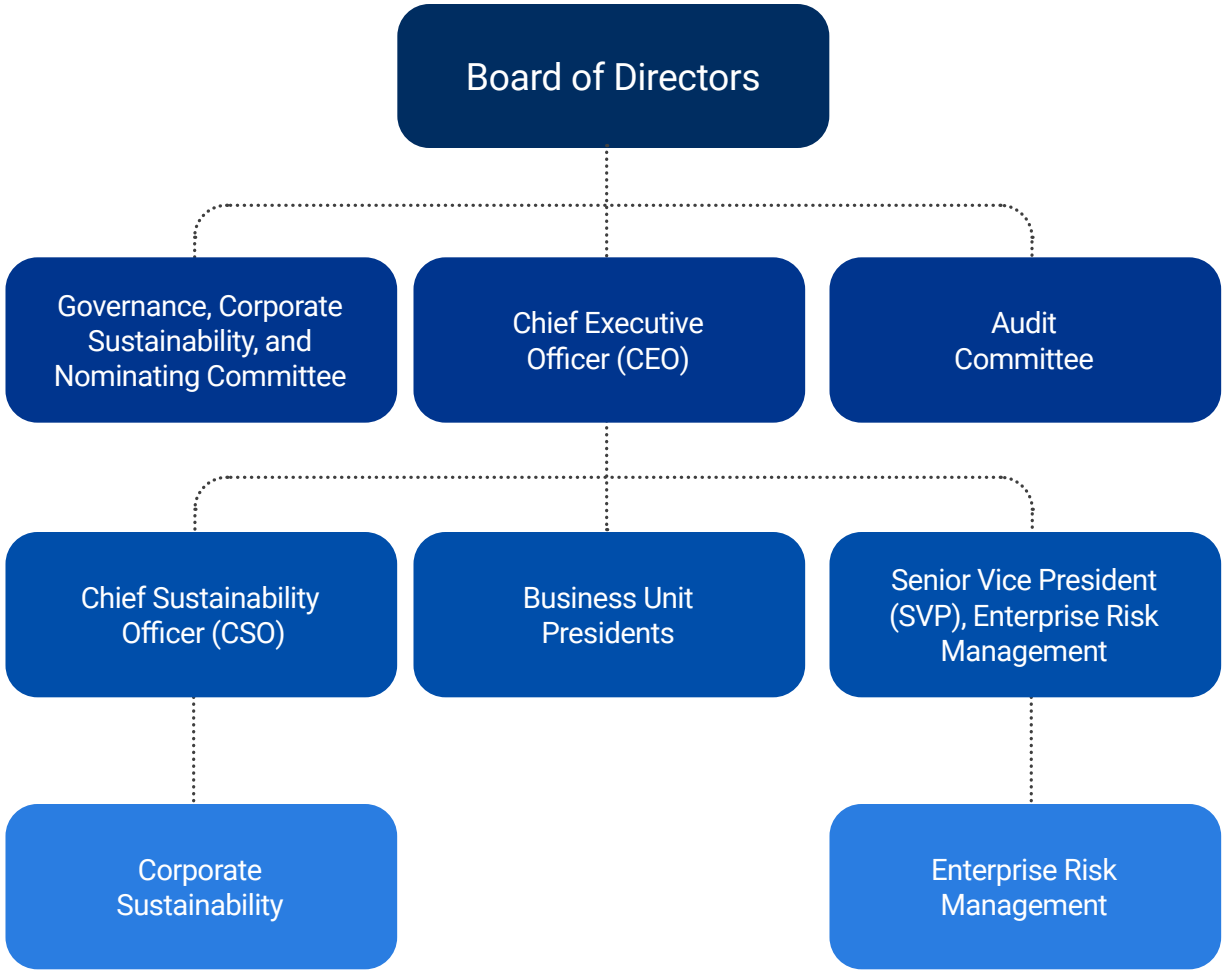



**Chart 1: Climate governance structure**

**Table 1: Description of climate governance roles and responsibilities**

| | |
|---|---|
| **Board of Directors** | • Meets quarterly and as necessary to review major financial and operational risks to the enterprise and as part of a corporate-wide annual risk survey addressing all risks to the enterprise, including climate-related risks.<br>• Actively monitors internal operational strategies, including those related to the security of data, vulnerabilities associated with office and work environments, and the safety of employees.<br>• Engages management on business strategies, which include quantifying investments that help customers address risks associated with climate- and weather-related events. |
| **Governance, Corporate Sustainability, and Nominating Committee** | • Meets semi-annually and as necessary to evaluate the Company's key ESG risks and opportunities, including its climate strategy, and provides oversight of the Company's public disclosures and shareholder engagement concerning sustainability matters.<br>• Assists the Board by overseeing the Company's corporate sustainability program. |
| **Audit Committee of the Board** | • Conducts a quarterly review of the full risk dashboard, including climate-related risks, that follows from the Company's annual risk survey.<br>• Reviews Verisk's annual greenhouse gas emissions inventory, including progress against emission reduction targets. |
| **Chief Executive Officer (CEO)** | • Sets Verisk's operational agenda for addressing stakeholder expectations associated with climate change.<br>• Champions critical investments and resource allocations required to address strategic climate-related risks and opportunities.<br>• Promotes responsible environmental stewardship, including measuring and disclosing carbon-related emissions against specified emission reduction targets. |
| **Senior Vice President (SVP), Enterprise Risk Management** | • Leads Verisk's annual Risk Survey, which identifies the Company's most significant internal and external risks in terms of likelihood and potential impact.<br>• Provides regular updates to the Board on the status of mission-critical risks. |
| **Chief Sustainability Officer (CSO)** | • Provides leadership in aligning corporate priorities with the sustainability expectations of stakeholders.<br>• Leads the company's annual emissions inventory, climate reporting, and progress against the Company's climate strategy.<br>• Communicates Verisk's ESG stewardship commitments and progress to internal and external audiences. |
| **Business Unit Presidents** | • Assess climate-related risks and opportunities within the parameters of their respective operations.<br>• Collaborate with senior leadership to address risk and pursue climate-related business opportunities, including acquisitions, investments in new and existing products, and consideration of new markets. |

### Board and Management Oversight

The impact of this governance framework can be illustrated in several ways. For example, in conjunction with its approval of the Company's annual operating budget and review of business unit performance against corporate growth and profitability objectives, Verisk's Board meets annually with business unit leaders who present their strategies, which include quantifying investments to help clients address climate- and weather-related challenges. One such review during the past year involved the management team from Verisk's Extreme Event Solutions (EES) division reporting on plans implemented or then in progress to expand or enhance hurricane and tropical cyclone catastrophe models and develop new solutions to address the evolving needs of lenders.

The Board also oversees major expenditures. For example, the Board meets periodically with the Company's Chief Information Officer and Senior Vice President, Enterprise Risk Management, to review the impact of major investments in the physical security of data; the long-term and complex migration of data from Verisk-operated facilities to more energy-efficient cloud-based platforms; and the investments required to maintain the infrastructure supporting Verisk's remote work and meeting technologies.

Verisk's Chief Executive Officer (CEO), who serves on the Board, is the individual ultimately responsible for assessing and managing climate-related activities on behalf of the organization. Working with various members of the management team, the CEO sets operational priorities and assesses climate-related business opportunities, including acquisitions and divestments. The CEO also champions critical investments to mitigate the consequences of physical and transition risk, such as those investments leading to Verisk's ISO 27001 certification or the purchase of renewable energy certificates.

### Sustainability-Linked Compensation

Compensation for Verisk management team members has fixed and variable components. The variable component, expressed as a percentage of base salary, includes annual and long-term incentive compensation awards based on overall performance relative to key objectives. For certain management team members, those key objectives encompass activities associated with physical and transition risk mitigation initiatives, revenue growth in climate/weather-related products and services, and resource stewardship and operational efficiency gains.

Verisk's Board meets annually with business unit leaders who present their strategies, which include quantifying investments to help clients address climate- and weather-related challenges.

# Strategy

In conjunction with this report, Verisk conducted quantitative and qualitative climate scenario analyses to assess the propriety of its current operating assumptions and strategies associated with physical and transitional risks and the alignment of existing climate adaptation plans.

The physical risk analysis encompassed four acute hazards (heatwave, hurricane/cyclone, inland flooding, and wildfire) and two chronic hazards (sea level rise and water stress). Table 2 describes the physical risks included in the analysis.

**Table 2: Definition and description of acute and chronic physical risks**

| Acute Hazard | Definition | Description |
|---|---|---|
| Heatwave | Heatwaves represent an extended period of perilously warm weather at a specific location or region. They are associated with excess mortality and other human health risks, greatly increased electricity demand, agricultural impacts, and disruption to many types of economic activity. | Year-over-year heatwave days per year where temperature at asset is projected to exceed 98th percentile of historic recordings. |
| Hurricane/ Cyclone | Tropical cyclones, also referred to as hurricanes and typhoons, are one of the costliest natural disasters. Cyclone impacts can be widespread, including coastal and inland flooding and wind damage. | Month-over-month asset level exposure to cyclones/hurricanes. Cyclones tagged based on severity to scale 1 to 5, used to assign value in unit interval. |
| Inland Flooding | Inland flooding captures the likelihood of a location being directly exposed to flooding, both from precipitation-based inland flooding and from coastal flooding. | Year-over-year exposure of asset to floods. (Based on number of years with probability of flood >5%.) |
| Wildfire | Wildfire is an uncontrolled fire caused by a combination of combustible fuels (e.g., dead, dry wood) and ignition sources (e.g., human activity or lightning). It is strongly influenced by prevailing weather conditions. | Average annual probability of a wildfire occurring within a kilometer of the asset. |
| **Chronic Hazard** | **Definition** | **Description** |
| Sea Level Rise | The major physical impacts of rising seas include coastal flooding, erosion of beaches, saltwater intrusion into aquifers, inundation of fertile deltas, and loss of biodiversity in marshes and wetlands. | Year-over-year projection of sea level rise relative to 1980-2010 average sea level. |
| Water Stress | Changing water availability due to climate change, coupled with increasing demand from population growth and economic activity, will have substantial impacts across the globe. | Year-over-year water stress risk exposure relative to 1980-2010. |

Source: Sust Global Data Guide

The transition risk analysis considered four potential categories of risk associated with a low carbon economy: Policy and legal, technology, market, and reputational. The transition risk analysis is described on page 15.

