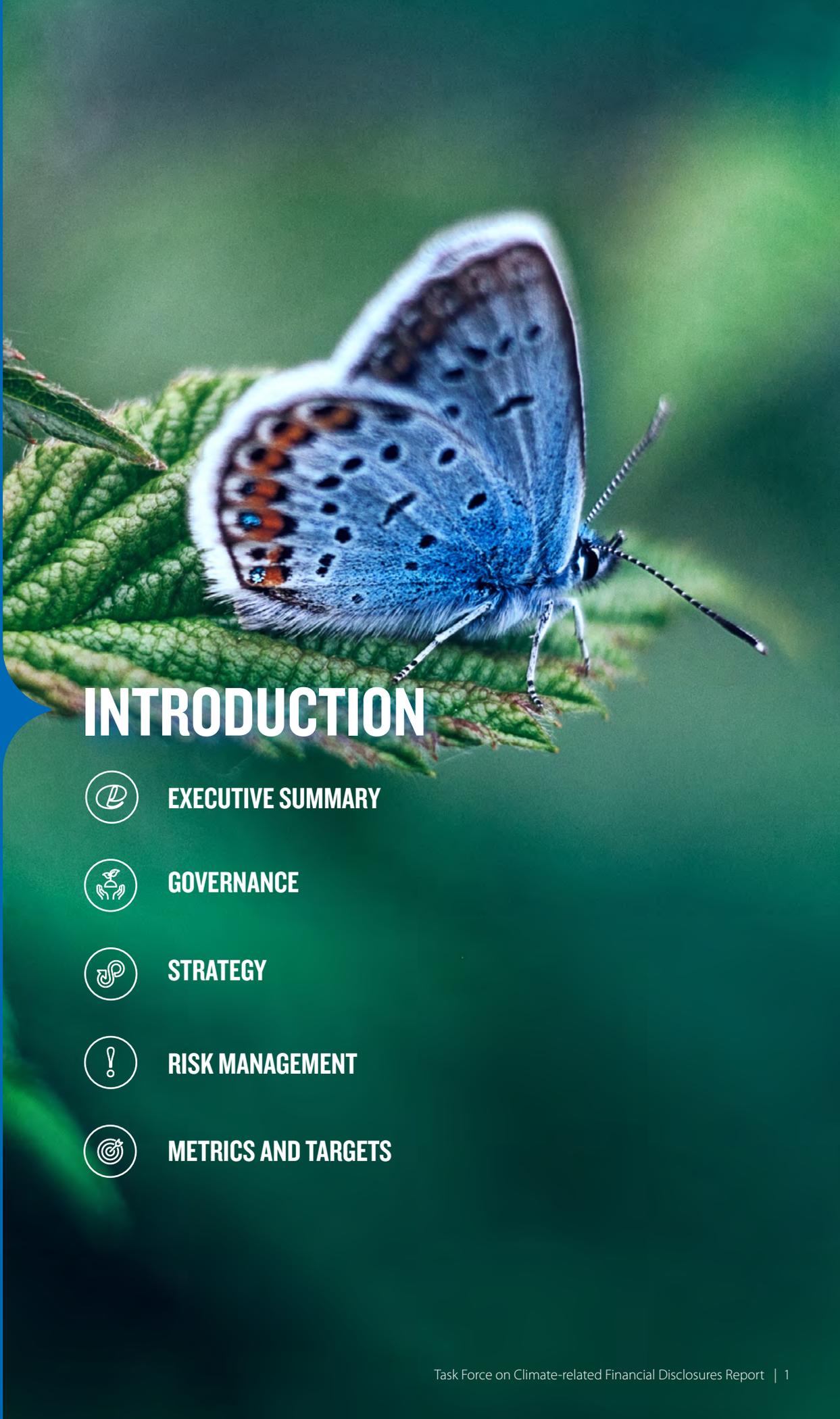




# 2025 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT





# INTRODUCTION



**EXECUTIVE SUMMARY**



**GOVERNANCE**



**STRATEGY**



**RISK MANAGEMENT**



**METRICS AND TARGETS**



# INTRODUCTION

In 2024, American Family Mutual Insurance Company, SI (AFMICSI) and its operating companies (referred to as AmFam throughout the report unless specifically noted) made significant progress in our commitment to climate, building upon the groundwork laid in 2022. That year, we completed our first materiality assessment, engaging with more than 1,500 stakeholders to better understand how we could best show up for our community, people, and company. Out of this work, we identified four material focus areas that now drive our sustainability strategy: Climate Impacts and Resilience; Community Engagement; Inclusive Excellence; and Responsible Data & Artificial Intelligence (AI). Together, these four key focus areas represent our Sustainable Business Framework (SBF). We believe the Sustainable Business Framework will lead to long-term value creation for our business and create an outsized impact on the communities we serve.

Within the Sustainable Business Framework, our commitment to Climate Impacts and Resilience is represented by four goals:

**Sustainable Operations:**

Strengthen our operations by leading in sustainability

**Climate Data Advantage:**

Expand on our climate risk data advantage

**Product Innovation:**

Leverage products and customer relationships to promote resiliency and sustainability

**Sustainable & Resilient Communities:**

Support sustainable growth in our communities

Amid accelerating changes in weather patterns, customers and communities are looking to business leaders to step forward and proactively help them respond to climate impacts. The insurance industry is at the forefront of climate action, serving as one of the primary mechanisms for risk evaluation, monetization, transfer, and restoration. We set goals for ourselves to lead our industry in understanding and proactively responding to the impacts of climate on

our business and the needs of our policyholders, while investing in the resilience of the communities we serve.

We are prioritizing actions that proactively address the effects of climate change through the mitigation of physical impacts of climate on our communities while reducing our own impact on the environment. We'll also assume a leading role in the development of innovative products, services, and experiences for our customers that help address the impact on them.

We are focused on increasing our collaboration with policy makers, industry peers, and community leaders to ensure climate impacts are considered when developing and managing investment strategies and business goals. We are committed to understanding the impacts of climate change on our business and industry. Climate change affects our health, quality of life, and the rate of economic growth. And while we are all impacted by climate change, society's most vulnerable populations are oftentimes the ones most negatively affected.

To enhance climate and community resilience across the country, AmFam is acting now. By driving greater conversation around climate change and operating in a manner to minimize climate impacts, we are enhancing the resiliency of our business while ensuring we champion dreams and opportunities for everyone.



*Tracy Schweitzer*  
**Tracy Schweitzer**  
Chief Administrative Officer



*Troy Van Beek*  
**Troy Van Beek**  
Chief Financial Officer



**INTRODUCTION**

# **EXECUTIVE SUMMARY**



**GOVERNANCE**



**STRATEGY**



**RISK MANAGEMENT**



**METRICS AND TARGETS**

## EXECUTIVE SUMMARY

Based in Madison, Wisconsin, AmFam has been customer-driven since our founding as a mutual company in 1927. Being customer-driven has inspired us to protect and restore dreams through our products and distribution options, provide exceptional service from our agency owners and employees, and advance community investment and partnerships to address societal challenges. We encourage and embrace the power of diverse ideas and foster a culture where everyone feels valued and empowered to contribute. AmFam is the nation's 11th-largest property and casualty insurance group, ranking No. 243 on the Fortune 500 list. AmFam operates in all 50 states, most of the company's book of business being in personal lines, property and casualty, commercial, and farm and ranch lines products. In addition to AFMCSI, operating companies in 2024 include The General, Homesite, CONNECT, Main Street America Insurance, and Bold Penguin. Across these companies the group has over 12,000 employees nationwide.

