

# Living our Values





# Welcome

At Liberty Mutual, we believe progress happens when people feel secure. This belief is underpinned by our conviction that insurance is a socially responsible product, delivering security to people and businesses.

We are committed to being Environmentally conscious and a force for Social good, while operating with the highest standards of Governance (ESG). In this ESG review, we describe how we deliver on this commitment, with examples and performance metrics from across the business. We focus on the 2019 calendar year, but since this is our first review, we also reference activities in recent years that have led us to where we are now.

**Our purpose:**  
to help people embrace today and confidently pursue tomorrow

- Our Values:**
1. Act responsibly
  2. Be open
  3. Keep it simple
  4. Make things better
  5. Put people first

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# CEO welcome



**David H. Long**  
Chairman & Chief Executive Officer, Liberty Mutual Insurance

We exist to help people embrace today and confidently pursue tomorrow. This purpose is clear in our insurance products that bring security to individuals, families and businesses around the world; within our diverse, inclusive and dynamic workplaces; and in the trust that communities place in us.

This may be our first ESG review, but we've been helping people face environmental and social change since 1912. Today, with a dedicated Office of Sustainability led by a chief sustainability officer (CSO), we address ESG challenges within the context of a [global agenda for change](#), with consideration to the UN Sustainable Development Goals (SDGs), the UN Global Compact (UNGC) and the Taskforce for Climate Related Financial Disclosures (TCFD), among other international principles.

#### Investing in our communities

We believe that we can play a positive role in our communities, and giving back is deeply ingrained in our culture. Through both [volunteerism and financial giving](#), we invest generously in the causes and programs that our employees care about and that make the communities where

we live and work stronger. In 2019, this amounted to \$46 million and more than 150,000 employee hours. I'm proud that we were recognized by People Magazine as one of 50 Companies That Care and other accolades that speak to our commitments as a responsible corporate citizen.

#### A diverse and inclusive business

We bring our Values to life every day through our [inclusive workplace culture](#) focused on career development, employee well-being and, above all, doing the right thing. Our Diversity and Inclusion strategy is central to this, driving innovation and maintaining our reputation as an employer of choice. Employee engagement, candidate experience and customer satisfaction all depend on a culture of inclusive leadership, so I'm proud to see us listed once again as a Best Workplace for Diversity by Fortune magazine. But there's always more to do, and creating more paths for women and under-represented groups to progress through the organization will be one priority as we move forward.

#### Our climate commitment

As an insurer, we see the impact of climate change firsthand as we help our policyholders recover from loss and protect what matters most to them. Environmental sustainability, and the

impact of climate change, has been a key focus for us for some time. In addition to managing climate risk in our underwriting, we are expanding our investments in renewable energy production and decreasing our exposure to fossil fuels. Transitioning away from fossil fuel financing is surprisingly complex, and it won't happen overnight - we explain why in our [climate change feature](#). Leading the way in our own operations, our buildings are more sustainable than ever, with six offices in the U.S. all certified as meeting Leadership in Energy and Environmental Design (LEED) standards, alongside many other eco-efficiency accomplishments.

#### The path ahead

Operating with transparent, ethical governance is vital to helping our customers face environmental and social challenges - and to our own viability as a respected corporation. I am proud of the ambitious commitments we have made and look forward to working alongside our CSO to continue making progress on our ESG journey.

**David H. Long**  
Chairman & CEO



Best  
Workplace  
for Diversity  
Fortune magazine 2019



\$46 million  
community investment

# Q&A with our CSO



**Francis Hyatt**  
Chief Sustainability Officer

In 2019, Francis Hyatt took the helm as our first CSO. We spoke to him about what sustainability means at Liberty Mutual and what his priorities are for 2020.

## **Q. Why has this new role been introduced at Liberty Mutual?**

**A:** Our employees and other stakeholders are rightly concerned about issues facing their communities and the planet. We've been tackling many of these issues for decades, but we've not been very good at talking about it. With my role, and the new Office of Sustainability, we've got an enhanced organizational focus that allows us to share our achievements and what we want to do better. It's also a chance to coordinate across the enterprise so that the approach we take is consistent across our various business functions. Addressing topics ranging from diversity and inclusion and climate change, to homelessness and data protection requires us all to play our part. My task is to ensure we work together, from board members to claims handlers – to create a truly positive impact on society and the environment.

## **Q: What do you think it will add to the business?**

**A:** Something that first drew me to Liberty almost 30 years ago was our reputation as a trusted business. There's no doubt that we've always embraced our social and environmental responsibilities, and we're always striving to build on the progress we've already made. With this new role and the Office of Sustainability, I see a real opportunity for us to more formally integrate ESG activities into every business function. This will help us live our Values

and embrace the opportunities that a more sustainable world offers. I also think there's a great story we can begin to tell the wider world. This inaugural review is an important first step in our reporting and communications journey.

As a steward of Liberty Mutual's important ESG work, I take my new responsibilities very seriously. I believe that we can all drive positive impact in society – as individuals, as communities and as companies.

## **Q: What are the main ESG challenges we are facing?**

**A:** Each day, we see firsthand how environmental and social trends are impacting policyholders and their communities. Whether it's homes and businesses damaged by wildfires or floods or safeguarding employees from discrimination. ESG issues are rarely straightforward and are usually connected to wider societal challenges. This review gives insight into some of these issues. Liberty was an early leader in the global transition to renewable power and resources, and since 2007 has invested over \$1.25 billion in wind, solar, and hydro power projects and sustainable forestry initiatives around the world. We continue to pursue opportunities to help move our economy to more eco-friendly sources of energy and products.

I'm proud of the work our teams have done to advance access for people with disabilities with the openings of Liberty Playground in Plano, Texas, and Thomas M. Menino Park in Boston, and to empower individuals who are experiencing homelessness with our \$5 million philanthropic grant that supports

organizations in greater Boston working to reduce and end youth homelessness.

The review also discusses how we embrace insurance as a social good, diversity and inclusion and community giving, data protection and ethical conduct. Across these topics, we're capturing key performance data and case studies of best practice. We still have work to do in this area, and I plan to continue developing our reporting capabilities in this role.

## **Q. What are your priorities for 2020?**

**A:** As a global, values-based company committed to doing what's right for our customers, our employees and communities, we also need to continue to do our part to make the communities in which we work and live better for those in need or who may have special needs. I'm focused on fostering a culture of ESG awareness. That starts with making sure we have the right tools and systems in place to anticipate future ESG risks and address them proactively.

We continue to make progress in Diversity and Inclusion, and this year we're expanding our efforts globally and increasing our employees' skill development to strengthen Liberty's inclusive workplace. A motivated workforce that mirrors the diverse customers and communities we serve is critical to success, as is communicating both our successes and challenges. I'm proud to be building on strong, ethical foundations. Applying Liberty Mutual's solid principles to the ESG agenda is an obvious next step and I'm excited to move forward.




