American Family Insurance Group

2023 Task Force on Climate-Related Financial Disclosures Report

Introduction

In 2023, AmFam Group made tremendous progress in our commitment to climate. In July of 2022, we completed our first materiality assessment. Through this process, we engaged 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, Climate Impacts and Resilience; Community Advancement; Diversity, Equity and Inclusion; and Responsible Data & Artificial Intelligence (AI). We believe focused investment in these areas will lead to long-term value creation for our business and create an outsized impact on our communities.

Our commitment to Climate Impacts and Resilience is represented by four pillars:
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 resiliency 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. While we're all impacted by climate change, society's most vulnerable populations are the ones most negatively affected.

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

Peter Settel
Chief Strategy and Technology Officer

Troy Van Beek
Chief Financial Officer

Executive Summary

Based in Madison, Wisconsin, American Family Insurance has been serving customers since 1927. We inspire, protect, and restore dreams through our insurance products, exceptional service from our agency owners and employees, community investment and creative partnerships to address societal challenges. We act on our belief in diversity and inclusion by constantly evolving to meet customer needs and preferences. American Family Insurance group is the nation's 14th-largest property/casualty insurance group, ranking No. 301 on the Fortune 500 list. The group sells American Family-brand products, primarily through exclusive agency owners in 19 states. The American Family Insurance group also includes CONNECT, powered by American Family Insurance, The General, Homesite and Main Street America Insurance. Across these companies the group has nearly 13,000 employees nationwide.

AmFam Group recognizes that our products and services interact directly with climate risks, and in response, we continuously research ways to provide more sustainable products. 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 it be through coverage that proactively protects against wildfires and floods or through integration of climate risk within catastrophe modeling and pricing, we are actively exploring these opportunities and their influence on the enterprise's financial and strategic planning.

To address climate resiliency more directly, The American Family Insurance Institute for Corporate and Social Impact (the Institute) was established in 2018. The Institute is a venture capital firm for exceptional entrepreneurs who are building scalable, sustainable businesses in a long-term effort to close equity gaps in America. The Institute has four core focus areas: resilient communities, economic opportunity, equity in education, and healthy youth development. It also recognizes that capacity building and supporting organizations and experts that have been working toward social causes are equally important in making a positive impact within our communities around the country. Climate change creates new risks and increases existing vulnerabilities in communities across the United States. These risks and vulnerabilities present growing challenges to human health and safety, quality of life, and the rate of economic growth. People who are already vulnerable, including lower-income and other marginalized communities, have lower capacity to cope with extreme climate-related events, and are expected to experience even greater impacts.

RECEIVED A
B- RATING
IN 2022 FROM CDP

COMMITTED TO
NET ZERO
BY 2040

PARTNERED WITH UNITED AIRLINES IN 2022
TO LEVERAGE SUSTAINABLE FUEL WHICH HAS AN
80% LOWER
CARBON FOOTPRINT THAN TRADITIONAL AIRLINE FUEL

Pillar | Recommendation	Key Points
Governance • Disclose the organization's governance around climate-related risks and opportunities	
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) function.
	The Board reviews and guides strategy, guides major plans of action, reviews, guides risk management policies, and monitors the implementation and performance of objectives.
	The Board has oversight responsibility for the ERM function and framework. The Risk Committee receives quarterly reports from the Chief Risk Officer highlighting risk topics and updates, while also participating in training and information sessions.
Describe management's role in assessing and managing climate related risks and opportunities	Oversight of ESG efforts is performed by the American Family Insurance Mutual Holding Company Board of Directors.
	Operationally, the Strategic Leadership Team provides strategic direction to ESG-aligned programs and reports to the Board Nominating & Governance Committee.
	The Board receives quarterly updates through the Nominating & Governance Committee report. Other committees also report—as necessary—aligned to their areas of oversight.

Pillar | Recommendation	Key Points
Strategy • 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	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	AmFam Group considers the possibility of climate change risk and opportunities to our organization over multiple time horizons - Short term risk is defined as a 0–1-year - Medium term risk is 1-7 years - Long term risk is 7-30 years
	AmFam Group plans to complete a formal climate risk assessment and scenario analysis, which will identify and prioritize opportunities that may have substantial strategic or financial impacts. As part of this analysis, we will estimate potential financial opportunities to be utilized in short- and long-term strategic development discussions.
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	AmFam Group brands operate in all 50 states. The majority of the company's book of business is in personal lines property/casualty and commercial farm/ranch lines property products.
	We have not specifically linked any perils, coverages, or limitations to climate change. However, to the extent that climate change can impact the frequency or severity of weather events, we have taken some steps to minimize losses. These include moratoriums on writing certain coverages when a peril is imminent and increased deductibles for certain perils in geographic locations susceptible to that peril.
	We recognize that our business operations can have a negative impact on the environment, and because of this, we are prioritizing efforts to improve our energy efficiency, while reducing carbon emissions across our owned facilities. This strategy has the ultimate goal of achieving carbon neutrality across scope one and scope two emissions in our owned and leased facilities by 2030.
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have a plan to transition to a 1.5-degree Celsius world. We have committed to Carbon Neutrality for American Family Insurance by 2030. In 2022, American Family was the first US-based insurer to join The Climate Pledge, committing to achieve Net Zero emissions by 2040 across Scope 1, Scope 2, and all relevant Scope 3 categories.