AmFam recognizes that our products and services interact directly with climate risks, and in response, we continuously research ways to provide more innovative products to protect our policyholders from a changing climate. We also

engage in investments and innovation regarding climate-related opportunities in insurance, specifically as it relates to adaptation finance, community resilience, and technological advancements in climate analytics. There are significant opportunities in developing products and services that enhance customer and community resilience. Whether through coverage that proactively protects against wildfires and severe storms or through integration of climate risk within catastrophe modeling, we are actively exploring these opportunities and their influence on AmFam's financial and strategic planning.

To further enhance climate resiliency, The American Family Insurance Institute for Corporate and Social Impact (the Institute) has introduced its latest venture capital initiative. The Institute is dedicated to supporting exceptional entrepreneurs who are building scalable, sustainable businesses aimed at closing equity gaps, increasing home resilience, and improving access to housing in America. Through this work, the Institute continues to champion innovations that bolster durability, efficiency, and adaptability. This ensures homes can withstand environmental challenges that frequently disrupt lives.





**INTRODUCTION**



**EXECUTIVE SUMMARY**



**STRATEGY**



**RISK MANAGEMENT**



**METRICS AND TARGETS**

# GOVERNANCE



## GOVERNANCE

### *Describe the board's oversight of climate-related risks and opportunities.*

Climate-related topics, including regulatory updates and risks and opportunities are communicated to the Risk Committee of the American Family Insurance Mutual Holding Company (AFIMHC) Board of Directors (Board) on a quarterly basis by the Enterprise Risk Management (ERM) Division.

In addition to quarterly risk reports, the Board receives updates from management, reviews and approves the Risk Policy including risk appetite statements and the Risk Committee-approved ERM charter, periodically participates in training and information sessions on risk topics and reviews the quarterly risk dashboard. The responsibilities of the Board and Risk Committee are consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal controls, which suggests the Board has a lead role in the management of risk.

Some Board meetings include specific climate-related agenda items that explore climate in a broader context, as well as climate-related venture capital (VC) investments and risk management activities. The Risk Policy includes the risk appetite and tolerance levels set by senior leadership as well as the ERM framework. The risk appetite and tolerances provide guidance to ensure risk exposures will remain within acceptable boundaries. The guidance provided by the Risk

Policy considers natural catastrophe risk. To ensure the Board and executive management receive information about emerging risks, there are several processes in place to ensure that emerging and evolving risks with the potential to impact AmFam continue to be identified. Risks identified can include those due to changes in processes, new strategies, or external factors such as the changes to the industry and the way we conduct business.

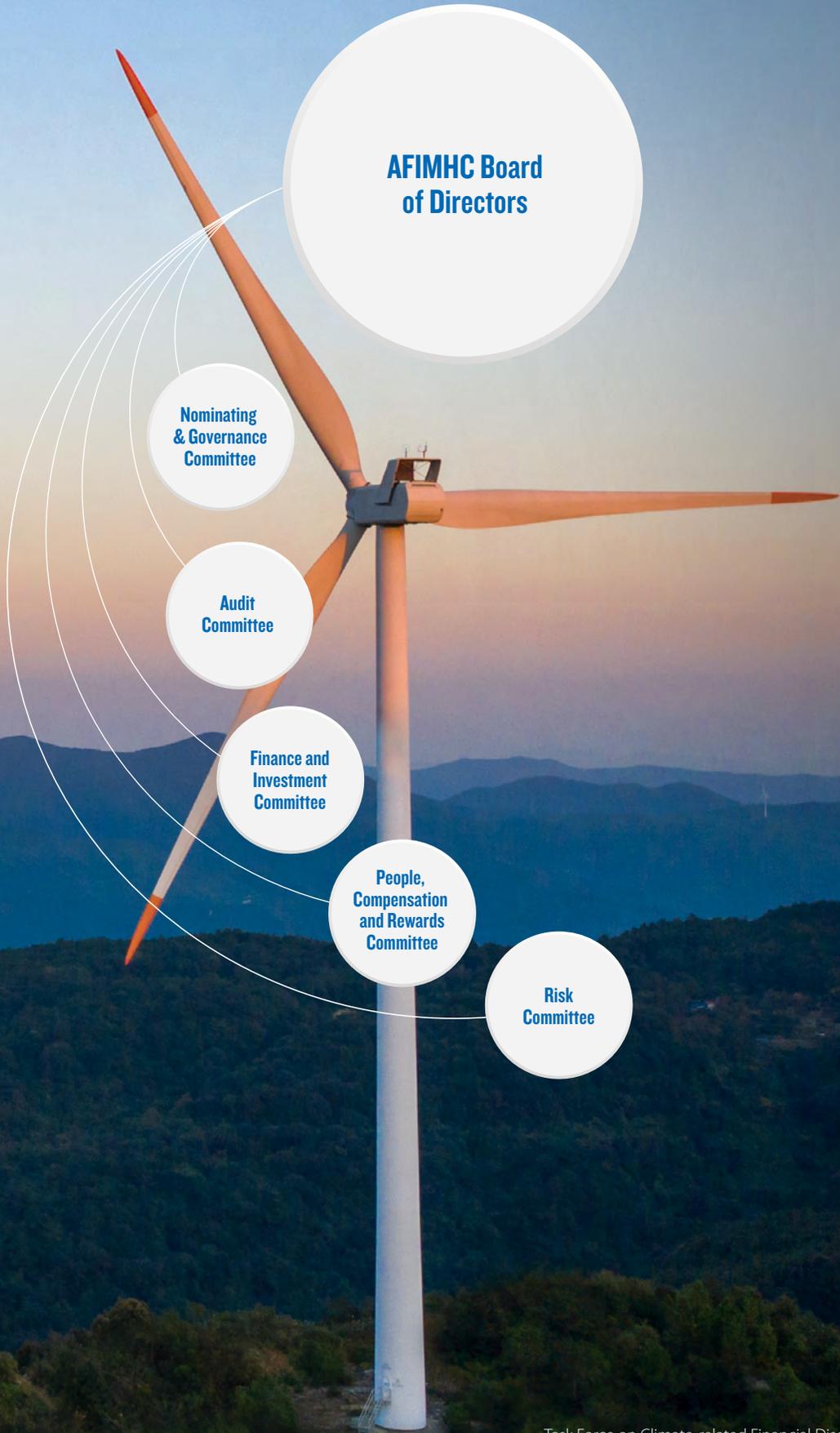
The impacts of severe weather events are inherent to an insurance organization, and for this reason, we continuously monitor a wide variety of perils while considering changes to experience, modeling, and trends identified across ERM's network of expertise and professional organizations. AmFam's investment managers take the issue of climate risk into consideration in the same manner as any other potential risk drivers and investment portfolio returns.