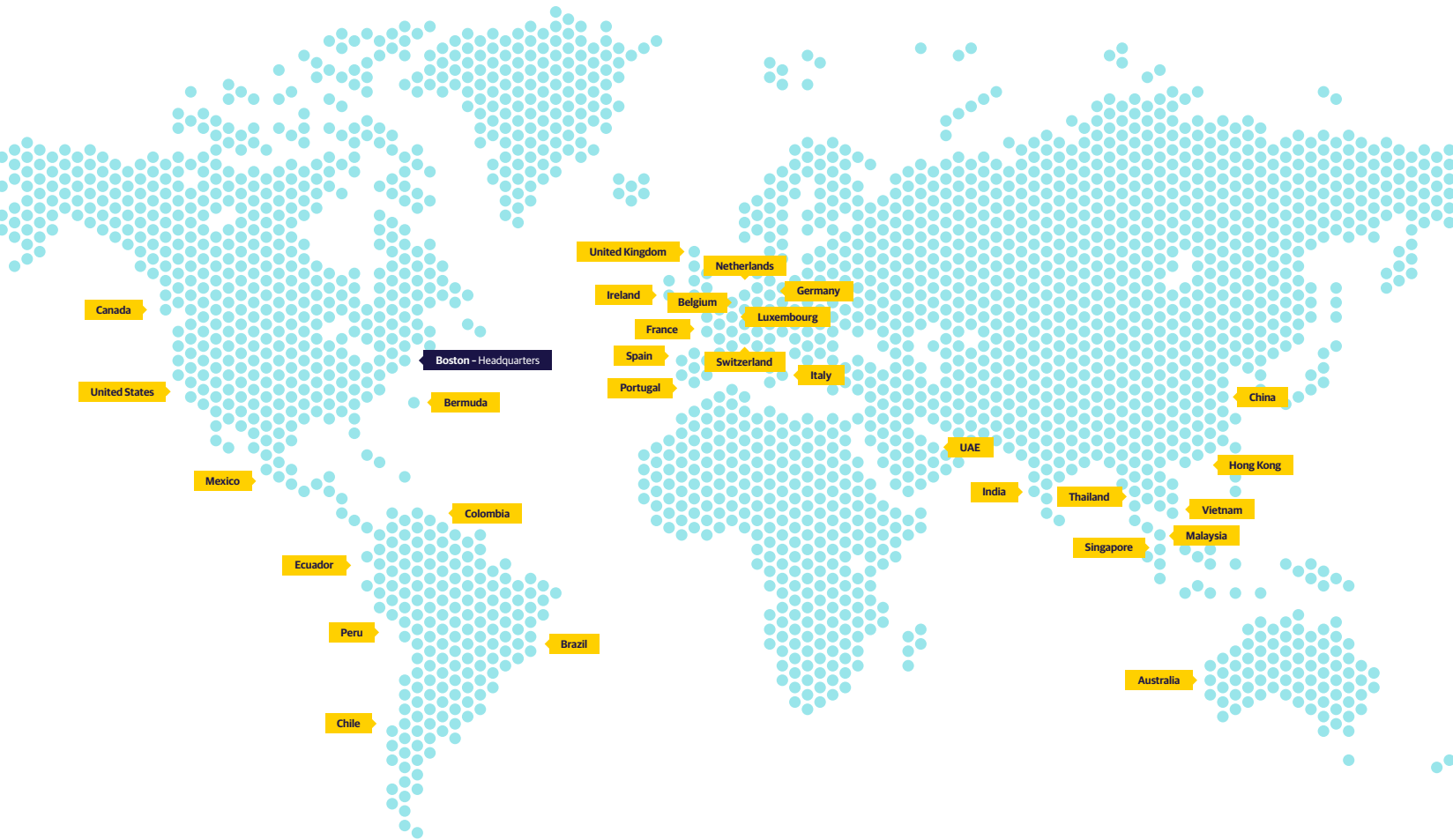
# About us

From our humble beginning in 1912, we've grown to become the world's sixth largest global property and casualty company<sup>1</sup>, employing more than 49,000 people in 29 countries around the world.

We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety and commercial property.

As of Dec. 31, 2019, we had \$43.2 billion in annual consolidated revenue.

 Find out more about Liberty Mutual on our website



# #75

**Fortune 500**  
(based on 2018 revenue)



# 6th

**Largest property and casualty insurer globally<sup>1</sup>**



more than  

# 49,000

  
employees



# 29

**countries and economies**  
around the world

<sup>1</sup> Based on 2019 gross written premium, excluding state owned companies



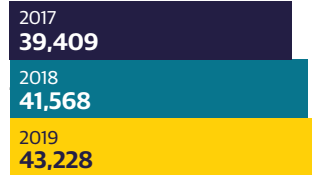
# Impact at a glance

## Financial highlights

### Net written premium (\$m)



### Revenue (\$m)



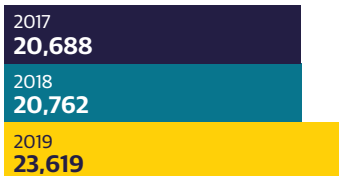
### Combined ratio (%)



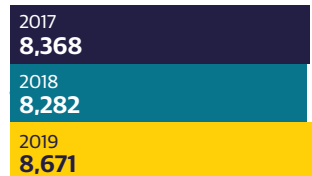
### Net income (\$m)<sup>2</sup>



### Total equity (\$m)



### Total long-term debt (\$m)<sup>3</sup>



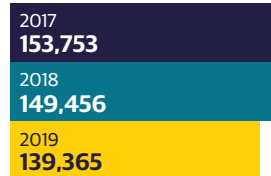
Find out more about our financial performance on our website

<sup>2</sup> Net income represents net income attributable to Liberty Mutual Holding Company Inc.

<sup>3</sup> Excludes unamortized discount and debt issuance costs

## ESG highlights

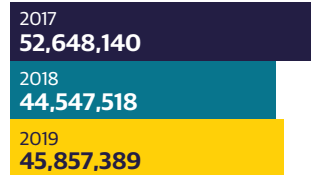
### CO<sub>2</sub>e emissions (metric tons) absolute



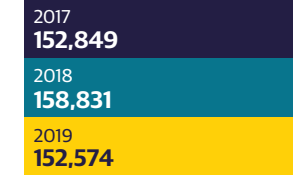
### Ratio of investment in renewables to investment in oil and gas



### Community investment spend (\$)



### Number of employee hours spent volunteering



### Score in Human Rights Campaign's Corporate Equality Index (%)



### Number of women on the board



Find out more about our ESG metrics later in the report

[See definitions online](#)

# Our focus topics

Our role as a global insurer and investor exposes us to a broad spectrum of ESG issues. That's why we try to focus our sustainability work on the areas where we can make the biggest impact. In a further step along our ESG journey, in 2019 we conducted research to gain insight into the issues that matter most to our stakeholders.

We engaged ESG experts to design and deliver an online survey for our employees and select external stakeholders in our U.S. market. Over six weeks, 1,200 employees completed the survey, as well as 400 individuals from each of the following groups: Liberty customers, prospective employees and general consumers. Our goal was to understand the relative importance of key ESG issues for our stakeholder groups.

The key headlines from this process were:

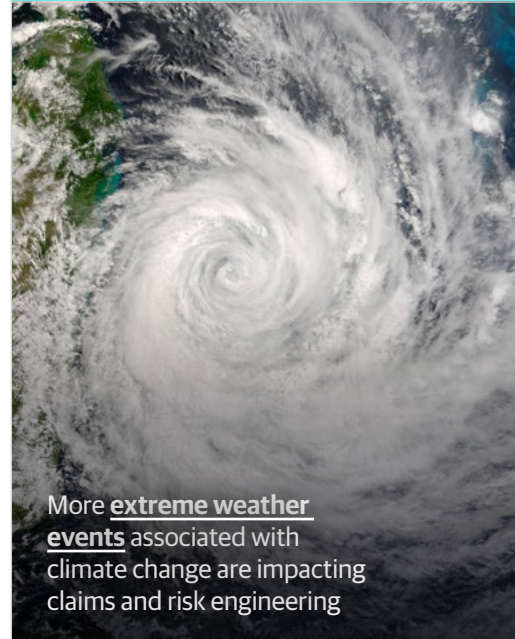
- Social issues of data privacy and health/welfare are top concerns, especially for employees and job seekers
- Consumers are generally most concerned with governance issues, particularly around ethics and communication
- As expected, participants report concerns about environmental issues

