2025

Task Force on Climate-Related Financial Disclosures Report

Liberty Mutual INSURANCE

Introduction

This report follows the recommendations provided by the Task Force on Climate-Related Financial Disclosures (TCFD). It is structured around four thematic areas: governance, strategy, risk management and metrics and targets.

1A. Welcome letter

We are pleased to present our annual TCFD report, offering an overview of our climate activities over the past year.

In 2025, global discussions about climate change evolved notably, leading companies to rethink their climate programs. As shifting geopolitics challenged the policies that had fueled progress toward renewable energy, attention turned to strategies for adapting to a warming planet. With growing recognition that global temperatures are likely to surpass 1.5°C above pre-industrial levels soon, many businesses now realize that aligning strictly with Paris Accord targets may not be practical, prompting a reassessment of their climate initiatives.

At Liberty Mutual, these changes haven't affected our approach. Our three climate strategy pillars — Data and Discovery, Renewable and Decarbonization Solutions and Climate Resiliency — were developed independently of the policy environment and are shaped by our purpose, business risks, opportunities and strategic priorities.

We've continued advancing our climate efforts by further integrating a climate lens across our operations and upskilling employees on climate issues. We have also invested in and underwritten energy and power assets and expanded our support for community resilience and academic research. Key achievements include:

- Enhancing our understanding of Liberty's high priority perils, including advancing our flood and wildfire risk modeling capabilities (**page 26**)
- Developing innovative products and solutions, such as parametric insurance that improve climate resilience across communities (**page 17**)
- Advancing stakeholder engagement and cross-sector collaboration, bringing the insurance perspective to global discussions, through partnerships with organizations such as the Atlantic Council and the Geneva Association (**page 19-20**)
- Launching our Energy Transition Risk Excellence Program (ETREX), providing role-specific training for risk engineers, underwriters, claims, brokers and client relationship managers (see **page 16**)
- Making strategic investments in energy emerging solutions, backing technologies that deliver reliable clean energy as part of an all-of-the-above strategy (**page 16**)

Given ongoing geopolitical changes, some jurisdictions have climate reporting regulations — introduced before 2025 — which no longer reflect today's realities in the climate transition landscape. Liberty remains committed to meeting all regulatory requirements across the jurisdictions in which we operate; however, our climate strategy is driven by our own long-term priorities and principles, not by disclosure frameworks.

Looking ahead to 2026, we're enthusiastic about our climate-related priorities. This includes further expanding our academic partnerships to inform our understanding of evolving extreme weather risks, continued innovation and increasing our climate resiliency philanthropic work.

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Chief Sustainability and
Community Investment Officer

Leonid Rasin
Executive Vice President
Chief Actuary and Chief Risk Officer

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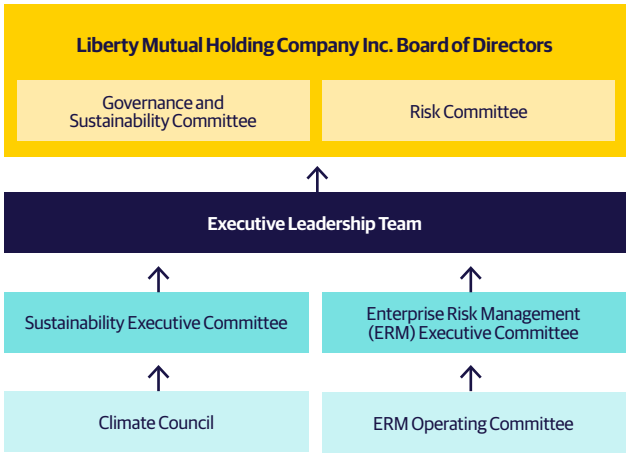
Governance

Our governance structure supports communication, collaboration and effective decision-making, ensuring that climate-related financial risks and opportunities are understood by our board of directors and across our business.

2A. Describe the board's oversight of climate-related risks and opportunities

At Liberty Mutual, the board of directors oversees the ongoing development of our enterprise-level business strategy and the management and implementation of our climate strategy. Specific responsibilities for oversight, implementation and operationalization are delegated to the Risk Committee and Governance and Sustainability Committee. Our governance structure is detailed in Graphic 1.

Graphic 1: Liberty Mutual's governance structure for overseeing climate-related activities



Roles and responsibilities for these groups are further detailed on page 7.

Liberty Mutual's senior leadership and subject matter experts provide the board with updates on risk and sustainability-related matters, including climate risk. These updates include annual briefings from the Chief Risk Officer (CRO) and Chief Community Investments and Sustainability Officer (CSO) and regular updates from experts across Liberty Mutual Investments (LMI), Global Risk Solutions (GRS) and US Retail Markets (USRM).

Our CEO serves as Chairman of the board and chairs our Governance and Sustainability (G&S) Committee. The G&S Committee and Risk Committee have designated climate-related responsibilities and oversight as detailed below. A full breakdown of our board of directors and its committees is available on our corporate website.

Governance and Sustainability Committee

The G&S Committee provides strategic oversight and performance evaluation of our sustainability practices and priorities, including climate-related topics. As part of its duties, the committee considers current and emerging sustainability trends and, as appropriate, makes recommendations to the board of directors for approval. It oversees corporate governance disclosures, including the annual Purpose and Impact Report and Corporate Governance Annual Disclosure. The G&S Committee includes members from the Risk, Investment, Audit and Compensation Committees of the board of directors, allowing for representation and interconnectivity across the board.

In 2025, the G&S Committee met four times and received updates on a broad range of topics, including the evolving sustainability and climate landscape, regulatory and policy updates and progress toward our commitment to reducing Scope 1 and Scope 2 greenhouse gas (GHG) emissions by 50% from the 2019 baseline by 2030.

Risk Committee

The Board Risk Committee (BRC) also has an important role in climate-related oversight. The BRC is responsible for overseeing and reasonably assuring that Liberty Mutual maintains adequate policies, controls and practices within our Enterprise Risk Management (ERM) framework to continuously identify, measure, manage and mitigate critical risks. In 2025, the BRC discussed climate-related topics on three occasions, including catastrophe underwriting risk appetite, the review of catastrophe phenomena, including wildfire risks and geopolitical dynamics affecting science resources.

2B. Describe management's role in assessing and managing climate-related risks and opportunities

Liberty Mutual continues to evolve our sustainability-related governance and organizational structure to ensure that we have an effective system in place to collaborate and act on climate-related risks and opportunities.

Liberty Mutual's CEO and President serves as the executive sponsor for sustainability priorities. He works closely with the CSO, the Chair of the Climate Council and the ERM and Public Affairs teams to stay informed and engaged on climate-related issues. Briefings equip the CEO and President to drive our climate strategy and risk management efforts forward and ensure that we're taking meaningful steps to promote climate action and mitigate risk.

We maintain a climate-related governance structure that supports the coordinated oversight and management of

climate-related activities across the enterprise. This includes the Executive Leadership Team, Sustainability Executive Committee, Climate Council, ERM Executive Committee and ERM Operating Committee.

At the business level, designated leaders oversee the implementation of climate-related initiatives within their respective operations, ensuring alignment with enterprise priorities (See Liberty Mutual's businesses and their role in climate-related issues, **page 8**).

- **Executive Leadership Team:** Chaired by the CEO and President, the Executive Leadership Team manages Liberty Mutual's strategic response to climate risks and climate strategy. The team receives quarterly reports and, when necessary, additional timely updates on sustainability and climate-related risks and opportunities. These reports and updates facilitate strategic discussions and permit us to coordinate activities across departments and stakeholders to achieve sustainability goals.
- **Sustainability Executive Committee:** Chaired by the CSO, the committee sets global standards and guidelines across Liberty Mutual and develops recommendations and plans to address emerging risks and opportunities. It includes representation from senior members of Liberty Mutual Investments, Global Risk Solutions and US Retail Markets (See Liberty Mutual's businesses and their role in climate-related issues, **page 8**) and functions such as ERM, Investor Relations, Finance, Strategy, Legal and Public Affairs. In 2025, the committee met three times to discuss regulatory updates, the Liberty Mutual Climate Transition Center priorities and developments in our energy transition strategy.
- **Climate Council:** Chaired by a senior member of the Office of Sustainability, this cross-functional group is responsible for advancing the company's climate strategy and overseeing the Liberty Mutual Climate Transition Center. It aids information exchange on emerging climate-related issues and advances internal climate-related policy and business initiatives.

  The Council, which includes members from all businesses, as well as the Office of Sustainability, ERM, Public Affairs and Finance, meets monthly to assess strategic progress and recommend adjustments. Climate Council members contribute to annual climate-related reporting and form sub-groups for specific issues. Monthly sessions covered regulatory impacts and opportunities, the global and regional public policy landscape, geopolitical considerations, improvements to our risk management framework, including model updates for our priority perils. Members also discussed our climate resilience initiatives, the Liberty Mutual Climate Transition Center's vision and priorities, including research agenda and frameworks and upskilling initiatives such as the Climate Activation Program (**page 21**).
- **ERM Executive Committee:** Chaired by Liberty Mutual's CEO and President, the committee has oversight responsibilities to define enterprise-wide ERM roles and responsibilities, establish accountability, guide the ERM implementation process, establish enterprise-wide risk tolerances, approve risk mitigation plans and monitor ERM effectiveness. This committee comprises executive leaders responsible for business units and corporate functions.
- **ERM Operating Committee:** Chaired by the Chief Financial Officer, the ERM Operating Committee prioritizes issues and develops recommendations and actionable contingency plans for review by the ERM Executive Committee. Furthermore, the ERM Operating Committee maintains processes to aggregate, evaluate and manage enterprise-wide exposures. This committee comprises officers and employees who directly manage risks that could materially affect the company's financial or operational viability.

  See also Section 4c. (**page 32**) for information on our risk management governance structure.

Liberty Mutual's businesses and their role in climate-related issues

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. Our businesses and how they oversee climate-related issues are outlined below. For more information on oversight of climate-related risk and opportunities, please refer to Risk Management (**page 22**).

Global Risk Solutions (GRS)

Our global business, GRS, offers a wide array of property, casualty, specialty, surety insurance and reinsurance products and services and is comprised of four business segments: (i) Liberty International Insurance, (ii) Liberty Mutual Reinsurance, (iii) North America and (iv) Global Surety (together referred to as 'GRS' throughout this report).

GRS recognizes that climate policy and increasingly severe weather present complex and evolving risks and opportunities across our global business. GRS treats climate risk as a transversal risk driver that can amplify or reshape established risk types; as such, climate considerations are embedded within existing risk appetites, risk management frameworks and governance structures.

US Retail Markets (USRM)

Our retail business, USRM, provides Personal Lines and Small Commercial Lines products to millions of individuals and small businesses in the US. USRM's goal is to leverage cutting-edge data, analytics and people's expertise to offer great prices and exceptional products to our customers.

To integrate climate considerations into USRM's work, the USRM Climate Council facilitates a shared understanding of climate risks and opportunities for the retail market and maintains cross-functional connectivity on actions to mitigate climate-related risks. In parallel, USRM's Chief Experience and Strategy Officer coordinates the integration of climate risks and opportunities within the retail business strategy and USRM's Chief Risk Officer exercises strong governance over the risks that our US retail business faces.

Liberty Mutual Investments (LMI)

LMI is the investment firm for Liberty Mutual Group. With deep expertise in liquid, credit and alternative strategies, LMI invests more than $124.7 billion[1] of capital globally, taking a long-term approach across its integrated platform. LMI has a clear purpose: build enduring businesses alongside partners, drive economic growth and generate superior risk-adjusted returns that power Liberty's strategy and secure our promises.

To advance this purpose, the LMI Investment Committee — established by Liberty Mutual's Chief Investment Officer — oversees our investment governance approach. The committee brings together LMI leaders responsible for managing all investment activities. LMI's embedded approach to integrating sustainability ensures that a broader set of material factors is available to inform strategy and capital allocation across LMI's portfolio. The Head of Impact and Sustainable Investments drives this integration across the portfolio and leads the execution of our impact and tax credit investing mandates.

[1] AUM as of 12/31/25 as reported in Liberty's Q4 2025 Financial Statement. This figure reflects total assets under management, which includes both funded and unfunded commitments. Data represents rounded numbers to the nearest hundred million. Gap to LMI AUM on Financial Statement is approximately $10B in non-LMI invested assets.

Strategy

We leverage the latest science to advance our understanding of the actual and potential impacts of climate-related risks and opportunities. Our climate strategy is integrated into our business, helping enhance resilience and readiness for our company, customers and communities.

