2023

Task Force on Climate-Related Financial Disclosures Report

Contents

Introduction

The State Farm® mission is to help people manage the risks of everyday life, recover from the unexpected and realize their dreams. A changing climate introduces more risk and uncertainty into the lives of our policyholders, particularly regarding the frequency, severity and location of catastrophic weather events. State Farm Mutual Automobile Insurance Company ("State Farm")[1] believes our primary role is to be there for our customers as they face these risks by maintaining the financial strength necessary to help them recover. Operating in an environmentally sustainable way positively impacts our business through reduced costs and waste, increased efficiency and improved employee attraction and retention. We undertake actions to help mitigate the impact of catastrophes and natural disasters, including efforts to promote safer, stronger and more sustainable communities. We are committed to reducing our impact on the environment and improving the long-term resiliency of the planet.

The business of being a good neighbor starts with us.

[1]State Farm Mutual Automobile Insurance Company is a mutual insurance company domiciled in Illinois and is the controlling entity of the State Farm holding company system which includes its affiliates and subsidiaries. Each legal entity within the holding company system has its own system of corporate governance. However, overall corporate governance practices, risk management, financial operations and reputational risk are evaluated at the holding company level. This Disclosure will focus primarily on governance with respect to climate-related financial risk at the holding company level. References to the Board of Directors refer to the Board of Directors of State Farm Mutual Automobile Insurance Company, except as otherwise noted. GAINSCO, Inc. and its subsidiaries ("GAINSCO") are part of the State Farm holding company system; however, its activities with respect to climate risk are not included in the scope of this report. Throughout this report, terms such as "we/us/our" shall refer to State Farm Mutual Automobile Insurance Company.

Introduction

This report, which is our third in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD), offers more information about how we govern, evaluate and pursue these efforts on behalf of our policyholders. It also helps us identify areas where we can continue to improve or that require further study. State Farm is steadfast in our commitment to understanding and assessing the risks associated with climate change and the impact to our policyholders. While climate change itself is not an insurable risk, we do insure specific perils arising out of natural disasters, such as wildfires, hurricanes and other severe weather events.

In 2024, State Farm released our 2023 Impact Report with the theme of "Good Neighbors. Better World." We know that a better world tomorrow starts with a strong neighborhood today. This TCFD disclosure supplements the Impact Report. Our sustainability efforts are centered around three focus areas:

- **Communities** – State Farm takes its responsibility of being a good neighbor seriously. We've committed to causes that align to our brand and our business, focusing on building stronger, safer and better-educated communities to create a better today and tomorrow.
- **Environmental & Resiliency** – The work for better tomorrows begins today. This means building resiliency efforts into our business to help more people, in more ways, across a lifetime of moments. We're identifying new ways to act responsibly with our natural resources, predict and prevent losses, and meet the needs of our future customers.
- **Governance** – We're in the business of keeping our promises to our customers. Building trust is imperative to fostering an ethical culture. Responsible practices and caring for people will continue to be the guiding light of how we run our organization and achieve success.

We began offering auto insurance more than 100 years ago and added property, liability and life insurance products a few years later. Through many significant weather events and major disasters, we have always maintained our promise to our policyholders. We stand ready to continue helping people manage the risks of everyday life, recover from the unexpected and realize their dreams. With one of the largest catastrophe response teams in the industry, State Farm is confident in our ability to respond to even the most devastating weather events. We are committed to better understanding the impact rising global temperatures have on weather patterns. State Farm continues to invest in the most current tools and techniques available to model catastrophic events to better match price to risk and underwrite insurance for millions of American homeowners and businesses.

We are concentrating the bulk of our climate-related efforts on property insurance exposures, which is where our policyholders are experiencing the most substantial current risk related to climate change. We are focused on building codes, general awareness of loss mitigation measures and resiliency issues. Buildings constructed under newer building codes and other enhanced construction techniques have been shown to sustain less damage from severe events such as hurricanes and earthquakes.

> Throughout our work, State Farm is committed to operating in a manner where environmental values are promoted and key to the way we serve our policyholders.