Pillar | Recommendation	Key Points
Risk Management • Disclose how the organization identifies, assesses, and manages climate-related risks	
Describe the organization's processes for identifying and assessing climate-related risk	AmFam Group has adopted an ERM risk assessment methodology that considers the unique characteristics of each risk. We consider both qualitative and quantitative risk measures as part of the assessments, recognizing that not all risks can be evaluated based on numeric data. The assessments consider the upside of risk as well as the downside along with any mitigation needs.
Describe the organization's processes for managing climate-related risks	AmFam Group is working diligently to understand the impacts of climate change and with that information we can make decisions to ensure the effective management of risks. While we have not yet evaluated the impact and likelihood of these risks through a formal climate risk assessment or specific scenario analysis, the Catastrophe Management unit is working in partnership with universities to facilitate strategic knowledge sharing sessions and workshops on a variety of topics related to forecasting, climate change, and predictive tools and techniques. TCFD will be utilized as a framework to begin developing formal climate related risk governance, strategy, risk management and metrics/targets.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	AmFam Group recognizes the physical and transitional risks associated with climate change and have formally added climate change to our risk universe in 2022. This addition ensures that these risks are assessed within our annual assessment cycle, with the outputs being visualized, allowing for mitigation efforts and monitoring to be completed.

Pillar | Recommendation	Key Points
Metrics & Targets • Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process	AmFam Group considers the impact of climate across the full scope of our risk universe. Several risks are significantly impacted by climate, 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. Leadership with responsibility over climate-related risks have compensation tied to specific performance metrics. AmFam Group's internal carbon cost is considered (using evolutionary and shadow pricing) for projects intent on improving our energy efficiency. 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). CY 2023 has been spent improving our GHG data collection process and analysis tools and exploring transition pathways to Net Zero by 2040. This work includes developing a detailed roadmap to achieve Net Zero for the AmFam Group by 2040, 10 years ahead of the Paris Climate Accord.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Emissions data is provided in the Metrics and Targets section of this report and is also available on amfam.com
Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets	To reach our goal of carbon neutrality by 2030, we are continuing to reduce greenhouse gas emissions and are committed to purchasing accredited and verifiable carbon offsets for unavoidable emissions within our operations. We consider this target science-based because it aligns with an over 4.2% annual linear reduction rate over the target period, which is consistent with the 1.5°C aligned target ambition. Group targets are currently being identified.

Governance

The American Family Insurance Mutual Holding Company (AFIMHC) Board of Directors (Board) is accountable for the annual approval of the Enterprise Risk Policy and obtaining an understanding of key risks for all entities of the Group. The AFIMHC Corporate Governance Guidelines state that the Board has oversight responsibility for the Enterprise Risk Management (ERM) function.

Climate-related topics, including regulatory updates and risks and opportunities are communicated to the Board Risk Committee on a quarterly basis by ERM as part of quarterly risk reporting. The Risk Committee of the Board is accountable for oversight of the ERM function and framework. This accountability is documented in the Risk Committee charter, which is reviewed and approved annually. In fulfilling this accountability, the Risk Committee receives reports quarterly from the Chief Risk Officer, who reports to the Chief Financial Officer.

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

Some meetings include specific climate-related agenda items that explore climate in the broader ESG context, as well as climate-related venture capital (VC) investments and risk management activities. Annually, the Board approves the Risk Policy which 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 the Group 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. American Family '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. Investments are managed to ensure the organization can respond in the event of a natural catastrophe.

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

Describe management's role in assessing and managing risks and opportunities.

Oversight of ESG strategy is maintained by the Board of Directors, who receive quarterly updates through the Nominating & Governance Committee report. Other committees also report, as necessary, aligned to their areas of oversight.

- The Nominating & Governance Committee holds primary oversight accountabilities of the group's ESG strategy, including progress toward its ESG focus areas. This committee also provides oversight on topics relating to board recruitment/onboarding, professional development and educational opportunities, management disclosures, and updating committee charters (including Corporate Governance Guidelines). On a biannual basis, the Nominating & Governance Committee reviews our Sustainable Business Framework which includes our Climate Impacts & Resiliency focus area.

- The Audit Committee oversees related-party transactions, regulations, compliance with business ethics, oversight of independent auditor performance, and financial reporting integrity.

- The Finance Committee oversees enterprise investment performance, external investment manager performance, and ESG investment activity and responsible investment oversight.

- The People, Compensation, and Rewards Committee oversees people-related topics (employee engagement, retention, recruitment, succession planning, talent development, DEI, pay equity), officer compensation and incentive plan goal setting, and oversight of independent compensation consultant performance.

- The Risk Committee oversees the Enterprise Risk Management program and receives quarterly reporting on strategic, financial, operational, technology and legal, and regulatory risks.

