GREAT AMERICAN INSURANCE GROUP

2023 NAIC ANNUAL CLIMATE RISK DISCLOSURE SURVEY

August 2024

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OUR COMPANY

American Financial Group, Inc. ("***AFG***" or the "***Company***") is an insurance holding company. Through the operations of Great American Insurance Group ("***GAIG***"), AFG is engaged in property and casualty insurance, primarily focusing on specialized commercial products for businesses. GAIG provides a wide range of commercial coverages through approximately 35 (as of December 31, 2023) insurance divisions and subsidiaries ("***business units***"). The following are examples of GAIG's specialty P&C insurance businesses:

GAIG has been in the insurance business for over 150 years, as the roots of its flagship company, Great American Insurance Company (GAIC), extend back to 1872. GAIC currently has a financial strength rating of "A+" by AM Best and Standard and Poor's and is among only 4 companies to be rated "A" or better by AM Best for 115 or more years.

The majority of AFG's insurance company subsidiaries are domiciled in Ohio. In addition to Ohio, AFG's other U.S.-based insurance company subsidiaries are domiciled in California, Florida, and New York. AFG's international insurance company subsidiaries are domiciled in Bermuda, the Cayman Islands, Ireland, Mexico, and the United Kingdom. This report is prepared and filed on a group basis for AFG's U.S.-based insurance divisions and subsidiaries.

I. GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities.

A. Describe the Board and/or committee responsible for the oversight of climate-related risks and opportunities.

The AFG Board of Directors and its committees, and the insurance company subsidiaries' boards of directors and their committees, all have responsibilities related to the oversight of climate-related risks and opportunities.

<u>AFG Board of Directors</u>

The function of the AFG Board of Directors ("***AFG Board***") is one of oversight and guidance. The AFG Board and its committees oversee AFG's business operations and management team.

The AFG Board has 11 members. Seven members of the AFG Board are independent under New York Stock Exchange rules. The AFG Board met 9 times during 2023, and the independent board members met in executive session 4 times.

The AFG Board has three committees: (1) Audit Committee, (2) Corporate Governance Committee, and (3) Compensation Committee. All members of AFG Board committees are independent. Each AFG Board committee has responsibilities enumerated in its committee charter that involve oversight of climate-related risks and opportunities:

- **Audit Committee:** Responsible for assisting the AFG Board in its oversight of the Company's compliance with legal and regulatory requirements, as well as oversight of the Company's enterprise risk management ("***ERM***"). This includes discussing with management the Company's guidelines and policies related to enterprise risk assessment and management, including environmental, social, and governance ("***ESG***") risk. The Audit Committee met 8 times in 2023.

- **Corporate Governance Committee:** Responsible for advising the AFG Board with respect to environmental and social risks and governance, stewardship, and sustainability issues, in order to assist in the development and refinement of the Company's strategies and policies in these areas. The Corporate Governance Committee met 2 times in 2023.

- **Compensation Committee:** Responsible for overseeing the executive compensation policies of the Company. This includes reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating CEO performance in light of those goals and objectives, and determining and approving CEO compensation levels based on this evaluation. It also includes reviewing and approving non-CEO executive officer compensation, incentive-compensation plans, and equity-based plans. The Compensation Committee met 8 times in 2023.

To support the professionalism and effectiveness of the AFG Board and its members, AFG has adopted Corporate Governance Guidelines for the AFG Board. The guidelines, among other things:

(a) provide director qualifications, responsibilities, and board leadership requirements; (b) commit to providing director orientation and continuing education programs; (c) offer director access to key senior management and, if applicable, independent advisors; and (d) discuss director compensation, CEO evaluation, and management succession.

Insurance Company Subsidiaries' Boards of Directors

The function of the insurance company subsidiaries' boards of directors is one of oversight and guidance. The insurance company subsidiaries' boards and board committees oversee GAIG's business operations and management team.

