UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

March 30, 2023

Yafit Cohn
The Travelers Companies, Inc.

Re: The Travelers Companies, Inc. (the "Company")
Incoming letter dated January 17, 2023

Dear Yafit Cohn:

This letter is in response to your correspondence concerning the shareholder proposal (the "Proposal") submitted to the Company by the Meyer Memorial Trust (S) and co-filer for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders.

The Proposal requests that the Company issue a report addressing if and how it intends to measure, disclose, and reduce the GHG emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(7). In our view, the Proposal transcends ordinary business matters and does not seek to micromanage the Company.

We are unable to concur in your view that the Company may exclude the Proposal under Rule 14a-8(i)(10). Based on the information you have presented, it appears that the Company's public disclosures do not substantially implement the Proposal.

Copies of all of the correspondence on which this response is based will be made available on our website at https://www.sec.gov/corpfin/2022-2023-shareholder-proposals-no-action.

Sincerely,

Rule 14a-8 Review Team

cc: Luke Morgan
As You Sow

TRAVELERS

The Travelers Companies, Inc.
Yafit Cohn
Chief Sustainability Officer & Group GC
485 Lexington Avenue, 8th Floor
New York, NY 10017
917.778.6764 TEL
888.277.0906 FAX
ycohn@travelers.com

VIA E-MAIL January 17, 2023

Re: The Travelers Companies, Inc. – Omission of Shareholder Proposal from Proxy Materials Pursuant to Rule 14a-8

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Ladies and Gentlemen:

The Travelers Companies, Inc. ("Travelers" or the "Company") is filing this letter with respect to the shareholder proposal and supporting statement (collectively, the "Proposal") co-filed by As You Sow ("As You Sow") on behalf of (i) Meyer Memorial Trust (S) and (ii) KFP CA Limited Partnership (collectively with As You Sow, the "Proponents") for inclusion in the proxy statement and form of proxy to be distributed by the Company in connection with its 2023 Annual Meeting of Shareholders (collectively, the "Proxy Materials"). The Proposal requests that the Company[1] "issue a report addressing if and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions."

The Company believes it may properly exclude the Proposal from its Proxy Materials for the reasons discussed below. We respectfully request that the Staff (the "Staff") of the Division of Corporation Finance of the U.S. Securities and Exchange Commission (the "Commission") not recommend any enforcement action against the Company if it omits the Proposal in its entirety from the Proxy Materials.

Pursuant to Rule 14a-8(j) of the Securities Exchange Act of 1934, as amended, and Staff Legal Bulletin No. 14D (Nov. 7, 2008) ("SLB 14D"), we are submitting this request electronically for no-action relief to the Staff along with the Proposal and related correspondence (attached as Exhibit A to this letter). Concurrently, we are sending a copy

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1 References throughout this letter to the Company shall be deemed to also refer to the Company's insurance company subsidiaries.

of such materials to the Proponents, no later than 80 calendar days before the Company intends to file its definitive Proxy Materials with the Commission.

I. The Proposal

The Proposal sets forth the following resolution for adoption by the Company's shareholders:

> BE IT RESOLVED: Shareholders request that Travelers issue a report addressing if and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions.

II. Bases for Exclusion

The Company respectfully requests the Staff's concurrence that the Company may exclude the Proposal from its Proxy Materials in reliance on:

- Rule 14a-8(i)(10) because the Proposal has already been substantially implemented (*see* Section IV.A); and
- Rule 14a-8(i)(7) because the Proposal deals with matters relating to the Company's ordinary business operations (*see* Section IV.B).

III. Executive Summary

Taken at face value, the resolution presented in the Proposal has been substantially implemented. As set forth in more detail in Section IV.A below, the Proposal seeks a report addressing "***if*** and how" Travelers intends to measure, disclose and reduce certain greenhouse gas ("GHG") emissions (emphasis added). Travelers has, in fact, publicly and unequivocally stated that at this time, it (i) "cannot accurately calculate the total emissions of our customers and [is] therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our underwriting portfolio," and (ii) "cannot accurately calculate the total emissions of [its] investment portfolio and [is] therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to [its] portfolio.[2] As such, the Company has clearly and unequivocally answered the

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2 TCFD Report (as defined herein), at 22, 14. Please see the full report at https://sustainability.travelers.com/iw-documents/sustainability/Travelers_TCFDReport2021.pdf. *See also* Exhibit B.

question as to if it will measure, disclose and reduce the GHG emissions referenced by the Proposal.

In the event the Staff takes the position that the Company has not substantially implemented the Proposal — which by its terms could only be the case if the phrase "if and" is read out of the Proposal's resolution — then the Proposal plainly, undeniably and impermissibly seeks to micromanage the Company by dictating that Travelers must modify its activities to reduce its GHG emissions in complete alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions with respect to its "underwriting, insuring and investment activities." As discussed in Section IV.B below, implementation of the Proposal seeks to probe on a profoundly complex matter, about which shareholders, as a group, are not in a position to make an informed judgment.

For the reasons discussed above, whether read literally (i.e., accounting for the words "if and") or loosely (i.e., disregarding the words "if and"), the Company may properly exclude the Proposal from its Proxy Materials.

IV. Analysis

A. The Proposal Is Excludable under Rule 14a-8(i)(10) Because It Has Been Substantially Implemented

Rule 14a-8(i)(10) provides that a company may exclude a shareholder proposal from its proxy materials "[i]f the company has already substantially implemented the proposal." In 1976, the Commission explained that the predecessor to Rule 14a-8(i)(10) was "designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management." Exchange Act Release No. 12598 (July 7, 1976). With respect to its application of the rule, the Staff has advised that "a determination that the [c]ompany has substantially implemented the proposal depends upon whether [the company's] particular policies, practices and procedures compare favorably with the guidelines of the proposal." *Texaco, Inc.* (Mar. 28, 1991); *see also Best Buy Co., Inc.* (Apr. 22, 2022); *Edison International* (Feb. 23, 2022); *BlackRock Inc.* (Apr. 2, 2021)*; *JPMorgan Chase & Co.* (Mar. 9, 2021)*; *Devon Energy Corp.* (Apr. 1, 2020)*; *Johnson & Johnson* (Jan. 31, 2020)*; *Pfizer Inc.* (Jan. 31, 2020)*; *The Allstate Corp.* (Mar. 15, 2019); *Johnson & Johnson* (Feb. 6, 2019); *United Cont'l Holdings, Inc.* (Apr. 13, 2018); *eBay Inc.* (Mar. 29, 2018); *Kewaunee Scientific Corp.* (May 31, 2017); *Wal-Mart Stores, Inc.* (Mar. 16, 2017); *Dominion Resources, Inc.* (Feb. 9, 2016); *Ryder System, Inc.* (Feb. 11, 2015); *Wal-Mart Stores, Inc.* (Mar. 27, 2014); and *The Goldman Sachs Group, Inc.* (Feb. 12, 2014).[3]

[3] Citations marked with an asterisk refer to no-action requests where the Staff issued its decision without a letter.

The Proposal requests that the Company issue a report that addresses "***if*** and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions" (emphasis added). Importantly, by including the word "if," the Proposal expressly provides the Company with the option to report that it has decided ***not*** to measure, disclose and reduce certain GHG emissions associated with its activities.

Since 2018, the Company has voluntarily published a comprehensive annual report (the "TCFD Report") on its website that discusses the Company's approach to managing changing climate conditions consistent with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (the "TCFD").[4] The TCFD Report ***directly addresses every element of the Proposal***, including, among other things, by explicitly providing the Company's determination that it cannot measure, disclose and reduce the GHG emissions associated with its underwriting, insuring and investment activities. With respect to its underwriting and insurance activities,[5] although the Proposal does not require disclosure of the Company's reasoning, the TCFD Report includes the following discussion regarding its decision not to measure, disclose and reduce the GHG emissions associated with those activities:

> Understanding climate-related effects on weather perils is part of our fundamental evaluation process in connection with the underwriting and pricing of risks related to many of our products. We use proprietary, industry-specific supplemental questionnaires to help us identify specific risk characteristics and other relevant factors, including changing climate conditions and other environmental factors, which we incorporate into our underwriting process. That said, GHG emissions data for the vast majority of our underwriting portfolio (e.g., personal automobile, homeowners, small and mid-sized businesses) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our customers and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with

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4 See footnote 2.

5 While the Proposal mentions "underwriting" and "insuring" as separate activities, they are actually one and the same for purposes of the Proposal. Underwriting is the process by which the Company evaluates the expected financial risk of future loss and, based on that evaluation, determines whether, at what cost and under what terms and conditions to offer insurance coverage to particular customers. By agreeing to "underwrite" a customer, the Company "insures" that customer.

