

PROGRESSIVE[®]

2020 Corporate Sustainability Report



About This Report

This report includes financial and nonfinancial information from The Progressive Corporation and its subsidiaries (collectively referred to as Progressive) about environmental, social, and governance activities for the 2020 calendar year, unless otherwise noted.

This report is guided by elements from various reporting frameworks, namely the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD). For further information about how our existing disclosures align with these standards, please refer to the applicable indices in the Appendix. This report uses certain terms, including those that the reporting frameworks, SASB and TCFD, refer to as “Material Topics” to reflect the issues of greatest importance to Progressive and our stakeholders. Used in this context, these terms should not be confused with terms such as “material” or “materiality,” as defined by or construed in accordance with securities laws or as used in the context of financial statements and financial reporting.

An internal Steering Committee oversaw this report’s preparation with guidance from the Nominating and Governance Committee of The Progressive Corporation’s Board of Directors, executive leadership, and various subject matter experts.

Forward-looking information: Investors are cautioned that certain statements in this report not based upon historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements often use words such as “estimate,” “expect,” “intend,” “plan,” “believe,” and other words and terms of similar meaning, or are tied to future periods in connection with a discussion of future operating or financial performance. Forward-looking statements are based on current expectations and projections about future events and are subject to certain risks, assumptions, and uncertainties that could cause actual events and results to differ materially from those discussed herein. We undertake no obligation to update such forward-looking statements. For a discussion of the assumptions, risks, uncertainties, and other important factors that could cause actual results to differ materially from those expressed in the forward-looking statements, see our most recent reports on Form 10-K and Form 10-Q filed with the Securities and Exchange Commission.



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A Message From Our CEO



It's been just over six months since we released our inaugural Corporate Sustainability Report, and while it's cliché at this point to say so, I still marvel at how quickly time has flown by. A big reason, of course, is that we've been busy doing what we do—using our foundational [Core Values](#) to drive social good and support our employees, customers, agency partners, communities, and shareholders. As I've said many times over the years, doing the right thing is part of our company's DNA and drives every decision we make.

If there's been a theme for us over the past year, it's been reducing the burden of these extremely challenging times whenever and wherever we can, often in unconventional ways. In some cases, our efforts are easily quantifiable. One example from the past COVID-interrupted year was making the decision not to have any reductions in our workforce even though we found ourselves considerably overstaffed, for a time, especially in our claims organization. We leveraged the situation to assist the State of Ohio, where we are headquartered. More specifically, we worked with the Ohio Department of Job and Family Services, and within a few weeks, we deployed a special team of 100 employees who in just four months processed more than 270,000 Pandemic Unemployment Assistance claims to help people in our community during their most desperate time of need.

As part of our ongoing commitment to the environment, we've recently broken ground on a large solar array at one of our main campus locations in Mayfield Village, Ohio, which we expect will ultimately reduce that location's carbon emissions by 1,500 metric tons per year as part of our growing renewable power program (see details in the [Environment section](#) of this report). When I drive past the solar field, it fills me with pride.

In other cases, our efforts are perhaps less quantifiable, but to us they're no less important. By declaring Martin Luther King Jr. Day a company holiday and adding two additional floating holidays for our employees to celebrate other culturally significant holidays like Juneteenth, Ramadan, and Diwali, we hope to improve our already vibrant workplace culture by ensuring that every employee feels represented, recognized, and valued for who they are. By introducing new leadership objectives to foster inclusion and mitigate hidden biases, as well as programs aimed at “fixing the broken first rung” of management that we believe contributes to a representation gap in leadership positions, we hope to showcase in future reports a company and leadership structure that more closely reflects the communities we so proudly serve. As a board member of CEO Action for Diversity and Inclusion, I can assure you that I won't rest until this goal becomes a reality to celebrate.

To better tell our story, we've advanced reporting in our second annual Corporate Sustainability Report. I'm pleased to report that this year we have [indices](#) of existing disclosures to the SASB and TCFD frameworks. We also have expanded our supplier sustainability efforts and published a [Supplier Code of Conduct](#) in early 2021, continued to improve the communication of our [cybersecurity and privacy efforts](#), and expanded [reporting of workforce diversity](#).

Of course, true to our name, we know that there's plenty more work to be done, and we'll continue expanding—and adding to—the achievements highlighted in this report each day, each month, and each year. Echoing what I've said many times in the past, while our core business is protecting what's most important to the customers we're privileged to serve, our ultimate responsibility is to the greater community, environment, and world we all live in. As Progressive people, each and every one of us will continue to honor this responsibility in everything we do. Quite simply, it's who we are.

Sincerely,



Tricia Griffith

President & Chief Executive Officer



Introduction



Sustainability Is in Our DNA

At Progressive, we take a forward-looking approach to everything we do, from the products we offer to the way we interact with the world around us. Together, we work to drive sustainable change for our shareholders, employees, agent partners, communities, and the millions of customers who trust us to protect what's most important to them.

Environmental, social, and governance (ESG) initiatives have been an integral part of our business throughout our 84-year history and here, in our second annual Corporate Sustainability Report, we showcase ESG's fundamental value to Progressive. Our Core Values are the foundation of our culture and sustainability efforts. They guide our decisions, define how we conduct our business, and determine how we treat each other and our stakeholders. Our leaders set the "Tone at the Top" by demonstrating our Core Values in their work and emphasizing the importance of ESG to our success. Through our leadership's example, we live our values-defined purpose and act to positively impact our stakeholders and the communities we share. As we consider and evaluate sustainability initiatives, we seek to maximize Progressive's value for our stakeholders. Through this lens, we measure our success. We make decisions that are the right thing to do for our stakeholders and the right thing to do for our company's bottom line. We believe our actions directly support our Strategic Pillars, delivering value to the business and helping us to become consumers' and agents' #1 choice and destination for auto, home, and other insurance.

SUPPORTING OUR STRATEGIC PILLARS THROUGH SUSTAINABILITY

Ensuring our people and culture collectively remain our most powerful source of competitive advantage

- [Attracting](#) and hiring new talent
- [Supporting](#) our people and culture
- [Developing](#) our people
- [Ensuring](#) our workplace is diverse and inclusive

Meeting the broad needs of our customers throughout their lifetimes

- [Being](#) available where, when, and how our customers want to interact with us
- [Helping](#) customers select the best insurance for their needs and keeping them apprised about their coverages
- [Supporting](#) our communities through the COVID-19 pandemic
- [Meeting](#) the evolving needs of our customers through investments across our Three Horizons
- [Practicing](#) sound risk management so Progressive can be there in our customers' times of need

Maintaining a leading brand recognized for innovative offerings and supported by experiences that instill confidence

- [Leveraging](#) strong governance practices
- [Driving](#) social good for our communities
- [Investing](#) in superior mobile and online customer service, and best-in-class 24-hour claims service
- [Building](#) a brand with relevant messages that resonate with consumers

Offering competitive prices driven by industry-leading segmentation, claims accuracy, and operational efficiency

- [Reducing](#) expenses while supporting better environmental outcomes
- [Applying](#) procurement policies that support the right combination of price, service, and value



OUR CORE VALUES



Integrity

We revere honesty. We adhere to high ethical standards, provide timely, accurate, and complete financial reporting, encourage disclosing bad news, and welcome disagreement.



Golden Rule

We respect all people, value the differences among them, and deal with them in the way they want to be dealt with. This requires us to know ourselves and to try to understand others.



Objectives

We strive to communicate clearly Progressive's ambitious objectives and our people's personal and team objectives. We evaluate performance against all these objectives.



Excellence

We strive constantly to improve in order to meet and exceed the highest expectations of our customers, agents, shareholders, and people. We teach and encourage our people to improve performance and to reduce the costs of what they do for customers. We base their rewards on results and promotion on ability.



Profit

We seek to earn a profit by offering consumers products and services they want. Profit is how the free-enterprise system motivates investment and rewards companies that consistently create value.

The Continued Evolution of Sustainability at Progressive

As we evolve with the world around us, we expect to adapt our sustainability reporting. Last year, we decided to publicly disclose the ESG-focused actions we've taken and how we evaluate our success through our inaugural Corporate Sustainability Report. We are excited to continue improving our disclosure by adding [Sustainability Accounting Standards Board \(SASB\)](#) and [Task Force on Climate-Related Financial Disclosures \(TCFD\)](#) indices to this year's report. The SASB and TCFD indices illustrate how we address various ESG topics under these frameworks through our existing public disclosures. As we look to the future, we will continue to evaluate our reporting against leading ESG standards and reporting practices in the pursuit of consistent non-financial reporting.

Corporate Governance



Our Approach to Reaching New Horizons

Our [Corporate Governance Guidelines](#) describe the Board of Directors' views on a wide range of governance topics. These guidelines are reviewed annually by the Nominating and Governance Committee, and any changes deemed appropriate are submitted to the full Board for its consideration. Our [2021 Proxy Statement](#) discusses significant corporate governance practices, which are designed to support sustained value creation for our shareholders.

The Board works with management to set the short- and long-term strategic objectives of Progressive based on our [Three Horizons](#) (execute, expand, and explore) and to monitor progress on those objectives.

Strategic topics are generally discussed at each Board meeting, and the Board and management participate together in a separate strategy session each year. In setting and monitoring strategy, the Board, along with management, considers the risks and opportunities that impact the long-term sustainability of our business model and whether the strategy is consistent with our Core Values, culture, and risk appetite.



While the Board's structures and policies and the communication lines with management are critical to our efforts, there is an added ingredient that must be present for an effective relationship to exist: a culture that commits to transparency between the Board and management and an openness to two-way feedback. It starts with the "Tone at the Top." If you have ever watched one of the Progressive investor relations presentations, you likely have seen Tricia Griffith highlight Progressive's Core Values of Integrity, Golden Rule, Objectives, Excellence, and Profit. As chairperson, I have seen that Tricia strongly believes in these values and models them in her relationships with us and with others.

Lawton Fitt

Chairperson of the Board, Letter to Shareholders, March 2019

Ethics and Corporate Decision-Making

Sound governance is an organizing principle at Progressive, starting with the Board and extending to management and all employees.

Code of Business Conduct and Ethics

Progressive's [Code of Business Conduct and Ethics](#) is a comprehensive document that sets behavioral standards for Progressive people, states clearly what we expect of ourselves and each other, and confirms our commitment to conduct our business in accordance with all applicable laws. Progressive's Core Values serve as the foundation for this Code.

Of equal importance is this Code's message about the manner in which we interact with our customers, agents, regulators, co-workers, shareholders, suppliers, and others. This Code emphasizes Progressive's commitment that, in all of our dealings, we will act with fairness, decency, and integrity, and in accordance with high ethical standards. We vigorously investigate and address Code violations, which may include terminating employees who violate our Code.

Our Code addresses a variety of topics, including:

- Voicing concerns
- Commitment to nonretaliation
- Diversity and inclusion
- Equal employment and nondiscrimination
- Protecting employee information
- Privacy of customer information
- Integrity of business records and financial reporting
- Records and information management
- Protecting Progressive assets
- Conflicts of interest
- Insider trading
- Gifts and entertainment
- Antitrust
- Competition and fair dealing
- International business practices
- Protecting third-party property rights

We provide training on our ethical and legal responsibilities, as well as regular communications, video series, and outside speakers addressing themes such as the importance of moral courage and the value of embracing and expressing disagreement. Additionally, we have an “open door” policy that empowers every employee to reach out to any manager or any HR representative when they have a question or concern.

Available Governance Information

Progressive’s Corporate Governance Guidelines, committee charters, our Code of Business Conduct and Ethics for directors, officers, and employees, and our Chief Executive Officer/Senior Financial Officer Code of Ethics for our CEO, Chief Financial Officer (CFO), Chief Accounting Officer, Treasurer, and Audit Business Leader are available on our [Governance Documents website](#).

Complaint Procedures

We take complaints very seriously and address them in a proper and timely manner. Visit our [Governance Documents website](#) to access the following information on how individuals and various parties can file a complaint about Progressive:

- Procedures for Handling Complaints Regarding Claims Handling or Other Claims-Related Issues
- Procedures for Handling Complaints Regarding Accounting, Internal Controls, and Auditing Matters
- Federal Securities Law Whistleblower Protection

Board Oversight and Monitoring Process

Our Board of Directors is ultimately accountable for overseeing Progressive’s strategic risk profile and its risk management processes. To facilitate these oversight responsibilities, the Board assigns certain risk oversight to each of its main committees, which enables the Board to function more effectively. The whole Board is required to focus only on those risk issues deemed most critical by the applicable committee. The committees provide a deeper focus on overseeing management with respect to the full range of risks we confront. Each committee regularly reports to the full Board on the risks that it oversees. The Board’s Chairperson consults with the committee Chairs, as necessary, to ensure that significant risk issues are brought to the attention of the full Board. Other than the Executive Committee, each committee’s specific risk oversight responsibilities are summarized as follows.



OUR COMMITTEES



Audit Committee

The Audit Committee oversees risks relating to financial statements, financial controls, internal and external audit functions, and external reporting. In addition, the committee monitors our Enterprise Risk Management (ERM) program. These responsibilities include the review of the guidelines, policies, and procedures that govern how we assess and manage our exposure to risk, and meeting periodically with management to review our major operational, financial, reputational, and other risk exposures, as well as the steps management has taken to identify, monitor, assess, and mitigate such exposures. The Audit Committee reports to the full Board of Directors on our ERM program and Management Risk Committee risk assessment.



Compensation Committee

The Compensation Committee regularly reviews any major risks arising from our compensation plans and programs, and executive and director compensation decisions. The committee also oversees our diversity and inclusion efforts and related risks. They exercise this responsibility through discussions with management on these topics.



Investment and Capital Committee

The Investment and Capital Committee oversees our investment policy, which is designed to enable us to meet our business and financial objectives with a reasonable balance among risk, return, and cost. The committee is also responsible for ensuring we have a capital plan that takes risk factors into consideration and that risk is appropriately taken into consideration in connection with proposed strategic investments.



Nominating and Governance Committee

The Nominating and Governance Committee is responsible for overseeing and addressing with management risk relating to the Board's and Progressive's governance practices, and environmental and social factors and initiatives. They exercise this responsibility through discussions on current corporate governance issues, risk oversight, shareholder engagement processes, and environmental and social issues, as well as Progressive's current ESG efforts and reporting. The committee further coordinates efforts relating to succession planning for executives and directors, assesses the qualifications and diversity of directors, and makes recommendations to the Board on potential candidates for election to the Board.



Technology Committee

The Technology Committee, which was formed in 2020, oversees the overall role of technology in Progressive's business strategy as well as the related technology and information security risks, including digital and data strategies, legacy systems, technology investments and operations, cybersecurity programs, and technology-related business continuity and disaster recovery programs. The committee also oversees management's effort to mitigate these risks.



