COUNTRY Financial® Task Force on Climate-related Financial Disclosures (TCFD) Report Reporting Year 2023

About this Report

COUNTRY Financial is committed to enriching lives in the communities we serve. We understand that we have a responsibility to address climate-related risk management and to be transparent in our reporting. For the purposes of this Task Force on Climate-related Financial Disclosures (TCFD) Report, "COUNTRY Financial®" or "the Company" collectively refers to COUNTRY Mutual Insurance Company®, COUNTRY Preferred Insurance Company®, COUNTRY Casualty Insurance Company®, COUNTRY Life Insurance Company®, COUNTRY Investors Life Assurance Company®, and Cotton States Life Insurance Company℠.

Recommendations

We are dedicated to doing our part to lessen our impact on the environment. We are committed to continually looking for efficiencies in our operations. Our response to the TCFD pillars below is described in further detail in the body of this report.

- Governance
- Strategy
- Risk Management
- Metrics and Targets

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

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

The Board of Directors' role in Enterprise Risk Management (ERM) is to direct management to develop, implement, and maintain a risk management system, including risk management policies. Periodically, the Board will review an assessment of the underlying internal control structure to ensure it sufficiently identifies, assesses, monitors, reports, and controls material risks, including climate-related risk, on an ongoing basis.

The Audit Committee, within the Board structure, reviews reports to ensure that management is developing, implementing, and maintaining a risk management system, including risk management policies, as directed by the Board of Directors. The Audit Committee will also periodically review an assessment of the underlying internal control structure to ensure it sufficiently identifies, assesses, monitors, reports, and controls all material risks on an ongoing basis. The Audit Committee will report its findings to the Board of Directors and will hold management accountable for the functioning of the risk management system and internal control assessment.

The Investment Committee, also within the Board structure, reviews investment purchases and sales. It receives and approves reports showing compliance with Investment Policy restrictions including any policy exceptions and resolutions. ERM reports results of the Asset/Liability Committee (ALCO) meetings to the Investment Committee quarterly. The Board Investment Committee provides information from these reports to the Board of Directors.

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

The Enterprise Risk Council (ERC) is comprised of executive-level management of the Company. The CEO is chairman of the ERC. ERM provides quarterly reports for review, discussion, and approval. Topics can vary, but key presentations include top material risks, emerging risks, aggregate risk profile, enterprise risk dashboard reports, ALCO reports, stress test results, risks related to strategic efforts, and ERM program policy updates.

Management reviews climate-related risks and opportunities within Corporate Risk Working Groups. These groups meet with ERM quarterly and provide updates on key risks, emerging risks, and risk management strategies for each of the Company's risk categories. These groups are also responsible for periodic updates to risk assessments for risks in the Company's risk register. In addition, the groups also provide valuable input regarding materials included in the quarterly enterprise risk dashboard. Each of these groups is comprised of the key risk owners and subject matter experts for their risk category. Most members of each working group hold management positions at the Company. Key results from these working group meetings are presented to the ERC quarterly and the Audit Committee semi-annually.

The Company has established an Environmental, Social, Governance (ESG) Program. Both a centralized executive committee and cross-functional working group of leaders across the Company actively review material ESG-related risks and opportunities.

2) 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.

We are dedicated to doing our part to lessen our impact on the environment. We are committed to looking for efficiencies in our operations. The efforts we have taken in some of our locations to lessen our impact include:

- Running most generators on either a two percent biofuel mixture or low sulfur diesel
- Conserving energy with controls for heating, ventilating and air conditioning (HVAC) systems
- Using some white rooftops to reflect heat
- Using computerized light systems with motion and daylight sensors
- Reducing the use of mercury lamps and retrofitting fluorescent fixtures and exit signs with energy efficient lamps
- Adding window film to some windows to reject solar heat
- Procuring Flex Fuel vehicles when available noting that recent auto maker trends are making Flex Fuel vehicles challenging to obtain
- Implementing recycling programs, saving 1, 559 trees in 2023
- Activating sensors on our irrigation system that mitigate use during rainy or wet conditions
- Trending toward 4% fewer miles driven year over year by Claims adjusters reflecting advances in technology and process efficiencies

In addition to the efforts taken in some of our physical locations, we offer employees in most departments the opportunity to work remotely two days a week which limits their commuting time. A limited number of our employees work remotely full-time. With the expansion of our hybrid and remote work models, we have taken the opportunity to optimize our facility footprint through non-renewing leases or selling facilities, where appropriate.

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

We do not currently have a formal plan to specifically identify climate-related risks and opportunities. We are aware of and closely monitor the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning. As part of our ERM framework, we address all risks posed to the Company, as well as the potential correlation between these risks. Through our ERM program we have identified that severe weather events are among the top risks the Company faces. Additionally, we have policies in place to guide our risk management process. These policies include the ERM Policy, the Investment Policy, the Liquidity Risk Management Policy, and the Asset-Liability Management Policy.

We are aware of the potential risks of climate change to the economy, in general, as well as to businesses that have activities that would either benefit or suffer from climate change. We include these factors in our normal analysis of each potential investment. Additionally, we diversify our investment holdings to limit the impact of any particular risk.

