Horace Mann Educators Corporation | TCFD Index

GOVERNANCE	
Describe the board's oversight of climate-related risks and opportunities.	The Nominating and Governance Committee of the Board of Directors has responsibility for the oversight of ESG at Horace Mann. The charter states: "The Committee shall evaluate and oversee risks related to environmental and social factors and the Company's environmental and social goals, including the vital policies and programs needed to achieve short and long-term objectives. These policies shall include, but not be limited to, the Company's human rights statement, diversity and inclusion efforts, environmental and climate change statement, and employee health and safety procedures."
Describe management's role in assessing and managing climate-related risks and opportunities.	Management prepares and presents an update to the Committee on its corporate social responsibility policies and programs, including a discussion of targets, risks and objectives on an annual basis. Senior management's involvement occurs through the corporate Enterprise Risk Management (ERM) Committee. The ERM Committee oversees the risk management process, with each leader having ownership and accountability over certain identified key risks. The ERM Committee discusses ESG risk annually. The ERM Committee's risk assessments and risk mitigation strategies include recommended actions to address climate change risks. These actions include: • Managing climate risks. Our ongoing risk assessments help us improve the accuracy of our climate-related risk models, refine how we price and underwrite policies, and avoid an overconcentration of insurance coverage and investments in geographies likely to be affected by climate risk. We also have in place a conservative reinsurance program as an additional layer of protection against large property-casualty catastrophe losses. Our coverage for $30 million to $175 million of losses shares the risk with other insurance companies. • Mitigating climate risks. Rising temperatures and changing weather patterns in recent years are widely associated with more frequent and severe weather events and natural catastrophes, leading to higher insurance claims and costs. We have a duty to ensure we are there for our customers in the event of a loss. We work every day to protect our customers' property and help them recover from hurricanes, windstorms, hail, severe winter weather, wildfires and earthquakes. We are actively monitoring trends in the frequency and severity of events and ongoing academic research on potential future impacts of climate change on weather volatility and will consider options to adjust our views on risk as new information becomes available. Members of the ERM Committee are responsible for updates to the Board and various Board committees on key risks and emerging risk topics.

STRATEGY	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Climate change presents risk to us and there are concerns that the increased frequency and severity of weather-related catastrophes and other losses are indicative of changing weather patterns, whether as a result of climate warming trends (global climate change) caused by human activities or otherwise, which could cause such events to persist. Certain catastrophe models assume an increase in the frequency and severity of certain weather or other events, which could result in a disproportionate impact on insurers with certain geographic concentrations of risk. Increased weather-related catastrophes, as well as significant weather events not designated as catastrophes, could lead to higher overall losses, and could result in higher reinsurance costs. This would have an adverse effect on our financial condition and results of operations. At a corporate level, there are operational and reputational opportunities associated with responding to stakeholders' environmental concerns and investing in a lower carbon economy. **Short-term risks** In the short term, extreme weather conditions cause financial impacts and disruptions in our daily Property & Casualty operations. We have experienced millions of dollars in losses from catastrophes such as hurricanes, wildfires, wind, and thunderstorms. Catastrophes can also impact a property and casualty insurance company's claims and claim adjustment expenses incurred. See our 10-K (pg. 10) for more details on the financial losses from extreme weather conditions over the past five years. Operational disruptions are relatively minor and easily managed with temporary office closings. Reputational risk and negative publicity is another potential short-term risk that can arise from several sources, including failure to comply with applicable laws, regulations, Company policies, or contractual obligations related to climate. These failures can give rise to litigation risk and potential financial loss. In addition to the potentially significant financial impact, this could lead to a loss of trust and confidence from our customers, shareholders, and the public, eroding our customer base and reducing revenue. **Short-term opportunities** In the short-term, we can improve our company's brand and reputation with shareholders by investing in our corporate social responsibility program to position Horace Mann as a more attractive choice for customers and future talent. For example: • Energy Efficiency: Horace Mann invested in renewable energy by installing more than 500 solar panels at its headquarters location in 2021. In 2022, renewable solar energy accounted for roughly 10% of total energy usage, which we expect to increase as we fully realize the impact of our energy efficiency initiatives. In addition, we have eight EV charging stations at our Springfield headquarters to recharge employee-owned EVs. • Water Reduction: Our overall water usage was 30% lower in 2022 than 2021 as our water conservation measures have become more effective. Notable contributors to this improvement include improved ground irrigation and plumbing at our Springfield location and encouraging employees to conserve water on their days working in our offices. • Waste Reduction: For the first time in 2022, we recycled more than 50% of our waste. We recycle paper, plastic, metal, cardboard, personal computers, monitors, servers, hard drives, printers, and cartridges. We also invest in projects that support a lower carbon economy. For example, at the end of 2022, included in our $80 million green investment portfolio are equity stakes in 46 LEED-certified real estate properties and 23 green investments.

