



# *A Better way Forward* IS OURS TO MAKE.

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



**EXPECT *something* MORE™**

THE AUTO CLUB GROUP

*We're ready to do more.*

WHEREVER YOU ARE.

WHATEVER DREAM YOU'RE AFTER.

WHEREVER THE ROAD TAKES YOU.

WE'RE RIGHT THERE WITH YOU.

AND WE'RE MORE READY THAN EVER.

LOOKING AHEAD AND DRIVING A

MORE SUSTAINABLE WAY FORWARD,

FOR EVERYONE.





**Joe Richardson**

*President and CEO,  
The Auto Club Group*

## **AAA – THE AUTO CLUB GROUP**

### ***Letter from the CEO, Joe Richardson***

Every day we help our Members on life's journey with an unwavering commitment to *Do What's Right*. Whether we are rescuing a Member on the roadside, protecting them from life's uncertainties, repairing their vehicle, saving them money, or helping them plan a dream vacation, we always put the Member first.

We encountered several significant challenges in 2022, many of which were exacerbated by climate change: devastating hurricanes, rising energy costs, and global unrest, to name a few. Throughout everything, we remained focused on reducing our environmental impact, treating all people with dignity and respect, and leading with best practices to ensure strong governance.

Our progress is highlighted throughout this year's report and we feel more ready than ever to take action.

We are **creating Member value** through digital transformation as we know that digital products and services not only help the environment, but that they provide Members with a great experience. This will help reduce paper consumption and make it easier than ever for our Members to enjoy their AAA benefits. Sustainability leadership isn't just about environmentalism – we put our communities first by advocating for social justice with investments to address socioeconomic disparities and strengthen education. We have also equipped our highly engaged employee base with tools to make it easier to serve their communities through giving and volunteerism.

Climate change impacts our Members and our business. We are committed to **managing climate change risk** and are actively working to reduce our emissions through continued optimization of our real estate portfolio and building a strategy for a more sustainable vehicle fleet. In 2022, we made great strides toward developing this strategy and are introducing new technology to help us achieve it.

We also recognize that **reporting and transparency** helps us to assess and refine our focus. It also helps us work with more sustainable partners and encourages others to focus on sustainability. As such, we are adhering to standard frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD) and Greenhouse Gas Protocols.

In addition to the three priorities above, I want to emphasize that we will continue to advocate for safety – as we have for the past 100 years – through the launch of a new campaign called *Move Over For Me* to help raise awareness and save lives on the roadside. We will also continue to use our advocacy platform to strengthen our local communities by investing in initiatives that provide more opportunities for all.

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# DOING WHAT'S RIGHT *for the planet*

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Sustainability is one of our core business principles. We fully comply with the letter and spirit of all applicable environmental laws and regulations and strive for continual improvement in our environmental performance. We work to understand our impact on the environment and then take action to reduce our emissions to mitigate that impact. We incorporate environmental impacts in our decision-making and are proactively focused on reducing greenhouse gas emissions and reducing our paper consumption.

# IT STARTS WITH BEING CONSCIOUS.

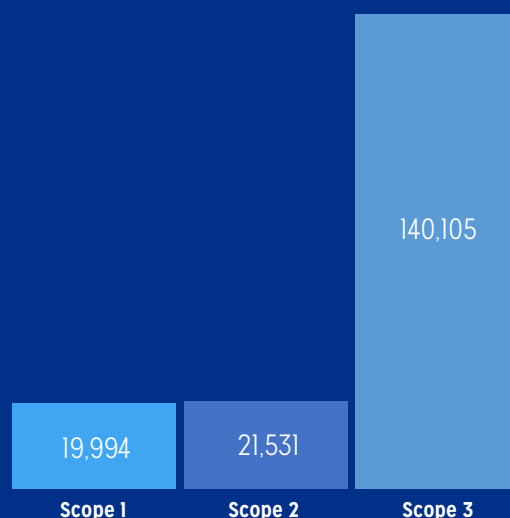
THE MORE AWARE WE ARE OF HOW WE AFFECT THE ENVIRONMENT, THE MORE EASILY WE CAN MAKE DECISIONS IN ITS BEST INTEREST. OUR BEST INTEREST.

## Greenhouse gas inventory

Calculating greenhouse gas (GHG) emissions involves collecting electricity and natural gas usage from all the facilities that we operate and tracking the miles traveled by our vehicles. These activities can be broken down into scope 1, 2 and 3 emissions. In 2022, our GHG inventory is 181,628 metric tons (MT) of carbon equivalents (CO<sub>2</sub>e).

We have used carbon dioxide, methane, and nitrous oxide factors from the Environmental Protection Agency (EPA) to determine our GHG inventory. Our scope, method and output for facility and vehicle emissions are verified by an accredited third-party, independent firm. This verification was prepared using the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD)'s The GHG Protocol Corporate Accounting and Reporting Standard (revised 2004) and associated amendment. No evidence of material errors, omissions or misstatements was found within the boundaries of our inventory scope.

**TOTAL EMISSIONS BY SCOPE  
(METRIC TONS-CO<sub>2</sub>E)**



*For Scopes 1 and 2, this inventory represents a 14.4% reduction from our 2019 baseline year. We have added paper consumption emissions to our Scope 3 inventory which increases previously reported emission levels.*



*I use utility and fuel usage reports to measure our greenhouse gas emissions and develop our environmental goals.*

DANIEL STEEH | OFFICE OF SUSTAINABILITY

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## Scope 1

Scope 1 emissions are direct GHG emissions that occur from sources controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces or vehicles). For us, that includes natural gas to heat our 61 owned buildings along with the fuel that is used in our vehicle fleets. Our vehicles are used mainly to keep Members safe on the roadside and support insureds with our best-in-class claims services. We are committed to providing these services while mitigating our emissions outputs and are developing our alternative fuel strategy that will rely on a mix of hybrid and electric vehicles.

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## Scope 2

Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling. We rely on electricity at all locations and natural gas at our 197 leased facilities to deliver Members with numerous opportunities to interact with us and use the great benefits of their memberships. To mitigate controllable emissions from our facility footprint, we are analyzing the makeup and efficiency of all locations.