> respect to our underwriting portfolio. Nonetheless, we believe that we have incorporated the relevant risks into our underwriting process.[6]

Similarly, with respect to investment activities, the TCFD Report publicly discloses to shareholders and the public why the Company is unable to measure, disclose and reduce the GHG emissions associated with its investing activities:

> GHG emissions data for the substantial majority of segments of our investment portfolio (e.g., municipal bonds, structured bonds, private equity funds) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our investment portfolio and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our portfolio. Nonetheless, we believe that we have incorporated the relevant risks into our investment analysis.[7]

As stated prominently in the TCFD Report and in the Company's proxy statement issued in connection with its 2022 Annual Meeting of Shareholders, the Company does not currently have the ability to accurately measure, disclose and reduce the GHG emissions associated with its underwriting and investment activities and certainly does not have the ability to reduce those emissions in alignment with the goals of the Paris Agreement.[8]

This is not to say, however, that the Company does not focus on, and otherwise provide robust disclosures with respect to, climate risks and opportunities in its annual sustainability reporting, including in the TCFD Report. On the contrary, the TCFD Report describes in detail, among other things:

- the Company's use of proprietary and third-party computer models to incorporate weather and climate variability into its underwriting and pricing decisions;
- the Company's evaluation of the findings contained in various governmental reports and other external scientific studies related to climate to assess potential impacts on the Company's underwriting and pricing decisions;
- the Company's incorporation of lessons learned from recent events into its catastrophe underwriting;

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[6] TCFD Report, at 22.

[7] *Id*. at 14.

[8] *See* Travelers 2022 Proxy Statement (Apr. 8, 2022), at 73-74, available at https://s26.q4cdn.com/410417801/files/doc_financials/annual/2021/2022-Proxy-Statement-04-14-2022.pdf.

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- the results of the Company's climate scenario analyses, conducted by independent third parties, relating to both the Company's investment portfolio and aspects of its underwriting portfolio; and
- the Company's support of the transition to a lower-carbon economy through its growing Global Renewable Energy Practice, as well as products and services designed to incentivize environmentally responsible behavior, such as specialized coverage and discounts, where permissible, to encourage adoption of FORTIFIED Home™ construction, green buildings and hybrid/electric vehicles.

Furthermore, as discussed in the TCFD Report, Travelers recently published a policy pursuant to which it has publicly committed that it will not: (1) provide insurance for the construction and operations of any new coal-fired plants; (2) underwrite new risks for companies that generate more than 30% of their revenues from thermal coal mining; (3) underwrite new risks for companies that generate more than 30% of their energy production from coal; or (4) underwrite new risks for companies that hold more than 30% of their reserves in tar sands.[9] Travelers has also committed to phasing out existing underwriting relationships that exceed the thresholds above by 2030.

In addition, the TCFD Report explains that the Company is able to further limit its exposure to climate-related risks through its annual renewal of insurance policies, which gives the Company the flexibility to adjust its pricing, underwriting strategy and related policy terms and conditions, as appropriate. The TCFD Report further discusses the Company's reinsurance of a portion of the risks it underwrites and the Company's product diversity, both of which also mitigate the Company's exposure to climate-related risks.

Despite these substantial initiatives and related corporate disclosures, for the activities specified by the Proposal (underwriting, insuring and investing), as mentioned above, the Company has reported clearly that it does not intend to "measure, disclose, and reduce the greenhouse gas emissions associated with" those activities because the Company has determined that it is currently unable to measure and is, thus, incapable of establishing targets to reduce the GHG emissions associated with its underwriting and investment portfolios. As demonstrated, the TCFD Report goes beyond substantial implementation — ***it fully implements the Proposal by addressing each of its requested elements***.

The Staff has a long history of permitting exclusion of proposals under Rule 14a-8(i)(10) where, like here, the proposal requests a report and the company has publicly disseminated information that is responsive to the proposal's request. *See, e.g.*, *IDACORP, Inc.* (Apr. 1, 2022) (concurring in the exclusion of a proposal under Rule 14a-8(i)(10) requesting a report disclosing short-, medium- and long-term GHG targets where the

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[9] *See* TCFD Report, at 21.

company had published ESG and Emissions Reports substantially implementing such proposal); *Starbucks Corp.* (Jan. 19, 2022) (concurring in the exclusion of a proposal requesting a workplace non-discrimination audit where the company's public disclosures substantially implemented the proposal); *Devon Energy Corp.* (Apr. 1, 2020) (concurring in the exclusion of a proposal under Rule 14a-8(i)(10) requesting a report describing if, and how, the company planned to reduce its total contribution to climate change and align its operations and investments with the Paris Agreement's goals as substantially implemented by the company's public disclosures); *Hess Corp.* (Apr. 11, 2019) (concurring in the exclusion of a proposal under Rule 14a-8(i)(10) requesting that the company issue a report on how it can reduce its carbon footprint in alignment with the Paris Agreement where the company had published an annual sustainability report and periodic investor presentations); and *Anthem Inc.* (Mar. 19, 2018) (concurring in the exclusion of a proposal requesting that the company issue a sustainability report describing the company's ESG performance, including GHG reduction targets and goals where the company had published a sustainability report and provided GHG reduction targets and goals on its website).

Here, while the Proponents may not be supportive of the substance of the Company's response to the Proposal's request, the Proponents' reaction ultimately has no bearing on a Rule 14a-8(i)(10) analysis. Instead, the only consideration should be the fact that the Company has substantially implemented the Proposal, under a plain reading thereof, ***by directly addressing each of its requested elements*** in the TCFD Report. An ordinary reading of the Proposal is unequivocal and certain: the Proposal unmistakably requests that the Company disclose "***if*** … it intends to measure, disclose, and reduce" specified GHG emissions, which the Company has disclosed. As it would be inappropriate to disregard the words intentionally used by the Proponents, the Proposal is excludable pursuant to Rule 14a-8(i)(10).

B. The Proposal is Excludable under Rule 14a-8(i)(7) Because It Deals with Matters Relating to the Company's Ordinary Business Operations

As set forth in Section IV.A above, the Company has substantially implemented the Proposal. That said, if the words "if and" are read out of the proposed resolution, which the Company submits is the only way a determination could be made that the Company has not substantially implemented the Proposal, the resulting proposed resolution would read: "Shareholders request that Travelers issue a report addressing how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions." By mandating that the Company reduce its GHG emissions in alignment with the Paris Agreement goal, this revisionist reading clearly seeks to micromanage the Company in contravention of Rule 14a-8(i)(7).

Under Rule 14a-8(i)(7), a registrant may omit from its proxy materials a shareholder proposal that relates to the registrant's "ordinary business" operations. In the 1998 amendments to Rule 14a-8, the Commission noted that the term "ordinary" in "ordinary business" "is rooted in the corporate law concept of providing management with flexibility in directing certain core matters involving the company's business and operations." Exchange Act Release No. 40018 (May 21, 1998). In that release, the Commission noted that the principal policy for this exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting" and identified two central considerations that underlie this policy. The first was that "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight", and the second "relates to the degree to which the proposal seeks to 'micro-manage' the company by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." *Id.*; *see also Verizon Communications Inc.* (Mar. 6, 2018) (*"Verizon 2018"*) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) requesting a report evaluating the feasibility of the registrant achieving by 2030 "net-zero" emissions of GHG from parts of the business directly owned and operated by the registrant because such proposal "prob[ed] too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment").

Assuming the words "if and" in the proposed resolution are deemed inconsequential, the ultimate effect of implementing the Proposal would unduly intrude on the Company's ordinary business operations under both "ordinary business" theories, namely that: (i) the Proposal's subject matter is so fundamental to management's ability to run a company on a day-to-day basis that it could not be subject to direct shareholder oversight and (ii) that the Proposal seeks to micromanage the Company. This reading of the Proposal is both sweeping and dramatic, particularly the Proposal's intention to cause the Company to disclose how it intends to ***reduce the GHG emissions associated with both its underwriting and investment portfolios in alignment with the Paris Agreement's 1.5°C goal*** and would ultimately fundamentally alter the Company's ordinary business operations. As such, the Proposal may be excluded pursuant to Rule 14a-8(i)(7).

We acknowledge the Staff's guidance in Legal Bulletin No. 14L (Nov. 3, 2021) ("SLB 14L") and understand that, since the publication of SLB 14L, the Staff has not generally been persuaded by arguments that shareholder proposals seeking reports regarding climate matters relate to a registrant's "ordinary business" operations. *See, e.g., JPMorgan Chase & Co.* (Mar. 25, 2022) (sought exclusion for proposal seeking report that sets absolute contraction targets for the company's financed GHG emissions under Rules 14a-8(i)(7) and (11)); *Morgan Stanley* (Mar. 25, 2022) ("*Morgan Stanley*") (sought exclusion for proposal seeking policy committing to proactive measures to ensure that the company's lending and underwriting do not contribute to new fossil fuel development under Rules 14a-8(i)(7) and (10)); *Citigroup Inc.* (sought exclusion for proposal similar to *Morgan Stanley* under Rules 14a-8(i)(3) and (7)); and *Air Products and Chemicals, Inc.* (Nov. 15, 2021) (sought exclusion for proposal seeking a report wherein the company would address the risks and opportunities presented by climate change by setting emission reduction targets for Scope 1, 2 and 3 emissions under Rules 14a-8(i)(a)(7) and (10)). Nonetheless, based on the unique nature of the Company's business — namely, insuring economic activity (e.g., cars, homes, small and mid-size businesses engaged in activities across the economy, etc.) — the Company believes that the Proposal's directive to "measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions" fundamentally micromanages the Company. Accordingly, the Company believes that the Proposal is excludable under Rule 14a-8(i)(7).