Each insurance company subsidiary board of directors has an Enterprise Risk Committee ("***P&C Enterprise Risk Committee***"). The P&C Enterprise Risk Committee is responsible for the oversight and direction of the subsidiary's ERM process, including risk identification, risk impact, risk limits, and mitigation strategies. Members of the P&C Enterprise Risk Committee include the GAIG President and Chief Operating Officer and at least one GAIG Executive Vice President.

B. Describe Management's role in assessing and managing climate-related risks and opportunities.

AFG Co-CEOs

AFG has two principal executive officers, Carl H. Lindner III and S. Craig Lindner. Each has been designated as a Co-CEO of AFG and each also serves on the AFG Board. The Co-CEOs work closely with one another and are significantly involved in all aspects of Company management. The Co-CEOs work together in determining overall corporate strategy and planning, as well as in assessing and managing enterprise risks. The Co-CEOs set the tone for the Company's ERM process and are ultimately responsible for the ERM process.

AFG Enterprise Risk Committee

AFG's Co-CEOs have delegated oversight of the ERM process, including risk identification, risk impact, risk limits, and mitigation strategies, to an AFG Enterprise Risk Committee. The AFG Enterprise Risk Committee is chaired by the AFG General Counsel and is also comprised of the AFG Chief Administrative and Chief Human Resources Officer, AFG Chief Financial Officer, and GAIG President and Chief Operating Officer, each of whom directly reports to the Co-CEOs. The AFG Chief Administrative and Chief Human Resources Officer and the AFG Chief Financial Officer are also members of the insurance company subsidiaries' boards of directors. The GAIG President and Chief Operating Officer is a member of both the insurance company subsidiaries' boards of directors as well as each subsidiary's P&C Enterprise Risk Committee.

The purpose of the AFG Enterprise Risk Committee is to oversee and direct AFG's ERM process and to report to the Co-CEOs, the Audit Committee, and the AFG Board on those factors presenting a material risk to AFG. The AFG Enterprise Risk Committee has designated a risk officer to oversee the day-to-day risk management processes. The AFG Enterprise Risk Committee meets quarterly or as otherwise directed by the chair. At quarterly meetings, the AFG Enterprise Risk Committee receives risk updates from the AFG risk officer and discusses developments to existing significant risks and potential emerging risks. At the direction of the AFG Enterprise Risk Committee, the AFG risk officer provides quarterly reports to the Audit Committee, semi-annual reports to the Co-CEOs (or as otherwise requested by the Co-CEOs), and annual reports to the AFG Board.

AFG Risk Officer

An AFG risk officer manages the day-to-day operations of the ERM program under the direction and guidance of the AFG Enterprise Risk Committee. The risk officer meets regularly with the AFG Enterprise Risk Committee, other AFG executive officers, the insurance company subsidiaries' boards of directors, members of the P&C Enterprise Risk Committee, GAIG senior management, and other senior leaders to facilitate the discussion, review, and monitoring of significant and emerging risks at the Company. The risk officer reviews changes to the organization's risk profile with the AFG Audit Committee on a quarterly basis and presents documented Risk Summaries for each significant risk to the full AFG Board at least annually. Risk Summaries include details such as the risk owner, risk monitor, risk definition, inherent risk rating (i.e., risk rating prior to mitigation strategies), mitigation strategies, risk measurements, frequency of reporting, and current status of the risk. Additional information about the ERM program at AFG is set forth in the **Risk Management** section below.

GAIG Executive Vice President

Each business unit executive is responsible for identifying and managing risks to its business, including climate risk. However, overall responsibility for management of climate risk at GAIG has been assigned to a GAIG Executive Vice President ("***EVP***"), who reports to the GAIG President and Chief Operating Officer. The EVP is a member of the board of directors and P&C Enterprise Risk Committee of each insurance company subsidiary. The EVP works with the AFG risk officer, AFG executive officers, GAIG senior management, and business unit executives to identify, assess, and monitor potential climate-related risks and opportunities to the organization.

