

Environmental, Social, and Governance 2023 Report





A Note from Our Executive Vice President and CEO

I am pleased to share our 2023 Environmental, Social, and Governance Report. American Agricultural Insurance Company (AmericanAg™) exists to help people and businesses prepare for, recover from, and rebuild after losses. We are a corporate investor and trusted business partner, and an employer that seeks to support a diverse, innovative, and highly-engaged workforce.

We know that ESG-related initiatives are critical to the operation of our company and fulfilling our corporate purpose and mission. Economic success, technological advancement, and a commitment to our colleagues and communities are key to creating a sustainable future.

As a global reinsurer, we understand that world challenges such as social inequity and economic uncertainty require a comprehensive strategy, and the risks associated with ESG issues have been a part of our company's focus for a long time. We are committed to responding to these challenges through our own actions and providing risk management solutions for our clients as they continue to support the communities they serve.

As ESG issues evolve, we see an opportunity to support our clients, colleagues, and communities. We will continue to respond in an appropriate manner, aligned with the nature, scale, and complexity of our company and our clients.

Please enjoy the summary of ESG-related activities and initiatives at AmericanAg™.

Andrew Boris

Who We Are

MISSION

As a global reinsurer, we aim to create value through long-term relationships, innovative solutions, and exceptional service.

VISION

To be an internationally recognized leader in the management of insurance risk.

PURPOSE

Helping people rebuild their lives after unforeseen events.

Core Values



Care for Our Clients

We work to understand our clients' needs and support their financial success with innovative tools, resources, and services.



Serve the Community

We take an active role in our professional and local communities.



Demonstrate Integrity

We believe that transparency and accountability are the foundation for strong, long-term professional relationships.



Display Professionalism

We value education and high performance and go above and beyond in our service to each other and our clients.

2022 Financial Highlights



GROSS PREMIUM WRITTEN

\$1,555,949,177



NET INCOME

\$38,554,030



COMBINED RATIO

96.5%



LOSS RATIO

80.0%



TOTAL SURPLUS

\$691,175,606

SUSTAINABILITY AT OUR CORE

Fundamental to Long-Term Success at AmericanAg™

Sustainability is a fundamental component of our business. It helps us achieve our corporate purpose, “Helping people rebuild their lives after unforeseen events.” At AmericanAg™, that means being able to provide advice, capital, and knowledge to our insurance company clients, which ultimately allows them to best support their policyholders.

Our industry relies upon highly technical information in risk management, concentration of exposures, and pricing. Sustainability issues are a growing part of the guidance and information provided by AmericanAg™. This includes issues such as changing weather patterns, productive use of capital, and effective use of policies to support policyholders and economic progress in the communities where they live.



CORPORATE INVESTMENTS

Contemplating ESG for Corporate Investments

One of the most significant and urgent impacts that our company can have in the area of corporate investments is to analyze what factors to consider when evaluating where to invest our financial resources.

We understand that ESG factors can present non-financial material considerations for responsible investing. As such, AmericanAg™ relies on business partners that integrate and weigh ESG considerations when evaluating investment recommendations. In fact, we work with an investment advisor that signed the United Nations Principles for Responsible Investment – a set of six principles that provide a global standard for responsible investing as it relates to ESG factors. Through the use of those business partners, AmericanAg™ is able to evaluate ESG factors as an investment consideration and has access to portfolio-level analysis concerning ESG risk issues.

ENVIRONMENTAL

Creating a Positive Impact

Changing weather patterns and the way society adapts to those shifts are vitally important to the business at AmericanAg™. The very nature of our business means involvement in climate risk.

Monitoring and Managing Climate Risk

AmericanAg™ utilizes sophisticated tools and innovative software to analyze climate risks and how they affect our clients and the industry. Our Catastrophe Modeling and Actuarial teams work closely to monitor both the challenges associated with changing weather patterns and concurrent opportunities that might develop as a result of any trends. The Executive Leadership team and the Board of Directors receive regular updates concerning new developments and changes to our strategy in response to this evolving area.