The Board reviews and guides strategy, risk management policies, and monitors implementation and performance of objectives. The Board has oversight of all risks, including climate-related risks and opportunities related to our operations, investment activities, insurance underwriting activities, and other activities with potential climate impacts.





# GOVERNANCE





## GOVERNANCE

The Board committees have SBF accountabilities aligned to their areas of oversight.

- The Nominating and Governance (N&G) Committee oversees the effectiveness of the Corporation's corporate governance framework, including governance documents, policies, processes, and best practices; Board composition and diversity, director recruitment, Director succession planning, change in circumstance and corporate directorship notification requirements, Chairperson succession planning, and Board development.
- The Audit Committee oversees related-party transactions and required disclosures, internal control systems and processes; compliance, legal and regulatory reporting requirements; performance and independence of Internal Audit and the IPA; and financial reporting integrity.
- The Finance and Investment Committee oversees enterprise socially responsible investment activity, including compliance and regulatory reporting requirements, and Internal and External Manager performance.
- The People, Compensation, and Rewards (PCR) Committee oversees and evaluates enterprise practices related to CEO succession planning, compensation, and performance evaluation; Officer compensation and rewards, Director compensation, other key Management succession planning; diversity, equity, and inclusion; workforce culture and engagement, talent recruitment, employee retention; and performance and independence of the compensation consultant.
- The Risk Committee oversees and evaluates the enterprise risk management processes and reporting, including identification and monitoring of current, new and developing, and emerging risks; risk reviews, prioritization, and modeling; capital adequacy, stress testing, and compliance; legal and regulatory reporting requirements.



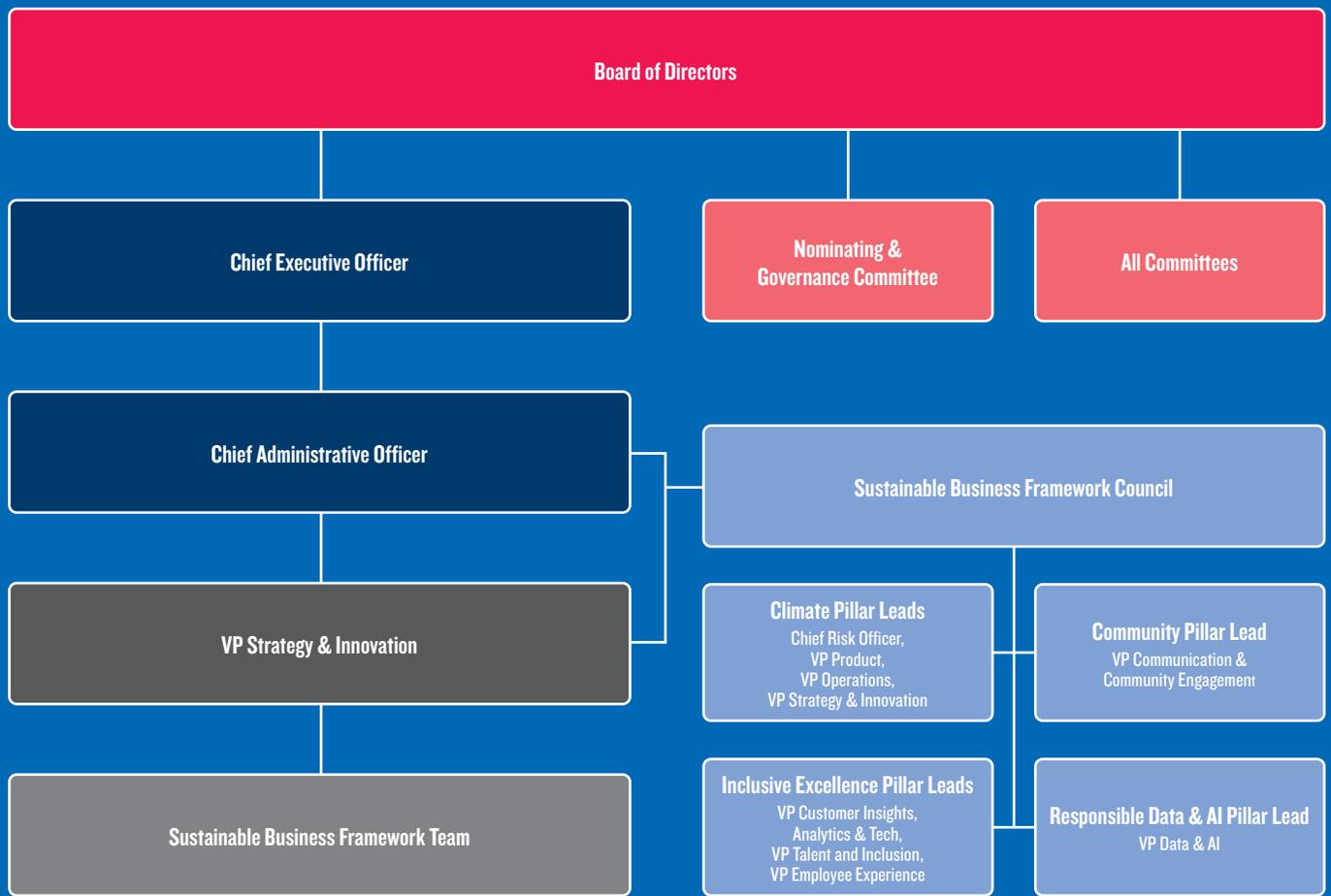


# GOVERNANCE

*Describe management’s role in assessing and managing risks and opportunities.*

Operationally, the Senior Leadership Team provides strategic direction to programs within the Sustainable Business Framework including progress toward the focus areas and reporting to the N&G Committee. Execution of the Sustainable Business Framework is managed by the following.

- The AmFam SBF Council (The Council) which includes leaders from across the business and focuses on driving execution and alignment of action across operating companies and business units. The Council provides oversight of divisional and operating company efforts by being informed of Material ESG Topics, discussing ESG issues, and providing approval to new or updated policies, programs, initiatives, and reporting.
- The Chief Administrative Officer and Vice President of Strategy and Innovation are accountable to the development and execution of the Sustainable Business Framework, policies and programs, and reporting. Additionally, they are the Executive Co-Sponsors of The Council.





# GOVERNANCE



Effective corporate governance and leadership is critical to the success of AmFam's climate change efforts. These leaders support and guide climate initiatives throughout the enterprise.



**Tracy Schweitzer**  
*Chief Administrative Officer*

Responsible for oversight of AmFam's Sustainable Business Framework Strategy which includes climate-related risks and opportunities.



**Troy Van Beek**  
*Chief Financial Officer*

Responsible for evaluating and integrating financial impacts into capital planning, financial reporting, investment strategies, and risk management. This includes assessing how climate risks and opportunities may affect the company's financial performance, and financial disclosures aligned with regulatory and stakeholder expectations.