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## Scope 3

Scope 3 emissions are the result of activities from assets not owned or controlled by ACG, but that the organization indirectly impacts in its value chain. There are 15 categories that Scope 3 emissions can fall under and, due to the complexity of the calculation, many firms choose to add these categories over time to their emissions inventory.

## OUR TOP TWO SCOPE 3 PRIORITIES

For us, we have chosen to start with two major elements of our value chain – Third-Party Emergency Roadside Services and paper consumption.

### Understanding roadside emissions

We rely on close partnerships with many tow providers to enhance our ability to keep our Members safe while they travel. These partners help us to fulfill our promise to deliver peace of mind wherever and whenever Members need us. Currently, these partners rely heavily on vehicle and fuel usage to perform these roadside rescues. The volume of services provided to Members and the fuel needed generates a large amount of greenhouse gas emissions. We are working to better understand these emissions and how we can reduce them. The introduction of alternative fuel vehicles and analysis of our own ERS operations will help us drive down vehicle emissions. As we identify ways to reduce our own vehicle fleet emissions, we will pass on those learnings to our partners to help reduce emissions across our entire ERS value chain.

### Reducing paper consumption

Paper consumption is often a large emission factor for insurance companies but reducing our reliance on it will have a positive impact on the environment and Member experience. In support of our Members, we produce over 1.3 million tons of paper annually. This paper includes insurance documents, billing forms, delivery of membership

cards, printing in our offices, and our *AAALiving* magazine. We estimate that our paper consumption in 2022 generated 40 thousand MT of CO<sub>2</sub>e, close to the total of our Scope 1 and 2 emissions.

Energy is required to take trees and turn them into new paper or to conduct the recycling process that is required to create recycled products. This energy generates greenhouse gas emissions and is why we have made driving paperless one of our top emission reduction priorities.

### IN 2022, WE COMMITTED TO DRIVING PAPERLESS TO PROVIDE A BETTER EXPERIENCE FOR OUR MEMBERS AND TO REDUCE OUR IMPACT ON THE ENVIRONMENT. SOME OF THE ACTIONS THAT WE ARE FOCUSED ON INCLUDE:

- Piloting digital-only membership products
- Promoting our current paperless options such as receiving a digital version of the *AAALiving* magazine, opting into our paperless discount for insurance policies, signing up Members for auto-billing and downloading our AAA app
- Driving a paperless culture in our office operations



*I am working to expand the adoption of paperless options because I know it's the best experience for our Members.*

GINA MCDOWELL | TRANSFORMATION OFFICE



# SUSTAINABILITY IN OUR FACILITIES

## ENERGY EFFICIENCY THROUGH SMARTER WORKSPACES

Our Green Initiatives Real Estate Services (RES) Policy defines standard operating procedures for managing operational and waste stream activities at all facilities exceeding 25,000 square feet. The policy outlines initiatives to clearly define performance objectives as they pertain to recycling and sustainability, and to help our employees translate the policy into everyday actions.

Our remote working strategy has not only enhanced employee lives, it has lasting impacts on the environment by reducing our need for administrative offices. Since implementing remote work in 2020, we have worked with employees to understand their preferences and have been able to optimize our real estate footprint as a result of those preferences. Continued evaluation of our facilities and how they operate will help us make even greater strides in reducing our Scope 1 and 2 emission levels.



## **CONSERVING WATER ONE CAR WASH AT A TIME**

We have implemented water-saving procedures in new facility construction and major renovations along with installing drought-resistant landscaping in our Tampa Administrative Office Building. These procedures are also considered in all new facility construction and major renovations.



Our Fins car washes feature environmentally safe soaps and a system that recycles 80 percent of water used during a wash. And even more, visiting our car wash will save about 130 gallons of water compared to washing your car at home. Any hazardous materials collected during the wash are separated and disposed of properly.

## REDUCING WASTE, RECYCLING MORE

We are committed to reducing waste across our entire footprint. One of the most important and effective ways to do this continues to be recycling. We all know recycling leads to cleaner air and water, less pollution, more forested land and open space, and reduced greenhouse gas emission. In 2022, we recommitted ourselves to recycling as much as possible at all of our facilities. In 2023, we are working to continue to fulfill that commitment wherever recycling is available.

We employ various techniques and policies to mitigate waste at our facilities. Our Green Initiatives RES Policy ensures that all bidders for waste hauling contracts have (and use as standard practice) facilities that segregate waste streams by material types like plastics, paper, cardboard, metals and glass.

Proper disposal of oil, gasoline and other vehicle fluids at our Car Care facilities helps to reduce pollution and we recycle about a half a million car batteries annually. This recycling breaks down the old batteries into their individual components like metal, plastic and lead acid that are then used to build new vehicle batteries, making this a closed-loop process. We leverage a vendor to recycle electronic equipment like laptops, monitors and printers that are no longer useful in our operations.

## Digital transformation

As part of our digital transformation, we continue to offer more digital self-service options. For example, all tour books are offered in a digital format to our Members. When printing is necessary, the ordering of paper products with a minimum of 30 percent post-consumer, recycled content is encouraged. The option of an electronic membership card through the mobile app reduces the use of plastic.

Some IT practices reduce both energy and our storage footprint. Through the use of solid-state drives, we have been able to reduce energy use and the physical space required to house drives. Another project that reduces energy consumption is removing the firewalls at approximately 200 of our branch locations and switching to cloud-based firewalls.





A portrait of a man with a goatee, wearing a white sweater with a dark collar, standing in front of a wooden wall and a window. A large blue quotation mark is overlaid on the image.

“

*I support and guide our hands-on fleet training and ongoing vehicle maintenance, to push our environmentally friendly vision.*

**SEIFU BELIHU**  
AUTOMOTIVE SERVICES



# SUSTAINABLE TRAVEL. SUSTAINING THE WORLD.

## Building sustainable community partnerships

Travelers increasingly seek to travel responsibly. To better meet these needs, we have partnered with Tourism Cares, which unites the travel industry for positive social, environmental and economic impact on the destinations and people impacted by travel. This partnership positions us as a leader in sustainability, benefits our employees with development opportunities, and improves Member service.