Climate Working Group

The Climate Working Group is a group of AFG and GAIG executives and employees that discusses climate-related regulatory and compliance matters. The members of the Climate Working Group include the AFG General Counsel, AFG Deputy General Counsel, an AFG risk officer, a member of AFG finance, GAIG General Counsel, GAIG Assistant General Counsel, GAIG Senior Counsel, and a GAIG senior risk analyst. The members of the Climate Working Group work with the EVP responsible for managing climate risk, as well as other AFG and GAIG executives and employees, as needed to discuss and implement climate-related regulatory and compliance strategies. The Climate Working Group had its inaugural meeting in October 2023.

II. 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.

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

Climate-Related Risks

As with other property and casualty insurers, AFG's operating results can be adversely affected by catastrophe losses. Catastrophic events could have a material adverse effect on AFG's workforce and business operations, as well as the workforce and business operations of AFG's customers and independent agents.

The extent of gross losses for AFG's insurance operations from a catastrophe event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. In addition, certain catastrophes can result in both property and non-property claims from the same event. Claims for catastrophic events, or an unusual frequency of smaller losses in a particular period, such as from lower severity convective storms, could expose AFG to large losses, cause substantial volatility in its results of operations, and could have a material adverse effect on its ability to write new business if AFG is not able to adequately assess and reserve for the increased frequency and severity of catastrophes resulting from these environmental factors. A severe catastrophe or series of catastrophes, or any increase in the frequency or severity of catastrophic events, could result in losses exceeding AFG's reinsurance protection and have a material adverse impact on its results of operations or financial condition.

Changing weather patterns and climate change have added to the unpredictability, frequency, and severity of weather-related catastrophes incurred by the industry in recent years. These changing weather patterns make it more difficult for AFG to predict and model catastrophic events, reducing AFG's ability to accurately price its exposure to such events and mitigate its risks. Based on data available as of December 31, 2023, AFG's exposure to a catastrophic earthquake or windstorm that industry models indicate should statistically occur once in every 100, 250, or 500 years as a percentage of AFG's equity is as follows:

- 100-year event: 2% of AFG's Shareholders' Equity
- 250-year event: 2% of AFG's Shareholders' Equity
- 500-year event: 2% of AFG's Shareholders' Equity.[1]

In addition to catastrophe risks, AFG has identified a number of other potential climate-related risks and impacts, including increased loss costs, increased cost or decreased availability of reinsurance, impacts on the value of investments, reputational impacts, increased operating and compliance expenses, and impacts on product offerings and product demand.

[1] AFG's calculations are based on net losses, which are net of reinsurance, estimated reinstatement premiums, and income taxes (assuming a 21% federal tax rate).

Climate-Related Opportunities

AFG has also identified several climate-related opportunities. In particular, AFG anticipates a continued increase in demand for a variety of new and existing GAIG insurance products to support the transition to renewable energy. AFG is currently offering or evaluating products relating to, among others: (a) construction and operation of battery manufacturing and electric vehicle manufacturing facilities; (b) installation and maintenance of electric vehicle charging stations; (c) solar and wind development, including construction of small windmills and installation of solar panels; (d) construction of waste to energy plants; (e) new and emerging GHG reduction and carbon sequestration technologies; and (f) retirement or decommissioning of various fossil fuel-related facilities and related brownfield redevelopment.

B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

The strategy of AFG is to create long-term value through superior underwriting results, superior investment returns, and intelligent deployment of capital within our risk profile. As such, managing risk is core to AFG's strategy and financial planning. AFG's diversified book of businesses, strong capital adequacy, disciplined pricing, and relatively low windstorm/ earthquake and coastal exposures are central to its P&C strategy.

AFG rewards its P&C professionals for helping achieve profitable growth and healthy returns on equity. Performance benchmarks and operational and financial measures provide a clear line of sight into overall results. This approach ensures that AFG expands its business when it can achieve targeted returns. As a result, growth is disciplined, and premium volume will vary based on market conditions, pricing, and other factors. AFG will occasionally withdraw from markets that do not meet profit objectives or fit within its business strategy.