**Greg Heerde**  
*Chief Risk Officer*

Responsible for the identification, assessment, and reporting of all risks, including climate-related risks and opportunities related to our operations, investing activities, insurance underwriting activities, and other activities with potential climate impact.



**Matt Mayrl**  
*Vice President of Strategy and Innovation*

Responsible for the development and management of the company's efforts on environmental, social, and governance impacts to the business and the related Sustainable Business Framework.



**Nyra Jordan**  
*Associate Vice President of Community and Social Impact*

Responsible for strategic community partnerships and our philanthropic Dreams Foundation - both of which maintain Community Resilience as a fund pillar.



**Dr. Joy Ippolito**  
*Social Investments Managing Director, American Family Insurance Institute for Corporate & Social Impact*

Responsible for AmFam's social impact investments funds, investing in companies that work to increase home resilience and affordability.



**INTRODUCTION**



**EXECUTIVE SUMMARY**



**GOVERNANCE**

# **STRATEGY**



**RISK MANAGEMENT**



**METRICS AND TARGETS**



## STRATEGY

*Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term*

AmFam considers the possibility of climate change risk and opportunities to our organization over different time horizons. Climate-related risks are assessed on timelines that differ from operational, financial, capital, and strategic planning cycles. Further classifications of climate risk, physical and transition, may manifest over varying time horizons. Taking into consideration university research, industry climate and catastrophe models, and AmFam's emerging risks time horizons, we have determined short- (0-1), medium- (1-5), and long- (5 and beyond) term time horizons in which the impact and likelihood of climate-related risks can materialize.

### **Short-term (0-1 year):**

Opportunity: Carriers, Managing General Agents (MGAs), Managing General Underwriters (MGUs), and reinsurers will be seeking guidance to support strategic growth planning with climate-informed insights. This involves evaluating evolving risk exposures over multiple time horizons. By leveraging climate data, insurers can guide targeted investment that enhance community resilience and measure the financial implications of a changing climate. Collaborating with leaders in risk management and climate strategy will enable the development of effective methods for ingesting, processing, and generating climate insights. This will support strategic growth and resilience planning, creating new revenue streams through impacted markets and innovative product development.

### **Medium-term (1-5 years) and Long-term (5 years +):**

Opportunity: As regulator and investor demand for climate transparency and disclosure increases, and the world transitions to a low carbon economy, AmFam anticipates significant opportunity related to climate product innovation, operational efficiency, and investments in resiliency. Enhanced community investment decisions will scale resilience across entire geographies. Additionally, our social impact investment managers are taking climate risk into consideration in the same manner as any other potential drivers of risk and return in the investment portfolio.

In 2024, AmFam completed a formal climate risk assessment and scenario analysis, which identified and prioritized opportunities and risks. As part of this analysis, we have identified potential financial opportunities to be utilized in short-, medium-, and long-term strategic development discussions.

AmFam will continue to engage in industry-wide discussions on the topic of climate-related opportunities in insurance, specifically as it relates to adaptation, community resilience, and technological advancements in climate analytics. These opportunities will continue to be evaluated and informed by our climate risk assessment and scenario analysis providing a deeper understanding of opportunities by product, market, and geography.





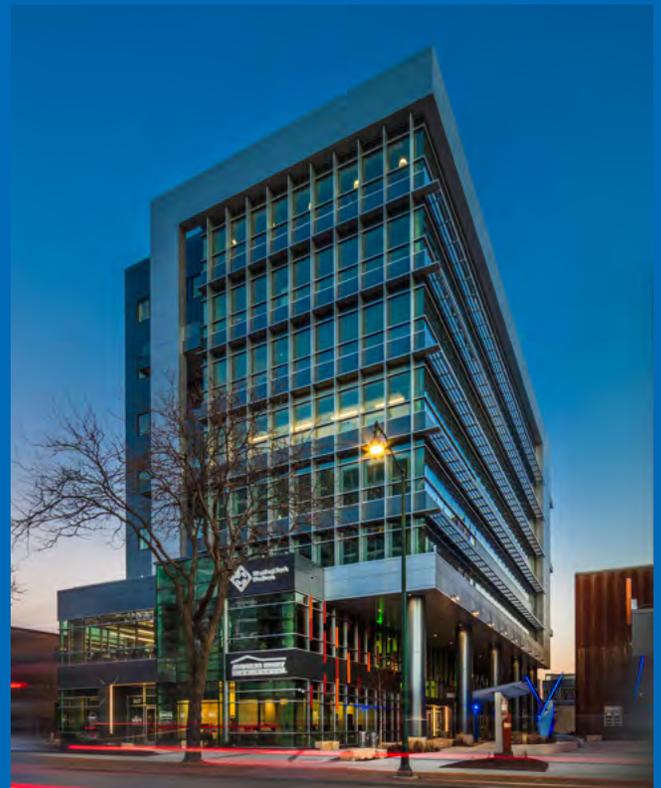
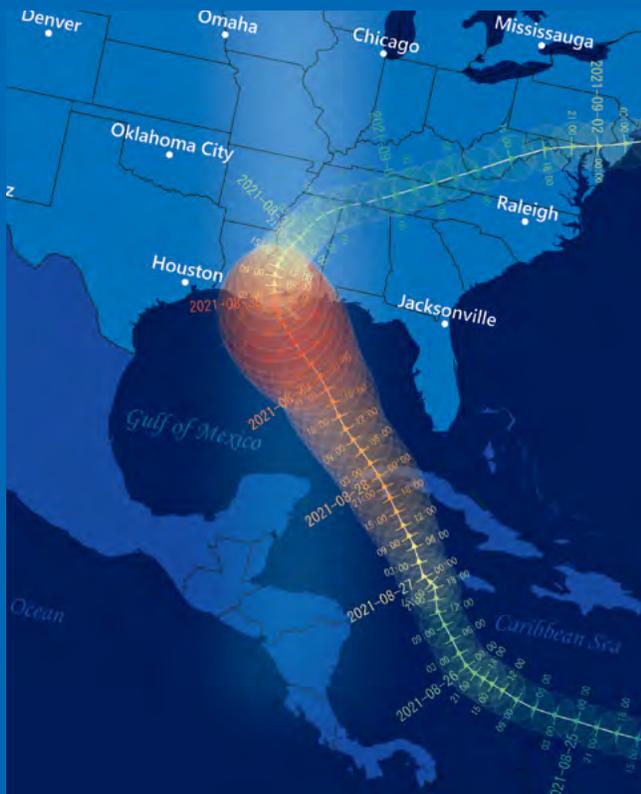
## STRATEGY

*Describe the impact of climate-related risks and opportunities on the organization’s business, strategy, and financial planning.*

AmFam integrates climate-related risks and opportunities into its business strategy and financial planning, as outlined in its Sustainable Business Framework. With the increasing frequency and severity of natural disasters due to climate change, AmFam invests in advanced modeling and data analytics to better predict and manage related claims. The company’s primary lines of business include property and casualty, commercial, and farm and ranch. AmFam offers insurance products in all 50 states, which exposes the company to a wide range of weather-related perils.