## Meaningful travel summits

In 2022, AAA employees attended and helped lead summits in Lake Tahoe, CA and Victoria, BC. The focus of these summits was to understand how travel can impact and work with indigenous people, how travelers can conserve natural resources when traveling, learn how climate change is having a real impact on these destinations, and how travelers can be good stewards of the places that they visit.

## Getting our Members involved

AAA employees received access to online training to build their knowledge of sustainability and its role in travel. Our Travel Advisors say that they can now more confidently sell off-season travel experiences and other responsible travel options.

We amplify our sustainability messaging with our *Well-Traveled with AAA* podcast and marketing campaigns to encourage sustainable practices. These tools inform Members of opportunities to use their trips to help the environment, educate their children on assisting others, and finding experiences that have a positive impact. On Earth Day, April 22, AAA launched social media posts and blogs that help Members understand changes they can make to reduce food waste, mitigate their carbon footprint while traveling, and conserve water.



## ELECTRIC VEHICLES TAKE US FARTHER.

We see how America moves. We believe that automobiles are vital as an essential and primary component of transportation systems and a mainstay of the economy. But we also recognize the strong impact conventional vehicles have on climate change and believe in the potential benefits of electric vehicles (EVs) and other alternative fuel vehicles. AAA encourages further research into sustainable and renewable fuels, fuel cell and battery technology, and other low or zero emission vehicle technologies.

### With our people behind the wheel.

We know that making the switch to electric vehicles is a significant decision and that we can help make that decision easier. In 2022, AAA launched buyer's guides to help Members as they consider purchasing either new or even used EVs. These guides provide information on range, price, available tax incentives, what to look for in warranties, and what to expect in operating and maintaining an electric vehicle.

Additionally, AAA conducts hands-on research to test range impacts in extreme climates and other relevant factors along with understanding the true cost of EV ownership. This research is frequently updated on the AAA Newsroom.

### We continue to charge forward.

As the electric vehicle market continues to grow, we anticipate that Members will adopt them and acknowledge our need to provide support with both mobile and stationary charging.

So far, Blink Mobile EV charging technology is part of our Roadside Assistance program in six of our communities. Similar to when a gas-powered vehicle runs out of fuel, we help EV Members get enough charge (with 240-volt AC charging at up to 9.6kW of charge, for a mile per minute) to reach the nearest charging station, or make it home.

Members at select facilities across our footprint can also take advantage of stationary charging units while they visit our branches. We have installed a blend of Level-2 and DC-Fast Charge technologies at 18 of our offices and counting.



### PILOTING A MORE SUSTAINABLE FLEET.

In 2022, we also introduced the first-ever electric vehicles to our vehicle fleet. Piloting a set of fully electric Ford E-Transit vans will provide a better understanding of how we can expand electric vehicles into other areas of our fleet and better serve our Members.

Initially, these vehicles will help provide battery replacements, lockout services and many other roadside assistance offerings while we gain a better understanding of range considerations, maintenance requirements, and what the true impact of electric vehicles will have on our Scope 1 and 3 emissions. These initial pilots will help solidify our EV strategy and pass those learnings on to our Members.



# DOING WHAT'S RIGHT *for each other*

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We are committed to treating everyone with dignity and respect. This commitment reinforces that we must provide a safe and rewarding work environment that regards differences as a key asset to our success.

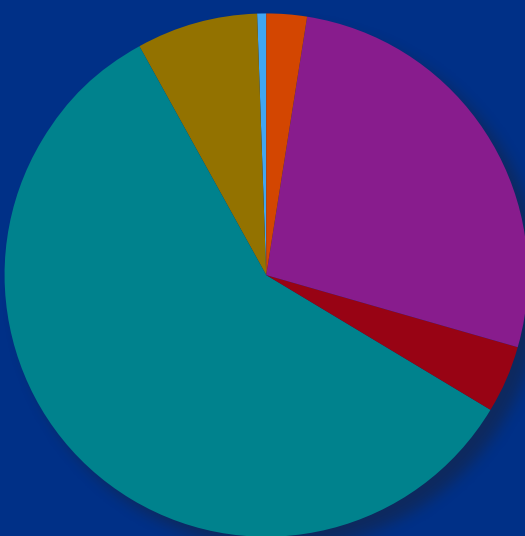
# DIVERSITY, EQUITY AND INCLUSION SHAPES WHO WE ARE.

WE HAVE ALWAYS VALUED A CULTURE WHERE ALL FEEL WELCOME, BECAUSE DIVERSITY, EQUITY AND INCLUSION ARE NOT CONCEPTS — THEY ARE OUR COMPANY’S COLLECTIVE CHARACTER.

Together, we strive to always do what is right for our Members, customers, employees and the local communities in which we live and work. Employees with diverse perspectives and backgrounds create value for our community, Members and the company as a whole. We enable employees to collaborate in ways that transform differences into strengths and develop each person’s potential.

## OUR WORKFORCE

We are proud of our workforce of over 9,900 individuals. We believe each one matters.



### Workforce Representation by Level

- 1. Total workforce** (M-42.7%, F-57.3%),  
(People of color-35.1%, white/other-58.4%)
- 2. Vice President and above** (1.0% of total workforce; M-75.5%, F-24.5%),  
(People of color-32.0%, white/other-68.0%)
- 3. Middle management** (12.5% of total workforce; M-53.3%, F-46.7%),  
(People of color-40.6%, white/other-59.4%)
- 4. Non-managers** (87.0% of total workforce; M-42.0%, F-58.0%),  
(People of color-36.5%, white/other-63.5%)

### Total Workforce by Race/Ethnicity

- Asian/Asian American-2.5%
- African American-27.0%
- Hispanic/LatinX-4.3%
- White-58.4%
- Other-7.3%
- Two or more races-2.5%



## A culture of support, from recruitment to retirement

We invest in processes that help secure the talent our business needs while providing employees with opportunities during their entire career, from recruiting to retirement. We also integrate succession management and take a systematic approach to identifying, developing and retaining high-potential employees to support future-oriented business objectives while supporting employees' personal goals.

