

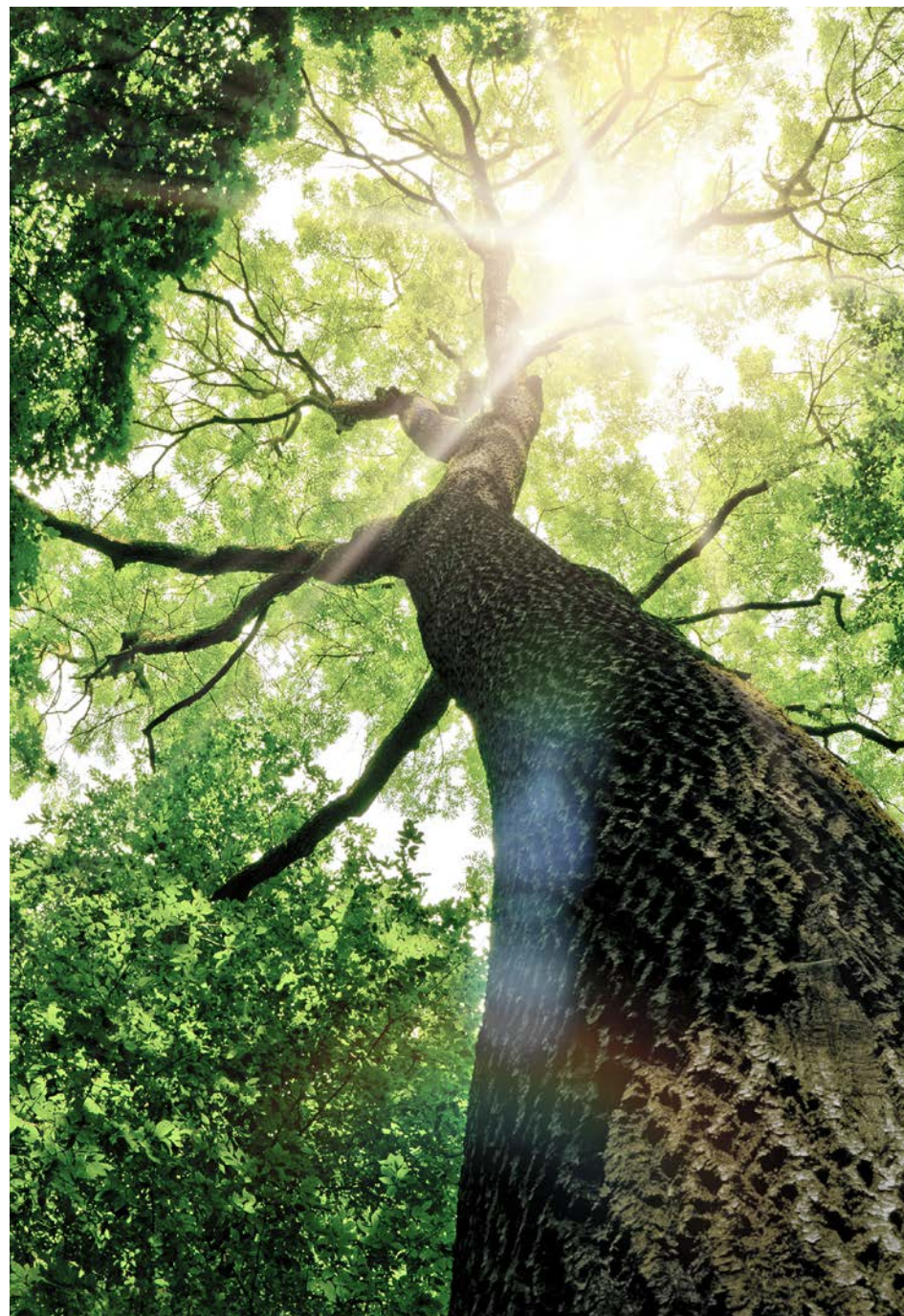
2025

Task Force on Climate-Related Financial Disclosures Report



Contents

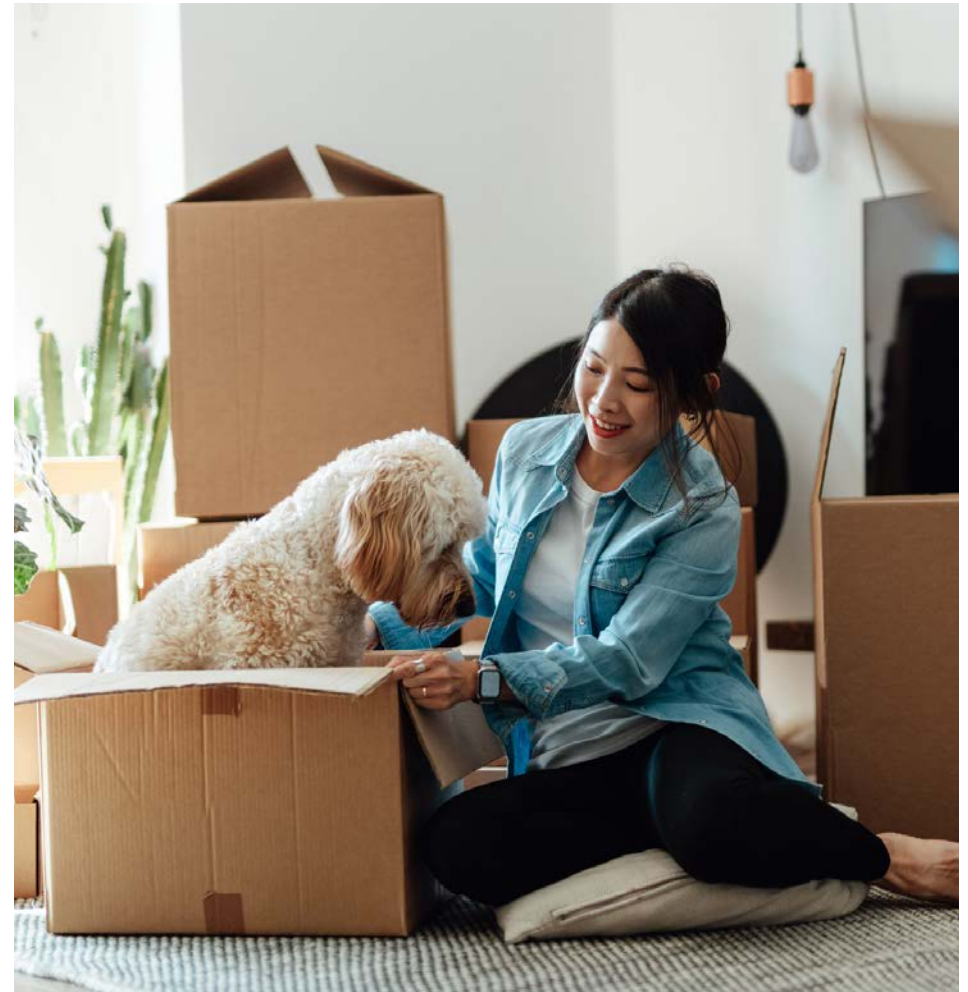
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Introduction

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 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. As a good neighbor, we are committed to reducing our impact on the environment and improving the long-term resiliency of the planet.

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 focuses 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 the report, terms such as “we/us/our” shall refer to State Farm Mutual Automobile Insurance Company.



As a good neighbor, we are committed to reducing our impact on the environment and improving the long-term resiliency of the planet.

Introduction

This report, in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD), offers information about how we govern, evaluate and pursue these efforts. 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 losses caused by specific perils arising out of natural disasters, such as wildfires, hurricanes, severe convective storms and other severe weather events.

We know that a better world tomorrow starts with a strong neighborhood today. Our sustainability efforts are centered around three focus areas:

- **Communities** – State Farm is committed to helping our communities in ways that align to our brand and our business, focusing on building safer, stronger and better-educated communities that benefit everyone. From volunteer hours to disaster relief, our Good Neighbor spirit shows up to make a meaningful difference in communities.
- **Environment & Resiliency** – The work toward a better, more resilient tomorrow begins today. We're striving toward integrating resiliency efforts into our business to help more people every day. By identifying ways to act responsibly with our natural resources, and predict and prevent losses, we will be able to better serve the needs of future customers.
- **Governance** – Fostering an ethical culture is essential for building trust, and corporate governance is the foundation that supports our brand.

We began offering auto insurance more than 100 years ago and added property, liability, financial services and life insurance products over the years. Today, State Farm offers more than 100 products and services to our customers. Through many significant weather events and major disasters, we continue to maintain 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 be able to better match price to risk and underwrite insurance for millions of American homeowners and businesses.