One of the key responsibilities of a Board of Directors is to support and promote a company's culture and values. That role has never been more important than it has been in the last year.

At Progressive, our culture is very strong, and the Core Values that underpin it are clearly articulated and understood by all of the members of our "ecosystem." As detailed in this year's Annual Report, those Core Values are Integrity, Golden Rule, Objectives, Excellence, and Profit. Those values emphasize both the adherence to uncompromising standards of behavior and the dedication to producing strong results in Progressive's operations.

Lawton Fitt

Chairperson of the Board, Letter to Shareholders, March 2021

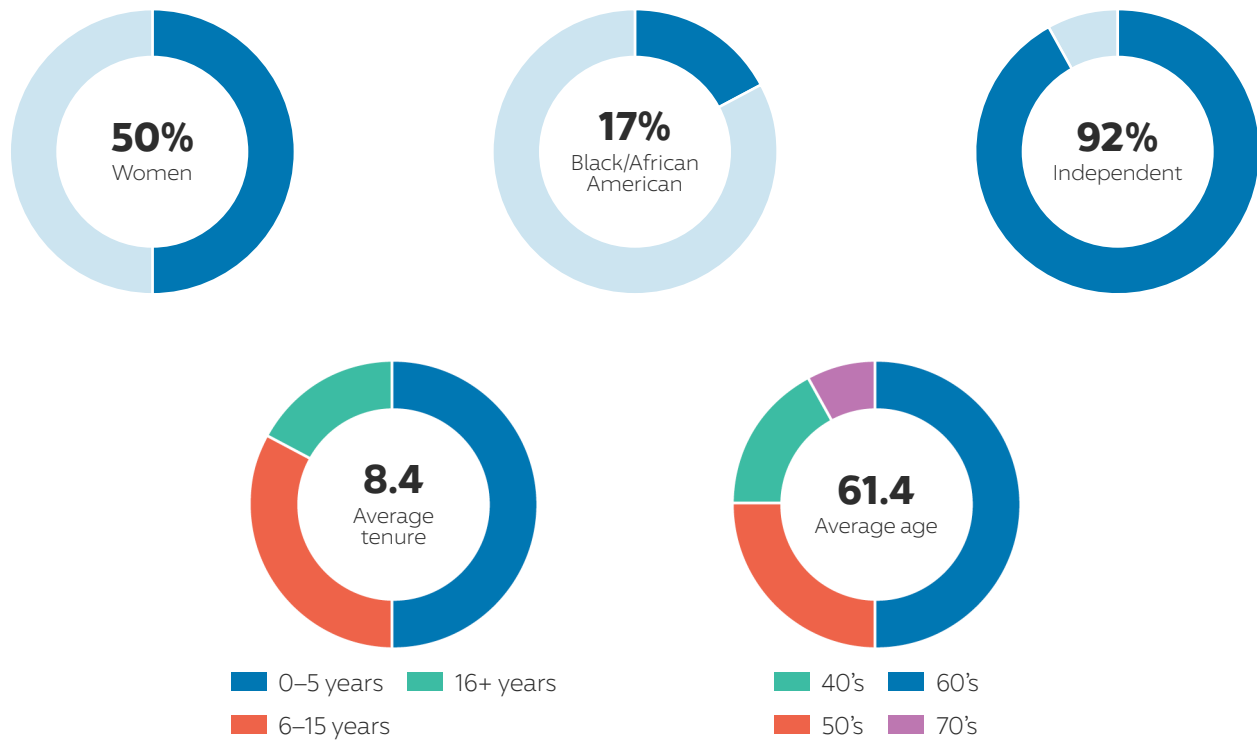
Board Diversity

The Nominating and Governance Committee evaluates each director candidate when considering whether they should be nominated to serve on the Board. The Board has long sought to have diverse voices in its boardroom and has actively considered diverse perspectives in making appointments to the Board. It is committed to casting searches for Board members broadly and to attracting talent who will serve Progressive's stakeholders well from backgrounds that have not traditionally been represented in the boardroom. The Board's policy is to include director nominees with a wide variety of talents, skills, experiences, and perspectives, in addition to considering demographic criteria such as gender, race, sexual orientation, ethnicity, and age, whenever possible. The Board believes that such diversity provides the Board with broader perspectives, a wide array of thoughts and ideas, and insight into the views and priorities of our diverse investor, customer, agent, and employee bases.



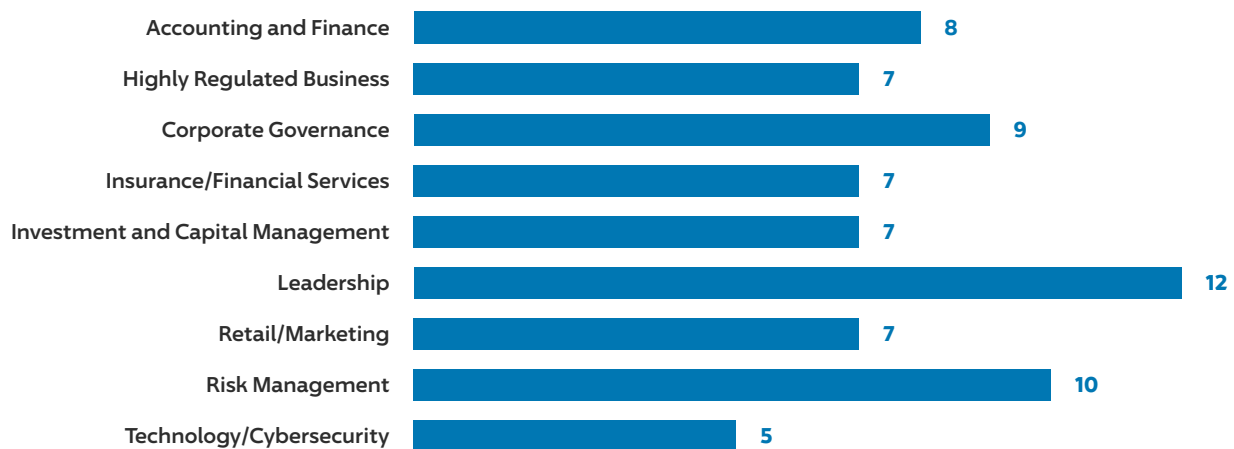
DIVERSITY*

We're one of a few companies in the Fortune 500 with both a female CEO and a female independent Board chairperson. Our directors include an appropriate mixture of long-tenured and newer directors.



SKILLS AND EXPERIENCES*

The Board believes that it is desirable that the following experiences, qualifications, attributes, and skills be possessed by one or more of its Board members because of the particular relevance to Progressive's business, strategy, and structure.



*Based on 12 Board members, as of March 29, 2021.

PROGRESSIVE'S BOARD OF DIRECTORS*



Tricia Griffith,
President and Chief
Executive Officer,
The Progressive Corporation



Lawton W. Fitt,
Chairperson of the Board,
The Progressive Corporation;
Retired Partner, Goldman
Sachs Group (financial services)



Philip Bleser,
Retired Chairman of Global
Corporate Banking, JPMorgan
Chase & Co. (financial services)



Stuart B. Burgdoerfer,
Executive Vice President
and Chief Financial Officer,
L Brands, Inc. (retailing)



Pamela J. Craig,
Retired Chief Financial Officer,
Accenture PLC (global
management consulting)



Charles A. Davis,
Chief Executive Officer,
Stone Point Capital LLC
(private equity investing)



Roger N. Farah,
Retired Executive Director,
Tory Burch LLC (retailing)



Devin C. Johnson,
Chief Operating Officer,
The SpringHill Company (global
consumer and entertainment)



Jeffrey D. Kelly,
Retired Chief Operating Officer
and Chief Financial Officer,
RenaissanceRe Holdings Ltd.
(reinsurance services)



Barbara R. Snyder,
President, The Association
of American Universities
(higher education)



Jan E. Tighe,
Retired Vice Admiral,
United States Navy (military)



Kahina Van Dyke,
Global Head, Digital Channels and
Client Data Analytics, Standard
Chartered PLC (international banking)

For additional information regarding our directors, review the information included in our [2021 Proxy Statement](#).

*Based on 12 Board members, as of March 29, 2021.



We seek to be diverse in our demographics, experiences, and thinking, with each Board member bringing a broad range of skills. While we are delighted that we have strong gender balance on our Board, we continually seek to further diversify to strengthen engagement with other sectors of the population that are not yet adequately represented on our Board.

Lawton Fitt

Chairperson of the Board, August 2020

Board Independence

As described in our [2021 Proxy Statement](#), the Board determined that each of our current directors is independent under the New York Stock Exchange (NYSE) standards, other than Tricia Griffith, who is an executive officer of Progressive. Additionally, the Board determined that each director on our Audit and Compensation Committees also satisfies the additional requirements for independence under applicable SEC and NYSE rules.

Moreover, Lawton Fitt currently serves as Chairperson of the Board. Ms. Fitt is independent from management under NYSE rules. She has a strong business background, executive management experience, and additional experience as a member of a number of public company boards.

All committees are comprised of independent directors, other than the Executive Committee, on which Mrs. Griffith serves. To further ensure effective independent oversight, our nonmanagement directors meet in executive sessions throughout the year, typically at the conclusion of regularly scheduled Board meetings. Each committee also has the ability to meet in executive sessions at its discretion.



For additional information on our Board structure and the role of the independent Chairperson, see our [Corporate Governance Guidelines](#) and our [2021 Proxy Statement](#).

*Based on 12 Board members, as of March 29, 2021.

Multistakeholder Framework

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of Progressive and its shareholders in governing and guiding Progressive to achieve its long-term strategy. In discharging that obligation, directors owe Progressive the duties of loyalty and due care. In addition, in exercising their business judgment, our directors may consider the interests of other stakeholders, including Progressive’s customers, employees, and agents, as well as those of the broader communities in which Progressive operates.

Other Corporate Governance Practices

We are committed to meeting high standards of ethical behavior, corporate governance, and business conduct. Please see our [2021 Proxy Statement](#) for additional information with respect to our corporate governance structure, practices, and policies.

Shareholder Rights

Progressive’s [Articles of Incorporation](#) and [Code of Regulations](#), as well as the Ohio General Corporation Law, define our shareholders’ rights. Our [Corporate Governance Guidelines](#) include additional information with respect to our interactions with shareholders. Please see our [2021 Proxy Statement](#) for additional information with respect to shareholder rights and communications.

Risk Management

To inform our thoughts and actions, Progressive relies on four cornerstones: our Core Values, Purpose, Vision, and Strategy. Our Core Values define who we are; our Purpose expresses why we're here; our Vision guides where we're headed; and our Strategy articulates how we'll get there. Because these cornerstones provide the context for our internal environment, they impact our risk management philosophy, risk appetite and tolerance, and key strategic activities. We embed a risk culture within our company, ensuring that everyone is responsible for the management of risk. We document risks that we are willing to take and the parameters that we will work within and ensure that Management, as well as the Board, clearly understands our risk profile.

Our risk culture and supporting framework embrace this continuously improving, growth-oriented mindset while ensuring diligence and prudence in the pursuit of our strategic goals.

Enterprise Risk Management Program Overview

Our clear vision, values, and objectives empower our employees to take the necessary steps to protect our company and execute our strategy. With formal processes to identify, catalog, prioritize, and communicate risk exposures across the organization, Progressive's Enterprise Risk Management (ERM) program exemplifies this intersection of risk protection and strategy.

Using our risk framework, we developed well-defined risk appetite and tolerance statements, identified roles and responsibilities, and created a risk review and reporting structure. Together, these risk management components ensure all Progressive people understand the shared responsibility we have to manage the risks we face. Further, these components emphasize the connection between our responsibility and our continued success.

We review each risk our business faces and, where possible, estimate its impact on Progressive's capital. We assess how these risks may affect our financial condition, cash flows, and results of operations, as well as our ability to achieve our business objectives.

Our risk categories include:

- **Insurance Risks:** risks associated with assuming, or indemnifying for, the losses or liabilities incurred by policyholders
- **Operating Risks:** risks stemming from external or internal events or circumstances that directly or indirectly may affect our insurance operations
- **Market Risks:** risks that may cause changes in the value of assets held in our investment portfolios
- **Liquidity Risk:** risk that our financial condition will be adversely affected by the inability to meet our short-term cash, collateral, or other financial obligations, and
- **Credit and Other Financial Risks:** risks that the other party to a transaction will fail to perform according to the terms of a contract, or that we will be unable to satisfy our obligations when due or obtain capital when necessary.

We identify areas of risk within each of these categories that require model development to quantify the amount of economic capital required. We quantify economic capital because it is an important input in assessing the adequacy of our capital resources. A key goal of Progressive's capital management activities is to ensure that we have enough capital to continue serving our customers and delivering on our promises through even the most difficult economic and operational challenges.



We developed formal risk appetite and tolerance statements and aligned our statements with our strategy and key activities. The risk tolerances and risk limits assist line managers in their day-to-day decision-making and include profitability targets, investment policy guidelines, operating and financial leverage limits, and loss-reserving variation tolerances. Risk owners monitor and typically report quarterly on adherence to our established risk tolerances. A member of the internal audit team verifies and compiles risk owner reports into the quarterly Risk Appetite Score Card, which is distributed to the Executive Team and Audit Committee of the Board of Directors. We review and update our risk appetite and tolerance statements at least annually, or as needed, to keep up with our evolving business.

As part of the strategic planning process, business unit risk assessments are completed annually to identify risks that have the potential to impede strategic priorities or significantly impact operating results. These risk assessments are managed by the respective business unit Controller, assisted by a member of the internal audit team. The process approach is tailored to the needs of each business unit's strategic planning process, but generally includes a deep-dive evaluation to ensure all risks are captured and ranked according to criticality and trend. Business unit action plans are developed for areas with high residual risk (which is risk that remains after controls are in place). Enterprise-level critical risks identified in the business unit assessment process will automatically move to the Enterprise Risk Report. Critical risks are those risks having the potential to alter our strategic objectives, impede our strategic activities, or materially impair our access to capital.

Although our ERM program is mature and effective, we continuously work to improve the quality of the models we use and the processes we have in place to identify and quantify current and emerging risks. We report progress and changes we make to our ERM program annually to regulators and rating agencies.

Risk Governance

Our Executive Team and Board of Directors established clearly defined risk management accountabilities to ensure we effectively address risk.

Our Management Risk Committee (MRC) coordinates risk management activities, including risk assessments and oversight of key risk-related initiatives. The MRC conducts our annual enterprise risk assessment and, with input from executive management, identifies the most critical risks facing the company. The MRC also coordinates recommendations for managing identified risks and presents these recommendations to the Audit Committee for review. The MRC's membership, comprised of senior managers representing different business units and functions, is intentionally multidisciplinary, ensuring strong risk management across Progressive. The MRC is co-chaired by our Audit Business Leader, Treasurer, and Corporate Ethics & Compliance Officer. Our Chief Financial Officer, Chief Legal Officer, and Chief Investment Officer serve as executive sponsors.