2,400  
stakeholders engaged

In the coming 18 months, we plan to develop this work by engaging more stakeholder groups, expanding in markets beyond the U.S. and exploring topics more deeply, with a view to prioritizing them in a formal "materiality" process. In the meantime, the Office of Sustainability will be driving our approach forward by:

- Integrating the ESG framework through the business via the ESG Operating Committee
- Collaborating with peers, governments and other stakeholders to better understand issues
- Building organizational capacity and applying our Values to the ESG space
- Transparently disclosing progress and challenges

## Insurance in a changing world: ESG megatrends



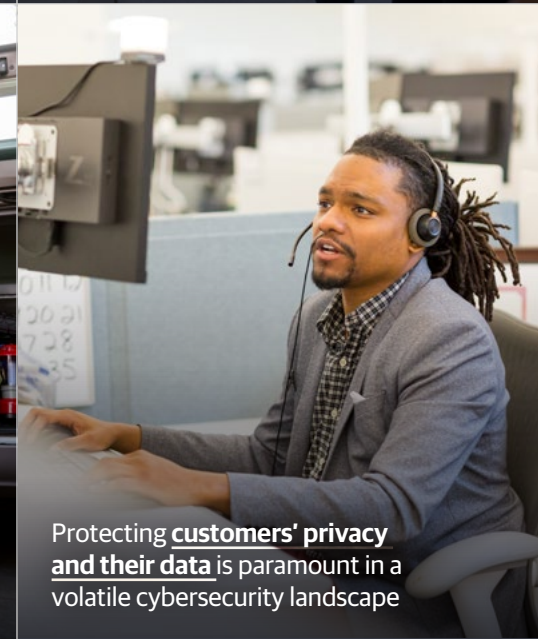
More extreme weather events associated with climate change are impacting claims and risk engineering



Rising expectations for employers to embrace talent from all backgrounds, and to foster inclusion and equality in their communities



Customers expect innovative products, designed for their individual needs, and delivered with outstanding service



Protecting customers' privacy and their data is paramount in a volatile cybersecurity landscape

# ESG governance

Managing our material ESG issues robustly and consistently across multiple business units requires a clear system of governance. The board has ultimate accountability for our ESG framework, and the ESG Operating Committee working with our businesses to further embed it strategically and operationally.

To ensure open lines of communication, the ESG Operating Committee regularly reports progress to the executive leadership team and the board, with critical or urgent issues raised in between these updates.

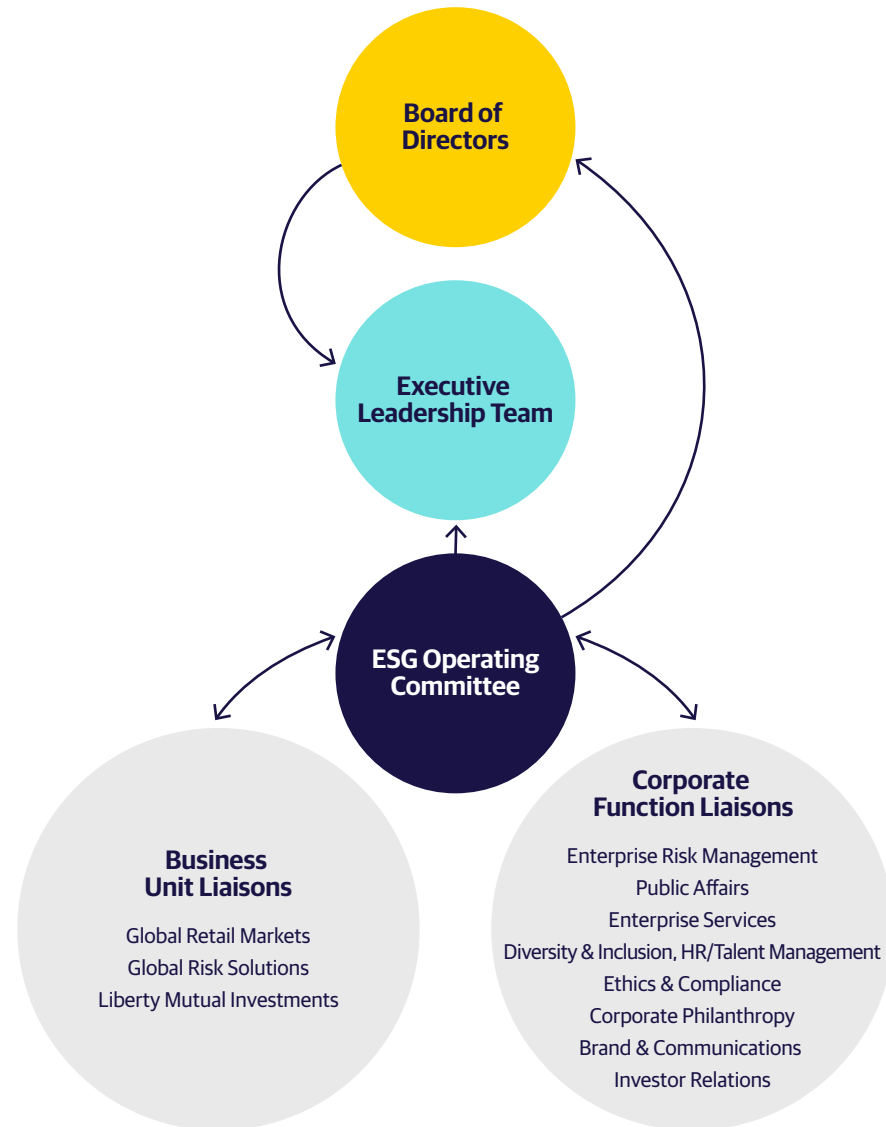
The CSO will formalize our ESG Operating Committee. The CSO will lead the company's Sustainability Office and drive implementation of our ESG initiatives, in partnership with subject matter leads across the organization. Recognizing that the ESG agenda is constantly evolving, the ESG Operating Committee will work with the ERM Emerging Risks Committee to catalog and understand ESG-related emerging risks and coordinate appropriate monitoring and/or mitigation activities. The ERM Emerging Risks Committee identifies, evaluates, prioritizes, and monitors latent and manifesting emerging risk exposures that could have a significant financial or operational impact on the enterprise, and reports up to the Board Risk Committee via the ERM governance structure. This group helps the ESG Operating Committee address a wide range of growing ESG issues.

“I look forward to working across the business to embed and enhance our response to the ESG issues we face. We have complete engagement from our leadership, and our employees are motivated to play their part in making a difference.”  
 – Francis Hyatt, CSO

### Sustainable Development Goals (SDGs)



## Cascading ESG management through the business





# Managing enterprise risk



We're continually improving our understanding of ESG issues so we can create sustainable value and help people embrace today and confidently pursue tomorrow. This work spans not only our underwriting and investments, but also our wider risk management insights that help customers prepare for the unexpected.

In Investments, we believe that material ESG issues should inform investment decision making and risk-management practices. The identification, understanding and management of ESG factors can enhance our ability to meet our long-term investment objectives. We're committed to continuously improving our knowledge of and engagement on ESG issues, which will help create sustainable value and help people feel secure.

In our Credit Research analysis, we look at many ESG factors of interest to credit rating agencies, which drive the underlying long-term fundamentals of the business. These may range from carbon regulation and demographic trends to risk management, health and safety, and financial transparency. We also monitor sector-specific factors like the environmental impact of oil and gas.

In Global Risk Solutions, we conduct risk assessments into extreme weather exposure, deploying risk tools and communicating a plan of action. In addition to having insurance, this helps people manage climate risks.

### Risk in a changing world

Our Enterprise Risk Management (ERM) function has consistently earned a "Strong" rating from Standard & Poor's, placing us in the top 20% of North American insurers. Like most of our peers, we adopt a "three lines of defense" approach to risk governance.

