Liberty Mutual INSURANCE

Sustainability Materiality Assessment

Materiality Assessment process

We maintain ongoing dialogue with our stakeholder groups — including employees, consumers, investors, brokers, agents and non-governmental organizations (NGOs). In 2020, as part of our overall stakeholder engagement approach, we conducted our first materiality assessment exercise to better understand how our stakeholders prioritize the environmental, social and governance topics that underpin our sustainability approach. We update our materiality assessment every three years and plan to conduct our next assessment in 2023.

Prior to engaging our stakeholders in a materiality exercise, we reviewed sustainability reporting frameworks and ratings, regulatory requirements and industry peer materiality assessments to define a list of Liberty Mutual's 14 most material sustainability topics. We then consulted with our stakeholders, through surveys and focus groups, to better understand how each group prioritized the 14 topics identified.

The exercise provided extremely valuable stakeholder insights that will inform our sustainability journey, as well as our communications with stakeholders, moving forward.

	Liberty Mutual Material Topics		Corresponding GRI Standards Material Topic
Social	**Diversity, Equity & Inclusion**	Develops and maintains a diverse, equitable and inclusive workforce where differences are valued in Liberty Mutual's decision-making	Diversity and Equal Opportunity
	Human Capital Management	Attracts top talent and creates an atmosphere that both encourages and helps employees develop for long-term success and retention	Employment
	Employee Experience	Creates an exceptional employee experience that motivates and inspires employees to do their best work	Employment; Training and Education
	Health & Wellness	Offers resources and programs to support employees' overall health and wellbeing	Occupational Health and Safety
Environment	**Climate Change**	Identifies and mitigates the risks that climate change presents to its business and pursues opportunities for improvements	Energy; Emissions
	Environmental Management	Reduces the impact it has on the environment through its operations and activities (e.g., reducing energy consumption and recycling at its facilities or providing paperless option for customers)	Energy; Emissions

Materiality Assessment process continued

Material Topic Identification

As we began our materiality assessment exercise, we first set out to internally identify the material topics that are considered important to the P&C insurance industry. We reviewed:

- Multiple sustainability reporting frameworks and guidelines such as the United Nations' Sustainable Development Goals, Global Reporting Initiative, Sustainability Accounting Standards Board, the Task Force on Climate-related Financial Disclosures and CDP;
- Regulatory requirements/expectations;
- Sustainability rating and ranking methodologies;
- Insights from benchmarking the materiality assessments of financial industry peers.

Through internal consideration and review of these inputs, we defined a list of 14 material sustainability topics.

	Liberty Mutual Material Topics		Corresponding GRI Standards Material Topic
Governance	Corporate Purpose & Culture	Lives up to a clearly defined company mission that is guided by a values-based corporate culture	General Disclosures
	Global Compliance & Ethics	Ensures adherence to laws, rules and regulations in all jurisdictions where it conducts business	Anti-Corruption
	Responsible Insurance & Investment	Aligns insurance & investment processes with globally responsible principles and practices (e.g., comparing and incorporating industry-developed best practices)	This topic does not map directly to a GRI Standards Topic. Elements of the GRI Standard on Economic Performance are incorporated and additional information is available throughout our sustainability reporting to discuss this material topic.
	Reporting & Disclosure	Provides information about its business practices in its disclosure to its stakeholders (e.g., how it considers the environmental & social impacts of its business practices)	General Disclosures
	Risk & Crisis Management	Ensures operations and enterprise value are protected from and prepared for risks and potential disruptions	General Disclosures
	Cybersecurity	Protects its IT infrastructure along with the privacy and security of employee and customer data	Customer Privacy
	Customer Satisfaction	Delivers high-level customer value, satisfaction and achieves high-level customer engagement	Marketing and Labeling
	Innovation	Fosters innovation to continuously improve product development and customer experience	This topic does not map directly to a GRI Standards Topic. Information on this topic is discussed throughout our sustainability reporting

2020 Materiality Assessment results

Stakeholder insights

To understand how each stakeholder group prioritized the 14 topics we had identified, we implemented the following process.

Step 1: Adopt a conjoint survey methodology to get differentiated results.
Unlike most materiality stakeholder surveys that use either a forced ranking or numerical scale, we opted for a conjoint survey methodology. We felt that this methodology, which asks respondents to make choices between competing priorities, would allow for survey respondents to make finer distinctions between the 14 material topics. The survey design team's hypothesis was that this methodology would yield more useful information, showing a richer, more sophisticated view of how stakeholders think about each topic.

Step 2: Conduct multi-stakeholder materiality survey providing descriptors to establish an understanding of sustainability topics.
In the fourth quarter of 2020, we conducted the survey with multiple stakeholder groups, inclusive of global employees, executives, consumers, brokers, investors, NGOs and academic groups. Survey participants were given descriptions for each of the material topics to ensure a common understanding of the topics.

In addition to the conjoint survey, some stakeholder groups additionally received the opportunity to expand on their views via open-ended questions, providing deeper rationale and insights.

Step 3: Analyze responses and prioritize topics' materiality.
Following the exercise, we conducted an analysis of both the overall results and the results by stakeholder group to gain an understanding of their respective priorities and how we could better engage with each group in the future.