1. The Reach of the Proposal Goes Far Beyond an Area Subject to Direct Shareholder Oversight

The Staff has consistently acknowledged that shareholder proposals that could undermine a company's core business model and/or relate to the products and services offered by the company are appropriately excludable under Rule 14a-8(i)(7), even if the proposal touches upon a social issue. In *Wells Fargo & Co.* (Jan. 28, 2013) (recon. denied, Mar. 4, 2013) ("*Wells Fargo*"), for example, the Staff granted no-action relief under Rule 14a-8(i)(7) where the proposal requested that the company prepare a report discussing the adequacy of the registrant's policies in addressing the social and financial impacts of the registrant's direct deposit advance lending service, noting in particular that "the proposal relates to the products and services offered for sale by the [registrant]" and that "[p]roposals concerning the sale of particular products and services are generally excludable under rule 14a-8(i)(7)." Similarly, in *JPMorgan Chase & Co.* (Mar. 16, 2010), the Staff concurred in the exclusion of a proposal under Rule 14a-8(i)(7) where such proposal sought to have the company's board of directors implement a policy mandating that the company cease issuing refund anticipation loans, which the proponent claimed were predatory loans. There, the company acknowledged that the proposal addressed an issue that the Staff itself recognized as a "significant policy issue." The company noted, however, that its "decisions as to whether to offer a particular product to its clients and the manner in which the [c]ompany offers those products and services, ***including pricing***, are precisely the kind of fundamental, day-to-day operational matters meant to be covered by the ordinary business operations exception under Rule 14a-8(i)(7)" (emphasis added).

Consistent with the Company's view that the Proposal would directly impact its day-to-day ordinary business operations, in discussions regarding the Proposal among representatives of the Company and As You Sow, representatives of As You Sow acknowledged that, through the submission of the Proposal, they had in fact specifically aimed to restrict and circumscribe the types of products and services offered by the Company.[10] For example, representatives of As You Sow referred to the Company's pricing strategies (e.g., suggesting that the Company should charge higher premiums for cars that run on conventional fuels) and client relationships (e.g., urging the Company to disincentivize the emissions of oil and gas clients). Representatives of As You Sow went even further by suggesting that the Company should terminate clients based on their activities — namely, their failure to transition their GHG emissions activity — which they conceded could subject the Company to litigation and regulatory scrutiny beyond the obvious impact to the Company's business.

Further, the Staff has routinely, and recently, acknowledged that exclusion of a shareholder proposal is permissible under Rule 14a-8(i)(7) when the actions sought by the proposal implicate tasks that are so fundamental to management's ability to run a company on a day-to-day basis that they could not be subject to direct shareholder oversight. *See, e.g., Rite Aid Corp.* (May 2, 2022) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) requesting inclusion of company rankings on customer service within the drugstore space in the company's annual proxy statements); *Comcast Corp.* (Apr. 13, 2022) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) requesting delivery of a letter to customers prior to any termination, suspension or cancellation of services to such customer; in particular, the company noted that "decisions regarding [customer accounts] are a fundamental responsibility of management, requiring consideration of a number of factors"); and *JPMorgan Chase & Co.* (Mar. 26, 2021) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) requesting a study on the external costs of the company's underwriting of multi-class equity offerings and its effect on shareholders who rely on overall stock market return; in particular, the company argued that "[d]ecisions with respect to [the company's underwriting] and the requirements of the Company's clients are at the heart of the Company's business . . . and are so fundamental to the Company's day-to-day operations that they cannot, as a practical matter, be subject to shareholder oversight").

Although the Staff may have narrowed the exception provided by Rule 14a-8(i)(7) following the advent of SLB 14L, we note that the Staff has continued to concur in the exclusion of similar shareholder proposals — i.e., those seeking the commissioning of reports, including where the report would impact the underlying activity monitored by the

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10 The discussions referenced herein relate to an October 28, 2022 meeting among certain representatives of the Company (including its (i) Vice President, Corporate Secretary and Group General Counsel, (ii) Chief Sustainability Officer and Group General Counsel, (iii) Senior Vice President, Investor Relations, (iv) Executive Vice President and Chief Risk Officer, (v) Senior Vice President and Chief Underwriting Officer, (vi) Executive Vice President and Co-Chief Investment Officer, and (vii) Sustainability Counsel / Environmental, Social & Governance) and certain representatives of As You Sow (including its (i) President and Chief Counsel and (ii) Climate Associate).

report — under Rule 14a-8(i)(7). For example, in *JPMorgan Chase & Co.* (Mar. 25, 2022) ("*JPMorgan*"), the Staff granted no-action relief under Rule 14a-8(i)(7) for a proposal asking the registrant's board to "commission and disclose a study on how the [registrant] can consider the financial position of the [registrant's] diversified owners in establishing its underwriting practices in order to address the share price concerns that lead the [registrant] to underwrite economically detrimental multiclass share offerings." In *JPMorgan*, the registrant successfully argued that the proposal related both to: (1) the products and services offered for sale by the registrant, particularly by focusing on the cost of such products and services, as well as (2) the registrant's relationships with its customers, particularly by implicating decisions with respect to the terms of individual securities in share offerings that the registrant underwrote. *See also The Goldman Sachs Group, Inc.* (Mar. 8, 2022) (recon. denied, Mar. 21, 2022) (receiving concurrence from the Staff for a substantially identical proposal to *JPMorgan* under Rule 14a-8(i)(7)).

Here, if the key words "if and" in the Proposal's resolution are disregarded, the request that the Company take affirmative steps to measure, disclose and ***reduce the GHG emissions associated with its underwriting and investment activities in alignment with the Paris Agreement's 1.5°C goal***, and report on such steps, presents a matter far beyond the direct oversight of shareholders. Such a reduction of GHG emissions necessarily relates to both the types of products and services offered for sale by the Company as well as the Company's relationship with its customers, implicating the terms of individual policies to be written — akin to the proposal received in *JPMorgan* and comparable letters where the reports sought would have impacted underlying business activities.

Upon first glance, the Proposal merely seeks the commissioning of a report, but fundamentally, the resolution calls for specific action by the Company with respect to its underwriting and investment activities. Indeed, during the aforementioned discussions with As You Sow, representatives of As You Sow acknowledged that they are primarily interested in impacting the underlying activity that the report would purportedly address — namely, how to influence the Company's pricing strategies and customer relationships, even if it means exiting relationships or business. Given that the Company insures a meaningful portion of the economic output of the United States, if the economy is producing GHG emissions, the only way for the Company to implement the Proposal's request (i.e., to ***reduce*** GHG emissions associated with the Company's policies) would ultimately be to exit business and/or forego the offering of products and services offered by the Company to a vast array of commercial and personal policyholders — which may be the Proponents' objective but would be a clear micromanagement of the Company's operations. As but one example, over time, the Company would likely need to cease writing auto coverage to the extent automobiles continue to produce emissions. Along those lines, compliance with the Proposal could similarly result in (i) increased costs for insurance to certain types of consumers, with representatives of As You Sow specifically stating that the Company should charge higher premiums for cars that run on conventional fuels despite the

Company's explanation that doing so would likely have disproportionate impacts on lower income and minority communities, and/or (ii) the inability of certain consumers to purchase insurance at all with respect to certain products — deleterious consequences that representatives of As You Sow conceded, during discussions with the Company, drove their submission of the Proposal.

2. The Proposal, by Mandating the Reduction of GHG Emissions Associated with the Company's Underwriting and Investment Activities, Micromanages the Company, Probing on a Profoundly Complex Matter About Which Shareholders, as a Group, Are Not in a Position to Make an Informed Judgment

As set forth in SLB 14L, whether or not a proposal seeks to "micro-manage" depends to a significant degree on the level of granularity set forth in the proposal and whether and to what extent the proposal inappropriately limits discretion of the board or management. SLB 14L also indicated:

> [I]n order to assess whether a proposal probes matters "too complex" for shareholders, as a group, to make an informed judgment, we may consider the sophistication of investors generally on the matter, the availability of data, and the robustness of public discussion and analysis on the topic. The staff may also consider references to well-established national or international frameworks when assessing proposals related to disclosure, target setting, and timeframes as indicative of topics that shareholders are well-equipped to evaluate. This approach is consistent with the Commission's views on the ordinary business exclusion, which is designed to preserve management's discretion on ordinary business matters but not prevent shareholders from providing high-level direction on large strategic corporate matters. … Going forward we would not concur in the exclusion of [proposals requesting that companies adopt timeframes or targets to address climate change] *so long as the proposals afford discretion to management as to how to achieve such goals*. (emphasis added)

Here, assuming the words "if and" are improperly read out of the proposed resolution, the Proposal forgoes any management discretion as to whether to satisfy the Proposal and instead requires strict adherence to the Paris Agreement's 1.5°C goal. By definition, requiring the Company to reduce the emissions of ***both*** its underwriting and investment activities in alignment with any particular standard represents micromanagement of the Company's ordinary business operations. Further, as set forth in Section IV.A above, the Proposal fundamentally interferes with the operational judgment of management, which has already developed a robust climate-related strategy, is actively engaged in assessing climate risks relating to its "underwriting, insuring, and investment" activities" and provides comprehensive disclosure with respect to its climate measures and initiatives, in addition to disclosing its reasoned positions as to how the Company in its judgment seeks to address certain of the matters contained in the Proposal. Importantly, the Proposal would require the Company to exit existing business and/or forego new business opportunities regardless of whether such new business opportunities are, in management's judgments, in the best interests of the Company. In other words, it would remove management discretion with respect to the Company's core business operations — the selection of underwriting risks.