Both analyses were conducted using the same time horizons (short-, medium-, and long-term). The time horizons project the time periods when such risks are likely to materialize, if at all. Table 3 describes the time horizons underlying the analyses.

**Table 3: Time horizons**

| Time Horizon | Range Considered | Years |
|---|---|---|
| Short-term | 0-3 years | 2023-2026 |
| Medium-term | 3-9 years | 2026-2032 |
| Long-term | 9+ years | 2032-2050 |

Following the physical and transition risk analyses, each hazard was assigned severity and resiliency scores that translated to a range of potential impacts on Verisk. For example, hazards identified as posing a "significant impact" are those with a high degree of criticality, necessitating a significant pivot of business strategy, operational protocols, and/or financial planning.

***Upon completion of the analyses, the Company concluded that it faces a low level of exposure from the standpoint of physical climate-related risk. A similar conclusion was reached regarding proposed transition risk impacts, which are largely mitigated by Verisk's business sector and business model resiliency.***

## Physical Risk Analysis

The objective of the physical risk analysis was to assess exposure to climate-related hazards across the Company's global portfolio of leased offices[1] using quantitative and qualitative measures. Offices subject to the announced divestment of Verisk's Wood Mackenzie business or otherwise planned for closure during 2023 were excluded from the exercise. The resulting assessment covered Verisk's 50 largest offices in existence at year-end 2022, which together represented approximately 93% of Verisk's total square footage then under lease.

As noted earlier, the analysis covered four acute hazards (heatwave, hurricane/cyclone, inland flooding, and wildfire) and two chronic hazards (sea level rise and water stress). It was conducted using Shared Socioeconomic Pathways (SSP) scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) depicting a "middle of the road" scenario and a "worst case" scenario. The "middle of the road" scenario (SSP 2-4.5) assumes a scenario where the world follows a path in which social, economic, and technological trends do not shift markedly from historical patterns. The "worst case" scenario (SSP 5- 8.5) is premised on deteriorating climate and weather conditions arising from unabated emission levels continuing over the long term.

Verisk conducted the analysis utilizing a tool provided by Sust Global, an independent provider of geospatially validated climate intelligence. The conclusions reached using the Sust Global tool were reviewed by Verisk professionals using proprietary tools made available to Verisk's clients through Verisk Extreme Event Solutions (EES), formerly known as AIR Worldwide, and through Verisk Maplecroft.[2]

The EES team complemented the Sust Global analysis by modeling Verisk locations in its proprietary models for flood, storm, and wildfire risk to develop an independent view of exposure and impact rankings. Professionals from Verisk Maplecroft evaluated a range of acute and chronic physical climate risks facing Verisk's locations under three different emissions pathways.

1. All of Verisk's offices are leased.
2. Examples of the solutions provided by EES and Verisk Maplecroft are featured in Appendices A and B.

***The results of the internal analysis using EES models and Verisk Maplecroft datasets were broadly consistent with the results of the independent assessment using the Sust Global tool, for both specific locations and relative risk measures.***

The output of the quantitative analysis was then reviewed against a qualitative assessment model devised by Agendi[3] to assess the potential impact on Verisk of each of the six acute and chronic hazards discussed previously. The impact categories are described in Table 4 below.

**Table 4: Impact categories**

| Impact category | Impact description |
|---|---|
| None | No impact |
| Minor | Low impact, financial risks managed as part of existing processes |
| Incidental | Low impact, financial risks likely managed as part of existing processes |
| Moderate | Moderate impact, potentially requiring additional adaptation planning and mitigation responses |
| Significant | High impact, potentially requiring a significant pivot of business strategy or operational protocols |
| Critical | Critical impact, potentially requiring a major pivot of business, strategy, or financial planning |

The model assigned an impact rating as the product of exposure, severity, and resiliency, discussed on the following pages.

3. As noted in the Introduction and Overview section, Verisk engaged Agendi, a leading independent consultant and CDP-accredited services provider, to help structure the deliberative process, conduct the physical and transition risk scenario analyses, and guide the preparation of content for this Report.

## Exposure

Agendi examined the exposure of Verisk locations (hereinafter referred to as "assets") to each of the acute and chronic hazards using the "middle of the road" (SSP 2-4.5) and "worst case" (SSP 5-8.5) scenarios. The parameters for low, medium, and high exposure associated with each hazard can be found in Appendix C.

Table 5 classifies the asset distribution across low, medium, and high-risk exposure categories for each hazard in a **short-term, middle of the road scenario,** which Agendi regards as the most plausible for Verisk in the near term. The highest potential exposure is associated with hurricanes/cyclones.

**Table 5: "Middle of the road" scenario (SSP 2-4.5) - % of assets distributed by hazard and exposure level over the short term**

| Exposure Level | Heatwave | Hurricane/Cyclone | Inland Flooding | Wildfire | Sea Level Rise | Water Stress |
|---|---|---|---|---|---|---|
| Low | 100% | 68% | 96% | 88% | 100% | 58% |
| Medium | 0% | 4% | 0% | 12% | 0% | 34% |
| High | 0% | 28% | 4% | 0% | 0% | 8% |

Table 6 classifies the asset distribution across a **long-term, middle of the road scenario** extending until 2050. Again, the most significant risk exposure is observed in hurricanes/cyclones, accounting for 28% of assets in the sample, now followed by water stress at 16%.

**Table 6: "Middle of the road" scenario (SSP 2-4.5) - % of assets distributed by hazard and exposure level over the long term**

| Exposure Level | Heatwave | Hurricane/Cyclone | Inland Flooding | Wildfire | Sea Level Rise | Water Stress |
|---|---|---|---|---|---|---|
| Low | 78% | 68% | 94% | 88% | 96% | 32% |
| Medium | 22% | 4% | 2% | 12% | 4% | 52% |
| High | 0% | 28% | 4% | 0% | 0% | 16% |

In contrast, Table 7 illustrates the asset distribution in a **long-term, worst-case scenario**. In this scenario, the highest exposure remains 28% for hurricanes/cyclones whereas the high-risk exposure for water stress increases to 18%.

**Table 7: "Worst-case" scenario (SSP 5-8.5) - % of assets distributed by hazard and exposure level over the long term**

| Exposure Level | Heatwave | Hurricane/Cyclone | Inland Flooding | Wildfire | Sea Level Rise | Water Stress |
|---|---|---|---|---|---|---|
| Low | 46% | 68% | 94% | 82% | 96% | 26% |
| Medium | 50% | 4% | 2% | 16% | 4% | 56% |
| High | 4% | 28% | 4% | 2% | 0% | 18% |

The results of the long-term analysis indicate that, during the next 25 years, Verisk's current global office footprint is most likely to face its highest exposure to the physical hazards of hurricanes/cyclones and water stress.

## Severity, Resiliency, and Impact

After assessing exposure, Agendi set forth the criteria to assess severity and resiliency. Severity considers the primary impact of a hazard on Verisk's operation in a fully unmitigated case and presumes the level of mitigation required to reduce the overall impact to an acceptable level. Resiliency considers all measures that Verisk currently has in place to address each hazard. These can encompass both monitoring and proactive risk mitigation measures.

Table 8 describes the severity and resiliency categories, aligned to the impact categories defined previously.

**Table 8: Description of severity, resiliency, and impact categories**

| Severity | | Resiliency | | Impact | |
|---|---|---|---|---|---|
| **Category** | **Description** | **Category** | **Description** | **Category** | **Description** |
| 0 | None | 0 | Mitigation not required | None | No impact |
| 1 | Low | 1 | Fully mitigated | Minor | Low impact, financial risks managed as part of existing processes |
| 2 | Moderate | 2 | Mostly mitigated | Incidental | Low impact, financial risks likely managed as part of existing processes |
| 3 | Moderate-high | 3 | Partially mitigated | Moderate | Moderate impact, potentially requiring additional adaptation planning and mitigation responses |
| 4 | High | 4 | Mostly unmitigated | Significant | High impact, potentially requiring a significant pivot of business strategy or operational protocols |
| 5 | Critical | 5 | No resilience measures | Critical | Critical impact, potentially requiring a major pivot of business, strategy, or financial planning |

## Impact Score

As a final step, Agendi calculated an impact score by assigning qualitative estimates of severity and resiliency for each of the six physical risk categories. Table 9 illustrates the assigned severity and resiliency scores and the estimated impacts associated with the six hazard categories.

**Table 9: Estimated impacts following the quantitative and qualitative exercise**

| | Hazard Exposure | | | Severity | Resiliency | Impact Category | | |
|---|---|---|---|---|---|---|---|---|
| | **Short** | **Medium** | **Long** | | | **Short** | **Medium** | **Long** |
| **Heatwave** | 1 | 1 | 1 | 3 | 2 | Minor | Minor | Minor |
| **Hurricane/Cyclone** | 5 | 5 | 5 | 4 | 4 | Moderate | Moderate | Moderate |
| **Inland flooding** | 1 | 1 | 1 | 4 | 3 | Minor | Minor | Minor |
| **Wildfire** | 1 | 1 | 1 | 4 | 3 | Minor | Minor | Minor |
| **Sea level rise** | 1 | 1 | 1 | 4 | 2 | Minor | Minor | Minor |
| **Water stress** | 1 | 1 | 5 | 2 | 3 | Minor | Minor | Incidental |

As previously noted, hurricanes/cyclones potentially represent the most substantial physical risk exposure for Verisk, driven by the combination of a high severity score and a formulaic presumption that the risk will be largely unmitigated. In fact, Verisk has implemented comprehensive business continuity plans and made investments in technology that enable a fully remote workforce. Consequently, the overall impact of hurricanes/cyclones has been evaluated as moderate.

In the context of water stress, an incidental impact is assigned for the long term, attributable to an elevated risk over an extended timeframe, the impact of which is expected to be mitigated in part by Verisk's flexibility in managing its leased office footprint and workforce.

