2022 Task Force on Climate-Related Financial Disclosures (TCFD) Report

radian

Table of Contents

Introduction

The Financial Stability Board (FSB) established the Task Force on Climate-Related Financial Disclosures (TCFD) in December 2015 to design a set of recommendations for consistent disclosures to improve and increase reporting of climate-related financial information. The recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management and metrics and targets. This report covers the reporting year of 2022 for Radian.

About Radian

At Radian, we are committed to ensuring the American dream of homeownership in an affordable, equitable and sustainable way through products and services that span the mortgage and real estate spectrum. We are a diversified mortgage and real estate services business. We provide mortgage insurance and other products and services to the real estate and mortgage finance industries through our two business segments—Mortgage and homegenius. While we manage and report on these two segments separately, we take an enterprise approach under our “One Radian” strategy, which leverages the value of our employees across our diversified businesses to better serve our customers.

- Our Mortgage segment aggregates, manages and distributes U.S. mortgage credit risk on behalf of mortgage lending institutions and mortgage credit investors, principally through private mortgage insurance on residential first-lien mortgage loans, and also provides other credit risk management, contract underwriting and fulfillment solutions to our customers.
- Our homegenius segment offers an array of title, real estate and technology products and services to consumers, mortgage lenders, mortgage and real estate investors, government-sponsored enterprises (GSEs) and real estate brokers, agents and consumers.

Radian Group serves as the holding company for our insurance and other subsidiaries, through which we offer our products and services, and does not have any operations of its own.

Governance of Climate Change Matters

TCFD guidance requests that companies disclose the organization's governance around climate-related risks and opportunities, including the roles of both the Board of Directors and management.

Board Oversight

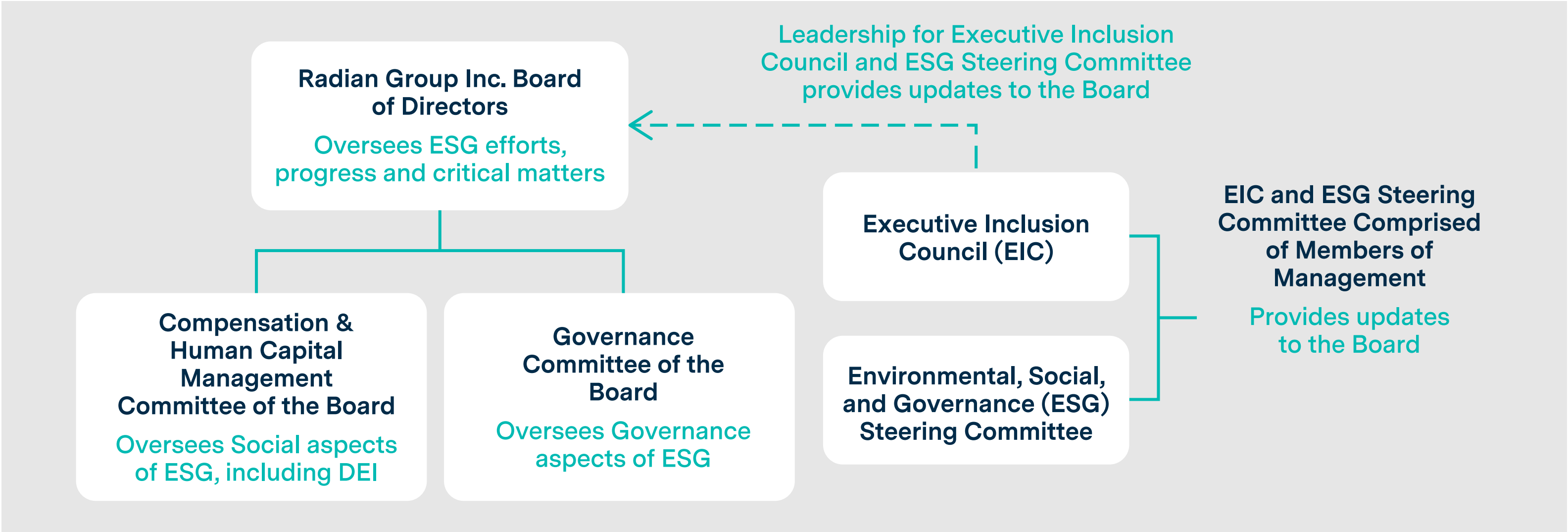
Our Board is actively involved in the oversight of our environmental, social and governance (ESG) program and practices that could affect the company, including climate change risks. The Board seeks to understand and oversee the most critical risks relating to our business, allocates responsibilities for the oversight of risks among the full Board and its committees, and as part of this oversight, reviews the systems and processes that management has in place to manage the current risks facing the company, as well as those that could arise in the future.