The Staff's concurrence in the exclusion under Rule 14a-8(i)(7) of a recent proposal submitted to Tesla, Inc. is instructive in the post-SLB 14L context. *See Tesla, Inc.* (May 6, 2022) ("*Tesla*"). There, a proponent sought that the registrant adopt a policy of immediate liquidation of newly acquired cryptocurrency assets and to fully divest from existing cryptocurrency assets over a specified timeframe. Notably, the proposal also sought to require the registrant to minimize the environmental impact related to accepting payments of certain cryptocurrencies. The registrant argued that the proposal was properly excludable as seeking to micromanage the company's ordinary business operations because it related to the registrant's investment and fiscal policies, matters "properly within the purview of management, which has the necessary capability and knowledge to evaluate the particular facts and circumstances of its business operations and take appropriate action."[11] Here, the Proposal seeks a similar outcome, namely to influence and potentially significantly alter the Company's key business operations by diving deeply into highly complex matters related to the measurement and, more importantly, the reduction of GHG emissions associated with both the Company's insurance products and services and the composition of its investment portfolio. The sourcing of clients and the identification of risks to insure, as well as investments to make to ensure the Company's ability to pay claims as they come due, are at

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11 Notwithstanding SLB 14L, the Staff has recently concurred in the exclusion of proposals seeking reports. For example, pursuant to Rule 14a-8(i)(7), the Staff recently concurred in the exclusion of a proposal asking the registrant's board of directors to publish annually "the written and oral content of diversity, inclusion, equity or related employee-training materials offered to the company's employees or by the company or with its consent." *See Verizon Communications Inc.* (Mar. 17, 2022) ("*Verizon 2022*"). There, the registrant argued, among other things, that such a proposal impermissibly sought to micromanage the registrant by "attempt[ing] to probe too deeply into the judgment of management and the [registrant's board] by questioning the [registrant's] employment training policies and practices, specifically, how management and the [b]oard trains employees on matters related to diversity, equity and inclusion[.]" The registrant continued, "[t]he design and implementation of the [registrant's] employee training policies and programs are a multi-faceted endeavor guided by numerous factors, including but not limited to legal and regulatory requirements, business considerations and the [registrant's] focus on its DEI efforts[.]" *See also American Express Co.* (Mar. 11, 2022) (where the Staff concurred in the exclusion of a proposal substantially similar to the *Verizon 2022* proposal under Rule 14a-8(i)(7), also following the publication of SLB 14L); and *Deere & Co.* (Jan. 3, 2022) (same).

the heart of management's directive. These responsibilities involve myriad and complex considerations, including extensive statutory and regulatory constraints, that are best left suited to the Company's management and its board. Company management has already addressed, and continues to address, climate-related risks and opportunities in its business, including as described in Section IV.A above. As in *Tesla*, however, the Proposal's request requires highly complex undertakings requiring informed judgments that shareholders do not have the visibility to make.

Like *Tesla* and other similar letters, the Proposal seeks to replace the judgment of the Company's management with that of the Company's shareholders — in this case, with respect to the environmental impact of the Company's panoply of products, services and investments that necessarily involve considerably advanced industry and regulatory knowledge, mathematics, modeling and more. The complexities associated with: (i) the underwriting, pricing and terms of the Company's products and services — products and services that are effectively inextricably tied to the economic output of the United States, as well as (ii) the management of the Company's significant $87 billion investment portfolio require that ultimate decision-making be reserved for Company management, under the oversight of the Company's board. Notably, representatives of As You Sow conceded in their discussions with the Company that they understand from other market participants beyond the Company how difficult it is to obtain accurate and complete data. Notwithstanding this real challenge, based on our discussions, the Proponents have offered no workable solutions to obtaining the data from the individuals and/or companies that Travelers serves that are not already collecting this data other than to hire an as-yet-unidentified third-party consultant and, figuratively, improvise from there. In addition to these data-oriented challenges, given the nature of the Company's business, management must deliberately take into account and assess a multitude of considerations, such as the risks involved, ongoing customer and distribution partner relationships, competitive pressures, pricing and applicable law and regulations, including those related to the 50-state regulatory oversight scheme to which insurers are subject. Further, while SLB 14L indicated Staff deference with respect to proposals that seek timeframes or targets to address climate change, as noted above, the Proposal here goes further by asking the Company to disclose ***how*** it will reduce such emissions. There is a tremendous substantive difference between a proposal seeking the establishment of GHG reduction targets and one seeking granular details on how the Company intends to meet those targets across the Company's ***entire*** underwriting and investment portfolios — the former is aspirational while the latter is intrinsically operational.

The nature of the Company's expansive and wide-ranging business further complicates the ability of shareholders to make an informed judgment regarding the Company's climate-related initiatives. For instance, although the TCFD was specifically created to improve and increase reporting of climate-related financial information, in its most recent findings, the TCFD acknowledged that there are significant, unsolved issues related to the data and metrics underlying GHG disclosures.[12] The report indicates, for example, that the collection of data is challenged, and the methodologies used to quantify and report on such data are often inconsistently applied and/or nebulous. There are also different measurement standards for companies, like Travelers, that operate in different jurisdictions, and no industry-standard methodologies or assumptions exist for projecting climate-related catastrophic risks or exposures. Clearly, there will be various known and as-yet-unknown challenges related to the commissioning and finalization of a report such as the one sought by the Proposal, but these are challenges best left to management — and not shareholders — to sort through as the Company adheres to its climate-related commitments.

Further, the Company submits that the Proposal, standing alone and independently from other requests for no-action relief, raises matters that are too complex for shareholders to make an "informed judgment." *See* SLB 14L. As discussed above, the Proposal seeks "alignment" between the Company's "underwriting, insuring and investing activities" — an outcome that is far-reaching and would have significant societal implications that are not properly within the purview of shareholders. The Company believes that the issues raised by the Proposal must be addressed by regulators and legislators on a country-wide — or global — basis rather than by the Company individually. In fact, the Paris Agreement referenced by the Proponents themselves sets forth a general framework to reach aspirational target goals ***by each participating country***.[13] The Proposal is silent regarding, and shareholders may not fully understand, the steps that insurance companies must take to comply with these and other provisions of the Paris Agreement, which are at best vague when applied to companies such as Travelers given that the Paris Agreement governs the conduct of entire countries. This concern is magnified when considering that any action must be consistent with existing regulatory, statutory and business constraints. Requiring an insurance company to make underwriting and/or investment decisions based on the GHG emissions of its potential insureds or investees would require extensive deliberation of competing policy objectives, including the protection of consumer interests and ensuring that insurance markets function in a viable, competitive, appropriate and efficient manner. By definition, deciding how to balance these critical policy objectives cannot be within the purview of shareholders; they are solely within the purview of legislators and regulators.

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12 *See* Task Force on Climate-related Financial Disclosures 2022 Status Report (Oct. 2022), available at https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf.

13 *See* Article 4(2) of the Paris Agreement (2015), available at https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

3. The Proposal Also Seeks to Micromanage the Company by Potentially Influencing its Ordinary Business Relationships with Certain States

As additional evidence that the Proposal micromanages the Company's day-to-day operations, implementing the Proposal as requested by the Proponents could result in requiring the Company to potentially forgo contracts with state and municipal entities in Texas, Kentucky, Oklahoma and West Virginia or risk violating such states' laws. More specifically, implementation of the Proposal's directive to reduce the GHG emissions associated with its underwriting and investment activities could result in compelling the Company to take action to terminate business with, or penalize, inflict economic harm on, or limit commercial relations with, companies involved in the production of fossil fuel-based energy without an ordinary business purpose — action that would violate the legal requirements for state contractors in certain states.[14] Should the Company be so deemed to violate these legal requirements, the Company could be subject to contract debarment in those states.[15] The mere fact that implementing the Proposal could result in the Company having to forgo business is compelling evidence that it seeks to micromanage the Company in contravention of Rule 14a-8(i)(7).

Moreover, the mere support by the Company to align with the Paris Agreement's 1.5°C goal, as intended by the Proposal, without any further action, could jeopardize its ordinary business relationships. For example, under Texas law, no governmental entity may enter into a contract with a company unless the contract contains written verification from the company that it does not boycott energy companies and will not boycott energy companies during the term of the contract.[16] Texas law further recognizes that net-zero emissions commitments — such as those set forth in the Proposal — require conduct that penalizes fossil fuel-based energy companies. In turn, the Texas Comptroller of Public Accounts (the "Texas Comptroller"), who is required by Texas law to identify certain financial companies that boycott energy companies, has stated that making public net-zero pledges militates in favor of a finding that a company is terminating business activities with

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14 *See, e.g.,* TEX. GOV. CODE § 2274.002(b), whereby no governmental entity may enter into a contract with a company unless the contract contains written verification from the company that it does not boycott energy companies and will not boycott energy companies during the term of the contract. Pursuant to TEX. GOV. CODE § 809.011(1), "boycott energy company" means to, without ordinary business purpose, refuse to deal with, terminate business activities with, or otherwise take any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because that company invests in or assists in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel based energy or does business with any such company.

15 "Contract debarment" refers to the prohibition of business enterprises contracting with government entities for specified reasons, such as violations of law.