Applying this same approach to all other physical hazards suggests the likelihood that any resulting impacts on Verisk's operations will be minor.

Despite the level of potential exposure, Verisk's business model, as well as steps the Company has already taken in furtherance of enterprise risk management, should help avoid, mitigate, or minimize the economic and operational impact of physical risk, whatever the cause. For example:

- Verisk does not own or intend to own the buildings where its offices are located. Potential sites are vetted for exposure to physical climate risk prior to leasing. The flexibility inherent in the leasing model provides the Company with sufficient opportunity to reassess exposure on a regular basis.
- Each location has a business continuity plan, which is updated regularly. The plans cover remote workers, providing guidance in the event of disruption to their homes. Verisk has already made significant investments in technology that empowers employees to work or meet from anywhere.
- Approximately 81% of the Company's annual revenue is derived from subscriptions and long-term contracts and is unlikely to be materially affected by the consequences of an acute physical event. In addition, a portion of the remaining transactional revenue is attributable to services that help clients manage catastrophic events.
- Verisk maintains an ISO/IEC 27001 certification, an internationally recognized best practice framework for information security management systems. A critical step in the certification process involves threats to information security—including threats emanating from climate-related hazards—and the organization's adoption of controls warranted by the level of risk.

## Transition Risk Analysis

Verisk assessed potential exposure across four categories of transition risk and assigned time horizons. Transition risks are those associated with achieving a lower-carbon global economy, including Policy and Legal, Technology, Market, and Reputation. In conjunction with its transition risk analysis, Verisk conducted an in-depth assessment of public disclosures by key clients and suppliers to understand their level of progress in navigating challenges and opportunities arising from evolving climate circumstances.

For clients, the findings were consistent with what Verisk has observed already from its formal and ad hoc engagement channels. Clients are at various points along the maturity spectrum, with a growing number already taking stock of the emission reduction efforts of their suppliers, including Verisk; examining their financial exposure to climate risks; and interested in learning about solutions that help reduce emissions and avoid, mitigate, or reduce property insurance losses.

The focus on suppliers was twofold: (1) Ensure that key suppliers have adequate business continuity plans to address material risk, including physical risk arising from climate or weather causes; and (2) identify suppliers in the early stages of their sustainability journeys to prioritize engagement that will benefit Verisk's overall emissions reduction and environmental stewardship efforts. With respect to major procurement decisions, Verisk already considers emissions and environmental impact on an ad hoc basis but expects to formalize the process during the next 12-24 months.

Each transition risk category is described in Table 10 and considered within the context of factors likely to mitigate, reduce, or prevent such risk from emerging. After conducting the analysis, Verisk concluded that none of the risks are likely to have a significant or critical impact on its operations.

Verisk does not own or intend to own the buildings where its offices are located. Potential sites are vetted for exposure to physical climate risk prior to leasing. The flexibility inherent in the leasing model provides the Company with sufficient opportunity to reassess exposure on a regular basis.

**Table 10: Transition risks and their associated financial impact in short-, medium-, and long-term time horizons**

| Transition Risk Source | | Short | Medium | Long | Risk Description | Verisk Mitigation Strategy |
|---|---|---|---|---|---|---|
| Policy and Legal | Emissions Regulations | 🟢 | 🟢 | 🟡 | Potential costs associated with the introduction of mandatory global carbon pricing. | • Verisk is partially insulated from this risk due to the low emissions-intensity nature of a professional services business.<br>• Verisk's progress against a commitment to reduce Scope 1 and 2 emissions 21% by 2024, compared with a 2019 baseline, has decreased the potential impact of this risk. |
| | Enhanced climate-related reporting obligations | 🟢 | 🟢 | 🟢 | Potential regulatory mandates on the measurement and disclosure of climate-related risks, opportunities, management, and performance. | • Verisk is well positioned to manage this risk as a consequence of its existing activities aimed at monitoring proposed legislation or regulation that may impact the products and services it provides to clients. In addition, the Company already discloses detailed consumption, emissions, and associated climate-related information in accordance with voluntary reporting frameworks such as CDP.<br>• Compliance with additional reporting or disclosure requirements is unlikely to have a substantial impact. |
| Technology | Cost to transition to low-emissions technologies | 🟢 | 🟢 | 🟢 | Potential increase in costs required to comply with regulatory mandates involving the use of low-emissions energy sources and technology. | • Verisk is partially insulated from this risk due to the low emissions-intensity nature of a professional services business.<br>• Verisk has already begun transitioning to more efficient cloud-based data processing platforms and consolidating offices into modern, energy-efficient business centers where possible. |
| Market | The shift in consumer preferences | 🟢 | 🟢 | 🟢 | Potential impacts of a market shift in customer demand toward low-carbon solutions. | • Verisk is already responding to this shift by helping customers reduce time, expense, and energy associated with insurance underwriting and claims resolution activities, expanding climate-facing solutions, and increasingly integrating climate and ESG data analytics into product and service offerings. |

🟢 **Low Impact:** Low financial impact as risks are already managed in existing processes.

🟡 **Moderate Impact:** Moderate financial impact potentially requiring mitigation.

🔴 **High Impact:** High financial impact requiring a potential pivot in business strategy.

*Continued on next page*

| Transition Risk Source | | Short | Medium | Long | Risk Description | Verisk Mitigation Strategy |
|---|---|---|---|---|---|---|
| Reputation | Increasing pressure from stakeholders | 🟢 | 🟡* | 🟡 | Potential impacts on our business from increasing stakeholder expectations related to real or perceived deficiencies associated with Verisk's climate leadership, strategy, performance, and disclosures. | • Verisk has already taken action to mitigate the potential impact of this risk by appointing a Climate Advisory Council comprised of leading climate experts to provide strategic guidance on the evolving state of climate change and feedback on solutions the Company is developing.<br>• Verisk maintains multiple engagement channels with its stakeholders, including a dedicated client engagement team, a comprehensive network of user advisory panels, multiple forums that feature expert perspectives from all points along the value chain, an annual investor day, regular shareholder outreach led by independent members of the Board of Directors, and quarterly earnings calls.<br>• Verisk has an ongoing commitment to transparently disclose strategy, performance, and progress against Scope 1 and 2 emissions reduction targets through voluntary reporting and disclosure via CDP, and Company-sponsored vehicles such as Verisk's annual Corporate Social Responsibility Report and website. Additionally, Verisk will continue to welcome stake-holder feedback through its ongoing engagement efforts.<br>• *Verisk is currently evaluating how to best align its efforts with a 1.5˚C future, including the development of a net zero transition plan that meets the expectations of stakeholders. Its ultimate strategy will emphasize the policies, processes, and initiatives already in place to drive future emissions reductions. |
| | Failure to meet climate-related targets | 🟢 | 🟡 | 🟡 | Potential impacts on our business from failing to meet any climate-related targets we set now or in the future. | • Verisk has reported its progress against a voluntary 21% Scope 1 and 2 emissions reduction target by 2024, compared with a 2019 baseline. Through year-end 2022, |the actual reduction stood at approximately 30.5%, net of emissions reductions from the Company's divestments of its former 3E and Financial Services businesses. |

🟢 **Low Impact:** Low financial impact as risks are already managed in existing processes.

🟡 **Moderate Impact:** Moderate financial impact potentially requiring mitigation.

🔴 **High Impact:** High financial impact requiring a potential pivot in business strategy.

## Carbon Pricing

To understand the implications of potential carbon pricing schemes, Verisk applied scenarios proposed by the Network for Greening the Financial System (NGFS)[4] to quantitatively assess exposure with respect to the Company's Scope 1, 2, and 3 emissions until 2050. The exercise assumed that 100% of carbon pricing costs associated with Verisk's Scope 1 + 2 + 3 emissions will be borne by Verisk.

### Carbon pricing scenario analysis

Verisk selected the Net Zero 2050 and Divergent Net Zero scenarios to evaluate the potential risks of carbon pricing. For scenarios in the Net Zero 2050 transition, the global response to climate action is immediate and coordinated, resulting in low variability in regional climate policies, and a moderate-to-fast pace of technological change is assumed. In the Divergent Net Zero transition, failure to coordinate climate policy across sectors and/or a delay in climate action may result in significant regional differences in climate mitigation and strategy, as well as periods of rapid technological change.

### Carbon pricing results

The Net Zero 2050 scenario examined a relatively orderly future trajectory that included Verisk's adoption of an emissions reduction commitment in line with the ambitions and approval of a presumptive Science Based Target. Those results were compared with the Divergent Net Zero scenario—relatively uneven and uncoordinated—where Verisk sets no Scope 1 and 2 emissions reduction targets beyond those set previously to expire in 2024.

Not surprisingly, the analysis indicated that the NGFS Divergent Net-Zero scenario presents the higher cost projection for Verisk of the two. The results also demonstrate the discernible effect on potential carbon costs associated with the adoption and achievement of both near-term and long-term emissions reduction targets meeting Science Based Target expectations.

4. NGFS Scenarios Portal

## Opportunities

Verisk helps clients understand and manage risk with greater precision, efficiency, and discipline. The Company's journey—which began by providing advisory pricing and coverage information for companies insuring property perils such as fire and windstorm—has since evolved in scope, depth, and sophistication because of Verisk's investments across the entire weather- and climate-risk spectrum. Today, Verisk provides clients with tools ranging from extreme event models to post-event claims management platforms and from global risk indices to location-specific underwriting analytics.

Verisk Extreme Event Solutions (EES), along with the Verisk Maplecroft and Atmospheric and Environmental Research businesses, are at the forefront of advancing natural catastrophe modeling and developing global risk assessment indices to address climate and weather exposures and their economic, social, and political consequences. In addition, EES scientists are engaged in applying cutting-edge research to use cases that benefit companies and communities. For 2022, the estimated annual revenue associated with the EES division was approximately $300 million, with the vast majority of the total associated with climate- and weather-related solutions. Over the past four years, the business has operated at an 8.5% compounded annual growth rate.

Verisk's Underwriting Solutions and Claims Solutions businesses, with approximately $1.3 billion and $700 million in 2022 revenues respectively, are structured to serve the broader property, casualty, and life insurance markets. However, they also provide tools and administer programs to help insurers understand and mitigate exposure, price and cover risk, and process claims associated with multiple perils, including those traditionally covered by homeowners, businessowners, and commercial property insurance policies.