The Board and its committees regularly meet with management to receive reports from:

- the company's enterprise risk management (ERM) function, which is designed to identify the risks we are facing, and to assess, manage and establish mitigation strategies for those risks;
- the company's information security function regarding cybersecurity risks and the company's efforts to mitigate such risks;
- the company's compliance function regarding our compliance program, including our efforts to embed a culture of compliance throughout the organization to encourage ethical behavior and mitigate risks of regulatory non-compliance.

The full Board further considers current and potential future strategic risks facing the company as part of its annual strategic planning session with management.

In addition, the full Board is updated on our greenhouse gas emissions inventory at least annually and receives an update on our ESG program and practices at least quarterly, which includes information about climate change. The Board also receives annual education and training sessions focused on current and emerging ESG topics.



Management Oversight

Radian maintains an ESG Steering Committee which comprises a cross-functional management team that supports the company's ongoing commitment to corporate responsibility. The duties of this ESG Steering Committee encompass strategy development, reporting, communications and advising on all ESG matters, including the consideration of climate change impacts on our business and corporate strategy.

The ESG Steering Committee consists of officers and other employees with varied experiences and disciplines including but not limited to environmental, health and safety, operations, legal, investor relations, government affairs, corporate governance, finance, human capital management and communications. The committee is co-chaired by the Senior Executive Vice President, General Counsel & Corporate Secretary and the Executive Vice President, Chief Marketing & Communications Officer.

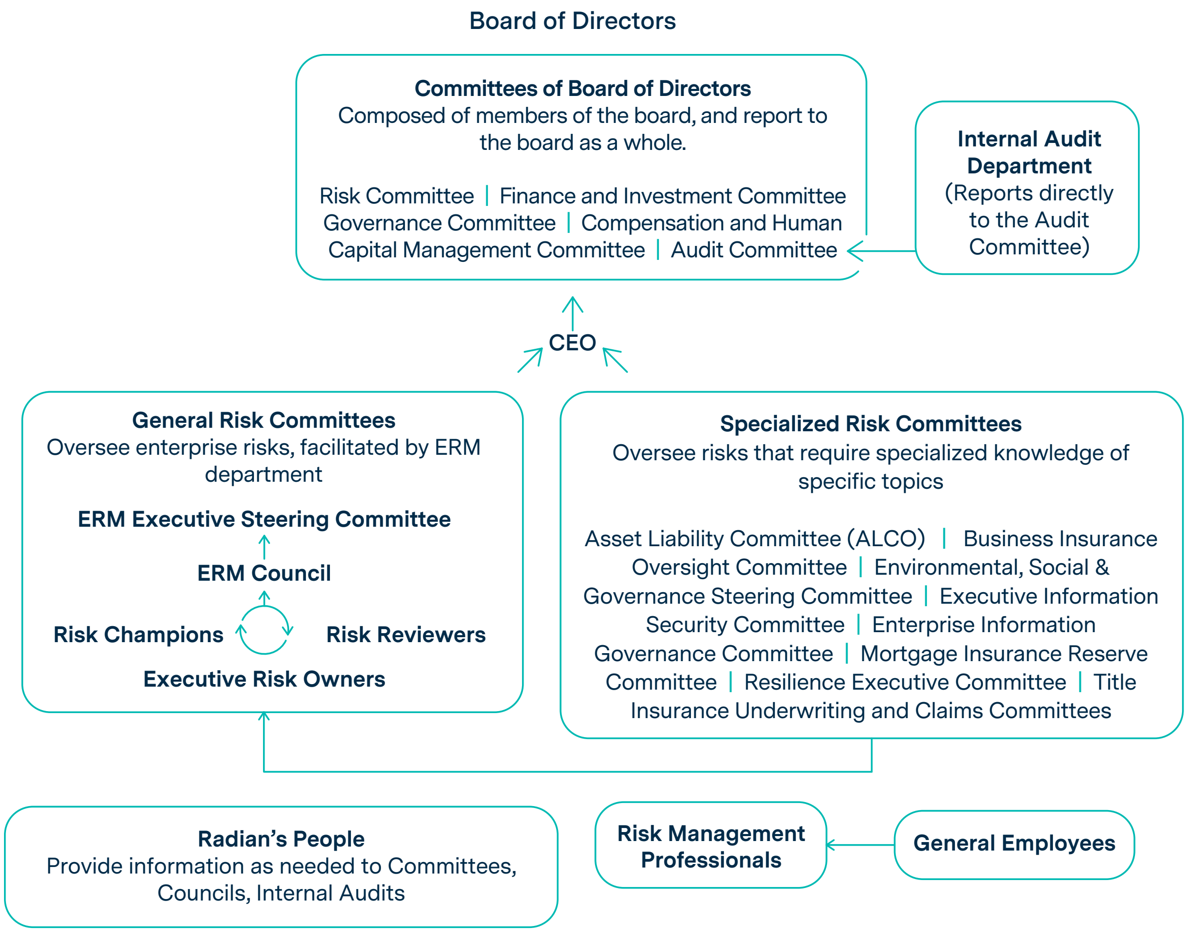
Our Enterprise Risk Management (ERM) Program

Our ERM Program takes a holistic approach to managing risks that we face in our businesses. A cross-functional team, guided by subject matter experts and experienced managers, follows a systematic method to identify, evaluate and monitor both known and emerging risks, including the impact of climate change.