16 TEX. GOV. CODE § 2274.002(b).

or otherwise taking actions intended to penalize, inflict economic harm on, or limit commercial relations with energy companies, without an ordinary business purpose.[17] The Texas Comptroller has set forth certain criteria to so identify potentially malfeasant companies, which includes, among other things, imposing net zero obligations and whether the company commits to an "an aggressive reduction in fossil fuel emissions with the goals of aligning lending and investment portfolios with 'net zero' prior to 2050."[18] Accordingly, given that the Proposal would compel the Company to disclose how it intends to meet a net zero-oriented goal, adhering to the terms of the Proposal could result in the Company being deemed to be "boycotting energy companies" and potentially causing the Company to become subject to contract debarment under Texas law.

Requiring — directly or indirectly, intentionally or by happenstance — the Company to terminate or forgo business with state and municipal entities in multiple states is compelling evidence that the Proposal micromanages the Company's ordinary business affairs, warranting exclusion of the Proposal. The decision whether to contract with a governmental entity is a matter of the Company's ordinary business. *See International Business Machines Co.* (Feb. 12, 1990) (concurring with exclusion of a proposal requiring the company to justify its involvement in a federal contract because it "relat[ed] to the conduct of the Company's ordinary business operations (i.e., contract performance and evaluation)"). By potentially limiting the Company's ability to contract with existing and potential customers in Texas, Kentucky, Oklahoma and West Virginia, the Proposal inappropriately interferes with the Company's ordinary business decisions regarding whether and how to best compete in those markets.

4. The Proposal, Despite Touching Upon a Significant Social Policy Issue, is Primarily Focused on Ordinary Business Matters

The Staff has a long history of recognizing that certain proposals relate too integrally to ordinary business matters despite addressing an underlying significant social policy issue. *See, e.g.*, *Verizon 2018* (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) requesting a report evaluating the feasibility of the registrant achieving by 2030 "net-zero" emissions of GHG from parts of the business directly owned and operated by the registrant despite the acknowledged social significance underlying the proposal); *Amazon.com, Inc.* (Mar. 17, 2016) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) where such proposal asked the registrant to prepare a report on the registrant's policy options to reduce pollution and public health issues related to electronic waste, and to increase the safe recycling of waste); *Wells Fargo* (concurring in the exclusion of a

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17 *See* Glenn Hegar, Texas Comptroller of Public Accounts, *List of Financial Companies that Boycott Energy Companies, Frequently Asked Questions* at 3–4 (Nov. 2022).

18 *Id.* at 4.

proposal under Rule 14a-8(i)(7) where the proposal requested that the company prepare a report discussing the adequacy of the registrant's policies in addressing the social and financial impacts of the registrant's direct deposit advance lending service); and *JPMorgan Chase & Co.* (Mar. 16, 2010) (concurring in the exclusion of a proposal under Rule 14a-8(i)(7) where such proposal sought to have the company's board of directors implement a policy mandating that the company cease issuing refund anticipation loans, which the proponent claimed were predatory loans, with the registrant acknowledging the significance of the social policy issue at play).

In SLB 14L, the Staff indicated that "an undue emphasis was placed on evaluating the significance of a policy issue to a particular company at the expense of whether the proposal ***focuses on*** a significant social policy" (emphasis added). SLB 14L further notes, "[f]or these reasons, staff will no longer focus on determining the nexus between a policy issue and the company, but will instead focus on the social policy significance of the issue that is the subject of the shareholder proposal. In making this determination, the staff will consider whether the proposal raises issues with a broad societal impact, such that they transcend the ordinary business of the company." The Company does not dispute the paramount importance of changing climate conditions, and as described in Section IV.A above, the Company has a comprehensive climate strategy and is committed to reducing its own GHG emissions. While it appears on its face as though the Proposal simply seeks information regarding the Company's climate change initiatives, its true focus — assuming, for the sake of discussion, the words "if and" are improperly read out of the proposed resolution — is seeking a reduction of GHG emissions. *See Verizon 2018* (where the proponent argued, "the environmental goals of the Proposal are secondary to the Proposal's effort to micro-manage the Company's processes and operations to achieve specific objectives"). Specifically, the Proposal requests action related to "emissions attributable to [the Company's] underwriting, insuring and investing activities, and adopting targets aligned with the Paris Agreement's 1.5°C goal" — in other words, the Proposal goes far beyond addressing a social policy issue by focusing on the "underwriting, insuring, and investment activities" of the Company, all of which are at the heart of the Company's ordinary business operations. Specifically, the Proposal seeks to drive the Company away from its current approach to underwriting and investment towards a less diversified business model and prescribes a specific climate risk mitigation strategy — namely, to meet the Paris Agreement's, and only the Paris Agreement's, net-zero targets with respect to the millions of entities and projects that the Company invests in, insures and underwrites. That the Proposal uses a social policy issue as a pretext should not supplant the intrinsically ordinary business-related nature of the outcome sought.

V. **Conclusion**

We hereby respectfully request that the Staff express its intention not to recommend enforcement action if the Proposal is excluded from the Company's Proxy Materials in reliance on Rules 14a-8(i)(7) and (10).

If the Staff disagrees with the Company's conclusions regarding omission of the Proposal, or if any additional submissions are desired in support of the Company's position, we would appreciate an opportunity to speak with you by telephone prior to the issuance of the Staff's Rule 14a-8(j) response. If you have any questions regarding this request, or need any additional information, please do not hesitate to contact the undersigned at 917-778-6764 or ycohn@travelers.com.

Sincerely,

Yafit Cohn

Yafit Cohn

Enclosures

cc: Danielle Fugere, As You Sow
A.J. Kess, The Travelers Companies, Inc.

Exhibit A

Copy of the Proposal and Accompanying Correspondence

[redacted]

VIA EMAIL

December 9, 2022

Wendy C. Skjerven
Vice President, Corporate Secretary,
and General Counsel
The Travelers Companies, Inc.
485 Lexington Avenue
New York, New York 10017
[redacted]@travelers.com

Dear Ms. Skjerven,

As You Sow is filing a shareholder proposal on behalf of Meyer Memorial Trust (S) ("Proponent"), a shareholder of Travelers Companies, for inclusion in Travelers Companies' 2023 proxy statement and for consideration by shareholders in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934.

A letter from the Proponent authorizing *As You Sow* to act on its behalf is enclosed. The Proponent is available for a meeting with the Company regarding this shareholder proposal at the following days/times: December 19, 2022 at 2:00pm Eastern or December 19, 2022 at 2:30pm Eastern.

The Proponent is designating *As You Sow* as a representative for all issues in this matter. I am the contact person on behalf of *As You Sow* ([redacted]). **Please also send all correspondence regarding this proposal to** [redacted].

A representative of the Proponent will attend the stockholder meeting to move the resolution as required.

We are available to discuss this issue and are optimistic that such a discussion could result in resolution of the Proponent's concerns.

Sincerely,

[redacted]

Danielle Fugere
President and Chief Counsel

Enclosures

- Shareholder Proposal
- Shareholder Authorization

cc: Abbe Goldstein, Senior Vice President, Investor Relations, [redacted]@travelers.com

WHEREAS: Insurance companies have a critical role to play in meeting the Paris Agreement's 1.5 degree Celsius (1.5°C) goal. Limiting global warming to 1.5 degrees versus 2 degrees is projected to save $20 trillion globally by 2100;[1] while exceeding 2 degrees could lead to damages ranging from $21 to $563 trillion.[2] The U.S. insurance industry is under increasing pressure to address its contributions to climate change from underwriting, insuring, and investing in high emitting activities.[3]

These financial activities contribute to systemic risk to the global economy, investors, and insurers' profitability. Swiss Re projects close to a 10% fall in total economic value by mid-century if climate change stays on its currently anticipated trajectory.[4] The U.S. Commodity Futures Trading Commission warns that climate change could impair the productive capacity of the national economy, recommending that state insurance regulators require insurers to assess how their underwriting and investment portfolios may be impacted by climate-related risks.

Growing public pressure for climate-related action from the insurance industry is exemplified by recent legislation passed in Connecticut requiring regulators to incorporate emissions reduction targets into their supervision of insurers.[5]

Shareholders are concerned that The Travelers Companies is not adequately reducing the climate impact of its insurance-related activities, creating significant risk to our Company, investors, and the global climate. In 2021, Travelers experienced pre-tax catastrophe losses of $1.847 billion, up from $1.613 billion in 2020, and $886 million in 2019.[6] In October 2022, Travelers reported a 20% fall in quarterly profit due to claims related to Hurricanes Ian and Fiona.[7] This follows a larger global trend: According to Munich Re, natural disasters caused losses of $280 billion in 2021, up from $210 billion in 2020 and $166 billion in 2019.[8]

Travelers is a climate laggard in the global insurance sector, scoring in the bottom half of a survey of the 30 largest global insurers.[9] In contrast, 29 global insurers (more than 14% of global premium volume) have joined the United Nations' Net Zero Insurance Alliance.[10]

By measuring and disclosing its emissions attributable to its underwriting, insuring, and investing activities, and adopting targets aligned with the Paris Agreement's 1.5°C goal, Travelers can reduce risk to itself, investors, and the global climate.