Recognizing the increasing threat from climate change, ERM has a specialized Catastrophe Research and Development function to analyze catastrophe models for perils such as hurricane, earthquake, tornado/hail, and winter storms. This group customizes vendor models or builds specific models to create what we call the "Liberty View of Risk," which helps Liberty make informed underwriting, pricing and reinsurance decisions that will protect customers. In 2019, we enhanced our wildfire modeling capabilities as part of continuous improvement (see our response to growing wildfire losses in the [Environmental section](#)).

In 2020, ERM will continue to evolve Liberty's risk appetite framework and improve models and processes to allow the company to better understand risk-return trade-offs and make sound business decisions in service of our policyholders.

The workers' compensation landscape continues to evolve due to medical, legal and social trends. Alongside our trusted brokers and partners, we're offering certain corporate customers a **Prevent & Protect Portal** to enable their employees to access support on any workplace-related issues they face.

### Sustainable Development Goals (SDGs)



Visit our website for more details on our approach to risk

# The global agenda

By managing ESG challenges and opportunities strategically, we're making a valid contribution to the wider global agenda for sustainable development. In 2019, following an external materiality review, we correlated our approach to five of the [UN's 17 SDGs](#).



- Insurance as a social good
- Managing ESG risks
- Empowering our people
- A community partner



- Peace of mind in a warming world
- Decarbonizing investments
- Leading the way



- Insurance as a social good
- Empowering our people
- Diversity and inclusion
- A community partner



- Peace of mind in a warming world
- \* Decarbonizing investments
- \* Leading the way



- Decarbonizing investments
- Diversity and inclusion
- Managing ESG risks
- Data protection



Our commitment to operate as a responsible business is underpinned by our ability to deliver sustainable economic growth. Across everything we do, we're guided by the Universal Declaration on Human Rights, the UN Guiding Principles on Business and Human Rights and the principles of the International Labour Organization. These are reflected in our policies, Code of Conduct and human resources programs. We are looking to align our activities with the UNGC in the coming months.



On the topic of climate change, we support the recommendations made by the [TCFD](#), and we intend to investigate how best to apply the framework in 2020.



[Find out more on our website](#)



# Environmental Impact

The world is fully aware of the need for climate action, and the insurance sector is no exception

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Renewable energy has overtaken coal as the largest source of installed power capacity globally

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We're continuously enhancing our insurance offerings and developing our underwriting expertise in low-carbon energy sources

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Over the past decade, our energy investment strategy moved toward low-carbon projects

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We're walking the talk in our own operations, reducing our carbon footprint and conserving resources across our sites

# Climate change and the divestment dilemma



The 2015 [Paris Climate Agreement](#) and the fifth report of the [Intergovernmental Panel on Climate Change \(2018\)](#) both make unequivocal cases to limit global warming to well below 2 degrees Celsius. Around the world, we are seeing extensive climate action, and the insurance sector is no exception. However, the world cannot simply flick the switch on fossil fuels overnight – here is why.

Renewable energy has overtaken coal as the largest source of installed power capacity globally, outstripping all fossil fuel sources in terms of new annual growth<sup>4</sup>. This news is arguably more welcome in the insurance sector than any other. We see firsthand how a warming world can destroy the lives and assets of entire communities. Extreme weather has almost become the new norm as climate change pushes our planet into a new, more volatile state. Recent years have been a reminder of that.

Australia experienced its worst wildfires on record in 2019, with more than 11 million hectares of land destroyed and 33 people losing their lives. In California, the 2018 wildfire season was the deadliest and most destructive ever recorded, with 55 fatalities. In southeast Africa, the

\$4.2 – \$43 tn

Estimated financial risk from climate change to global manageable assets by the end of the century<sup>5</sup>

UN reported cyclone Idai to potentially be the worst ever disaster to strike the southern hemisphere, impacting more than 2.6 million people across Mozambique, Malawi and Zimbabwe – very few of whom were insured. In short, climate change mitigation, and the transition to a zero-carbon economy, is not only a moral obligation – for the insurance sector, it's business-critical.

## This begs the question: Why are insurers still investing in fossil fuels?

It may appear contradictory that while one side of the insurance coin acts as a climate change first responder, the other is investing in fossil fuel assets. It's a paradox that we've thought about deeply as we review our energy investment strategy. We believe we need to keep expanding our green energy portfolio in parallel with gradual divestments from fossil fuels. Suddenly boycotting fossil fuels would cause more harm than good. There are four key reasons why.

First, the global reality is that renewable energy still lags fossil fuels in affordability and is therefore prohibitively expensive to many. For example, in some developing economies, people and governments are left with no option but to draw on what may be the only resource they have – coal pits or gas wells. Second, the challenges associated with sporadic renewable energy sources remain unsolved – we're still some years away from a workable solution to store surplus wind energy at night and excess solar during the day. Third, renewable energy infrastructure is energy-intensive in itself – it usually takes fossil fuel power to build wind turbines and solar panels. Finally, the fossil fuel sector employs millions of people – from miners to gas station workers, engineers to truck drivers. Any rapid divestment could have substantial regional impacts.

## Maintaining energy security while pursuing decarbonization

Prematurely pulling out of fossil fuel investments would disproportionately punish those living in energy poverty and regions that depend on oil and gas for jobs and economic stability. It could have significant, potentially devastating impacts on energy security – with possible geopolitical consequences. Grid stability is critical to the functioning of societies. That's why we take the view that, at least for the immediate future, the world needs to retain some level of balance between fossil fuels

and renewable sources while making the transition to a fully decarbonized system. This gives us the greatest chance of addressing the climate challenge without undermining the economic and geopolitical systems required to invest in decarbonization.

At Liberty Mutual, we're working hard to fully understand the complex risks associated with the investments we make and the projects we underwrite. This understanding is vital to finding the right partners to help us responsibly deploy capital for a decarbonized future.

Setting evidence-based targets and making public commitments around energy consumption and emission reductions are a first step in this, as is gradually [divesting from coal](#).

<sup>4</sup> Source: REN21(2016). Renewables 2016: Global Status Report

<sup>5</sup> Source: World Economic Forum, June 2018

# Peace of mind in a warming world

We're continuously enhancing our insurance offerings and developing our underwriting expertise in low-carbon or zero-carbon energy sources. Embracing the renewable energy transition, Liberty Specialty Markets, a part of our Global Risk Solutions business, has expanded its renewable energy insurance products that support wind, solar, geothermal, hydroelectric and biomass.

Risk engineering is fundamental to our underwriting strategy and, in turn, to the trust our customers place in us. Our in-house risk engineers work alongside underwriters to model exposure and provide information on a vast range of loss prevention and control issues. We also draw on the expertise of external academics, researchers and startups. For example, we're currently exploring partnerships with companies that integrate climate prediction with risk analyses to model asset-level risks from flood, fire, heat, drought, cold, wind and hail events down to one-meter resolution. With this level of detail, our risk control and claims teams are better prepared to deal with such events.

In addition to risk engineering, another key strength is the in-house claims handling service we provide to our

policyholders in the event of a loss. Our dedicated specialists include loss adjusters, claims handlers and lawyers. They align themselves closely with our underwriters, risk engineers, brokers and clients, allowing us to respond immediately to reduce losses and settle claims quickly. For example, after the recent devastating fires in Australia and California, our claims teams were on the ground immediately to support people and deploy compensation.

Following these fires and others over the past several years, in 2019, our catastrophe research and development team in ERM, working with business unit modelers and brokers, developed a new "Liberty View" stochastic wildfire model by adjusting the latest wildfire model from our catastrophe model vendor to better match Liberty's historical data, underwriting practices, and the latest info on the weather-wildfire relationship. Going forward, we'll be applying similar approaches to enhance our modeling capabilities for other perils such as flood, European windstorms, and Asia/Pacific typhoons.