We are consistently recognized for the strength of our employees. In 2022, we received our first national Top Workplace award. This award is based solely on employee feedback and is among many workplace awards that we received, including for our DE&I practices.

We frequently seek and respond to employee feedback. This feedback helped us realize exciting enhancements to our already robust employee benefit offerings. Last year, we introduced 100 percent paid parental leave for new mothers and fathers and adoption reimbursement assistance. We also increased our tuition reimbursement benefit and introduced Paid Time Off for volunteerism.

## Collaborating to spark change

Employees have the opportunity to periodically participate in idea generation activities called Idea Jams. This program has helped generate areas of focus for our overall strategy – Sustainable Real Estate, Employee Engagement, Electric Vehicles, Digital Transformation, and Sustainable Travel. In 2022, we conducted another successful Idea Jam that was focused on the Digital Transformation category. Ideas were generated to reduce paper consumption in our business support operations along with helping Members interact with us without producing paper.

## Seeing, hearing and supporting us all

We believe in the power of communication to drive engagement, provide transparency, and strengthen our culture. Our Corporate Communications team delivers strategic communications and provides trusted counsel to inform, inspire, and recognize employees and external agency partners so they can do their best work. The team completed almost 1,000 communication projects in 2022, including a CEO blog, videos, e-newsletters, infographics, digital signage and written communications. In addition, our intranet serves as a means for employees to connect with each other and provide instant feedback to our executive team – which is especially important in our new Flex-Work environment.

## Helping employees share resources with each other

Another key way for us to help all voices and perspectives to be heard is through the work of our nine Employee Resource Groups (ERG). The mission of our ERGs is to build a successful and sustainable foundation that represents the diverse perspectives of our employees and Members.

ERGs are comprised of employees who voluntarily lead and participate in discussions and actions that help build workforce diversity, enhance workplace inclusion, foster innovation, strengthen community outreach, and grow our diverse supplier base. ERG actions include financial contributions, hosting professional development sessions, sharing life experiences with all employees, hosting mental health seminars and leading supply/food drives.



## AAA CARES: PAYING IT FORWARD TOGETHER

Employees recognize the importance of helping others. Our AAA Cares program seeks to shine a light on the great work that they do in our communities and provide opportunities to engage with charitable organizations across our footprint. Employees who participate in AAA Cares are called Ambassadors as they represent our values in the communities that we serve.



In 2022, employees helped raise over \$385,000 during our Spring Giving Campaign. These donations were directed to over 1,000 charitable organizations that meant the most to them. Employees were able to choose from over 1 million organizations through the launch of a giving platform called YourCause. The YourCause platform makes giving easier than ever before and ensures that 100 percent of our employees' donations go to the organizations that they choose. Employees also use YourCause to more easily give of their time through volunteerism.

This volunteerism was on full display through employee participation in our annual Adopt-A-Charity program. After donating 1 million meals to Feeding America, many of our employees helped pack, sort and distribute items at their local food banks. In addition to helping people in need, this provided a great teambuilding opportunity for employees. Many employees participated in AAA Cares through our new benefit of Paid Time Off (PTO) for volunteering. All employees are now eligible to use up to 8 hours of additional PTO to give back to their local communities. Our employees are incredibly giving and we want to provide the opportunity for them to give back during regular business hours. One employee decided to even go beyond the 8 hours provided to him and use his personal PTO to volunteer at his local food bank.



## THERE FOR EACH OTHER WHEN IT COUNTED MOST

Every year, hurricane season gets worse, and the storms are getting more destructive. Hurricane Ian devastated communities across Florida and impacted the lives of thousands across the southeastern US. Our employees worked together to help those around them before, during and after the storm.

Claims teams were stationed at Disaster Recovery Centers across all impacted areas to assist Members, file claims and answer questions. Teams also helped with securing lodging for those in need, providing communication access and simply listening. Everyone worked diligently to handle insurance claims with some of the fastest, most reliable response in the industry. There were countless stories of people going above and beyond, and employees impacted by the storm – including one employee who lost everything and still reported for duty to provide peace of mind to those in need.

### Investing in employees personally impacted

While our Real Estate Services teams worked to get our branches up and running to further support our Members, we activated our Employee First Fund. This fund is financially supported by our employees and exists solely to assist our employees during devastation. Through this fund, financial assistance is provided for food, shelter, transportation, and funeral expenses that fall outside of what insurance may cover.

Our employees were quick to take action and donate to support their fellow employees during their time of need. We also donated \$25,000 on behalf of our employees to the American Red Cross' efforts to support the many Floridians displaced by Hurricane Ian. This partnership also helped facilitate our employees taking time to volunteer in these communities. Several of our employee groups chose to organize team events that included debris cleanup, food and supply drives, and support of local shelters.



# OBJECTIVES WE ALL LIVE AND WORK BY

Building a successful and sustainable foundation that represents the diverse perspectives of our employees and Members starts with these core principles. Through these, we promote a culturally inclusive environment that energetically connects our vibrant workforce, our Members and the communities we serve.



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## 1. Organizational Commitment

We are committed to Diversity, Equity and Inclusion through a variety of resource groups and communication channels. We have developed and maintain a strategic plan approved and supported by our Executive Leadership team. Our DE&I team provides regular reports to Executive Leadership on efforts, achievements and measurements.

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## 2. Workforce Diversity

We recognize the range of similarities and differences each individual brings to the workplace, including diversity of thought, various experiences and backgrounds. Our goal is to attract, retain and develop a diverse and qualified workforce, adding value to the communities we serve.

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## 3. Workplace Inclusion

We promote a culture of inclusiveness that recognizes unique contributions and maximizes employee engagement. We recognize that each employee brings a unique set of skills and experiences, and will strive to maximize workplace satisfaction for all employees. We believe that an inclusive culture unifies all employees and allows everyone to feel connected to our initiatives.