The Treasurer and Audit Business Leader provide an annual overview of the ERM program and our progress in managing key risks to the Audit Committee and the full Board of Directors. Meanwhile, our Executive Team is tasked with the annual review of the enterprise risk assessment process itself, approving and ensuring the execution of action plans that have been developed to manage, mitigate, or transfer identified enterprise risk areas, and defining strategic initiatives.



Climate Change Risk Management

As an insurer of weather-related losses, we take interest in our climate and the changes within it, and as such, climate change is included in the Risk Management processes outlined above. We believe that our short policy periods (six and 12 months), the short duration of our claims inventory, and short duration of our investment portfolio (see our [Annual Reports on Form 10-K](#) and [Quarterly Reports on Form 10-Q](#)) mean we are able to assess our risks frequently. Changing climate conditions—whether due to global climate change or other causes—may increase how often severe weather events and other natural disasters occur, how long they last, how much insured damage they cause, and may change where the events occur. Therefore, the possibility of increasingly frequent or severe weather events is part of our risk-based pricing process. As part of our risk management practice, we run both internally built and third-party vendor catastrophe modeling tools to help estimate our exposure to weather risk by line of business, as well as on a per-occurrence and aggregate basis. Our modeling process generates exceedance probability curves and we evaluate our modeled net retained weather risk against specific probable maximum loss (PML) return periods.

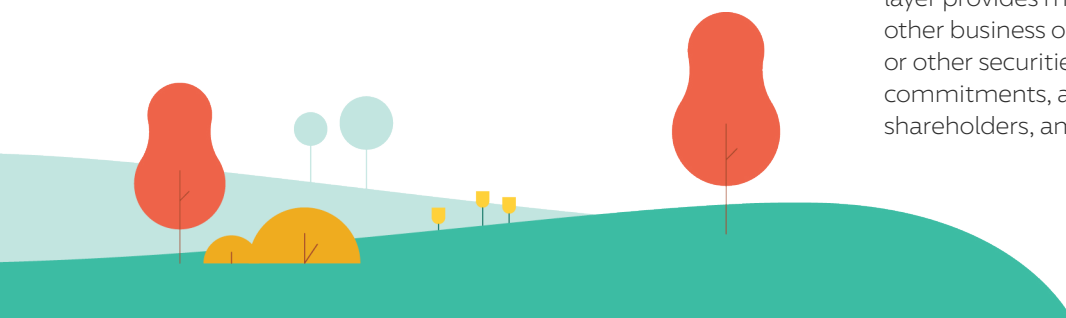
In the Management Risk Committee's annual risk assessment process, we also discuss the longer-term effects of climate change and evaluate the effects on capital, pricing, our customers, and investments. Because we integrate this activity into our enterprise-wide risk framework, we believe this assessment, as well as all the other risks we assess, will affect the long-term strategy of the company as we continue to react to new information and adjust our plans.

Assessment of Risk Capital

At Progressive, we balance operating risk with investing and financing activity risk to ensure we have sufficient capital to support all of the insurance we can profitably underwrite and service. Because risks arise in all operational and functional areas, we assess them holistically to account for the offsetting and compounding effects of the separate sources of risk within Progressive.

We seek to deploy capital in a prudent manner and use multiple data sources and modeling tools to estimate the frequency, severity, and correlation of identified exposures, including, but not limited to, catastrophic and other insured losses, natural disasters, and other significant business interruptions, to estimate our potential capital needs. Management views our capital position as consisting of three layers, each with a specific size and purpose:

1. The first layer of capital, which we refer to as regulatory capital, is the amount of capital we need to satisfy state insurance regulatory requirements and support our objective of writing and servicing all the business we can, while remaining consistent with our underwriting discipline of achieving an underwriting margin of at least 4%.
2. We refer to the second layer of capital as extreme contingency. While our regulatory capital is, by definition, a cushion for absorbing financial consequences of adverse events, we hold additional capital for even more extreme conditions. The modeling used to quantify capital needs for these extreme conditions is extensive and includes tens of thousands of simulations. The results of these simulations help create our best estimates of the impacts of such conditions.
3. The third layer of capital is the capital in excess of the sum of the first two layers. This additional layer provides maximum flexibility to fund other business opportunities, repurchase stock or other securities, satisfy acquisition-related commitments, and pay dividends to shareholders, among other purposes.



Investing Strategy

At Progressive, corporate responsibility is important to us. One of the pillars of that responsibility is how we choose to invest our capital. For our investment portfolio, we have laid out dual goals of protecting our balance sheet in order to support our operating business and earning a strong risk-adjusted total return. Our investment portfolio is comprised of a passive replication strategy of the Russell 1000 for our equity exposure and an actively managed fixed income portfolio.

In our actively managed fixed income portfolio, we believe that all other things being equal, there is less risk in securities that score higher across various environmental, social, and governance factors. Therefore, we will continue to consider these assessments when evaluating investment decisions in the future.

We believe that we need to have a strong understanding of the long-term risks associated with fixed income investments that score low on dimensions of corporate sustainability. For example, we believe that companies with strong, diverse management teams tend to perform better over the longer term. As the investing landscape continues to change, we'll aim to ensure that Progressive's fixed income investment portfolio overall continues to reflect the values of the broader organization.

Purchasing/Procurement

We believe that partnering with our suppliers and ensuring they align with our Core Values give us a competitive advantage in the marketplace and supports our ability to bring innovative products to our consumers. To realize this belief, our Procurement organization focuses on identifying and partnering with suppliers who offer quality products and services at a market competitive price and who exhibit the capabilities and high standards of social responsibility as outlined in our [Supplier Code of Conduct](#).



The Supplier Code of Conduct outlines our expectations for our suppliers, namely third parties that provide a good or service to Progressive. We ask such suppliers to acknowledge the Supplier Code which outlines expectations to abide by all applicable laws and regulations (examples of which may include unfair labor practices, child labor, and minimum age requirements for workers). We strongly encourage any supplier who becomes aware of any behavior in its relationship with Progressive that violates the Supplier Code or is unlawful or unethical to contact their Progressive procurement contact or to use our confidential, 24-hour Alertline (1-800-683-3604 or www.progressivealertline.com). Potential Supplier Code violations include, but are not limited to, discrimination or harassment, fraud or dishonesty, disclosure or misuse of confidential or proprietary information, theft, threats of violence or violence, violations of law, and falsification of documents.

In addition to acknowledging the Supplier Code, suppliers may undergo our risk assessment process. Within our supplier risk program, we evaluate our suppliers via a series of risk-based questions to identify inherent risk (risk inherent to the product/service before controls) in the relationship. If we identify inherent risk, we will perform additional assessments to evaluate the residual risk and determine whether it will affect our desire or ability to engage with the supplier. We consider the following supplier risk categories in our due diligence process.

SUPPLIER RISK CATEGORY	DESCRIPTION
Brand & Reputation	Risks posed to Progressive's Brand & Reputation through a requested scope of work requiring supplier interaction with Progressive employees or customers (inherent) or a lack of supplier controls to prevent or remediate brand impact when incidents occur (residual)
Business Continuity	Risks posed to Progressive's ability to operate continuously through a requested scope of work (inherent) or a lack of supplier continuity controls (residual)
Conduct	Risks posed to Progressive through a requested scope of work requiring potential exposure to bribery and corruption or international threats (inherent) or a lack of supplier bribery, corruption, or international risk controls (residual)
Financial & Credit	Risks posed to Progressive through a requested scope of work requiring increased reliance on a supplier and supplier liquidity (inherent) or a lack of supplier financial management and credit standards/controls (residual)
Information Security	Risks posed to Progressive through a requested scope of work requiring exposure to services or goods with potential cybersecurity vulnerabilities (inherent) or a lack of supplier cybersecurity controls (residual)
Infrastructure, Applications & Disaster Recovery	Risks posed to Progressive through a requested scope of work requiring exposure to Cloud Services (inherent) or a lack of supplier infrastructure and applications controls (residual)
Physical Security	Risks posed to Progressive through a requested scope of work requiring exposure to services involving Progressive-owned data on site at the supplier (inherent) or lack of supplier controls in managing Progressive-owned data or employees on-site at the supplier's locations (residual)
Subcontractor	Risks posed to Progressive through a requested scope of work requiring exposure to potential fourth parties (inherent) or lack of supplier controls in proactively identifying and mitigating risks with Progressive fourth parties (residual)

Each supplier relationship is then categorized by risk level and we complete periodic reviews commensurate with the risk level to ensure appropriate management oversight.

Business Model and Innovation



Long-Lasting Relationships Built on Transparency, Innovative Thinking, and Positive Experiences

Our business requires us to develop and maintain large and complex computer systems to run our operations and to store and, when appropriate, destroy, the significant volume of data that we acquire. This data includes the personal, confidential information of our customers and employees and our intellectual property, trade secrets, and other sensitive business and financial information we use to price and deliver products that drive value for our customers.

Our information security team works to safeguard data through our information security program, designed to protect and preserve the confidentiality, integrity, and availability of all information owned by or in the care of Progressive.

The Board of Directors' Technology Committee, which was formed in 2020, oversees Progressive's technology and information security risks, including digital and data strategies, cybersecurity programs, and technology-related business continuity and disaster recovery programs. The Committee is comprised of directors with technology and cybersecurity experience. The Committee typically meets five times a year. At each of its meetings, the Committee receives updates from our Chief Information Officer and Chief Security Officer (CSO), among other members of management, on technology investments, information technology (IT) programs and operations, and our information security programs and efforts.

Cybersecurity

Our efforts to protect our systems and sensitive or confidential information include internal processes and technological defenses that are preventative or detective, plus other controls designed to provide multiple layers of security protection. We leverage the ISO 27002 Security Framework for the body of security control requirements and the National Institute of Standards and Technology Cybersecurity Framework to assess the strength of our processes and defenses. Together, these efforts create a holistic approach to the protection of data and systems. They're also built into Progressive's project management, development, and operations.

In addition, we seek to protect the security and confidentiality of information provided to our vendors under cloud computing or other arrangements through appropriate risk evaluation, security assessments, and financial due diligence. We also employ contractual non-disclosure requirements and use limitations consistent with our published [Privacy Policy](#), and we usually reserve the right to review third-party compliance with the required standards where appropriate.

We use various means to detect security threats and trigger our response. Through user awareness training, we teach our employees to spot and appropriately respond to such threats. Our incident response program is designed to mitigate and recover from suspected and actual security incidents and provide all required consumer and regulatory notices in a timely manner.

To evaluate the effectiveness of our program and compliance with applicable rules, regulations, and laws, we have internal and external resources assess our environments, systems, and processes on a regular basis.

Progressive's CSO is responsible for cybersecurity, reports directly to the Chief Financial Officer, and participates in our Management Risk Committee. The CSO also provides regular cybersecurity briefings to the CEO and Executive Team members, as well as the Board of Directors' Technology Committee.

Data Privacy

Our business requires us to obtain personal information from insurance applicants, policyholders, claimants, employees, and others. This information includes dates of birth, Social Security numbers, driver's license numbers, credit card and other financial account numbers, and medical information. Federal and state laws require us to notify customers of our information practices, which we describe in our Privacy Policy and notices provided to consumers who do business with us.

We respect our customers' privacy preferences, as required by law, and take measures to ensure the security and confidentiality of their personal information. But unlike other developed countries, the U.S. does not have a comprehensive data protection and consumer privacy rights law. The federal government does regulate certain business sectors like health care and finance, types of information (such as financial or driving data), and certain kinds of activities (such as telemarketing). Vulnerable individuals like children and students may also receive special protections. State legislation often mimics the federal laws but can vary significantly from state to state. For example, the passage of the California Consumer Privacy Act has afforded consumers in that state greater transparency and control over their personal information.



We allow consumers to access and seek correction of information we have about them and, where required by law, we will delete certain information we have about a consumer upon their request.

We're committed to ensuring personal information entrusted to us is kept confidential and used only for legitimate business purposes. We restrict access to this information to our employees and others who we feel must use it to provide our products and services or otherwise run our business. Their use of the information is limited by our customer privacy policies, written agreements (where appropriate), and applicable law. We also maintain physical, electronic, and procedural safeguards to protect this information. We reinforce these efforts through our workplace policies, data transfer monitoring, and enforcement.

Also, our [Code of Business Conduct and Ethics](#) and Contract Worker Standards of Conduct include data privacy and cybersecurity-related provisions. All employees and contract workers receive, review, and acknowledge the applicable document initially and annually. They also receive annual training about phishing.

Our Privacy Officer is responsible for data privacy, leads a team of attorneys within the Corporate Legal Department, and works closely with a separate Data Privacy Office within our Information Technology organization. Consumers with privacy concerns can contact [Customer Service](#) or Progressive's Privacy Officer directly.

For more information on cybersecurity and data privacy, read the applicable risk factors in our [2020 Annual Report on Form 10-K](#).



Innovation of Products and Services

At Progressive, innovation is a defining part of our business. From the start, we've approached insurance with a different, more forward-thinking perspective. Through our commitment to innovation and our always-growing mindset, we strive to create long-term value for our stakeholders.

Our innovative spirit has served us well, as we've become the third-largest U.S. personal auto insurer and, in recent years, expanded our footprint in home insurance with the acquisition of American Strategic Insurance, now known as Progressive Home®. Most recently, we added to our Commercial Lines products in 2021 with the acquisition of Protective Insurance. We're excited to expand our capabilities with the expertise Protective offers in larger fleet and affinity programs and by providing additional product lines such as workers compensation for the transportation industry.

We believe that concurrently investing in our core business and future opportunities will ensure that we create and sustain an enduring business. We leverage our Three Horizons framework to categorize our investments by their proximity to our core business. Through investments across the Three Horizons, we seek to meet the broad needs of our customers. Ultimately, as our customers need different solutions over their lifetimes, we want to be there to help.

Three Horizons

Horizon One **EXECUTE**

Investing in our core business to gain a larger share of both the vehicle and property insurance markets, as well as growing our book of bundled auto and home customers.

Horizon Two **EXPAND**

Building upon our existing capabilities and market position to offer more products and services within property-casualty insurance to our current and potential customers. Examples include our relatively new Business Owners Policy product and transportation network company business partnerships.

Horizon Three **EXPLORE**

Exploring and investing in new areas outside of property-casualty insurance to solve unmet consumer needs and support our goal of always growing.

Innovation Highlight: Photo Estimating

With the shift to more virtual interactions over the last year, we're proud of the benefits our innovative Photo Estimating platform has brought to our customers. We believe the platform, established in 2016, enables us to maintain our high service levels with greater efficiency at lower cost. The platform also helped us quickly pivot to meet virtual claim needs during the COVID-19 pandemic. Our Photo Estimating platform provides our customers with access to an on-demand, self-service option where they can initiate the estimate process at their convenience, whenever and from wherever is best for them. When available, this process effectively eliminates hassles and COVID-related safety concerns associated with scheduling and driving to inspection appointments. When our customers choose Photo Estimating for eligible claims, they can use the Progressive mobile app to immediately take and submit photos and video of their damaged vehicle for a trained Progressive representative to complete an estimate, generally by the end of the next business day. Over the last year, more than a quarter million customers chose Photo Estimating to get back on the road faster.