Governance

Board Governance of Risks Associated With Climate Change[2]

The Board of Directors of State Farm has the responsibility for oversight of strategy and material risks of the organization. For State Farm, climate change can impact the entire organization and influence different types of risk. Risk, including the impact from climate change, is overseen by the full Board of Directors as part of their oversight responsibilities. Risks associated with climate change are also an input to the Board's holistic strategy review and the Board helps address how climate change issues may impact and shape this strategy. The Board monitors pricing and underwriting performance, along with catastrophe exposure and other loss experience, on a quarterly and annual basis to help ensure State Farm is meeting the established strategic direction. While climate change itself is not an insurable risk, we do insure specific perils arising out of natural disasters, such as wildfires, hurricanes and other severe weather events. The increasing frequency and severity of severe weather events is not the only factor that impacts the pricing and underwriting approach or strategy, but it is one of several factors the Board monitors. The Board of Directors draws upon the expertise, experience and diversity of background and thought of its members in fulfilling its oversight responsibilities.

Risk, including the impact from climate change, is overseen by the full Board of Directors as part of their risk oversight responsibilities.

[2]When looking at the risk climate change presents to our policyholders and our business, State Farm primarily uses the definition of impact of climate change risk developed for the Financial Condition Examiner's Handbook: "The impact of climate change risk may be identified as any significant change in the measures of climate over an extended period of time that includes major changes in relative temperatures, precipitation or wind patterns that occur over several decades or longer. It may include the effects from the increase in severity and occurrence of climate change-related weather events (some may include but are not limited to: thunderstorms – including severe hail and strong winds; tornadoes; hurricanes; windstorms; the aftermath of floods; heat waves; droughts; rise in sea level; forest fires; grass fires and the resultant subsequent debilitating effects created by these events)."

Governance

In addition, each Board Committee plays a role in the oversight of various risks and issues that climate change may impact. The current Board Committee structure includes the following Committees: Audit; Compensation; Finance & Investment; Law, Regulatory & Public Policy; Nominating & Corporate Governance; and Technology. Each Committee has specific oversight responsibilities according to its charter, and each plays a critical role in the oversight of sustainability activities, including the risks associated with climate change, and monitoring management's progress on sustainability topics.

The **Audit Committee** assists the Board in fulfilling its oversight responsibilities for compliance, ethical conduct, audit and financial controls to ensure accountability and integrity throughout the organization.

The **Compensation Committee** monitors the workforce environment, talent management and diversity and inclusion strategies. The Committee also reviews and approves employee benefit programs and executive compensation plans.

The **Finance & Investment Committee** assists the Board in its oversight of strategic financial decisions, long-term financial strength, investment policy and plans, and management's execution of capital management, investment strategies and related risks.

The **Law, Regulatory & Public Policy Committee** reviews risks related to the organization's brand and reputation, provides oversight of risks related to public policy, political and social trends affecting the organization, and consults with the general counsel regarding litigation and legislative/regulatory issues.

The **Nominating & Corporate Governance Committee** monitors corporate governance developments and leading practices for effective Board governance. The Committee assists the Board in its oversight of Board composition, identifying potential candidates for Board and committee services, and monitoring the status of sustainability reporting activities.

The **Technology Committee** oversees the role of technology within the Company's operations, including digital strategy, innovation, technology trends and vendor management, and monitors the information security program.

Management of Risks Associated With Climate Change

Sustainability Executive Steering Committee

In 2020, State Farm established an Executive Steering Committee to formally connect executive leadership with the senior leaders overseeing sustainability efforts throughout State Farm. The Sustainability Executive Steering Committee includes the Chief Executive Officer (CEO) and several other senior executive leaders from key business areas. They regularly meet to receive updates on the progress of sustainability efforts and set a high-level vision for enterprise sustainability initiatives.

Chief Risk Officer (CRO)

The CRO is a member of the senior executive team and is responsible for coordinating with and advising risk owners throughout State Farm as they work to identify, measure, manage, monitor and report significant risks and evaluate the effectiveness of processes in place to manage those risks.

The CRO has an obligation to help ensure the enterprise is operating within the risk appetite, and to escalate risk issues to the Board of Directors and/or applicable committees, when appropriate.

Executive Risk Committee (ERC)

The CEO has designated the ERC to help inform risk oversight responsibilities of the Board of Directors. The ERC provides oversight and guidance in relation to enterprise risk management efforts at State Farm, and helps ensure material risks, including risks associated with climate change, are identified and effective processes are in place to manage those risks. The CRO serves as the chair of the committee and membership is comprised of senior leadership in business areas throughout State Farm.

Enterprise Risk Management

As detailed more thoroughly in the Risk Management section of this Report, the Enterprise Risk Management (ERM) department at State Farm assists business areas in identifying, assessing and managing risks to the organization, including risks associated with climate change. ERM promotes a risk management culture throughout State Farm that enhances risk awareness and resilience.