At State Farm, we know homeownership is becoming increasingly challenging for many Americans. Rising home prices, mortgage rates, insurance premiums and costs of repairs and maintenance — intensified by the growing frequency and severity of regionally specific catastrophic events — have increased the risk of large financial burdens for customers. These trends are reducing both the affordability and insurability of homes. State Farm efforts such as insurance discounts, resiliency research, and public policy advocacy support progress.

We are concentrating our 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 strengthening building codes, raising general awareness of loss mitigation measures and addressing resiliency issues. Buildings constructed with resiliency in mind and under newer building codes or other enhanced construction techniques have been shown to sustain less damage from severe events such as hurricanes, wildfires, wind and hail, 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.

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 Change²

The Board of Directors of State Farm has the responsibility for oversight of strategy and the 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 risk oversight responsibilities. The Board monitors the pricing and underwriting performance, along with catastrophe exposure and other loss experience, and provides insights to assist State Farm in meeting the established strategic direction. The increasing frequency and severity of severe weather events are not the only factors that impact the pricing and underwriting approach or strategy but are examples 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.

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 and Investment; Law, Regulatory and Public Policy; Nominating and Corporate Governance; and Technology. Each Committee has specific oversight responsibilities according to its charter, and each plays a role in the oversight of sustainability activities, including the risks associated with climate change and monitoring management's progress on sustainability topics.

The Board of Directors draws upon the expertise, experience and diversity of background and thought of its members in fulfilling its 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

Management of Risks Associated with Climate Change

Sustainability Executive Steering Committee

The Sustainability Executive Steering Committee includes 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 helps ensure the enterprise is operating within the risk appetite and risk tolerances, and escalates risk issues to the Board of Directors and/or applicable Board or management 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 provides a framework to identify, assess and manage risks, including risks associated with climate change. ERM promotes and helps ensure a risk management culture throughout State Farm that enhances risk awareness and enterprise 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, Enterprise Risk Management, Financial Operations, Human Resources & Development, 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 its insurance affiliates are proud to provide home and auto insurance to customers across 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 a more 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 a more environmentally sustainable and resilient manner.

Strategy

Financial Strength

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 adequate coverage based on the 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 & 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 and will require advanced modeling tools and adequate financial strength.

- **LA Wildfire Response:** In January 2025, wildfires burned through Los Angeles neighborhoods and disrupted thousands of lives in what remains the largest catastrophe in State Farm's history. State Farm General Insurance Company — the State Farm company that provides homeowners insurance in California — remains focused on helping our customers recover. More than 13,700 claims are being handled, and as of July 2026, more than \$6 billion in payments have been made to families whose homes, cars and property were damaged or destroyed. And because many claims, repairs and rebuilds are still underway, we expect total payments could reach \$7 billion.
- **Illinois Severe Weather Trend:** Illinois has experienced three consecutive years with more than 120 confirmed tornadoes, and the 2026 season has remained exceptionally active with 210 preliminary tornado reports through June. While tornadoes often dominate headlines, wind and hail frequently cause the most widespread property damage. State Farm's hail claims data show Illinois' growing exposure over the past four years. As of June 19, State Farm's Illinois customers have filed nearly 50,000 severe weather-related claims for home and auto. This puts Illinois on pace for the highest catastrophe claim volume in a decade. In Illinois, homeowner claims are currently 47% above the 10-year average, and State Farm auto lines business is on track for its second-highest catastrophe claim volume in the past 10 years.

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.

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

State Farm analyzes catastrophe exposure at various levels, including state, region within a state, and affiliate, utilizing a science-based approach unless prohibited by law. 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 help 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 continuously measures and models risk for the covered perils 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.

Product Strategy & 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 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 wildfires, hurricanes and severe convective storms. By incentivizing policyholders' actions through actuarially justified discounts off adequate rates, policyholders can lower their premiums and make their homes more resilient. This allows them to reduce or more effectively manage their exposure to a catastrophic loss. For example, as of year-end 2025, over 444,000 policyholders received 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 local building codes, creating a more resilient home in the event of future severe weather events. 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 (IBHS).
- State Farm has dedicated teams focused on resiliency and sustainability who seek to help meet changing customers' needs through the following:
 - Refining product offerings in areas that are more exposed to 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.