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

We do not have a formal plan in place to conduct climate-related scenario testing, but we are taking the following actions to manage the potential risks climate change could pose to our business:

- Several catastrophe models are run each year using the most recent available weather and damageability assumptions. We use these models' results for understanding the potential financial impact to insured loss as well as informing us with information we can use to appropriately purchase catastrophic reinsurance coverage and aggregation of weather and earthquake loss reinsurance coverage.
- COUNTRY recognizes the evolving impact of climate/weather on our losses. Weather and non-weather pricing reviews have long been a part of the company's approach to rate development. More recently, the pricing of our products has evolved for our main property lines to by-peril pricing which allows more precise pricing based on exposure to loss.
- We utilize weather modeling tools. We have developed models that analyze the seasonality of weather and its impact to losses for the main lines of business we write.
- Weather losses are analyzed and modeled separately from non-weather losses for several lines of business in our stochastic economic capital model. We analyze the impact of weather on our overall risk profile.
- Catastrophe models continue to evolve and improve to estimate impacts of wildfires on properties. COUNTRY is now including the modeled wildfire peril estimates for reinsurance purchase decisions, primary pricing for our insured's properties, as well as underwriting and exposure management in wildfire-prone areas.
- While no insurer can control all forces exposing their book to a potential catastrophic loss, COUNTRY's historic attention to exposure management and newer efforts provides a solid platform from which to address the challenge. COUNTRY continues to measure and monitor exposure to mitigate likelihood of catastrophic loss.

3) Risk Management - Disclose how the organization identifies, assesses, and manages climate-related risks.

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

COUNTRY Financial considers climate-related risk through the same process it uses for other identified risks of the Company. Existing and emerging risks are identified and modeled through discussions with key risk owners among the Company's management team and reviewed at meetings of the Enterprise Risk Council. Risks deemed significant are analyzed by a group of the most knowledgeable people available in the Company, and potential risk impacts, correlation with other risks and likelihoods are identified. Risks are escalated to the executive management group, Audit Committee, and Board of Directors when the risk meets the criteria set forth in the Company's ERM policy. The Company's top risks and responses to those risks are reassessed annually.

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

The Company's process for managing climate-related risks is based on the three lines model for ERM. The first line consists of the business owners, whose role is to identify risk, as well as execute actions to manage and treat it. ERM is the second line and has responsibility for providing assurances to the Board, Audit Committee, and Senior Executive management that risks and controls have been identified and are in place. Internal Audit is the third line and has responsibility for testing and validating that the risks have been identified and that the controls are working effectively, and as intended.

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

We do not have a formal process to identify, assess, and manage specific climate-related risks and opportunities. However, the following risk and return opportunities, including climate-related risks, are identified and assessed through the Corporate Risk Working Groups as follows:

- Asset/Liability Committee – Market Risk, Credit Risk, Liquidity Risk
- Property/Casualty Pricing & Underwriting Risk Working Group – Property/Casualty Pricing/Underwriting Risk, Property/Casualty Reserving Risk
- Financial Services Pricing & Underwriting Risk Working Group – Life/Health Pricing/Underwriting Risk, Life/Health Reserving Risk, Financial Services Liquidity Risk
- Operational Risk Working Group – Operational Risk, Legal Risk
- Strategic Risk Working Group– Strategic Risk
- Compliance Committee – Compliance and Regulatory Risk

4) 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.

COUNTRY has a diversified geographical spread of stable exposures across the U.S., while consciously avoiding high risk states. Catastrophe models assist us in determining high risk areas and concentration concerns that may be present for certain perils. Specific to high climate risk areas, COUNTRY no longer has property risks in the Northeast U.S., and has no direct business in some of the highest risk states such as Florida, Louisiana, Texas, and California. There is limited east and gulf coast exposure to hurricanes.

While the Company does not have a unified plan with metrics and targets to assess our climate-related risks and opportunities, COUNTRY has parameters in place and continually advances its capabilities in exposure management through internal practices and new technology for a variety of perils. Exposure management has coastal guidelines, concentration guidelines and regularly measures actual results against these parameters. It also measures and monitors earthquake coverage take-up rates and deductibles, exposure changes in high-risk areas, and active wildfires throughout the U.S. Underwriting guidelines are in place relative to all natural perils. The company has parameters for issuing moratoriums for most natural perils.

COUNTRY has a broad reinsurance program with a panel of highly rated reinsurers for Catastrophe, Aggregation of Weather (and EQ) losses as well as a quota share cover for certain risks in over 50 counties in southern Illinois and Missouri, mainly to protect against a New Madrid earthquake. The reinsurance coverage is reevaluated annually and renewed with varying changes in terms as the company deems appropriate.

Pricing of our products has evolved for our main property lines to a by-peril pricing, which allows more precise pricing based on exposure to various types of loss. Coverage and deductible options are regularly reviewed.

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

As part of our effort toward continuous improvement with climate-related metrics, we have begun collecting emissions data in our Environmental, Social, and Governance (ESG) dashboard. The summary below shows the emissions tracked for the 2023 calendar year.

Scope	Emissions Source	Emissions (Metric Tons of CO2e)*
1	Generator	6.16
1	Refrigerant	18.10
1	Vehicles	3,130.77**
1	Corporate Aircraft	162.87
2	Electricity	1,863.00
2	Natural Gas	986.00
3	Chartered Aircraft	939.99
3	Recycling (Emissions Avoided)	-252.60
Total		6,854.30

*Estimated based on calculations using the Greenhouse Gas Protocol Corporate Standard
**The 2022 emissions previously reported for 2023 were incorrect due to a bug in our vendor's reporting tool. The actual emissions for 2022 is 3,739.92 metric tonnes of CO2e.

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

The primary targets that COUNTRY employs for climate-related risks include concentration guidelines (measured against quarterly reports), Coastal guidelines (measured against quarterly reports), earthquake coverage take-up rates, changes in exposure and deductibles (measured against quarterly reports) and wildfire monitoring.

For over a decade, COUNTRY has prepared its budget with losses separated by weather and non-weather. These budget level targets are at a Line of Business, State and Monthly level and are based on historic data and future expectations. Actual results are measured against these budget results on a monthly basis. This regular analysis has allowed COUNTRY's pricing teams to stay on top of the recent volatility in weather losses.