Catastrophe Prevention and Preparedness

At AmericanAg™, we know that our role is to be proactive and respond to catastrophe-related trends. The insurance industry is a strong advocate for solutions that address future challenges, such as the adoption of modernized building codes and the use of better building materials. To help research and identify new approaches, we are a member of the Insurance Institute for Business and Home Safety® ("IBHS"). The IBHS is an independent, nonprofit scientific research and communications organization working to develop and build stronger structures.

Supporting Clients with Analysis of Climate-Related Risks

Climate risk is an issue for all of us, no matter where we live, work, or operate. To help our clients, AmericanAg™ provides analytic tools, guidance, and thought leadership such as:

- ✓ Specialized software and tools to help our insurance company clients analyze concentration and geographic risks that could be affected by changing weather patterns
- ✓ Training and support for Enterprise Risk Management programs to help evaluate ESG-related risks and how they impact clients' portfolios of risks
- ✓ Market and production data for different lines of insurance that may be adversely impacted by climate risks and other patterns that could affect clients' evaluation of their risk portfolio
- ✓ Articles and white papers that identify emerging issues with new pressures and opportunities for our clients as climate changes impact all parts of our society



AmericanAg™
is committed to
navigating the complex
issues of climate risk by
investing in technology,
people, and initiatives
that benefit our company
and our clients.

A Work Environment That Encourages Environmental Engagement

Being an environmentally conscious company means taking steps to evaluate the efficiency of the energy used and burdens placed on the environment as part of our operations.

Where We Work

The company's energy usage and efficiency starts with where we do our work.

- ✓ Our corporate office in Schaumburg, Illinois, is located in a building that:
 - Carries LEED Gold certification, Energy Star certification, WiredScore Gold certification, and a BOMA 360 designation
 - Partners with Siemens to maintain an advanced building automation system to reduce the building's carbon footprint and promote energy efficiency
 - Employs a comprehensive water management program adhering to or exceeding the ANSI/ASHRAE Standard 188, while further utilizing remote technology to reduce utility consumption and maximize treatment usage
- ✓ Our company further promotes energy efficiency by automating lighting, printers, and other equipment based upon occupancy.
- ✓ Our company maintains a robust Hybrid Work Policy, allowing employees to work multiple days per week from home or other locations, which has a measurable impact on energy usage through reduced commuting and transportation activities.

At
AmericanAg™,
we recognize our
responsibility to reduce our
impact on the environment,
as we also work toward fulfilling
our corporate purpose. We will
continue to invest in facilities and
equipment that are increasingly
energy efficient.

Use of Resources

The company's energy usage and efficiency includes an evaluation of how we work.

- ✓ Recycling and Reduction in Paper Usage – We've made meaningful advances toward a "paperless" environment. Even when paper is necessary, the company utilizes recycling and shredding programs to lessen the impact on the environment.
- ✓ Electronics Recycling – We reconstitute and salvage as much as possible. Where repurposing is not an option, we contract with business partners to recycle and properly destroy equipment.

SOCIAL

A Commitment to Employees and Community

We value feedback from our employees. They can provide actionable insights that help our company continuously enhance our culture and employee engagement.

We aim to create an environment where all employees can prosper, develop, and reach their greatest potential. As part of our commitment, we want every employee to have confidence that AmericanAg™ will be there with resources and an understanding of what it means to balance work with personal responsibilities and challenges.

We also believe that being good citizens means something special. We recognize that serving and supporting the communities where we live and work helps everyone succeed and flourish. We are dedicated to providing support for charitable activities away from the workplace.

Health and Well-Being

To succeed on any level, personally or professionally, it is imperative for people to have a healthy mind and body. The health and well-being of our colleagues is a top priority. AmericanAg™ provides a variety of tools and programs to assist employees in managing their well-being, addressing life's stresses, and developing a well-calibrated work/life balance.

- ✓ Robust health and welfare benefits programs for employees and their families
- ✓ Wellness program
- ✓ Reimbursement for fitness center memberships
- ✓ Employee Assistance Program
- ✓ Hybrid and remote working programs
- ✓ Modern technology and IT support to facilitate individualized work habits
- ✓ Ergonomic office support

Benefits for Our Colleagues

Our compensation strategy is designed to attract and retain quality talent and reward our people for their contribution to our success. Salary is just the beginning; our annual bonus program provides long-term incentives for employees. Our employees are provided an opportunity to participate in comprehensive retirement plans which allow them to build wealth over time. We also support our employees by providing continuing education, flexible health spending accounts, paid time off, sick time, and disability benefits.