Operationally, the Senior Leadership Team provides strategic direction to programs within the ESG strategy including progress toward its ESG focus areas, reporting to the Board Nominating & Governance Committee. Execution of the ESG strategy is managed by:

- The AmFam Group ESG Council is inclusive of leaders from across the business and focuses on driving on driving execution and alignment of action across operating companies and business units.

- The Enterprise Chief Strategy and Technology Officer and Vice President of Strategy Performance & Partnerships are accountable for the development and execution of the ESG strategy, policies and programs, and reporting.

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

Peter Settel
Enterprise Chief Strategy & Technology Officer

- Responsible for both oversight of AmFam Group's ESG Strategy which includes climate-related risks and opportunities
- Informed on climate-related issues as important matters arise

Greg Heerde
Chief Risk Officer

- CFO reporting line
- 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 impacts
- Informed on climate-related issues as important matters arise

Jim Buchheim
Community and Social Impact Officer

- Responsible for the Office of Community and Social Impact, social venture investing activities, and our philanthropic Dreams Foundation - all of which maintain Community Resilience as a fund pillar
- Responsible for risks and opportunities related to our social venture investment activities
- Informed on climate-related issues as important matters arise

Kari Grasse
Vice President of Business Workplace Services

- CFO reporting line
- Responsible for both assessing and managing climate-related risks and opportunities, risks and opportunities related to our own operations
- Informed on climate related issues as important matters arise

Strategy

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

AmFam Group considers the possibility of climate change risk and opportunities to our organization over different time horizons.

Short-term (0-1 year):

Opportunity: Carriers, Managing General Agents (MGAs), Managing General Underwriters (MGUs), and reinsurers will be seeking guidance on portfolio management in the face of a changing climate in which the frequency and severity of extreme weather events will be increasing in specific geographies. By improving underwriting insights, insurers can prevent the over-accumulation of risks that are more likely to incur losses based on expected changes in climate. Accumulation optimization (based on current weather-related loss events) can easily save insurers $10M+. Working with leaders in risk management and climate forecast data to determine the most useful and efficient methods for ingesting, processing, and generating actionable insights and underwriting guidance for future portfolios. Once determined, a climate-analysis module will be designed and implemented into an existing software platform and marketed to the risk industry. The development of climate adaptation, resilience, and insurance risk solutions will create new revenue streams from new/emerging environmental markets and products. This will provide carriers with forward looking insights into how future portfolios are expected to perform because of geographic changes in extreme weather events.

Medium-term (1-7 years):

Opportunity: As regulator and investor demand for ESG transparency and disclosure increases, and the world transitions to a low carbon economy, AmFam Group anticipates significant opportunity related to sustainable investing and ESG reporting. Not only will such investments increase revenues, they may also reduce risk by minimizing exposure to asset classes likely to be negatively impacted by climate change. 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. AmFam Group considers the correlation between underwriting risk due to natural catastrophes and investment risk. We currently focus on three areas to increase community resilience:

1. Access to clean technologies, such as solar power and energy efficiency improvements
2. Water management (in terms of resilient cities, infrastructure management, and public health)
3. Advancing disaster and climate technology platforms for adaptation to a changing climate.

AmFam Group plans to complete a formal climate risk assessment and scenario analysis, which will identify and prioritize opportunities and risks that may have substantial strategic or financial impacts. As part of this analysis, we will estimate potential financial opportunities to be utilized in short- and long-term strategic development discussions.

AmFam Group will continue to engage in industry-wide discussions on the topic of climate- related opportunities in insurance, specifically as it relates to adaptation finance, community resilience, and technological advancements in climate analytics. These opportunities will be considered once internal climate risk assessment and scenario analysis is complete, allowing for a more internalized 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.

In terms of weather-related risk, the majority of the company's book of business is in personal lines property/ casualty and commercial farm/ranch lines property products. While American Family brand distribution is centralized within 19 states—primarily in the Midwest and Pacific. The AmFam Group is actively distributing products all 50 states and is exposed to a wide range of weather-related perils.

AmFam Group has not specifically linked any perils, coverages, or limitations to climate change; however, we recognize that climate change can impact the frequency or severity of weather events and have taken steps to minimize losses. These include moratoriums on writing certain coverages when a peril is imminent and increased deductibles for certain perils in geographic locations susceptible to that peril.

As part of the AmFam Group's Sustainability and Climate Action Strategy, we have identified opportunities to enhance resource efficiency by minimizing emissions from our corporate fleet and travel operations. Furthermore, we expect our efforts to reduce waste and paper usage, as well as efficiently managing our real estate assets to generate financial savings in the long term.

AmFam Group has begun developing an energy and carbon reduction strategy with the goal of continuously improving energy efficiency across all owned facilities. This strategy is managed by a cross-disciplinary team which includes representation from Facilities, Information Services, Data Center Management, and our Sustainability Team. It is in alignment with the long-term real estate strategy for the group-owned facilities, with the committed goal of achieving carbon neutrality across all scope one and scope two emissions in both owned and leased facilities by 2030. Deliverables of this new energy strategy include a project roadmap aligning to the overall AmFam Group sustainability plan and timeline that include recommendations for energy saving improvements that support the new 10-year capital plan and a cost benefit analysis of additional onsite RE compared to renewable energy credits (RECs) or other offsets by rough order of magnitude pricing.