Peter Lewis, our long-time CEO, said in 1990 that Progressive was at its best imagining the unimaginable and doing the impossible. This innovative spirit is alive and well at Progressive. Our current CEO, Tricia Griffith, has focused the organization on reimagining in all Three Horizons—executing on our core business, expanding our products and services, and exploring the unmet needs of our customers—to serve our customers today and for decades to come.

Andrew Quigg
Chief Strategy Officer

Customer Experience and Communication

We want our customers to know that we're ready to help them with their current insurance needs and their future needs as they grow and change. By always being there for our customers, we strive to build and maintain trusting relationships that last for decades. While we develop our product communications in accordance with regulations set forth by state departments of insurance (see the Regulatory Documentation and Communications box on the next page), we aim to go beyond regulatory requirements. We invest in excellent customer service to provide clear, frequent communication to keep our customers apprised of their insurance coverages. On the next page, we outline just a few of our communication methods in three categories: pre-purchase and purchase aids, regulatory documentation and communications, and post-purchase communications.

PRE-PURCHASE AND PURCHASE AIDS

Progressive Answers

Customers can use [Progressive Answers](#) to find easy explanations for questions about coverages, pricing, and more. We designed the Progressive Answers experience to make insurance less complicated and address questions often asked by people looking to purchase insurance.

For Agents Only (FAO)

FAO is our online portal for Progressive agents. Within FAO, agents can take training sessions and review documentation about Progressive products to fully prepare to help their customers select the best insurance for their needs. FAO also walks the agent through the quote and bind flow to make the process as simple as possible for the agent and customer.

Progressive.com

Our online portal on [Progressive.com](#) allows visitors to complete numerous insurance tasks, including starting a quote, finding an agent, linking to servicing, and learning about our products and our company. Digital quoters are guided through a step-by-step process that leads to an accurate rate and the option to purchase insurance online. Additionally, digital quoters receive messaging about discounts they have earned or could earn. Our systems help customers find the best combination of coverage and price for their needs. Customers also have access to a chat function they can use to ask specific questions.

24/7 Customer Support

Our call centers are open 24/7 to help answer customer questions and aid the sales experience, up to and including selling a policy.

REGULATORY DOCUMENTATION AND COMMUNICATIONS

Regulatory agencies establish what and how certain insurance communications are delivered. The following are samples of communications used in most states.

Declarations page

A declarations page is a summary outlining the term, coverages, and limits of an insurance policy. The page also summarizes the policy's cost and lists the discounts the customer received.

Policy Contract

A policy contract outlines the obligations of Progressive and the insured, including policy exclusions.

Change Notifications

We send change notifications to customers in the event of a change in coverage within the time period stipulated by the regulatory agency.

Adverse Action Notices

We may be required to share notices when we take an adverse action on a customer, such as charging a higher rate, based on information in a consumer report.

POST-PURCHASE COMMUNICATIONS

Progressive.com

After purchasing insurance, customers can register for digital self-service access online. By registering online, customers have self-service access to their policy information and insurance documents, and can set up their communication preferences, pay bills, file claims, and complete most policy changes.

24/7 Customer Support and Claims Reporting

Our 24/7 call centers answer any questions our customers may have, whenever they have them. Customers can also report claims and request Roadside Assistance 24/7/365 through our call centers.

Email and Communication

For customers who opt in, Progressive will send communication via email, SMS text messaging, or push notification through the Progressive mobile app on relevant topics, including regulatory documentation, payment reminders, and more.

Progressive Mobile App

We offer the Progressive mobile app through the Android and iOS app stores. Within the app, customers have self-service access just as they do through the online portal. The app also supports emergency roadside requests and can store customers' insurance ID cards for offline use.

Human Capital



Committed to Our People

At Progressive, our people and culture are our most significant competitive advantage. After experiencing the greatest health crisis in a century, a swelling demand for attention to social justice, and broad-based disruption to our day-to-day lives—all at the same time—that expression feels like an understatement. It makes our people sound like a commodity, rather than our lifeblood.

We're at a time when we feel empowered to reassess what human capital really means for our company. We're positioned to reinforce our Core Values, challenge our existing best practices, and, most importantly, empower our employees.

Our culture is deeply rooted in our Core Values and is the foundation for our human capital management strategies, but our culture is also our people and what they bring to Progressive each day. People with solid values and strong convictions, new ideas, and big ambitions. When their individual passion and diverse life experiences are brought together as a team, it makes Progressive a powerful brand and a great place to work.



Progressive people are proud to work here because of our culture of collaboration, mutual respect, and healthy competition. In fact, that desire to always be better pushes us to become a role model in the marketplace by representing the diversity of the customers we serve and working each and every day in a more inclusive way.

Lori Niederst
Chief Human Resource Officer

We're grateful for the recognition we consistently receive for our efforts to support our employees and create a diverse and inclusive workplace. This recognition affirms what we do and validates our relentless desire to achieve equity and increase opportunity. While we're proud of our accomplishments, we remain motivated to push the limits of what we can do for our employees and, ultimately, our business.

With employee engagement as our north star, we're focused on three key pillars that guide the execution of our human capital strategy.

1

MANAGING GROWTH

As Progressive continues to grow, hiring is a top priority. We will focus on selecting the best and brightest people from across the spectrum of backgrounds and lived experiences.

2

SUPPORTING OUR PEOPLE AND CULTURE

We're a market leader in employee engagement, driven partly by our highly competitive benefits and compensation, our emphasis on diversity, equity, and inclusion, learning and development, and career advancement.

3

MANAGING COMPLEXITY

As the insurance industry becomes more regulated and our society reckons with issues of social and income inequality, we've responded with comprehensive compliance protocols and awareness training while also increasing transparency and public disclosure.

Managing Growth

Progressive's long history of success is well known and, as a result, drives employment growth across the company and attracts talented and experienced job candidates. As we continue to expand, we have the opportunity to create an even more diverse and welcoming workplace that reflects society and the changing marketplace we serve.

Attract and Hire

Our diversity and success as an organization is shaped by our ability to engage and appeal to a wide array of people. To make Progressive a desirable company for job seekers, we work hard to inform potential candidates about the many rewarding aspects of a career in insurance. Our “Rethink Progressive” recruitment campaign exemplifies this commitment to attracting and hiring diverse candidates.

Our diversity and success as an organization is shaped by our ability to engage and appeal to a wide array of people.

Though popular job sites cast a wide net for our recruitment efforts, we’re committed to ensuring that we reach a robust pool of diverse talent in other ways, especially for more senior roles. To fulfill our commitment, we partnered with Management Leadership for Tomorrow, a national nonprofit focused on finding and developing diverse leadership talent. We also engage with several historically Black and Latinx colleges and universities, building relationships to make sure their students are included in our recruitment efforts. In 2020, we also partnered with a multi-cultural advertising agency to take our already successful recruitment campaign to the next level by reaching candidates who are historically underrepresented in our industry.

We leverage best-in-class technology and processes to find candidates with diverse backgrounds and relevant experiences that will enable their success. Additionally, we train our hiring managers about unconscious biases they may have during the interview and selection process.

In 2020, we hired more than 5,500 new employees, and our targeted recruitment efforts enable us to present a diverse and high-potential pool of job candidates to our hiring managers.

In turn, these managers are well-trained and equipped to recognize biases and appreciate the value of different kinds of experiences and educational backgrounds. Together, our innovative and comprehensive recruiting strategies enhance our applicant pools and contribute to our continued success.

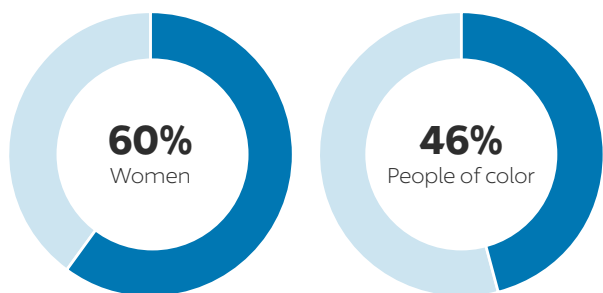
We’re excited to report that our efforts to increase the diversity of our candidate pools have generated concrete results in the demographics of our new hires. Last year alone, 60% of our new hires were women (3,301) and 46% were people of color (2,495). Progressive is now 65% white and 35% people of color as compared to the U.S. adult population, which is 62% white and 38% people of color.

Engage and Retain

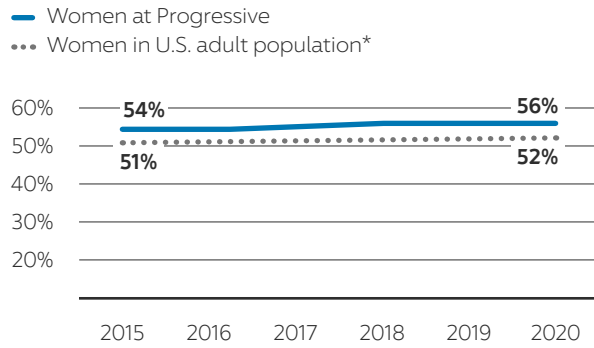
At Progressive, our annual retention rate was 91% as of December 31, 2020. This exemplifies our emphasis on engaging and retaining employees. Last year, we filled 78% of our open positions above entry level by promoting from within, including just under 900 managerial positions.

We pride ourselves in creating a culture of energy and opportunity. When new people join our company and experience our positive and unique culture, they are motivated to stay and establish rewarding careers. As of December 2020, nearly 15,000 Progressive employees have over 10 years of tenure with the organization and our efforts continue to pay dividends with their institutional knowledge and stewardship of our culture.

NEW HIRES IN 2020

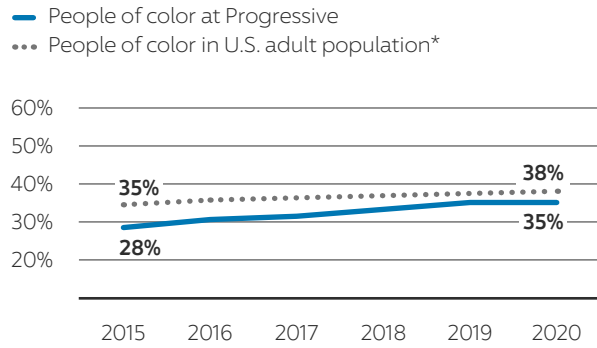


GENDER



*Source: Current Population Survey, U.S. Census Bureau.

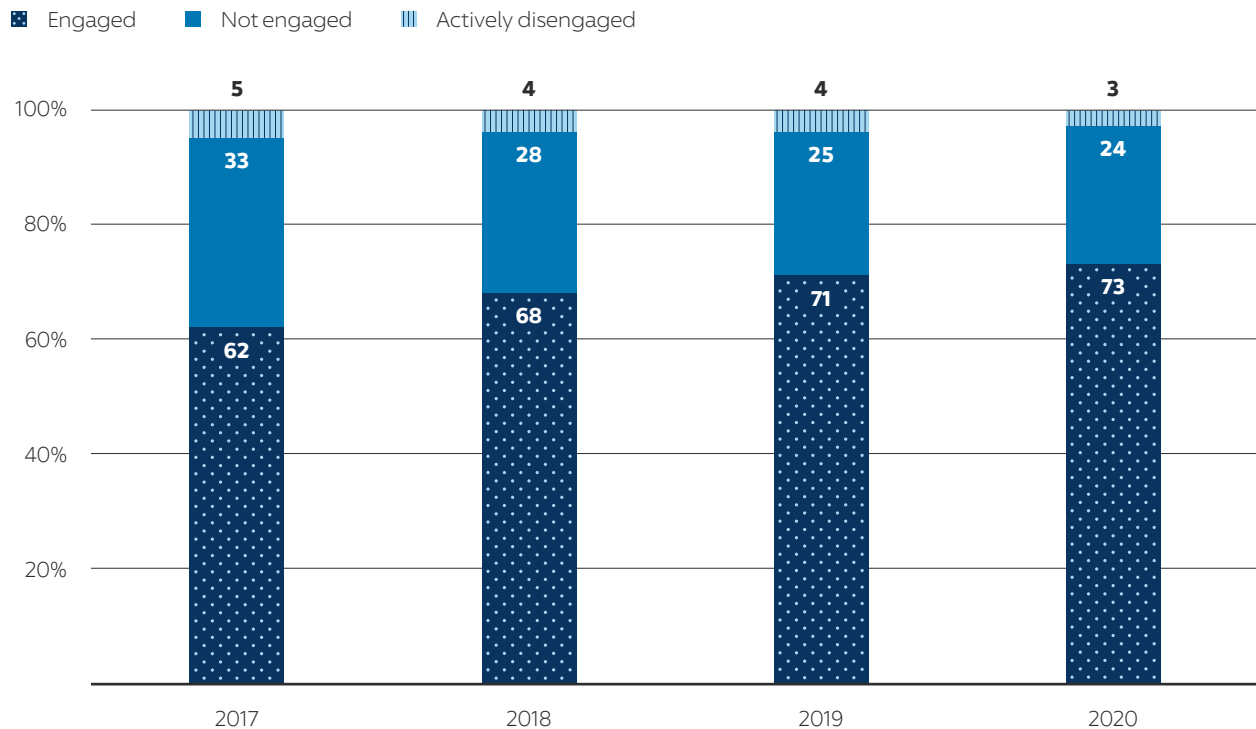
ETHNICITY



*Source: Current Population Survey, U.S. Census Bureau.

As with much else across society, retention at Progressive was upended during the pandemic. In 2020, our average tenure decreased to 9.0 years from 9.3 three years ago. Nevertheless, overall turnover continued to decline, with our trailing 12-month (January–December 2020) turnover rate down to 8.9% and our voluntary turnover down to 6.9%. Decreasing turnover rates at our company speak to the high level of engagement among our employees. Since 2017, we've partnered with Gallup® to track our engagement levels. Our score on Gallup®'s Q12 Engagement Survey places us in the top decile of all companies using the survey. As further confirmation of our engagement efforts, Progressive won a Gallup® 2021 Exceptional Workplace Award, which recognizes companies that incorporate employee engagement into every aspect of their strategies for transforming the way they do business.

PROGRESSIVE GALLUP® SURVEY TRENDS



Supporting Our People and Culture

We support our employees by providing challenging work experiences and career opportunities and creating a culture of learning and development.

Our commitment to our people stems from the understanding that when employees are valued and see room to grow in their career, they're likely to feel good about their job and company. At Progressive, we believe a positive and rewarding workplace starts with managers and their capacity to act as supportive coaches and inspirational leaders.

