Reporting Year 2023

CLIMATE RISK DISCLOSURE SURVEY

BADGER MUTUAL INSURANCE

1-800-837-7833

www.badgermutual.com

GOVERNANCE

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

In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

- Identify and include any publicly stated goals on climate-related risks and opportunities.
- Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

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

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

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

GOVERNANCE RESPONSE:

Badger Mutual Insurance Company ("Badger" or the "Company") does not publicly state goals on climate-related risks and opportunities. The Company is too small to warrant having a team specifically dedicated to climate-related risk. However, climate-related disclosure is handled at the entity level, through discussion, contribution, and monitoring by the entire Executive Team and Board of Directors.

Climate-related risks and opportunities are incorporated into the Company's Enterprise Risk Management (ERM) framework and discussed as part of ERM with the entire Executive Team, as well as with the Chairman of the Board and the Chair of the Audit Committee. In addition, the Audit Committee oversees all financial risks, including those that are climate related. The Chief Financial Officer reports regularly to the Audit Committee.

The Executive Team meets approximately once per week to report on their departments, and discuss emerging issues, as necessary. Climate related risks and opportunities are included in those discussions, and regularly monitored. The Executive Team participates in the more comprehensive ERM process annually.

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

- Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.
- Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.

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

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

- Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term, and 10-30 years as long term.

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

In describing the impact of climate-related risks and opportunities on the insurer’s business, strategy, and financial planning, insurers should consider including the following:

- Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.

STRATEGY RESPONSE:

The Company is small and only has one office location, so its carbon emissions are comparatively small. Many Company decisions are nevertheless aimed at becoming more efficient and cutting down expenses and emissions. For example, internal reports are PDF images and are no longer printed to reduce electricity, paper, and toner usage. In addition, the Executive Team and Board of Directors utilize an electronic portal that centralizes all board documents and meeting information to reduce electricity, paper, and toner. Paper, bottles, and cans are recycled. The employee kitchen has eliminated disposable plates and silverware and utilizes reusable dishware, glasses, and silverware. The Company has a work from home policy and flexible scheduling that allows many employees the ability to work from home and/or have a four-day work week, cutting down on auto emissions and fuel usage.

The office has smart lighting and thermostats that automatically shut off when motion is not detected in lower traffic areas. Servers have been updated to more energy efficient equipment to cut down on electricity usage and the need for cooling. In 2020, Badger decreased the physical footprint of its single location from 33,000 square feet to 19,000 square feet when it moved to its current headquarters in downtown Milwaukee. The building it moved into was constructed taking environmental considerations into account. For example, the building includes features for managing/storing up to 150,000 gallons of rainwater/snowmelt by slowly releasing that water downstream at an allowable discharge rate to help reduce runoff. Also, all the plants are native to this geographic area. The plants have deep growing root systems to help break up the soil, allowing more water to drain into the ground. The building also has two electric vehicle charging stations.

Although the Company has not taken steps to directly engage key constituencies on the topic of climate change, it has encouraged policyholders to utilize paperless billing and renewals to reduce paper and electricity usage. It also does as much electronic communication with its independent agents, claimants, and insureds as possible. In addition, Badger has introduced an annual auto and annual umbrella policy to its BADGER TRUST® plan in all its markets, which should eventually reduce paper consumption by almost 50% and eliminate 30% of paper.

Climate change risks considered material in the short, medium, and long term, all have to do with climate change's effect on the severity and frequency of weather-related events that increase the Company's property losses. The Company believes climate change is a gradual process, and increased frequency and severity will also gradually cause our rates to increase which will help mitigate the risk through normal rate review. The Company believes coastal property has higher exposure to climate change risk, and that being a Midwestern company helps to mitigate this risk. That said, Midwestern states in the recent past have experienced unprecedented weather events as well, with more frequent hail and severe storms. These climate risks have presented opportunities to review how the Company may be able to leverage innovative technology and analytics during the underwriting process to mitigate increased exposure to catastrophic storms. The Company has also had the opportunity to revisit its reinsurance structure and hone its risk-selection practices, as well as introduce new enhancements to our personal and commercial lines products to further mitigate exposure.