At the core of Verisk's Underwriting business are advisory prospective loss costs, rating and underwriting rules, and policy forms that help insurance companies serve the needs of policyholders – while promoting competition and solvency in the process. In addition, specialists on the Underwriting team administer the Building Code Effectiveness Grading Schedule (BCEGS®) and Public (Fire) Protection Grading Schedule, industry-sponsored programs that ultimately make buildings safer and help reduce property losses.

Verisk's Claims business provides a range of services that help clients estimate the economic impact of loss and the cost of repair and rebuilding. The business also helps insurers effectively deploy resources following large losses such as natural catastrophes and efficiently resolve claims while reducing the likelihood of fraud.

Today, Verisk provides clients with tools ranging from extreme event models to post-event claims management platforms and from global risk indices to location-specific underwriting analytics.

Chart 2 describes Verisk's climate- and weather-facing services and tools in greater detail.

**Chart 2: Verisk's Climate and Weather Services**

## Global risk indices

- Assess physical and transition climate risk across 198 countries.
- Address more than 30 hazards and issues, with the majority assessed at the subnational level.
- Help clients conduct portfolio, corporate, and asset-level risk assessments and scenario analyses.

## Extreme event models

- Extreme event models for 80+ countries help customers assess the threat of various perils associated with climate risk.
- Examples include a hurricane model for the U.S.; an inland flood model for central Europe, Great Britain, Japan, and the U.S.; a multi-peril crop insurance model for Canada, India, and the U.S.; and a typhoon model for China, Japan, Southeast Asia, and South Korea.

## Scientific applications benefitting society

- Study atmospheric and oceanographic changes, climate, weather, and associated phenomena.
- Contribute to a broad scientific ecosystem and help transform leading-edge research into operational uses that benefit society.
- Solutions range from an autonomous carbon dioxide and methane measurement system to real-time flood mapping solutions.

## Individual risk assessment

- Address-level risk information in the U.S. to help insurers underwrite and price individual policies and manage portfolio exposure.
- Exposures include flood, hurricane, severe thunderstorm, tornado, wildfire, winter storm, and more.
- Scores from Building Code Effectiveness Grading Schedule (BCEGS®) and Public (fire) Protection Classifications (PPC®).
- On-site property surveys to meet the specific requirements of clients.

## Event response and claims management

- Track events in real time, inform response and recovery efforts, and empower clients to resolve insurance claims quickly and accurately.
- Real-time weather analytics and loss estimates, video collaboration tools to triage and fast-track property claims, claims management and reporting software, repair and reconstruction cost-estimating software, personal contents estimations, and more.
- ClaimSearch®, the world's largest database of property/casualty claims.
- Integrated fraud prevention capabilities.

### Loss estimates for global risk and supply chain

- Independent loss estimates on catastrophes and large individual losses, widely accepted as triggers in many traded financial market instruments, including reinsurance contracts, catastrophe bonds, catastrophe swaps, industry loss warranties, and other derivative instruments.

### Risk management platforms

- Robust data and analytics integrated into risk management platforms and tools that clients use to manage asset- and portfolio-level exposure associated with location, climate, weather, and extreme events.
- Touchstone® enterprise risk-modeling platform and Sequel Impact are utilized across the insurance industry.

### Community hazard mitigation programs

- Assessments of municipal building codes/enforcement on behalf of the U.S. insurance industry.
- Evaluations of fire suppression capabilities across nearly 45,000 U.S. fire protection districts.
- Complimentary training and consulting for municipal building code and fire officials interested in strengthening resilience.

Verisk's market research indicates that the Company's stakeholders are keenly interested in all that can be done to increase the precision of predictive catastrophe models, the scope of mitigation efforts, the accuracy of underwriting and claims information, and the speed and efficiency of the post-event response and recovery process. The combination of deteriorating weather/climate trends and customer needs represents a continued growth opportunity for Verisk's EES, Underwriting Solutions, and Claims Solutions businesses.

In 2022, Verisk created a Climate Advisory Council comprised of leading climate experts tasked with providing strategic guidance on the evolving state of climate change and feedback on the solutions Verisk is developing. As noted in Table 10, the Council exists in addition to multiple engagement channels Verisk has with stakeholders, including a dedicated client engagement team, a comprehensive network of user advisory panels, multiple forums that feature expert perspectives from all points along the value chain, an annual investor day, regular shareholder outreach led by independent members of its Board, and quarterly earnings calls.

Verisk's climate-related opportunities fall into two major categories: (1) Solutions and Services, and (2) Resource Efficiency, highlighted in Tables 11 and 12. The first builds on an already significant product and service base and healthy market penetration, while the second offers the most practical path for Verisk to expand its business while optimizing efficiency, minimizing resource consumption, and reducing emissions.The combination of the two is fully aligned with shareholder expectations for growth and margin expansion.

In 2022, Verisk created a Climate Advisory Council comprised of leading climate experts tasked with providing strategic guidance on the evolving state of climate change and feedback on the solutions Verisk is developing.

**Table 11: Key climate-related opportunities – Solutions and Services**

| Category | Opportunity | Driver |
|---|---|---|
| **Solutions and Services** | Development of climate adaptation, resilience, and insurance risk solutions and services | Revenue increase |
| Timeframe and Significance | | |
| Short | Medium | Long |
| ● | ● | ● |

● **High** ● **Low-medium**

## Solutions and Services Strategy

The Company's solutions and services strategy will continue to evolve from three core activities: (1) providing tools to promote greater understanding around the likelihood and consequences of a catastrophic event; (2) aggregating and analyzing data to promote programs that incentivize loss mitigation efforts; and (3) continuing to conduct scientific research that leads to operational uses benefitting society.

### 1. Catastrophic Events

Verisk intends to continue refining, expanding, and leveraging the extreme event models it has already developed for 80+ countries and its global risk indices covering more than 30 hazards and issues. These models and indices can and do support portfolio-level analyses and are readily customizable to meet the objectives of specific stakeholders, including participants across the insurance spectrum, lenders, and investors. The Company continues to update its solutions to reflect the latest climate science, warming trends, increasing storm intensities, changes in the built environment, and their likely evolution over the coming decades. Examples of recent progress include:

- The release of updated climate change projections for Verisk's U.S. Hurricane and Caribbean Tropical Cyclone models to provide a probabilistic view of future risk in 2030, 2050, 2075, and 2100 across various socioeconomic and greenhouse gas concentration pathways.
- The enhancement of Respond MAP™, Verisk's mapping and analytics platform, enabling users to combine valuable weather data with locations of interest, such as in-force policies, to quickly evaluate the impact of major weather events on people and property.
- The launch of Sovereign ESG Ratings that provide investors with the most comprehensive picture available of ESG risks and opportunities across the universe of current and potential sovereign debt issuers.
- The launch of a Climate Risk Dataset, which features newly released climate scenarios assessing how physical risks such as heat, precipitation, drought, and sea level rise evolve across different emissions pathways.

### 2. Loss Mitigation Efforts

Verisk conducts a range of activities that help identify vulnerabilities in critical infrastructure, inform mitigation strategies and risk-transfer mechanisms to strengthen emergency management programs, and broaden understanding of the potential social and economic impacts associated with climate change. Among those efforts:

- Administration of industry-sponsored programs in the U.S. to evaluate municipal firefighting capabilities, local building codes and their enforcement efforts, and community flood exposure. In conjunction with these efforts, the Company hosts training programs for municipal officials across a range of topics associated with improving fire suppression capabilities, strengthening building code enforcement, and enhancing flood mitigation. Verisk also maintains partnerships with leading fire service organizations to share information and evaluate the effectiveness of different wildfire mitigation strategies.
- Participation as risk modeler and calculation agent in numerous World Bank transactions across the globe helping countries including Chile, Colombia, Mexico, Peru, the Philippines, and various Pacific Island nations transfer physical risk to capital markets through the issuance of catastrophe bonds.
- Publication of numerous studies and analyses associated with the consequences of climate change, such as its impact on U.S. corn belt crop yields, hurricane risk, and the potential cascade of second-order risks such as civil unrest, food insecurity, and mass migration.

### 3. Applications Benefitting Society

Scientists at Verisk study atmospheric and oceanographic changes, climate, weather, and associated phenomena on Earth and in space. Their work has contributed directly to multiple tools, solutions, and models that transform leading-edge research into practical applications benefitting society. Among them:

- Development and deployment of an automated system—Verisk's Fire Autonomous Detection and Dissemination System (FADDS)—which uses datasets from the GOES-R geostationary satellite system, updated every five minutes, to help the U.S. Forest Service track active wildfires in real time.
- Deployment of the GreenLITE™ sensor system, which Verisk co-developed, to advance a global methane detection system designed to meet the operational needs of the energy industry.
- Deployment of Verisk's FloodScan system, which automatically maps large-scale inland flooding using cloud-penetrating passive microwave satellite observations, to help the World Food Programme assist vulnerable populations' recovery from the impacts of natural catastrophes.

## Resource Efficiency Strategy

Today, Verisk operates worldwide, relying on the strength of a professional workforce and the speed, reliability, and accessibility of a robust technical infrastructure to deliver critical services to clients. Many opportunities for optimizing efficiency, minimizing resource consumption, and reducing emissions have been realized already or are underway currently. More are expected, with key initiatives spanning four areas described below.

### 1. Effective Space Utilization

Verisk has and will continue to approach effective space utilization on three levels: (1) closing and/or consolidating offices; (2) projecting future space requirements advantaged by a successful hybrid work policy; and (3) where practical, locating offices in modern business centers such as the Company has done in the Boston and London metropolitan areas.

This strategy reduces resource consumption and emissions associated with electricity, heating, air conditioning, and redundant power, and has already lowered rental, operational, and purchasing costs significantly.