Business Areas

As owners of the business processes and decisions, leaders in business areas own the associated risks and controls, including risks associated with climate change. They are responsible for appropriately managing risk, maintaining strong internal controls, and escalating risks as needed to ERM and State Farm leadership. Some examples of key business areas involved in managing the risks associated with climate change include, but are not limited to: Administrative Services, Corporate Communications, Corporate Responsibility, Enterprise Risk Management, Financial Operations, the Investment Department, the Law Department, Office of the Corporate Secretary, Property & Casualty Actuarial, Property & Casualty Claims and Property & Casualty Underwriting.

Strategy

State Farm and our insurance affiliates are proud to be the leading providers of home and auto insurance in the United States. Our business is assessing risk and matching the price of our insurance products to risk. Climate change introduces greater uncertainty around the frequency, severity and location of severe weather events. State Farm is monitoring, learning from and reacting to the evolving scientific understanding of climate change to help the organization better manage the impacts to serve our policyholders. Our strategic approach to addressing the risks associated with climate change is centered around preserving our financial strength to keep our promises to policyholders and help them recover from the unexpected, along with seeking new product opportunities to align with our customers' changing needs. We also are committed to operating in an environmentally sustainable and resilient manner and will continue to encourage and advocate the same with our customers and the communities we serve to reduce costs and increase efficiency.

We also are committed to operating in an environmentally sustainable and resilient manner …

Strategy

Financial Strength

As a mutual insurance company, State Farm takes a long-term view of strategy and risk to maintain financial strength and sustainability for the benefit of the policyholder group as a whole. Financial strength is a core value of State Farm as it allows the organization to meet its promises to policyholders in their time of need. Financial strength is a measure of each insurance affiliate's net worth relative to the risks that net worth is intended to support, including risks associated with climate change. State Farm generates net worth from business operations and investments. Investment portfolios are designed to align with and support the insurance operations by generating earned investment income and growth of capital.

The insurance operating policies and investment policies are designed to work together to maintain ample liquidity to meet the financial obligations we have to our policyholders. A foundational element of the investment philosophy is for each insurance affiliate to have adequate liquidity to meet its respective daily cash demands from operations and stress liquidity scenarios. Each insurance affiliate has a unique business profile, cash flow profile and liability structure that dictates individualized liquidity management and investment strategy at the insurance affiliate level.

Each State Farm property insurance affiliate purchases catastrophe reinsurance due to its exposure to severe weather events. Reinsurance helps manage the exposure from the unpredictability of these events as modeling and other tools grow in sophistication. Each reinsurance program is designed to provide coverage based on the financial strength and underlying exposure within the affiliate. In addition, State Farm uses stress testing and economic capital modeling to analyze its financial position relative to the risks the organization is exposed to, one of which is extreme catastrophe losses from severe weather events. State Farm evaluates the financial strength of each individual affiliate, as each must meet solvency and regulatory requirements on an individual entity basis without regard to the solvency or financial condition of any other affiliated entity.[3]

Physical Risk and Catastrophe Management

Over time, the potential increase in frequency and severity of extreme weather-related events could create additional uncertainty around the volatility and magnitude of losses in the future and will require advanced modeling tools and adequate financial strength.

State Farm expects that residential and commercial property have the greatest exposure to any significant change in frequency and/or severity of weather events. However, this is not to say such events cannot impact private passenger auto and other lines of insurance. The exposure to these lines is less as there are more opportunities to mitigate or prevent loss entirely by moving a vehicle or parking under cover to protect against weather-related events.

State Farm analyzes catastrophe exposure at the state and affiliate level utilizing a science-based approach unless prohibited by legislative or regulatory action. Catastrophe models are the primary tools used to help set underwriting guidelines, quantify catastrophe exposure and monitor overall catastrophe exposure of each entity. These models are regularly updated to reflect the latest science and observed climate trends. Though these models generally are not able to forecast potential impacts of climate change into the future, many utilize measures such as sea surface temperatures, drought and rainfall patterns, to ensure the view of risk is consistent with and responding to observed climate trends. State Farm continually analyzes new models and datasets as they become available to see if there are opportunities to better quantify impacts of severe weather events.

State Farm is unable to quantify the impact climate change may have on the frequency, severity and location of severe weather events. Instead, State Farm continuously measures and models risk for the perils insured under its insurance contracts to determine its total risk exposure, including those related to severe weather events. Changes in population concentration, population shift to the coastal regions and other catastrophe-prone areas, land use and changes to weather patterns related to climate change could cause further uncertainty in these estimates going forward.