3A. Describe the climate-related risks and opportunities the organization has identified over the short-, medium- and long-term

We adopt a pragmatic, science-based approach to identifying and analyzing the climate-related risks and opportunities impacting Liberty Mutual's business over the short-, medium- and long-term. We take both a system-level and a portfolio-level approach to understand our physical and transition risks using the latest science and models:

- Our system-level analysis incorporates multiple geopolitical and macroeconomic factors alongside scientific conclusions stemming from modeling capabilities across geographic regions and economic sectors.
- Our portfolio-level analysis adopts a sector-based, country-level perspective to understand how plausible future changes may affect Liberty Mutual (for more details regarding our system- and portfolio-level analysis, see **page 27**).

This two-pronged approach gives us a comprehensive view of emerging risks and opportunities across multiple time horizons and supports the adoption of practical strategies tailored to regional circumstances. Because the energy transition unfolds differently across sectors and geographies, countries are likely to adopt varied policy responses to mitigate climate impacts. Understanding these external dynamics is essential for assessing short-, medium- and long-term risks and opportunities. At the same time, we recognize the strengths and limitations of current tools and models. Defining time horizons for climate-related risks is useful but requires a flexible approach that allows for evolving scientific insights and changing economic and policy landscapes.

Given the distinct characteristics of physical and transition risks, we evaluate each using different models and time horizons, as outlined in Tables 1 and 2.

Table 1
Short-, medium- and long-term climate-related physical risks and opportunities

	Short-term	Medium-term	Long-term
Time horizon	0-10 years	10-25 years	25+ years
Considerations	Aligned with near-present physical risk hazards, but require accounting for climate change up to the present day	Physical risks are more likely to exceed the scope of catastrophe models	Emissions scenario uncertainty drives uncertainty in physical hazards and catastrophe models are less likely to include sufficient events to manage the tails of physical hazards
Tool/process	Catastrophe models + climate expertise	Risk assessments supplemented with: • Assumptions about emissions pathways • Explicit parameter testing to capture the sensitivity of changes in perils to ongoing changes in chronic risk	Risk assessment supplemented with qualitative approaches
Risks	Climate-related physical risks add volatility to annual catastrophe losses manifesting in different ways, such as: • Intensification in the hydrologic cycle, with extreme rainfall driving flash floods and higher evaporation contributing to wildfire risk • More severe hurricanes • Rising sea levels boosting storm surges	Physical risks are more likely to exceed historical bounds with increasing frequency, including a rise in the likelihood of "gray swan" events from extreme weather strikes in areas lacking experience and preparation Increase in the potential for material disruption of major financial markets derived from physical events	
Potential opportunities	Increasing demand for effective climate-related services from clients and the public, emphasizing advancing climate resilience	Improve geographic diversification as market conditions change by proactively identifying regions where our portfolios are less sensitive to variations derived from increasing physical risks	

Table 2
Short-, medium- and long-term climate-related transition risks and opportunities

	Short-term	Medium-term	Long-term
Time horizon	0-5 years	5-15 years	15+ years
Considerations	Aligned with near-current market conditions	Transition risk increases in uncertainty due to technological advancement	Risks are likely to exceed the bounds of historical experience
Tool/process	Climate expertise + data analytics on topics of interest Economic and policy modeling Integrated assessment model Short-term scenarios	Integrated assessment models long-term scenarios + climate expertise	Integrated assessment models long-term scenarios + climate expertise
Risks	Potential portfolio disruption may arise from differing regulatory requirements across jurisdictions Broader insurance market disruptions may lead to regulatory instability in associated residual markets, as well as state or federal financing mechanisms and assessments Geopolitical instability is increasingly reshaping global supply chains and accelerating technological change, prompting governments and companies to reorganize production networks, reshore critical activities and invest in new technologies Challenges in portfolio accumulation management in fast-changing industries consistently appear in the top risks in the near-term in the NGFS scenario modeling, including high policy sensitivity of gas economic trajectories	Transition risks will likely accelerate following some disorderly transition and market disruptions associated with policy uncertainty will continue The mid-transition period — between early adoption and full integration of new technologies — may increase uncertainty, as policy risk remains elevated, some technologies may require policy support, lack cost competitiveness and face lack of funding Increased risk of climate-related litigation	Greater potential for geopolitical disruption to impact business operations Industry supply chains may reorganize as global commodities rise or fall in value depending on the maturation or shift of technologies
Potential opportunities	Climate transition risk assessment can be integrated into other forms of client advisory services	Pilot test new policies that support green upgrades in buildings, alternative transit systems and industrial processes, among other opportunity areas, when identifying opportunities, modeling outputs must be evaluated against costs vis-à-vis different technologies, scalability and consumer preferences Identify growing sectors that are positioned to drive potential premium growth	

3B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning

As a global property and casualty (P&C) insurer, we provide insurance coverage for both retail and commercial customers. To serve all our customers and their communities, we have developed a comprehensive climate strategy closely tied to our purpose — that of a risk expert — helping clients identify, mitigate and transfer risk. We review our strategy periodically against risks and opportunities that may arise from shifts in the macroeconomic and geopolitical landscape, technological advances toward a lower-carbon future and insights from our scenario outputs. Ultimately, our objective is to support our clients and advance action and dialogue on the transition to a lower-carbon economy in three ways:

- **Advance data and discovery:** Helping manage climate risk and advancing global understanding and conversation on data and risk discovery and application.
- **Support the adoption of renewable and decarbonization solutions:** Accelerating innovative solutions that promote the adoption of renewables and decarbonization through customer risk advisory, underwriting and investments.
- **Support and advocate for greater climate resiliency:** Driving engagement and support for climate resiliency efforts while leveraging our expertise to strengthen the built environment and bolster individual and community preparedness.

To amplify our climate strategy and the reinsurance perspective within the global climate conversation, we established the Liberty Mutual Climate Transition Center in 2022. The Climate Transition Center serves as a dedicated platform that brings our climate strategy to life by expanding our role in the global climate dialogue, enhancing cross-sector collaboration and accelerating data-driven insights.

As an insurer, we play a critical role in the economic system by deploying human and financial capital to help societies prepare for, manage and adapt to climate-related risks. The Climate Transition Center reinforces this role by convening regulators, customers, partners and industry peers to exchange knowledge, build cross-sector partnerships and advance the collective understanding of climate risks and opportunities. By leveraging research, data and insights, the Climate Transition Center directly advances the core pillars of our climate strategy:

- It enhances data and discovery by producing cutting-edge research and enabling a deeper understanding of climate risks and opportunities.
- It supports the adoption of renewable and decarbonization solutions by informing customers and stakeholders about emerging technologies, evolving policy landscapes and their implications for underwriting, investments and risk management.
- It advocates for climate resilience by fostering dialogue, shaping best practices and empowering decision-makers — including insurers, policymakers and community leaders — to adapt to and mitigate the physical impacts of evolving extreme weather patterns.

Ultimately, the Climate Transition Center serves as a catalyst, advancing insights and collaboration, so that our climate strategy remains pragmatic and aligned with a changing global environment.

Liberty Mutual Climate Transition Center in 2025

As the external conversation shifted in 2025 to recognize the importance of climate adaptation — alongside mitigation — the Climate Transition Center leveraged its significant risk expertise to share practical actions to increase climate resilience for communities and businesses. Through research and stakeholder engagement, the Climate Transition Center emphasized the insurance industry's unique capabilities in evidence-based risk management, cross-sector collaboration and the need to mobilize greater financial resources toward adaptation efforts. From an initial focus on advancing a collective understanding of transition risks we have expanded our proprietary research and discussions to physical risk and resiliency.

Research and insights

The 2025 research agenda underscored the growing urgency of managing physical climate risk and the expertise that the insurance industry can bring.

- Drawing on global property and casualty insurer expertise, our paper "Uncovering the Complexity of Physical Climate Risk: Insights from the Insurance Sector" aimed to equip and empower risk managers and organizations with the knowledge needed to mitigate and manage physical climate risks. It proposed a simplified physical climate risk management framework for understanding exposure, perils, evidence and materiality so companies can appropriately prioritize physical risk for their portfolios.
- The importance of an all-of-society approach to wildfire risk was the focus of a paper co-published with Swiss Re, "Wildfire Risk Reduction in a Changing Climate." It examined how rising temperatures, shifting precipitation patterns and expanding wildland-urban interfaces are reshaping exposure and highlighted coordinated and collaborative nature-positive wildfire mitigation approaches to reduce risk and promote long-term insurability.
- Community leaders play a critical role in strengthening resilience. To support their efforts, Liberty Mutual contributed its expertise to the Atlantic Council Climate Resilience Center's "Resilience by Design: Strategic Actions for Climate Adaptation" report, which sets out accessible actions for community leaders to enhance resilience. Liberty Mutual and the Atlantic Council then co-hosted a discussion during New York Climate Week, convening community stakeholders and non-governmental organizations to translate strategy into practical, near-term steps.

Stakeholder engagement and collaboration

Leveraging the 2025 research insights, the Climate Transition Center brought the insurance sector perspective to key financial sector conversations, further advancing the cross-sector knowledge sharing.

- Bringing together insurance, banking and investment experts, Liberty Mutual hosted the Institute of International Finance (IIF) workshop on Climate Resiliency Planning and Adaptation Finance to explore approaches to managing physical risks and strengthening financial system resilience. Discussions highlighted critical data gaps in understanding climate exposures, the socioeconomic factors driving vulnerability — particularly in home insurance — and how financial institutions can fund climate adaptation and invest in ways that withstand climate risks. The workshop emphasized the role of insurers, banks and investors in fostering climate resilience, protecting communities and markets and enabling sustainable economic growth.
- Assessing adaptation readiness is increasingly important as the physical impacts of climate change already cost the global economy over $1.4 trillion annually[2]. At the BloombergNEF (BNEF) London Summit panel "Adapting and Assessing Resilience in a Warming World," Liberty Mutual engaged in conversations around adaptation readiness and on how investors and companies can assess risk, gauge resilience and identify opportunities.
- Scaling first-of-a-kind low-carbon projects, such as advanced nuclear, carbon capture and hydrogen, requires innovative risk solutions to build investor and developer confidence. Liberty Mutual convened the roundtable "Insuring the Transition: De-Risking Projects to Deliver Returns," at the BNEF London Summit, which explored how insurers, developers and financiers can craft private-market risk solutions for these technologies. The discussion also highlighted insights on designing risk and financing approaches to enable scale-up.

Explore our Climate Transition Center

[2] World Economic Forum, "This is what the climate crisis is costing economies around the world," November 29, 2023. https://www.weforum.org/stories/2023/11/climate-crisis-cost-global-economies/

Advance data and discovery

At Liberty Mutual, we recognize the importance of reliable and accessible data and are committed to advancing climate and energy transition-related data accessibility and quality for our business, our customers and our industry.

Property and casualty insurers view climate risk differently from other financial services companies. We are experts in using science and data to understand physical risks, particularly natural catastrophe risks that could impact our customers' assets. We use these data insights to assess risk and based on that expertise, we tend to have a better understanding of how natural catastrophe risks are changing and evolving due to climate risk. This gives us a unique perspective that helps the insurance industry understand the financial and economic impacts of climate risk. We continue to deepen our understanding of physical and emerging risks through research projects and partnerships, as detailed in the Risk Management section (**page 22**), and to expand our work on our high-priority climate physical hazards including tropical cyclone, flood and wildfire.