Although AmFam has not specifically linked any perils, coverages, or limitations directly to climate change, we acknowledge the potential impact of climate change on the frequency and severity of weather events. To minimize losses, the company implements measures such as exposure management and policy and pricing enhancements.

Operationally, AmFam invests in green technologies to reduce its environmental footprint, transitioning to renewable energy sources and investing in energy-efficient infrastructure, such as rooftop solar and geothermal systems in owned facilities. To advance environmental stewardship goals, the organization actively diverts waste from landfills, strategically partners with suppliers, is working towards converting its owned fleet to hybrid and electric vehicles (EVs) and supports sustainable employee commuting options. The company proactively complies with stringent regulations to enhance transparency and avoid legal and financial penalties, including adherence to emissions standards, climate-related financial disclosures, and reporting requirements.





## STRATEGY

*Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.*

In 2023, we published our climate strategy under the company’s Sustainable Business Framework. Through this work we will proactively respond to the impacts of climate on our business and the needs of our policyholders, while investing in the resiliency of the communities we serve.

We recognize that a changing climate is impacting our business, our customers, and the communities in which we operate. Changing weather patterns have led to more extreme and damaging weather events, which are putting our customers and communities at risk and raising the importance of individual, property, and community-level resilience efforts. These evolving threats require new strategies that prioritize climate resilience and proactive protection for our current and future customers, particularly those most impacted by climate change.

As we continue to address the challenges of a changing climate, our commitment to understanding its impact on our business and policyholders led us to take further action. In 2024, we worked with our catastrophe model vendors and university partnerships to model different climate scenario impacts on our business (SSP2, SSP3, and SSP5).

This scenario analysis was integrated into our annual climate risk assessment which is used to evaluate physical climate risk exposure with associated impact, likelihood, and

velocity ratings. This work allows us to prepare for varying future climate scenarios ranging from moderate emissions reductions (SSP2) to a high-emissions pathway (SSP5)

Our strategy for products and services have been influenced by climate-related risks and opportunities in several ways:

1. **Model for the Future:** We utilize multiple catastrophe models to evaluate risk arising from natural catastrophe perils, and to more closely approximate experience or account for volatility. While the models continue to become more sophisticated, there is still uncertainty around the outputs. For this reason, we employ an approach that considers historical loss experience, total insured values at risk (by location), and model output. Additionally, we use climate-conditioned catastrophe models for hurricane and wildfire.
2. **Data as a Superpower:** We minimize uncertainty and variability in our results by ensuring high quality data model inputs. Catastrophe modeling results are included in our capital adequacy modeling and stress testing analysis and provide assurance that the organization’s level of capital is adequate for both catastrophe risk, as well as other risks faced. The most substantial decision made in this area is the company’s decision to form a research team dedicated to understanding the impacts of climate change



## STRATEGY

to policyholders. This team also provides climate change response (mitigation, avoidance) recommendations to management.

3. **Innovative Solutions:** We strive to provide solutions that create value for our customers while meeting emerging climate-related risks and opportunities. One solution that we provide to customers is The Weather Protection Report. This is a report that can be run for any customer or potential customer in the continental United States. In it, agents are able to share details with the customer on their property's past, present, and future risk for flood, wildfire, earthquake, and hail in an easy-to-read format. This offers customers data to help them better understand their property's current and future risk profile, which helps educate the public on unpredictable and changing weather patterns as well as help demystify the effects of climate change, as it applies to their region, community, and property.
4. **Strategic Partnerships:** Recognizing the impact of climate risks on our offerings, we are dedicated to researching and developing innovative solutions that enhance the resilience of our products for our customers. Here are some key partnerships we engaged in during 2024 to support this mission:



- a. At AmFam's headquarters in Madison, WI, we have partnered with the Insurance Institute for Business & Home Safety (IBHS) through a first-of-its-kind national study that will support researchers through 2034. The installation of a roof farm has enabled research into the resiliency of different roofing materials and how they are affected by our changing climate. The study will determine how Midwest weather affects different brands of roofing material, using a dozen scientifically instrumented roof structures. This location is part of a larger, ongoing study driven by IBHS and other participating member companies with the goal of expanding longevity and durability, which will ultimately help customers mitigate risk.
- b. In our commitment to advancing weather and climate research, we have cultivated strong partnerships with university systems. In 2019, AmFam proudly announced a \$20 million investment in data science initiatives at the University of Wisconsin-Madison. This investment includes \$10 million dedicated to establishing the Data Science Institute and another \$10 million allocated for research funding over ten years. Our research portfolio encompasses both fundamental and applied projects, addressing a wide array of topics such as foundational



*Roof farm at AmFam's headquarters in Madison, WI, in partnership with IBHS.*

## STRATEGY

machine learning concepts, telematics, fraud prevention, and climate studies. Below are some notable examples of our climate-related initiatives:

- i. **Developing a Prototype Data-Driven Stochastic Convective Hazards Emulator:** Seeks to efficiently predict weather hazards such as hail, rain, and winds, while minimizing computational costs. By delivering accurate forecasts across diverse climate conditions, the emulator is poised to enhance our understanding of weather hazard shifts in the face of climate change.
  - ii. **Data-driven Wildfire Ignition Prediction:** Employs causality analysis, to craft a highly precise model to predict both natural and human-induced factors contributing to wildfire ignitions. This project aims to improve risk assessment models, with the potential of offering more precise risk evaluation for better pricing and resource allocation for wildfire prevention.
  - iii. **Novel Methods for Hail Detection:** Utilizes machine learning algorithms to bolster detection accuracy across various conditions. The ultimate goal is to create a dependable mobile application that empowers customers and adjusters to efficiently identify and evaluate hail damage.
- c. In 2024, AmFam participated in planning meetings for the National Science Foundation (NSF) and National Oceanic and Atmospheric Administration (NOAA) Industry-University Cooperative Research Center

(IUCRC) focused on modeling catastrophic impacts and risk assessment of climate change. This is a collaborative research initiative that brings together academic institutions, federal agencies, and insurance industry partners to advance climate science relevant to insurance applications. The center supports cutting-edge research in climate-informed catastrophe modeling, extreme weather attribution, and risk analytics to improve the industry's ability to assess and manage climate-related risks. By participating in these planning meetings and submitting letters of commitment to proposed centers, AmFam is contributing to the advancement of a national research center that aligns scientific innovation with insurance sector needs.

5. **Leverage Existing Technology:** We are evolving and expanding our usage-based insurance (UBI) product offerings to provide incentives to customers who drive fewer miles and less aggressively, encouraging lower carbon emissions.

The activities of our Sustainable Business Framework align directly with our company's strategic plan through customer-focused environmental sustainability efforts. Our strategy for our operations has been influenced by climate-related risks and opportunities, which includes a plan to reduce greenhouse gas emissions by utilizing carbon/GHG data to inform our path to net zero. From 2019-2024, the collection of greenhouse gas emissions data from all AmFam operating companies has directed our environmental action planning and execution for our carbon goals.