Long-term risks

In the long term, we expect increases in risks from writing property insurance in coastal areas or areas susceptible to wildfires or flooding, particularly in jurisdictions that restrict pricing and underwriting flexibility. Several factors make increased losses more likely:

- More people living in high-risk areas combined with population growth in areas with weaker enforcement of building codes, urban expansion and an increase in the average size of a house.
- Elevated frequency and severity of wildfire losses due in part to record droughts in western states that some climate studies suggest are likely to increase over time, as well as demographic changes in areas prone to wildfires.
- Less reliable catastrophe models due to the increased unpredictability in frequency and severity of severe weather events, emerging trends in climate conditions, inadequate reflection of regulatory changes, and the other factors mentioned above.

In addition, changing climate conditions could also present long-term risks on the following:

- Our fixed maturity security and limited partnership portfolios, resulting in realized and unrealized losses in future periods that could have an adverse effect on our financial position, results of operations and cash flows. It is challenging to foresee which, if any, assets, industries or markets may be adversely affected, nor is it possible to foresee the magnitude of such effects.
- The creditworthiness of issuers of securities in which we invest. For example, water supply adequacy could impact the creditworthiness of bond issuers with significant assets or business activities in the Southwestern United States, and more frequent and/or severe hurricanes could impact the creditworthiness of issuers within significant assets or business activities in the Southeastern United States, among other areas.
- Regulation adopted in response to potential changes in climate conditions, which may impact us and our customers, including state insurance regulations that could impact our ability to manage property exposures in areas vulnerable to significant climate-driven losses.
- The legal, regulatory, and social responses to climate change could also possibly have an adverse effect on our financial condition, results of operations and cash flows.

Long-term opportunities

In the long term, we expect to save operational costs by reducing our carbon footprint, including a commitment to achieve net-zero by 2050 and minimizing energy and waste consumption.

Non-material risks & opportunities

From an operational perspective, we do not believe climate-related risks present a material substantive financial risk. Our employees and customers are sufficiently diversified geographically, and our hybrid workforce model caters well to any future physical climate-related risks.

In terms of technology infrastructure, Horace Mann has a dedicated secondary data center available and high-bandwidth connectivity to the primary data center such that Horace Mann could maintain data in the event of a natural disaster. The systems included in our Disaster Recovery Plan are either configured to tolerate or are agnostic to public IP address changes during a failover event. Therefore, we do not foresee significant disruptions to our technological infrastructure due to climate change.

Regarding transitional risk, we do not expect the regulatory environment to allow us to incorporate potential future climate change into our pricing actions by anticipating higher losses or offering discounts for alternative energy or electric cars. As such, Horace Mann's policyholders could see increased costs from compliance with climate-related regulations. For instance, adding solar panels increases the expected cost of insurance because they damage roof integrity and cost money to replace if damaged.

Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	Horace Mann has articulated a long-term strategy for achieving financial performance to all stakeholders, including implications of broader fundamental trends, such as climate change, rapid technological change, and digital disruption. This strategy includes a Formal Business Continuity documented plan, annually updated to better integrate evolving risks and the findings of our scenario analysis. Horace Mann's business is diversified through Property & Casualty, Life & Retirement and Supplemental & Group Benefits segments. Climate risks are less prevalent in the Life & Retirement and Supplemental & Group Benefits businesses. Therefore, the majority of impacts are only relevant to the Property & Casualty segment. Our understanding of the impacts of climate change will continue to evolve, with the most risks potentially changing over time. We will continue to assess the range of risks and their significance at different timescales and how this will impact our strategy. Impact on business strategy and financial planning are: • Conservative reinsurance program (impact of climate risk) • Sharing of risk with peers (impact of climate risk) • Review of pricing strategy (risk and opportunity) • Creditworthiness of bond issuers and securities (impact of climate risk) • Changing regulations **Integration in investments analysis** We and our asset managers have fully integrated ESG risks and opportunities into the investment decision-making process across our fixed maturity portfolios. Incorporating ESG screens into our investment analysis and decision-making process is designed to minimize investment risks while surfacing investment opportunities that are consistent with Horace Mann's values. We apply ESG risk and opportunity considerations to our analysis of potential investments, focusing on climate risk related to investments in, or collateralized by, real estate. Our Enterprise Risk Management Committee's risk assessments and mitigation strategies include recommended actions to address climate change risks. These actions include managing climate risks through our ongoing risk assessments to help us improve the accuracy of our climate-related risk models, refine how we price and underwrite policies, and avoid an over-concentration of insurance coverages and investments in geographies likely to be affected by climate risk. To aid our investment analysis, we use property and casualty catastrophe models and proprietary third-party computer modeling processes that include evaluations of climate-related risks, enabling us to more accurately price for such risks. In addition, we perform annual scenario planning and disaster recovery analysis that allows us to stress test our ability to respond to business disruptions, including climate-related disruptions.

Describe the resilience of the organization's strategy, considering different climate-related scenarios, including a 2°C or lower scenario.	We manage our climate-related risks through our ERM program, an ongoing assessment process to identify and manage risk. This program includes biannual catastrophe models to help understand and quantify our weather-related catastrophe risk. There are three components to this catastrophe model: the simulated events, the damage caused by those simulated events, and the insured loss that would result from the various events. The event catalog consists of 10,000 simulated years of potential events with hurricanes, earthquakes, wildfires and "other wind" catastrophes. Normal and stressful scenarios are simulated in these tests to gauge potential risks under various conditions. The Company utilizes the tool to test against historical events, hypothetical scenarios, or factor-specific shocks on a chosen time frame. These tests provide ex-ante VaR results and profit and loss estimations. Near-term risks are expected to be manageable given current risk management approaches in place throughout the organization. While we are expecting to see more volatility associated with events in a warming environment, the impacts for many perils may not be identifiable until mid-century. It is important to consider longer-term trends in strategy but projections out several decades also come up with significant uncertainty. We will continue to monitor risks associated with natural catastrophes and climate change by staying well informed about scientific advances to determine if risks are expected to change and assessing new risk quantification tools available to the industry for scenario analysis and future projections. We will continue to assess the most significant risks to the company and as our understanding of risk improves, this could impact strategy.

RISK MANAGEMENT	
Describe the organization's processes for identifying and assessing climate-related risks	Our ERM activities involve both the identification and assessment of a broad range of risks and the execution of coordinated strategies to effectively manage them. ERM also includes an evaluation of our risk capital needs, which takes into account regulatory requirements and credit rating considerations, in addition to economic and other factors. Our ERM enables us to identify, assess, and manage physical, transition, and liability risks as these are included in our assessment of all risks. Horace Mann identifies risks, including climate, through internal assessments; those risks are reviewed annually and updated to add newly identified key risks and, if appropriate, remove previously identified ones. Horace Mann determines the relative significance of climate-related risks in relation to other risks by creating risk profiles, which are identified with the assessments and aligned with a risk tolerance statement. We use property and casualty catastrophe models run by the reinsurance intermediary that provides climate risk information to us. Life and retirement asset cash flows are projected using third-party software for certain security types. We also utilize proprietary third-party computer modeling processes to evaluate capital adequacy. These analytical techniques are an integral component of our ERM process and further support our long-term financial strategies and objectives. Within Horace Mann, ERM is an ongoing assessment process used to identify and manage or mitigate risk, which will continue to influence our strategy and direction. The ERM Committee assesses risk mitigation strategies, including recommended actions to address climate change risks. These actions include monitoring trends in the frequency and severity of events, as well as refining how we price and underwrite policies to avoid an overconcentration of insurance coverages and investments in geographies likely to be affected by climate risk. Through our reinsurance intermediary, we receive ongoing assessments of our natural catastrophe risk using catastrophe models for the following physical climate risks: hurricanes, severe thunderstorms, wildfires, and winter storms. They help identify risks and how they change over time, and the value of our reinsurance treaties. We have in place a conservative reinsurance program with coverage for $30 million to $175 million of losses, which adds a layer of protection against large losses and shares the risk with other insurance companies. Horace Mann strives to maintain an open and productive dialogue with investee companies regarding corporate social responsibility topics, including climate-related topics. Our interviews and surveys align with our investment consulting firm's framework for evaluating asset managers and our rating system aligns with their investment DD ratings, both of which include climate-related factors. Horace Mann outsources the majority of the investment portfolios. As such, we have aligned our partnerships with investment managers that are United Nations Principles for Responsible Investment (PRI) signatories, which promotes responsible investing and seeks to understand the investment implications of ESG factors, and to incorporate these factors into their investment and ownership decisions. All of our core portfolio managers are UN PRI signatories. We consider and have incorporated climate risk into our investment process, as we have a large allocation to municipal bonds in our fixed income portfolio. Like our other investment strategies, we manage interest rate risk exposure from climate to our portfolios through asset/liability management (ALM) techniques which attempt to coordinate the duration of the assets with the duration of the insurance policy liabilities. In addition, we ask our asset managers to annually provide us with information about their policies and procedures that demonstrate how they incorporate climate-related factors into their investment processes. In addition, we may utilize a third-party investment consultant to provide an annual report to the Investment & Finance Committee of our Board of Directors. This report focuses on each asset manager's performance compared to benchmarks and other managers, as well as the level of integration and sophistication of ESG policies and procedures, which include climate, in the manager's proprietary investment processes.