As climate science continues to evolve, we recognize the need for continued education, partnership and information sharing to collaborate on advancing climate data and to ensure that good data is accessible to all. We do this by:

- **Contributing to research and frameworks:** Liberty Mutual continues to explore ways to drive more effective use of climate data in the private sector with our academic partners. We have developed an academic partnerships framework to guide our support for third-party research. This framework ensures that decisions are strategic, consistent with our climate strategy and focused on areas aligned with our business priorities and expertise. We remain engaged in a partnership with consortia of the Massachusetts Institute of Technology (MIT), including the MIT Climate & Sustainability Consortium (MCSC), the MIT Energy Initiative (MITEI) and the MIT Center for Energy and Environmental Policy Research (CEEPR). We have also participated in the National Academies of Sciences, Engineering and Medicine (NASEM) meetings focused on the stability of earth science data. Additionally, we collaborated with US-based universities and non-governmental organizations, such as Duke University and the Nature Conservancy, on a range of research projects addressing transition and physical risks.
- **Engaging with the scientific community:** Our researchers collaborated on best practices to translate climate data to applied risk problems from the insurance sector's perspective with government agencies such as NOAA (National Oceanic and Atmospheric Administration) and NASA (National Aeronautics and Space Administration) and expert organizations. We regularly send delegates to scientific conferences to stay up to date on emerging climate research. This year included participation at the American Geophysical Union (AGU), the American Meteorological Society (AMS), the European Geophysical Union (EGU) and the Royal Meteorological Society's Insurance Special Interest Group. These meetings covered topics related to Liberty Mutual's areas of interest, including event attribution, changes in flood risk, integrating climate and catastrophe models and emerging perils such as post-wildfire debris flows and other impacts of anthropogenic and natural climate drivers. In addition, this year, we participated in National Science Foundation (NSF) and University of Arizona workshops on compound events and wildfire risk to utilities, assessing how physical hazards can interact with secondary hazards or loss amplifiers.
- **Insurance and financial services sector engagement:** We actively collaborated with industry trade organizations like the American Property Casualty Insurance Association (APCIA) and the Institute of International Finance (IIF) to provide feedback on proposed legislation and regulatory frameworks, informed by data and to align on climate scenario analysis and climate risk metrics for our industry. This year, during a private workshop at the IIF annual conference which we hosted in Boston, we presented best practices for managing physical climate risk based on a recently published whitepaper (See Climate Transition Center, **page 13**). We also engaged with regulators, supervisors and regulatory standard-setting associations such as the International Association of Insurance Supervisors (IAIS) to inform the climate risk workstream, sharing our approach to climate scenario analysis and modeling. In addition, we participated in sector-wide discussions through organizations such as the Geneva Association and collaborated with industry peers including Swiss Re, to advance risk reduction approaches and strengthen industry-wide tools and practices.
- **Public sector engagement:** Translating science into practical solutions is at the core of our work with public sector leaders. Through collaboration and policy dialogue, we helped local authorities better understand the evolving risk of flooding and climate risks while highlighting how targeted resiliency investments — such as strengthened building standards and neighborhood-scale mitigation and defences — can reduce losses over time. By aligning these efforts with the insurance marketplace, we supported pathways that recognize risk reduction, expanded access to affordable coverage and provided greater financial certainty for homeowners and businesses alike. For example, in New York City, we participated in a workshop with the Resilient Cities Network and several broker partners to help the municipal government understand the risk impacts of the East Side Coastal Resiliency Project.

Support the adoption of renewable and decarbonization solutions

As many countries transition their economies toward a lower-carbon economy, we continue to enhance our products, build new partnerships, invest in workforce development and make strategic investments to respond to the evolving risks and opportunities posed by the transition, while continuing to offer leading risk advisory services to our customers wherever they are on their sustainability journey.

Product innovation

We continued to develop products and services tailored to the growing demand for renewable energy capacity and decarbonization initiatives across commercial and retail markets. These offerings helped manage the unique risk profiles associated with lower-carbon innovations, enabling their deployment and supporting the energy transition.

In 2025, as part of our commitment to an all-of-the-above energy strategy, we insured a broad range of renewable energy projects spanning wind, solar and energy storage across Asia-Pacific, North America and Europe.

- Our engagement in the Philippines included wind and solar developments alongside the construction of a 3,500 MWp solar facility paired with 4,500 MWh of battery storage — currently the largest project of its kind outside China.
- Across the wider Asia-Pacific region, we insured offshore wind in Taiwan and South Korea, the largest wind farm on the South Island, New Zealand and a solar farm in Western Australia – the first stage of a multi-phase renewable energy hub.
- In Canada, a 140 MW solar farm and three 6 MW wind turbines reflect our growing portfolio of wind and solar farms across North America.
- In Germany, Spain and France, we are engaged in a range of renewable energy projects, including onshore and offshore wind, solar and other clean energy developments, supporting both construction and operations with leading industry partners.

Beyond renewables, nuclear energy remains an important pillar of decarbonization by providing reliable, low-carbon baseload power. New plant construction involves complex, long-duration risks requiring rigorous assessment and management. Liberty Mutual supports the sector by underwriting conventional nuclear construction and operational risks, primarily through reinsurance of specialist nuclear insurance vehicles. To further strengthen its role in the energy transition, Liberty Mutual wrote its first direct construction risk for a Small Modular Reactor (SMR) in 2025. Today, we provide both open-market coverage and support for nuclear insurance pools.

Our commitment to supporting the energy transition also extends to our retail customers. We have introduced an innovative Electric Vehicle (EV) policy with a mandatory, non-premium-bearing endorsement to help customers insure their vehicles. This endorsement offers comprehensive protection tailored to the unique risks of EV ownership, such as coverage for chargers and an extension of Roadside Coverage (if applicable to the policy) to include charging and towing to charging stations.

Scaling carbon capture, utilization and storage through risk management and collaboration

Carbon capture, utilization and storage (CCUS) encompasses emerging decarbonization technologies with complex, often unique and evolving risk profiles. Supporting deployment, therefore, requires building a shared understanding across the value chain through knowledge exchange and cross-sector collaboration among insurers, reinsurers, project developers and regulators. By convening stakeholders and translating insights into tailored products and solutions, we mitigate emerging risks, strengthen project bankability and provide the confidence stakeholders need to proceed.

Liberty Mutual is actively supporting the development of insurance solutions across the CCUS value chain. In 2025, we hosted the third in a series of workshops among the Oil and Gas Climate Initiative (OGCI), the Clean Energy Ministerial and the Geneva Association to assess the insurability of cross-chain risks and develop optimal risk-financing solutions for customers across the end-to-end value chain. The discussions developed a shared view of technical, operational and financial risks and examined how insurance can enable project bankability, regulatory compliance and long-term risk management. Participants also highlighted structural challenges including data asymmetry, cross-value-chain dependencies, complex liability allocation and the need for innovative coverage models.

Through engagement with IEAGHG expert networks, Liberty Mutual contributed insurance and risk-financing perspectives and clarified how coordinated risk-sharing approaches can mitigate remaining technical and financial uncertainties. This work supports CCUS scale-up and highlights the need for sustained collaboration among insurers, technology providers, project developers and government bodies to enable broader deployment and financing.

Insights and shared understanding developed through these cross-sector discussions provide a foundation for translating knowledge into practical risk management approaches and insurance solutions for emerging CCUS projects.

In 2025, Liberty Mutual provided environmental liability insurance for multiple onshore CCUS projects across the US, Canada and Europe and offered coverage for offshore carbon sequestration initiatives in Europe. Additionally, in Indonesia, Liberty Mutual, along with other partners, supported a CCUS project that integrated upgrades to existing facilities with the construction of new process units on vacant land. This initiative represents a significant investment in advancing low-carbon infrastructure in the region.

Industry and cross-sector collaboration

Accelerating the deployment of renewable energy and decarbonization technologies requires collaboration and active knowledge sharing across industries, sectors and geographies. By bringing together expertise — from policymakers, investors and customers — we can identify barriers earlier, refine risk management frameworks and build the market confidence needed to move innovations from pilot to commercial scale.

Early insurer involvement — engaging with technologies before they reach commercial scale — is critical to addressing financial uncertainties and to informing risk assessment and practical considerations for large-scale, lower-carbon and decarbonization technologies. To this end, in 2025, we highlighted the role of insurance in enabling technologies to scale during a presentation at the Evok Innovations Summit, which brought together energy transition, decarbonization and climate technology developers from across North America.

We also maintained our engagement with the Westminster Energy Forum, a long-standing knowledge-exchange network of policymakers, industry leaders and experts focused on evaluating energy policy, sustainability and climate change, market dynamics, technology innovation and investment/financing strategies. This involvement provided early insight into emerging energy and climate trends, informed our risk-management and energy-transition strategy and allowed us to contribute practical industry perspectives to help shape policy and strengthen sector resilience to risk.

Workforce development, learning and upskilling

We invest in targeted learning and development to ensure teams can identify evolving risks, design appropriate products and provide informed client guidance. Through our Energy Transition Risk Excellence Program (ETREX) an integrated learning and knowledge hub, we delivered role-specific training for risk engineers, underwriters, claims, brokers and client relationship managers on new energy technologies, underwriting considerations and market dynamics. Climate risk education is also embedded across the business via broader continuous learning and upskilling initiatives (see Continued learning and upskilling, **page 21**).

By combining ETREX and our centralized resources with focused, practical training, we ensure our staff are equipped to navigate complex, emerging challenges and to support clients and partners in the transition to a lower-carbon future.

Strategic investments

Our investment firm, LMI, combines long-term capital with the expertise and resources of a Fortune 100 company[3]. This unique position enables LMI to support partners consistently and deploy capital across economic cycles to help address some of the world's most pressing challenges.

LMI leverages a distinct advantage rooted in focused expertise, including deep sector knowledge, an extensive record in private markets, a risk understanding grounded in insurance, a robust operational platform and a flexible approach. LMI invests Liberty's long-duration capital across an integrated platform alongside partners and emerging entrepreneurs, compounding it for continuous growth and reinvestment. Through a combination of disciplined systems and forward-looking innovation, LMI is developing one of the most adaptive capital platforms in the industry — powered by the strength and dedication of its people.

One way that LMI drives innovation is through its dedicated Energy & Infrastructure (E&I) team, which capitalizes on emerging trends in the infrastructure landscape. By focusing on sectors undergoing transformation, the E&I team positions capital to catalyze new approaches and unlock value, such as our investment in Fervo (see Investing in next-generation geothermal energy, **page 17**). This is one of many E&I investments in emerging energy solutions — a large sector poised for dramatic growth in revenue and profitability that will help LMI generate compelling, risk-adjusted returns.

In addition to the more than $1.6 billion[4] in renewable energy-generation investments across LMI's fixed-income and alternative investments in climate technology, the E&I team has invested approximately $1.1 billion[5] in emerging energy-transition opportunities and strategic investments in climate technology. LMI's ability to invest across multiple sources of finance enables tailored solutions that meet project-specific needs, supporting their success and sustainability.

[3] Fortune, "Liberty Mutual Insurance Group," https://fortune.com/company/liberty-mutual-insurance-group/

[4] As of 12/31/25, as reported in the Energy & Infrastructure Summary Dashboard. Methodology uses Total Exposure (NAV + Unfunded) across equity, credit, and ABS portfolios in renewable energy sectors. Data represents rounded numbers to the nearest million.

[5] Ibid

Investing in next-generation geothermal

Fervo Energy is pioneering a transformative approach to geothermal energy that addresses rising electricity demand while reducing environmental impact and creating economic opportunity for host communities. The company uses advanced drilling technology to unlock geothermal resources, enabling greater clean energy output. By locating facilities in areas with existing energy infrastructure and engaging communities early in the development process, Fervo creates long-term local benefits.

Liberty Mutual's E&I team has built a strategic partnership with Fervo Energy and participated in the company's $462 million Series E equity round.[6] This investment aligns with our commitment to deploying capital as a force for good – backing technologies that deliver reliable clean energy while generating measurable social benefits.

By supporting Fervo's expansion, we are helping scale a proven technology that can accelerate the transition to carbon-free power while strengthening local economies. When Fervo's first commercial plant in Utah begins operations, it will deliver carbon-free electricity to power hundreds of thousands of homes and establish a permanent clean-energy economic base for the region.

Support and advocate for greater climate resiliency

We have long focused on climate resiliency (often known as adaptation), which reduces the vulnerability of insured assets to climate-related risks and ensures the long-term viability of our business. We define climate resiliency as the ability to prepare for, adapt to and recover from the physical impacts of extreme weather. This focus presents a growing opportunity to develop insurance products and services that drive business growth, reduce exposure and create customer value.

Since 2024, Liberty Mutual has prioritized efforts to support and advocate for greater climate resiliency through three pillars:

- **Infrastructure and built environment:** Extreme weather events increasingly threaten physical infrastructure and property, creating risks for businesses and homeowners. To address these challenges, we provide solutions that improve preparedness and reduce potential damage.
- **Community resilience:** Climate- and weather-related events can disrupt communities, livelihoods and local economies. We focus on individual- and community-scale resilience to improve preparedness for natural hazards and disasters.
- **Stakeholder engagement and support for resiliency:** Advocating for stronger community measures helps ensure climate resiliency remains part of the broader climate conversation. We focus on public-private stakeholder engagement to sustain momentum around resiliency and the macro-level factors that can affect progress.

Infrastructure and built environment

Through innovative insurance products and strengthening preparedness tools, we enhance climate resiliency in the built environment and communities, as well as inform risk-management strategies. These efforts range from insurance solutions that deliver rapid financial support to tools and guidance that help households and communities anticipate and reduce risk.