Expectant Parents

Starting or expanding a family is one of life's joys, and AmericanAg™ has a variety of programs and support mechanisms for expectant parents, including:

- ✓ Healthcare plans focusing on prenatal care, labor and delivery, and newborn care
- ✓ Generous leave policies for new parents
- ✓ Ergonomic accommodations for working environments
- ✓ Confidential advocacy and healthcare system guidance
- ✓ Wellness room
- ✓ An understanding by management that major life events, such as the birth or adoption of a child, can generate new life challenges, leading to short-term changes in availability and completion of work-related assignments



Diversity and Inclusion

Diverse and inclusive teams provide diverse perspectives and better solutions. This means we can deliver the best products for our clients, which is vital to our long-term success. Our goal is to create an environment where all employees can prosper, develop, and reach their greatest potential. We are dedicated to ensuring our employees are representative of the communities in which we operate. We use online platforms, media outlets, and search firms to recruit top talent with diverse backgrounds, and we do not tolerate gender gap compensation issues among employees.

At AmericanAg™, we view diversity broadly, including factors such as gender, race, sexual orientation, gender identity, veteran status, disability, and all other characteristics that make individuals who they are.

77 of our employees have attained over 220 professional designations and advanced degrees; 12 of those were achieved in the past year.

Advancing Career Mobility

Our company's greatest strength is the collective talent of its people. AmericanAg™ cannot advance as an organization unless our employees have the opportunity to increase their knowledge base, business acumen, and leadership abilities.

Following are examples of how we foster the personal and professional development of our people:

- ✓ A wide-reaching Education Assistance and Reimbursement Policy that allows employees to pursue advanced degrees and specialized designations in fields related to their business responsibilities
- ✓ Company-wide training on topics such as reinsurance, innovation, the use of technology platforms, and improving communication among different types of people
- ✓ Individualized coaching and training for new and emerging leaders at AmericanAg™ to help them develop the skills necessary to lead and manage others
- ✓ Our internship program, which serves as a potential route into a permanent role for motivated, high-talent individuals
- ✓ Our Navigator Program, which pairs new employees with a mentor to guide them as they navigate their first year with AmericanAg™

Philanthropy and Community Service

One of our core values is "Serve the Community." Our industry has its foundation in the service to others, and we are proud to help communities rebuild in the aftermath of loss or disaster. AmericanAg™ also promotes service through initiatives that help the communities around us and encourages our people to serve in ways that are meaningful to them.

Among the corporate initiatives in this area:

- ✓ A program that allows employees to volunteer in the community for a set number of days each year, in lieu of working their "regular job"
- ✓ A program that matches employee contributions to charities and service organizations
- ✓ Contribution to college scholarship programs for those who want to pursue insurance-related occupations
- ✓ Contribution to Farm Bureau® insurance company charity events throughout the year

Recent charitable activities include the following:

- ✓ Our employees served as "Secret Santas" to an entire classroom of underprivileged elementary students within the Chicago Public Schools system
- ✓ A group of AmericanAg™ employees volunteered at Feed My Starving Children, where they packed meals for needy children and families in Honduras, Guatemala, and Liberia
- ✓ We donated over 150 stuffed animals to the United Way of Metro Chicago's Uniting for the Holidays event, where volunteers distributed food, toys, and household items to local families

GOVERNANCE

Sensible Governance

Our Corporate Vision – “To be an internationally recognized leader in the management of insurance risk” – sets the standard for our business. Strong governance allows us to make better decisions and provides a culture where we can proactively manage risks by relying upon the expertise of our people and the analysis of data. Working to identify, address, mitigate, and potentially capitalize on environmental, social, reputational, and other risks is the basis of sound and responsible governance at AmericanAg™.