Our ERM Council, consisting of mid-to-senior level employees, meets at least quarterly to review the organization's top risks, as well as any risks that may have been upgraded or downgraded during the review cycle. The output (reports, dashboards, etc.) from the ERM Council is consolidated and presented to an ERM Executive Steering Committee, consisting of executive management, at least quarterly. The ERM Executive Steering Committee, along with the ERM Council, is responsible for assisting the Board of Directors in the fulfillment of its risk oversight responsibilities.

Our senior executive management team regularly monitors and discusses risks related to our businesses through various management committees. Our Pricing and Risk Committee, Capital and Liquidity Review Committee and Model Governance Committee (these committees collectively comprise our Asset Liability Committee/ALCO) focus on identifying risks and decision-making related to pricing, credit, capital, liquidity and model management, including risk/return analysis associated with different business opportunities. Other management committees focused on risk management include, but are not limited to, our Resilience Executive Committee, Executive Information Security Committee and Enterprise Information Governance Committee.

Enterprise Risk Management (ERM) Governance



Our Environmental, Social and Governance Program

Our Environmental, Social and Governance (ESG) program is focused on supporting Radian's commitment to the environment, health and safety, corporate social responsibility, corporate governance, talent development and employee engagement, diversity, equity and inclusion, and other public policy matters relevant to Radian including its investment portfolio.

- In 2019, we established an ESG Steering Committee, which consists of members representing our businesses and locations across the company. This Committee meets on a regular basis and assists the senior leadership team in setting general ESG strategy; developing, implementing and monitoring initiatives and policies based on that strategy; overseeing communications with employees, investors and other stakeholders; monitoring and assessing developments related to ESG trends, including those related to climate change; and ensuring efficient and timely disclosure.

- In 2021, we created a dedicated internal role to oversee our ESG initiatives and annual ESG reporting; developed an Environmental Policy to adopt sustainable and environmentally conscious practices to minimize our carbon footprint; and engaged a third-party greenhouse gas emissions consultant to help us measure our 2021 and 2022 emissions data for Scopes 1 and 2. We will continue to track and update our emissions data progress annually.

Strategy and Risk Management

TCFD guidance requests that companies disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material and also disclose how the organization identifies, assesses, and manages climate-related risks.

Enterprise Risk Management

As described earlier, our ERM Program takes a holistic approach to managing risks that we face in our businesses. A cross-functional team, guided by subject matter experts and experienced managers, follows a systematic method to identify, evaluate and monitor both known and emerging risks, including the impact of climate change. We utilize an ERM framework that is designed to identify and evaluate the most significant risks we face and to calibrate risk mitigation strategies to account for challenges in the current business environment, as well as external factors that may negatively impact our operations. Our risk appetite is defined through five key risk categories where strategic execution can take place (i.e., credit, financial, strategic, operational, and regulatory and compliance). We do not treat reputational risk as a distinct category of risk; rather, we view reputational risk as pervasive throughout our entire risk portfolio, as each risk on its own can impact our reputation if not mitigated or managed properly.

Quarterly risk reviews are conducted, during which various risk scoring metrics are re-assessed to account for changes in markets and the regulatory environment, in addition to other internal or external factors. Risk scoring and validation of the effectiveness of risk management plans through management reporting facilitate program sustainability and promote accountability for risk management activities throughout the company.

Time Horizons

Radian categorizes risks based on their current or potential future impact on the organization when evaluating them in ERM quarterly risk review assessments. Climate-related considerations are interwoven into the risks that we monitor, including the following potential risks: business interruption impacts, financial impacts related to increases in mortgage insurance claims, the difficulties in underwriting mortgage insurance risk to account for climate change, inaccurate model projections, counterparty risks, investment risks, business execution risk, and negative macroeconomic developments.

IT Disaster Recovery And Business Continuity

Our business is highly dependent on the effective operation of our information technology systems, which are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks and security incidents or breaches, catastrophic events and errors in usage.