Innovative insurance products help communities rebound more quickly from extreme events. A prime example is parametric insurance, which triggers payouts based on predefined hazard conditions, offering faster recovery support, minimizing operational disruption and helping communities to continue to function effectively. In 2025, we expanded our parametric initiatives tailored to local needs across regions:

- In Sri Lanka, we introduced a parametric product designed to support coastal fishing communities during severe weather. Developed in partnership with local organizations, the coverage from Liberty Mutual Re triggers automatic payments when cyclonic conditions prevent boats from going to sea. Because fishing households face immediate income loss when activity halts, these timely payouts help offset revenue gaps while boats remain in port.
- We also participated in the De-Risking, Inclusion and Value Enhancement (DRIVE) project, which provides drought index-based livestock insurance (IBLI) to pastoralists in Kenya, Ethiopia, Somalia and Djibouti. As part of our role, we contributed through the reinsurance panel, helping strengthen the program's risk-sharing structure and financial resiliency. When early signs of drought emerge, cash payouts help pastoralists take early action — such as purchasing feed and water — to keep livestock alive.
- In the US, working with partners across the insurance industry, academia, public agencies and non-governmental organizations, Liberty's parametric specialists implemented custom product pricing that reflected improvements in forestry management

[6] Fervo Energy, "Fervo Energy raises $462 million Series E to accelerate geothermal development and meet surging energy demand with clean, firm power," December 10, 2025. https://fervoenergy.com/fervo-energy-raises-462-million-series-e-to-accelerate-geothermal-development-and-meet-surging-energy-demand-with-clean-firm-power/

— such as tree thinning and planned fires to reduce flammable vegetation — which had helped create a healthier forest environment and reduce wildfire risk.

Building long-term resilience also requires helping homeowners take proactive steps to reduce their exposure to climate risks. We offer innovative tools that focus on early risk prevention, enhancing preparedness and helping minimize damage.

- WeatherReady is a digital tool that provides homeowners with tailored advice, recommendations and tools to build resilience against severe weather. In 2025, we continued our four-preseason email series focused on resilience-building for wildfire, hurricane, hail and cold-weather seasons. These custom guides help homeowners perform preventive maintenance before storms, equipping them with the tools to safeguard their properties. Since launching, WeatherReady has seen significant engagement, with 42,000 participants in 2025 and more than 5,400 resilience-building actions undertaken.

Innovating through collaboration: advanced analytics for community wildfire resilience

Effective wildfire risk management requires cross-sector collaboration to generate the insights needed to understand exposure and guide community-scale risk reduction and resilience planning.

We applied machine vision-based density analytics to evaluate how community layout influences wildfire exposure and urban conflagration potential, using California as the study area. Hazard data from the California Department of Forestry and Fire Protection, paired with Microsoft's open global and US building footprint datasets, enabled us to identify where communities meet — or fall short of — the Insurance Institute for Business and Home Safety (IBHS) community wildfire standard, which calls for at least 10 feet of separation between 90% of buildings in a neighborhood.

While mitigating a single building may raise its survival probability to roughly 25%, combining building-level upgrades with community-scale planning can increase survival likelihood to around 40%. Because buildings can act as fuel, identifying areas where density amplifies hazard exposure is increasingly important as wildfire risks intensify. Highlighting these areas helps prioritize investments in ecosystem services and community-scale mitigation.

As development continues to extend into the high-risk wildland — urban interface, integrating and enforcing these mitigation measures in planning and approval processes will be essential to reducing catastrophic outcomes.

Community resiliency

Through the Liberty Mutual Foundation, we help under-resourced communities build resilience by applying our expertise and partnering with organizations focused on disaster readiness, community planning and skills development. Our philanthropic work includes capacity-building programs, practical guidance for local leaders and targeted grants that enable vulnerable populations to prepare for, respond to and adapt to climate risks.

Grants from the Liberty Mutual Foundation are a critical means of supporting communities on the ground, enabling practical action to prepare for and adapt to climate risks. We partner with more than 30 organizations and in 2025, we continued supporting climate-focused partners with about $3 million in installment funding to 27 grantees, backing projects such as housing efficiency upgrades, green skills training and other initiatives that strengthen community resilience.

Liberty Mutual Foundation's climate resiliency efforts strengthen community resilience through investments in three strategic areas:

- **Nature-based solutions to create more resilient communities.** Current initiatives include floating wetland installations through the Charles River Conservancy, which absorb and remove nutrients from the water, increase biodiversity, support local ecological changes and provide co-benefits such as additional green space.
- **Training and skills development to prepare youth and adults for current and future green jobs.** Key efforts include advancing regional workforce capacity through a three-year, $1.5 million collaboration with American Forests, Speak for the Trees and Boston PowerCorps, which provides new tools for partners and employers and is anticipated to support the creation of more than 200 green jobs between 2025 and 2027.
- **Resilient and sustainable infrastructure for the decarbonization planning at affordable multi-housing property.** Work in this area includes partnerships with New Ecology, Inc. to advance decarbonization planning and energy efficiency improvements across affordable multi-family housing portfolios.

Advancing climate adaptation and resilience. Q&A with Jorge Gastelumendi, Senior Director, Atlantic Council's Climate Resilience Center

Q: What are the purpose and activities of the Climate Resilience Center at the Atlantic Council?

The Atlantic Council's Climate Resilience Center creates and delivers transformative solutions that improve lives, protect livelihoods and expand opportunities for communities on the front lines of the increasingly severe weather risks, including those due to changing climate patterns. The Center's goal is to reach one billion people with resilience solutions by 2030 through work that combines field-based interventions, policy innovation, financing strategies and technology-enabled education.

The Center's work is grounded in three pillars:

- **Resilience solutions:** Co-designing, testing and deploying interventions that reduce the health and socioeconomic impacts of extreme heat and climate change. This approach comes to life through initiatives such as the world's first Chief Heat Officers (CHO), who coordinate citywide responses to extreme heat and accelerate protective measures, including market shade structures and early warning systems.
- **Adaptation policy and finance:** Developing policies and financing models that mobilize public and private capital for climate adaptation, while convening key stakeholders to accelerate coordinated action. The Fostering Investable National Planning and Implementation (FINI) for Adaptation and Resilience Initiative demonstrates this in practice. By bringing policymakers, financiers and technical partners into shared planning processes, FINI aligns priorities for capital mobilization, supports risk-reduction strategies and accelerates investment into regions where adaptation needs are greatest.
- **Resilience technologies:** Building evidence for effective, sustainable use of emerging technologies — including gaming — to strengthen community resilience. The Extreme Heat Series for Minecraft Education illustrates this approach by helping students identify and respond to extreme heat. Through immersive gameplay, learners explore real-world cooling solutions and gain a deeper understanding of extreme weather risks and the practical tools available to mitigate them.

Q: How did the partnership between the Atlantic Council and Liberty start, and what makes it valuable in accelerating practical resilience solutions?

The partnership between the Atlantic Council and Liberty Mutual grew from a shared recognition that communities need practical, evidence-based solutions to withstand the accelerating impacts of extreme weather patterns. Both organizations saw an opportunity to combine their complementary strengths: the Center's global policy network and expertise in adaptation, and Liberty Mutual's distinctive, evidence-based insights into weather risk and the interventions that strengthen community resiliency.

The value of this partnership came into life in the 2025 report, "Resilience by Design: Strategic Actions for Climate Adaptation," which offers practical guidance for community leaders and policymakers working to protect lives, sustain local economies and preserve social cohesion amid accelerating physical risks from extreme weather. The report outlines a set of strategic actions communities can take to build long-term resilience, including land-use policy and the protection of natural assets, the adoption and enforcement of strong building codes, the development of community resilience plans, post-disaster recovery planning and community engagement.

By turning rigorous research and risk insights into straightforward, implementable actions, the partnership accelerates the delivery of real solutions, helping communities adapt faster and more effectively to risks.

Q: How has the Resilience by Design thought paper helped advance the wider dialogue on adaptation?

The paper reframed adaptation as both an economic and governance opportunity, showing how resilience investments can attract capital, strengthen institutional capacity and lay the groundwork for market-ready solutions. This perspective broadened the conversation, bringing new stakeholders — particularly from finance, insurance and economic development — more fully into the adaptation dialogue.

Following its release, the paper also became a catalyst for new events, discussions and cross-sector convenings helping shape the Climate Resilience Center's growing influence at both local and global levels. These dialogues revealed a crucial insight: while numerous resilience frameworks exist, the market infrastructure needed to mobilize capital at scale remains fragmented. Recognizing this gap has informed the next phase of collaboration, with partners now working to translate insights into investable, market-led solutions and to advance capital mobilization efforts planned for 2026.

Stakeholder engagement and support for resiliency

Advancing resiliency requires active collaboration with public and private stakeholders to address the broader factors that influence outcomes. Sharing engineering, risk and data insights across the public and private sectors helps build a common understanding of vulnerabilities and supports informed decisions on planning, design and investment. In 2025, we advanced this work through the following efforts:

- Our collaboration paper with Swiss Re (see Climate Transition Center, **page 13**) showed how community-scale assessments inform public policy decisions related to land-use planning, development patterns and building code requirements, supporting wildfire mitigation at both neighborhood and landscape scales.
- Our participation in the International Energy Agency's High-Level Roundtable on "Strengthening Energy Infrastructure Resilience" underscored the importance of a collaborative approach. The discussion highlighted how energy infrastructure resilience remains a critical gap in energy security, with risks increasing due to climate change, deficient planning, outdated codes and poorly maintained infrastructure. Addressing these challenges requires holistic risk management supported by strong policies, standards and robust data. Early insurer engagement and cross-sector collaboration can integrate forward-looking climate risk analysis, strengthen engineering and risk management practices, improve insurability and ultimately reduce capital costs.
- Just as energy infrastructure faces increasing climate-related risks, home insurance is also under strain from extreme weather and underlying structural challenges, making cross-sector collaboration essential. Liberty Mutual provided insights for the Geneva Association report, "Safeguarding Home Insurance: Reducing exposure and vulnerability to extreme weather." The report outlined an approach to strengthening home insurance in major markets and called for coordinated, collaborative action — across homeowners, lenders, governments, regulators and reinsurers — to ensure insurance remains available and affordable as perils evolve in a changing climate.
- We also continued our partnership with SBP, a national disaster readiness and recovery organization, which helps enhance climate resilience in under-resourced communities. We supported its Capacity Building for Community-Based Resilience program, which focuses on guiding communities accessing federal mitigation funds, which often go to larger cities.

3C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario

We analyze a range of long-term scenarios to assess how transition and physical risks could affect the global economy and our operating environment. These scenarios include multiple NGFS pathways in the 2°C or lower range, evaluated at both the global and portfolio levels (See Table 4, **page 28**). This approach ensures that we consider a spectrum of transition and physical risks across our portfolios, enhances our ability to support risk assessment and strengthens our strategy's resilience.

In addition to the long-term scenarios, we began modeling the NGFS short-term scenarios released in 2025. These scenarios cover a five-year time horizon and examine a range of assumptions about policy ambition and coordination, physical shocks, investment strategies, technological developments and expectations (See Table 5, **page 29**).

While the physical impacts of climate change have substantially improved in the recent NGFS updates, the insurance sector is most interested in perils that are either in early development in integrated assessment modeling or are still completely excluded. Therefore, we will continue to supplement the view of physical risk from the various low-transition-risk scenarios with sensitivity testing in catastrophe models.

Our pragmatic, systems-level, business-led climate strategy is designed to remain effective across a range of potential climate-related scenarios. In an orderly transition, we focus on supporting innovative technologies and helping policyholders navigate the complexities of the transition. In scenarios where physical risks are more pronounced, we emphasize resilience, enabling policyholders to prepare for, adapt to and recover from climate-related impacts. In all cases, our use of data, analytics and science allows us to understand the pace of change and adjust our strategy and actions accordingly, ensuring our approach remains appropriate and effective under evolving conditions.

In addition to advancing our climate strategy, we continue to strengthen organizational resilience by implementing practices that embed climate resilience into business operations, foster innovation and support a well-informed, skilled workforce. These efforts ensure our employees are better equipped to advance Liberty Mutual's purpose of helping people embrace today and confidently pursue tomorrow.

Focus on business integration and innovation

Business integration is key to our sustained resilience and operationalizing our strategy. Liberty Mutual is continuing to evolve our business structure to best meet the needs of our customers and the market. We are proud to have developed robust sustainability and risk governance structures that have evolved to ensure we collaborate and bring the right expertise to each risk amid business changes (see Governance, **page 5**, and Risk Management, **page 22**). Our emphasis on a sustainable underwriting risk framework and on addressing sensitive topics underscores our commitment to managing risks today while assisting customers in navigating opportunities for a more sustainable future (see Risk Management, **page 22**).

The Office of Sustainability also continues to partner with business leaders to ensure that Liberty Mutual's climate strategy is reflected within individual business strategies. As detailed further in Risk Management (**page 22**), our Enterprise Risk Management team also continues to advance research in partnership with our business to ensure that our products and services are informed by the latest science and available data.

Continued learning and upskilling

Investing in employee education and engagement equips our people with the expertise needed to understand the complexities of the energy transition and support customers. Sustainability and climate-focused content are integrated into our Discovery Days, held across multiple office locations. These events bring together teams, functions and employee resource groups to share their work and connect with colleagues.

