

Approach to Climate Risk

Climate change represents an urgent global concern for all companies, including Allstate. Allstate's approach is to safeguard our customers while having sustainable business practices and adequate returns. Increased severe weather has raised loss costs for auto and homeowners insurance, requiring changes in pricing, product coverages, underwriting practices and reinsurance utilization. Impacts will continue due to the increase in severe weather driven by climate change.

Allstate is addressing climate risk by prioritizing three major areas that impact our customers and business:

- 1) **Disaster Prevention, Preparedness and Risk Response** – We have partnered with federal and state governments for over two decades to create programs to help provide protection for insureds most exposed to climate change. This has been accomplished through the establishment of entities like Florida Citizens, the Florida Hurricane Catastrophe Fund, the Texas Windstorm Insurance Association and the California Earthquake Authority.
- 2) **Monitoring and Managing Climate Risk** – Our business success depends on effectively modeling, pricing and managing climate-related risks, and developing products and services to address the impact of severe weather. We identify, measure, manage and monitor material risks, including climate change, through a risk evaluation framework which is reviewed by the Board of Directors.

Insurability – Estimates of losses from major catastrophes are modeled to assess risk levels and appropriate pricing.

Underwriting – Frequency and severity of events are managed through pricing, underwriting and reinsurance.

- 3) **Reducing Our Carbon Footprint Across Allstate** – We have cut energy use beyond our original targets and reduced our greenhouse gas (GHG) emissions. We also converted half of our fleet of sedans and SUVs in the U.S. and Canada to hybrid vehicles, and 100% of the power used at our Northbrook, Illinois headquarters and our Irving, Texas office qualifies for Renewable Energy Certificates.

Risks within the Investment Portfolio

The investment portfolio is monitored for both short- and long-term potential exposures to environmental risks, including climate change. Across the portfolio, we classify sectors' potential exposure to environmental risks. We consider potential environmental risks when we assess the size and maturity profile of our positions. Many holdings in sectors with higher potential exposure are invested in public markets, providing flexibility to adjust exposures as risk and return trade-offs evolve. For commercial real estate, we classify our investments based on their modeled exposure to certain catastrophe risks and incorporate these risks in our practices.

About this Report

Allstate is providing the following table that indicates where readers can find disclosures within publicly available documents that address the recommendations of the **Task Force on Climate-Related Financial Disclosures (TCFD)**. Allstate intends to further align its disclosures with the recommendations of the TCFD by completing scenario analysis work already underway. Allstate intends to have its science-based target (SBT) scenarios for Scope 1 and 2 emissions completed during the second half of 2021. Scope 3 SBT scenarios are focused on the climate impact of our investment portfolio. Allstate intends to also complete its initial Scope 3 review during the second half of 2021 and plans to submit its intent to establish an emissions reduction target based on the Guidance for Financial Institutions from the Science Based Targets Initiative (SBTI-FI), focused on the IPCC guidance consistent with a well-below 2°C pathway, by the end of 2021.

TCFD Index

Recommended Disclosures Governance	Response/Comment
a) Describe the board’s oversight of climate-related risks and opportunities.	<p>The Board has oversight of all risk and return activities and reviews environmental, social and governance (ESG) matters to prioritize efforts twice a year. Two committees are also responsible for additional oversight: Nominating, Governance and Social Responsibility Committee and Risk and Return Committee.</p> <p>The Board's Nominating, Governance and Social Responsibility Committee oversees ESG priorities, strategy and reporting.</p> <p>The Board's Risk and Return Committee oversees climate change risks and opportunities through the lens of Allstate's Enterprise Risk and Return Management (ERRM) framework. The Risk and Return Committee conducted a thorough review of Allstate's climate risk and return management approach in 2020 and 2021.</p> <p>For a full description of our Board's oversight of climate risk, please see 2021 Proxy Statement, pg. 36, and CDP Climate Change Responses, C1.1, C1.1a, C1.1b.</p>
b) Describe management’s role in assessing and managing climate-related risks and opportunities.	<p>The Enterprise Risk and Return Council (ERRC) meets monthly and is Allstate’s senior risk management committee below Board level. The ERRC is made up of Allstate’s CEO, vice chair, chief investment officer, general counsel, treasurer, area of responsibility (AOR) presidents and enterprise and AOR risk and financial officers. It supports ERRM by establishing risk and return targets, determining economic capital levels, and directing integrated strategies and actions from an enterprise perspective. The Chief Risk Officer chairs the ERRC and ensures that it performs its duties, and reports</p>