## 4. Supplier Diversity

We believe that our supplier base must continuously reflect marketplace diversity and represent the communities we serve. Our procurement policy and practices provide diverse businesses with a fair and impartial opportunity to participate and compete in supplying goods and services to us.

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## 5. Sustainability

We have developed strategies to provide leaders with the skills to manage diversity while evolving a culture of inclusion. Management at all levels is accountable for executing the DE&I Strategic Plan.

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## 6. Corporate Social Responsibility

We will uphold the dignity and value of all people. Our purpose is to create more just and equitable communities for African Americans and other people of color. We are addressing profound inequities for these communities through our focus on three strategic goals:

- **Social & Economic Disparities**

Partner with communities and organizations to create programs and initiatives that result in safe, sustainable and equitable opportunities for communities of color.

- **Racial Justice**

Uphold and create programs/initiatives that build deeper understanding between law enforcement and communities of color, and support policy and legislative changes that lead to economic growth and prosperity in communities of color.

- **Education & Literacy**

Support programs/initiatives that lead to quality education and literacy for an improved quality of life for communities of color.

These objectives don't just guide the integrity we bring to the way we work every day, they also lead us to continuously recognize how meaningful our people are, in multiple ways.

## **Auto Club Group Foundation**

The ACG Foundation's mission is to work on behalf of our Members and the communities we serve to create lasting solutions, inspire learning, and provide research and funding in the areas of traffic safety, tourism, education and community service. Annually, first responders, schools, hospitals, government agencies and nonprofit organizations are encouraged to apply for grant funding from the Foundation to help fulfill that mission.

This year, we provided over \$460,000 in grants that benefited residents across our 14-state territory. Providing quality driver education programming to underserved communities was a priority for 2022. One substantial partner in this area was Refugee Women Rising, a nonprofit based in Omaha, Nebraska (home to America's third largest concentration of refugees).

The Foundation helped provide curriculum, materials, guidance and funding that allowed Refugee Women Rising to certify refugee women as driving instructors and pay them to teach other refugee women how to drive. This is making a huge difference in the lives of these women and their families by helping to provide accessible transportation and build independence.

## **Light Up the Building**

We leverage the visibility of our Dearborn Administrative Office building to display our values and remind others to do the right thing as well. These displays range from encouraging people to vote to lending support of underserved communities. In addition to adding messaging to the side of our building, we support these causes through financial contributions, volunteerism, and social media posts.

THESE  
ARE THE **FACES** OF  
*Courage.*







“

*I'm part of our Lighting Up The Building initiative, projecting images and messages that capture our brand values and show how employees, Members and communities bring them to life.*

PHIL MALCOLM | MARKETING

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*I'm grateful to be in a role where I use my communication skills to increase awareness of our mission.*

CHARI KNOX | CORPORATE COMMUNICATIONS



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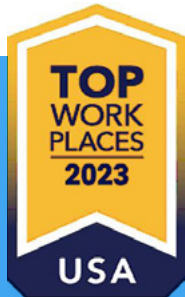
*It is important to be open to learning, to recognize that we are different, to celebrate those differences, and to use them to everyone's advantage.*

NAGALAKSHMI GHANTASALA

FINANCE, ASIAN PACIFIC ISLANDER ERG CHAMPION



# WE PROUDLY PRESENT THE AUTO CLUB GROUP AWARDS



We have many awards we use to honor the invaluable contributions of our employees across the organization. Here's the list of our 2022 winners.



**DE&I Practices –  
Top Workplaces  
Award**

**Excellence in Supplier  
Diversity – Advanced Award**  
(Great Lakes Business Council)

**NDC Index  
Best U.S. Companies  
for Diversity**

**Seramount Inclusion Index**

**DE&I NDC  
Racial Justice and DE&I  
Advocacy Award**

## Diversity Impact Awards



**The Top 25 ERGs  
(ACG-Pride)**



**The Top 10  
Enterprise-wide ERGs**



**Spotlight Impact  
Award (AAPI)**



**DOING WHAT'S RIGHT**  
*takes all of us*

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Governance supports how we do business on a daily basis, enabling us to pursue sustainable growth and create value while respecting the interests of our Members and employees.

## IT TAKES MEASURING UP TO A HIGHER STANDARD.

EVEN AS A PRIVATELY HELD COMPANY, WE STAND READY TO CONNECT OUR VISION AND VALUES TO THE WAYS WE OPERATE EVERY DAY, IN THE FIELD AND IN-HOUSE.

We leverage many of the controls, guidance and rigor to which publicly-traded companies adhere. Our bank is regulated by the Office of the Comptroller of the Currency, and the Federal Reserve has supervisory authority over Auto Club Group/ Auto Club Insurance Association.

In 2022, AM Best affirmed our Financial Strength Rating (FSR) of “A” (Excellent) and our Long-Term Issuer Credit Ratings (Long-Term ICR) of “A” for the Auto Club Insurance Association and its wholly owned subsidiaries:

- *Auto Club Insurance Company*
- *MemberSelect Insurance Company*
- *Auto Club Property-Casualty Insurance Company*
- *Meemic Insurance Company and Fremont Insurance Company*
- *Members Insurance Company*
- *Universal Insurance Company*

The outlook of these Credit Ratings continues to be stable from positive. Additionally, our financial statements are audited annually by a third-party to ensure accuracy, safeguard Member assets and ensure that we lead with integrity. The results of these audits are presented to the Board’s Finance and Investment Committee.

## **OUR CODE OF CONDUCT: CONSISTENCY IS KEY**

The Code of Conduct (Code) pertains to all personnel employed by The Auto Club Group of companies, including its subsidiaries, affiliates and joint ventures at any location where they perform work. The Code demonstrates the ethical accountability and personal integrity we expect from all employees.

As a key component of our Compliance program, the Code contains critical corporate policies to ensure that employees understand important expected behaviors and directives, such as conflict of interest disclosure, security awareness training, privacy protection, workplace safety, social responsibility and sustainability. Our Diversity, Equity and Inclusion initiative, together with our employment policies, creates a workplace environment built on honesty and respect.