Leadership Competencies

Employee engagement research often points to a manager's ability to motivate their teams and make them feel valued as critical to employee retention. We're committed to leadership competency training as reflected by our customized leadership curriculum. We tailor curriculum to the demands of our leaders' positions and business areas.

Strong leaders at Progressive are self-starters with an inherent sense of accountability for everything they do. As a result, we created and implemented a personal development strategy, "OWN IT," that fits our culture. Based on the (D)ominance, (i)influence, (S)teadiness and (C)onscientiousness® (DISC) behavioral assessment tool, our strategy encourages employees to take control of their career through team-building exercises, coaching techniques, and communication strategies.



New employees at Progressive quickly learn that career advancement is possible because we dedicate a great deal of resources to learning and development and prioritize promotion from within.

In addition, we include business area-specific diversity and inclusion (D&I) training and toolkits for leaders that cover topics such as valuing differences, creating an inclusive environment, and intercultural competence.

Now in its seventh year, our Multicultural Leadership Development Program (MLDP) supports Progressive's employees of color in becoming successful leaders. MLDP is a highly selective, 12- to 18-month-long program involving a mix of development activities, custom workshops, team-based projects, and coaching groups. Since its inception, more than 60% of MLDP graduates have been promoted across Progressive.

In 2020, we also launched two new programs aimed at "fixing the broken first rung," a phrase used to describe the gap in representation of women and people of color in supervisor roles. These roles are most often the first step of the leadership ladder.



Employee Development

As an insurance brand known for developing innovative solutions to protect our customers and their families, Progressive must be a leader in employee development. To ensure our employees have the skills they need to do their jobs well and drive innovation, we have 300 people dedicated to supporting all aspects of technical and competency-based training initiatives.

Available to new and tenured employees, our learning solutions are tailored to both individual contributors and managers. Training is wide-ranging from technical and decision-making skills to customer service protocols and leadership competencies. In addition to requiring employees to successfully complete ethics and compliance training each year, we provide regular communications, video series, and outside speakers presenting themes such as Courage at our Core and Dare to Disagree, to emphasize our commitment to our ethical and legal responsibilities (for more information, see our [Human Capital section in our 2020 Annual Report on Form 10-K](#)).

In 2020, we enhanced development initiatives for entry-level employees to help increase engagement and retention and improve job satisfaction and career opportunity. Our entry-level population, including call center and customer support teams, makes up 43% of all employees at Progressive, and increasing their learning opportunities is especially important to their and our long-term success.

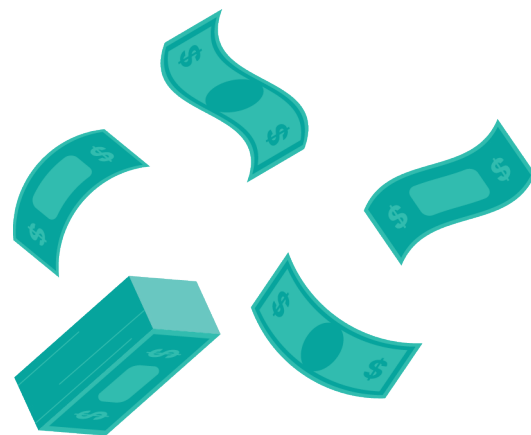
To start, we officially launched Progressive Boot Camps, which include rigorous in-class and on-the-job training programs for sought-after technology and analytical positions. While these boot camps are open to all employees, we focus on including women and people of color—demographic groups that have traditionally been underrepresented in technology and analytical jobs. We consider our boot camps to be a key component of our D&I efforts.

Lastly, we increased the number of participants in our Analyst Internship Program. This program offers prospective employees the chance to experience a career at Progressive and the learning and advancement opportunities available across the company.

Compensation and Benefits

We're always looking for ways to better support our employees through leadership and guidance, freely available learning opportunities, and compensation and benefits. We designed our compensation programs for employees to earn above market pay when company performance warrants it, and we also regularly assess and compare our employees' compensation to the market to ensure it remains competitive.

As part of employee compensation, we provide additional compensation opportunity through Gainshare, which measures the growth and profitability of our insurance businesses and can determine an annual bonus for all employees. For us, Gainshare bonuses represent the strength of our shared success and culture that make Progressive a special and rewarding place to work.



Our executives and other senior leaders also receive compensation in the form of equity awards, which we believe effectively links pay to performance and further aligns their interests with those of our shareholders.

Along with our compensation strategy, we offer competitive employee benefits and flexible work arrangements to support the needs of Progressive people and their families. Based on their lifestyles and what works best for them, employees can choose from a variety of medical benefits, a 401(k) retirement plan with up to a 6% company match, and much more. We also provide four weeks of fully paid parental leave following the birth, adoption, or placement of a foster child.

For health and wellness, we offer competitive, comprehensive benefits that promote healthy lifestyles for our employees and their families. Our health and wellness offerings include on-site fitness centers, medical clinics, health seminars, and farmers markets at our larger locations. We also offer an Employee Assistance Program that provides 24-hour support to help our employees balance the demands of life and work.

Progressive employees can learn about all things health and wellness through our interactive health benefits website. Managed by a full-time health and wellness team, the site provides nutrition and fitness advice, healthy living and weight-management programs, mental and emotional health care, family resources, and medical services.

Effective in 2021, we also recognize Martin Luther King Jr. Day as an official holiday and are offering two additional floating holidays for all employees to celebrate other culturally significant holidays.

Diversity and Inclusion

The events of the past year were challenging. From a global pandemic to increasing political division and calls for social justice, 2020 will not soon be forgotten. Despite the challenges, we worked hard to support our employees. Just as we respond to our customers after devastating storms and terrible accidents, we're there for our people during these difficult times and remain committed to creating an environment where all people feel safe, valued, and respected.

RESPONDING TO TRAGEDY

Although we were separated from one another as a result of COVID-19 lockdowns, we came together following the news of George Floyd's death. Our commitment to supporting our people means speaking out for what's right and reaching out to those affected by such devastating events.

In an immediate response to the tragedy, Tricia Griffith, our CEO, spoke out against acts of racism and stated her support for employees exercising their right to fully participate in our democracy. Progressive also works to bring about change in our communities by contributing to the Business Roundtable and as a member of CEO Action for Diversity & Inclusion, a leadership-driven business commitment to advance D&I in the workplace.



We know our words and actions alone aren't enough to bring about broader change, so we're working to help enact change at a higher level through my involvement with the Business Roundtable and as a member of the CEO Action for Diversity & Inclusion.

Tricia Griffith

President & Chief Executive Officer

BUILDING ON STRONG FOUNDATIONS

Our D&I efforts are not new but rather a continuation of a long-standing commitment where we focus on four main objectives:

1. to maintain a fair and inclusive work environment,
2. for our employees to represent the customers we serve,
3. for our leaders to reflect the people they lead, and
4. to contribute to our communities.

To help measure our progress on these four objectives, we added D&I-related questions to our annual Engagement & Culture Survey in fall 2020. From the survey results, it's clear our efforts have paid off: more than half of Progressive people who took the survey selected the highest score on each inclusion-related question.

In 2020, we expanded our intercultural competence training from managers to all employees to ensure all employees are considerate of each employee's unique background. Our training addresses difficult topics like racial inequality, micro-inequities, and privilege.

Additionally, we launched a companywide Courageous Conversations and D&I Speakers Bureau where presenters and facilitators lead work teams in discussions around biases, stereotypes, and the development of inclusive behaviors. Candid conversations like those at Speakers Bureau events are commonplace at Progressive and reinforce our commitment to an open environment where we not only encourage but expect our people to share their opinions and perspectives.

As part of our efforts to further engrain D&I into everything we do, we established a D&I Leadership Job Objective to increase accountability and encourage our managers to foster an inclusive workplace. This leadership job objective includes building diverse teams, leveraging diversity to enhance our products and services, developing talent, and encouraging an inclusive work environment overall. While our Executive Team has had D&I leadership objectives for several years, we now include a D&I objective for all managers. To support our leaders in their efforts, our business units' Knowledge and Learning teams work with our full-time D&I staff and Employee Resource Groups (ERGs) to better align leadership behaviors and actions across Progressive.

Over a decade ago, Progressive created ERGs to help build communities of employees with common backgrounds, life experiences, and professional challenges. In the time since their inception, our ERGs have grown in both influence and size with 43% of Progressive people belonging to at least one ERG today. Our ERGs create space for networking, understanding differences, and sharing experiences. Furthermore, these communities are valuable resources for educational outreach, marketing intelligence, and product development. Currently, we offer nine focused ERGs that welcome all employees.



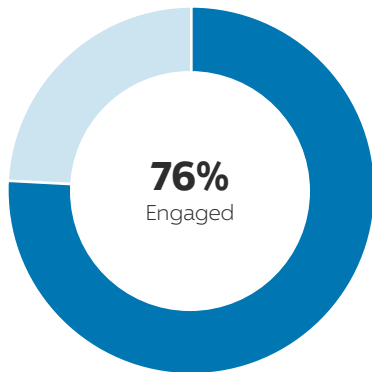
Our ERGs:

- Progressive African American Network (PAAN)
- Asian American Network (AANET)
- Disabilities Awareness Network (DAWN)
- Progressive Latin American Networking Association (PLANetA)
- Lesbian, Gay, Bisexual, Transgender Plus (LGBT+)
- Military Network (MILNET)
- Network for Empowering Women (NEW)
- Parent Connection
- Young Professionals Network (YPNet)

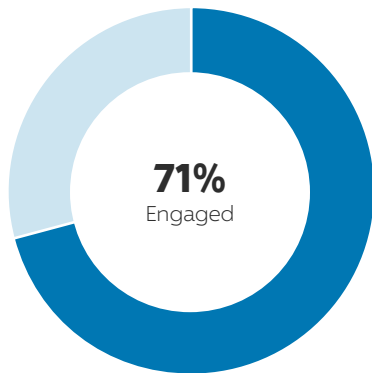
Last year, our LGBT+ ERG worked hard to raise transgender awareness throughout the company and, along with our DAWN ERG, was instrumental in helping Progressive introduce a “self ID” campaign to help us better measure our success engaging and retaining our LGBT+ employees and employees with disabilities.

ERGs have proven to increase engagement. For example, ERG members are more likely to apply for promotions and continue their careers at Progressive, compared to employees who are not members.

2020 ENGAGEMENT AND CULTURE SURVEY

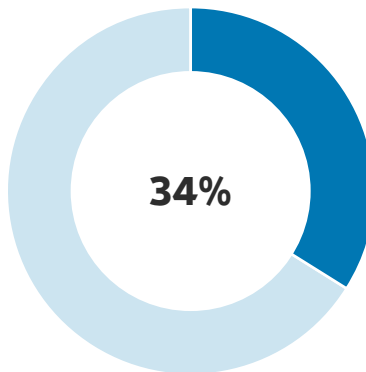


ERG members

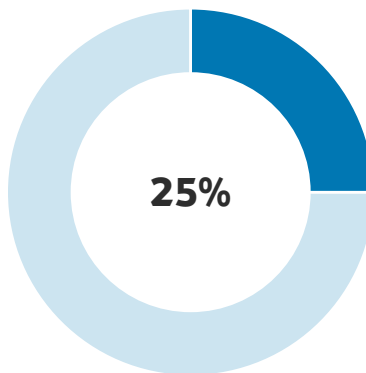


Non-ERG members

PERCENT APPLYING FOR INTERNAL TRANSFERS

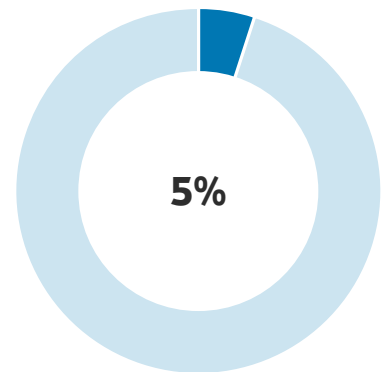


ERG members

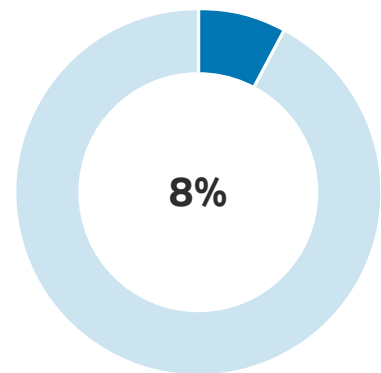


Non-ERG members

VOLUNTARY TURNOVER



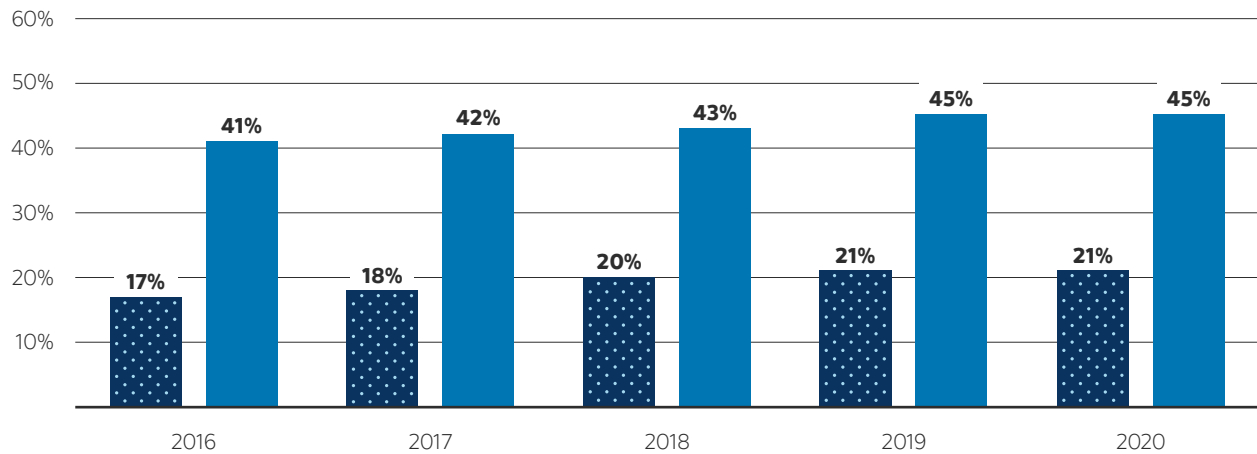
ERG members



Non-ERG members

PEOPLE OF COLOR AND WOMEN IN LEADERSHIP

■ People of color ■ Women



INCREASING REPRESENTATION

Across Progressive, we strive to increase representation of underrepresented groups. In 2020, employees promoted into leadership positions were more diverse than our current population. Specifically:

- 56% of leadership promotions were women, while women are 45% of all leaders
- 25% of leadership promotions were people of color, while people of color are 21% of all leaders

We know we still have much work to do, but we are committed to these efforts and reporting our progress on a regular basis.