### Future resilience

Hurricanes and severe storms make up the majority of our policyholders' natural catastrophe exposure and we will continue to enhance our view of these risks as well. The ERM Corporate Exposure Management team studies the shifting nature of these risks

and factors climate as a variable into catastrophe risk modeling. Liberty also reflects changing realities in product adaptation during annual insurance renewal cycles, especially for property and casualty products, given the direct physical exposure to weather that property, specialty and automobile lines face. Liberty works with industry committees to improve standards, and with other industry stakeholders and public private partnerships, co-develops innovative event-driven parametric insurance products that help address the protection gap. Examples include Africa Risk Capacity, providing micro-insurance to farmers facing drought risks, the Caribbean Catastrophe Risk Insurance Facility, providing quick liquidity after natural disasters, and hurricane coverage for forestry and timber producers in Asia and LatAm.

Members of the **Disaster Responder Partnership Program** of the American Red Cross, a pre-investment in disaster response so that the Red Cross is able to help when it's needed most.

### Sustainable Development Goals (SDGs)



### Our unique perspective on concentrated solar power

Established Concentrated Solar Power (CSP) companies are forming new partnerships and investing in developing markets, transferring expertise to South Africa, the Middle East and North Africa (MENA) region and China with accelerated growth expected over the next few years. We are a market-leading solar power insurer with particularly extensive experience in the CSP sector across Europe and MENA. With the expertise of our engineering team, we have developed a unique understanding of industry and technological issues. Our underwriting and engineering capabilities enable a distinct approach to risk management, ensuring our clients can grow and prosper.



# Decarbonizing investments



# 45

Number of individual hydroelectric facilities we are invested in

Over the past decade, our energy investment strategy moved even further toward low-carbon projects, notably wind, solar and hydroelectric. As discussed on the previous page, our approach is to increasingly divert capital to green energy projects by working alongside organizations that share our commitment to sustainable energy.

With regard to renewable energy financing, we recently established a partnership to develop 3,000 megawatts (MW) of domestic solar power in the U.S., a portfolio that's expected to grow in the coming years. We've also recently enabled the acquisition of 31 hydroelectric facilities with a 255 MW capacity, bringing our total hydroelectric investment to 345 MW across New England, Washington, New York, Virginia, South Carolina, Idaho, California, North Carolina, West Virginia and Pennsylvania.

Globally, we insure on-shore and off-shore wind farms, as well as solar projects, in both developed and emerging markets. For example, in Taiwan we're supporting the country's transition from nuclear and fossil fuel-sourced energy to more affordable clean energy.

### Financing carbon sequestration

As the world transitions to a low or zero-carbon economy, there is still important work to be done to absorb carbon dioxide that's currently in the atmosphere. That's why, alongside our investments in renewable and decarbonized energy sources, we also finance projects that remove or "sequester" carbon from the atmosphere.

In South America, for example, we invest in several forestry assets that are already having a significant carbon-positive impact. Each asset is certified by the Forest Stewardship Council, which represents industry best practices for

sustainable forestry management, including conserving biological diversity, water resources and soils as just a few examples. In Brazil, we have invested in over 25,000 acres of planted teak forests. Here, the land had previously been used for intensive cattle-rearing; turning it over to forest avoids further significant methane emissions associated with grazing. The teak plantations have a net beneficial carbon impact - with a net GHG emissions balance (emissions + removals) at a rate of 168,769 metric tons CO<sub>2</sub>e removed per year. By protecting an additional 40,000 acres of the forest's permanent legal preserve areas, a further 4.6 million metric tons of CO<sub>2</sub>e have been sustainably sequestered. In Uruguay, we have investments in over 200,000 acres of planted eucalyptus and pine forests.

### The complexity of coal divestment

Our 2019 policy states that we will:

- Not make new investments in debt or equity securities of companies that generate more than 25% of their revenues from thermal coal mining or utility companies that generate more than 25% of their electricity production from thermal coal
- Phase out coverage and investments for existing risks that exceed this threshold by 2023

"The release of our global policy on coal is only one step we've taken that demonstrates our commitment to the shift toward clean energy. Our future investment commitments to fossil fuels have also declined by more than 50% over the past several years. We will do more to drive change. We continue to evaluate our practices and governance while remaining thoughtful and measured about the complexities of transitioning to a low-carbon economy globally."

— Francis Hyatt, CSO



Find out more about our global policy on coal underwriting and investing on our website.

### Sustainable Development Goals (SDGs)



# Leading by example

While making lower-carbon investments and underwriting to support customers in an increasingly changing world, we're "walking the talk" in our own operations by reducing our carbon footprint and conserving resources across our sites.

From sustainable building construction and maintenance approaches to smarter catering, procurement and fleet management, our environmental initiatives reflect our purpose — helping people embrace today and confidently pursue tomorrow. As a primarily office-based business, our focus continues to be on the buildings we own and occupy. While reducing our total building footprint by 17% since 2017, we're also pursuing the very highest sustainability credentials within our existing offices. In 2019, we had six offices in the U.S. certified to Leadership in Energy and Environmental Design (LEED) standards, along with eight Energy Star certifications. In London, we achieved BREEAM® status at our 20 Fenchurch office, now dubbed one of the most sustainable buildings of its kind in London.

By the end of 2019, our investment portfolio included 90 MW of hydroelectric power in Massachusetts, New Hampshire and Vermont, as well as 309 MW of wind and solar power in Chile. Today, our Northeast U.S. office buildings and data centers under our operational control are able to source up to 100% hydroelectric power generated from our own investments. Likewise, our LEED Gold campus in Plano, Texas, can meet

® Building Research Establishment Environmental Assessment Methodology

## Smarter travel

With an ultra-low emission vehicle fleet of Low Emission Vehicles (LEV), Ultra-Low Emission Vehicles (ULEV), Super-Low Emission Vehicles (SULEV), and Partial Zero Emissions Vehicles (PZEV), we're quite literally driving down our carbon footprint. In fact, even though our growth demanded a 5% increase in vehicles in 2019, our fleet greenhouse gas footprint decreased by 3%. We're also incentivizing colleagues to make smarter commutes, with priority rideshare parking, electric vehicle charging and lockers/showers for active travelers across our U.S. offices.

up to 100% of its energy needs from our investments in wind energy for internal needs. The renewable energy credits represent the environment benefits equal to the removal of more than 3,000 vehicles each year from highways over the span of the contract.

## Resource efficiency

In a sector that's historically been associated with a large amount of paperwork, we're actively moving toward becoming a paperless operation. In the meantime, increasing recycling is a priority — our secure shredding program alone recycled 2,801 tons of paper in 2019. That's the same as more than two tons of CO<sub>2</sub> avoided, or 47,000 trees saved. Our Print\$mart program has also saved us \$1 million in paper and printing costs.

Since 2016, we've raised \$3.4 million for the Furniture Trust by recycling office furniture at our Massachusetts and New Hampshire offices. To celebrate and champion employee involvement in our environmental initiatives, we've added a sustainability category to our employee awards offerings. It recognizes colleagues that go the extra mile for a greener planet, including recycling efforts, renewable energy, charitable partnerships and reducing carbon.