**Table 12: Key climate-related opportunities – Resource Efficiency**

| Category | Opportunity | Driver |
|---|---|---|
| **Resource efficiency** | Optimize efficiency | Cost decrease |
| Timeframe and Significance | | |
| Short | Medium | Long |
| ● | ● | ● |

● High ● Low-medium

### 2. Optimal Technology Infrastructure

The first investments in the Company's technology infrastructure were designed to ensure a virtually complete transition from paper-intensive to electronic products and services. Benefits from investments in the years since are realized each time Verisk creates or enhances a new product or service integrating internal or external data or applications, increasing functionality, adding imagery, or deepening engagement and communications with client systems. In addition, corresponding investments that support workforce connectivity help drive increased productivity, increase training opportunities, enable remote work by design or by emergency, and potentially reduce the need for business travel.

Considered in this light, a strategy to optimize Verisk's technology infrastructure ensures a high return relative to internal investment, a net reduction in consumption, emissions, and waste associated with alternatives, and a high likelihood that investments made by Verisk obviate the need for some investments made by clients.

**3. Travel Management**
Verisk is already pursuing two objectives in this area: (1) improving the fuel efficiency of Verisk's U.S. automobile fleet; and (2) enacting sensible parameters to manage the Company's global business air travel.

Verisk's U.S. automobile fleet is used to conduct on-site commercial property surveys and evaluations of municipal firefighting capabilities, building code enforcement efforts, and community flood mitigation programs. Clients rely on the information collected and/or verified by Verisk to support underwriting and rating decisions potentially affecting millions of personal and business policyholders. Over the years, the fuel efficiency of the auto fleet—comprised of approximately 550 leased vehicles—has continuously improved as end-of-service vehicles have been replaced with more fuel-efficient models, including hybrids. This process can be accelerated, subject to vehicle or model availability and advances in battery capacity, range, and infrastructure associated with electric vehicles. The intended result would be to lower Scope 1 emissions.

It is not surprising that Verisk's evolution as a global company, coupled with efforts to minimize its physical office footprint, has been accompanied by an increase in business air travel. In addition to actively managing business air travel by limiting travel budgets, the Company will consider other incentives to reduce the number of trips and the number of travelers, without compromising client engagement or sales and marketing objectives. Such efforts are likely to reduce fuel consumption and emissions and lower costs.

**4. Increased Engagement with Suppliers**
Verisk is committed to working with suppliers that can provide tools or services that will help the Company reduce its Scope 1 and 2 emissions, or that can perform specific functions as a Scope 3 supplier more efficiently and effectively than Verisk can do on its own. The Company has and will continue to benefit by incorporating IT hardware and applications that offer greater efficiencies and office equipment that saves energy and reduces costs. As noted elsewhere in this report, Verisk has achieved significant advantages by transitioning data processing activities to more efficient cloud-based environments.

## Impact of Climate on Verisk's Business

Verisk is well positioned to address the potential impact of physical and transition risk on its business. The Company is advantaged by (1) an efficient and nimble operating model, (2) long-time investments in technologies that increase data processing efficiencies and empower remote working capabilities, (3) the establishment of formal engagement channels with key clients and suppliers, and (4) a continued focus on developing innovative climate-related solutions. Each is discussed below.

### Operations

As noted elsewhere in this report, Verisk operates from a global network of offices that are leased, not owned. Thus, long-term financial exposure due to chronic physical risk or its associated consequences is low and geographic flexibility is high. If necessary, Verisk can relocate offices as climate, economic, and social conditions evolve.

Verisk has already begun reducing its portfolio of physical office space by closing offices and consolidating operations into more modern and efficient business centers. This strategy, while aimed primarily at reducing leasing costs, also reduces resource consumption and effectively hedges against potential carbon taxes that may be imposed in the future.

At the same time, approximately 81% of Verisk's revenue is derived from annual subscriptions where clients pay fees in advance of receiving services. This feature of the Company's operating model is likely to ameliorate any immediate financial shocks following physical events and provide time for Verisk and its clients to adjust to potentially changing circumstances.

## Technology

Verisk's migration of data processing activities from Company-operated facilities to a cloud-based data processing environment represents a multiyear effort driven primarily by a desire for greater operating efficiencies and lower operating costs. Doing so has produced a significant decrease in Verisk's Scope 2 location-based emissions, while the corresponding activities performed by Verisk's leading cloud partner are not only much more efficient but powered by renewable electricity. The results on both sides of the ledger will help mitigate the potential impact of increased energy costs or carbon-based taxes in the future.

Similarly, key investments in communications infrastructure and technology already enable Verisk employees to work remotely and productively by need or by choice. The technology was stress-tested successfully during the COVID pandemic and is now the foundation for Verisk's corporate-wide hybrid work policy. The investments also help reduce the need for business travel, especially internal travel associated with training.

## Engagement

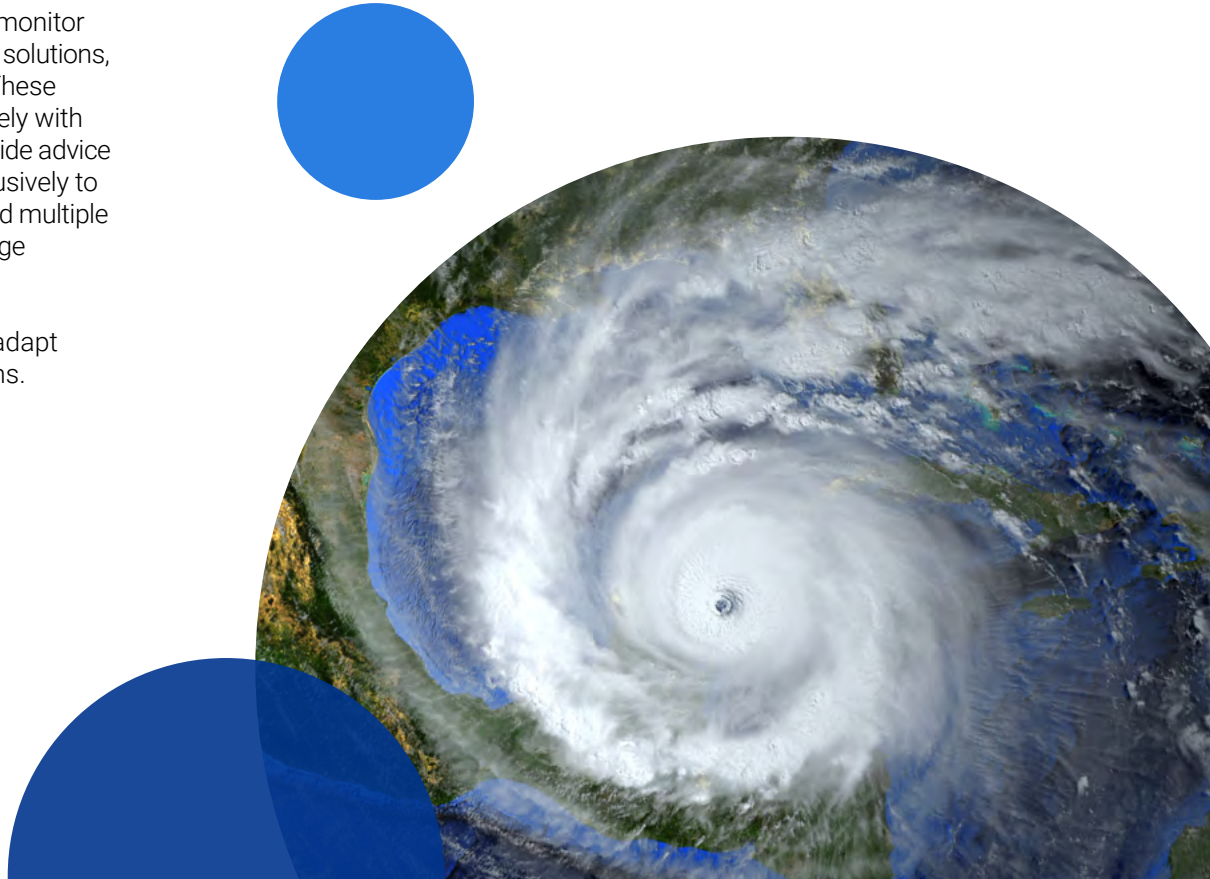
Verisk relies on a framework of mature client engagement channels to monitor trends, identify expectations, research needs, advance ideas for potential solutions, solicit feedback on products and services, and evaluate performance. These include a formal executive-level engagement program working exclusively with the Company's largest clients; a hierarchy of user advisory panels to provide advice and feedback on products and services, including a panel devoted exclusively to sharing perspectives on emerging risk, exposure, or coverage issues; and multiple conferences bringing Verisk professionals together with clients to engage and collaborate on a broad range of climate and weather challenges.

The Company has also identified key suppliers, working with each to adapt their respective business continuity plans to meet Verisk's expectations. Climate resiliency is among the critical items that must be addressed.

## Solutions

Verisk's product and service offerings have long been staples in the U.S. insurance industry but have evolved in scope, depth, and sophistication because of Verisk's investments across the entire climate and weather spectrum. Today, such tools include extreme event models, post-event claims management platforms, global risk indices, and location-specific underwriting analytics. The vast majority of climate and weather solutions are delivered by Verisk's Extreme Event Solutions business.

Collectively, Verisk's tools represent a vision to deliver value across the entire risk selection, underwriting, coverage, pricing, and claims resolution processes. They are often embedded in client workflows and integrated with other proprietary decisioning systems.



# Risk Management

## Risk Assessment Process

Verisk's most comprehensive examination of risk takes place as part of an annual Risk Survey. The survey engages a wide range of corporate and business unit leaders to identify the most important risks to the Company and provide better risk reporting to Verisk's Enterprise Risk Management Committee (ERMC) and Board of Directors.

As part of the Survey, the universe of known and potential risks is grouped into major categories, each with a brief descriptive statement. The categories include Economic/Financial, Environmental, Geopolitical, Legal and Regulatory, Societal/Talent, and Technology and Cyber.

Respondents are asked to indicate whether a specific risk (e.g., climate-related physical risk within the "Environmental" category) is applicable to their respective business or function, and to assess the risk in terms of its impact and likelihood. The respondents are also encouraged to add any other risks not included in the survey, including any emerging risks. At the completion of the Survey, all risks are ranked by their level of impact and assigned to various members of the management team who are responsible for creating and implementing action plans, which may be subject to future audit. The results of the Survey and subsequent assignments are shared by the Senior Vice President of Enterprise Risk Management with Verisk's Board of Directors, with the status of those identified as mission-critical risks reviewed with the Board on a quarterly basis.