More detail, including our most recent EEO-1 survey, can be found in our [D&I Report](#).

PAY EQUITY

Among Progressive employees with similar performance, experience, and job responsibilities, women earn one dollar for every dollar earned by men, and people of color earn one dollar for every dollar earned by their white coworkers.*

*In evaluating pay equity companywide, we use a regression model that considers the following components of compensation: annual salary, bonus (Gainsharing) and stock awards. These are point-in-time measures (as of January 2021) that include all Progressive employees other than our CEO and the C-level executives whose compensation is approved by the Board's Compensation Committee. For information on executive compensation, please refer to our [2021 Proxy Statement](#).

While we're proud of our achievement, we recognize our commitment to pay equity requires constant diligence. As such, we take regular steps to ensure compensation reflects performance, experience, and job responsibilities, and nothing else.

AWARDS AND RECOGNITION

Our investments in our people and culture continue to drive our business results and have earned us the following awards:

- FORTUNE 100 Best Companies to Work For^{®**}
- Gallup[®] 2021 Exceptional Workplace Award
- Best Workplaces for Parents: Great Place to Work (2020)
- Best Workplaces for Women: Great Place to Work (2020)
- Military Friendly Company (2020)
- Military Times Best for Vets (2020)
- Best of the Best: Black EOE Journal (2020)
- Best of the Best: Hispanic Network Magazine (2020)
- Best of the Best: Professional Women's Magazine (2020)

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Managing Complexity

While the remote work that characterized much of 2020 presented numerous challenges for our people-focused business, we identified new opportunities to build an even closer and stronger culture.

As issues such as racial and income inequity, transgender rights, and sexual harassment became ever more prominent in the public conversation over the past few years, we responded with innovative ways to support our people, increase our transparency, and reinforce our values.

We believe that the power of our people is what ultimately triumphs over the most complex and difficult situations so that Progressive can exceed the expectations of our customers, respond generously to our communities, build an enduring business, and create long-term shareholder value.



Social Capital



Driving Social Good for Our Communities

At Progressive, we view our positive and lasting impacts on communities and people's lives as an outward expression of our values. We care deeply about the social good realized through our community outreach and are committed to investing in the success of our communities. We design our community outreach programs to help people overcome barriers and positively move forward in life. Our Progressive people are central to our programs, and we engage and encourage them to participate in our efforts by providing them opportunities to give their time and resources for the greater good.

2020 CHARITABLE CONTRIBUTIONS*

Feeding America®	\$4,000,000
Insurance Institute for Highway Safety	\$3,623,000
American Red Cross	\$2,500,000
Big “I” Agent Relief Fund	\$2,000,000
Direct Relief	\$2,000,000
National Alliance to End Homelessness	\$1,500,000
Apron Relief Program	\$1,491,000
Equal Justice Initiative	\$1,000,000
Charity Cars, Inc.	\$710,000
Humble Design	\$500,000
United Way Worldwide (Mask Challenge)	\$500,000
The Arc of the United States	\$250,000
CenterLink, Inc.	\$250,000
Dress for Success Worldwide	\$250,000
Family Promise	\$250,000
Fisher House Foundation, Inc.	\$250,000
National Coalition for the Homeless, Inc.	\$250,000
Together We Rise	\$250,000
Total	\$21,574,000

*Includes contributions by Progressive and its subsidiaries as well as those made by The Progressive Insurance Foundation.

Community Outreach

We’re proud that Progressive people demonstrate our company’s commitment to community support and jump into action when they have a chance to make a difference in their communities. In 2020, the COVID-19 pandemic limited our ability to have in-person community events as we’ve had in the past. Despite the added layers of difficulty and complexity, Progressive people in at least 34 states gave back to their communities by participating in at least 135 local events countrywide, donating thousands of items and fundraising, and supporting causes important to them with matching contributions through The Progressive Insurance Foundation.

The past year presented extraordinary circumstances and hardships brought about by the global pandemic and social injustices and unrest across the world. In these difficult times, we’re fortunate to be able to share our success, donating more than \$21 million to relevant causes, helping where we can, and contributing to the greater good.



2020 EVENTS BY CATEGORY

7

Blood drives

20

Charitable walks, runs, or rides

49

Military support events/collections

11

Education and safety-related events

16

Community projects

10

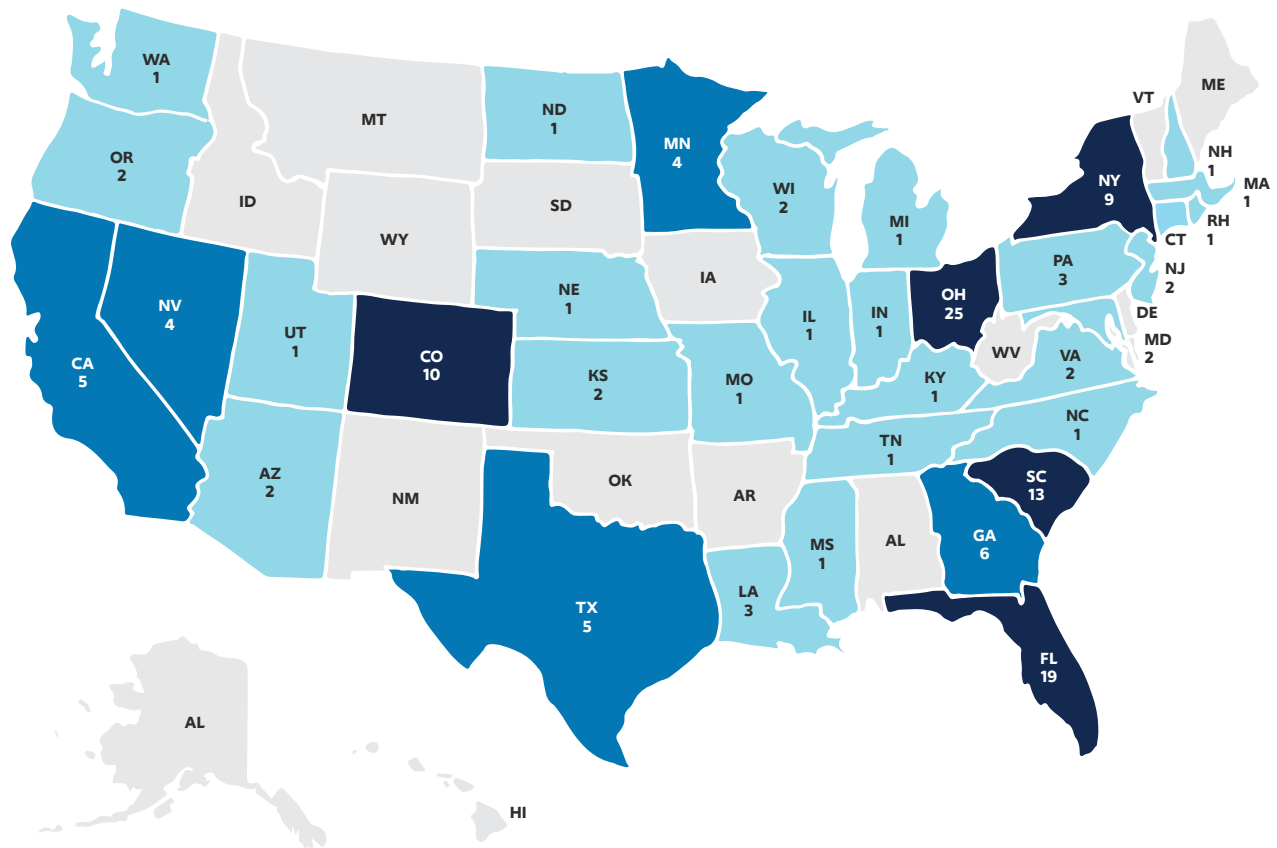
Homeless initiatives

22

Other

2020 EVENTS BY STATE

■ 0 events ■ 1–3 events ■ 4–8 events ■ 9+ events





Lending a Hand During the Pandemic

In April 2020, when there were fewer drivers and accidents on the road due to pandemic-related shutdowns, Progressive's Executive Team worked with the Ohio Department of Job and Family Services to determine how our Claims representatives could help process Pandemic Unemployment Assistance (PUA) claims. Within a few weeks, a team of 100 representatives from our Central Zone rolled up their sleeves and—virtually—got to work.

From May through August, Progressive people processed more than 270,000 PUA claim issues, verifying identity and eligibility status for PUA relief, and dedicating approximately 63,000 hours to helping people in their time of need.

The efforts of these re-deployed Claims representatives didn't go unrecognized. During Ohio Governor Mike DeWine's COVID-19 update on September 3, Lieutenant Governor Jon Husted specifically called out Progressive in appreciation of our "patriotism and willingness to pitch in during a difficult time." Ohio Job and Family Services Director Kimberly Hall even posted a special [YouTube message of thanks for the team](#).

The Progressive Insurance Foundation

We established [The Progressive Insurance Foundation](#) in 2001 as part of our company's overall charitable efforts. Through the Foundation, we give back to our local communities by supporting charities that are important to Progressive people.

Our Corporate Benefits team manages the day-to-day administration of the Foundation, which is overseen by its own board of directors, including Progressive's Chief Financial Officer and Chief Human Resource Officer.

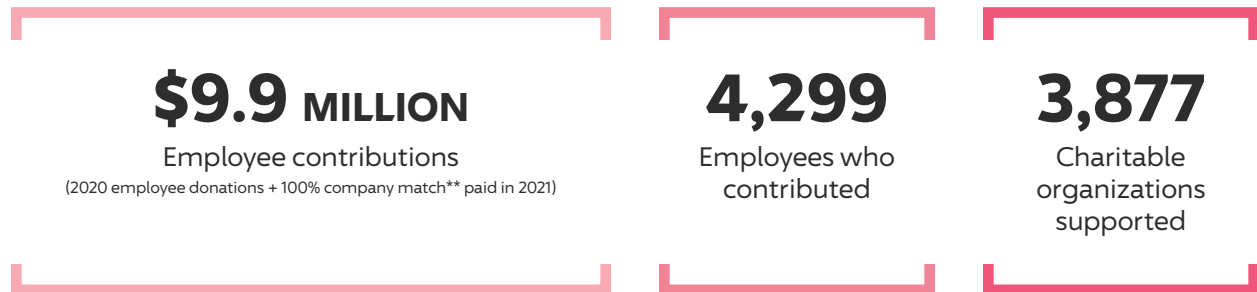
During 2020, our matching program is at the heart of the Foundation. The Progressive Corporation contributes annually to The Progressive Insurance Foundation's matching program for qualified 501(c)(3), tax-exempt charitable organizations. When an employee donates any amount from \$20 up to an aggregate of \$3,000 to qualified charities and requests matching gift(s), the Foundation commits to matching their donations up to 100%, depending on the number of requests and the company's financial performance that year.

Our 2020 Community Contributions*

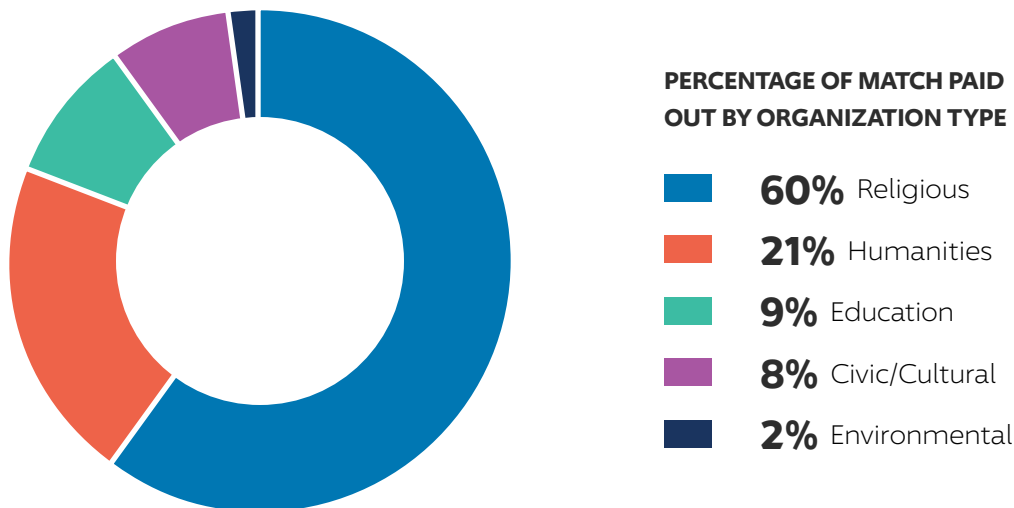
- In March, we donated \$8 million via The Progressive Insurance Foundation to charities focused on hunger, health, and homelessness, including Feeding America, the American Red Cross, and the National Alliance to End Homelessness.
- In June, we donated \$1 million via The Progressive Insurance Foundation to the Equal Justice Initiative. Diversity and inclusion are fundamental to our Core Values, and we strive to create an environment where all people can bring their authentic selves to work and feel valued, safe, and respected.
- In December, we donated approximately \$1.75 million via The Progressive Insurance Foundation to national charities related to our corporate giving focus areas and identified by our Employee Resource Groups.
- Also in December, The Foundation gifted an additional \$2.5 million to Direct Relief and United Way's Mask Challenge to continue to aid COVID-19 efforts.

*Included in the 2020 Charitable Contributions table above.

2020 BREAKDOWN OF SPEND AND EMPLOYEE MATCH PROGRAM



**Company match is provided through The Progressive Insurance Foundation.



Keys to Progress® Programs

At Progressive, we're committed to helping people facing tough challenges through our Keys to Progress community outreach platform. With Keys to Progress initiatives, we help people move forward in life by providing essential needs aligned with two of our key business products: auto and home insurance. For auto insurance, the Keys to Progress veteran vehicle giveaway program honors veterans with reliable transportation. For home insurance, the Keys to Progress homeless transition program honors individuals, families, and veterans with home furnishings. These events continued in 2020 with social distancing and COVID-19 protocols in place.

Helping Veterans Get on the Road Safely

A strong source of pride for our Progressive people, our [Keys to Progress](#) veteran vehicle giveaway program is a one-day vehicle giveaway event that we hold every November. Employees across the country volunteer to find vehicles to donate, organize fundraising activities to provide money or goods to recipient families, and plan memorable giveaway events for the veterans.

We maximize our ability to extend vehicle ownership to as many veterans as possible by teaming up with many business organizations we work with day in and day out to do something good together. Through our networks and relationships, we identify and refurbish vehicles for donation, and work with military and charitable organizations to find veterans in need. In 2020, we donated 45 vehicles to veterans and veteran organizations across the U.S. Since 2013, the Keys to Progress program has provided more than 750 vehicles to veterans in need.