Strategy

Research, External Relationships and Public Policy

State Farm works with organizations across the country — such as 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 promotes a future state where communities are more resilient 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, and the impacts of population density, land use and community resiliency. This includes advocating for sophisticated catastrophe modeling, which can supplement historical data and increase accuracy of projected potential loss exposure in the event of a catastrophe with current information. Regulation that may limit the use of current and future catastrophe modeling capabilities could negatively impact the ability of State Farm 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™.

Sustainability in Operations

Having a mission to help people manage the risks of everyday life, recover from the unexpected and realize their dreams, we 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:

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 program provides multi-family affordable housing owners, operators and developers with training and resources to make affordable homes and housing developments more resilient to local environmental risks. In 2025, these Resilience Academies hosted housing organizations from Arizona, Utah, Colorado and New Mexico. The curriculum addressed Southwest-specific climate hazards, including extreme heat, prolonged drought and intensifying wildfires.

Habitat for Humanity: State Farm provided \$200,000 to Habitat for Humanity's Habitat Strong Program, supporting code-plus construction practices and resilient building materials to help homes better withstand extreme weather. The program helps Habitat affiliates in disaster-prone areas build and repair affordable homes using proven methods that enable communities to build back stronger.

Strategy

Disaster Response and Recovery: In 2025, State Farm provided more than \$8 million to support disaster preparedness and recovery programs across the United States. Nearly \$2.6 million of this total supported natural disaster relief efforts involving tornadoes, flooding and wildfires.

Arbor Day Partnership: State Farm provided \$700,000 to the National Arbor Day Foundation in support of tree planting and reforestation efforts in communities impacted by natural disaster. This funding made it possible to plant more than 124,815 trees across 21 communities in 14 states throughout 2025. These efforts also assisted in sequestering nearly 48,166 metric tons of CO₂.

National Fire Protection Association®: State Farm provided \$200,000 to the Wildfire Community Preparedness Day campaign, which encourages people to act on the first Saturday in May to help raise awareness and reduce wildfire risks. Each year, Preparedness Day actively encourages groups and individuals living in wildfire-prone areas to complete projects that can help make their homes and communities safer from wildfires.

Federal Alliance for Safe Homes, Inc.: State Farm provided \$200,000 as the national sponsor for the Federal Alliance for Safe Homes (FLASH) campaign “WildfireStrong – No Fuel. No Fire.” The campaign encourages wildfire safety action. The WildfireStrong website offers free tools and resources to help homeowners reduce wildfire risk.

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.



Strategy

2025 Emissions Reduction

State Farm has exceeded its original target of reducing Scope 1 and 2 greenhouse gas (GHG) emissions (50% by 2030) for the past three years. Since our 2019 baseline year, State Farm has decreased emissions by 58%, from 202,004 metric tons of CO₂e to less than 85,000 metric tons in 2025. We continue to pursue further GHG reductions beyond our existing 2030 goal. State Farm will continue to reduce emissions where possible through operational investments, clean energy procurement and low-carbon solutions — while evolving our strategy as technologies mature and opportunities become feasible.

Continuing to successfully reduce emissions has been achieved by:

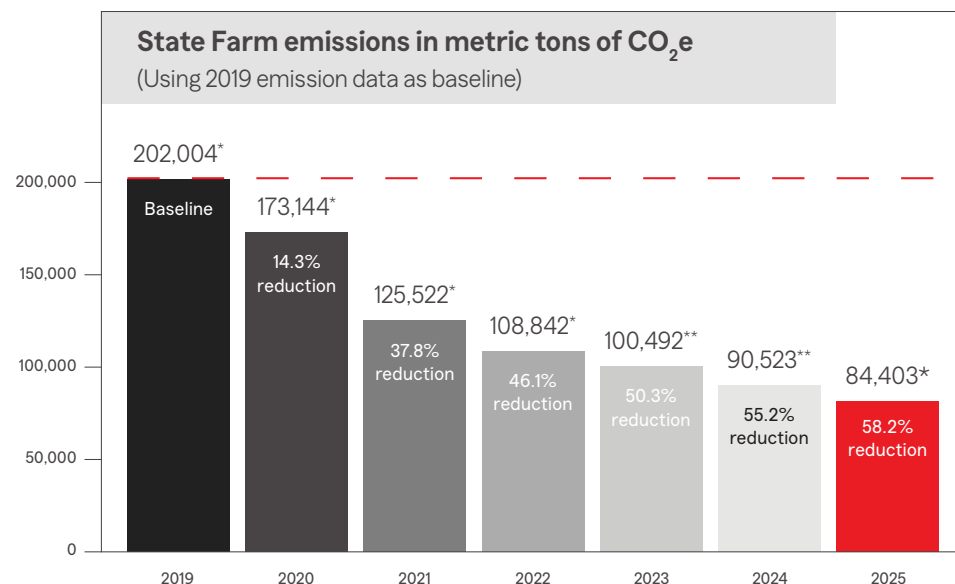
- Streamlining our real estate footprint to match current needs
- Boosting building efficiency to reduce energy use
- Procuring renewable and emissions-free energy in Illinois, Texas, Pennsylvania and Ohio.