Within the "Environmental" category, the quantitative and qualitative risk assessments conducted in conjunction with this report, and described on page 9 and following, are an extension of Verisk's broader enterprise risk management process.

In addition to the corporatewide annual Risk Survey and climate-related physical and transition risk assessments described herein, Verisk also conducts Information and Technology Risk Management Assessments, Location Risk Assessments, and Employee Travel Safety Risk Assessments described below.

### Information and Technology Risk Management Assessment

As noted at the conclusion of the Physical Risk Analysis section, Verisk has made major investments to protect against threats that exploit the vulnerabilities of intellectual assets, potentially compromising their confidentiality, integrity, or availability. These threats emanate from a variety of sources, including weather- and climate-related events:

**ISO 27001 Certification** – Verisk maintains an ISO 27001 certification. ISO/IEC 27001 is an internationally recognized best practice framework for information security management systems, which organizations rely on to manage the security of their data assets. A critical step in the ISO 27001 risk assessment process involves identification of threats to information security—including threats posed by climate-related hazards. To achieve certification, the organization must adopt the controls warranted by the level of risk.

**NIST Cybersecurity Framework** – Verisk follows the NIST (National Institute of Standards and Technology) cybersecurity framework. This voluntary framework consists of standards, guidelines, and best practices to manage cybersecurity-related risk, regardless of its cause. Its prioritized and flexible approach helps ensure the protection and resilience of critical infrastructure.

### Location Risk Assessment

The Company periodically completes a systematic process of assessing weather and natural-disaster risk at key office locations. The process combines data quantifying exposure to natural hazards with information about infrastructure maturity and the reliability of public services. The output informs risk mitigation actions at a strategic and operational level and helps refresh business continuity plans.

### Employee Travel Safety Risk Assessment

Verisk provides employees traveling to high-risk locations with pre-travel assessments and briefings about potential human and physical hazards, along with recommendations on how to mitigate such risk. These recommendations include safety practices to employ while traveling and real-time alerts of potential man-made and natural hazards that the traveler may encounter along the route. The Company contracts with an independent service provider to obtain up-to-date threat data for the pre-travel analysis and notification of real-time and/or potential hazards once the travel has commenced.

## Business Continuity Program

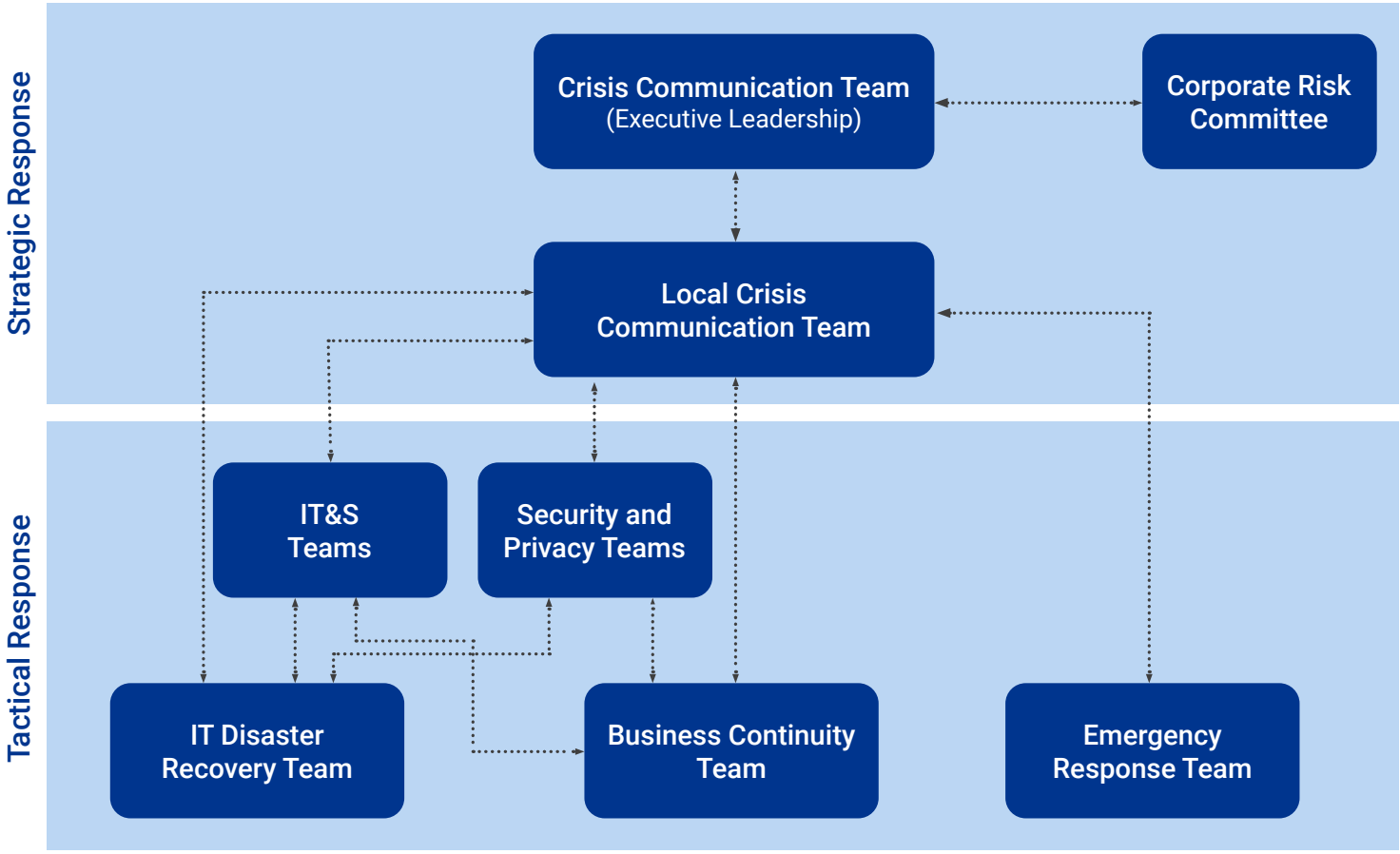
Verisk's Business Continuity Program is an essential part of the Company's risk management framework, helping to ensure the continuity of critical business processes in the event of an incident rendering facilities inaccessible, computer systems inoperable, and/or employees unavailable. The Program incorporates standards compliant with ISO 22301:2019 requirements and oversight by a Crisis Management Team, comprised of senior executives representing various disciplines.

The Crisis Management response is initiated immediately upon the reporting of an incident, including climate-related events such as hurricanes/cyclones. This entails a swift evaluation and escalation process to assess the severity and potential impact of the crisis. Once a thorough understanding is reached, Verisk's crisis management plan is activated for a comprehensive response. Upon navigation of the crisis, the plan deactivation phase ensures a seamless return to normal operations, minimizing disruptions and reinforcing Verisk's commitment to resilience and preparedness. The Company also conducts post-incident assessments to continually enhance response plans.


**Chart 3: The chart illustrates the various phases associated with crisis management, beginning with incident response and culminating in plan deactivation.**

The teams involved in crisis management are categorized into tactical and strategic groups, and their composition varies depending on the type of incident. For instance, in the event of a cyber threat, Verisk's IT experts take the lead, forming a tactical response team, while a strategic response team focuses on broader business continuity. This adaptive approach ensures that the right expertise is deployed to effectively address each unique challenge.

**Chart 4: The chart identifies the various teams associated with a strategic response and a tactical response to a cyber risk event**



# Metrics and Targets

Table 13 summarizes Verisk's CDP-reported emissions and associated metrics for the four-year period ending 2022. Scope 3 reporting includes emissions associated with business air travel and downstream leased assets.

**Table 13: Verisk's CDP-reported emissions, 2019-2022**

| | 2019 | | 2020 | | 2021 | | 2022 | |
|---|---|---|---|---|---|---|---|---|
| | Location-based | Market-based | Location-based | Market-based | Location-based | Market-based | Location-based | Market-based |
| **Revenue ($ million)** | 2,607 | 2,607 | 2,785 | 2,785 | 2,999 | 2,999 | 3,034 | 3,034 |
| **Employee Full-Time Equivalent (average)** | 8,950 | 8,950 | 8,758 | 8,758 | 9,367 | 9,367 | 8,999 | 8,999 |
| **Scope 1 (MT CO2e)** | 8,721 | 8,721 | 2,608 | 2,608 | 2,913 | 2,913 | 2,595 | 2,595 |
| **Scope 2 (MT CO2e)** | 11,649 | 139 | 9,539 | 432 | 7,911 | 392 | 6,555 | 414 |
| **Scope 3 (Cat 6, 13) (MT CO2e)** | 9,998 | 9,998 | 1,928 | 1,929 | 688 | 693 | 3,204 | 3,212 |
| **Scope 1,2,3 Total (MT CO2e)** | 30,369 | 18,858 | 14,074 | 4,968 | 11,512 | 3,999 | 12,354 | 6,220 |

Values are rounded.

# Emissions Reporting: 2022 vs. 2021

Additional office consolidations, the continued transition to more efficient cloud-based data processing, improved fuel efficiency in the Company's commercial underwriting automobile fleet, and the impact of divestments involving Verisk's former 3E and Financial Services businesses collectively contributed to the reduction in Verisk's Scope 1 and 2 emissions for 2022 compared with the prior year.

The emissions were calculated in conjunction with Verisk's annual greenhouse gas (GHG) inventory and response to CDP's 2023 Climate Change Questionnaire. The inventory covered 100% of Verisk's global operations, including three newly acquired businesses that began reporting the first full month following their acquisition. Emissions for Verisk's former 3E and Financial Services businesses were also included in the inventory for the months prior to their divestment. Full-year 2022 emissions were included for Verisk's Wood Mackenzie business, which was divested during the first quarter of 2023.

An independent third party provided external assurance over certain GHG emissions metrics, and their Report of Independent Accountants as well as Verisk's management assertion can be found here.