Climate events pose different risks to different business units. AFG's strategy to operate through approximately 35 diverse business units, which offer an array of commercial insurance products across geographies, mitigates the impact of climate-related risk to AFG. AFG understands the importance of mitigating climate-related (particularly catastrophe) risk, and as such generally seeks to reduce its exposure to catastrophes through individual risk selection, including minimizing coastal and known fault-line exposures, and through the purchase of reinsurance.

In January 2024, AFG's property and casualty insurance subsidiaries renewed their catastrophe reinsurance coverages. For AFG's U.S.-based operations, the Company placed $55 million of coverage in excess of a $70 million per event primary retention in the traditional reinsurance markets. In addition to traditional reinsurance, AFG has catastrophe coverage through a catastrophe bond structure with Riverfront Re Ltd., which provides coverage of up to 94% of $324 million for catastrophe losses in excess of $153 million through December 31, 2024. AFG also purchased a $28 million gap layer of traditional CAT reinsurance in 2024 for risks greater than $125 million.

To mitigate reinsurance risk, AFG regularly reviews the financial strength of its current and potential reinsurers. These reviews include consideration of credit ratings, available capital, claims paying history, and expertise. This process periodically results in the transfer of risks to more financially secure reinsurers. Substantially all reinsurance is ceded to companies with investment grade S&P ratings or is secured by "funds withheld" or other collateral.

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

AFG manages capital such that it can maintain commercially viable ratings for its business units under severely adverse scenarios. On an annual basis, AFG measures the impact of multiple stress scenarios (which include severely adverse climate-related events, but not a specific 2°C scenario) on AFG's capital over a three-year projection period and has not discovered any material challenges to the execution of our business plans or remote threats to the Company's solvency, even under scenarios that AFG believes to be severely adverse in nature.

III. Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

AFG's risk culture, robust enterprise risk management ("***ERM***") program, and local decision-making business model are key aspects of how AFG identifies, assesses, and manages significant and emerging risks to the Company.

Risk Culture

Risk culture emanates from the top of our organization – beginning with the AFG Board, Co-CEOs, and other AFG executive officers. Our risk culture ensures that all levels of the organization, from the AFG boardroom to the GAIG business unit level, consider risk in all significant decisions.

Effective risk cultures are the basis for informed decision-making. AFG's stable ownership structure, conservative risk profile, and long-term incentive compensation structure foster decisions designed to result in long-term value creation, rather than taking short term profits that may destabilize our risk profile. In addition, the Company's flat organizational structure, highly engaged executive team, and collaborative culture fosters effective communication, which encourages rapid recognition and discussion of issues that might affect the risk profile for a business unit or line of coverage. In addition to the ERM program described below, the Company's business units and divisions regularly discuss risk outside the formal governance structure, as part of ongoing operations.

Enterprise Risk Management

AFG maintains a robust ERM program. This program identifies, assesses, and manages all significant financial risks to the organization. The program is designed to reinforce the way we operate our businesses and reflect our culture, organizational structure, and risks. The ERM process is overseen by the AFG Enterprise Risk Committee, with day-to-day operations managed by an AFG risk officer, who is a Divisional Vice President of AFG and reports to a Vice President of AFG.

The goals of AFG's ERM framework that drive the Company's corporate strategy are as follows:

- Identify and manage the actual and perceived risks that threaten the Company and its solvency;
- Optimize the Company's risk-based capital position;
- Optimize actual returns relative to targeted, risk-adjusted returns on capital;
- Manage underwriting, investment, and operational volatility;
- Engage the board of directors, senior management, and other employees in the ERM process to ensure business decisions are aligned with our framework; and
- Embed risk management principles in all key business decisions and transactions.

Under the AFG ERM framework, management at all levels of the organization are responsible for identifying, assessing, and managing risk.