**INTRODUCTION**



**EXECUTIVE SUMMARY**



**GOVERNANCE**



**STRATEGY**



**METRICS AND TARGETS**

# **RISK MANAGEMENT**



## RISK MANAGEMENT

*Describe the organization's process for identifying and assessing climate-related risks.*

AmFam has adopted an ERM Framework that includes governance, culture, and a risk management process that encompasses activities to identify, assess, treat, monitor and report risk.

Risk identification occurs continuously throughout the year across multiple mechanisms. ERM conducts surveys, participates in regular meetings with management to gather business intelligence, explores industry risk developments, and discusses recent events that could pose new risks. Once identified, risks are aligned to the overall risk universe or emerging risk radar for documentation and reporting.

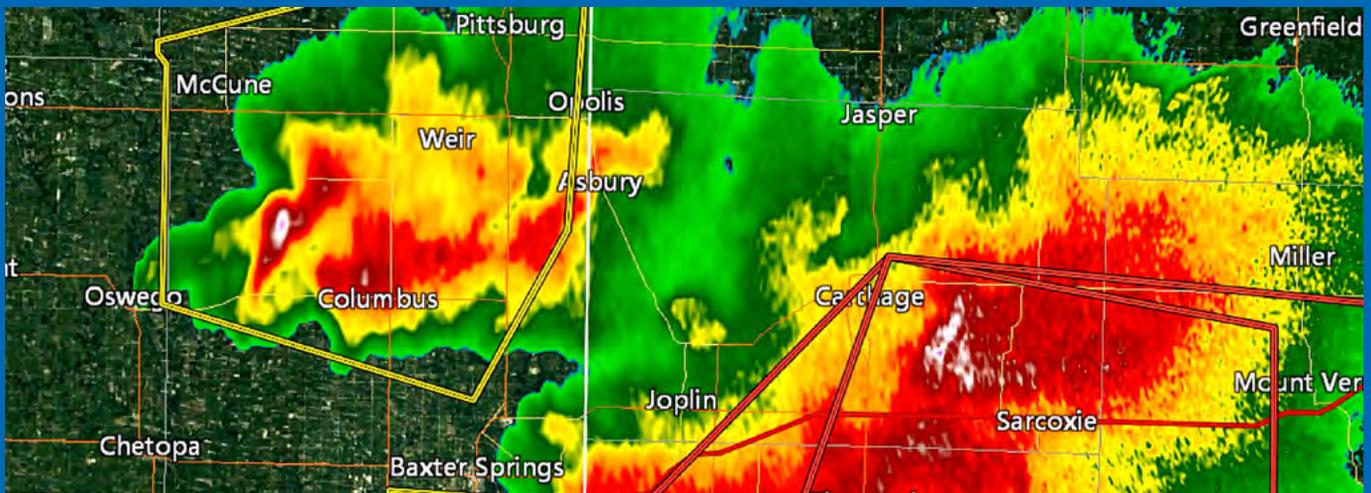
Further, the organization considers both quantitative and qualitative factors as part of the assessments, recognizing that not all risks can be evaluated based on numeric data. The assessment considers both the opportunities and consequences of each risk, along with any mitigation needs, including when evaluating climate-related risks.

A qualitative approach to measuring risk is performed by the business that owns each risk in collaboration with ERM. This qualitative approach provides a consistent scale in which

to prioritize risks for more detailed analysis and in-depth assessments. A three-factor approach is used, which includes defined impact and likelihood scales along with a scale which recognizes the speed (or velocity) of the risk's potential impact.

Impact is a measure of the severity or magnitude of adverse consequences of the risk to the organization. Risk impact is assessed using a scale of Severe, Major, Moderate, Minor and Significant. Risks with a Severe, Major, or Moderate impact represent a substantive financial or strategic impact to the business.

The impact of a risk event may be measured as loss of revenue, increased expenses or losses, damaged reputation, legal or regulatory consequences, impact on achievement of strategic objectives, impaired customer satisfaction, or reduced staff morale. Impact levels range from insignificant to severe. As most enterprise risks pose a threat to reputation, the potential negative impact on reputation is included in the impact scale and is considered when determining the potential adverse consequences of each risk.





# RISK MANAGEMENT

## RISKS WITH A SEVERE IMPACT MAY INCLUDE ONE OR MORE OF THE FOLLOWING CRITERIA

A financial impact (direct & indirect) greater than \$100M
Customer detriment: Critical long-term damage to customer experience and customer satisfaction impaired
Disruption: Critical long-term damage to business operations
Employee detriment: Critical long-term impact to employee engagement
Legal/Litigation: Litigation action or award
Regulatory enforcement: Adverse regulatory opinion, major scrutiny regulatory/legislative changes, and corrective action required by regulator
Reputation: Media outrage, critical reputation impact

## RISKS WITH A MAJOR IMPACT MAY INCLUDE ONE OR MORE OF THE FOLLOWING CRITERIA

A financial impact (direct & indirect) between \$50M and \$100M
Customer detriment: Widespread impact on customer experience and customer satisfaction falls below threshold
Disruption: Widespread operational impact
Employee detriment: Widespread impact to employee engagement
Legal/Litigation: Legal actions filed
Regulatory enforcement: Intervention by regulators' or other agencies' expectation of government sanction actions that could disrupt business or minor regulatory enforcement
Reputation: National press or social media coverage, extensive reputation impact

## RISKS WITH A MODERATE IMPACT MAY INCLUDE ONE OR MORE OF THE FOLLOWING CRITERIA

A financial impact (direct & indirect) between \$5M and \$50M
Customer detriment: Moderate impact on customer experience and noticeable reduction in customer satisfaction
Disruption: Moderate impact on business operations
Employee detriment: Moderate impact to employee engagement
Legal/Litigation: Legal actions filed
Regulatory enforcement: Regulatory or contractual breaches, increased regulatory scrutiny
Reputation: Media and community concern, high reputation impact



## RISK MANAGEMENT

*Describe the organization's processes for managing climate-related risks.*

AmFam is working diligently to understand the risks, impact, and management approach to address climate change. In 2024, we evaluated the impact and likelihood of these risks through a formal climate risk assessment supported by a climate scenario analysis using a combination of varying climate futures (SSP2, SSP3, and SSP5). The Catastrophe Risk Management team recently completed a three-year partnership with Northern Illinois University (NIU) related to forecasting, climate change, and predictive tools and techniques. The goal of this partnership was to provide actionable insights specific to new and existing data and perceived gaps in operational workflows, while improving the company's skill in forecasting weather perils, using climate model output, and employing tools to analyze data. Through this partnership, an assessment of how tornadoes may affect AmFam's book of business has been built. It examines the effect of tens of thousands of simulated tornadoes across a cost surface (e.g., housing units, portfolio entities).

The tool can be used to assess:

1. How climate change-induced shifts in tornado risk may affect impacts
2. How a change in AmFam's book geography (exposure/concentration) may be affected by tornadoes.

We have also worked with our brokers and catastrophe model vendors to assess potential impacts to our book due to wildfire and hurricane. We have used three climate-adjusted catalogs to incorporate a wide range of views. These models show us changes in average annual loss as well as probable maximum loss.