Enterprise Risk Management

A detailed and holistic approach to risk management is integrated into the fabric of AmericanAg™. At the highest leadership levels, the company routinely and systematically examines strategic, financial, underwriting, operational, legal, environmental, social, and governance risks. This approach allows us to identify changes in risks that might require attention when risk tolerance levels are reached. This also provides insights on risks that require quick action to capitalize upon an opportunity. This holistic risk management approach is strengthened by the following:

- ✓ Annual reports by the Chief Risk Officer to the Board of Directors regarding the company's risk management program and changes from prior reports
- ✓ Internal Emerging Risk Task Force to monitor emerging trends and risks
- ✓ Programs to help clients with their risk management programs, bolstering the opportunity to identify business opportunities and strengthen relationships

Robust risk management provides a framework and the tools to effectively navigate the increasing complexity of our rapidly changing world.

Cybersecurity and Data Privacy

It is important to have effective controls around data privacy and security that comply with business and regulatory requirements. The protection of our information systems, including the personal and confidential information that clients and colleagues entrust to us, is very important at AmericanAg™. We work continuously to enhance the effectiveness of our cyber program, considering an ever-evolving threat landscape. We invest in advanced cyber capabilities to strengthen our ability to detect threat actors and prevent them from impacting our systems and information.

The cybersecurity program at AmericanAg™ includes:

- ✓ Leadership by the Chief Information Security Officer (CISO), Chief Data Privacy Officer, and Deputy Data Privacy Officer
- ✓ An Information Security Policy that is updated and approved annually by the Board of Directors
- ✓ Internal audit reviews of the company's compliance, policies, and procedures in accordance with ISO 27001
- ✓ An Incident Response Team (IRP) that annually reviews the comprehensive Incident Response Plan, and provides testing to ensure readiness for real-world events
- ✓ Vulnerability management, with best practices and tools that include 24/7 security operations
- ✓ Centralization of security events in a Security Incident & Event Management (SIEM) tool (LogRhythm) monitored by a 24/7 Security Operations Center (SOC)
- ✓ Annual Information Security training and monthly phishing campaigns
- ✓ A holistic risk management program that is aligned with and rolled up into the company's enterprise risk management program

The Governance of Environmental and Social Risks

Including environmental and social risks as part of our overall risk management process is simply good business and reinforces our corporate obligation to act responsibly. Whether it is changing climate patterns, data that suggests new trends for frequency or severity of losses, or new societal patterns or values that influence activity, the people at AmericanAg™ are charged with addressing a broad range of risk management impacts related to environmental and social issues.

To help both our people and our clients in these areas, we utilize a number of methods such as:

- ✓ Underwriting guidelines that identify acceptable risks within certain defined measurements and parameters
- ✓ Investment guidelines that identify guideposts and restrictions regarding types and limits of investments made at the corporate level
- ✓ A Code of Conduct that outlines our shared responsibilities to our clients, business partners, colleagues, and communities
- ✓ Utilization of and reliance on an Internal Audit department to help us check that we are staying within the boundaries that we set for ourselves

Board of Directors

Our commitment to sound governance is reflected by the following:

Code of Conduct

The Code of Conduct is a foundation of our culture of integrity. It supports our values, standards of business integrity, and professionalism. The Code of Conduct is reviewed and approved on an annual basis by the Board of Directors. It addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, information security, protection and proper use of company assets, compliance with laws and regulations, and reporting of illegal and unethical behavior.

Orientation and Board Training

All new members of the Board of Directors attend an orientation session that includes topics about the reinsurance industry, the history and operational structure of the company, and duties and obligations that each Director has toward the company.

Board Performance Evaluation

Performance evaluations of the Board are conducted no less than every three years via a self-evaluation format to determine whether the Board and its committees are functioning effectively, including assessing whether the Board has the right mix of skills, experience, and talent.

Advisory Board Directors

AmericanAg™ bylaws call for the Board of Directors to include between five and seven Advisory Directors that are former insurance company executives.

Routine Meetings Between the CEO and Chairman of the Board

Routinely scheduled meetings between the CEO and Chairman of the Board allow for a free flow of information concerning operational successes and challenges, business strategy, and items to be discussed with the full Board of Directors.





American Agricultural Insurance Company

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