We believe that access to a vehicle positively changes many aspects of a person's life: improving their job prospects, access to health care, and social connections. Because veterans often face inordinately difficult circumstances, such as unemployment and homelessness, we strive to offer relief and hope.



Furnishing Homes for People Experiencing Homelessness

In late 2019, Progressive joined efforts with [Humble Design](#), a nonprofit group that serves individuals, families, and veterans emerging from homelessness. The goal of our relationship is to help people move forward in life by making their new living spaces feel like home. Humble Design cites [statistics from the U.S. Department of Housing and Urban Development \(HUD\)](#) that show that approximately 50% of homeless families placed in permanent housing return to shelters within 12 months. Humble Design's work to transform participants' new living spaces into warm, welcoming, and uplifting homes helps reduce the number of families that return to shelters.

Despite the COVID-19 pandemic, we worked with Humble Design to set up a Cleveland, Ohio, operation. By mid-summer, Progressive employees helped fill Humble Design's Cleveland warehouse with furnishings and household goods. These contributions enabled Humble Design Cleveland to support several local families through curbside delivery of furniture and needed household items and full-home design experiences called "home decos." While adhering to strict pandemic safety protocols, volunteers delivered furniture and needed household items every week. Employees contributed to the Keys to Progress homeless transition program through monetary support, donations of household items, and volunteer hours in Humble Design's Cleveland warehouse. Several Progressive teams also held virtual collections and drives in support of the program.



Education and Engagement Efforts

Each year, our employees inspire elementary, middle, and high school students across the country through [education initiatives](#), including crash courses focused on insurance basics and financial literacy. Through these courses, we aim to help students understand how this information applies to real-life situations and can lead to job opportunities in the insurance sector. Since 2013, we've taught more than 34,000 students across the country.

To support education and our communities, in 2020 we donated PC equipment, laptops, desktop monitors, and office supplies at an estimated value of more than \$90,000 to educational institutions and nonprofits. In addition to this regular PC donation program, in 2020, we began to work with PCs for People, a nonprofit organization that donates usable computers and refurbishes them before they reach landfills for distribution to those in need through a direct community outreach method. In 2020, we gifted 300 laptops (valued at \$43,700) to students in the Cleveland Metropolitan School District and others in need through PCs for People. Since 2011, the total value of donated equipment has exceeded \$500,000.

Public Advocacy and Public Policy

Public policy issues have the potential to impact Progressive’s business, our employees, business partners, shareholders, and the communities in which we operate. We believe from time to time, our responsible and constructive participation in the political process is important to our success. We participate in a highly regulated industry, and we believe our involvement in initiatives and proposals that could affect our industry or our business is beneficial to our success. We believe it’s appropriate for us to exercise our rights to help inform and be a part of the debate on these matters.

Board Oversight and Policies

Our [Policy Statement on Political Contributions, Trade Groups, and Lobbying](#) and our [Code of Business Conduct and Ethics](#) guide our actions in the public policy arena and require our Legal department to preapprove every political contribution we make. These policies are intended to ensure our political expenditures are made in a manner consistent with our [Core Values](#) and protect or enhance shareholder value. Our [Nominating and Governance Committee](#) reviews the policy statement at least once a year and receives annual reports from management on our compliance with the policy statement. We comply with all applicable laws and regulations governing political contributions and expenditures.

PHILOSOPHY

To ensure that political contributions, payments to trade groups, and lobbying expenses are made in a manner consistent with Progressive’s Core Values and to protect or enhance shareholder value.

Overview of Expenditures

We support industry research associations and nonprofit organizations, trade associations, candidates for public office, and other groups to advance key priorities such as highway safety and regulatory modernization. We may not agree with every position taken by a specific organization, candidate, or committee. However, we sometimes find it’s beneficial to work across such differences on behalf of the interests of our stakeholders.

In addition, we participate in trade groups and engage lobbying firms that can advocate for regulations and policies that we believe are beneficial to our business interests. For example, we support regulatory developments that promote a competitive insurance marketplace. We disclose all political contributions and expenditures to the extent required by law. Progressive does not have a political action committee.

For more details, please see our reports on public policy on our [Governance Documents website](#).



Environment



Climate Change

Becoming consumers' and agents' #1 choice and destination for auto, home, and other insurance requires us to proactively monitor and manage a variety of risks, including those related to climate change and severe weather. Unpredictable natural events, such as hurricanes, tornadoes, windstorms, floods, earthquakes, hailstorms, severe winter weather, and fire, may affect our financial results by increasing catastrophe losses, disrupting our physical assets, and affecting the cost and availability of reinsurance.

We monitor changes in severe weather and climate conditions—including event frequency, severity, and geographic location and distribution—to understand developing weather pattern changes and the implications for our business. To assess these changes, we identify and use appropriate tools to measure risk, which informs both how we price for and mitigate risk. For example, we use catastrophe models to understand the potential for weather-related losses and incorporate this information into product, pricing, and underwriting decisions.

In addition to using reinsurance to mitigate the impact of extreme catastrophe losses on the financial results of our Property business, we leverage territory-level underwriting and product features, such as deductible and coverage limits, to manage our underlying exposure.

We also encourage greater awareness of the impact of climate change and severe weather in a variety of ways, including:

- Informing policyholders who sign up for hail alerts about potential hailstorms near them based on their home address, giving them advanced notice to protect their vehicles.
- Producing public service announcements before, during, and after certain severe weather events for use by local radio stations and on social media to reach broader audiences with safety tips.
- Providing discounts in select areas to policyholders who take specific steps to better protect their home against weather-related losses. See the [ESG Product Features](#) section in the Appendix for further details.

We believe that successful management of climate-related risks can help us reduce business costs, supporting our ability to offer competitive rates and remain a financially strong insurer ready to protect the things that matter most to our customers. For more information on how we believe climate change and severe weather can affect our business results, refer to our [2020 Annual Report on Form 10-K](#).



Environmental Stewardship

Each day we strive to take innovative steps to reduce our dependence on natural resources and operate efficiently in all aspects of our business. In our view, reducing our environmental footprint—and pursuing energy and resource savings in the process—is the right thing to do for our stakeholders and the environment. Our Real Estate and Corporate Services team manages our [environmental stewardship](#) efforts and guides the strategies we utilize to effectively manage our buildings, equipment, and fleet. We report on our environmental efforts to help our stakeholders understand the steps we take and the progress we've made.

We continue to seek investments in facilities, equipment, and company vehicles that are increasingly energy- and fuel-efficient to support better environmental outcomes while also reducing the costs that our customers ultimately bear. By taking action to reduce the environmental impact of our business operations, we believe that we can not only be responsible environmental stewards, but also create sustainable business value and enhance our resilience.

Energy and Carbon Emissions Management

At Progressive, we're working to reduce our carbon emissions through a combination of initiatives, including investments in renewable energy, more energy- and fuel-efficient vehicles, and building infrastructure. Over a decade ago, we embarked on an ambitious journey to reduce energy consumption and maximize the use of our office space. We invested in building automation systems to adjust heating, cooling, and lighting based on occupancy, and replaced building infrastructure with more energy-efficient equipment.

Recently, we've expanded our green energy investments, including purchasing solar panels and green energy. In 2020, we negotiated a renewable energy agreement with a wind farm in Pennsylvania, which will supply power for sites served by the PJM wholesale energy exchange (an exchange which covers several states generally in the eastern region of the United States). We expect this agreement to meaningfully reduce our electricity-related carbon emissions. We also initiated a project to install a 1.8-megawatt solar panel array at one of our main campus locations in Cleveland, Ohio.

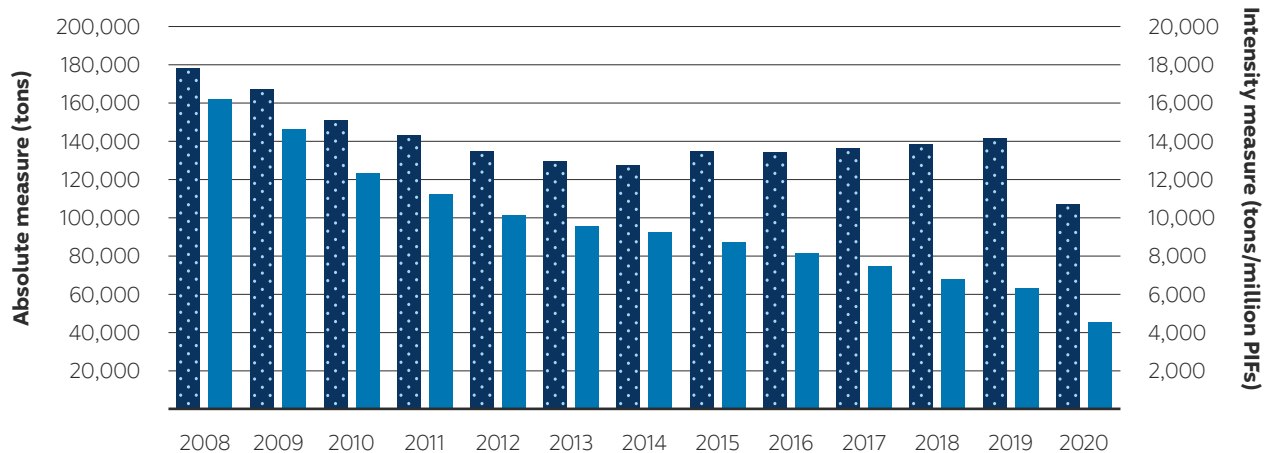
When the array is completed in 2021, we expect it will reduce the site's emissions by 1,500 metric tons per year and help us generate a meaningful return on our investment through energy cost savings over time. Our renewable energy initiatives and investments in energy- and fuel-efficient facilities, equipment, and company vehicles create shared value for our business and stakeholders, supporting our efforts to reduce carbon emissions and pass along cost savings to our customers.

Our Emissions Reductions

Our carbon emissions-related initiatives and investments contribute to our continued progress in reducing emissions. In 2020, we achieved a 31% reduction in carbon emissions per million policies in force (PIFs) compared to 2019 levels. While we surpassed our goal of achieving a 68% reduction in carbon emissions per million PIFs compared to 2008 levels by 2022, we recognize that COVID-19 impacts contributed significantly to achieving this milestone. Excluding COVID-19 related impacts, we believe we were on track to successfully achieve our goal by the stated 2022 timeframe. As the return to normalcy occurs, we will continue to evaluate progress against our goal while being mindful of evolving trends. Our focus on increasing efficiencies to reduce emissions and lower operational costs remains unwavering.

CARBON EMISSIONS 2008–2020*

■ Carbon emissions ■ Carbon emissions per million PIFs



*Includes carbon emissions from electricity and natural gas consumption and fuel used by fleet vehicles, company aircraft, and generators. The volume of carbon emissions from these sources have been estimated using actual real estate portfolio information and industry standard calculation methods. Starting in 2015, business airline and rental car travel have been included, using data provided by our contracted vendors.

Fleet Operations

We maintain a fleet of vehicles for our employees, such as claims adjusters, who frequently drive for work-related purposes. As with our other assets, we're committed to reducing our fleet's carbon emissions. In 2020, we continued a multi-year plan to implement a more fuel-efficient sedan alternative as a replacement for SUVs in our fleet. Even as we make progress with this plan, we're committed to continually evaluating our fleet for additional opportunities. We have active efforts in place to review processes and identify and evaluate new vehicles for operational fit, recognizing these efforts can contribute to even more progress as we seek to further reduce emissions. In addition to investing in more fuel-efficient vehicles, we continue to search for innovative ways to increase our fleet's efficiency. Our investment in Photo Estimating is one example of how we've been able to drive operational efficiencies while reducing our dependence on our fleet.

Responsible Waste Management

We're committed to reducing and responsibly managing waste generated by our operations. To reduce waste we send to landfills, we established robust recycling programs for office paper, cardboard, aluminum cans, and plastic and glass bottles at our campus locations. As a result of these initiatives, approximately 25% of the waste collected at our campuses was diverted from landfills to recycling centers in 2020. We also recently reduced our use of plastic by eliminating plastic straws and utensils in our Progressive Café campus locations and break areas. Additionally, we eliminated polystyrene food containers in our Café locations. We replaced plastic utensils and polystyrene food packaging with compostable options. Polystyrene materials that could not be easily replaced with a compostable option (primarily IT packaging) are compacted and recycled.

While we typically host annual campaigns for Environmental Awareness Week and America Recycles Day to build awareness among our employees about responsible resource consumption and disposal strategies, we postponed our events in 2020 due to the COVID-19 pandemic. We anticipate reinstating these events in future years.

Paper Reduction Efforts

We pride ourselves in pursuing initiatives to reduce paper usage. We began to introduce paperless policies over a decade ago, and more than 70% of our personal auto policyholders were enrolled in our paperless policy program as of the end of 2020. In addition, we've implemented other paper reduction strategies by offering e-signatures for policy documents and enabling customers to print their own ID cards or access them directly through the Progressive mobile app. We've also invested in virtual collaboration tools that reduce the amount of paper we use for internal communications.



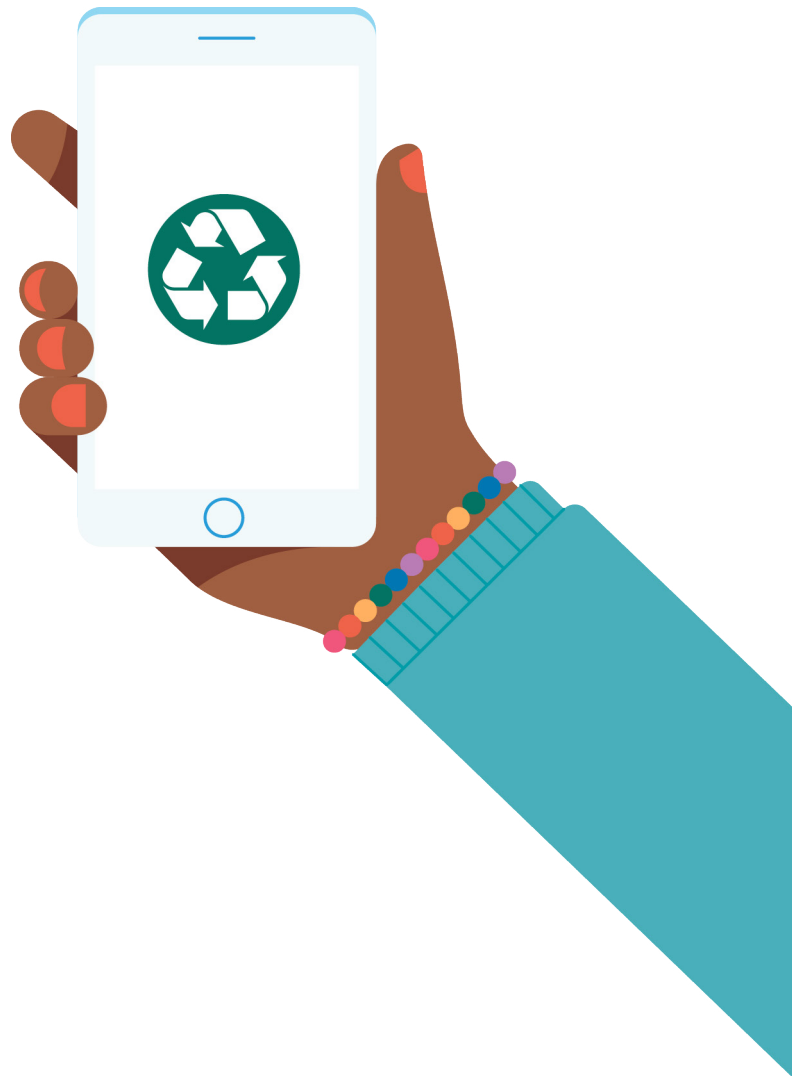
IT Asset Disposition Program

As a data-driven company, we rely heavily on IT to operate our business. While electronic waste (e-waste) has become a bigger environmental concern with growing amounts of discarded IT equipment sent to landfills, we're working hard to reduce the amount of IT equipment we dispose as waste. Through our IT Asset Disposition program, we consider the full lifecycle of laptops, desktops, monitors, and other IT equipment, and seek to reduce our environmental impact by redefining an asset's useful life.