Strategy

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

We have a plan to transition to a 1.5-degree Celsius world.

In 2020, we conducted a climate risk survey to identify top climate risks and opportunities. The survey provided valuable insights that will be used in shaping our approach to climate risk assessment and scenario analysis. Outcomes included strategic direction, analytics, time horizons, business impacts/ opportunities, and partners. We plan to utilize the Task Force of Climate-Related Financial Disclosures (TCFD) as a framework to assess climate-related risk in the future. We will assess the materiality of climate-related risks, including current and anticipated exposures, develop scenarios with defined time horizons, and evaluate impacts with potential response strategies. At this time, we anticipate utilizing RCP 8.5 and RCP 4.5 to develop climate, policy, and economy assumptions.

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

1. 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.

2. 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.

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

4. Innovative Solutions: We are also equipped with technological tools and processes designed to improve our disaster response. As weather patterns become more severe and/ or frequent, these assets will allow us to support quicker recovery for our customers. An example of this is the development of Opterrix, an American Family-owned company. Insurers leverage Opterrix to provide pinpoint insights into how policyholders will be impacted by extreme weather events before, during, and immediately following events like these. Opterrix foresees a tremendous opportunity to provide the risk industry with forward looking analytics tools to help better assess risk selection and portfolio management. Learn more at https://www.opterrix.com

5. Strategic Partnerships: We developed and implemented a Supplier Code of Conduct which communicates our values as a group and expectations of our suppliers. This includes climate-related requirements, such as requesting our suppliers disclose to CDP. Our team is in the process of leveraging EPA emission factors to begin internal accounting of our supply chain emissions. We also engage with CDP Supply Chain to identify and evaluate our suppliers already engaging with CDP. Based on our 2019 sample survey, 33% of surveyed tier one suppliers already participate in CDP supply chain. We plan to continue educating and inviting our suppliers to participate in the program and grow their engagement. The objective of this work is to use carbon impacts as an additional factor in deciding who AmFam Group partners with strategically.

We recognize that our products and services interact directly with climate risks. In response to this, we are continually researching and developing ways to provide more sustainable products to our customers. One example of this is through research conducted at our roof farm, which enables research into the resiliency of different roofing materials to the effects of our changing climate. We partnered with the Insurance Institute for Business & Home Safety (IBHS) through a first-of-its-kind national study that will support researchers over the next 25 years in identifying the effects of aging on residential roofing materials, with the goal of expanding residential roof longevity and durability, which will ultimately help customers mitigate risks. The study will determine how Midwest weather affects different brands of roofing material, using a dozen scientifically instrumented roof structures built on a bare patch of ground at AmFam Group's headquarters in Madison, WI. This is a part of a larger, on-going study driven by IBHS and other participating member companies. The group will continue to invest in research that takes the issue of climate risk into consideration, in a similar approach to other potential drivers of risk and return in our products and investment portfolio.

The activities of our corporate responsibility plan aligns directly with our company's strategic plan through customer focused environmental sustainability efforts. Our operational 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. The Sustainability and Climate Action Strategic Plan utilizes our 2012-19 GHG emissions data to direct our environmental action planning and execution through 2030.

Risk Management

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

AmFam Group has adopted an ERM Framework that includes governance, culture, and a risk management process that combines risk identification, assessment, monitoring, and reporting.

Risk identification occurs continuously throughout the year, across multiple mechanisms. ERM conducts surveys and participates in regular meetings with management to gather business intelligence, explore risk developments, gain additional insights into existing risks, and discuss recent events that could pose new risks. Once identified, risks are aligned to the overall risk universe for documentation and reporting.

Further, the organization considers both quantitative and qualitative risk measures 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 ERM 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.

Risks with a severe impact may include one or more of the follwing criteria
Media outrage, critical reputation impact
Critical long-term damage to customers experience, customer satisfaction impaired
Significant impact on ability to achieve strategic objectives, more than one objective not achieved
Adverse regulatory opinion, corrective action required by regulator, litigation action or award
Reduction in revenue or forgone potential revenue of 3% or more
Increase in losses and expenses of 3% or more
Widespread staff morale problems, increased turnover, loss of key leadership

Risks with a major impact may include one or more of the follwing criteria
National press or social media coverage, extensive reputation impact
Severe disruption to customer experience, customer satisfaction falls below threshold
Significant impact on ability to achieve strategic objectives, one objective not achieved
Intervention by regulators or other agencies, minor regulatory enforcement, legal actions filed
Loss of revenue or potential revenue of 2% to 3%
Increase in losses or expenses of 2% to 3%
Widespread staff morale problems, increased turnover, loss of key staff