## RISK MANAGEMENT

*Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management*

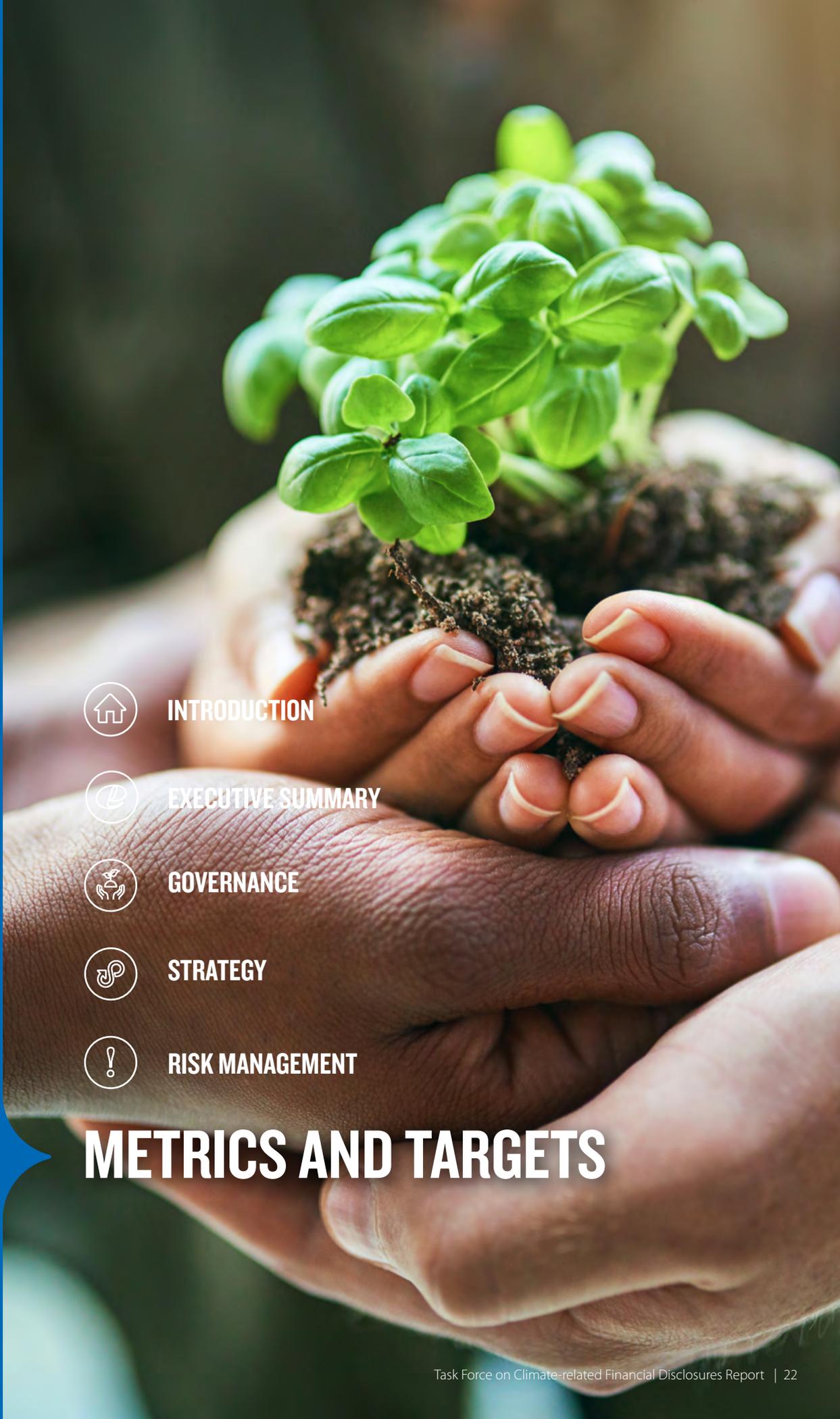
We recognize the physical and transition risks associated with climate change and updated the risk universe in 2024 to include physical climate risk while transition risk is considered as part of the emerging risk process. This approach ensures that these risks are continuously assessed within the components of the ERM framework that best align to their time horizon. The outputs are visualized along with all other assessed risks.

As AmFam continues to evaluate our risk universe, we've identified the risks that are most significantly impacted by climate risk, including catastrophe, business interruption, capital adequacy, liquidity, underwriting, and reinsurer availability. Internal risk identification discussions identify new and evolving risks that may be components of the risk categories listed or new risks. ERM division personnel participate in several networking and professional organizations to ensure identification of risks on the horizon, within the insurance industry or across all industries.

The Enterprise Climate Impacts and Resilience Working Group regularly shares information and potential impacts to the business. This group has built strategic frameworks and methodologies for our qualitative and quantitative climate risk assessment and scenario analysis. A qualitative assessment was conducted in 2022, with continuous improvement of quantitative analysis ongoing thereafter. Following recommendations laid out by TCFD, our approach will integrate scenario analysis into strategic planning and enterprise risk management processes by assigning oversight and governance.

We plan to assess materiality of climate-related risks, including current and anticipated organizational exposures, as discussed above. Scenarios have been developed with time horizons defined. Business impacts will continue to be evaluated with potential responses identified. This climate risk assessment and scenario analysis inform what risks will have a material financial and strategic impact on our business, as well as which present potential strategic opportunities.





INTRODUCTION



EXECUTIVE SUMMARY



GOVERNANCE



STRATEGY



RISK MANAGEMENT

# METRICS AND TARGETS





## METRICS AND TARGETS

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

### Risk Management Metrics

AmFam's ERM team specializes in catastrophe management and modeling with a dedicated catastrophe modeling team. Our ERM Catastrophe Risk Modeling team maintains exposure databases and models losses for key perils, then reports on modeled losses on a quarterly basis.

Managing catastrophe exposures protects the financial strength of AmFam and improves the economic value and performance of the business by supporting strategic decisions. We seek to manage both the frequency and severity of catastrophe risks, including:

- Individual risk thresholds that support our strategy for assessment of catastrophe risk across the businesses. Frequency losses (an accumulation of smaller loss events) are measured by the models as variation around the average annual loss (AAL) and mitigated by aggregate reinsurance protection.
- Severity losses (large, single occurrence events) are measured by the models as probable maximum loss (PML) and are mitigated by occurrence reinsurance protection.

In-house models are utilized to assess our exposure to severe convective storms (hail, tornado and wind), earthquake, hurricane, wildfire and winter weather perils. In 2021, we extended our models to include innovative approaches to physical scenarios of severe convective storm perils and open platform model frameworks, allowing for greater visibility into model component impacts and tailoring of model settings.

Catastrophe models offer the most complete and robust view of physical risk caused by climate risk, based on the current view of the climate. Historically they have not considered climate change explicitly as they provide backward looking analysis to best fit observed weather or natural hazard loss scenarios. However, an increasing number of models are coming onto the market that are representative of the

near-term risk or based on what to expect over the next 5 years. Our ERM Catastrophe Management team continues to evaluate available climate change modeling technology to better understand its usage and limitations.