[3]While this TCFD Report is reporting on an enterprise basis for the limited purpose of disclosure of certain information related to risks associated with climate change, it should not be utilized for any other purpose, including without limitation, the determination of premiums or rates, or referenced in rate filings of State Farm or any of its affiliates. State Farm and each of its affiliates must meet solvency and regulatory requirements, if any, on an individual entity-by-entity basis without regard to the solvency or financial condition of any other affiliated entity.

Strategy

Product Strategy and Opportunities

State Farm is focused on assessing risk, including but not limited to catastrophe risk, and matching the price of our insurance products to that risk to maintain adequate premium levels. State Farm monitors loss trends and makes changes to premium levels, rating factors and loss mitigation strategies as needed to address any underlying trends that can be seen in the historical experience. State Farm also incentivizes policyholders by providing premium discounts in certain jurisdictions for mitigation features that improve resiliency against multiple types of severe weather events, including but not limited to wildfire, hurricanes and severe convective storms. By incentivizing through actuarially justified discounts off adequate rates, policyholders can lower their premium and make their home more resilient. This allows them to reduce their potential for a catastrophic loss. For example, over 296,000 policyholders currently receive a discount for having an impact-resistant roof.

State Farm offers products for an additional premium that may enable policyholders to rebuild post loss to more resilient standards beyond what is required by code, creating a more resilient home in the event of future catastrophic storms if purchased. Below are some examples of these:

- Coverage that allows a policyholder to replace a heating or air conditioning unit, or water heater, with more energy efficient equipment if the equipment requires replacement due to a covered loss.
- Coverage that allows a policyholder to replace a damaged roof using material and construction methods that qualify for the FORTIFIED Roof™ designation from the Insurance Institute for Business and Home Safety.

State Farm has dedicated teams focused on resiliency and sustainability. This team is focused on meeting changing customers' needs through the following:

- Enhancing pricing and products that may be impacted by more severe weather events.
- Researching how climate change can further impact severe weather events in the future.
- Leveraging relationships and community building to collaborate with others to further educate and understand climate change impacts.

Research, External Relationships and Public Policy

State Farm works with organizations across the country — such as the Insurance Institute for Building and Home Safety (IBHS) and the Federal Alliance for Safe Homes (FLASH) — to help protect our policyholders from the injuries, property destruction and financial impact that can result from natural disasters. These efforts are focused on building codes, land use and awareness of mitigation issues.

As noted above, State Farm supports IBHS efforts by incentivizing policyholders through discounts and product offerings to build to IBHS standards. Since its inception in 1978, IBHS has helped to promote better building codes and code enforcement, and create safer and more resilient communities.

State Farm is involved in public policy discussions and works to educate regulators and public officials to help them better understand the topics of catastrophe risk and the P&C insurance market, the P&C claims process, the availability of insurance, the impacts of population density, land use and community resiliency. This includes advocating for sophisticated catastrophe modeling, which can supplement historical data with current information, and increase accuracy of projected potential loss exposure in the event of a catastrophe. Regulation that may limit the use of current and future catastrophe modeling capabilities could negatively impact our ability to effectively manage catastrophe risk. Finally, through its federal and state lobbying efforts, State Farm is active in public policy discussions, promoting improved building code adoption to help mitigate potential risk and build resilient communities. State Farm is also supportive of state legislation that provides qualifying homeowners with grants supporting resilient construction, such as for FORTIFIED roofs.

Strategy

Sustainability in Operations

Having a mission to help people manage the risks of everyday life, recover from the unexpected and realize their dreams, we have a responsibility to promote and engage in environmentally sustainable behaviors along with our customers and employees. We are committed to reducing our impact on the environment through efforts to lessen our carbon footprint, reduce waste and improve energy efficiency. Reducing our footprint will positively impact people, our planet and our financial strength.

There are many environmental sustainability efforts underway or recently completed including, but not limited to the following areas:

Optimizing Paper Use

We are streamlining the customer communication experience to provide our customers with preferred communication channels — using electronic/paperless delivery options, and/or integrated mailings for all approved forms of written communications related to sales and services, including billing and payment options.

State Farm is also continuing an enterprisewide effort to reduce the amount of paper used within our operations.

Supporting Environmental & Resiliency Efforts Within Communities

Enterprise Community Partners: State Farm provided $150,000 to Enterprise Community partners to support Resilience Academies. This training program helps affordable housing owners, operators and developers discuss how to make local affordable homes and housing developments more resilient to environmental risks. The 2023 Academy was focused on improving the resiliency of homes across Colorado, Utah, New Mexico, Montana and Wyoming.