Materiality stakeholder assessment findings

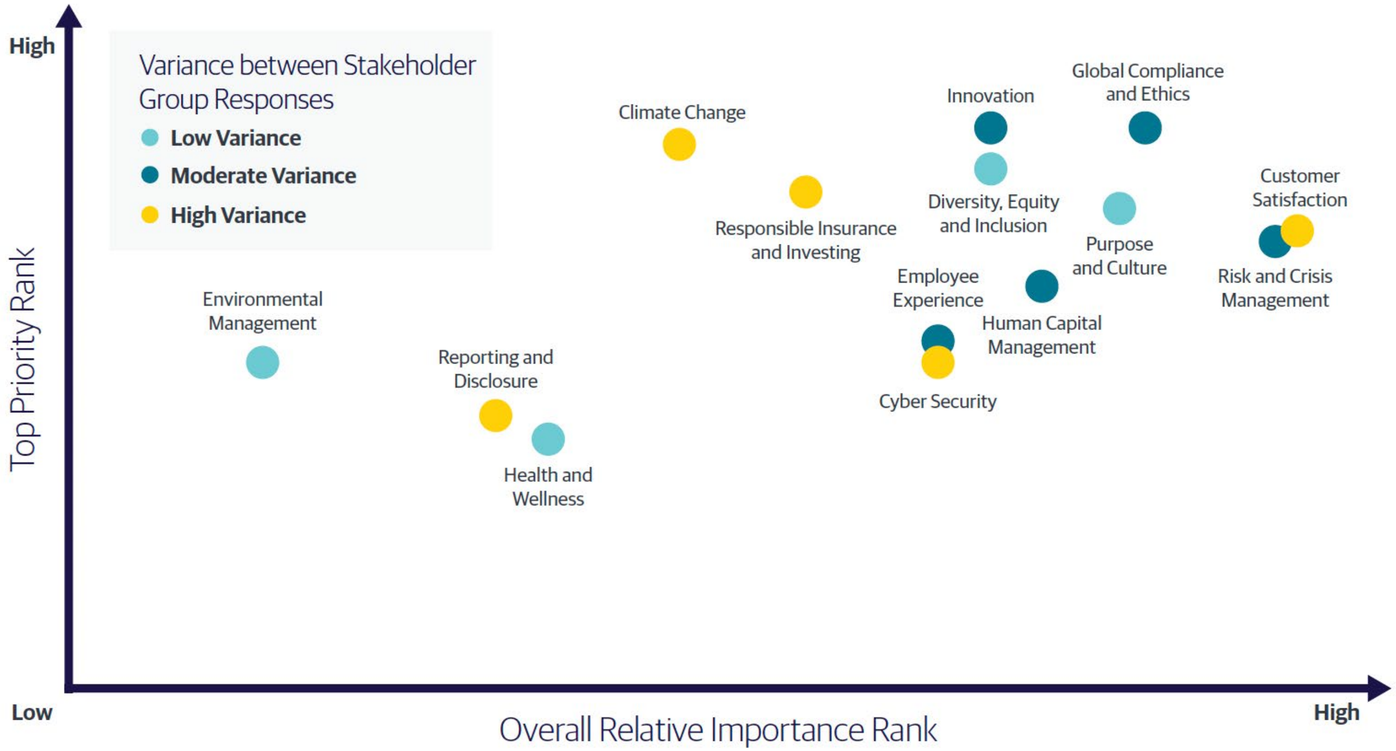
The conjoint survey, as hypothesized, yielded more sophisticated findings and decision-useful information. Key takeaways included the following:

Three groupings of topics emerged.

1. **High Priority** (top right of matrix): Nearly all stakeholders agreed these topics were important - signifying their centrality to our sustainability approach. These topics scored in the top quartile when combining priority and overall rank.
2. **Moderate Priority** (center middle of matrix): These topics had higher variance between the relative importance of topics, but this variance was often explained by the direct relevance topics had to stakeholder groups (e.g., customer satisfaction more important to customers; employee experience more important to employees).
3. **Lower Priority** (bottom left of matrix): Nearly all stakeholders agreed on the lower priority of these topics, although we know from data provided from other sources that this does not signal stakeholders' desire for Liberty Mutual to scale back efforts in these areas.

Climate change is a top-of-mind priority.
While climate change appeared in the middle priority grouping in the matrix, stakeholder interest in this area came through strongly in open-ended responses, signaling both a need to continue our work in this area and to increase our engagement with and communication to stakeholders on the subject.

Our sustainability topics are interconnected.
Topics such as health and wellness were identified as being low in importance and priority but are integral to our employee experience and our culture which is ranked higher in priority. We interpret the results to mean that we need to continue building those programs while effectively communicating the interdependencies and their contributions to other priority areas to stakeholders.



Priority Material Topics by Stakeholder Group

Employees: Diversity, Equity & Inclusion, Human Capital Management, Employee Experience, Health & Wellness, Corporate Purpose & Culture and Global Compliance & Ethics

Consumers: Global Compliance & Ethics, Cybersecurity and Customer Satisfaction

Investors: Diversity, Equity & Inclusion, Climate Change and Responsible Investment & Insurance

Sales agents & brokers: Human Capital Management, Risk & Crisis Management, Cybersecurity, Customer Satisfaction and Innovation

NGOs: Climate Change, Corporate Purpose & Culture, Responsible Insurance & Investment and Reporting & Disclosure