Additionally, newly hired employees are required to complete Code of Conduct training within 60 days of hire or engagement. Compliance Spotlight messages are shared with employees to periodically reinforce different aspects of the Code as well as discuss trending compliance-related topics. Well-trained and credentialed Compliance personnel provide ethics and compliance guidance throughout the corporation. Independent firms are periodically engaged to evaluate the effectiveness of both our Code and our Compliance program.

### **Making it easier to speak up and speak out**

We promote a number of avenues in which management, employees and vendors can ask questions or make reports of actual or suspected misconduct. The Special Investigations Unit investigates any and all allegations of wrongdoing or acts against the company.

As such, they maintain the Fraud & Ethics Reporting Line where they receive reports of alleged misconduct from employees, customers and vendors. A summary report of the findings from the Fraud & Ethics Reporting Line is also reported to the Board of Directors.

Our biennial Code of Conduct policy refresh was performed in 2022, with updated training completed by 100 percent of existing employees.

### **Living the Code inside and out**

Our Code for Vendors, Contractors and Consultants describes the professional standards expected of our third-party partners. It also communicates an overview of behavioral requirements that vendors are expected to follow to ensure a business relationship that consistently aligns with our standards of conduct and ethics.

The Code of Conduct and Code for Vendors, Contractors and Consultants are available to all employees via our intranet site and to the public via AAA.com.

### **Being intentional about our investments**

In 2022, we updated the language within our Asset-Liability Risk Management Policy to include ESG factors specifically. As a normal course of executing investment strategy, we work with external asset managers (EAMs) who value and incorporate material ESG factors into their investment decision-making process. Even further, EAMs that disregard ESG factors are highly likely to be filtered out as part of our screening process. We continue to work toward formalizing its process for assessing and monitoring our ERM philosophies and approaches, with the goal of creating a scoring system based on specific metrics.



## ESG reporting

We respond annually to the Task Force on Climate-Related Financial Disclosures (TCFD), which is an ESG reporting framework designed to help organizations more effectively disclose climate-related risks and opportunities. TCFD helps us further understand investment risks and fulfills insurance regulation requirements in our Illinois and Minnesota markets.

## Leading with distinction and diversity

We are governed by a Board of Directors – our CEO plus 14 external members including industry leaders with diverse backgrounds, experiences and expertise – as well as committees of the Board, who meet throughout the year. The Board of Directors plays a critical role in setting our strategic direction for cultivating a workplace culture that values DE&I for the benefit of all employees, Members and communities we serve.

The current Board is the most diverse in the organization's history with four female (29 percent) and five African American (36 percent) directors. Both our Board chair and vice-chair are African American women – a notable first for the enterprise. Three of the Board's five standing committees are chaired by African American directors (60 percent), and one by a woman (20 percent).

All Board members are also members of the National Association of Corporate Directors (NACD), a community of directors driven by a common purpose to be “trusted catalysts of economic opportunity and positive change – in business and in the communities we serve.” The NACD offers ongoing professional development and self-assessments on how the Board is performing.

## Managing risk, to see clearer ahead

Enterprise Risk Management (ERM) helps to optimize outcomes and weave risk considerations throughout the fabric and culture of the organization.

The ERM team's mission is to help ensure success by developing and enhancing risk management strategies and promoting a culture that manages risk and opportunity when executing and planning enterprise activities. ERM's main objectives include:

- Alignment with our values and Code of Conduct
- Providing objective, transparent and independent views of risk and opportunities
- Serving the organization as trusted advisors and thought partners





“

*As part of a team helping employees understand expected work behavior and directives, I get to see the positive results we can have when we do what's right.*

**SUSAN KORBAL**  
COMPLIANCE

## ERM GOVERNANCE

The team works closely with the ERM Steering Committee (ERM SC), Management Risk Committee (MRC) and Board Committees regarding the review and oversight of: ERM strategy, the approach to managing major risk categories across the enterprise, and the monitoring of key and watch list risks and capital adequacy consistent with the organization's risk appetite. We also perform independent evaluations of the company's capital requirements and adequacy focused on risk exposures.

### THREE ERM LINES OF DEFENSE

#### First Line of Defense: Risk-Taking and Management

- Takes and manages risk exposures in accordance with the risk appetite, mandate and limits set by the Board
- Identifies and reports the risks that we are exposed to and those that are emerging
- Promptly escalates any limit breaches or any violations of risk management policies, mandates or instructions
- Identifies and promptly escalates significant emerging risk issues
- Manages the business to ensure full compliance with the our policies

#### Second Line of Defense: Risk Control and Oversight

- Assists the Board to formulate the risk appetite and limit framework, risk management plans, risk policies, risk reporting and risk identification processes
- Reviews and assesses the risk-taking activities of the first line of defense, providing risk opinions and challenging the actions being taken to manage and control risks, where appropriate

#### Third Line of Defense: Independent Assurance

- Provides independent assurance on the design, effectiveness and implementation of the overall system of internal control, including risk management and compliance

### THREE ERM BENEFITS

#### 1. Reduce financial volatility and protect capital

Prevent or reduce negative performance (or shocks) that can result from an unexpected risk

#### 2. Improve returns on investment

Better preparation leads to better decision-making within a risk-informed culture

#### 3. Satisfy regulatory requirements

A strong ERM program will allow ACG to improve its standing with key regulatory and rating agencies

While the primary focus areas of ERM are key risks to operations, solvency, reputation and/or capital adequacy, ERM also serves as thought partners and trusted advisers to the organization on all risk matters.



## CYBERSECURITY, PRIVACY AND PEACE OF MIND

Cybersecurity, or information security, efforts ensure the confidentiality, integrity and availability of information. Our cybersecurity program includes a range of policies, from education and consumer awareness to insurance programs, corporate governance and international relations.

Our Connected Member Vision states that we provide “peace of mind” to our Members. This is a cornerstone of our business and our cybersecurity model. As we grow our business in an increasingly digital world, it is even more imperative that we practice good cyber hygiene. In order to do this, we rely on all of our employees. To help them continuously focus on cybersecurity, we instituted a series of quick and effective trainings called NINJIO. These trainings are designed to be fun and interactive ways to help employees safeguard company and Member information.