The sessions deepen awareness and understanding of climate-related issues by highlighting Liberty Mutual's climate expertise, showcasing key insurance products and solutions and featuring collaborations with external partners. Interactive sessions also create opportunities for direct dialogue, allowing employees to ask questions, helping us identify areas where additional guidance on climate-related issues would be valuable. Designed to ensure relevance, the programming at each location is tailored to local business needs so employees receive information pertinent to their daily work. For example, offices with large retail claims operations emphasized climate resilience and tools such as WeatherReady (**page 18**).

During Discovery Day, employees also engaged with the En-Roads, a climate simulation tool developed by Climate Interactive, MIT Sloan and Ventana Systems. Based on peer-reviewed science, the simulation projects global climate impacts — including chronic sea level rise, flooding, heat stress and changes in crop yields. Participants experimented with different policy and economic levers — such as energy mix, electrification rates, carbon pricing and land-use practices — to explore pathways for reducing physical risks and to understand transition risks across several industries. Since its introduction to our senior leadership team, the simulation has proven valuable to both executives and employees.

Another key initiative is the Climate Activation Program (CAP), which continues to build the knowledge and capabilities employees need to incorporate climate-related factors into their day-to-day work. The program highlights how extreme weather affects various aspects of our business. Content is delivered through tailored modules and training sessions adapted for different levels and geographies within the company.

This program solidifies individual understanding and empowers action by focusing on:

- **Connecting policy to real-world climate transition pathways:** Participants engage with real-world examples and data, transforming abstract concepts into tangible realities.
- **Promoting cross-functional learning:** Collaborative discussions foster deeper comprehension and facilitate the development of shared solutions.
- **Identifying how individuals can play a role:** Clarifies how each employee contributes to Liberty Mutual's climate goals, fostering a sense of ownership and responsibility.
- **Moving beyond compliance:** Emphasizes leveraging climate challenges to gain a competitive advantage, promoting proactive and strategic action.
- **Accessing resources and support**: Directs participants to available tools and expertise within Liberty Mutual, empowering them to tackle climate challenges effectively.
- **Personal learning journeys:** CAP encourages ongoing knowledge acquisition and champions climate action within each individual's area of expertise.

In 2025, we broadened CAP's outreach through four online learning modules. The "Introduction to the Climate Activation Program for GRS" was mandatory for all GRS employees globally. This was complemented by three additional voluntary modules that provided a deeper dive into physical, transition and litigation risks. By the end of 2025, over 12,000 (88%) GRS employees had completed the mandatory training, and many had elected to take the additional modules.

Risk Management

As a property and casualty insurer, risk management is at the core of our business. By focusing on both physical and transition risks, our organization identifies, manages and monitors ongoing and potential impacts on our business.

4A. Describe the organization's processes for identifying and assessing climate-related risks

As a property and casualty insurance company, our business involves identifying, evaluating and managing risk. We are committed to helping our policyholders understand and assess significant risks, including those related to public policy changes and increasingly extreme weather events.

In 2025, we developed a Climate Risk Framework which formalizes how we manage climate-related risks across the enterprise by establishing a comprehensive and consistent set of principles, standards, methodologies and controls. The framework promotes clarity and consistency in decision-making, enhances understanding of the breadth and depth of climate-related actions across the business, and supports gap analysis to identify additional climate risk management challenges and opportunities.

As shown in Graphic 2, the Climate Risk Framework provides an integrated, enterprise-wide process that examines how climate drivers can influence each of our principal risks. Rather than treating climate change as a standalone risk type, we classify it as a transversal risk factor that amplifies or manifests within principal risk categories through three drivers: physical, transition and litigation risks. These categories, defined in Table 3, provide the basis for understanding how climate change impacts risk exposures across the business.

Graphic 2: Liberty's Climate Risk Framework-graphic representation

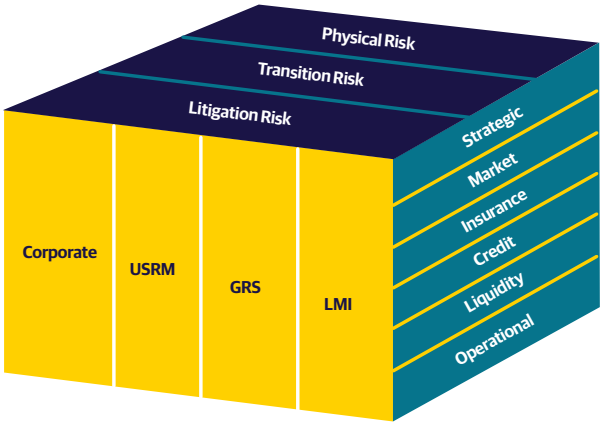
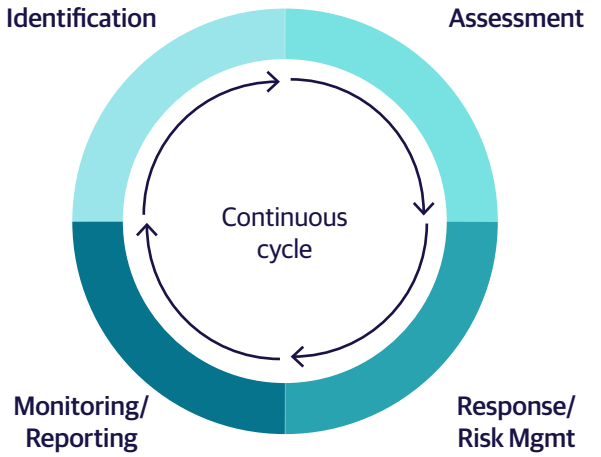


Table 3
Climate-related risk definitions and examples

Physical	Transition	Litigation
Risk related to the physical impacts of climate change which can be event-driven (acute) or longer-term shifts (chronic) in climate patterns	Risk associated with the transition to a low-carbon economy and how an organization adapts or fails to adapt	Climate-related lawsuits brought against public and private entities for alleged failures relating to climate change
Examples	**Examples**	**Examples**
• Acute: Increased severity of extreme weather events such as hurricanes or floods • Chronic: Long-term shifts like sea level rise or chronic temperature changes	• Policy: policies related to carbon pricing or energy efficiency • Technology: Emerging technologies like renewable energy, battery storage and carbon capture • Market changes: shifts in supply chain and demand for certain commodities, products and services	• A party's alleged contribution to climate change • A party's alleged failure to prepare for, respond to, or adapt to physical, legal, economic or social consequences of climate change • Greenwashing

The framework spans the full risk management lifecycle and is built around four core components — identification, assessment, response and monitoring — ensuring a structured and enterprise-wide approach to managing the most material climate risk. As shown in Graphic 3, these components operate as a continuous cycle, reinforcing an iterative process that embeds climate risk considerations into decision-making across the organization.

Graphic 3: Risk management cycle



Climate-related risk identification and assessment

Risk identification is an ongoing process that creates transparency and increases understanding of the climate-related risks to which Liberty is exposed, enabling effective management of these risks. Climate risks are identified from both internal and external sources and may include known risks, previously unidentified new risks and changing risk exposures.

To assess climate risks, we employ a mix of qualitative and quantitative methods across the enterprise. Our approach integrates expert judgment, data-driven analytics and scenario-based modeling to evaluate how climate drivers may influence our risk profile across multiple time horizons. This combination ensures that both the near-term exposures and the long-term strategic implications of climate change are considered in our underwriting, pricing, investment and capital allocation decisions.

Qualitative assessment

We recognize that qualitative climate risk assessment requires combining scientific evidence, expert judgment and insurance industry experience. As part of this process, we pay particular attention to physical climate risks, which are both complex and rapidly evolving. Historical loss data alone may not accurately reflect future trends as the frequency and intensity of extreme events continue to shift. To address this, we complement traditional modeling tools with expert-driven qualitative evaluation, drawing on insights from our exposure management specialists. While catastrophe models remain important to evaluate event-driven losses, they are supplemented by broader climate science inputs - such as global circulation model (GCM) projections, regional hazard studies and engineering assessments to better understand potential long-term impacts. This multi-lens approach allows us to bridge short-term risk quantification with long-term strategic implications.

Our qualitative assessment process emphasizes expert interpretation, peer review and collaboration across underwriting, claims, risk and research functions to ensure balanced and informed conclusions. Through this iterative approach, we continuously refine our understanding of climate drivers to improve the accuracy and relevance of our risk assessments.

To evaluate how climate drivers interact with enterprise risks, we apply a structured risk transmission analysis that identifies and rates the relative exposure level ("High," "Moderate" or "Low") for each combination of climate driver and enterprise risk type. This analysis considers both downside impacts (loss, volatility, disruption) and upside opportunities (new products, portfolio repositioning, resilience services) associated with climate factors. The resulting matrices provide a comprehensive view of where climate factors are most likely to influence Liberty Mutual's risk profile. They support prioritization across underwriting, investments, capital planning, scenario analysis and strategy development, ensuring that climate considerations are embedded within our decision-making processes.

Collectively, these transmission tables serve as the foundation for our climate risk response strategies, enabling each risk owner to better understand and more effectively manage their climate-related exposures. The analysis is refreshed periodically to incorporate new data and scientific insights, maintaining relevance as the climate risk landscape evolves.

Quantitative assessment

In addition to our qualitative analysis, we undertake a series of quantitative and forward-looking assessments designed to deepen our understanding of how climate factors may affect the enterprise over time. These analyses combine portfolio-level data, climate science and financial modeling to test the resilience of our underwriting, investment and operational profiles under a range of plausible futures. Using methodologies such as catastrophe modeling, scenario analysis and sensitivity testing, we translate identified climate risk drivers into measurable financial and strategic insights.

We acknowledge that current climate risk models and datasets carry inherent uncertainty. We therefore adopt an iterative approach that continuously refines modeling assumptions and methodologies as our understanding of climate drivers and emerging science evolves. In parallel, we apply sensitivity testing to specific catastrophe model parameters (e.g., flood frequency, wildfire severity) to understand how marginal changes could affect earnings volatility and capital requirements. Where confidence in physical hazard is particularly low, we may apply reverse stress tests to quantify our appetite for forward-looking climate volatility, which feeds back into our catastrophe modeling evaluation process. These analyses are supplemented by trend and correlation studies across lines of business, geography and counterparties to detect emerging systemic patterns.

We also use climate transition scenario analysis to explore how different policy, technological and physical pathways may influence future climate and economic conditions. Scenario sets include policy-driven stress tests as well as physical stress tests spanning low- to high-risk futures. These scenarios draw on established sources such as the Network for Greening the Financial System (NGFS), Intergovernmental Panel on Climate Change (IPCC) pathways and regulator-specific exercises, including the PRA Climate Biennial Exploratory Scenario (for more information in our scenario analysis work, see Strategy, **page 20** and Risk Management, **pages 28-29**).

Scenario analysis allows us to:

- Quantify potential impacts on underwriting losses, investment valuations, credit exposures and operational resilience across short-, medium- and long-term horizons
- Test the adequacy of risk appetite and capital buffers under severe but plausible conditions
- Evaluate long-term strategic resilience and portfolio alignment with emerging transition trajectories

Results from the climate scenario analysis are integrated into strategic planning, risk appetite calibration and capital management processes. Scenarios are reviewed annually and recalibrated as new scientific, regulatory and market information becomes available, ensuring that they remain relevant and decision useful.

Deep dive: physical risks identification and assessment

Identifying and assessing extreme physical risks is a core function for Liberty Mutual. We take a data-driven approach and ensure our data aligns with the latest, most robust research.

We integrate climate-adjusted catastrophe models, exposure management practices and adaptation strategies into underwriting and reinsurance decision-making. Through geospatial analytics, we track accumulations and identify emerging hotspots. We are also developing new products such as parametric and resilience-linked covers to enhance our ability to manage and transfer extreme weather risk on behalf of our clients.

To support continuous progress in capturing and quantifying climate-related risk across the organization, we follow a four-pillar approach:

1. **Prioritize by science and materiality**
   We assess risks from climate change using a science-based prioritization framework that evaluates the material impacts on our insurance portfolio, focusing on the most significant threats to the business. Liberty Mutual's high-priority risks are hurricanes, floods and wildfires (**page 26**). Beyond these, we monitor science on other risks, such as extreme temperatures, tornadoes, hail, extratropical storms and winter storms, to prepare to act should their risk and impact change. We have also begun developing pilot projects in emerging areas, such as heat-related workers' compensation risk.
2. **Invest in data quality to differentiate from peers**
   Assessing the characteristics of our underlying exposure data often requires substantial investments. High-quality location information is critical to catastrophe management, particularly for high-resolution perils such as floods, which are experiencing climate-related risk changes. We continually invest in upgrading our understanding of hazards affecting our business.
3. **Focus on sub-perils that drive loss**
   Since not all hazard changes result in material losses, we concentrate on the components of hazards that actually drive losses. For example, although all wildfires have the potential to be destructive, in the US, historical losses have been driven by a smaller subset of wind-driven fires. Tail assessments and frequency adjustments, therefore, focus on this subset with the greatest financial impact.