	As we look ahead, we believe climate change risks should be understood, modeled and better priced into our insurance products and services. There is also a need to understand how public policy could impact risk, such as discouraging overbuilding in high-risk areas through flood insurance requirements and state regulatory approaches to insurance premium approvals, and modifying and enforcing building codes to better protect at-risk communities against the effects of natural catastrophes.
Describe the organization's processes for managing climate-related risks.	Climate risk management is part of our ERM program. As mentioned above, this program includes biannual catastrophe models to help understand and quantify our weather-related catastrophe risk. There are three components to this catastrophe model: the simulated events, the damage caused by those simulated events, and the insured loss that would result from the various events. Horace Mann utilizes a model created by AIR Worldwide. The event catalog consists of 10,000 simulated years of potential events with hurricanes, earthquakes, and "other wind" catastrophes. Normal and stressful scenarios are simulated in these tests to gauge potential risks under various conditions. The Company utilizes the tool to test against historical events, hypothetical scenarios, or factor-specific shocks on a chosen time frame. These tests provide ex-ante VaR results and profit and loss estimations. We use formal stakeholder engagement surveys to update and refine our understanding of potentially relevant ESG issues, including climate risks, and their materiality. We select an initial list of topics as a starting point for engagement based on ESG ratings providers, ESG reporting frameworks and peer benchmarking. We then solicit input on these from 10 different external and internal stakeholder groups to ensure a diversity of voices both inside and outside of the business are included in the assessment. We engage with stakeholder groups via surveys and interviews, in addition to utilizing publicly disclosed guidelines and information to understand the priorities of several stakeholder groups.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Horace Mann's corporate ERM Committee has oversight of the risk management process, which includes developing and executing risk assessments and risk mitigation strategies that may include actions that address climate change risks.

METRICS & TARGETS	
Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	Our biannual catastrophe models help us understand and quantify our weather-related catastrophe risk, which can be aggravated by climate change. These models include the following measures: • Intensity of weather patterns and evidence of potential climate changes • Potential financial losses from both the total amount of insured exposure in the affected area and the event severity • Indications of where Horace Mann has exposure to catastrophe losses in coastal states and other regions. We track the cost of weather-related catastrophes like hurricanes, earthquakes, winter storms, and wildfires. Please see page 10 of Horace Mann's 10-K for more details on annual catastrophe losses due to weather-related events. In addition, we produce models which predict the cost of these weather-related catastrophes over increments of 50 years, up to 1,000 years.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scope 1 emissions in 2022: 757.53 tCO2e Scope 2 emissions in 2022: 2,237.69 tCO2e Horace Mann is reviewing available data and tools with our reinsurance intermediary to determine a custom approach to identifying risks and develop a forward-looking strategy. Our business does not include Horace Mann-manufactured products for commercial or specialty lines.
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	In 2022, we achieved our initial target of a 50% decrease in absolute Scope 1 and Scope 2 carbon emissions (as defined by the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard) far ahead of our 2030 deadline. We will continue to work to minimize our carbon footprint, and plan to achieve net-zero by 2050.