BE IT RESOLVED: Shareholders request that Travelers issue a report addressing if and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring,

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[1] https://www.nature.com/articles/d41586-018-05219-5
[2] https://www.nature.com/articles/s41467-020-18797-8/
[3] https://shareaction.org/reports/insuring-disaster-a-ranking
[4] https://www.swissre.com/dam/jcr:e73ee7c3-7f83-4c17-a2b8-8ef23a8d3312/swiss-re-institute-expertise-publication-economics-of-climate-change.pdf p.1
[5] https://www.businessinsurance.com/article/20210617/NEWS06/912342605/Connecticut-bill-calls-for-regulation-of-insurers%E2%80%99-climate-risks
[6] https://sustainability.travelers.com/iw-documents/sustainability/Travelers_TCFDReport2021.pdf p.26
[7] https://www.reuters.com/markets/us/insurer-travelers-profit-falls-hurricane-costs-lower-investment-returns-2022-10-19/
[8] https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2022/natural-disaster-losses-2021.html
[9] https://insure-our-future.com/wp-content/uploads/2022/11/SP-IOF-2022-Scorecard-v0.8-online-1.pdf
[10] https://www.unepfi.org/net-zero-insurance/

and investment activities, in alignment with the Paris Agreement's 1.5ºC goal, requiring net zero emissions.

SUPPORTING STATEMENT: Shareholders recommend the report disclose:

- Whether Travelers will begin measuring and disclosing the emissions associated with the full range of its underwriting, insuring, and investment activities and by when; and
- Whether Travelers will set a Paris aligned, net zero target, for its full range of emissions and on what timeline

DocuSign Envelope ID: [redacted]

11/8/2022 | 8:51:34 AM PST

Andrew Behar
CEO
As You Sow
[redacted]

Re: <u>Authorization to File Shareholder Resolution</u>

Dear Andrew Behar,

The undersigned ("Stockholder") authorizes As You Sow to file a shareholder resolution on Stockholder's behalf with the named Company for inclusion in the Company's 2023 proxy statement, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. The resolution at issue relates to the below described subject.

Stockholder: Meyer Memorial Trust (S)
Company: Travelers Companies Inc
Subject: Disclose and reduce GHG emissions from underwriting, insuring, and investment activities aligned with Net Zero

The Stockholder has continuously owned an amount of Company stock for a duration of time that enables the Stockholder to file a shareholder resolution for inclusion in the Company's proxy statement. The Stockholder intends to hold the required amount of stock through the date of the Company's annual meeting in 2023.

The Stockholder gives As You Sow the authority to address, on the Stockholder's behalf, any and all aspects of the shareholder resolution, including drafting and editing the proposal, representing Stockholder in engagements with the Company, entering into any agreement with the Company, and designating another entity as lead filer and representative of the shareholder. The Stockholder understands that the Stockholder's name and contact information will be disclosed in the proposal. The Securities and Exchange Commission has confirmed that they remove personally identifiable information from No-Action requests and related correspondence before making these materials publicly available on the Commission's website. The Stockholder acknowledges that their name, however, may appear on the company's proxy statement as the filer of the aforementioned resolution, and that the media may mention the Stockholder's name in relation to the resolution. The Stockholder supports this proposal.

The Stockholder is available for a meeting with the Company regarding this shareholder proposal. The dates/times will be provided by As You Sow.

The Stockholder can be contacted at the following email address to schedule a dialogue during

DocuSign Envelope ID: [redacted]

one of the above dates: [redacted] (client's asset manager)
Any correspondence regarding meeting dates must **also be sent to my representative**:
[redacted]

The Stockholder also authorizes As You Sow to send a letter of support of the resolution on Stockholder's behalf.

Sincerely,

[redacted]

Name: Sohel Hussain

Title: Interim Director of Investments

AS YOU SOW
30 YEARS 1992 – 2022

[redacted]

www.asyousow.org
BUILDING A SAFE, JUST, AND SUSTAINABLE WORLD SINCE 1992

VIA EMAIL

December 9, 2022

Wendy C. Skjerven
Vice President, Corporate Secretary,
and General Counsel
The Travelers Companies, Inc.
485 Lexington Avenue
New York, New York 10017
[redacted]@travelers.com

Dear Ms. Skjerven,

As You Sow is co-filing a shareholder proposal on behalf of the following Travelers Companies shareholder for action at the next annual meeting of Travelers Companies:

- KFP CA Limited Partnership

Shareholder is a co-filer of the enclosed proposal with Meyer Memorial Trust (S), who is the Proponent of the proposal. *As You Sow* has submitted the enclosed shareholder proposal on behalf of Proponent for inclusion in the 2023 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. Co-filer will either: (a) be available on the dates and times offered by the Proponent for an initial meeting, or (b) authorize *As You Sow* to engage with the Company on their behalf, within the meaning of Rule 14a-8(b)(iii)(B).

As You Sow is authorized to act on KFP CA Limited Partnership's behalf with regard to withdrawal of the proposal. A representative of the lead filer will attend the stockholders' meeting to move the resolution as required.

A letter authorizing *As You Sow* to act on co-filer's behalf is enclosed.

We are hopeful that the issue raised in this proposal can be resolved. To schedule a dialogue, please contact me at [redacted]. Please send all correspondence **with a copy to** [redacted].

Sincerely,

[redacted]

Danielle Fugere
President and Chief Counsel

Enclosures
- Shareholder Proposal
- Shareholder Authorization

cc: Abbe Goldstein, Senior Vice President, Investor Relations, [redacted]@travelers.com

WHEREAS: Insurance companies have a critical role to play in meeting the Paris Agreement's 1.5 degree Celsius (1.5°C) goal. Limiting global warming to 1.5 degrees versus 2 degrees is projected to save $20 trillion globally by 2100;[1] while exceeding 2 degrees could lead to damages ranging from $21 to $563 trillion.[2] The U.S. insurance industry is under increasing pressure to address its contributions to climate change from underwriting, insuring, and investing in high emitting activities.[3]

These financial activities contribute to systemic risk to the global economy, investors, and insurers' profitability. Swiss Re projects close to a 10% fall in total economic value by mid-century if climate change stays on its currently anticipated trajectory.[4] The U.S. Commodity Futures Trading Commission warns that climate change could impair the productive capacity of the national economy, recommending that state insurance regulators require insurers to assess how their underwriting and investment portfolios may be impacted by climate-related risks.

Growing public pressure for climate-related action from the insurance industry is exemplified by recent legislation passed in Connecticut requiring regulators to incorporate emissions reduction targets into their supervision of insurers.[5]

Shareholders are concerned that The Travelers Companies is not adequately reducing the climate impact of its insurance-related activities, creating significant risk to our Company, investors, and the global climate. In 2021, Travelers experienced pre-tax catastrophe losses of $1.847 billion, up from $1.613 billion in 2020, and $886 million in 2019.[6] In October 2022, Travelers reported a 20% fall in quarterly profit due to claims related to Hurricanes Ian and Fiona.[7] This follows a larger global trend: According to Munich Re, natural disasters caused losses of $280 billion in 2021, up from $210 billion in 2020 and $166 billion in 2019.[8]

Travelers is a climate laggard in the global insurance sector, scoring in the bottom half of a survey of the 30 largest global insurers.[9] In contrast, 29 global insurers (more than 14% of global premium volume) have joined the United Nations' Net Zero Insurance Alliance.[10]

By measuring and disclosing its emissions attributable to its underwriting, insuring, and investing activities, and adopting targets aligned with the Paris Agreement's 1.5°C goal, Travelers can reduce risk to itself, investors, and the global climate.

BE IT RESOLVED: Shareholders request that Travelers issue a report addressing if and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring,

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[1] https://www.nature.com/articles/d41586-018-05219-5
[2] https://www.nature.com/articles/s41467-020-18797-8/
[3] https://shareaction.org/reports/insuring-disaster-a-ranking
[4] https://www.swissre.com/dam/jcr:e73ee7c3-7f83-4c17-a2b8-8ef23a8d3312/swiss-re-institute-expertise-publication-economics-of-climate-change.pdf p.1
[5] https://www.businessinsurance.com/article/20210617/NEWS06/912342605/Connecticut-bill-calls-for-regulation-of-insurers%E2%80%99-climate-risks
[6] https://sustainability.travelers.com/iw-documents/sustainability/Travelers_TCFDReport2021.pdf p.26
[7] https://www.reuters.com/markets/us/insurer-travelers-profit-falls-hurricane-costs-lower-investment-returns-2022-10-19/
[8] https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2022/natural-disaster-losses-2021.html
[9] https://insure-our-future.com/wp-content/uploads/2022/11/SP-IOF-2022-Scorecard-v0.8-online-1.pdf
[10] https://www.unepfi.org/net-zero-insurance/

and investment activities, in alignment with the Paris Agreement's 1.5^{o}C goal, requiring net zero emissions.

SUPPORTING STATEMENT: Shareholders recommend the report disclose:

- Whether Travelers will begin measuring and disclosing the emissions associated with the full range of its underwriting, insuring, and investment activities and by when; and
- Whether Travelers will set a Paris aligned, net zero target, for its full range of emissions and on what timeline

DocuSign Envelope ID: [redacted]

11/10/2022 | 4:05:28 PM PST

Andrew Behar
CEO
As You Sow
[redacted]

Re: <u>Authorization to File Shareholder Resolution</u>

Dear Andrew Behar,

The undersigned ("Stockholder") authorizes As You Sow to file a shareholder resolution on Stockholder's behalf with the named Company for inclusion in the Company's 2023 proxy statement, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. The resolution at issue relates to the below described subject.