Habitat for Humanity: State Farm provided $150,000 to the Habitat Strong program in 2023, which focuses on building disaster-resilient homes using criteria established by the Insurance Institute for Business & Home Safety. The program takes a systematic approach to help mitigate against future natural disasters and build back stronger, using proven methods that are volunteer-friendly and affordable.

Disaster Response and Recovery: State Farm provided more than $1 million in disaster preparedness grants in 2023 and more than $1.1 million in disaster recovery grants following Hurricane Idalia and the Maui wildfire.

Arbor Day Partnership: In 2023, State Farm provided $700,000 in support of tree planting and reforestation efforts in communities impacted by natural disasters. This funding made it possible to plant nearly 106,000 trees across 19 communities in 21 states throughout the year. These efforts will assist in sequestering nearly 30,000 metric tons of CO_2.

2023 Emissions Reduction

Through operational efficiencies and renewable energy investments, we have continued to reduce our emissions to meet our 2030 goal. Even after meeting our current goal, we will work to reduce our emissions further.

Renewable Energy

We activated on-site solar energy in two of our Bloomington facilities. At our transportation facility, a 200-kilowatt system provides approximately 100% of the annual energy used. At our distribution center, an 880-kilowatt system provides approximately 50% of the annual energy used. We entered into a long-term power purchase agreement to support the development of a 200-megawatt solar facility in Texas which began in 2022, as well as a 600-megawatt solar development in Illinois slated to begin in 2024.

Reducing Waste

We collaborated with our food services provider to compost 10.8 tons of our cafeteria waste and converted 98% of food packaging and products to compostable materials.

We also formed a Waste Management Team to identify waste reduction strategies and cost-effective solutions to support the development of zero waste goals by facility.

In late 2023, State Farm achieved Total Resource Use and Efficiency (TRUE) certification in our two Multi-Regional Services Facilities (MRSFs) by exceeding the 90%+ landfill diversion goal. MRSF Central, located in Bloomington, Illinois, achieved a 96% diversion rate and MRSF East, located in Rock Hill, South Carolina, achieved a 96.3% diversion rate. This is a testament to our commitment to uncovering operational efficiencies, responsibly using our resources and environmental sustainability.

Strategy

Investment Approach

Analysis and Decision-Making

Risks associated with State Farm's investments are continuously monitored and evaluated in order to preserve State Farm's financial strength and ability to meet the obligations to our policyholders. State Farm investment analysis evaluates all material risk factors, including sustainability factors that may have an impact on a company's future prospects, operating performance or future valuation. Additionally, State Farm monitors and evaluates changes in climate and weather patterns in conjunction with assessments of changing sources of energy and the innovation necessary to produce economic, sustainable and reliable energy over time. State Farm also considers regulatory, physical and litigation risks, as well as competitiveness and return when assessing investments.

Strategic Investments

In the normal course of managing the investment portfolios, State Farm invests in green and sustainable bonds, state and municipal governments and companies with green initiatives, and real estate and commercial loan properties with LEED certifications. State Farm also provides financing to entities and funds engaged in energy efficiency projects. These investments serve the dual purpose of supporting the financial strength of State Farm while also fostering sustainability initiatives.

In addition to incorporating sustainability factors in the day-to-day investment activity, State Farm committed over $250 million to targeted funds that support various environmental and social initiatives, while also investing nearly $7 billion in green and sustainability bonds.

Risk Management

While it is difficult to determine the precise influence of climate change on weather-related events, and while climate change itself is not an insurable risk, State Farm is actively identifying, assessing and managing risks associated with climate change. Several concerning trends[4,5] which may impact the P&C insurance industry include, but are not limited to:

- More frequent extreme weather events
- Rising temperatures
- Warming oceans

As an insurer, risk management is at the core of our identity and overall strategy. Several of our methods of managing risk are discussed in the Strategy section, as business strategy and risk management are inextricably linked. This section includes some additional practices and principles we follow from a risk management standpoint to address the risks associated with climate change.

State Farm is striving to better understand how these changes impact the frequency, severity and location of weather events, and is working to manage risks accordingly.

[4] Environmental Protection Agency, Climate Change Indicators: Weather and Climate

[5] National Oceanic and Atmospheric Administration, Climate Change Impacts

Risk Management

Enterprise Risk Management

State Farm has a robust risk management program, led by the Enterprise Risk Management (ERM) department to identify, assess and mitigate risk throughout the organization. ERM provides a risk management framework to identify, prioritize, designate ownership of, communicate and manage enterprise risks and opportunities. Climate change is a recognized risk category within the risk management framework to help with consistent reporting and evaluation of similar risks associated with climate change. ERM also aggregates risks across business areas, reporting to State Farm leadership on aggregated risk, risk mitigation strategies, factors impacting risk and risk monitoring.