Verisk reports emissions on both a location- and market-basis. Absolute Scope 1 and 2 emissions calculated on a location-basis—that is, before renewable energy certificates (RECs) are applied or carbon offsets are considered—indicate that Verisk exceeded its internal target to reduce such emissions 21% by 2024 compared with a 2019 baseline. After discounting the effects of the 3E and Financial Services divestments, Verisk's actual reduction through year-end 2022 was approximately 30.5% compared with the 2019 baseline.

The internal target was calculated by Ecometrica, a CDP-accredited solutions provider using SBTi guidance aligned with a 1.5°C global future.

Calculated on a market-basis, purposeful energy reduction initiatives, coupled with the impact of Verisk's investments in RECs and the application of carbon offsets, helped Verisk balance 100% of its CDP-reported Scope 1, 2, and 3 (business air travel and downstream leased assets) emissions for the sixth consecutive year.

Investing in RECs has been a practical option for a company of Verisk's circumstances, which leases its space in multi-tenant office buildings and data centers and, therefore, is not positioned to produce or purchase renewable energy directly. Together with carbon offsets, they represent an immediate contribution as Verisk continues to reduce its absolute emissions over time.

### Emissions Reduction Strategy

Verisk has remained focused on a multiyear strategy that increases operational efficiency and lowers costs while delivering meaningful emissions reductions across its data processing activities, real estate footprint, and on-site services.

#### Processing Efficiency

Large databases and complex data processing activities are at the core of Verisk's analytic offerings that help clients understand, manage, and price risk, verify legitimate claims and detect fraud, and anticipate and respond to catastrophic events. In addition, Verisk acts on behalf of thousands of insurer clients in the U.S., collecting and reporting detailed transactional statistics to regulators in accordance with requirements mandated by law.

During 2015, the Company began transitioning main data processing operations from its Jersey City headquarters to data processing facilities designed and certified to LEED (Gold) standards operating in the eastern and western United States. In subsequent years, Verisk aggressively consolidated data processing operations hosted by individual business units, including many legacy operations inherited through acquisitions. More recently, the Company accelerated efforts to capitalize on the cost and efficiency benefits offered by cloud-based processing platforms.

The cumulative effects of these actions have enabled Verisk to eliminate its mainframe computers and reduce the number of servers, the amount of storage, the volume of operating and cooling power, the use of refrigerants, and the need for back-up generators. During 2023, Verisk decommissioned its western data center, dismantling the operating environment and reselling or recycling 100% of the hardware.

Moreover, the lead provider of Verisk's cloud-based services utilizes 100% renewable energy and offers inherent operational efficiencies that enable it to perform services at a small fraction of the total emissions that would have been generated by Verisk.

**Office Footprint**

Verisk has aggressively managed its office footprint by closing or consolidating offices, reducing office square footage under lease, and taking advantage of environmentally friendly features associated with new properties.

During the period 2019-2022, approximately 30 such offices were closed and/or consolidated, exclusive of divestments. These included the consolidation of seven offices spread across metropolitan Boston and London into two modern and energy-efficient business centers.

In Boston, four offices were consolidated into a LEED-certified business center, reducing the Company's overall office footprint by more than 20,000 square feet. The office interior includes LED lighting, occupancy sensors, Energy Star appliances, and low-flow-rate plumbing fixtures among other features.

In London, three offices were consolidated into a business center awarded a BREEAM Excellent sustainability rating. The London office is supplied with certified 100% renewable electricity. It has also adopted circular economy principles and aims to achieve a 95% recycling rate and 5% reduction of all waste, year to year.

On a smaller scale, the closings and consolidations also translate to fewer servers, printers, and appliances and a corresponding reduction in power consumption.

The ability to reduce the Company's office footprint and optimize the usage of smaller spaces relied in part on Verisk's significant investments in the technologies, associated infrastructure, and reliable hardware needed to ensure a stable remote work environment for its global workforce.

**On-Site Services**

In the U.S., Verisk relies on the mobility and efficiency of approximately 500 field professionals—strategically deployed and electronically connected—to collect and analyze on-site information that helps serve the rating and underwriting needs of hundreds of insurer clients.

Among other things, the Company's field operation supports a database of information on nearly 16 million commercial properties, including more than 4 million verified through on-site surveys. It also produces detailed information for clients about the capabilities of municipal fire departments—such as response area boundaries for more than 53,000 recognized fire stations and the location of nearly 10 million operating fire hydrants—key metrics in pricing for property insurance. In addition, the field operation provides information about building codes and their enforcement for more than 48,000 communities covering 87% of the population. Comparatively speaking, communities with well-enforced, modern building codes fare better during catastrophic events such as hurricanes, representing an investment that ultimately saves lives and reduces property losses.

From an emissions standpoint, these are "shared services"—meaning the information Verisk analyzes is shared with all clients participating for the service, thus avoiding the need for each participant to duplicate the service and incur emissions of its own. Instead, Verisk maintains an automobile fleet to collect on-site information for the benefit of clients, operating it according to strict standards designed to optimize job performance and fuel efficiency.

While total Scope 1 emissions associated with Verisk's fleet can fluctuate with changes in client demand, overall fuel efficiency has increased annually since 2015, which was the first year the Company conducted a GHG emissions inventory. For example, improved efficiency was realized during 2022 as several dozen older models were replaced with newer, more fuel-efficient models, including hybrid vehicles.

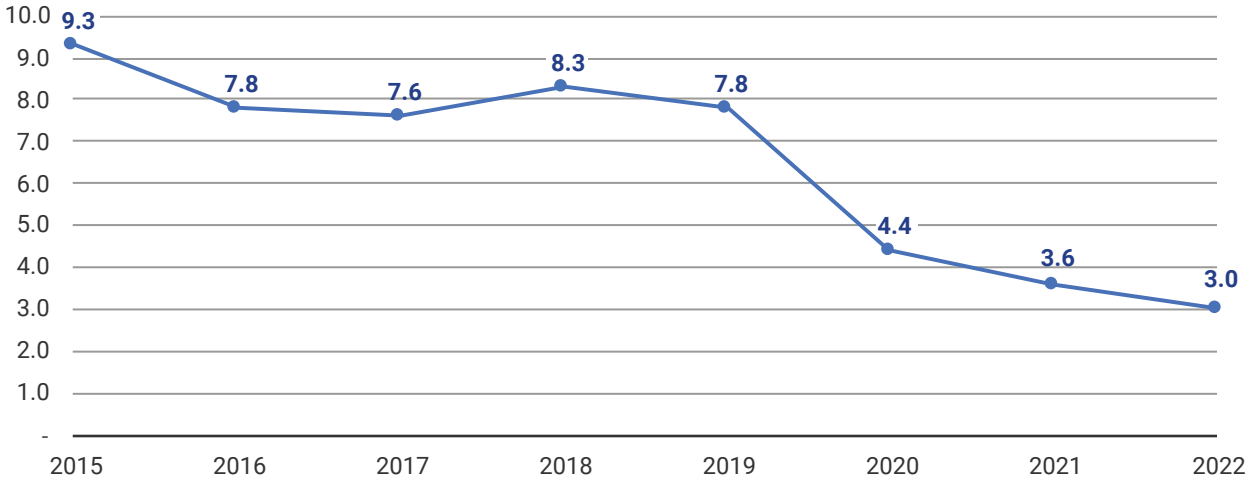
If supply chain challenges facing automobile manufacturers can be managed effectively, the Company expects gains in fuel efficiency to reoccur as the transition from older to newer vehicle models, including hybrids, continues. In addition, Verisk's independent fleet manager is monitoring developments in the market for electric vehicles; unfortunately, current mileage ranges and employee access to the charging infrastructure are insufficient for Verisk's business needs.

## Intensity Metrics

Emissions measured per unit of revenue and per full-time equivalent employee (FTE) are key indicators of Verisk's efforts to reduce emissions and improve operational efficiency.

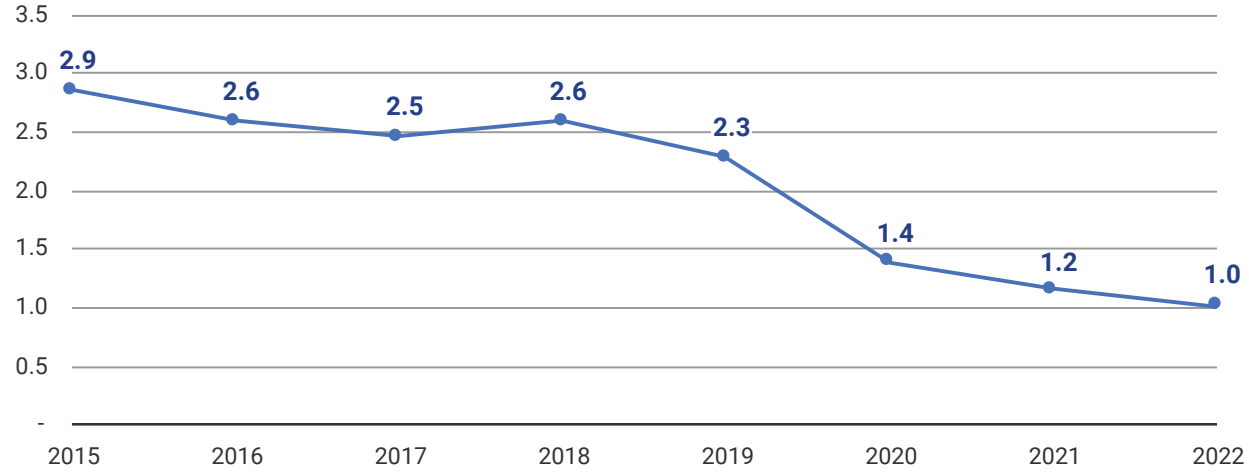
Graphs 1 and 2 illustrate trends in Verisk's location-based emissions intensity (Scope 1 and 2) measured on the basis of revenue (per million $) and employee counts (per average annual FTE). The trends are measured from 2015, the year of the Company's first emissions inventory, and are unadjusted for the effects of acquisitions and divestments.

**Graph 1 - Emissions Intensity: Revenue (MT $CO_2e$/Revenue (Millions))**




Values are rounded.