Efforts to Manage this Risk

- Radian's IT Disaster Recovery and Business Continuity programs are designed to protect Radian properties/personnel against environmental risks, including natural disasters. The management-led ERM Council, ERM Executive Steering Committee, Executive Information Security Committee, Enterprise Information Governance Committee, Resilience Executive Committee and other enterprise-wide management committees regularly discuss the disaster recovery and business continuity risks across the organization.
- As part of our ERM risk assessments mentioned earlier, Radian annually assesses the risk of natural catastrophe across key office locations, including climate-related catastrophes and risks, which have yielded an overall low residual business interruption risk for three consecutive years.

Mortgage Insurance

Extreme weather events, such as hurricanes, have the potential to lead to increased mortgage insurance delinquencies and claims liability for Radian. We account for any increase in delinquencies during natural disasters, such as hurricanes, by posting reserves that represent our best estimate of claim liability on the affected mortgage insurance policies.

Efforts to Manage this Risk

- Radian's Mortgage Insurance (MI) Master Policy generally excludes coverage for any cost or expense related to the repair or remedy of any physical damage to the property if physical damage is the principal cause of the default. Radian and the mortgage insurance industry only insure credit risk. Therefore, our Master Policy, subject to certain conditions, generally does not provide protection against property loss or physical damage, including damage caused by hurricanes or other severe weather events or natural disasters.

- Radian's MI pricing considers economic and housing trends by region to ensure that we are appropriately pricing for geographic risk, which may include the impact of climate-related events on home prices and employment in a specific geographic region.
- If a property that is being underwritten for mortgage insurance is impacted by a natural disaster, a recertification of the property inspection and valuation may be required prior to binding the insurance. For properties in our mortgage insurance portfolio that have been impacted by a natural disaster, we work with the mortgage servicers to ensure that borrowers are offered loss mitigation options, such as payment forbearance, to assist borrowers through a short-term hardship.

In addition to our own efforts to manage climate-related risks, the vast majority of the loans we insure are sold to Fannie Mae and Freddie Mac (GSEs), who are the largest beneficiaries of our mortgage insurance and are actively analyzing and managing the climate-related risks in their own portfolios.

Title Insurance

Title insurance does not cover claims resulting from environmental risks, including natural disasters such as hurricanes, so these are not factored into the underwriting of the title insurance product.

Metrics and Targets

TCFD guidance requests that companies disclose the metrics and targets used to assess and manage relevant climate- related risks and opportunities where such information is material.

We engaged a third-party greenhouse gas (GHG) emissions consulting firm to help us measure our 2022 emissions data for Scopes 1 and 2. The GHG inventory was prepared consistent with the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol. For GHG emissions reporting, Radian uses operational control. Operational control reflects the activities where Radian has the full authority to introduce and implement operating policies.

In 2022, Radian's footprint included nine facilities under operational control. As part of Radian's reimagined

Principal Building Activity Annual Intensity	Electric Intensity (kWh/ft^2)
Office	15.9
Warehouse and Storage	6.6
Service	8.3
Retail	15.2
Vacant	4.5
Other	28.3

workspaces effort, in 2021, we chose to exit Radian's main office in Philadelphia and offer our employees additional flexibility for hybrid working arrangements by opening smaller office spaces in New York, New Jersey and Pennsylvania. Of the nine sites in our portfolio in 2022 which include office spaces, warehouse and storage, service and miscellaneous real estate holdings, only one office has operational control of its HVAC units. This measurement is reflected in the sum of our Scope 1 emissions. Scope 2 emissions for 2022 include captured purchased electricity for all nine sites, reflecting an increase from six sites included in Radian's 2021 emissions inventory.

In 2022, the sum of Radian's carbon dioxide equivalent (CO2) was roughly 2,549 metric tons, a 27% increase from 2021.

	Sum of CO2-e MT 2022	Sum of CO2-e MT 2021	% Change YoY
Scope 1	**9.45**	**31.17**	**-70%**
Fugitive	9.45	31.17	-70%
Scope 2	**2,539.53**	**1,978.48**	**28%**
Purchased Electricity	2,386.32	1,833.59	30%
Purchased Electricity – Leased Space	153.22	144.89	6%
Grand Total*	**2,548.98**	**2,009.65**	**27%**

** Year over year (YoY) emissions increase largely attributed to the expansion of the GHG inventory from 6 facilities in 2021 to 9 facilities in 2022*

Important Legal Information

The inclusion of information in this Report should not be construed as a characterization regarding the materiality or financial impact (or potential impact) of that information. In addition, this Report may include forward-looking statements which may include, without limitation, projections regarding our future performance and financial condition. These statements speak only as of the date they were made and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For more information on Radian including the risks and uncertainties we face, refer to the information contained in Radian Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022, subsequently filed Quarterly Reports on Form 10-Q and other filings with the U.S. Securities and Exchange Commission, available on the Investor Relations section of our corporate website.