**2,801 tons**  
of paper recycled via our secure shredding program

## Counting our impact

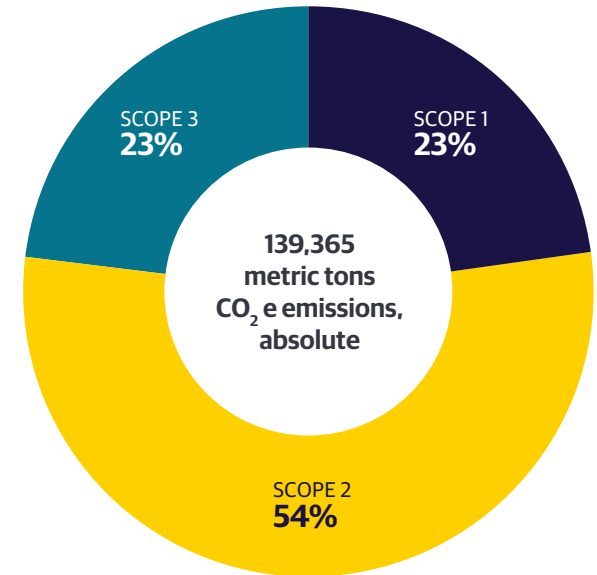
In 2019, we further enhanced our data-collection capabilities to support the disclosure of our environmental impact, including carbon footprint, water usage and waste. We can leverage this information to establish tangible goals (e.g., reducing water use and greenhouse gas emissions), track our progress on key metrics and expand our climate-related data reporting in the years ahead.

Liberty Seguros, an international subsidiary of Liberty Mutual, is the first company in Spain to offset all its CO<sub>2</sub> emissions

## Sustainable Development Goals (SDGs)



## Our emissions footprint



To understand what's included in scope 1, 2 and 3, see our definitions online





# Social Impact

Insurance can be more than a safety net; it can also be a springboard for positive change

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For 108 years, our philosophy has been that insurance is far more than a safety net

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Empowering colleagues to bring their full selves to work is key to living our purpose

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Working together to share our unique perspectives helps us make better decisions and deliver innovative solutions

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Through charitable dollars, employee passion and expertise - and our public platform - we strive to make lasting and impactful change





# Insurance as a social good

For 108 years, our philosophy has been that insurance is far more than a safety net. Whether a source of comfort in difficult times, a source of courage in times of change or a source of support to progress further, insurance can be a springboard for positive change.

### A source of comfort in difficult times

When two catastrophic hurricanes hit Florida within two weeks of one another in August 2017, we rapidly moved our Mobile Claims Response Vehicles from Houston to the Florida Panhandle, so they were ready for deployment. It is times like this that our customers need us more than ever, and our Claims Resolution Specialists went above and beyond to answer their call. This is exactly why we're in business - to build trust and relationships with our customers, and to ultimately be there to help them when they need us most.

### Protecting our customers from fraud

As an insurer, we have an ethical duty of care to our customers, particularly when it comes to human health. In early 2018, our special investigators were alerted to potential fraud by an MRI imaging company servicing our commercial customers. They discovered that the company had not complied with State ownership laws, thus making it unclear whether the MRI and X-Ray scans had been performed by certified technicians.

After a two-year investigation, a settlement was reached that would protect customers from \$15 million in active payments, and over \$25 million in pending medical invoices. This is good news for customers - and good news for wider society.

### A source of courage in times of change

Our municipal bond portfolio helps support environmental and social projects throughout the country. For instance, we have \$700 million invested in water projects that provide cities and towns with safe drinking water, and mitigate pollution, while also promoting conservation efforts. In addition, we have over \$1.4 billion invested in public K-12 and higher education institutions, and another \$700 million in non-profit hospitals that serve communities.

### A source of support to progress further

By providing insurance to the International Finance Corporation under its Managed Co-Lending Portfolio Program, we help support small and medium sized enterprises (SMEs) in developing markets worldwide, providing efficient and effective financial arrangements that support growth and expansion. Projects supported recently include:

- Vietnam: supporting SMEs, specifically those owned by women
- Bangladesh: catalyzing the growth of green lending programs for banks
- Kenya: expanding the underserved micro-SME segment
- Panama: supporting the low and middle-income mortgage sector, as well as climate-smart projects in solar power generation, green buildings and energy efficiency
- Ghana: supporting the expansion of SMEs and women in banking

### Sustainable Development Goals (SDGs)



"I guess you never know—until you are really using it—the benefits of having insurance. My experience so far has been great, something that I wasn't expecting after all the damage in the house. My adjuster was very knowledgeable and explained the process the same day and gave us hope to get the place repaired as soon as possible. This type of service is something that gives us the peace of mind we all need when we are going through tough times."

- Liberty Mutual Customer



### Empowering women entrepreneurs across Central America

Through a credit risk-sharing agreement with the U.S. International Development Finance Corporation (DFC), we're helping to facilitate private sector involvement in developing markets. For instance, in El Salvador, Costa Rica, Guatemala, Honduras, Nicaragua and Panama, our support enables the DFC to expand SME and housing loans, with a portion of proceeds going to women borrowers. In Paraguay, our support is helping to increase the availability of affordable credit for SMEs, particularly those owned or led by women, and in Ecuador, we're supporting women-led and owned micro enterprises.

# Empowering our people

With our focus on development opportunities and workplaces that nurture well-being, we're committed to enabling our more than 49,000 employees to reach their full potential. We believe that empowering colleagues to bring their full selves to work is key to living our purpose.

In 2019, we were recognized as a Great Place to Work® US, an independent authority on high-trust, high-performance workplaces. Our own employee survey revealed that we scored above the financial and insurance sector average for employee engagement, though we need to do more to further increase pride and camaraderie scores.

**85%**  
of employees "extremely satisfied" to work here<sup>7</sup>

Through in-person and online training, employees receive both on-boarding and continuous training and development opportunities. Mobility and growth are encouraged and, in 2019, we began the full roll-out of Leading at

Liberty, a three-day workshop aimed to help managers build their capabilities to lead themselves, lead others and lead through change. The program will strengthen our environment so that all employees can come to work and feel that their voices are heard. All managers will complete the program by December 2021 as part of a broader development strategy to build high performing talent across the enterprise.

### Employee wellness

We offer employees a range of support services for their physical and mental well-being. These range from on-site medical centers in our Boston, Seattle and Plano offices and free face-to-face counseling to virtual health visits and online tools for physical, emotional and financial health.

Our workplace flexibility policies are designed to promote a healthy work-life balance. Likewise, our parental leave policy allows new mothers with one year or more of service in U.S. offices to take up to 16 weeks of paid leave, while new fathers and adoptive parents get eight paid weeks. For eligible employees, Liberty provides an adoption and surrogacy subsidy of \$20,000 per adoptive/surrogacy event, up to two per lifetime.



"We're continually looking at new ways to attract, engage and retain employees who reflect the needs of our clients, customers and the communities we serve. We're focused on creating a sense of belonging for all. And our ongoing success depends on our ability to respond and adapt to change."

– Dawn Frazier-Bohnert,  
senior vice president  
and Global Diversity  
& Inclusion officer



### Sustainable Development Goals (SDGs)



<sup>7</sup> Source: Liberty Mutual Employee Opinion Survey 2019

# Diversity and inclusion



100%  
in the Human Rights  
Campaign's Corporate  
Equality Index

We know that working together to share our unique perspectives helps us make better decisions and deliver innovative solutions to achieve our goals. We recognize the strategic importance of valuing diversity, inclusion and belonging to drive the business.

In 2019, we were listed for a second time in Fortune magazine's Best Workplaces for Diversity, which benchmarked employee responses against more than 4.8 million employees across various organizations. Despite progress, there is always work to do, and we recognize that this is a journey for us. Leadership from the top is critical, and that's why we were one of the first companies (of now more than 800) to sign The CEO Action for Diversity and Inclusion in 2017.

### A holistic framework

Our diversity and inclusion framework spans talent, development, the work environment, customers and communities, and communications. Some of its programs and initiatives include:

- Partnerships with professional associations and other nonprofit organizations: These are a key source for identifying talent for the organization. They include Out & Equal, The MBA Women's Leadership Invitational, National Black MBA Association, American Corporate Sponsors, Simmons Leadership Conference and International Simmons Leadership Conference,

### Recognized as a **Military Friendly® Employer** by the Military Friendly organization

Association of Latino Professionals for America, Ascend and numerous legal associations for women and people of color.