Reducing Waste

In 2025, State Farm continued to reduce operational waste through targeted waste diversion and circular economy initiatives. In collaboration with food service vendors, more than 158,728 pounds of cafeteria waste and compostable packaging were composted at State Farm facilities in Bloomington, Illinois.

State Farm also incorporated circular economy principles into facility improvement projects. During a break room remodel, approximately 93,750 square feet of luxury vinyl tile (LVT) flooring was recovered and recycled into new flooring products through a closed-loop manufacturing process. This initiative diverted waste from landfill and reduced associated GHG emissions.

Additionally, State Farm maintained TRUE (Total Resource Use and Efficiency) certification at both Multi-Regional Services Facilities (MRSFs) by exceeding the program's 90% landfill diversion requirement. A comprehensive recycling audit was conducted at the Bloomington MRSF resulting in the implementation of an enhanced recycling sorting system and employee education materials to support continued landfill diversion and resource efficiency.



*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, 2025](#).

**Calculations for 2023 and 2024 followed methodologies and assumptions from prior years in which limited assurance was obtained. We did not pursue assurance statements for 2023 and 2024.

Strategy

Investment Approach

Analysis & Decision Making

Risks associated with State Farm investments are continuously monitored and evaluated in order to preserve State Farm financial strength and ability to meet the obligations to our policyholders. State Farm investment analysis evaluates all material risk factors during the decision-making process, 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 expected 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 properties with LEED (Leadership in Energy and Environmental Design) 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 hundreds of millions of dollars to targeted funds that support various environmental and social initiatives, while also investing billions in green and sustainability bonds.