   This targeted approach helps us:

   - Identify which components of climate hazards cause the most damage.

Advancing research on high-priority perils

Assessing, managing and mitigating physical hazards is a primary function for property risk management. Research on these hazards informs how we manage risk accumulation at the portfolio level, assess the capital required to meet our obligations and ensure we can support customers during severe events. It also provides the foundations for key components of policy pricing and underwriting.

We continue to invest in research on high-priority perils to ensure that the best available data informs our risk management tools. In 2025, we advanced new insights into tropical cyclone, flood and wildfire risk.

Tropical cyclone risk

Building on the work completed in 2024 to reassess US hurricane frequency and review international tropical cyclones, in 2025 we incorporated these findings into Liberty's View of Risk and carried out an expanded evaluation of Caribbean hurricane risk. This work involved:

- Assessing climate impacts in the region using the latest scientific literature
- Validating modeled hurricane frequencies against Liberty's historical event record
- Aligning a consistent stochastic modeling framework across the entire Atlantic Basin

Flood risk

International flood has emerged as one of the fastest-growing and most material climate-related hazards in our global book of business. In response, we prioritized this peril by incorporating new flood modeling informed by both current and forward-looking climate data.

In 2024, we enhanced international flood and catastrophe modeling across key regions, integrating the latest scientific research and improving representation of tropical cyclone-driven flooding to strengthen risk assessment and tail-risk modeling. In 2025, we expanded our international flood modeling capabilities with new or upgraded models across Canada, Italy, the United Kingdom and Ireland. These models incorporate the latest scientific advancements and climate research to produce updated stochastic event sets.

We also enhanced our catastrophe modeling capabilities by expanding our modeling of flooding due to tropical cyclone-induced precipitation in both the US and Japan. Through a comprehensive reevaluation of this sub peril in conjunction with our existing tropical cyclone models — we are now integrating this additional risk into our business-wide catastrophe modeling. The models are supported by robust methodology and validated by scientific data sources, providing greater confidence in their adoption and enabling improved representation of tail risks, including those associated with flood defenses.

Extreme precipitation

Extreme precipitation is becoming more frequent and intense, posing significant challenges for infrastructure and development. Construction sites are particularly vulnerable, as incomplete drainage, temporary earthworks and staged materials can exacerbate flooding and runoff. These conditions can damage works in progress, compromise safety, disrupt site access and increase costs, delays and remediation needs, highlighting the importance of integrating resilience into construction planning and management.

Effectively managing such risks requires a clear understanding of the frequency, intensity and spatial distribution of extreme rainfall events. Traditional methods, which often focus on mean rainfall or daily maxima derived from gauges, offer limited visibility into the tail behavior that drives losses.

To address this gap, we developed a high-resolution global extreme precipitation index informed by recent research. The resulting distributions reveal spatial patterns in precipitation of extreme rainfall, improving hazard characterization and enabling more robust, risk-aware decision-making.

Wildfire risk

Having enhanced our wildfire risk tools in 2024, we significantly advanced our assessment of US wildfire risk by integrating forward-looking climate data and updated catastrophe modeling into Liberty's View of Risk in 2025. Our enhanced modeling approach, spanning the Western US, includes:

- A near-present climate view trended to 2025–2029
- Updated land cover and fuel data
- Improved modeling of ember generation, urban spread, smoke impacts and downsloping wind events

This modeling explicitly incorporates a forward-looking climate signal into our hazards assessment, which has been rigorously evaluated against contemporary scientific research and understanding. We further refined our View of Risk by leveraging Liberty's claims experience, industry loss data and proprietary wildfire tools that integrate meteorological factors, such as wind behavior and climate-driven vegetation changes. As climate conditions continue to influence wildfire behavior, strengthening our wildfire risk capabilities remains a strategic priority.

- Determine where more research on risk drivers is needed.
- Prioritize perils for specific action.

4. Develop actionable metrics for business.
We convert climate risk analysis into actionable business strategies. Insights gained from understanding physical risks inform updates to the risk tools we rely on to make business decisions. Climate risk is directly integrated into our standard catastrophe risk appetite, helping ensure that our climate work shapes our overall approach to risk management.

We continue to review the impact of evolving weather patterns on near-term physical risk within our catastrophe model validation framework and implement any findings across our business through:

- The Liberty View of Risk
- Our standardized catastrophe modeling process
- Financial reporting updated at least twice a year

Liberty View of Risk

The Liberty View of Risk brings together third-party specialist catastrophe models, historical loss experience and expert judgment to create a proprietary perspective on catastrophic risk. It treats perils according to their modeling maturity: well-established, high-materiality hazards receive more refined views, while emerging perils with limited history are approached in a more exploratory way.

By blending model outputs with proprietary adjustments and considerations — such as enterprise-specific knowledge, claims history, data gaps and emerging risks considerations — the Liberty View of Risk provides a differentiated and better understanding of catastrophe risk management across the enterprise. It also informs core activities including enterprise strategy, pricing and underwriting, event response, reinsurance planning and economic capital modeling and is continually refined as models and scientific understanding evolve.

Chronic physical risk

In 2024, we evaluated emerging physical risks stemming from climate change, starting with extreme heat scenarios. This work examined how chronic hazards, such as rising temperatures, interact with acute events — such as wildfires and floods — across different insurance lines, helping assess policy coverage, potential impacts and risk accumulation.

We expanded our approach in 2025 by developing supplementary tools to more effectively evaluate heat-related risk. As climate change accelerates, extreme heat is creating more risks for workers worldwide, underscoring the urgent need for robust heat risk assessment and management. In response, we created scientifically grounded, comprehensive secondary tools that deliver spatially and temporally complete heat risk mapping, as a pilot project to support our risk engineering function.

Using the ERA5-Land dataset at 9 km resolution, we assess prolonged extreme heat events — temperatures above 90 °F — to evaluate the types of heat exposure workers may face over extended periods. Current research shows that extreme heat events are becoming more frequent, lasting longer and emerging in historically cooler regions.

These analyses support the risk engineering team by informing underwriting and pricing for workers' compensation policies and by enabling more targeted risk-reduction strategies. They also enhance client education by providing localized insights into how heat affects worker injury rates and offering practical mitigation measures — such as scheduled water breaks, cooling periods and adjusted work-rest cycles.

Deep dive: transition risks identification and assessment

Liberty Mutual's approach to identifying and assessing climate-related transition risks combines systems-level and portfolio-level approaches.

Systems-level approach

Liberty Mutual assesses climate-related transition risks at a systems level by evaluating macroeconomic, policy and legal, reputational and technological drivers across multiple regions and sectors. Analyses are conducted over short-, medium- and long-term time horizons (up to 15+ years), reflecting the periods over which scenario-based insights are most decision-useful for strategic and investment planning.

In 2025, we updated our enterprise climate scenario framework to reflect the latest NGFS scenarios (vintage 5.0).

Portfolio-level approach: underwriting

As part of Liberty Mutual's climate scenario framework, we leverage the latest NGFS long-term scenarios to assess climate-related risks and opportunities across climate-relevant sectors (see Table 4, **page 28**). Using industry classification codes, we create sector groupings from exposure data mapped to climate Policy Relevant Sectors, which are then aligned with NGFS variables. This integration enables us to effectively stress-test our portfolio against a range of climate scenarios, evaluating both risks and growth prospects. By focusing on key variables that reflect industry activity and economic dynamics, we gain a comprehensive understanding of risk accumulation, potential business growth and how our portfolio exposure may shift as climate policies and physical risks evolve.

Table 4
NGFS Long-Term Climate Scenario Framework[7]

Transition pathway	End of Century Warming	Scenario	Description
Orderly *Assume climate policies are introduced early and become gradually more stringent* High Transition Risk	1.1 °C	Low Demand	**Emissions reach zero around 2050** through significant behavioral changes in energy generation and consumption Additional levers in end-use sectors mitigate the pressure on carbon taxes to induce the transition Carbon Dioxide removal (CDR) is assumed to have medium use
	1.4 °C	Net Zero 2050	**Emissions reach zero around 2050,** giving at least a 50% chance of limiting global warming to below 1.5°C by 2100 Assumes **ambitious climate policies are introduced immediately and high technological innovation** CDR is assumed at a medium-high use
	1.8 °C	Below 2 °C	**Climate policy stringencies gradually increase,** giving at least a 67% chance of limiting global warming to below 2 °C by 2100 Countries who have net zero targets follow through on 80% of them Assumes a moderate change in technology
Disorderly *Policies are delayed or divergent across countries/sectors* High Transition & Policy Risk	1.7 °C	Delayed Transition	Transition and physical risks are higher than in the Net Zero 2050 scenario Assumes global emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2 °C **Policy action is not introduced until 2030,** and the level of action differs across countries and regions based on currently implemented policies. CDR is assumed to be of low to medium use
Too Little, Too Late *Late & uncoordinated transitions fails to limit physical risks* High Transition & High Physical Risk	2.4 °C	Fragmented World	Assumes delayed and divergent climate policy ambition globally, **leading to elevated transition risks** in some countries and **high physical risk everywhere** due to the overall ineffectiveness of the transition Countries without net zero targets **follow current policies,** while other countries achieve theirs partially (80% of target)
Hot House World *Some climate policies are implemented in some jurisdictions, but efforts globally are insufficient to halt significant global warming* High Physical Risk	2.3 °C	Nationally Determined Contributions (NDCs)	Assumes that only currently implemented policies are preserved Emissions continue to increase until 2080, leading to about 2.3 °C of warming Assumes **moderate to severe physical risks, lower transition risk**
	3.0 °C	Current Policies	Assumes that only currently implemented policies are preserved, leading to **high physical risk** Emissions grow leading to about 3 °C CDR is assumed to be of very low use with slow changes in technology

[7] NFGS, "NGFS Scenarios Portal," https://www.ngfs.net/ngfs-scenarios-portal/explore/

Table 5
NGFS Short-Term Climate Scenario Framework[8]

Scenario	Description	Transition shock	Physical shocks	Investments	Financial markets
Highway to Paris *Transition risk*	Gradual technology-led transition where carbon tax revenues fund green investment, as high-emitting sectors' risks and financing costs rise	Carbon taxes increase gradually, decreasing emissions and revenue reinvested in green technologies	None	Rise globally supported by recycling of carbon tax revenues into the green transition	Rise in capital costs and risk premia for high-emission sectors increase credit risk, while green sectors see reduced credit risk
Sudden wake-up call *Transition risk*	Abrupt policy and preference shifts spark a carbon-price shock, triggering a wave of financial instability	Steep and abrupt carbon pricing post-2027, with partial reinvestments to green technologies and the other to support households' consumption	None	Carbon revenues only partially recycled for clean energy production with other revenues redistributed for private consumption	Sudden rise in capital costs and risk premia for polluting sectors
Disasters and policy stagnation *Physical risk*	Region-specific extreme weather damages capital and disrupts production, creating cascading global impacts and amplifying economic and financial instability	None	Region-specific compounded disasters, focused on dry and wet events, with international spillages via financial and trade linkages	Decreased consumption and investments driven by lower economic activity with a partial recovery after 2027	Rise in capital costs and risk premia in sectors and countries exposed to physical risk
Diverging realities *Physical and transition risk*	Advanced economies follow a Highway to Paris transition, while the rest of the world faces extreme weather shocks whose global spillovers raise transition costs	Carbon tax to reach net-zero in selected regions lead to a global reduction in emissions that fall short of targets	Region-specific disasters occurring consecutively in some regions of the world, with events representing a 1 in 20-year return period	Decreased consumption and investments driven by lower economic activity with longer-lasting effects	Rise in capital costs and risk premia in sectors and countries exposed to physical risk or due to mitigation policies

Macro-financial risk perspective	Lower risk	Moderate risk	Higher risk

Applying climate scenarios to a Surety portfolio to enhance resiliency

Building on the near-term focus of the NGFS short-term scenarios, we launched an innovative pilot to understand how these dynamics could manifest in a Surety portfolio. Applying the NGFS Disasters and Policy Stagnation scenario, we assessed sector-level impacts through simulated compound shock events combining heatwave, drought, wildfire, storm and flood risks. This approach enabled us to move from high-level scenario exploration to estimating the broad probability of default for our contract and credit bonds, providing practical insight into risk exposure, recognizing that scenario-based assessments represent plausible outcomes rather than precise predictions.

With this new framework for analyzing potential near-term impacts, we are better equipped to evaluate the resilience of regional economies and gauge how our portfolio may perform amid evolving climate policies and increasingly frequent extreme weather events.