Risks with moderate impact may include one or more of the follwing criteria
Media and community concern, high reputation impact
Widespread disruption to customer experience, noticeable reduction in customer satisfaction
Moderate impact on strategic objectives, some elements not achieved
Regulatory or contractual breaches, legal actions filed, increased regulatory scrutiny
Loss of revenue or potential revenue of 1% to 2%
Increase in losses or expenses of 1% to 2%
General reduction in staff morale, increased turnover

Risk Management

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

AmFam Group is working diligently to understand the risks, impacts, and management approach to address climate change. While we have not yet evaluated the impact and likelihood of these risks through a formal climate risk assessment or specific scenario analysis, our Catastrophe Management team continues working in partnership with Northern Illinois University (NIU) to facilitate workshops on a variety of topics related to forecasting, climate change, and predictive tools and techniques. The goal of these sessions is to provide actionable insights specific to new and existing data and perceived gaps in operational workflows, while improving the group's skill in forecasting weather perils, using climate model output, and employing tools to analyze data. Through this partnership, a prototype for assessing how tornadoes may affect the group's book of business has been built. It will examine 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 the group's book geography (exposure/concentration) may be affected by tornadoes. Results have been reviewed for one state and are now being expanded.

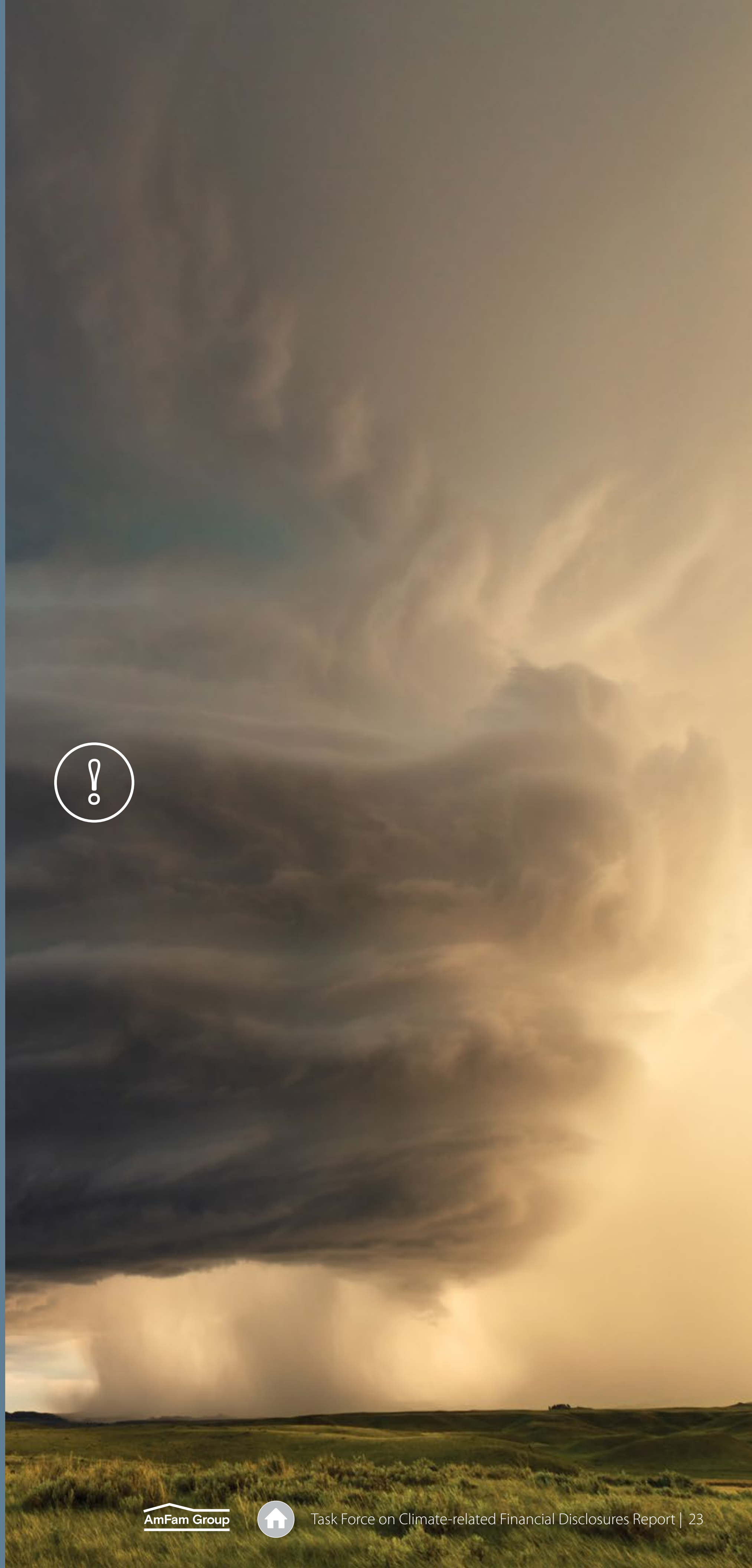
We envision incorporating information from NIU's simulations to evaluate how the shifting climatology of tornado risk in the U.S. may affect the group in the upcoming decades. We expect to extend this analysis to hailstorms using a similar tool that has been developed for this increasingly important and impactful peril.