**Graph 2 - Emissions Intensity: Average Annual Full-Time Equivalent Employees (MT $CO_2e$/Average Annual FTE)**




Values are rounded.

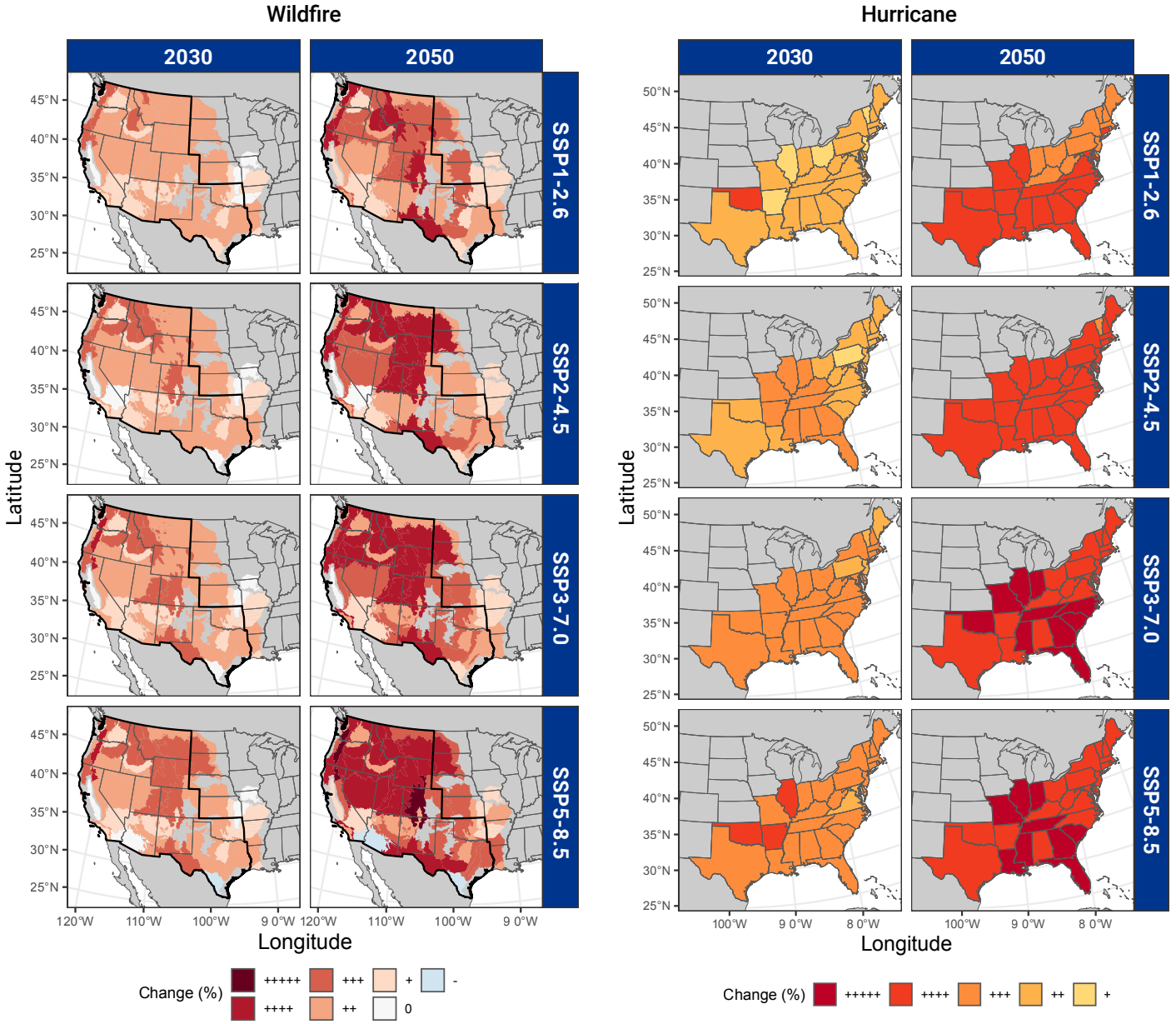
# Appendices

# Appendix A

## Verisk Extreme Event Solutions example

Verisk Extreme Event Solutions provides extreme event models for climate perils in more than 80 countries. Customers use these models to assess risks under current and future climate conditions.

The figures on this page illustrate anticipated changes in tropical cyclone and wildfire risk in the U.S. through mid-century, using four different climate scenarios.



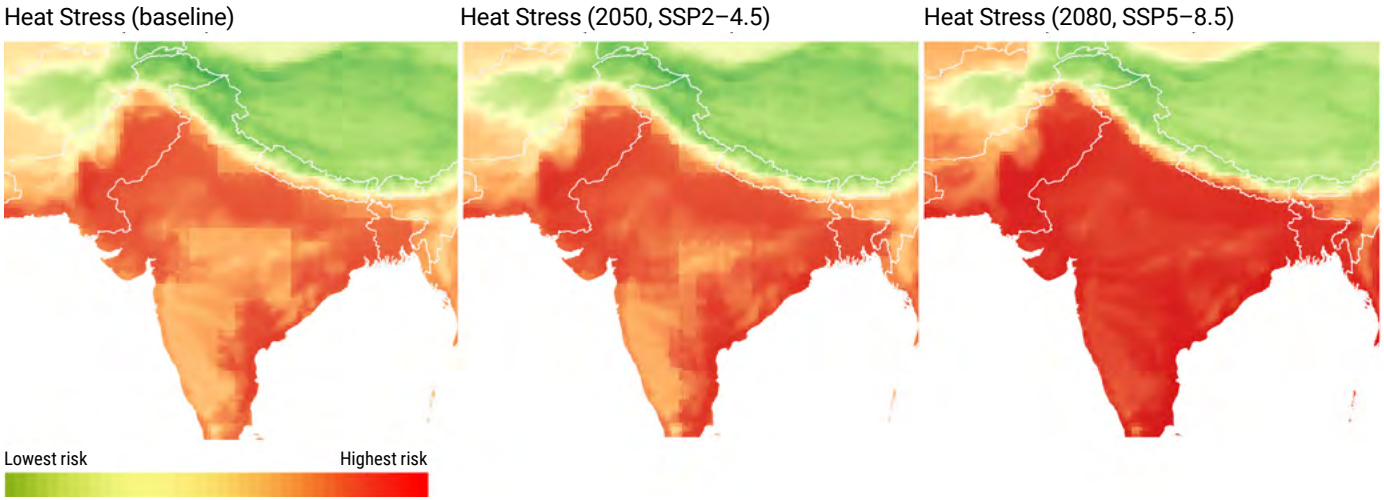

**Estimated change in risk from wildfire (left) and hurricane (right) estimated at 2030 and mid-century under different climate scenarios.**

# Appendix B

## Verisk Maplecroft Solutions example

Verisk Maplecroft's Climate Risk Dataset provides organizations with a complete view of their global climate risk exposures. Created by its in-house team of climate scientists and based on the latest climate model projections, the Dataset assesses how 15 separate climate hazards, such as heat, precipitation, drought, and sea level rise, will evolve over time across different emissions pathways. The Dataset also includes global risk indices covering climate-related socio-economic vulnerabilities and an array of transition issues that together deliver a full-spectrum approach to climate risk.

**Mapping the evolution of climate impacts – Heat Stress in India across different emissions scenarios.**




Source: Verisk Maplecroft Heat Stress Index, 2023

# Appendix C

## Physical risks – Hazard definition and rating

| Hazard | Definition | Description | Range | Qualitative rating (future exposure) | | |
|---|---|---|---|---|---|---|
| **Wildfire** | Wildfire is an uncontrolled fire caused by a combination of combustible fuels (e.g., dead, dry wood) and ignition sources (e.g., human activity or lightning). It is strongly influenced by prevailing weather conditions. | Average annual probability of a wildfire occurring within a kilometer of the asset. | 0-1 Probability score | | Low | 0-0.000075 |
| | | | | | Medium | 0.000075-0.1 |
| | | | | | High | 0.1-1 |
| **Water stress** | Changing water availability due to climate change, coupled with increasing demand from population growth and economic activity, will have substantial impacts across the globe. | Year-over-year water stress risk exposure relative to 1980-2010. | 0-1 Probability score | | Low | 0-0.3 |
| | | | | | Medium | 0.3-0.6 |
| | | | | | High | 0.6-1 |
| **Inland flooding** | Inland flooding captures the likelihood of a location being directly exposed to flooding, both from precipitation-based inland flooding and from coastal flooding. | Year-over-year exposure of asset to floods (Based on number of years with probability of flood >5%). | 0-1 Probability score | | Low | 0-0.01 |
| | | | | | Medium | 0.01-0.05 |
| | | | | | High | 0.05-1 |
| **Heatwave** | Heatwaves represent an extended period of perilously warm weather at a specific location or region. They are associated with excess mortality and other human health risks, greatly increased electricity demand, agricultural impacts, and disruption to many types of economic activity. | Year-over-year heatwave days per year where temperature at asset is projected to exceed 98th percentile of historic recordings. | Number of days in year | | Low | 0-30 |
| | | | | | Medium | 30-50 |
| | | | | | High | 50-366 |
| **Sea level rise** | The major physical impacts of rising seas include coastal flooding, erosion of beaches, saltwater intrusion into aquifers, inundation of fertile deltas, and loss of biodiversity in marshes and wetlands. | Year-over-year projection of sea level rise relative to 1980-2010 average sea level. | 0.0 - 3.0 Rise in meters | | Low | 0-0.375 |
| | | | | | Medium | 0.375-0.75 |
| | | | | | High | 0.75-3 |
| **Hurricane/ Cyclone** | Tropical cyclones, also referred to as hurricanes and typhoons, are one of the costliest natural disasters. Cyclone impacts can be widespread, including coastal and inland flooding and wind damage. | Month-over-month asset level exposure to cyclones/hurricanes. Cyclones tagged based on severity to scale 1 to 5, used to assign value in unit interval. | 0.0 to 1.0 Normalized severity scale | | Low | 0-0.01 |
| | | | | | Medium | 0.01-0.05 |
| | | | | | High | 0.05-1 |

Source: Sust Global Data Guide