[8] NFGS, "NFGS Short-Term Climate Scenarios Technical Documentation, V1.0", May 2025. https://www.ngfs.net/system/files/2025-07/NGFS%20Short-term%20climate%20Scenarios_Technical%20Documentation.pdf

Building on this sector-based view, we developed the Liberty Mutual Transition Risk Dashboard, which provides an integrated picture of our casualty and property portfolios, including the geographic distribution of exposures across climate policy relevant sectors. The dashboard is designed to identify sectors likely to grow or contract under different scenarios and highlighting segments where we may be overexposed to transition risk or underexposed to emerging opportunities. This capability allows us to meet growing transition risk related global reporting requirements and enhances our ability to engage stakeholders on portfolio strategy.

These insights are increasingly important as the energy transition unfolds along region and sector-specific trajectories, each with different implications for local economies. Understanding the nature of our current business mix and how it aligns with varied transition pathways provides a stronger foundation for navigating evolving policies and market conditions. When combined with the latest forward-looking scenarios from NGFS, this analysis equips us with a robust set of tools to support strategic risk management and to identify opportunities across a changing climate and policy landscape.

Understanding climate-related litigation risks

In 2025, we expanded on our early pilots to identify potential sources of climate-related litigation risk using the same flexible framework we apply in our broader transition risk strategic mapping. By tagging industries through climate policy relevant sectors, we can capture geographic patterns and track where litigation and policy developments are most likely to emerge.

Given the global rise in climate litigation, increasing internal awareness of these developments is essential. The insights from our expanded analytics directly inform our Climate Activation Program (**page 21**), where climate-related liability is a featured topic. Through sessions with business leaders, we examine trends, key drivers, emerging litigation risks and their potential implications for our businesses. This focused engagement helps ensure that litigation risk is understood, anticipated and embedded in strategic decision-making across the organization.

Portfolio-level approach: investments

Starting in 2021, LMI began conducting a periodic portfolio-level climate transition risk scenario analysis, which indicated limited near-term impacts and a moderate increase in risk over a 15-year horizon under modeled scenarios. While this analysis assumed a static portfolio, in practice, LMI actively manages and repositions investments over time in response to evolving market, policy and climate-related developments.

Building on this foundational analysis, LMI has since introduced jurisdiction-specific climate stress testing to meet local regulatory requirements. These regularly updated analyses estimate annual climate-related profit-and-loss impacts using NGFS-aligned scenarios. An external vendor's climate models and data are applied to public corporate bonds and equities — primarily through scenario-specific carbon pricing signals — while illiquid assets are evaluated using relevant public market proxies.

Insights from these analyses inform the ongoing identification and assessment of transition risks across the investment portfolio and support continual enhancement of Liberty Mutual's climate risk analytics capabilities.

US power grid vulnerability and the impacts of evolving climate risks

Power outages continue to pose a significant threat to the US economy, disrupting businesses and increasing costs for consumers and insurers, with impacts amplified by extreme weather events. We have completed an analysis of power grid stability across the US and examined how both extreme weather and aging infrastructure contribute to outages. Insights from our analysis show that grid instability has increased nationwide, with some regions experiencing up to a 70% rise in outages over the past decade — partly due to aging infrastructure, as nearly half of US energy generation assets are over 30 years old. This vulnerability was illustrated by the 2021 Texas freeze, where grid instability accounted for more than 80% of insured losses from the event.

These findings have been shared across Liberty through targeted education sessions such as underwriting and risk management and have supported our advocacy with industry partners — providing evidence-based recommendations to accelerate grid modernization, expand storage capacity and prioritize investments that reduce outage risk. Addressing this growing risk requires coordinated, proactive investment in modernizing grid infrastructure, along with innovative approaches to power generation and storage. Strengthening the power grid will help protect consumers and local economies while safeguarding national economic security against future extreme weather events.

4B. Describe the organization's processes for managing climate-related risks

We manage climate-related risks through a holistic approach that combines catastrophe modeling, climate accumulation analysis, underwriting integration and investment risk oversight. Our approach spans acute and chronic physical risks as well as transition risks, using forward-looking tools and ERM processes to inform decision-making across the enterprise.

Catastrophe modeling

Catastrophe modeling is our primary tool for assessing and managing the potential financial impact of natural catastrophe-related risks. We use the latest catastrophe loss simulation models from reputable third-party specialists like Verisk Extreme Event Solutions, alongside internally developed modeling and analytical tools. These are regularly supplemented with up-to-date scientific information on severe weather perils and our own loss experience. For acute risks included in catastrophe models, our risk management approach is driven by the level of scientific evidence and certainty associated with each peril:

- Where the direction and amount of change are relatively clear, we run forward-looking scenarios. For example, a project examining the effects of sea-level rise on storm surge in our portfolios used NOAA's Intermediate sea-level scenario to project coastal flood risk through 2035 and 2050.
- Where the direction and magnitude of change are unclear, such as in hurricane frequency, we use reverse stress testing to identify and monitor a wide range of impacts on our book of business without relying on a narrow estimate or a single scenario.
- Between these two ends of the spectrum, we apply sensitivity testing to examine how small changes in climate-related factors — such as temperature or rainfall — could affect the portfolio. By adjusting one variable at a time, sensitivity testing highlights which parts of the portfolio are most sensitive to incremental shifts in risk, and where risk may accumulate next.

Catastrophe loss simulation models are also central to underwriting. They inform the process, aid the development of risk selection guidelines and contribute to the establishment of pricing differentials for individual risks and program-level rate structures. We integrate the output from these models into our ongoing risk management efforts, ensuring an effective management approach for our natural catastrophe exposure portfolio.

At Liberty Mutual, we manage both direct underwriting exposure and enterprise-wide retention of risk. Occurrence guardrails help manage exposure concentrations related to a single large event, while aggregate tolerances manage potential exposure to the accumulation of losses from various events throughout the year. Utilizing measures such as Probable Maximum Loss (PML) and Conditional Tail Expectation (CTE), which are Value-at-Risk (VaR) and Tail Value-at-Risk (TVaR) measures, respectively, we assess and model our natural catastrophe exposures. These assessments are conducted semi-annually, with modeled losses evaluated relative to respective tolerances. We monitor and evaluate the limits for specific exposures, such as regional-level exposures and, when necessary, develop mitigation plans to align with tolerance levels and address adverse trends. As part of our ERM program, we can conduct stress testing to facilitate understanding of the capital or liquidity impacts of various deterministic stress scenarios or combinations thereof, ensuring that our current portfolio adheres to established tolerances.

Managing the accumulation of climate-sensitive risks

Physical risk

We manage climate-related physical risks by prioritizing accumulation-based analyses rather than relying solely on single-frequency adjustments, which often carry large uncertainty bounds for many climate-sensitive hazards. While global regulatory exercises typically apply frequency adjustments to estimate how often events such as floods or storms may occur in the future, these approaches have limited value for insurance-relevant perils where medium-term scientific uncertainty remains high.

To address this, we apply a more robust process that uses accumulation exercises driven by sensitivity tests on climate-related hazards. This allows us to evaluate how exposure evolves under a wide range of plausible climate conditions, identify where risk is intensifying and understand how changes in hazard characteristics may influence overall portfolio accumulation. By using sensitivity-based accumulation methods, we are able to proactively monitor changing physical risks and adapt our risk management actions even when scientific projections carry high uncertainty

Transition risk

Liberty Mutual is strengthening its enterprise-wide approach to transition-related climate risk by integrating macro-level systemic analysis with micro-level portfolio assessment, highlighting both risks and opportunities across our book of business. Building on 2024 pilot exercises, we implemented a standardized climate-scenario approach that applies consistent assumptions and metrics to improve comparability and enable enterprise-wide aggregation of transition exposures. This

approach supports multi-horizon, multi-scenario analysis — leveraging short- and long-term NGFS pathways — to capture near-term shocks, long-term transitions to greener technologies and sensitivity to alternative policy, technology and market trajectories (Strategy **page 20**). We use these system-level insights, along with portfolio-level analysis, to conduct targeted educational engagement across the business and enable early identification of transition risk concentrations and potential opportunities for underwriting and product innovation.

Managing risk through integrating climate-related issues in the underwriting process

Insurance protects and prepares for the unexpected through keen risk awareness and risk mitigation. Liberty views the management of climate-related risks and the transition to a climate-resilient economy as both a business imperative and an opportunity for innovation, sustainable growth and societal adaptation. Through this dual lens, we are focused on helping clients, partners and communities to become more resilient in the face of changing climate conditions and simultaneously, continually strengthening our risk management practices to ensure our long-term resilience and help build a more sustainable future. To that end, we are embedding sustainability, including climate risk issues, into our decision-making processes and underwriting strategy to ensure we remain a stable, adaptive insurer, always risk-aware and looking ahead.

Underwriting activities are governed by established guidelines and sectoral policies (e.g., the coal, oil and gas industries) that define acceptance criteria, referral requirements and capacity limits for higher-risk exposures, and are supported by periodic portfolio reviews to monitor concentrations and emerging trends. Climate risk models (including catastrophe and integrated assessment models) inform pricing, risk selection and accumulation management.

Ongoing monitoring provides a dynamic view of how climate-related risk evolves and supports timely management as science, data and external conditions change. We continue to build climate-risk capability to strengthen underwriting decisions, portfolio steering and strategic planning.

Managing risks in our investments

Our foremost responsibility is to monitor significant risks to the portfolio, including liquidity and solvency, to allow Liberty Mutual to honor claims reliably and consistently. Beyond this essential role, we work closely with ERM and LMI's Investment Committee to evaluate specific, enterprise-wide risk factors, including those related to climate. By raising awareness and providing timely analyses, LMI risk management aims to ensure that our strategic decision-making context is comprehensive, appropriately weighing all known benefits and risks.

4C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management

At Liberty Mutual, climate-related risks are managed through the Climate Risk Framework, which provides a structured, company-wide approach to identifying, assessing and managing risks.

ERM ensures that risks are consistently evaluated across all businesses, material exposures are quantified and strategies are developed to mitigate risks when necessary. Climate-related risks are integrated alongside other enterprise risks, rather than treated separately, using a layered approach that combines science, data, modeling, scenario analysis and portfolio monitoring. This enables the company to prioritize the hazards that drive the greatest loss potential, assess both physical and transition risks, track accumulations and concentrations of risk and translate insights into underwriting, investment and capital decisions (see 4a. and 4b. **page 23-32**).

Strong governance underpins this integration. The Board Risk Committee is responsible for the oversight of Liberty Mutual's management of climate risk. The ERM Executive Committee is responsible for Liberty Mutual's management of climate risk, while the ERM Operating Committee facilitates the escalation and evaluation of material risks, including climate-related risks (See Governance, **page 5**). The Corporate ERM function, led by the Chief Risk Officer, coordinates enterprise-wide processes to identify and manage climate-related risks within the ERM framework. These include identifying, assessing and monitoring risks, establishing risk policies and providing risk insights.

At the business level, dedicated ERM support ensures climate risks are addressed in line with enterprise objectives. The GRS ERM Committee sets and monitors the overall risk management strategy for the commercial business. In US Retail Markets, the Chief Risk Officer exercises governance over retail business risks, ensuring climate-related risks are quantified, mitigation actions are established and material exposures are escalated to senior leadership when appropriate.

This integrated approach ensures that climate-related risks are embedded in decision-making, aligned with other enterprise risks and actively managed across all levels of the organization, enabling Liberty Mutual to respond proactively to emerging climate challenges.

Metrics & Targets

Liberty Mutual is committed to being open and accountable about how we evaluate and manage climate-related risks and opportunities. We use a mix of financial and non-financial metrics to assess our underwriting, investments and operations and disclosures are guided by established frameworks like TCFD and Sustainability Accounting Standards Board (specific to the insurance industry), as well as regulatory requirements and industry comparisons.

5A. Describe metrics used by the organization to assess climate-related risks and opportunities

At Liberty Mutual, we understand the importance of clear metrics and targets in evaluating and advancing our climate strategy and supporting the energy transition. These tools provide a foundation for tracking progress, identifying opportunities and managing risks as we navigate the challenges of a changing climate. We regularly update our climate metrics, aligning them with industry standards, new regulations, strategic objectives and best practices while maintaining our annual TCFD data reporting.

Energy transition investments

In 2025, Liberty Mutual Investments (LMI) managed approximately $124.7 billion[9] in capital across global fixed income, credit and private investments, including asset classes such as private equity, venture capital, real estate and private credit. The asset allocation framework considers several factors, including capital growth, sufficient liquidity and risk minimization.

For over a decade, LMI has invested in the global transition to a low-carbon economy. In addition to over $1.6 billion[10] invested in traditional renewable energy generation, we are increasingly focused on investing in emerging energy transition solutions and have now invested approximately $1.1 billion[11] in emerging energy transition opportunities and climate technology, as shown in Table 6.