In addition to the efforts described above, the Enterprise Climate Risk and Resilience Working Group is regularly sharing information and potential impacts to the business. This group is building strategic frameworks and methodologies for our qualitative and quantitative climate risk assessment and scenario analysis. Qualitative assessment was conducted in 2022, with more quantitative analysis to be completed in 2023. 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 will be developed with time horizons defined. Business impacts will 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.

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

We've recognized the physical and transitional risks associated with climate change and have formally added climate change to our risk universe in 2022, with the identified sub risks of physical and transitional risks. This formal addition ensures that these risks are continuously assessed within our next annual assessment cycle. The outputs will be visualized along with all other assessed risks while simultaneously completing mitigations and monitoring.



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.

AmFam Group's ERM team specializes in catastrophe management and modeling with a dedicated catastrophe modeling team. Our ERM Catastrophe 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 the group 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 business or group. 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. They do not consider climate change explicitly as they provide backward looking analysis to best fit observed weather or natural hazard loss scenarios. As such, our ERM Catastrophe Management team continues to evaluate available climate change modeling technology to better understand its usage and limitations.

As AmFam Group continues to evaluate our risk universe, we've identified those 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 in order to ensure identification of risks on the horizon, within the insurance industry or across all industries.

As part of risk quantification, the 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.

Leadership with responsibility over climate-related risks have compensation tied to specific performance metrics.

The management and sponsorship of our Sustainability and Climate Action Strategy was identified as a key initiative for our operations department in 2019 and 2020. The success of this strategy is integrated into the annual performance goals of our sustainability senior analyst, sustainability administrator, sustainability manager, facilities director, logistics director, vice president of our Business and Workplace Services division and vice president of our Strategy Performance and Partnerships division. The health of the program and effectiveness of strategy execution are used to measure success and determine monetary and nonmonetary rewards for the individuals identified above.

In 2023, the company's sustainability team moved from Operations to Strategy. This shift is reflective of the growth and maturity of the program and the evolution of operation's roles integrating and owning carbon reduction objectives and KPIs.

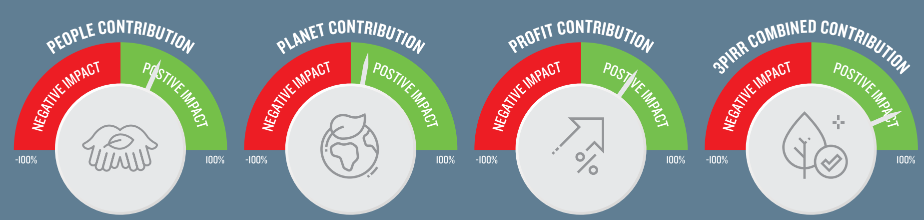
As part of the Office of Community and Social Impact (OCSI), the environment/sustainability managers are referred to as Community and Social Impact Consultants. The Consultants lead the growth of climate and community resilience impact investments in startups, nonprofits, and community programs and partnerships with a focus on Black, Indigenous, People of Color (BIPOC), and women-led organizations. The team works internally in collaboration with cross functional and cross- divisional teams to grow engagement and corporate advocacy across the group, focusing on climate and community resilience.

The Social Impact Fund Managing Director reports to the Community and Social Impact Officer and the Institute Advisory Board. The Managing Director oversees the venture capital investing and partnership activities for the American Family Institute for Corporate and Social Impact. One of the primary accountabilities of the Social Impact Fund Managing Director is to direct and manage investments in community resilience startups. The Institute defines this investing category as startups which are working to fight climate change and build resilience for communities which are most vulnerable and have a lower capacity to cope with extreme climate related events.

Metrics And Targets

Internal Carbon Price

AmFam Group'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 Group 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.

This tool was most recently utilized in developing the business case for converting thousands of can lights to LED technology throughout our national headquarters facility in Madison, WI. It was also utilized to determine the business case for building a .197 MW solar array on the grounds of our East Regional Building in Madison, WI. Leveraging the Triple P Calculator allowed additional factors beyond ROI to be considered in driving our decision to build. We use this tool for our short-, medium- and long-term strategies. The internal carbon price has impacted our business by influencing investment decisions in energy efficiency projects.

Environmental Metrics and GHG Inventory

The following is a summary of the AmFam Group's GHG inventory from CY 2021. As of 2021, all material scope 3 categories have been measured. For this reason, we have established 2021 as our new base year and have chosen to share complete inventories for CY 2021 and 2022.