The State Farm Enterprise Risk Management Policy clearly defines risk management roles and responsibilities throughout State Farm. State Farm has created and strives to maintain a sound culture of risk management in which risk assessment, mitigation, guidelines and risk-aware decision-making are effectively integrated and executed. This includes, but is not limited to, managing risks associated with climate change.

Business areas identify, assess and manage risks. Within each area, there are individuals and teams responsible for identifying, evaluating and monitoring potential risks and creating strategies to mitigate and manage risks, including risks associated with climate change. Each function determines how best to approach the evaluation of these risks. For example, multiple models are used to underwrite certain exposures, including those based on historical data and others on changing weather patterns. In these efforts to evaluate and model weather-related effects, State Farm is continuously investing in the latest tools and improving techniques to model severe weather to better match price to risk for the various P&C insurance products.

Additionally, ERM regularly conducts risk assessments, which include but are not limited to the risks associated with climate change, to better understand how these risks are impacting State Farm, as well as the actions the organization is taking to address them. The ERM methodology enables the use of different time horizons when conducting risk assessments; specific to risks associated with climate change, State Farm most recently used a 3-5 year time horizon. In the future, when looking at these risks holistically, we may use different time horizons to better understand how these risks may evolve over time. However, risk assessment results as applied to financial strength and insurer solvency for longer time horizons are difficult given the multitude of factors at play and the short-term nature of insurance policy contracts offered by State Farm.

The process of assessing the overall financial strength of State Farm, which includes assessing all known risks (e.g., those related to weather), is continuous, such that if any known risk evolves, the associated strategy to manage the risk also evolves. In addition, overall risk appetite and risk tolerances are an important part of risk management at State Farm.

Monitoring Trends and Risk Impact

The State Farm risk management approach includes careful monitoring of trends in relation to operational business practices, legal and regulatory activity, customer and employee preferences, and ultimately how to communicate on these topics to help multiple parties better understand increased weather volatility and environmental sustainability.

Operational Business Practices

State Farm uses several modeling techniques and stress tests to analyze possible covered loss scenarios and to manage its risk to financially sound levels. State Farm does not currently explicitly model physical or transition risk resulting directly from climate change; however, the extreme nature of simulated losses used in some models helps to replicate the potential impact of risks associated with climate change.

Model

The Model Risk Management program provides a framework to identify, designate ownership of, and manage model risk. The Model Risk Management Policy establishes governance and oversight for the use of models throughout State Farm, including but not limited to catastrophe models. Management of models and the associated model risk is the responsibility for the business area that owns the risk.

Risk Management

Social Inflation

Legislation, regulation and post-catastrophe litigation in catastrophe-prone areas can affect the financial impact of large events. State Farm is carefully monitoring a trend known as social inflation, indicated by a rising cost of insurance claims and settlements, as well as jury verdicts, related to a liability-expanding interpretation by the courts and increasing consumer expectations of what is covered by insurance policies. These trends ultimately affect how much policyholders pay for coverage and can be impacted by the risks associated with climate change.

Customer and Employee Preferences

State Farm understands how we address the risks associated with climate change, as well as our environmental sustainability efforts, is an important consideration for customers and employees. As such, we regularly conduct research on these topics to better understand customer and employee preferences and expectations. Customers expect organizations to address the risks associated with climate change, and employees want to work for organizations which have a positive environmental impact. Earlier this year, State Farm published our annual Impact Report which shares, among other things, the State Farm commitment to a more sustainable future by strengthening communities, promoting environmental resiliency, and fostering a sense of belonging through a diverse, inclusive and ethical work environment. We plan to continue to publish a report, including progress on our goal to reduce GHG emissions, on an annual basis.

Communication and Educational Efforts

State Farm communicates with media and various external groups around environmental sustainability. The organization also works internally to help inform employees and independent contractor agents on how risks associated with climate change impact the business and what State Farm is doing to decrease our impact on the environment. By continuing to educate State Farm associates on the topic, as well as its potential impacts to State Farm, the organization is better positioning its associates to help ensure business objectives are achieved.