AFG Board and Executive Officers

The AFG Board and its committees and executive officers play an integral role in the Company's risk oversight by (1) reviewing the processes used by management to identify and report risk, and (2) monitoring corporate actions so as to avoid inappropriate levels of risk. The AFG Audit Committee reviews the organization's risk profile with an AFG risk officer on a quarterly basis and receives annual Risk Summaries of the organization's significant risks.

AFG executive officers and board members then the tone from the top and manage risk through the following tools:

- **Risk Appetites and Risk Tolerances**: Risk Summaries include qualitative and/or quantitative risk appetites and risk tolerances, as appropriate, to guide GAIG senior management and business unit executives in maintaining risks within the limits set by AFG. AFG also maintains qualitative risk appetites for several aspects of its P&C operations and product lines.

- **Underwriting and Claims Charters**: Local decision-making is governed by underwriting and claims charters for each business unit that set certain risk parameters. Underwriting charters are reviewed, updated if warranted, and approved annually, as views on current risks and emerging risks evolve. Claims charters are also reviewed, and updated if warranted, every year.

- **Incentive Compensation**: The incentive compensation structure at GAIG emphasizes building long-term value, as the amount and timing of payments depend on the development of accident year combined ratios.

- **Risk-Adjusted Return Targets**: Combined ratio targets are established annually for each business unit and are reflective of each business unit's respective risk profile.

AFG Internal Audit

Internal Audit is a critical piece of the enterprise risk governance structure at AFG. The Chief Audit Executive attends all AFG Audit Committee meetings and regularly reports the results of Internal Audit activities. These activities include, among others, preparation of an annual audit universe document, which is an enterprise-wide evaluation of risk in business units and operations. This document is utilized in determining the annual Internal Audit plan, which includes audits of one or more significant risks within the ERM framework.

As part of management's annual assessment of internal control over financial reporting (i.e., Sarbanes-Oxley Act section 404 (GAAP) and Model Audit Rule section 16 (Statutory)), entity level controls are documented and evaluated by Internal Audit. Risk specific to financial reporting are identified within this process and related key controls are tested at the transaction level by Internal Audit.

Senior Management

Relevant risks are identified and discussed, and mitigation strategies are developed at the AFG and GAIG senior management level. Assessments of significant risks are completed at least annually, with input provided by senior leaders representing key areas throughout the organization, including administration, operations, finance, accounting, legal, information technology, and information security. An AFG risk officer, through regular meetings with senior leaders of the Company, monitors these risks, as well as any other significant and emerging risks that may arise during the year.

Business Unit Executives

AFG allows each of its business units the autonomy to make decisions related to underwriting, claims, and policy servicing. Local decision-making is constrained by the risk limits, authority limits, and risk appetites established by the AFG executive officers, AFG board members, and GAIG senior management, as reflected in the business unit's underwriting charter, claims charter, and other documents.

Local Decision-Making Business Model

As noted above, AFG's P&C insurance operations function under a business model that allows business unit-level decision-making for underwriting, claims, and policy servicing in each of the approximately 35 business units. This entrepreneurial business model promotes agility, innovative product design, unique applications of pricing segmentation, as well as developing distribution strategies and building relationships in the markets served. Each business unit is managed by experienced professionals in particular lines of business or customer groups and operates autonomously, with key central controls and accountability. The decentralized approach allows each business unit the autonomy necessary to respond to local and specialty market conditions while capitalizing on the efficiencies of centralized investment and administrative support functions.

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

Consistent with GAIG's risk culture, ERM process, and local decision-making business model, climate-related risks are identified and assessed at all levels of the organization through both formal and informal processes. Each business unit is responsible for identifying and assessing climate risks to its business unit, and the insurance company subsidiaries of AFG are responsible for overseeing their business units' identification and assessment of climate risk. Within the ERM framework, significant risks roll up to the AFG enterprise level and are ultimately reviewed by the AFG Enterprise Risk Committee, AFG Audit Committee, and AFG Board.