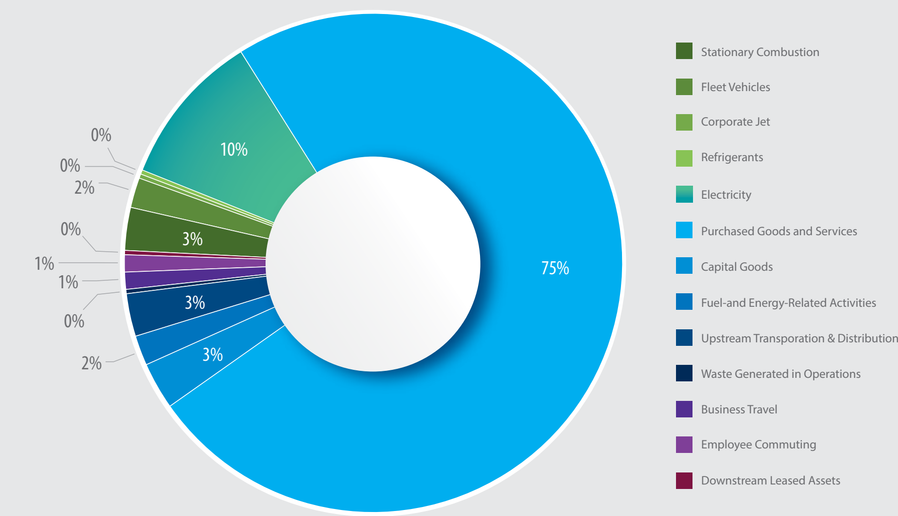
Our carbon footprint is measured in line with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) methodology.

Reporting Year: 2021

Total Emissions Summary

Base Year: 2019

	Emissions source	Emissions (metric tons CO2e)
Scope 1 Emissions	Stationary Combustion	6,421
	Fleet Vehicles	4,085
	Corporate Jet	430
	Refrigerants	432
	SUBTOTAL	11,368
Location-based Scope 2 Emissions	Electricity	25,080
	SUBTOTAL	25,080
Market-based Scope 2 Emissions	Electricity	25,080
	SUBTOTAL	25,080
TOTAL	Total Scope 1 and Location-Based Scope 2 Emissions	36,448
TOTAL	Total Scope 1 and Market-Based Scope 2 Emissions	36,448
Scope 3 Emissions	Purchased Goods & Services	186,768
	Capital Goods	8,228
	Fuel-and Energy-Related Activities	6,025
	Upstream Transportation & Distribution	6,432
	Waste Generated in Operations	299
	Business Travel	1,387
	Employee Commuting	2,491
	Downstream Leased Assets	331



Metrics And Targets

In April 2020, American Family Insurance engaged a consultant to conduct a carbon neutrality feasibility assessment to analyze the various measures needed to achieve carbon neutrality by 2030. The boundaries for this carbon neutrality roadmap included all Scope 1 and 2 emissions under operational control, plus a portion of the company's Scope 3 emissions that were measured at the time.

The carbon neutrality feasibility assessment was based on the emissions sources included in our GHG inventory for calendar year 2019, emissions reduction initiatives that had been implemented to date and are under consideration, and business as usual (BAU) projections for future GHG emissions through 2030. Once these three components were assessed, the associated GHG emissions reduction potential was quantified to help prioritize prospective emissions reduction opportunities. Multiple scenarios were proposed, based on potential changes in owned real estate portfolio.

The following GHG emissions reduction opportunities were identified: increased facility energy efficiency, transition owned fleet vehicles to electric and hybrid vehicles, purchase biofuel for the corporate jet, on-site renewable energy installation, and off-site renewable energy purchase. Opportunities related to purchasing carbon offsets were also identified. Potential future efforts identified include incorporating additional Scope 3 categories, which the American Family Enterprise has since done, creating a renewable, resilient, and equitable energy purchasing strategy, and engaging and educating stakeholders on our Sustainability and Climate Action Strategy.

In 2022, our Sustainability team engaged the same consultant to update the feasibility assessment to reflect all relevant Scope 1, 2, and 3 emissions that were not measured in 2019. Soon after receiving the updated assessment, the Sustainability team moved out of the operations division of the company and into the Strategy division. Along with this move, came the opportunity to align our carbon neutrality roadmap with a larger enterprise strategy that will include all operating companies. More specifically, CY 2023 has been spent improving our GHG data collection process and analysis tools and exploring Enterprise-wide transition pathways to Net Zero by 2040 and associated interim targets. Out of this work, will come a detailed roadmap to achieve Net Zero by 2040, 10 years ahead of the Paris Climate Accord.