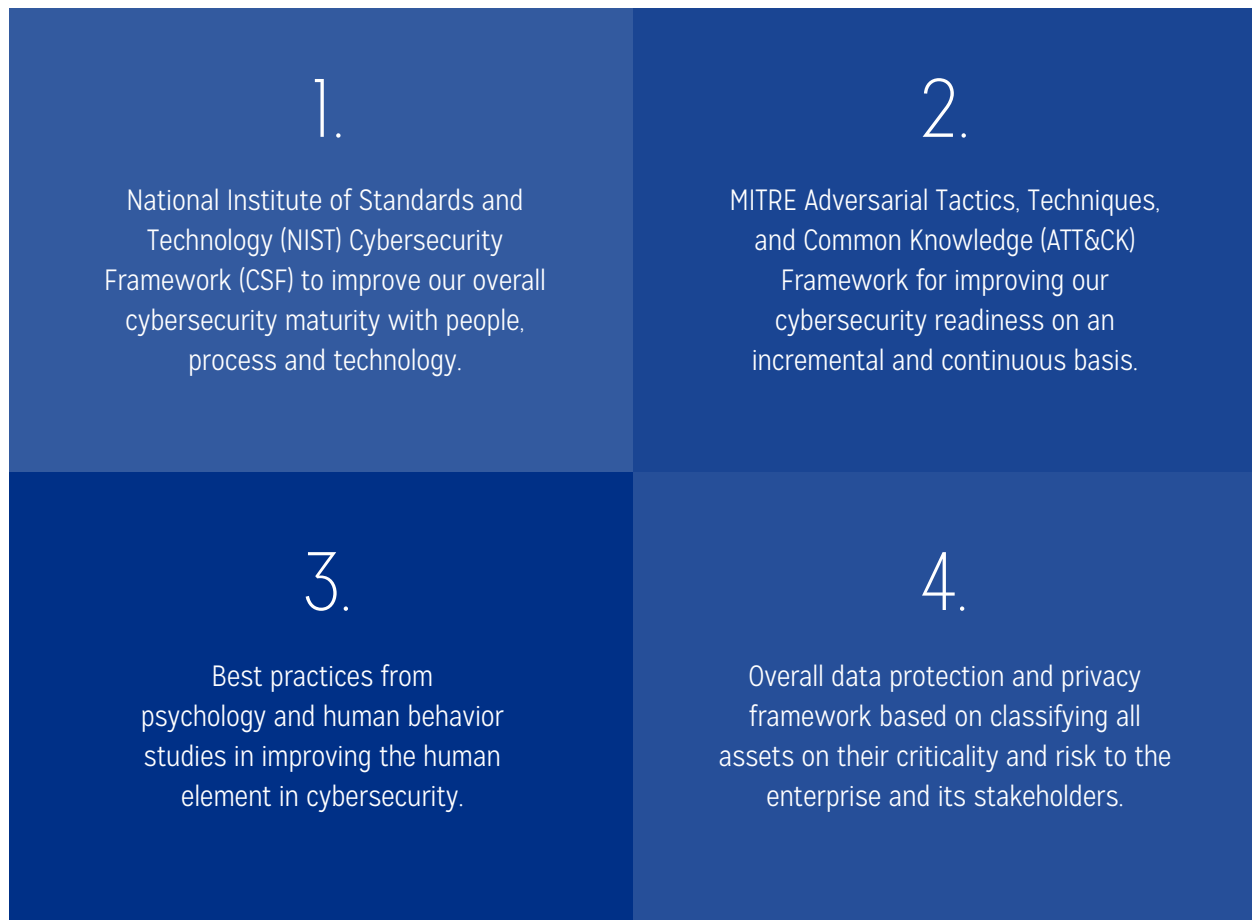
This focus has helped strengthen our cybersecurity effectiveness to perform at levels well beyond our peers. In 2022, Accenture evaluated us using the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF). Our overall results were three basis points over other insurance peers and exceeded peer scores in every category. In addition to these external resources, we evaluate our environments, systems and processes on a regular basis.



*I don't just get to provide peace of mind to our Members and millions rescued on the side of the road. I strongly believe our cybersecurity program is helping the sustainability and the planet.*

CRYSTAL MANOOGIAN VOWELL | CYBERSECURITY

## FOUR AREAS OF CYBERSECURITY FOCUS



## The key elements of keeping cybersecurity sustainable

- Comprehensive security program for the enterprise
- Focusing on people, process and policy, with technology as an enabler
- Data security becomes the cornerstone of the cyber sustainability program
- Continuous cybersecurity monitoring
- Transparency
- Privacy-driven approach
- Improving cyber-safe behaviors with the organization, its customers, stakeholders and the community
- Secure by design philosophy

## TAKING ACTION TO SUPPORT POSITIVE POLICY

The Auto Club Political Action Committee (ACPAC) is a voluntary, bipartisan political action committee whose mission is to encourage participation in the political process and to support candidates who share our company's concern on key issues. This Committee is not affiliated with any political party, candidate or organization. They are supported solely through voluntary donations. They are critical to helping employees advocate for our Members and drive change.

With a unified voice we strengthen our advocacy efforts and enhance our Members' experience. In 2022, ACPAC tracked 3,621 bills. Of those, 41 were related to energy, 431 were related to automotive and 443 were related to transportation funding.

## Changing behavior to save lives

Last year, our advocacy team launched a new program called "Move Over for Me" designed to help keep our tow operators safe as they rescue our Members on the roadways. While all 50 states have a "Slow Down, Move Over" law to protect emergency responders, only nine states include language that requires motorists to move over for all disabled vehicles on the roadside. Despite these laws, nearly 350 motorists are struck and killed each year while on the roadside, and one tow truck driver is killed every other week.

This is a critical topic for Members and employees alike, because the lives this aims to save could very well be theirs. We have followed up Move Over for Me with filing bills in 10 states relative to roadside safety and have successfully helped 13 of our states announce 'Slow Down, Move Over' declarations.