- Unconscious Bias Awareness and Guidelines for Inclusion: We launched an eLearning and a mini-series to help employees disrupt bias and strengthen inclusion.
- Men as Allies initiative: Launched to support men in building their collaboration skills, the initiative includes a summit, online platform and a council to learn, act and share ideas.

Our talent management strategy is centered on inclusion, including continued improvement in gender diversity. We're driving diversity and inclusion awareness and accountability at senior levels by updating appropriate management information dashboards on a quarterly basis, introducing Race & Ethnicity Understanding workshops, aiming to have a 50-50 gender split in our graduate recruitment, and we're continuing to review and enhance our parental leave and family friendly policies and benefits.

### Sustainable Development Goals (SDGs)



### Employee action

As well as championing inclusion from the top and enabling programs through the business, employee grassroots action is also vital to achieving a fully inclusive workplace. There are currently six company-sponsored Employee Resource Groups. Led by employees and executives, they offer a community and network of people with different backgrounds to learn and connect with each other. They also help increase engagement, develop our talent pipeline and offer an opportunity to address challenges within the business.

*Amigos@Liberty:*  
Hispanic/Latinx community + Allies

*LEAAP@Liberty:*  
Asian professionals + Allies

*LEADA@Liberty:*  
African descent + Allies

*Pride@Liberty:* LGBTQ+ + Allies

*Valor@Liberty:*  
Military and veterans + Allies

*WE@Liberty:* Women + Allies



# A community partner

In 2019, we donated \$46 million, and our employees gave more than 150,000 hours of time, to support community causes. Through charitable dollars, employee passion and expertise, and our substantial public platform, we strive to make lasting and impactful change.

### Accessibility

We partner with cultural and recreational programs that create inclusive, accessible environments for people with disabilities. We're especially proud of our universally-accessible playgrounds, which give children of all abilities the chance to play and learn together. We recently opened a second playground in Plano, Texas. These playgrounds help children develop social-emotional skills and encourage creativity. They promote inclusion and allow for both mental and physical development.

**\$500 mn**  
10-year community investment

**3,919**  
service projects in 23 countries

**12,000+**  
community beneficiaries



"We are committed to helping our grantee partners eradicate homelessness by convening local organizations to generate ideas and solutions, funding nonprofits that work with homeless youth in various capacities and supporting research to measure progress and understand what services are needed."

- Melissa M. MacDonnell, Liberty Mutual Foundation president



### Homelessness

We support organizations that deliver immediate, life-saving aid and basic services to men, women and children who are homeless. In Boston alone, we have committed \$5 million over the next three years to address youth homelessness; specifically, to foster permanent connections, create stable housing, provide mental and physical health services, offer early interventions, and promote education and workforce development for young people who are unstably housed or homeless. A list of grant recipients so far can be found on [our website](#).

Over the past eight years, we have committed approximately \$770 million in equity to low-income housing tax credits. This has supported nearly 50,000 affordable housing units across all 50 states and the District of Columbia. We're also the majority participant in the Massachusetts Property and Casualty Initiative Fund, a state-wide community loan fund that's created or preserved 6,145 units of affordable housing and supported 118 small businesses, 29 economic development projects and 3,722 jobs.

### Education

We invest in our collective future by helping underserved youth reach their full potential. Specifically, we provide support from early education to college and career readiness and everything in between. Recently, we deepened our commitment to Artists for Humanity with a \$1.5 million grant to build a Liberty Career Center at its epicenter. Here, marginalized teens can explore a range of job opportunities in creative industries. Liberty Mutual has even hired young people to undertake projects like creating billboards, sculptures and paintings.

### Sustainable Development Goals (SDGs)



[Learn more about how we support our communities by reading the Liberty Mutual Giving Report](#)



**91%**  
of colleagues feel good about how Liberty Mutual contributes in the community<sup>8</sup>

### Liberty Torchbearers

Each year, our employees contribute thousands of hours and dollars to support community initiatives they care about. To further encourage and recognize this generosity, we created Liberty Torchbearers, a U.S.-based community service platform that includes:

- Serve with Liberty: our annual enterprise-wide community service program held during the first two weeks of May. In 2019, 24,143 employees in 23 countries participated.
- Give with Liberty: a year-round opportunity that encourages employees to donate to their

favorite health and human services organizations through online pledging and payroll deduction. We match \$0.50 of every dollar with no limit.

- Volunteer with Liberty: supporting and celebrating employees who do inspiring, vital community service work.

Liberty Torchbearers are encouraged to log their volunteer hours and gain recognition. This year, they have the chance to win a \$500 mini-grant to donate to eligible nonprofits. Last year, more than 1,500 employees earned a \$250 grant for their favorite eligible organization.



**152,574**

employee volunteering hours

<sup>8</sup>Source: Great Place to Work<sup>®</sup> 2019 U.S. National Employee Engagement Study



# Governance

Today our Values are more relevant than ever before

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Our governance structure is carefully designed to ensure all our employees make responsible and ethical decisions

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Protecting the security and privacy of customer and employee data is absolutely fundamental to our license to operate



# Values-driven for more than a century

**Drawing on our heritage as a trusted, respected corporate citizen, our governance structures are carefully designed to ensure our 49,000-plus employees make responsible and ethical decisions. Today, our Values are more relevant than ever before and cascade across our global entities.**

**31%**  
women on board of directors

**100%**  
of in-scope employees have completed a conflict of interest disclosure

 [Learn who is on our board and management team on our website](#)

### Open and accountable

Entrusted with Liberty Mutual's sustained success, our board of directors holds the Executive Leadership Team accountable and provides guidance on key issues facing the organization. Among the board's chief responsibilities are:

- Nominating independent directors
- Ensuring strong succession plans
- Overseeing strategic plan development and monitoring progress
- Setting Executive management compensation
- Providing oversight for financial reporting, enterprise risk management, internal control systems, ESG and Code of Business Ethics & Conduct

### Ethical conduct

Aligned with our Value of acting responsibly, our Global Compliance & Ethics team fosters a culture in which our employees do business the right way. It's responsible for:

- Establishing enterprise-wide compliance strategy and policies
- Developing and launching compliance education
- Overseeing legal, regulatory and risk assessment processes
- Implementing strategies to reduce enterprise risk

The Liberty Mutual Code of Business Ethics and Conduct is the foundation for how we conduct our business lives. It puts our Values into practice by guiding our ethical behavior and illustrating how we do business with integrity. It covers topics including conflicts of interest, protecting information and compliance with the law, including competition, bribery, trade sanctions and data privacy.

All employees are responsible for knowing and following the guidelines in the Code whenever and wherever they do business or act on behalf of Liberty Mutual. Employees must complete mandatory annual training on facets of the Code, with topics varying from year to year based on risk. The training requires employees to certify that they have read, understood and will continue to comply with the Code. Every year, each employee must also complete a conflict of interest disclosure and certification.