to the CEO. Business areas identify, measure, manage, monitor and report on risks at a granular level, including climate risks, and risks in excess of limits or tolerances are reported regularly to the ERRC and Board's Risk and Return Committee in the ERRM Summary Report. For a more detailed description of our ERRM framework, see [pgs. 104-106 of the Annual Report on Form 10-K](#).

Allstate also maintains a Sustainability Council that was formed in 2007. Its cross-functional members identify key risks and opportunities related to sustainable business practices and help implement Allstate's enterprise ESG road map. The council, with 40 members representing more than 25 business functions, meets regularly and is led by a vice president in Corporate Brand. The council updates senior executives periodically.

On the Investments side, the Responsible Investing Committee monitors ESG investing trends and best practices and periodically reports about its activities to other leaders within Allstate. This Committee also monitors the investment portfolio for short- and potential long-term exposures to climate change. Different sectors are classified based on exposure to environmental risks, including climate change, and environmental risks are incorporated in the sizing and maturity profile of our positions. Sectors with higher potential exposure are primarily invested in public markets, providing flexibility to adjust exposures. Commercial real estate investments are classified based on their modeled exposure to catastrophe risks.

For additional information regarding management's role in assessing and managing climate-related risks and opportunities, see [CDP Climate Change Responses, C1.2, C1.2a, C-FS2.2b, 2021 Proxy Statement, pg. 36](#), and Accountability under the [Climate Strategy and Disaster Resiliency section of our Sustainability Report](#).

Strategy

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

Risks and return opportunities are evaluated across six key categories (strategic, insurance, financial, investment, operational, and culture) with climate impacting all six areas. Increased severe weather has raised loss costs for auto and homeowners insurance, requiring changes in pricing, product coverages, underwriting practices and reinsurance utilization. Impacts will continue to evolve due to the increasing effect of severe weather driven by climate change. Physical and transition risks exist within the investment portfolio, along with opportunities associated with "green" investments and emerging technologies. See [2021 Proxy Statement, pgs. 12-13](#) and [Year in Review, pg. 13](#).

For a more complete description of risks and opportunities identified, please see [CDP Climate Change](#)

[Responses, C2.2, C2.2a, C-FS2.2b, C-FS2.2c, C-FS2.2d, C-FS2.2e, C2.3b, C2.4b](#), and the [Risk Factors section of the Annual Report on Form 10-K, pgs. 22-30](#), for a list of risks impacting Allstate.

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

Managing climate-related risks and opportunities has been a priority at Allstate for 25 years as it impacts all aspects of our business, particularly homeowners insurance. We have worked to mitigate the effect of more severe weather on customers' homes and shareholder returns, which has impacted where we provide protection, what the protection covers, pricing, utilization of risk reduction efforts such as reinsurance, provision of third party products, and regulatory and compliance initiatives.

Substantial progress has been made to make homes safer through better building codes, and to improve affordability by pooling risks and modifying our business practices. As the climate continues to change, this expertise will serve customers and shareholders well, and Allstate will continue to adjust its strategy and risk profile to protect shareholders, customers, and its reputation.

The Board's Risk and Return Committee reviewed the impact of climate change on the company's short- and long-term strategies in 2020 and 2021 See Letter from the Independent Directors in [2021 Proxy Statement, pg. 4](#).

The catastrophe reinsurance program is part of Allstate's catastrophe management strategy. For information about the reinsurance program, see Risk Management section below.

