

## Assured Guaranty Statement on Climate Change

Assured Guaranty Ltd. (together with its subsidiaries, Assured Guaranty or the Company) recognizes that addressing and adapting to climate change continues to be a top global priority and objective.

### Climate Change Data and Science

Based on observed warming, atmospheric and oceanic changes, the scientific community, including the Intergovernmental Panel on Climate Change (IPCC)<sup>1,2</sup>, the U.S. Global Change Research Program<sup>3</sup>, and the proceedings of the UN Climate Change Conference of the Parties (COP)<sup>4</sup>, have warned that climate change will have further widespread impacts on human and natural systems.

According to the IPCC Sixth Assessment Report (AR6)<sup>5</sup>, global surface temperature was more than 1.°C higher in 2011-2020 than 1850-1900 and widespread and geologically rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred. The IPCC expects that climate change will create new risks and exacerbate existing vulnerabilities in communities across the globe, challenging human health and safety as well as economic growth.

Scientists expect specific potential long-term effects of climate change to include<sup>3,4</sup>:

- Higher temperatures
- Higher regional precipitation in certain areas
- More regional droughts and heat waves
- More frequent and intense hurricanes and tropical storms
- Global rise in sea level

Though the full effects of climate change may not be felt for some time, and predictions may not materialize when or as projected, recent events, trends and research compel us to evaluate its potential impact on our business and develop a risk management strategy.

### Impact of Climate Change on Assured Guaranty

As a financial guarantor of municipal and structured finance transactions, the Company does not take direct insurance exposure to climate change but does face the risk that its obligors' ability to pay debt service will be impaired by the impact of climate related perils.

Cities, counties, states, and other issuers of municipal and infrastructure bonds may be affected by more frequent and severe weather events. Over time, the livability of certain regions issuing bonds insured by the Company may be adversely affected by long-term shifts in climate patterns or environmental risk. The expense municipalities will incur as they reinforce infrastructure to address these risks, such as new sea

walls, levees, retention ponds, roads, utilities, and bridges, will vary according to geographic location and the nature of the mitigation efforts needed. Likewise, the financial burden among federal, state, and municipal governments also will vary. Further, unmitigated effects eventually could lead to changing demographic patterns that alter the financial health of impacted municipalities.

Policy, legal, and regulatory changes enacted to reduce carbon emissions and lessen the impacts of climate change will likely result in transition risk. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations. Certain sectors of the Company's business, most notably public power and retail gas and electric transactions may be vulnerable to such risk.

### **Managing Financial Risks of Climate Change at Assured Guaranty**

While scientific forecasts maintain some uncertainty around exact projections, Assured Guaranty continues to enhance its approach to the consideration of the financial risk of climate change in the origination, underwriting, credit approval, and surveillance of its insured exposures and has integrated climate risk into its risk management and control functions. As a prudent investor, the Company understands the importance of fundamental research and the consideration of relevant risk factors, including the financial risks associated with climate change.

#### *Underwriting Guidelines for New Exposures*

The Company's assessment of how climate change-driven risks may impact a prospective obligor's ability to pay debt service is informed by its extensive experience in municipal finance coupled with proprietary analytics and third-party data and insights. Assured Guaranty monitors developments regarding climate change, particularly as they relate to public finance and infrastructure, and incorporates them into its underwriting approach. This framework includes criteria that assess the potential negative impact climate change could have on each proposed obligor's ability to pay debt service as well as the potential that a transaction could exacerbate climate change. Credit underwriting submissions are required to include an assessment of environmental and/or transitional risk factors as part of the underwriting analysis. Specifically, the vulnerability of obligors is evaluated with respect to future climatic events (e.g., sea level rise, droughts), extreme weather events (e.g., hurricanes, tornadoes, floods) or geological events (e.g., earthquakes, volcanoes) as well as resilience factors (e.g., mitigation capabilities, adaptation capacity) to determine if such environmental issues could materially impact an obligor's expected performance.

#### *Surveillance of Existing Exposures*

Climate change may impact our existing insured exposures. The surveillance review protocol for our insured portfolio includes consideration of environmental risk factors, such as exposure to extreme weather events, geographic locations prone to flooding or wildfires, potential rise in sea levels, and compliance with environmental regulations, for their potential impact on debt service payments. Our

surveillance process benefits from broad access to our obligors, including the ability to perform site visits and engage with issuers.

#### *Potential Impacts of Climate Change on Investment Opportunities*

Please refer to our [Environmental Policy](#) for a description of how environmental issues are addressed in our investment portfolio and asset management business.

### **Climate Change Opportunities**

#### *Use of Municipal and Infrastructure Financings to Address Climate Related Risks*

Climate change is projected to lead to weather events that are more extreme than historical precedents, threatening essential infrastructure such as, highways, water treatment facilities and the power grid. In some parts of the United States including New York, Portland, Chicago and Southeast Florida, city and state planners are now required to plan for these more extreme events.<sup>6</sup> We believe that municipal bond insurance has an important role to play in helping cities, counties and states issue debt at more affordable rates to finance the massive infrastructure improvements that may be required to address and adapt to more severe weather events.

### **Managing the Company's Impact on the Environment**

As a financial services firm with approximately 350 employees, the direct impact of Assured Guaranty's operations on the environment is relatively small. The Company endeavors to operate its business in a responsible manner with a goal towards minimizing its environmental impact. The Company also measures its enterprise level Scopes 1 and 2 and select Scope 3 greenhouse gas (GhG) emissions. The results are reviewed and verified by an independent third party and published on the Assured Guaranty website and in the SEC Form 10-K report.

### **Governance of Climate Change Risk**

The Environmental and Social Responsibility Committee and the Risk Oversight Committee of AGL's Board of Directors, each consisting solely of independent directors, provide oversight of the Company's approach to addressing climate change risk in accordance with their respective charters. At the insurance company level, an environmental risk working group composed of senior members of the Company's credit, underwriting, surveillance, and risk management departments reviews the impact of climate change risk on the Company, including the development of objective risk measures and methodology needed to evaluate the financial impact of climate change on obligors in its insured portfolio on both aggregate and individual risk levels.

*February 2024*

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- <sup>1</sup> IPCC, 2014: *Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change* [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]. IPCC, Geneva, Switzerland, 151 pp.
  - <sup>2</sup> IPCC, 2018: Summary for Policymakers. In: *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. In Press.
  - <sup>3</sup> USGCRP, 2014: Melillo, Jerry M., Terese (T.C.) Richmond, and Gary W. Yohe, Eds., 2014: *Climate Change Impacts in the United States: The Third National Climate Assessment*. U.S. Global Change Research Program, 841 pp. doi:10.7930/J0Z31WJ2.
  - <sup>4</sup> COP26: The Glasgow Climate Pact: [COP26-Presidency-Outcomes-The-Climate-Pact.pdf \(ukcop26.org\)](https://www.ukcop26.org/COP26-Presidency-Outcomes-The-Climate-Pact.pdf)
  - <sup>5</sup> Synthesis Report of the IPCC Sixth Assessment Report (AR6), March 19, 2023.
  - <sup>6</sup> Chester, Mikhail, et al. "How Cities Are Upgrading Infrastructure to Prepare for Climate Change." Smithsonian.com, Smithsonian Institution, 22 Oct. 2018, [www.smithsonianmag.com/innovation/how-cities-are-upgrading-infrastructure-prepare-climate-change-180970600/](https://www.smithsonianmag.com/innovation/how-cities-are-upgrading-infrastructure-prepare-climate-change-180970600/).