



SPOTLIGHT ON SUSTAINABILITY SERIES

Allstate

Allstate's Susie Lees explains the importance of sustainability and how ESG is an important consideration in any investment or business decision-making process.

Susie Lees has led a storied career at Allstate. During her tenure with the Law and Regulation department, Lees led a multitude of complex initiatives and facilitated major acquisitions. In November 2020, she became Allstate's first-ever Chief Sustainability Officer, having been appointed after lockdowns spread throughout the world amidst the COVID-19 pandemic.

In February, Lees spoke with FTI Consulting to reflect on her career, how her past experiences helped prepare her for her new role, and Allstate's efforts to drive sustainability within the insurance industry. Lees also provided her views on the challenges that companies face internally and externally in advancing sustainability as well as the importance of strong ESG governance and performance.

Sustainability is about looking around the corner to see immediate and long-term opportunities and threats. We were committed to sustainability long before COVID-19 hit. Over the past 90 years, Allstate has been able to survive challenging times because we understand no company is an island. We can't operate successfully on our own – we must look out for the well-being of our employees, customers, communities and shareholders.”

1. Before becoming Executive Vice President and Chief Sustainability Officer, you served as Executive Vice President, Chief Legal Officer, General Counsel and Secretary at Allstate. Why was it important for you to take on this role? How are your responsibilities as CSO different? 1. How do I communicate with my team about the COVID-19 vaccine?

I've been at Allstate since 1988, and I've been fortunate to see aspects of our business from every angle. Throughout my career, I've had countless conversations with investors on ESG-related issues and have been committed to progressing the company's sustainability efforts, so it was a natural next step for me to take on the role of Chief Sustainability Officer.

It's imperative that Allstate, and the insurance industry in general, takes sustainability seriously. As CSO, I'm looking at risks and opportunities with a 360-view. For instance, take the issue of climate change. We're in the P&C business – so we deal

with the effects of climate change from various angles. When we experience impacts of volatile weather, the frequency and severity of claims go up and customers may experience price increases. So there's direct impact on our business and for our customers. We have to also look at climate change from the inside out – and try to manage and mitigate how our operations and investments may impact the climate.

2. How has COVID-19 impacted Allstate's approach to sustainability and what was it like becoming CSO amidst a crisis?

Sustainability was already a major priority for Allstate before COVID-19, but the pandemic certainly underlined the importance of putting employee well-being and safety first and foremost. I became Chief Sustainability Officer a few months after COVID-19 swept the world, and that was largely due to the fact that we wanted to accelerate the efforts we already had underway. And I must say, despite the unprecedented and difficult year the world has endured, I have never been prouder to be an Allstater.

It was mid-March 2020 when we sent out the first COVID-19 message to the enterprise. Within a week of the communication, we prioritized employee health and safety and moved over 90% of our workforce to home-based settings. Think about the size and geographic sprawl of the 46,000+ Allstater footprint – it's truly astounding. Over the course of the pandemic, we've had a small and committed percentage of employees working in select offices to manage critical work and serve our customers directly. For those employees, we've ramped up safety and cleaning measures and have provided on-site personal protective equipment. As pandemic-related struggles unfolded in the early months, Allstate provided a Shelter-in-Place Payback to help our personal auto insurance customers and we offered free identity protection through 2020 to U.S. residents, regardless of whether they were Allstate customers. In addition, we quickly moved to providing virtual adjustments.

As we were dealing with pressing and important issues affecting our employees, customers, and community partners, our Board of Directors met more frequently to ensure

the needs of our stakeholders were being addressed. When I look back at this past year, I see that we've laid a lot of groundwork and have made substantial progress in developing a foundation on how we manage ESG and factor it into our decision-making in a very short period of time.

3. How does Allstate think about its approach to managing sustainability risks and opportunities?

At Allstate, managing risks and returns is at the core of what we do. We always have to anticipate what's coming around the corner so that our business can be ahead of the curve. Sustainability considerations are fully integrated in our enterprise risk and return management framework where risk is evaluated across six key areas: insurance, investments, financial, operational, culture and strategic execution. The Allstate Sustainability Council was formed in 2007 and includes representatives from every business unit. A few years ago we added sustainability oversight to the Board of Director's charter and we recently formed a Responsible Investing Committee.

In my role as Chief Sustainability Officer, I lead a truly agile team – comprised of the Sustainability team, Sustainability Council and subject matter experts across the enterprise. We work together to set the enterprise sustainability strategy, drive implementation and report on our performance and progress.

4. What Allstate sustainability initiatives or efforts are you most proud of?

I am proud of our work on human capital management, specifically our commitment to Inclusive Diversity & Equity (ID&E). We're conducting an external audit of ID&E practices and will present a 3-year ID&E strategy to the Board, who will review progress against diversity representation targets.