In 2020, Allstate's Investment Management Committee adopted a Responsible Investing Policy that outlines expectations for Investment professionals to consider available data for ESG-related factors when making investment decisions. Allstate expects its Investment professionals to refrain from making certain types of investments that may result in significant ESG-related risks. In addition to the Responsible Investing Policy, the Investment Management Guidelines state that Investment managers' analysis and decision-making consider ESG issues when assessing risk/return trade-offs for a particular investment. Allstate Investments' compliance department maintains a restricted list that defines prohibited types of investments, which are typically entities whose activities are fundamentally inconsistent with Allstate's values or are likely to result in reputational or other significant risks.

For more information on how climate-related risks and opportunities have influenced Allstate's businesses, strategy and financial planning, please see [CDP Climate Change Responses, C3.1d, C3.1e, C-FS3.2a, C-FS3.2b, C-FS3.3a](#).

c) Describe the resiliency of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

We analyze the potential impact of climate-related changes as part of the strategic planning process. Allstate's strategy to increase market share in the personal property-liability business and expand protections offerings for customers is resistant to increased severe weather. After experiencing severe catastrophe losses in 2004 and 2005, Allstate repositioned the homeowners business, which is now consistently profitable. Along with changing product details and underwriting practices, the company created a comprehensive catastrophe reinsurance program to reduce certain risks.

Additionally, Allstate's Catastrophe Modeling and Analytics Team and Pricing Groups monitor climate change information as part of their analysis of weather-related trends. Models developed internally and by third-party vendors are used along with Allstate's historical data in assessing property insurance exposure to catastrophe losses. Losses and changes in exposure are analyzed and reported to senior leaders each quarter. Allstate's internal stress tests focus on predicting business continuity, resiliency and solvency through a variety of catastrophe scenarios. The Catastrophe Modeling and Analytics Team also partners with the Investments group to model the catastrophe exposure of real estate investments and portfolios.

Allstate measures and monitors insurance risk (which includes claims frequency and severity and catastrophes and severe weather) with different approaches, including stochastic methods and scenario analysis. For additional details related to the reserving process for property and casualty insurance claims, see [pgs. 111-118 of the Annual Report on Form 10-K](#).

For a full description of Allstate's process, please see [CDP Climate Change Responses, C3.1a, 3.1b](#), and Policies and Procedures under the [Climate Strategy and Disaster Resiliency section of our Sustainability Report](#).

Work is underway to complete our full climate change scenario analysis. We will update this report with further information as soon as it is available.

Risk Management

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

We manage climate change risk as part of the ERRM program. Enterprise risks and opportunities are identified, prioritized, measured, managed, monitored, and reported under an integrated ERRM framework, which includes our risk appetite statement, Risk and Return Principles, key risk and return categories, governance, modeling, analytics, and transparent management dialogue. The Board's Risk and Return Committee also annually assesses risk associated with extremely low frequency scenarios

For a full description of risks and opportunities identified, please see [CDP Climate Change Responses, C2.2, C2.2a, C-FS2.2b, C-FS2.2c, C-FS2.2d, C-FS2.2e, C-FS2.2f, C2.3, C2.3b, C2.4, C2.4b](#).

For additional information regarding our climate management process, please see [Proxy Statement, pgs. 12-13](#); and Policies and Procedures under the [Climate Strategy and Disaster Resiliency section of our Sustainability Report](#).

For information regarding how Allstate manages climate risks and opportunities in our investment portfolio and our operational emission reduction initiatives, please see [CDP Climate Change Responses, C-FS3.2, C-FS3.2a, C-FS3.2b, C-FS3.3, C-FS3.3a, C4.3, C4.3a, C4.3b, C4.3c, C4.5, C4.5a](#).

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

On an ongoing basis, Allstate identifies, assesses, mitigates, reports and monitors material risks, including climate change, through our integrated ERRM program. This enables holistic management of key risks and incorporates risk and return management into our business model. The ERRM program includes our risk appetite statement, Risk and Return Principles, key risk and return categories, governance, modeling, analytics, and transparent management dialogue. Risks that are considered material are escalated to senior management and the Board.