Badger recognizes the potential impact of material negative environmental risk factors on the Company's reputation, investment earnings, and capital position. Badger recently updated its investment policy to denote these ESG principles. The Company continues to monitor ESG developments so that it may embed measurement tools, documentation procedures, and best practices deemed to be more relevant to the company, as appropriate. Diversification requirements in its investment policy are a key tool in limiting the impact of single ESG risk factors on the Company.

The Company uses a variety of catastrophe models to evaluate the potential impact on our book of business. RMS and AIR catastrophe modeling systems are used to help us manage our risks and exposure, including those caused by or related to climate change, relative to surplus, both prior to reinsurance as well as net of reinsurance. Badger uses this as a guide to determine how much risk it is willing to take on as a company and what level of reinsurance it needs to purchase to help mitigate this risk.

RISK MANAGEMENT

Disclose how the insurer identifies, assesses, and manages climate-related risks. In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.
- Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.
- Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.

A. Describe the insurers' processes for identifying and assessing climate-related risks.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.

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

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

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.
- Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.
- Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

RISK MANAGEMENT RESPONSE:

See response above.

The Company's normal rate review process serves as a natural mitigating factor to the increased losses that may result from climate change. It runs catastrophe models against the company exposures to help it understand the impacts climate change may be having on its book of business, which guides the Company in the amount of catastrophe reinsurance that it purchases. Recent climate risks in the Midwest, with an unprecedented catastrophe experience, has served as a real-life cat model scenario, and presented opportunities to review how the Company may be able to leverage innovative technology and analytics during the underwriting process to mitigate increased exposure to catastrophic storms.

The Company has encouraged policyholders to be aware that storing valuable items in basements or lower levels prone to water backup or flooding may cause severe damage and will often not be covered or they will not have enough coverage to protect all the items. The Company has also urged policyholders (and their independent agents) to make sure their property is insured at the correct value, so that if they must make a claim, they have adequate coverage.

At present, the Company feels that both the current strategy as well as the current portfolio holdings are not materially exposed to potential climate change impacts over the expected holding period. The Company will continue to take potential impacts under consideration in the future and will adjust the strategy and holdings, as necessary.

Although the Company does not have a climate change policy with respect to risk management and investment management, the Company models its catastrophe losses each year and is cognizant of its policy location concentration. Badger does not have coastal exposure within its policy locations, as it is mostly a Midwestern company. However, it has recently consolidated its geographic footprint to further manage risk. It does have a tested disaster recovery plan and hot site in case its office becomes unavailable due to weather events or other circumstances.

METRICS AND TARGETS

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

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

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

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

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

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

METRICS AND TARGETS RESPONSE:

The Company has not adopted targets and metrics specifically to assess climate-related risks and opportunities. Given its small size, the Company does not have the means to measure its reduction in greenhouse gas emissions, or other environmental metrics. The Company uses a variety of catastrophe models to evaluate the potential impact on our book of business under various scenarios, e.g., 1 in 100-year, 1 in 250-year, 1 in 500-year storms. RMS and AIR catastrophe modeling systems are used to help manage Company risk and exposure, including those caused by or related to climate change, relative to surplus, both prior to reinsurance as well as net of reinsurance. Badger uses this as a guide to determine how much risk it is willing to take on as a company and what level of reinsurance it needs to purchase to help mitigate this risk.

The Company recognizes that insufficient management of environmental risk factors can impede the Company's achievement of primary enterprise objectives. In carrying out its responsibility for oversight and supervision of all investments made by the Company, Senior Management seeks to embed risk management principles within investment strategy, which consider the impact of material negative environmental factors on the Company. These include, but are not limited to, its reputation, investment earnings, and capital position. Diversification requirements prescribed in its Investment Policy are vital in limiting the impact of single environmental risk factors on the Company. Standardized measurement of environmental factors is evolving. The Finance Committee, Senior Management, and the Investment Manager will monitor developments over time and embed best practices, measurement tools, and documentation procedures deemed to be most relevant to the Company, as appropriate.