As part of risk quantification, we use an economic capital model to evaluate these risks and ensure that sufficient capital exists to meet our responsibility to our policyholders in the event of unlikely, extreme scenarios such as an investment or catastrophe event. ERM monitors extreme catastrophe model events that are beyond what the organization has experienced in its history to ensure it understands the impacts to capital, claim handling, reinsurance, and other resources from extreme events. They also perform catastrophe stress scenario testing that considers weather-related catastrophes that are more extreme than experienced historically.

### GHG Emission Metrics

The company monitors and discloses GHG emissions across Scope 1 and Scope 2 emissions. These metrics provide insight into our operational footprint and inform decision-making related to climate strategy, transition risk exposure, and stakeholder expectations. Further details on the company's GHG emission metrics can be found [here](#).

### Climate Accountability Metrics

The development, management and sponsorship of our Sustainable Business Framework was identified as a key initiative for AmFam in 2023 and 2024. The Sustainable Business Framework Council is an assembly of leaders from across the organization, who monitor the success and implementation of this strategy. Each division with representation on the Sustainable Business Framework Council is responsible for tracking and managing key performance indicators relevant to their respective areas, ensuring that the organization's climate accountability metrics are consistently aligned with strategic objectives.



# METRICS AND TARGETS

The American Family Insurance Dreams Foundation provides funding and support to charitable organizations that prioritize initiatives fostering resilient and thriving communities. Our efforts enhance community resilience and contribute to overall well-being, not just by fulfilling our promise to customers during claims, but also by proactively supporting community recovery and resilience year-round. The Dreams Foundation Team works in collaboration with cross-divisional teams to grow engagement and corporate advocacy across AmFam, focusing on climate and community resilience.

## Internal Carbon Price

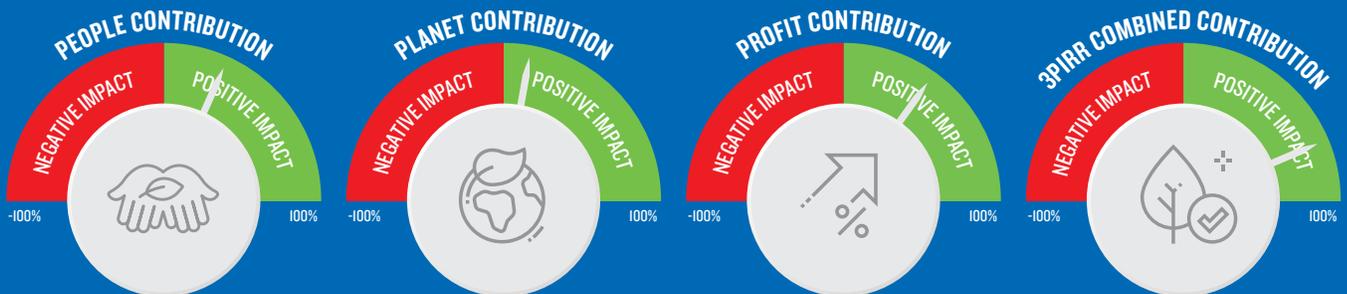
AmFam's internal carbon cost is utilized in decisions regarding capital expenditures on projects to improve our energy efficiency. Evolutionary and shadow pricing is used. This developing cost is based on the open-market-based price of carbon allowances in the EU emissions trading system, provided by the Intercontinental Exchange (ICE). AmFam also considers the carbon cost benefits when evaluating potential operational projects, with carbon costs being utilized in the decision-making process, thus

influencing our capital expenditures. To evaluate potential emissions reduction efforts, we have developed an analytical tool to assess potential projects for impact on three pillars: people, planet, and profit, called the Triple P Calculator. This tool enables us to quantify the carbon impacts of a potential project, compared against the carbon impacts of competing projects, and ultimately informing investment decisions.

To help support these efforts, the calculator also applies an internal social cost of carbon, which helps quantify the climate impacts on society. Some inputs for this tool use quantifiable measures, such as integrating the price for carbon from European markets to determine the financial costs of the project's environmental impacts. Other factors are subjective and require consideration of the impact the project will have on our surrounding community.

Leveraging the Triple P Calculator allows for additional factors beyond a traditional ROI to be considered in driving business decisions. We use this tool for our short, medium, and long-term strategies towards operational efficiencies and to inform capital investments.

## TRIPLE P CALCULATOR





## METRICS AND TARGETS

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

The following is a summary of AmFam's GHG inventories from CY 2023 and 2024. In 2023, AmFam broadened the scope of our greenhouse gas inventory to encompass the emission data from all subsidiaries and operating companies within AmFam, covering all categories of Scope 1, 2, and 3 emissions. This expansion of our inventory's boundary has led us to establish 2023 as our new base year, allowing us to more accurately monitor and track progress towards our emissions reduction goals and targets. In 2024, data quality improvements continue to occur. Data providers throughout AmFam continue to improve their ability to gather data from internal and external sources. With increased partnerships, AmFam has found category specific emission reduction projects that will help us optimize our operations and reach our carbon goals. Continuous facility level retro commissioning projects occur to help AmFam decrease our Scope 1 and 2 emissions at our owned facilities. Additionally, AmFam continues to find ways to decrease waste generated in our operations while monitoring our diversion rate from

a landfill. Other opportunities for reduction can be found in, but are not limited to, our fleet operations, and within upstream transportation and distribution, through paperless options for customers. Additionally, AmFam continues to investigate the opportunity to partner with local energy providers for renewable energy projects that will benefit the communities we serve.

Our carbon footprint is measured in line with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) methodology.

The GHG emissions data contained in this report have been subjected to internal verification and AmFam has obtained limited assurance of our Scope 1 and 2 (Location- and Market-based emissions) inventories for both 2023 and 2024 calendar years. Please see our verified data below and the verification statements linked for additional details pertaining to the verification process.

### TOTAL EMISSIONS SUMMARY (METRIC TONS CO<sub>2</sub>e)

	2024 EMISSIONS	2023 EMISSIONS	YoY % CHANGE
Scope 1*	12,307	12,397	-1%
Scope 2- Location-based	18,567	22,333	-17%
Scope 2- Market-based	18,567	22,333	-17%
TOTAL Scope 1 and Scope 2	30,874	34,730	-11%
Letter of Verification	<a href="#">LINK</a>	<a href="#">LINK</a>	

\*Scope 1 emissions consist of Stationary Combustion, Mobile Sources, and emissions from Refrigerants.

The General was removed from 2023 and 2024 GHG inventories in accordance with the GHG Protocol's divestitures guidelines.



## METRICS AND TARGETS

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

In 2020, we set a goal to achieve carbon neutrality by 2030 for our scope 1, scope 2 (market-based) and scope 3 emissions. The scope 3 emissions covered by this goal include purchased goods and services, capital goods, fuel and energy-related activities (not included in Scopes 1 or 2), waste generated in operations, upstream transportation and distribution, employee commuting, business travel, and downstream leased assets.

To reach these ambitious goals, we are continuing to reduce greenhouse gas emissions through implementing energy efficiency projects, increasing on-site renewable energy production and renewable energy purchases, transitioning to a high-efficiency vehicle fleet, and diverting waste from the landfill.



# 2025 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