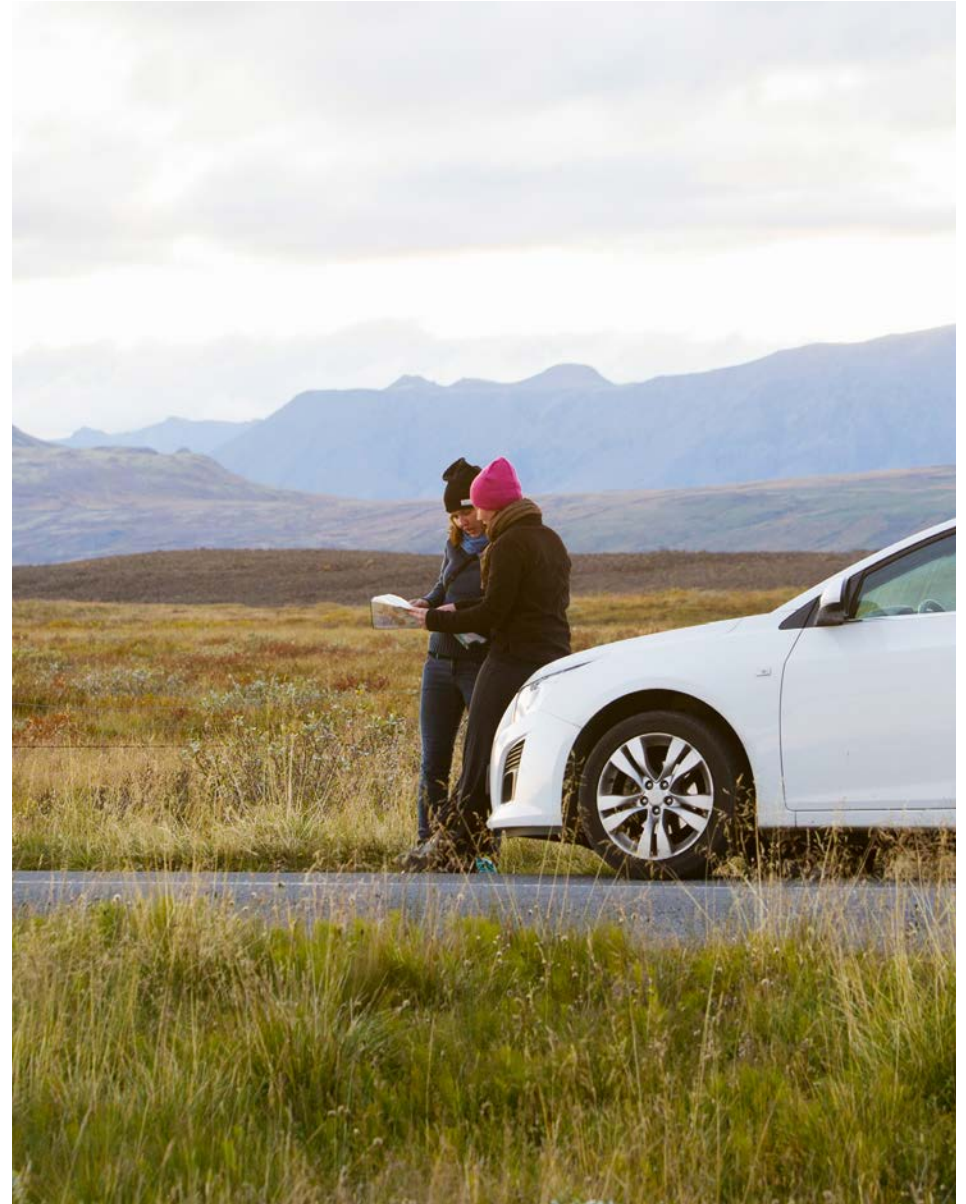
Risk Management

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.

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

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 actively identifying, assessing and managing risks associated with climate change.



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. This framework allows for the consistent reporting and evaluation of 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 provides an overview of 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 uses advanced risk modeling and data analytics that incorporate the latest climate science and improve data quality to accurately capture exposure shifts.

Additionally, ERM and business areas regularly conduct risk assessments which include but are not limited to 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 (e.g., a three- to five-year time horizon). In the future, when looking at risks associated with climate change, 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.

The process of assessing the overall financial strength of State Farm, which includes assessing 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.

Legal System Abuse

Legislation, regulations and post catastrophe litigation in catastrophe-prone areas can affect the financial impact of large events. State Farm is carefully monitoring legal system abuse, which contributes to higher loss costs and places pressure on the affordability of insurance for consumers. Legal system abuse is generally 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. This industry-wide issue has resulted in research and collaboration with several external organizations.

Risk Management

Customer and Employee Preferences

State Farm understands that how we address the risks associated with climate change, as well as our environmental sustainability efforts, can be 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 generally expect organizations to address the risks associated with climate change, and employees generally want to work for organizations which have a positive environmental impact.

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.

Key takeaway: State Farm surpassed its 2030 science-based target of a 50% reduction, achieving a 58.2% reduction in 2025.

Data

Reduction KPIs	Result
Scope 1	-23%
Scope 2 (Market-Based)	-73%
Total Operational (Market-Based) Emissions	-58%
Electricity Consumption	-46%
Natural Gas Consumption	-42%
Science-Based Aligned Target Status	On-Track

Progress against science-based target*

Metric (MT CO ₂ e)	2019 Baseline	2025	% Change
Scope 1	59,041	45,253	-23.40%
Scope 2 (Market-based)	142,963	39,150	-72.60%
Scope 2 (Location-based)	213,373	88,433	-58.60%
Scope 1 + 2 (Market-based)	202,004	84,403	-58.20%

Internal operations energy consumption

Energy Metric	Unit	2019	2025	% Change
Fleet Fuel	gallons	3,512,711	3,352,107	-4.60%
Facility Fuel	gallons	59,308	40,192	-32.20%
Electricity	MWh	399,765	213,968	-46.50%
Natural Gas	therms	4,753,159	2,778,176	-41.60%

*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](#) and [Dec. 31, 2025](#).

Looking Ahead

State Farm will strive to continue reducing greenhouse gas emissions, resulting in increased efficiency and lower costs. Efforts will continue to focus on operational efficiencies and leveraging renewable energy resources. As office occupancy increases, State Farm will continue pursuing energy-efficient building operations and other sustainability initiatives to help reduce emissions while supporting a productive workplace environment. Ongoing analysis of weather-related activity will help inform adaptations to pricing and products to best meet 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.