Stockholder: KFP CA Limited Partnership
Company: Travelers Companies Inc
Subject: Disclose and reduce GHG emissions from underwriting, insuring, and investment activities aligned with Net Zero

The Stockholder has continuously owned an amount of Company stock for a duration of time that enables the Stockholder to file a shareholder resolution for inclusion in the Company's proxy statement. The Stockholder intends to hold the required amount of stock through the date of the Company's annual meeting in 2023.

The Stockholder gives As You Sow the authority to address, on the Stockholder's behalf, any and all aspects of the shareholder resolution, including drafting and editing the proposal, representing Stockholder in engagements with the Company, entering into any agreement with the Company, and designating another entity as lead filer and representative of the shareholder. The Stockholder understands that the Stockholder's name and contact information will be disclosed in the proposal. The Securities and Exchange Commission has confirmed that they remove personally identifiable information from No-Action requests and related correspondence before making these materials publicly available on the Commission's website. The Stockholder acknowledges that their name, however, may appear on the company's proxy statement as the filer of the aforementioned resolution, and that the media may mention the Stockholder's name in relation to the resolution. The Stockholder supports this proposal.

The Stockholder is available for a meeting with the Company regarding this shareholder proposal. The dates/times will be provided by As You Sow.

The Stockholder can be contacted at the following email address to schedule a dialogue during

one of the above dates: [redacted] (client's asset manager)
Any correspondence regarding meeting dates must **also be sent to my representative**:
[redacted]

The Stockholder also authorizes As You Sow to send a letter of support of the resolution on Stockholder's behalf.

Sincerely,

[redacted]

Name: Karen Leech

Title: Special Power of Attorney

Exhibit B

Travelers Task Force on Climate-related Financial Disclosures (“TCFD”) Report 2021

Travelers Task Force on Climate-related Financial Disclosures Report 2021

Contents

Severe weather events over the last two decades have underscored the unpredictability of climate trends, and changing climate conditions have added to the frequency and severity of natural disasters and created additional uncertainty as to future trends and exposures. Climate studies by government agencies, academic institutions, catastrophe modeling organizations and other groups indicate that we are experiencing, and are expected to continue to experience over time, an increase in the frequency and/or intensity of hurricanes, heavy precipitation events, flash flooding, sea level rise, droughts, heat waves and wildfires. As an insurance company with property and casualty operations, The Travelers Companies, Inc. (together with its consolidated subsidiaries, Travelers or the Company) is committed to understanding the short-, mid- and long-term implications of these trends on its business, its customers and the communities in which it does business. Additionally, in furtherance of managing our carbon footprint, in April 2021 we announced our commitment to become carbon neutral across our owned operations by 2030.

Climate is core to our business. Accordingly, we continually monitor, assess and respond to the risks and opportunities posed by changing climate conditions to provide products and services that both help our customers mitigate associated risks and are priced to meet our long-term financial objectives. We also regularly consider new insurance products and services that could be useful to our customers in addressing climate-related risks.

Moreover, Travelers is committed to a long-term sustainable approach to protecting the environment. We continually look for cost-effective ways to minimize our operational impact on the environment, which can also reduce our operating expenses, without compromising on our promise to customers and employees. Through our broad range of services, programs and public policies, we take a thoughtful approach to both being an environmentally responsible company and meeting our overall business objectives.

In light of the importance of climate to our business, this report discusses our comprehensive approach to managing changing climate conditions consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).[1] Before turning to that discussion, it is critical to note that as important as climate is to our business, our analyses indicate that other factors, such as demographic changes in high risk areas, are expected to have a meaningfully greater impact on the domestic property casualty insurance industry than changing climate conditions, as discussed in further detail below.

[1] The inclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact (or potential impact) of that information. For additional information regarding Travelers, please see our current and periodic reports with the Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

The Current Energy Landscape

Our approach to managing changing climate conditions cannot be considered or understood without an appreciation of the larger context within which it exists – that is, the current state of play with respect to energy in the United States.

Today, conventional energy continues to constitute a significant majority of the overall energy mix in the United States. According to the U.S. Energy Information Administration, in 2020, approximately 60% of the U.S. energy generated at utility-scale electricity generation facilities came from fossil fuels, while only 20% was generated from renewable energy sources.[1] Many experts, including the International Renewable Energy Agency (IRENA) and the World Energy Council, believe that a substantial change in the energy mix will come primarily from the ongoing and promising research and development investments of incumbent energy producers, disruption by new entrants into the industry, the deployment of scientific innovations, and relevant and effective government action. The International Energy Agency's 2021 report titled "Net Zero by 2050: A Roadmap for the Global Energy Sector" also notes the need for continued investment in existing sources of oil production in its Net-Zero Emissions by 2050 Scenario (NZE). In the meantime, we believe it is critical to continue to support the energy industry as it works to migrate to renewable energy sources and/or develop other innovative solutions designed to assist in the energy transition. Especially in light of the fact that energy companies are particularly well-placed to develop and deploy technologies critical to the achievement of net-zero emissions, we believe that, through the provision of insurance coverage, the insurance industry has an important role to play in facilitating the energy industry's transition.

Additionally – and importantly – we believe that failure to support the energy industry with insurance coverage will not result in a decrease in demand for fossil fuels. Rather, it will only result in other entities, such as private firms, offering insurance to satisfy the existing demand for fossil fuels and/or in fossil fuel companies self-insuring their operations.

[1] Independent Statistics & Analysis, U.S. Energy Information Administration, "Electricity Explained: Electricity in the United States" (The rest of the U.S. energy generated at utility-scale electricity generation facilities came from nuclear energy).

While fossil fuels likely will remain a key source of our country's energy for the foreseeable future, renewable energy has been expanding and will only continue to develop and become more accessible and affordable. We are hopeful that the drive for innovation cultivated by the free markets will play a key role in solving the climate problem. Through our Global Renewable Energy Practice, we are prepared to continue to support renewable energy companies in the United States and internationally as they continue to develop and scale up their businesses. In addition, we are helping to support the energy transition through our billions of dollars in investments in "green bonds," which help fund renewable energy and other environmentally sustainable projects.

With all of this in mind, our climate strategy, discussed in further detail below, is designed to mitigate climate risk in our underwriting and investment portfolios, while supporting societal progress and economic prosperity for all and doing our part to assist in the transition to a lower carbon economy. It is against this background that we share how we manage climate risk on both sides of our balance sheet and identify and avail ourselves of climate-related opportunities in the energy market.

Governance

Board Oversight

Travelers Board of Directors and its Risk Committee consider changing climate conditions as part of, and integral to, overseeing the Company's business and operations. The Board of Directors plays an important role in overseeing our Enterprise Risk Management (ERM) practices and strategies, including our company's evaluation of potential risks relating to changing climate conditions. The Risk Committee of the Board, composed of independent directors, is responsible for oversight of the strategies, processes and controls relating to risks in our business operations, including insurance underwriting and claims, reinsurance, catastrophe exposure and the impact of changing climate conditions. The Committee assists the Board in overseeing the operational activities of the Company and the identification and review of risks that could have a material impact on Travelers, including risks related to changing climate conditions. The Risk Committee meets on a quarterly basis with the Chief Risk Officer, Chief Underwriting Officer, Senior Vice President for Catastrophe Risk Management and members of the Enterprise Risk Committee and, as appropriate, other members of senior management to discuss risks that could have a material impact on Travelers, including risks related to changing climate conditions.

These discussions include, for example, information regarding historical loss experience, loss trend projections, lessons learned from recent catastrophe events, underwriting practices and market share analyses. Among other things, these discussions focus on Travelers' underwriting risk management approach in light of catastrophe volatility, the potential impact of climate-related perils to Travelers and its customers, and strategies for mitigating climate-related risks. These discussions inform, among other things, the Company's financial plan, risk appetite and underwriting approach. The Risk Committee, in turn, reports to the full Board with regard to its discussions.

While the Board Risk Committee oversees the implementation, execution and performance of Travelers' ERM program and reviews the strategies, processes and controls pertaining to Travelers' insurance operations, the Board has allocated and delegated risk oversight responsibility to various committees of the Board. Accordingly, all committees of the Board share responsibility for the oversight of strategic objectives, risk management and the sustainability of our business.