Investment Practices

The investment team proactively seeks investment opportunities that align with our investment strategies and also directly support sustainability efforts. Investment risks are managed through diversification guidelines across various asset types to prevent concentrations in a given geographic location, industry, property type or municipal funding. Restrictions on investments in unregulated coal-fueled energy generation limit the exposure within the utilities industry and investments are not made in coal-focused mining companies. Coastal and earthquake exposures are managed in the commercial mortgage loan and real estate portfolios and are considered when evaluating investments in municipalities. In the real estate portfolio, focus is given to the efficient operation of a building in an environmentally responsible manner and new investments are evaluated to determine whether it is economically and physically feasible to achieve a LEED certification. Capital improvement projects and building system enhancements are also identified on an annual basis with the objective to reduce the use of energy.

State Farm invests in green bonds and provides financing to entities and funds that are engaged in energy efficiency projects, as well as in municipal and state governments, commercial mortgages and real estate, and utilities and energy companies with green initiatives as a subset of their business operations. State Farm also directly supports various initiatives associated with investing in social or community development opportunities, including affordable housing or providing capital to support diversity and impact investing.

Metrics and Targets

State Farm is committed to minimizing our operational impact on the environment. The Environmental Sustainability Team focuses on influencing sustainable behaviors and processes and measuring enterprise environmental goals and performance.

In 2021, State Farm announced our goal to reduce GHG emissions 50% by 2030 using 2019 as our baseline year. Our goal includes both direct emissions from owned or controlled sources (Scope 1) and indirect emissions we consume (Scope 2). It is aligned with the Science-Based Targets initiative (SBTi) goal of keeping global temperature rise below 1.5 degrees Celsius by 2050. We measure progress against our targets by building out an annual GHG inventory that has been assured by a third party.

Data

Direct emissions (Scope 1)	2019	2020	2021	2022	2023**
Company Fleet	31,322	17,176	14,702	18,310	25,214
Facility Machinery Fuel and Refrigerant	27,719	24,488	23,710	22,189	17,957
Totals*	59,041	41,664	38,412	40,499	43,171
Indirect emissions (Scope 2)					
Location-based Electricity*	213,373	173,812	139,876	137,251	120,305
Market-based Electricity*	142,963	131,480	87,110	68,343	57,320
Totals					
Scope 1 & 2 Location-based	272,414	215,476	178,288	177,750	163,476
Scope 1 & 2 Market-based	202,004	173,144	125,522	108,842	100,491

Internal operations energy consumption

Fuel type	2019	2020	2021	2022	2023**
Fleet Fuel (gallons)	3,512,711	1,931,355	1,639,334	2,031,741	2,796,079
Machinery Fuel (gallons)	59,308	44,534	197,663	51,640	43,821
Electricity (MWh)	399,765	341,439	300,620	287,599	269,252
Natural Gas (therms)	4,753,159	4,322,311	3,902,873	3,886,027	3,208,801

Progress against science-based target

				Cumulative % reduction from baseline			
Emissions	Baseline (2019)	2030 Target	2030 Target %	through 2020	through 2021	through 2022	through 2023
Scope 1 & 2 Market-based	202,004	101,002	-50%	-14.3%	-37.9%	-46.1%	-50.3%

*We engaged an independent third party to perform an attest review engagement over our total Scope 1 greenhouse gas (GHG) emissions, Scope 2 GHG emissions (market-based) and Scope 2 GHG emissions (location-based), as represented in State Farm Mutual Automobile Insurance Company's Management Assertion, for the years ending Dec. 31, 2019; Dec. 31, 2020; Dec. 31, 2021; Dec. 31, 2022; and Dec. 31, 2023.