Catastrophe Risk

As a property and casualty insurer, assessment and management of catastrophe risk (which includes risk from certain natural disasters such as hurricanes, severe storms, earthquakes, tornadoes, floods, etc., as well as other incidents of major loss such as explosions, civil disorder, terrorist events, fires, etc.) ("***CAT risk***") has been embedded in AFG's ERM process and informal risk management processes for many years. In order to quantify CAT risk, AFG uses third-party, peer-reviewed modeling tools to assess the potential impact of convective storms, earthquakes, and hurricanes on its business. These models assist AFG in calculating its net exposure to a catastrophic earthquake or windstorm as a percentage of AFG's equity.

Aggregation Risk

AFG also assesses and manages aggregation risk through its ERM process. Aggregation risk includes the risk of losses due to either: (a) multiple business units covering the same and/or related exposures; or (b) related losses within markets, industries, or geographic areas. Aggregation risk is assessed using multiple reports that are produced and reviewed by business unit leaders on a regular basis.

Business Continuity Risk

AFG has a robust program for assessing and managing business continuity risk. Each business unit is responsible for assessing risks to its operations from external events, including climate-related events. Each business unit is also responsible for having a documented Business Continuity Plan ("***BCP***") that includes a detailed assessment of the systems, processes, and people required to continue to service its agents, customers, and claimants in the event of a climate-related event or other business disruption. AFG has a dedicated business continuity team that provides support and resources to business units as they develop, test, and implement their BCPs.

Other Climate-Related Risks

In order to aid GAIG in assessing the materiality of other climate-related risks to its business, in November 2022, GAIG conducted a high-level qualitative assessment of climate risk across its U.S.-based insurance subsidiaries and business units ("***2022 Climate Risk Assessment***"). The assessment addressed both physical and transition risk and requested business unit leaders (or their designees) to provide a qualitative assessment of their potential climate risks and opportunities across multiple dimensions. Results of the survey were reviewed by AFG and GAIG executives, and climate risk is being monitored as a component of catastrophe risk and as an emerging standalone risk within the ERM framework.

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

Consistent with GAIG's risk culture, ERM process, and local decision-making business model, climate-related risks are managed through key controls and processes at all levels of the organization. Each business unit is responsible for managing climate risks to its business unit, and the insurance company subsidiaries of AFG are responsible for overseeing their business units' management of climate risk. Within the ERM framework, significant risks roll up to the AFG enterprise level, and management of these risks is overseen by the AFG Enterprise Risk Committee, AFG Audit Committee, and AFG Board.

Catastrophe Risk

To manage CAT risk, AFG generally seeks to reduce its exposure to catastrophes through individual risk selection (including minimizing coastal and known fault-line exposures). Many of GAIG's specialty P&C insurance products renew on an annual basis, and business units regularly review their underwriting portfolio and claims results in connection with catastrophe losses and other climate-related risks. As a result, business units can react quickly to changing market conditions and actual results of climate-related events and catastrophes through the nonrenewal of policies that exceed AFG's risk appetite.

AFG also manages CAT risk through the purchase of reinsurance. In addition to traditional reinsurance, which includes catastrophe coverage of $55 million in excess of a $70 million per event primary retention for AFG's U.S.-based operations, AFG has catastrophe coverage through a catastrophe bond structure with Riverfront Re Ltd. from May 26, 2021 through December 31, 2024, which provides coverage of up to 94% of $324 million for catastrophe losses in excess of $153 million. AFG also purchased a $28 million gap layer of traditional CAT reinsurance in 2024 for risks greater than $125 million.

To mitigate reinsurance risk, AFG regularly reviews the financial strength of its current and potential reinsurers. These reviews include consideration of credit ratings, available capital, claims paying history, and expertise. This process periodically results in the transfer of risks to more financially secure reinsurers.

To further mitigate losses from catastrophes, several of GAIG's business units may also provide policyholders with advice regarding precautionary measures that can be taken to increase their resiliency to natural disasters, as well as how to safely clean up and recover from natural disasters, such as hurricanes, windstorms, tornadoes, earthquakes, and wildfires.