Metrics And Targets

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

Reporting Year: 2022

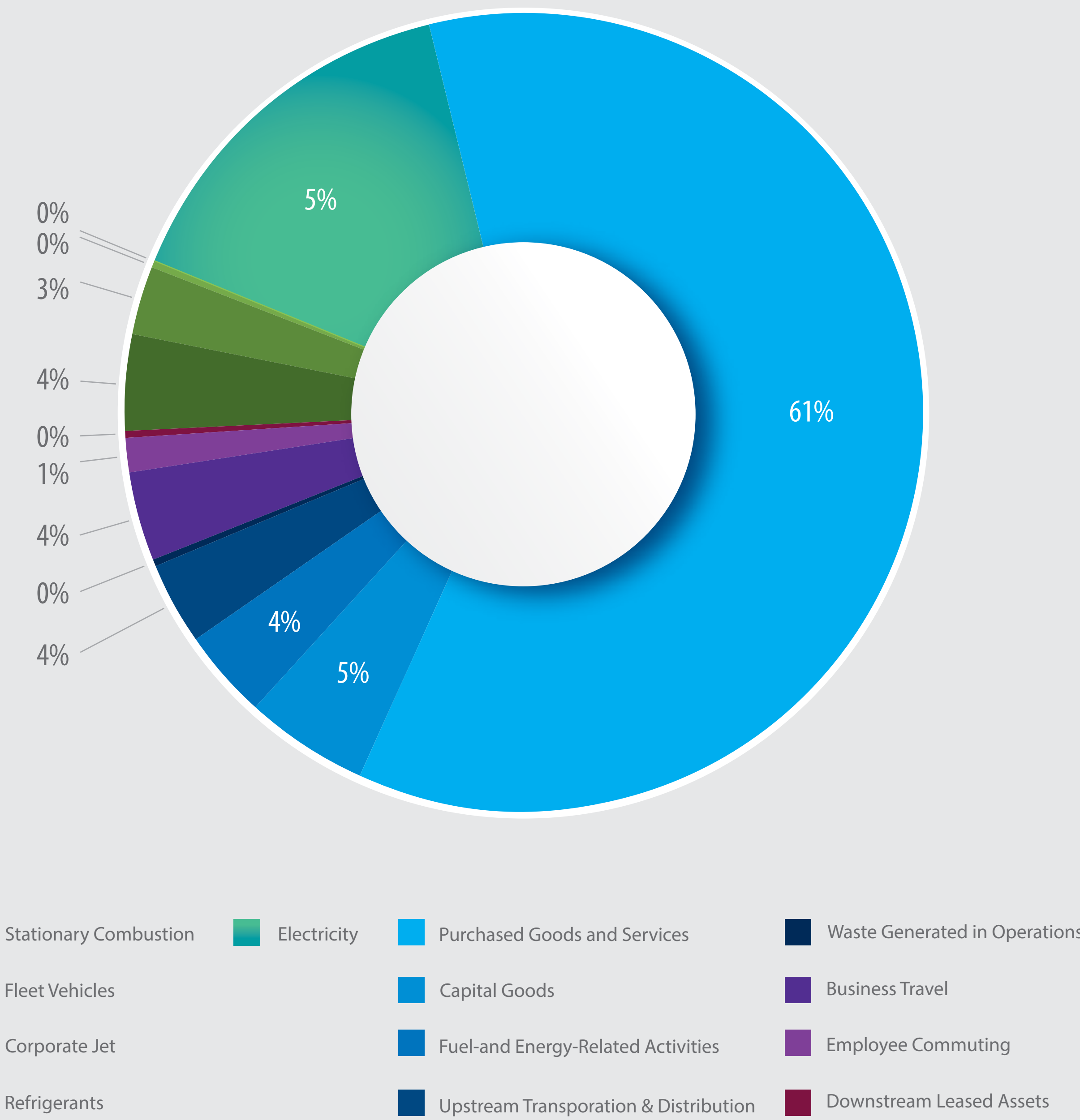
Total Emissions Summary
Base Year: 2021

	Emissions source	Emissions (metric tons CO2e)
Scope 1 Emissions	Stationary Combustion	6,790
	Fleet Vehicles	4,877
	Corporate Jet	330
	Refrigerants*	0
	SUBTOTAL	11,997
Location-based Scope 2 Emissions	Electricity	25,429
	SUBTOTAL	25,429
Market-based Scope 2 Emissions	Electricity	25,429
	SUBTOTAL	25,429
TOTAL	Total Scope 1 and Location-Based Scope 2 Emissions	37,425
TOTAL	Total Scope 1 and Market-Based Scope 2 Emissions	37,425
Scope 3 Emissions	Purchased Goods & Services	104,224
	Capital Goods	8,335
	Fuel-and Energy-Related Activities	6,209
	Upstream Transportation & Distribution	6,137
	Waste Generated in Operations	361
	Business Travel	6,068
	Employee Commuting	2,566
	Downstream Leased Assets	376

*Refrigerants are listed as 0 due to our accounting methodology (purchased vs consumed)

Use of Sold Products was measured for the first time in 2022. The emissions associated with these products were determined to be insignificant (less than 10 tons CO2e) and thus excluded from the company's GHG Inventory.

In 2022, the company updated its base year to 2021 to reflect the most recent year of complete data across Scope 1, Scope 2, and relevant Scope 3 categories.



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 an aspirational 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. Additionally, we are committed to purchasing accredited and verifiable carbon offsets for unavoidable emissions. We consider this target science-based because it aligns with an over 4.2% annual linear reduction rate over the target period, which is consistent with the 1.5°C aligned target ambition.

In 2022, American Family was the first US-based insurer to join The Climate Pledge, committing to achieve Net Zero emissions by 2040 across Scope 1, Scope 2, and all relevant Scope 3 categories.

American Family Insurance Group

2023 Task Force on Climate-Related Financial Disclosures Report

For more information contact us at: sustainability@amfam.com

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