I'm also proud of our efforts to enhance ESG disclosures. We're long time adopters of the Global Reporting Initiative (GRI) framework and recently became one of the first U.S. companies to produce an integrated report aligned to the

International Integrated Reporting Council (IIRC) framework. In 2021, we'll begin to publish our EEO-1 data (report filed with the Equal Employment Opportunity Commission that identifies racial/ethnic and gender composition of the workforce) on the Sustainability Report website. We'll also produce Sustainability Accounting Standards Board (SASB) and Task Force on Climate-Related Financial Disclosures (TCFD) reports. Ultimately, we are committed to making Allstate's ESG performance easily accessible and relevant to our different stakeholders.

And of course I'm proud Allstate recently earned a spot on the CDP A-List! We take our role in supporting and enabling a low carbon world seriously and have started our journey to setting and adopting a science-based target.

5. How do you see the insurance industry advancing sustainability over the next 5 years?

The insurance industry has a big role to play in sustainability and can advance sustainability practices on a variety of issues in multiple industries. As an example, a more systematic review of ESG factors in business and investment decisions, and the consideration of climate risks in our policies can be influential in accelerating the transition to a more sustainable future. I also believe that insurers will begin to adopt a more sophisticated integration of sustainability issues in risk management insurance underwriting and product offerings.

Specifically on climate change, insurers are becoming more active on the risk prevention side of the equation by using capital and expertise to work with federal, state, and local governments to develop more resilient infrastructure. I see Allstate as a powerful advocate when it comes to resiliency. We've used our resources to strengthen infrastructures and we have a long history of shaping public policy and partnering with utilities and municipalities to prepare for and recover from natural disasters.

6. Are there any aspects of ESG that you see the industry having a particularly difficult time in addressing?

Climate change is one of the most challenging issues, not

only for our industry, but across all industries. Climate risks can impact underwriting, investment, operational, financial, and strategic decisions. Insurers need to find ways to assess and manage all these aspects of climate change risks while also navigating a changing regulatory landscape. Allstate has been addressing these challenges for a long time, but we need to strengthen collaboration across sectors.

7. What are the challenges in setting goals and negotiating trade-offs with different internal teams?

For sustainability to be done well, you must have an agile team to help integrate ESG into a company's business strategy. Your ESG commitments must influence decisions that not only impact your business – they should add value to your employees, customers, investors, suppliers and communities. When you have a company like Allstate with more than 46,000 employees and a 90-year history, the challenge is to set company-wide goals that resonate across the board. Meeting in the middle becomes even harder when you're trying to set several goals that change the way you've been doing business for decades.

For many who have been in this industry for a long time, framing objectives to transition to a business model that's more focused on sustainability is a new challenge that will require a different approach than we're used to. For instance, we are threading ESG throughout our business and understanding how to do so effectively requires education and new frameworks to think through how we operate. Goal-setting will also become easier when we begin to see more consistent standards of measuring ESG success.

We're fortunate to have a team that deeply cares about generating long-term value for the world. To us, that's exactly what it means to be the "Good Hands" company. So, while these are new challenges and many more lie ahead, we're extremely focused on getting it right and taking an ESG leadership role that others can follow.



Susan (Susie) L. Lees is Executive Vice President and Chief Sustainability Officer of Allstate Insurance Company. She focuses on environmental, social and governance initiatives.

Lees joined Allstate in 1988 and has moved up through the ranks, holding a variety of leadership positions with increasing responsibility, most notably in her previous role as executive vice president, chief legal officer, general counsel and secretary. During her extensive tenure at Allstate, Lees led a multitude of complex initiatives, including the company's acquisition of American Heritage Life Insurance Company and National General Holdings Corp. While leading the corporate law division of Allstate's law and regulation department, she gained extensive experience working with business areas throughout the corporation. Earlier in her career, Lees built a foundation of business acumen through professional sales roles at Celanese Corp. and Exxon Chemical.

She has been a champion of solutions to key societal issues and serves on The Allstate Foundation Board of Trustees. Lees also serves on the boards of the Rand Institute for Civil Justice, Institute for Legal Reform and the Children's Hospital of Chicago Medical Center / Ann & Robert H. Lurie Children's Hospital of Chicago. Lees is past president of the board of directors for the Riverside Foundation and former member of the board of directors for the National Network to End Domestic Violence, Association of Life Insurance Counsel and the National Association of Women Lawyers.

HAM HOOPER

Senior Consultant
ham.hooper@fticonsulting.com

HUNTER VOEGELE

Senior Consultant
hunter.voegele@fticonsulting.com

RYAN WINDELS

Consultant
ryan.windels@fticonsulting.com