Aggregation Risk

Operating through approximately 35 diverse business units mitigates aggregation risk. AFG also manages aggregation risk through (a) its corporate property-catastrophe reinsurance structure, and (b) communicating a conservative appetite for hurricane, earthquake, convective storm, and wildfire-exposed property via underwriting guidelines at the business-unit level.

Business Continuity Risk

To manage business continuity risk, each business unit has a documented BCP that includes a detailed assessment of the systems, processes, and people required to continue to service its agents, customers, and claimants in the event of a climate-related event or other business disruption. Each business unit also has a BCP Coordinator who is responsible for testing and updating the plan on an annual basis.

AFG has a dedicated business continuity team that provides support and resources to business units and BCP Coordinators as they develop, test, and implement their plans. In addition, AFG has a Corporate Crisis Management Team ("***CCMT***") that coordinates actions and communications during major business interruptions, including climate-related impacts on operations. AFG also maintains a central emergency notification system that can be used by the CCMT or individual business unit to communicate with employees during a major business interruption.

Other Climate-Related Risks

In addition to the risks identified and discussed above, business unit leaders are expected to manage any other climate-related risks to their business. To encourage consistency and coordination in the management of climate risk across the Company, a single climate risk management framework has been adopted by all U.S. insurance subsidiaries. AFG's foreign insurance divisions and subsidiaries manage climate risk in accordance with local requirements.

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

As described above, processes for identifying, assessing, and managing climate-related risks are embedded in the ERM program and informal risk management structures. CAT risk, aggregation risk, and operational risk (which includes business continuity risk) are all designated as significant risks within the ERM framework. These risks are assessed, monitored, and managed on an ongoing basis through the use of key controls and processes, and formal Risk Summaries are updated on a regular basis and reported to the AFG Board at least annually. Climate risk has been designated as an emerging risk within the ERM framework, and a dedicated risk owner and risk monitor have been assigned for climate risk.

IV. Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

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

For CAT risk, the Company uses models to assess the likely impact of 100, 250, and 500-year events (for earthquakes and windstorms) as a percentage of AFG's shareholders' equity. The Company also tracks annual CAT losses net and gross of reinsurance, as well as annual CAT losses as a percentage of AFG's equity.

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

AFG recognizes that its day-to-day business requirements – such as travel, lighting, and technology equipment – have an impact on the environment and the Earth's resources. For more than 15 years, AFG has worked to reduce its electricity and natural gas usage through actions such as constructing or leasing energy-efficient office space, and currently 46% of AFG office space is LEED or ENERGY STAR certified for energy efficiency and other sustainability features. AFG also educates its employees about environmentally friendly practices and provides employee amenities and programs such as charging stations for electric and plug-in hybrid vehicles in designated parking spaces, bicycle parking, and public transportation discounts.

<u>Leased Office Space</u>

AFG and its insurance subsidiaries lease the majority of their office and storage facilities in numerous cities throughout the US and internationally, including the Company's headquarters in Cincinnati, Ohio. The Company's leased headquarters are in Cincinnati's first and largest green office tower, utilizing numerous environmentally responsible design choices, construction practices and development decisions. The building is certified as Gold by the U.S. Green Building Council under the acclaimed LEED (Leadership in Energy and Environmental Design) program.

<u>Owned Office Space</u>

AFG and its affiliates own four buildings in downtown Cincinnati, Ohio and occupy approximately half of the aggregate 640,000 square feet of commercial and office space in these buildings. In addition, AFG's insurance company subsidiaries occupy 100% of a 135,000 square foot building owned in Lakeland, Florida, and approximately 90% of the 281,000 square feet of rentable office space in three buildings in Richfield, Ohio.

The building in Lakeland, Florida, which was completed in 2022, has an energy-efficient and state of the art HVAC with a variable air volume and building automation system. The newest building in Richfield, Ohio, built in 2018, uses LED lighting, light dimming switches, and blinds that automatically adjust to control light and temperature.