Allstate manages property risks through pricing, underwriting and reinsurance. This includes:

- purchasing multi-year reinsurance protection as well as aggregate coverage,
- limiting new business for personal lines auto and property insurance in areas most exposed to hurricanes,
- implementing tropical cyclone and/or wind/hail deductibles or exclusions where appropriate, and
- partnering with federal and state governments for over 25 years to create programs to provide protection for insureds most exposed to climate change.

The catastrophe reinsurance program is part of Allstate's catastrophe management strategy, which is intended to provide shareholders with an acceptable return on the risks assumed in the personal lines business, reduce earnings variability, and provide protection to customers. It includes coverage for losses to personal lines property, personal lines automobile, commercial lines property or commercial lines automobile arising out of multiple perils, in addition to hurricanes and earthquakes. The program continues to support a risk tolerance framework that targets less than a 1% likelihood of annual aggregate catastrophe losses from hurricanes and earthquakes, net of reinsurance, exceeding \$2 billion, based on model assumptions currently used. The program materially reduces exposure to catastrophe losses and employs a multi-year approach to lessen the amount of reinsurance being placed in the market in any one year. See our Investor Relations website for our [Reinsurance Update](#).

On the Investments side, investment physical risks are managed through modeling, underwriting and insurance, and investment portfolio exposure is managed through credit research and liquidity.

Risks and return opportunities are evaluated across six key categories: strategic, insurance, financial, investments, operational, and culture. Climate change impacts all of these categories:

- Strategic: changes to property construction trends and the transportation system create risks and opportunities,
- Insurance: rising severe weather and precipitation levels impact loss trends for auto and homeowners insurance, and increase the overall market size for homeowners insurance,
- Financial: liquidity and capital levels must be considered relative to catastrophe losses,
- Investments: there are risk implications for specific holdings and sectors, as well as opportunities in "green" investing,
- Operational: considerations include regulatory compliance, model accuracy and business continuity, and
- Culture: employees are establishing higher standards for acting in the best interest of society.

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

For additional information, please see [pgs. 104-106 of the Annual Report on Form 10-K](#) and [CDP Climate Change responses, C2.2, C2.2a, C2.3b, and C2.4b](#).

Metrics and Targets

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

Please see 2020 Form 10-K, which discloses annual catastrophe losses, effect of catastrophe losses on combined ratio in total and by line of business, catastrophe losses and reserve re-estimates by line of business, and catastrophe loss by size and type of event. See [pgs. 41, 43-48 of the Annual Report on Form 10-K](#).

For information regarding the metrics for our operational climate impact, please see information under Policies and Procedures in the [Operational Footprint section of our Sustainability Report](#).

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

For our emissions data, please see [CDP Climate Change Responses, C6.1, C6.2, C6.3, C6.5, C6.10, C7.9a, C7.9b](#).

Our emissions data is also available in the [Operational Footprint section of our Sustainability Report](#).

Risks exist; however, management of these risks is fully integrated into our business model. For more on our related risks, please see [CDP Climate Change Response, C2.3](#).

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

Allstate is setting a science-based target inclusive of our Scope 1, 2 and 3 emissions. For information about our absolute emissions target that we achieved previously, please see [CDP Climate Change Responses, C4.1, C4.1a](#), and Policies and Procedures in the [Operational Footprint section of our Sustainability Report](#).

Allstate intends to have its SBT scenarios for Scope 1 and 2 emissions completed during the second half of 2021. Scope 3 SBT scenarios focus on the climate impact of its investment portfolio. Allstate intends to also complete its initial Scope 3 review during the second half of 2021 and plans to submit its intent to establish an emissions reduction target based on the Guidance for Financial Institutions from the Science Based Targets Initiative (SBTI-FI), focused on the IPCC guidance consistent with a well-below 2°C pathway, by the end of 2021.