### Responsible procurement

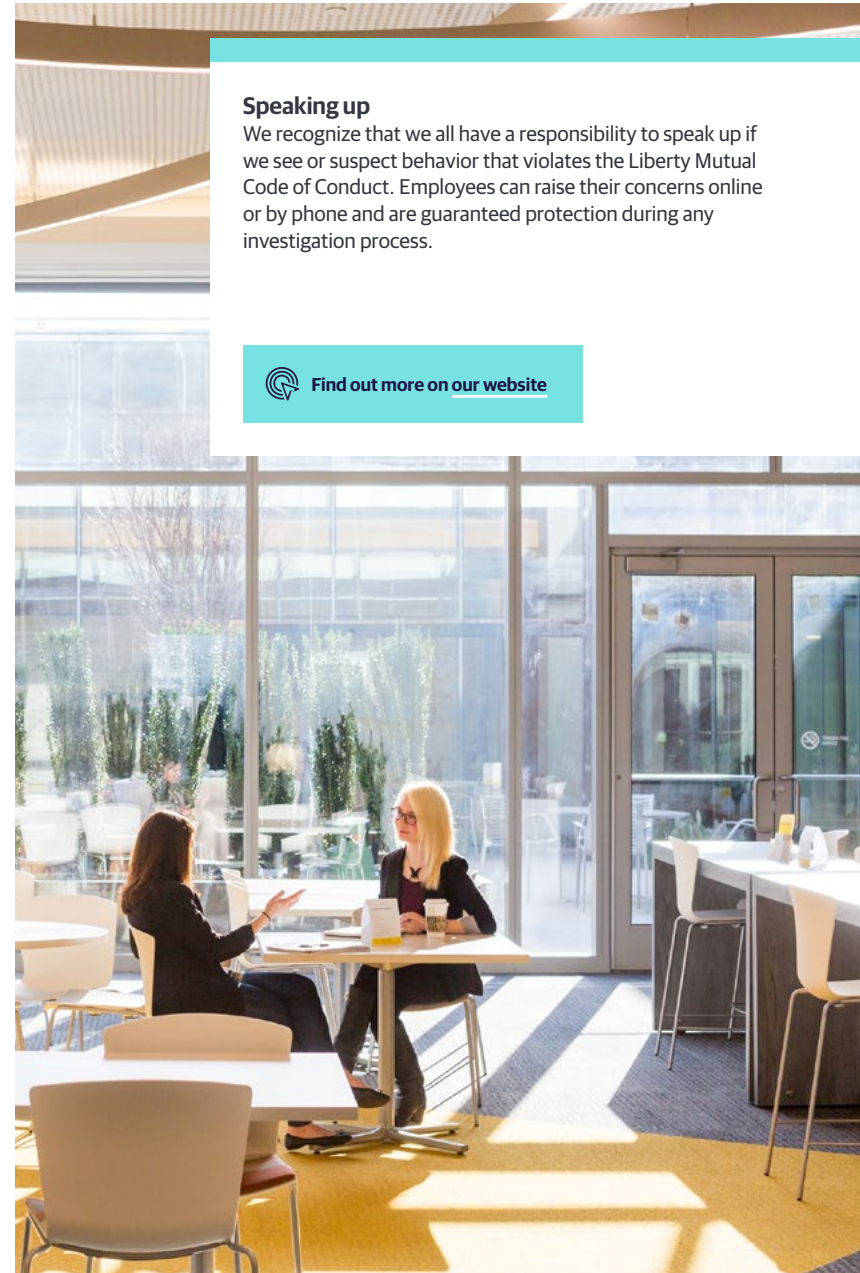
As a global property and casualty insurer, we maintain supplier relationships with over 15,000 businesses. When engaging suppliers, we inquire as to the current business practices and operations of those third parties. In 2020, we will implement a Supplier Code of Conduct as an expectation of our Suppliers in their performance of duties for Liberty Mutual.

### Speaking up

We recognize that we all have a responsibility to speak up if we see or suspect behavior that violates the Liberty Mutual Code of Conduct. Employees can raise their concerns online or by phone and are guaranteed protection during any investigation process.



[Find out more on our website](#)



# Data protection



As an information-based business, protecting the security and privacy of customer and employee data is absolutely fundamental to our license to operate. We train employees globally to understand our security controls and identify suspicious cyber activity. All employees are also trained on our Privacy Principles, and U.S. employees have received updated privacy training to address changes in regulations.

Also over the last 12 months, we expanded our Global Privacy Office and appointed a chief privacy officer. The global privacy program remains guided by our Privacy Principles, which align to regulations like the Gramm-Leach-Bliley, EU General Data Protection Regulation and the California Consumer Privacy Act. We strive for transparency by providing privacy notices that reflect the data we collect, how we use it, and the categories of entities with whom we may share data.

#### Sustainable Development Goals (SDGs)



In 2019, we took additional steps to protect data as an organization. We further strengthened our position as measured against the National Institute of Standards and Technology Cybersecurity Framework and the Center for Internet Security 20 Controls. The chief information security officer, compliance teams, enterprise risk management leaders and other stakeholders met regularly to discuss the latest cybersecurity issues and practice their response to a potential data breach. We also created a specialized business information security officer role to instill equal layers of protection and apply cybersecurity considerations to all business functions.



# Data and Disclosure

## ESG in numbers

ENVIRONMENTAL IMPACT	2017	2018	2019
% reduction of CO <sub>2</sub> e relative to baseline	10	3	7
CO <sub>2</sub> e emissions (metric tons) absolute	153,753	149,456	139,365
Scope 1 GHG	39,695	35,046	32,496
Scope 2 GHG	80,686	83,206	75,455
Scope 3 GHG	33,373	31,204	31,414
Total electricity used (kWh)	207,411,859	211,800,448	190,132,254
Ratio of investments (renewables : oil and gas)	1:130	1:10	1:5
SOCIAL IMPACT	2017	2018	2019
% of employees who are extremely satisfied with Liberty Mutual as a place to work <sup>9</sup>	73	80	85
Number of women on the board	4/12	4/12	4/13
% of women at Liberty Mutual (US employees)	55	51	53
% score in Human Rights Campaign's Corporate Equality Index	100	100	100
Community investment spend (\$)	52,648,140	44,547,518	45,857,389
Number of employee hours spent volunteering	152,849	158,831	152,574
% of employees who feel good about the ways Liberty Mutual contributes to the community <sup>9,10</sup>	89	89	91
% of employees volunteering	56	55	50
Number of projects supported (project specific)	3,177	3,656	3,919
Total charities supported	9,369	11,387	12,077
GOVERNANCE	2017	2018	2019
% of employees who have read and understood Code of Conduct (US)	100	99	100

[See definitions online](#)

<sup>9</sup> % of employees who agree or strongly agree with the statement

<sup>10</sup> Source: Great Place to Work® 2019 U.S. National Employee Engagement Study





## Awards and recognition

AWARD	2018	2019
Great Place to Work by Great Place to Work US	●	●
PEOPLE magazine's 50 Companies That Care		●
Forbes' The Best Employers for Diversity	●	●
Forbes' The Best Employers for New Grads	●	●
Forbes' The Best Employers for Women	●	●
Forbes' America's Best Large Employers	●	●
Fortune's Best Workplaces for Diversity		●
Gender Diversity Index, 2020 Women on Boards		●
National Association of Corporate Directors NXT Award	●	
Women's Choice Award – Best Company for Women		●
Women's Choice Award – Best Company for Millennials		●
Women's Choice Award – Best Company for Multicultural Women		●
Earned a 100 on the Human Rights Campaign's Corporate Equality Index	●	●
Military Friendly® Employer by the Military Friendly organization	●	●
Equal Opportunity Magazine's Top 50 Employers	●	●
Fatherly magazine – Best Place to Work for New Dads		●
LM Tech was a Gartner Eye on Innovation Award finalist		●
Workgrid won the Digital DNA Awards for "Digital Project of the Year"		●
LEED (seven buildings)	●	●
ENERGY STAR (eight buildings)	●	●
Association of Corporate Counsel Legal Operations Team of the Year		●
Boston Bar Association Corporate Champion for Diversity & Inclusion		●

We'd love  
to hear  
from you



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Liberty Mutual  
Insurance

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Liberty Mutual Insurance  
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Phone: 617-357-9500



You can learn more about us by visiting [www.libertymutualgroup.com](http://www.libertymutualgroup.com)

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