For the four Cincinnati, Ohio buildings owned by AFG subsidiaries, the real estate and facilities division has been investing in capital energy improvements and energy savings initiatives for over 15 years. The division also maintains a sustainability checklist modeled on the Building Owners and Managers Association ("***BOMA***") 360 Performance Program to improve operational efficiencies and sustainability. In 2023, all four Cincinnati, Ohio buildings owned by AFG were designated BOMA 360 Performance Buildings by BOMA International. In particular, the real estate and facilities division has made the following improvements in the past few years:

- Upgraded the HVAC systems in two buildings in the Cincinnati campus to more efficient technologies, which involved replacing boilers with high efficiency modular units, as well as more robust building control systems to manage energy consumption. These upgrades have resulted in a 50% reduction in natural gas consumption.
- Installed variable frequency drives on all large electrical motors. Conversion to variable frequency drives has been completed for all large motors within the Cincinnati buildings.
- Installed fan wall technology with direct drive premium efficiency motors on air distribution units, completing Year 2 of a 4-year plan to upgrade the air handling unit fans to new, energy-efficient fan wall technology in one of the Cincinnati campus buildings.
- Established a program to migrate lighting to LED technology as replaced. Conversion to LED lighting has been completed in the parking garages and is ongoing within the office environment.
- Received the Energy Star designation in 2023 for 2 buildings in the Cincinnati campus.

Other Sustainability Initiatives

To help reduce the amount of waste that goes to landfill, the Company designated a division to oversee the recycling of paper and electronics, including obsolete computer hardware, across its locations, and the Company offers employees the opportunity to recycle personal electronics (including computers, monitors, printers, televisions, DVD players and cell phones) through the same division. In 2023, AFG diverted from landfills and recycled 217 tons of paper and cardboard and 34 tons of electronic waste. The Company also has a recycling program for plastic and aluminum. The Company's evolving administrative and workflow processes also utilize technology to limit the use of paper by, for example:

- Continually enhancing its website capabilities to allow policyholders and agents to securely access data and complete transactions electronically, which reduces the paper, including physical mail, necessary at policy inception or renewal; and
- Maximizing use of electronic (including cloud-based) record and document management which reduces the need for paper files.

During the relocation of operations from its existing 12-building campus to its new building in Lakeland, Florida in 2022, AFG worked with Green Standards, a company that arranges charitable donations, resale, and recycling to keep items (such as old workplace furniture, equipment, appliances and miscellaneous supplies) out of landfills while also helping the community. As a result, 96.4% of AFG's used items were diverted from landfills, and over $66,000 of in-kind donations were made to a total of 9 charities.

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

AFG has not established public targets related to climate.

MATERIALITY DISCLAIMER

AFG’s environmental, social, and governance (ESG) and climate-related disclosures in this NAIC Annual Climate Risk Disclosure Survey (“***Survey***”) are voluntary disclosures to provide additional information to various stakeholders. The standard of materiality required for our disclosures filed with the Securities and Exchange Commission is not the same as that used for our voluntary ESG and climate-related disclosures. Inclusion of information in this Survey is not an indication that we deem such information to be material or important to an understanding of our business or an investment decision with respect to our securities.

This Survey may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of words such as “anticipates,” “believes,” “expects,” “projects,” “estimates,” “intends,” “plans,” “seeks,” “could,” “may,” “should,” “will” or the negative version of those words or other comparable terminology. All statements in this Survey not dealing with historical results are forward-looking and are based on estimates, assumptions, and projections. These forward-looking statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance, or achievements to differ materially from the results, level of activity, performance, or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to, those discussed in our Annual Report on Form 10-K under Item 1A “Risk Factors,” and also discussed from time to time in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We are under no duty to update any of these forward-looking statements after the date of this Survey to conform our prior statements to actual results or revised expectations, and we do not intend to do so.

Nothing in this Survey is incorporated by reference or shall be deemed to be incorporated by reference into the documents that we have filed or will file with the U.S. Securities and Exchange Commission.