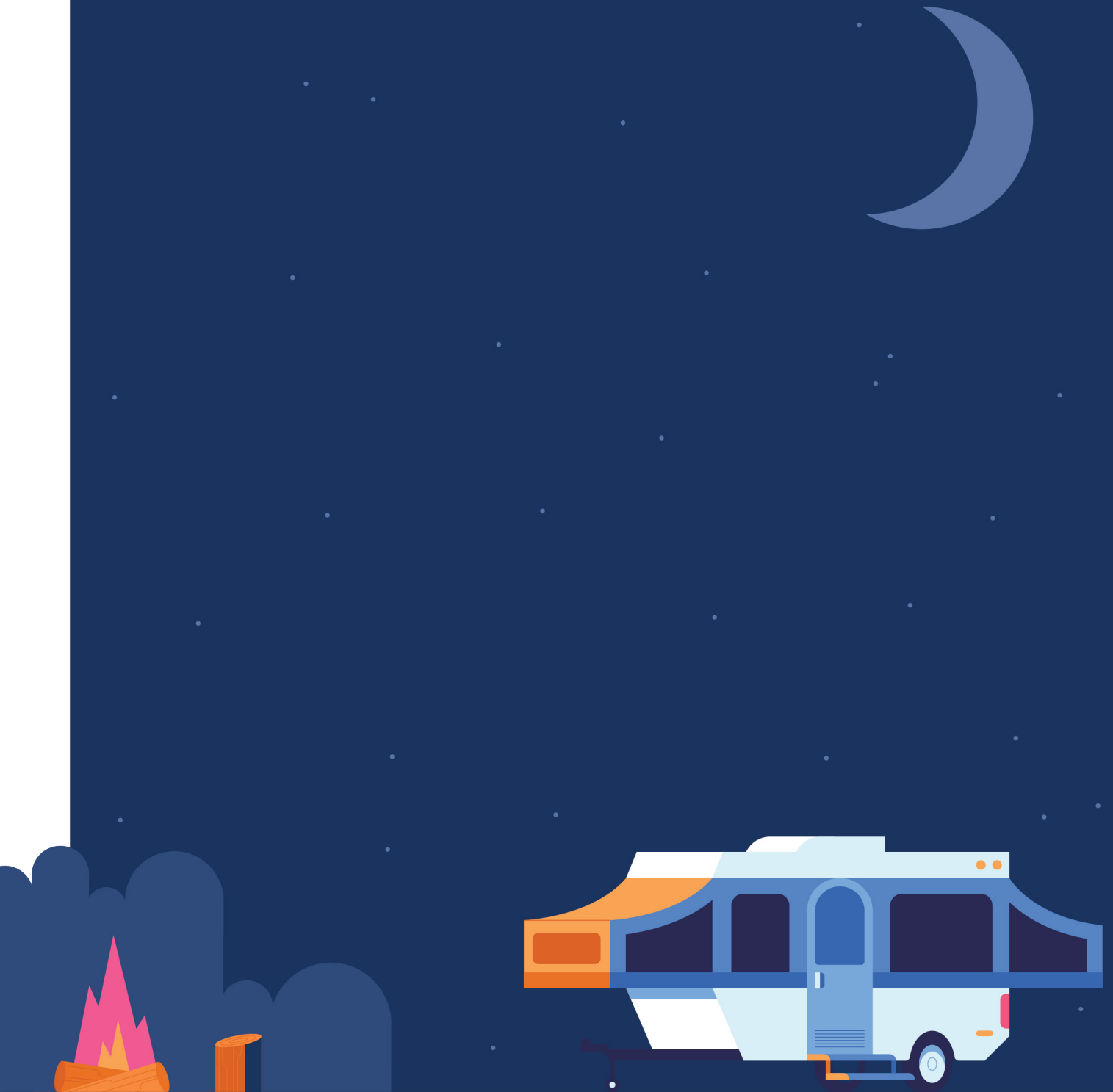
Zero E-Waste

Given the accelerated pace at which new technological tools and capabilities replace each other, it is important that we consider how to retire existing technology in an environmentally responsible way. To do so, our IT Asset Disposition program partners with an e-Stewards certified recycler to help us remarket technologies for reuse, donate them, or recycle them, based on a grading process for the materials involved. Our recycling vendor scrubs all data from repurposed assets and securely destroys assets that aren't repurposed to recover raw materials for reuse. Our recycling vendor also employs a zero-landfill policy, which ensures our efforts combat rising e-waste concerns and reduce our e-waste footprint.

For more information on how our IT equipment donations are serving schools and nonprofit organizations, see the [Social Capital](#) section of this report.



Appendix



SASB Index

TOPIC	CODE	ACCOUNTING METRIC	RESPONSE
Transparent Information & Fair Advice for Customers	FN-IN-270a.1	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	While Progressive does not disclose this specific information, we disclose certain applicable material pending legal proceedings, other than ordinary routine litigation incidental to the business, as required by applicable Securities and Exchange Commission disclosure requirements in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q (collectively, “SEC Filings”).
	FN-IN-270a.2	Complaints-to-claims ratio	While Progressive does not calculate a complaints-to-claims ratio, the National Association of Insurance Commissioners (NAIC) publishes a Closed Complaint ratio .
	FN-IN-270a.3	Customer retention rate	While Progressive does not disclose this specific metric, we disclose changes in policy life expectancy (PLE) in our SEC Filings . PLE is our primary measure of customer retention in our Personal Lines and Commercial Lines businesses. Additionally, Progressive uses a variety of internal metrics to assess customer satisfaction, including surveys, customer focus groups, and Net Promoter Scores® (which tracks referrals from existing customers).
	FN-IN-270a.4	Description of approach to informing customers about products	See the Customer Experience and Communication section of our 2020 Corporate Sustainability Report.
Incorporation of Environmental, Social, and Governance Factors in Investment Management	FN-IN-410a.1	Total invested assets, by industry and asset class	For information with respect to our investment activities, including disclosures on asset class and asset ratings, see section “IV. Results of Operations—Investments” under <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> in our 2020 Annual Report on Form 10-K .
	FN-IN-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	See the Investing Strategy section of our 2020 Corporate Sustainability Report.

TOPIC	CODE	ACCOUNTING METRIC	RESPONSE
Policies Designed to Incentivize Responsible Behavior	FN-IN-410b.1	Net premiums written related to energy efficiency and low carbon technology	Progressive is unable to measure or disclose this metric at this time.
	FN-IN-410b.2	Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviors	See the ESG Product Features section following the SASB Index in our 2020 Corporate Sustainability Report.
Environmental Risk Exposure	FN-IN-450a.1	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	See the Risk Management section of our 2020 Corporate Sustainability Report. Additionally, see “Reinsurance” under <i>Item 1. Business—Description of Business</i> in our 2020 Annual Report on Form 10-K for a discussion of our reinsurance program.
	FN-IN-450a.2	Total amount of monetary losses attributable to insurance payouts from (1) modeled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	Progressive does not categorize catastrophic events as modeled versus non-modeled as we do not believe this categorization is meaningful to our business. For reporting purposes, Progressive defines a catastrophe as an event designated as a catastrophe by the Property Catastrophe Service (PCS), an industry organization that collects data on catastrophes. We report net catastrophe losses by segment in our SEC Filings . The SEC Filings also include a discussion of reinsurance and the recoverables recorded.
	FN-IN-450a.3	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	See the Risk Management and Climate Change sections of our 2020 Corporate Sustainability Report. See “Reinsurance” under <i>Item 1. Business—Description of Business</i> in our 2020 Annual Report on Form 10-K for a discussion of our reinsurance program.

TOPIC	CODE	ACCOUNTING METRIC	RESPONSE
Systemic Risk Management	FN-IN-550a.1	Exposure to derivative instruments by category (1) total potential exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	As of December 31, 2020, Progressive had no derivatives outstanding. For a discussion on the reporting of derivatives, how Progressive uses derivatives, and the maximum size of our derivative position in 2020, please refer to <i>Note 1—Reporting and Accounting Policies</i> and <i>Note 2—Investments</i> in our 2020 Annual Report on Form 10-K .
	FN-IN-550a.2	Total fair value of securities lending collateral assets	As of December 31, 2020, Progressive had no securities lending reinvested collateral assets per Schedule DL filed with the NAIC.
	FN-IN-550a.3	Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities	See section “II. Financial Condition” under <i>Management’s Discussion and Analysis of Financial Condition and Results of Operations</i> in our 2020 Annual Report on Form 10-K .

CODE	ACTIVITY METRIC	RESPONSE
FN-IN-000.A	Number of policies in force, by segment (1) property and casualty, (2) life, and (3) assumed reinsurance	See our 2020 Annual Report on Form 10-K . We also disclose policies in force in our monthly earnings releases and SEC Filings.

ESG Product Features

Insurance is the pricing of risk, and as such, the pricing of our product reflects the risks our customers face. We believe the basic pricing of our products rewards customers who take less risk with their health and safety. Our pricing rewards include, but are not limited to, lower rates for few speeding tickets, lower rates for building a home in a less wildfire-prone area, and lower rates for following the rules of the Federal Motor Carrier Safety Administration (FMCSA).

Similarly, customers with lower loss frequency are typically rewarded with lower rates than customers with higher loss frequency and the same loss severity. Less driving means less greenhouse gas emissions and often lower frequency. As a large auto insurer, we endeavor to accurately match rates to behavior so the very nature of our products rewards our customers’ environmental stewardship.

In addition to our basic product pricing rewards, Progressive products have specific features that reward our customers' health and safety and environmental stewardship. A partial list of product features includes:

Health and Safety

- **Personal Auto 3-Year Safe Driving Discount:** Provides a discount for certain customers without a claim or a pointed incident in the past three or more years.
- **Personal Auto Smart Technology Discount:** Provides a discount to customers who have a vehicle with certain safety features, such as blind spot warning or auto emergency braking.
- **Commercial Auto Rates That Reward Good FMCSA Safety Inspections:** For-hire commercial truckers who have a history of clean FMCSA safety inspections will receive lower rates than those who have violations.
- **High Building Code Enforcement Discount:** Provides a discount to homeowner policyholders in certain areas who have homes that meet high building code enforcement construction. Discounts may even be available for older homes that have met the Insurance Institute for Business & Home Safety guidelines for a fortified hurricane designation.

Environmental

- **Snapshot® and Smart Haul® Programs:** These usage-based insurance products (for personal auto and commercial trucking, respectively) reward safe driving habits by evaluating the way a customer drives and providing lower rates for those who exhibit fewer accident-linked behaviors, such as hard-braking events. Further, customers who use their vehicles less will often receive lower rates compared to those who use them more.
- **Annual Miles Rating Factor:** This factor adjusts rates based on the number of miles a customer drives their vehicle annually. Customers with fewer miles driven, and thus less natural resources used, will usually have a lower rate.
- **Paperless Discounts:** A Paperless Discount may apply to a policyholder who participates in electronic communication for all policy documents.

Note: Discounts/programs described above are not available in all states and in every situation. Terms and conditions may apply. Please refer to the filed product for state-specific details.

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METRIC	RECOMMENDED DISCLOSURE	RESPONSE
<p>Governance: Disclose the organization’s governance around climate-related risks and opportunities.</p>	<p>a) Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>Our Board of Directors is ultimately accountable for overseeing Progressive’s strategic risk profile and its risk management processes. To facilitate these oversight responsibilities, the Board assigns certain risk oversight to each of its main committees. The Audit Committee oversees risks relating to financial statements, financial controls, internal and external audit functions, and external reporting. In addition, it monitors our Enterprise Risk Management (ERM) program.</p> <p>The Nominating and Governance Committee is responsible for overseeing and addressing with management risks relating to the Board’s governance practices, and environmental and social factors and initiatives. See our Nominating & Governance Committee Charter and the Board Oversight and Monitoring Process section of our 2020 Corporate Sustainability Report.</p>
	<p>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>See the Risk Management section of our 2020 Corporate Sustainability Report.</p>
<p>Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>See <i>Item 1A. Risk Factors</i> in our 2020 Annual Report on Form 10-K and the Climate Change section of our 2020 Corporate Sustainability Report.</p>
	<p>b) Describe the impact of climate-related risks and opportunities on the organization’s business, strategy, and financial planning.</p>	<p>See <i>Item 1A. Risk Factors</i> in our 2020 Annual Report on Form 10-K and the Climate Change section of our 2020 Corporate Sustainability Report.</p> <p>For information on our reinsurance program, refer to “Reinsurance” under <i>Item 1. Business</i> in our 2020 Annual Report on Form 10-K.</p>
	<p>c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>See the Risk Management section of our 2020 Corporate Sustainability Report.</p>

METRIC	RECOMMENDED DISCLOSURE	RESPONSE
<p>Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>See the Risk Management section of our 2020 Corporate Sustainability Report.</p>
	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>See the Risk Management section of our 2020 Corporate Sustainability Report.</p>
	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>See the Risk Management section of our 2020 Corporate Sustainability Report.</p>
<p>Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>See the Environmental Stewardship section of our 2020 Corporate Sustainability Report.</p> <p>For information on catastrophe losses incurred, refer to section "III. Results of Operations—Underwriting" under <i>Management's Discussion and Analysis of Financial Condition and Results of Operations</i> in our 2020 Annual Report on Form 10-K.</p>
	<p>b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	<p>See the Environmental Stewardship section of our 2020 Corporate Sustainability Report.</p>
	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<p>See the Environmental Stewardship section of our 2020 Corporate Sustainability Report.</p>



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**Learn more about our ongoing environmental,
social, and governance initiatives.**

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