# NEXT STEPS

AS WE MOVE FORWARD, WE'LL IMPROVE UPON OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE PROCESSES AND PRACTICES TO CONTINUE OUR JOURNEY OF DOING WHAT'S RIGHT FOR OUR MEMBERS AND BEYOND.

## CREATING MEMBER VALUE THROUGH ESG LEADERSHIP

- We will change the way we work by supporting digital transformation and operational effectiveness
- We will innovate our products & services to create a more sustainable future for our communities by first understanding the needs of our Members
- We will engage employees by providing an environment where they can make an even greater impact with the organizations that they care about most

## MANAGING ENTERPRISE RISK FROM CLIMATE CHANGE

- We will create a more sustainable footprint by reducing the emissions that we generate across all of our locations
- We will buy alternative energy vehicles to minimize our climate impacts from internal combustion vehicles
- We will actively work to understand climate change impacts on our Members and to our business

## EFFICIENTLY PROVIDING APPROPRIATE REPORTING & DISCLOSURES

- We will strengthen transparency by adhering to standard reporting frameworks, communicating frequently with key stakeholders and providing information on actions we are taking to create a positive ESG organization
- We will provide sustainability guidelines to our partners & invest in sustainable companies to help further sustainability progress outside of our company

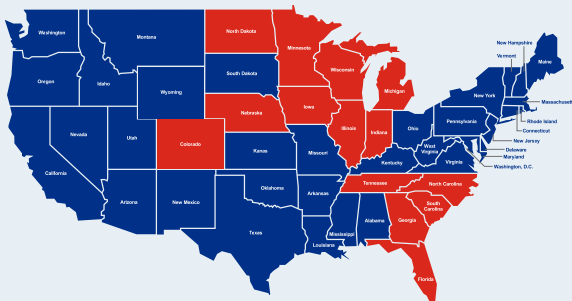
## ABOUT US

AAA was founded over 100 years ago for the purpose of advocating for driver and passenger rights, fair laws and safer vehicles – all to better promote the love of the open road and the adventure of driving. Since then, AAA has grown to over 63 million Members strong, while providing valuable membership services such as roadside assistance. Additionally, AAA has broadened its horizons to offer travel services, insurance products, car repair and car washes.

Today's AAA is comprised of individual clubs throughout the United States and Canada. Whether you're traveling around the world or to the corner grocery store; planning a honeymoon or weekend road trip; learning to drive or in need of a battery boost; the best way to begin your journey is with AAA.

Our story for the Auto Club Group (ACG) all began as individual AAA motor clubs, serving local communities across the Midwest and South. Together we transformed these former separate businesses and regions into a unified, Member-centric group. Today we serve over 14.7 million Members with a network of offices and centers throughout 14 states, two U.S. territories and Quebec, Canada.

### 14 STATES



### TWO U.S. TERRITORIES

Puerto Rico and  
U.S. Virgin Islands

### AND



Quebec

### Our Values

These serve as guideposts for all our activities.

- **We Serve Our Members** by making them our highest priority and striving to create legendary experiences with every interaction
- **We Lead in Everything We Do** by offering best-in-class products, benefits and services to our Members
- **We Do What's Right** by advocating and taking action on issues that affect our communities
- **We Value Employees** by offering opportunities for personal growth and professional development in a diverse and inclusive environment
- **We Are OneACG** dedicated to helping our Members and each other



### Every word serves a purpose.

- When we say, “we help AAA Members enjoy life’s journey,” we mean that we are there for our Members in all aspects of their lives – not just when they’re stranded on the roadside. We aspire to be a vital part of the Member’s life with our entire portfolio of products and services, from banking to travel.
- “Peace of mind” refers to the trust our Members have in us, whether it’s rescuing them on the roadside or delivering on the promise we make to them when they buy our insurance.
- “Innovative solutions” speaks to our desire to offer products and services that others simply cannot, with the goal of making our Members’ lives easier.
- “Advocacy” is something we’ve been doing for over 100 years – providing a voice for our Members when it comes to traffic safety, corporate social responsibility and doing what’s right.
- “Membership benefits” reminds us all that we are a membership organization; everything stems from membership.
- And finally, “wherever and whenever they need them” recognizes that we must offer a seamless customer experience 24/7 through all of our customer touchpoints, whether it’s mobile, online, by phone or in-person.



## OUR LINES OF BUSINESS



### Membership

Whether a Classic, Plus or Premier Member, there's a membership product that's right for everyone's needs. As a Member of AAA, you have access to a full range of automotive, travel, entertainment and financial services, as well as auto, home and life insurance products – not to mention many discounts and rewards.



### Emergency Roadside Service

An important promise we make to our Members is to provide timely, courteous expert assistance in the event of a vehicle breakdown. To further assist motorists, we also maintain a robust network of approved auto repair facilities and battery services.



### Property & Casualty

Our property and casualty insurance operations include three brands: AAA for the broad-based motoring public, Meemic Insurance for educators and their families, and Fremont Insurance in rural markets and through independent agents. In addition, we are affiliated with the Automobile Touring Club of Quebec, which serves our Members in that province. Through these brands we underwrite, market and service auto and home insurance products to provide peace of mind that we will be there wherever and whenever Members need us.



### Travel Services

AAA Travel helps design amazing vacations and creates memories through tours and cruises with exciting itineraries, engaging experiences and AAA Member exclusive values.



### Life Insurance

The Auto Club Group is part owner of AAA Life Insurance Company and offers a wide range of life and annuity products.



### Banking/Financial Services

ACG offers a full array of retail banking products through a modern digital platform, including checking and savings accounts in addition to auto and home loans to Members and non-Members. We offer our Members discounted mortgage rates, special offers and credit card rewards.



### Car Care Centers

ACG operates 48 Car Care centers, which apply AAA quality and reliability to everyday vehicle maintenance and repair.



### Car Wash

ACG operates Fins Car Washes, an automatic car wash focused on providing fast and remarkable washes. They differ from other car washes because of their state-of-the-art, low stress loading system that eases and enhances motorists' car wash experience. Fins opened its 14th car wash location in 2022.



**EXPECT**  
*something*  
**MORE™**