**These numbers are estimates. We will publish an assurance statement for 2023 when it is available.

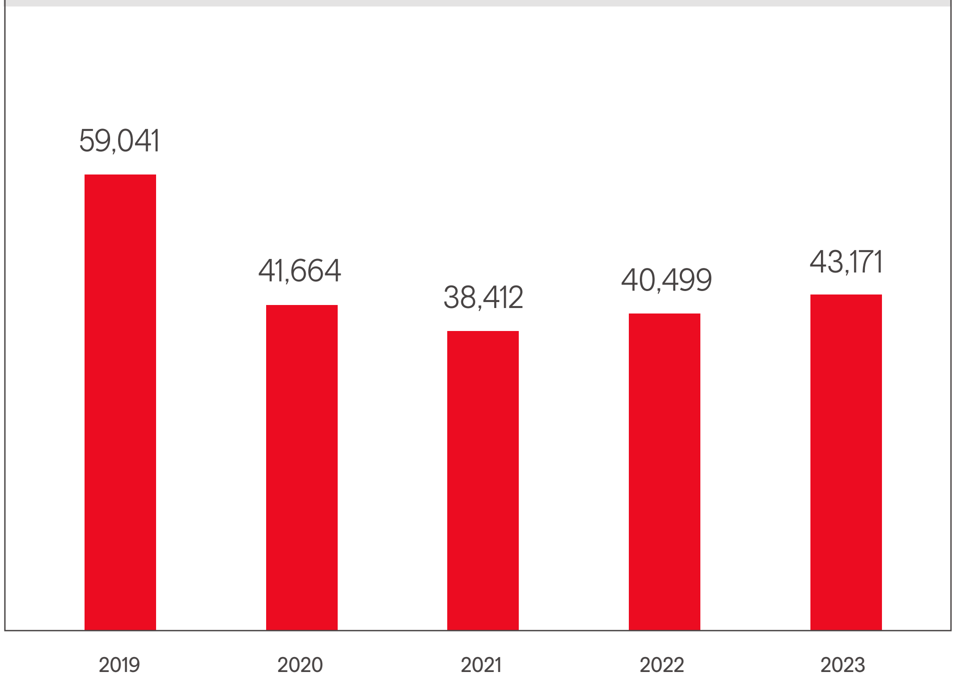
Metrics and Targets

Measuring Carbon Emissions

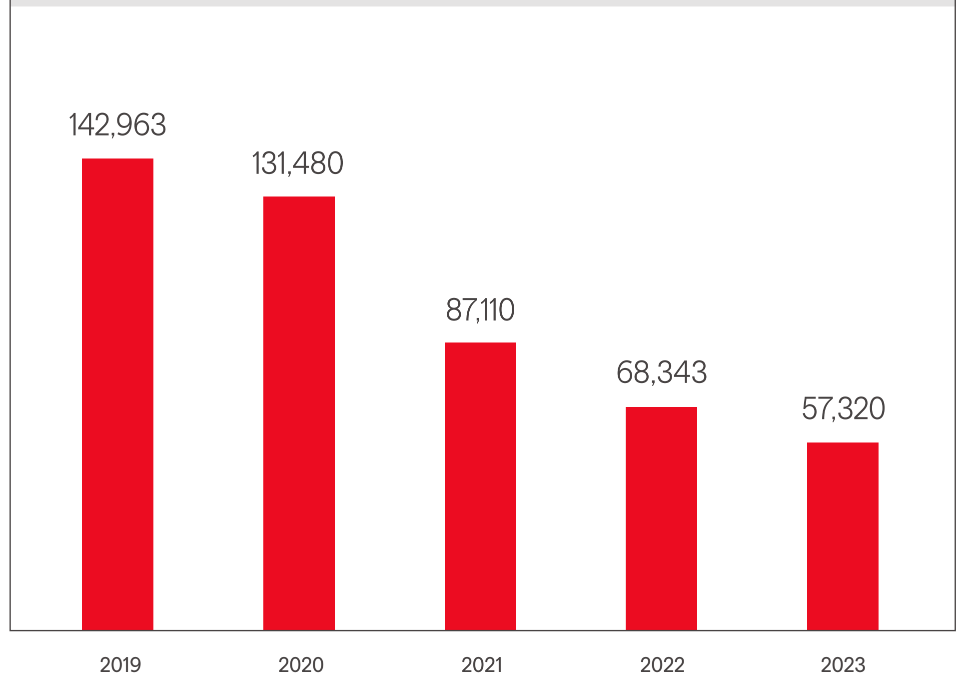
In 2023, we achieved a 50.3% reduction of Scope 1 and 2 global emissions compared to our 2019 baseline.

Scope 1 emissions increased in 2023 due to fleet fuel consumption as our business continues to grow. We were able to offset increases with reduced consumption of natural gas. Operational efficiencies and renewable energy contributed to reductions in Scope 2 emissions.

Scope 1 CO_2 emissions ($MTCO_2e$)



Scope 2 CO_2 emissions — Market-based ($MTCO_2e$)



Looking Ahead

Our commitment to be there for our customers and address climate change demands that we keep doing more. We will continue reducing our greenhouse gas emissions even after meeting our 2030 target, which will result in increased efficiency and lower costs. We will continue to look for operational efficiencies and opportunities to leverage renewable energy resources. We will continue to study weather-related activity and adapt our pricing and products to best meet our customers' needs.

> Ultimately, these efforts will help us keep our promises to customers and create a neighborhood we are proud to pass on to the next generation.