Table 6
Energy transition investments (in $ millions)

Total investments	2025	2024	2023
Renewable energy[12]	1,620	1,506	1,231
Energy transition solutions[13]	1,102	1,009	810

[9] AUM as of 12/31/25 as reported in Liberty's Q4 2025 Financial Statement. This figure reflects total assets under management, which includes both funded and unfunded commitments. Data represents rounded numbers to the nearest hundred million. Gap to LMI AUM on Financial Statement is approximately $10B in non-LMI invested assets.

[10] As of 12/31/25, as reported in the Energy & Infrastructure Summary Dashboard. Methodology uses Total Exposure (NAV + Unfunded) across equity, credit, and ABS portfolios in renewable energy sectors. Data represents rounded numbers to the nearest million.

[11] Ibid

[12] In 2025, fixed maturities and public equities of US$543 million, LP, LLC and other equity method investments of US$790 million and unfunded commitments of US$287 million were included. In 2024, fixed maturities and public equities of US$443 million, LP, LLC and other equity method investments of US$789 million and unfunded commitments of US$275 million were included. In 2023, fixed maturities and public equities of US$383 million, LP, LLC and other equity method investments of US$583 million and unfunded commitments of US$265 million were included.

[13] Includes unfunded commitments of US$476 million (2025), US$506 million (2024), US$358 million (2023).

Environmental risk exposure metrics

Liberty Mutual employs a comprehensive set of environmental risk exposure metrics. These metrics are crucial to understanding the exposure to potential climate-related losses. In evaluating our exposure to climate risk, we closely monitor changes in the frequency and severity of weather-related natural catastrophes as well as shifts in our insured exposure portfolio to understand the company's climate risk. These factors, along with a range of assumptions beyond those embedded in standard models (using Liberty Mutual's historical data, third-party tools, new scientific research and technologies and input from expert consultants), enable us to build a custom modeled view of loss – the Liberty View of Risk (**page 27**).

We regularly monitor catastrophe exposure through metrics such as Probable Maximum Loss (PML). This metric, among others, enables us to assess vulnerability and exposure to climate-related risks, allowing for proactive refinement of risk management strategies.

The table below provides the probabilities that estimated catastrophe losses from a single hurricane or earthquake event, occurring in a one-year timeframe, will equal or exceed the indicated loss amounts after reinsurance and net of tax based on the Liberty View of Risk using proprietary and third-party catastrophe models as of December 31, 2025. Estimated losses comprise claims and allocated claim adjustment expenses (but excluded unallocated claim adjustment expenses), net of reinsurance recoveries and reinstatement premiums.

Table 7

Probabilities that estimated catastrophe losses from a single hurricane or earthquake event, occurring in a one-year timeframe, will equal or exceed the indicated loss amounts after reinsurance and net of tax based on the company's view of risk using proprietary and third-party CAT modeling as of December 31, 2025.

Likelihood of exceedance (occurrence)[14]	Dollars (in millions) North America		Percentage of total policyholders equity as of 12/31/2025 North America[15]	
	Hurricane net	Earthquake net	Hurricane net	Earthquake net
1 in 50 Year PML (2.0%)	1,160	789	2.9%	2.0%
1 in 100 Year PML (1.0%)	1,308	1,038	3.3%	2.6%
1 in 250 Year PML (0.4%)	2,050	1,370	5.2%	3.4%

The data in Tables 8-10 refers to the estimated losses from multiple events between 2023 and 2025. Table 8 shows the estimated ultimate losses from natural disasters evaluated as of December 31, 2025. Table 9 shows the estimated ultimate losses as initially reported after 12 months for the individual accident years. Additionally, subsequent developments which represent the difference between the initial reported loss and the current estimated ultimate is displayed. Table 10 provides a breakdown of the estimated ultimate catastrophe losses by major geographic regions.

[14] The probabilities in the table represent the likelihood of losses from a single event equaling or exceeding the indicated loss amount in a one-year timeframe. The 1 in 100-year PML refers to a 1% chance of a loss equaling or exceeding the indicated amount. Also, the modeled loss represents the single event occurrence perspective and does not reflect the aggregation of multiple events that can occur in a single year timeframe.

[15] The percentage of total policyholders' equity is calculated by dividing the indicated loss amounts by the total policyholders' equity less unrealized gains and losses on certain investments in debt securities, net of tax and related deferred acquisition costs, as December 31, 2025.

Table 8

Estimated ultimate catastrophe losses, net of reinsurance and inclusive of reinstatement premium, by accident year evaluated as of December 31, 2025 (in $ millions)

Peril category	Accident year 2025	Accident year 2024	Accident year 2023
Tornado, Hail and Wind	1,410	2,422	3,974
Winter Storm	57	369	163
Tropical Storms/Hurricanes	95	709	92
Floods	59	158	64
Wildfires	1,153	131	126
Earthquake	-	-	108
Other[16]	-	-	36
Net Catastrophe Losses	2,773	3,789	4,562

Table 9

Estimated ultimate catastrophe losses, net of reinsurance and inclusive of reinstatement premium, by accident year evaluated as initially reported after 12 months (in $ millions)

Peril category	Accident year 2025	Accident year 2024	Accident year 2023
Net catastrophe losses as originally reported after 12 months	2,773	3,890	4,685
Development in subsequent calendar years	0	(101)	(123)

Table 10

Estimated ultimate catastrophe losses by region, net of reinsurance and inclusive of reinstatement premium, by accident year evaluated as of December 31, 2025 (in $ millions)

Region	Accident year 2025	Accident year 2024	Accident year 2023
North America	2,658	3,631	4,191
Europe	-	57	159
Latin America	95	28	-
Asia Pacific	-	-	68
Other[17]	21	73	144
Net Catastrophe Losses	2,773	3,789	4,562

[16] Other category includes losses for Sudan Crisis in AY 2023.

[17] Other region includes losses related to the Sudan Crisis (AY 2023), Turkey/Syria earthquake (AY 2023), United Arab Emirates floods (AY 2024) and Australia Queensland Floods (AY 2025). Ukraine invasion is included in the Europe region.

Liberty Mutual defines a catastrophe as a major event — whether it's a natural disaster, civil unrest, or a terror-related event — that results in estimated losses of more than $25 million. This includes both the costs of the losses themselves, and the expenses related to adjusting the claims, after accounting for reinsurance and before taxes aggregated across the business for both US and international events. The losses also include the impact of accelerated earned catastrophe premiums and earned reinstatement premiums where applicable.

Catastrophe modeling continues to evolve, and available models reflect varying levels of maturity and sophistication. Because of this, we regularly evaluate the models and incorporate the latest scientific advances in the estimation of our natural catastrophe exposure.

Operational Footprint

Liberty Mutual tracks and manages operational carbon footprint, focusing on improving efficiencies in areas such as real estate, fleet management and business travel to reduce emissions, while also enhancing waste management practices.

Building operations

We continue to make our buildings more efficient by focusing on reducing energy consumption and optimizing operations.

Table 11
Energy consumption

	2025	2024	2023
Electricity (MWh)	80,608	89,558	104,914

- Our Boston headquarters received an Energy Star certification. Both Boston buildings continue to operate very efficiently obtaining near perfect Energy Star scores.
- Our London office has achieved significant energy reductions and sustainability milestones, recognized by COP30 for industry-leading electricity and gas savings. The property holds multiple prestigious certifications including WELL Core Platinum, BREEAM In-Use Outstanding (twice) and WiredScore Platinum with a perfect score. The "Energy Strava+" gamification program empowers occupants to manage their energy footprint, fostering a culture of sustainability and identifying efficiency gains.
- In Singapore, we have offices certified as Green Mark Platinum Buildings and listed in the Green Mark Buildings Directory.
- In Australia, we select high-efficiency buildings that have National Australian Built Environment Ratings System (NABERS) ratings for our operations.
- In China and Malaysia, we lease LEED-certified buildings.
- In Hong Kong, we lease a Green Building Council Platinum building.

Waste reduction and recycling[18]

We are taking action to lessen our environmental footprint by reducing waste generated across our operations. Specific actions include:

- Printing conservation: Through Liberty Mutual's Print$mart initiative (which captures printing activities both in-office and through remote work), total printed page volume in 2025 was 94% lower than 2012 levels. As a result, these efforts have equated to employees conserving over 23.6 million gallons of water, saving 27,856 trees and reducing GHG emissions by over 3,300 metric tonnes.
- Furniture reuse: We donated over 550 short tonnes of office furniture, which had a fair market value of over $2 million, to local social service agencies, nonprofits and schools.
- Landfill diversion: With most employees back in an office, our centralized waste programs in US-owned buildings have diverted significant waste from landfills. As employees are asked to sort waste into bins for recycling, compost and landfill bins, we're fostering a conscious disposal culture. In 2025, we diverted 84 tonnes of compost and 50 tonnes of mixed-recycling from our US-owned facilities as well as 100 tonnes of electronics and 289 tonnes of office paper from our global operations.

Fleet[19]

Around the world we work to ensure claims adjusters and other employees are mindful of their carbon emissions by using fuel efficient vehicles. For our US fleet our impact in 2025 (from 2024 levels) includes:

- 27% decrease in gallons consumed
- 29% reduction in CO_2e emissions

[18] Data provided by third party vendor partner.

[19] Data provided by third party vendor partner.

5B. Describe Scope 1, Scope 2 and, if appropriate, Scope 3 Greenhouse Gas (GHG) emissions and related risks

Greenhouse gases (GHG) stemming from the utilization of fossil fuels stand as the primary catalyst for climate change. Our ongoing commitment involves actively contributing to the reduction of our environmental footprint by diminishing our reliance on these GHG-emitting resources and meticulously monitoring our progress. At present, we systematically measure and disclose data on both Scope 1 and Scope 2 GHG emissions. Additionally, we track two distinct categories of Scope 3 emissions, namely waste generated from operations, pertaining to US owned and operated facilities and emissions resulting from business travel.

Table 12
Scope 1 and Scope 2 GHG emissions[20]

Scope 1 CO2e emissions (MTCO2e)	
2025	18,626
2024	22,717
2023	30,162
Scope 2 CO2e emissions (MTCO2e) location based	
2025	26,349
2024	30,641
2023	36,474
Scope 2 CO2e emissions (MTCO2e) market based	
2025	20,652
2024	24,128
2023	31,731
Total Scope 1 & 2 CO2e emission location based (MTCO2e)	
2025	44,975
2024	53,358
2023	66,636
Total Scope 1 & 2 CO2e emission market based (MTCO2e)	
2025	39,277
2024	46,845
2023	61,893

Table 13
Scope 3 GHG emissions

Scope 3, Category 5 emissions (MTCO2e)[21]	
2025	414
2024	675
2023	402
Scope 3, Category 6 emissions (MTCO2e)[22]	
2025	31,603
2024	42,442
2023	45,838
Total Scope 3 CO2e emissions (MTCO2e)	
2025	32,017
2024	43,117
2023	46,240

[20] We have engaged Ernst & Young LLP, an independent third party, to provide limited assurance over our Scope 1 and Scope 2 LBM and MBM metrics for fiscal year 2025 under the attestation standards of the American Institute of Certified Public Accountants. See the Independent Accountants' Review Report for more information.

[21] Scope 3, Category 5 – Emissions from Waste Generated in Operations for US owned and operated facilities.

[22] Based on data availability from third party providers. Reported Category 6 emissions represents emissions from over 85% of the global employee population.

5C. Describe targets used by the organization to manage climate-related risks and opportunities and performance against targets

In 2025, we achieved a 15% reduction from 2024 levels, resulting in a cumulative 63% reduction from the 2019 baseline. We will continue to contribute toward a low-carbon future as we aim to further reduce Scope 1 and 2 emissions by 65% from 2019 levels by 2030.[23]

To fulfill our GHG reduction objectives, we have and continue to actively reduce our operational carbon footprint through the reduced consumption of greenhouse gas emitting resources. This includes enhancing operational efficiencies, identifying renewable energy opportunities across our real estate portfolio and leveraging key learnings from 2020 to increase emission reduction rates during the return-to-office transition. Furthermore, we have adapted and reimagined our offices to support the evolving workplace dynamics to support our employees globally as they connect and collaborate in hybrid, in-office or work from home environments. This adaptability plays a crucial role in our overall reduction of GHG emissions. Our commitment to sustainability remains steadfast as we work toward a resilient and environmentally responsible future.

[23] For a comprehensive review of the company's GHG emission, please refer to Liberty Mutual's Greenhouse Gas Emissions Disclosure Policy.

Contact us

For questions or comments regarding this report, please contact:

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Except where noted, the information covered in this report highlights our performance and initiatives in fiscal year 2025.

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