Senior Management

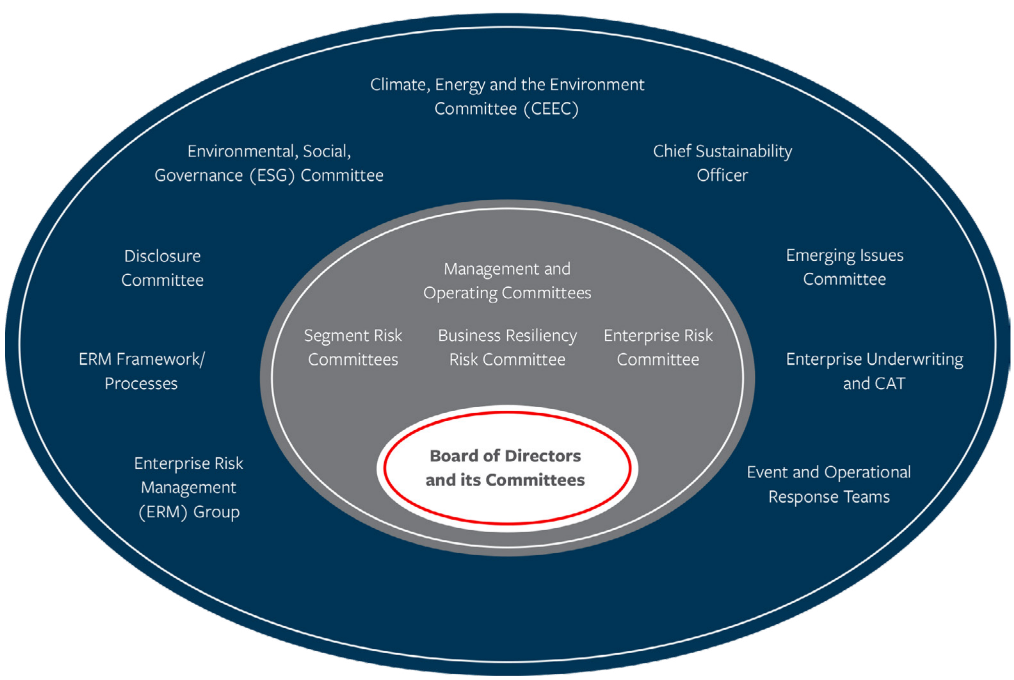
In addition to the Risk Committee, our management-level enterprise risk and underwriting risk committees are key elements of our ERM structure and help establish and reinforce our strong culture of risk management, including with respect to changing climate conditions. A senior executive team, which includes the Chief Risk Officer and the Chief Underwriting Officer, oversees the ERM process.

We also have other business-level risk committees that meet multiple times a year with senior management to discuss potential risks to Travelers related to the environment and changing climate conditions. These committees include the Enterprise Risk Committee, the Enterprise Catastrophe Committee, the Emerging Issues Committee, and the Climate, Energy and the Environment Committee (CEEC). As described in further detail under Risk Management, the CEEC coordinates and supports climate-related initiatives and strategies across Travelers and is a venue to share information and leverage expertise.

Our Chief Sustainability Officer leads Travelers' environmental, social and governance (ESG) efforts across the organization, chairs the Company's multidisciplinary ESG Committee and is a member of the Company's Disclosure Committee. Our Chief Sustainability Officer also works with our ERM department to ensure that identification and assessment of ESG risks are appropriately integrated into our ERM program.

The diagram below illustrates the comprehensive approach we take to overseeing and managing risk, including climate-related risk.

Figure 1.



Strategy

Identified Climate-related Risks and Opportunities

Travelers considers climate risks and opportunities across a range of time horizons:

TIME HORIZON	CONSIDERATIONS	CLIMATE RISKS (TRANSITION OR PHYSICAL)	CLIMATE OPPORTUNITIES
Short-term: 1–3 years	Aligns with the average length of a Travelers policy and the timeframe for which we perform detailed business plans.	• Mandates on, and regulation of, existing products and services (transition)	• Increased revenue through demand for "green" building/LEED certification designations • Increased revenue through demand for energy efficient, renewable and/or clean technology
Medium-term: 3–5 years	Aligns with our development and execution of business strategies that impact directional planning and market-related adjustments based on ongoing or changing conditions.	• Changing emissions-reporting obligations (transition)	• Development of new products or services for renewable energy businesses through R&D and innovation • Increased sales of Travelers automobile and property insurance products with new technologies
Long-term: 5–50 years	Aligns with longer-term change (e.g., climate-related risk, energy consumption / energy sources) that present risks and opportunities that extend beyond the short- and medium-term.	• Changes in frequency and severity of catastrophe losses and uncertainty surrounding weather volatility and climate-related risk (physical)	• Mitigation of risks over time for customers who utilize our Risk Control services

Climate Risks

The following are examples of specific climate-related risks Travelers has identified for each time horizon. The geographic distribution of our business subjects us to catastrophe exposures primarily in the United States and Canada, which include, but are not limited to: hurricanes from Maine through Texas; severe thunderstorms throughout the United States; earthquakes in California, the New Madrid region and the Pacific Northwest region of North America; and wildfires, particularly in western states and Canada. The inclusion of these examples should not be construed as a characterization regarding the probability, materiality or financial impact (or potential impact) of these risks. For a discussion of risks that Travelers has determined could be material, please see our "Risk Factors" disclosure in Annual Report on Form 10-K.

1. **Mandates on, and regulation of, existing products and services (short-term transition)**

   Increased regulation adopted in response to potential changes in climate conditions may impact the Company and its customers. For example, from time to time, states pass legislation and regulators take action that could have the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from reducing exposures or withdrawing from catastrophe-prone areas or mandating that insurers participate in residual markets. Participation in residual market mechanisms has, at times, resulted in and could, in the future, result in significant losses or assessments to insurers, including Travelers.

Increased insurance regulation in response to disasters or catastrophes may also include imposing moratoriums on policy cancellation or nonrenewal for nonpayment of premium; establishing further claim handling requirements or procedures; imposing additional claim data reporting requirements; establishing mediation programs for resolution of disputed claims; and modifying adjuster licensing procedures for independent and public adjusters. Travelers' exposure to catastrophes both by peril and by geographic region is monitored on a regular basis. When appropriate, this exposure analysis can lead to changes in the underwriting strategy for a given peril/location.

Travelers also may establish new or additional procedures and processes and may need to adjust staffing levels or its use of contracted services to help ensure that it remains compliant with additional regulatory standards imposed on insurers in the event of a future disaster or catastrophe. The cost of managing compliance with additional regulatory standards could vary and would be impacted by the number and types of additional standards imposed on insurers, including following a future disaster or catastrophe. Additionally, following catastrophes, there are sometimes legislative and administrative initiatives and court decisions that seek to (i) expand insurance coverage for catastrophe claims beyond the original intent of the policies, (ii) retroactively mandate coverage for losses that our insurance policies were neither intended nor priced to cover or (iii) prevent the enforcement of the policy terms, including the application of deductibles. Costs associated with these risks vary depending on the specific action taken and are often hard to predict, but they could be significant.

In addition, climate-related regulation could increase our customers' costs of doing business. For example, insureds faced with carbon management regulatory requirements may have less available capital for investment in loss prevention and safety features, which may, over time, increase loss exposures. Increased regulation may also result in reduced economic activity, which would decrease the amount of insurable assets and businesses.

2. **Changing emissions-reporting obligations (medium-term transition)**

Continued uncertainty amid legal challenges over the future of the Environmental Protection Agency (EPA) regulations regarding air and water may give rise to more environmental regulation at the state level. This, in turn, may result in differing sets of standards in each state, which could make insurance risk more difficult to underwrite and price, particularly as air and water travel beyond state boundaries. For example, in June 2019, the EPA repealed the August 2015 Clean Power Plan (CPP) because the CPP exceeded the EPA's statutory authority under the Clean Air Act. In conjunction with its repeal of the CPP, the EPA issued a final Affordable Clean Energy (ACE) rule to regulate greenhouse gas (GHG) emissions, specifically CO_2 emissions, from existing coal-fired electric steam generating units (EGUs) as defined by the EPA. Legal challenges were filed against the EPA's actions in the U.S. Court of Appeals for the District of Columbia Circuit, and although the court struck down the ACE rule, the CPP has not been reinstated, leaving no current federal regulations in place for carbon dioxide emissions from existing power plants. The court did affirm the EPA's authority to set emission-reduction targets in its quantitative guidelines while acknowledging that states retain the choice of how to meet those guidelines through standards of performance tailored to their various energy sources. Oral arguments were heard in February 2022, by the U.S. Supreme Court related to the District of Columbia Circuit Court's decision to strike down the ACE rule. Depending on the final outcome of the legal proceedings and any related impact on the EPA's scope of authority to establish federal emissions guidelines (or on states' ability to choose how to meet such guidelines), new rules proposed by the EPA to regulate power plant emissions could potentially (i) facilitate more environmental regulation at the state level to regulate existing power plant GHG emissions, (ii) impact the demand for renewable energy at the state level or (iii) disrupt the current balance between federal and state regulatory authority to regulate GHG emissions in ways not yet understood. Over time, this may result in lower demand for Travelers insurance products and services related to renewable energy in the United States.

3. **Changes in frequency and severity of catastrophe losses and uncertainty surrounding weather volatility and climate-related risk (long-term physical)**

   Travelers is subject to catastrophe exposures in each of the geographies where it writes business and to varying peak catastrophe perils in different countries and regions.

   Severe weather events over the last two decades underscore the unpredictability of climate trends, and changing climate conditions have added to the frequency and severity of natural disasters and created additional uncertainty as to future trends and exposures. The insurance industry has experienced increased catastrophe losses due to a number of potential factors, including, in addition to weather/climate variability, aging infrastructure, more people living in high-risk areas, population growth in areas with weaker enforcement of building codes, urban expansion, an increase in the number of amenities included in, and average size of, a home and increased inflation, including as a result of post-event demand surge. For example, the frequency and severity of tornado and hail storms in the United States have been more volatile during this time period. In addition, climate studies by government agencies, academic institutions, catastrophe modeling organizations and other groups indicate that we are experiencing, and are expected to continue to experience over time, an increase in the frequency and/or intensity of hurricanes, heavy precipitation events, flash flooding, sea level rise, droughts, heat waves and wildfires.

   Moreover, the Company's catastrophe models may be less reliable due to the increased unpredictability in frequency and severity of severe weather events, emerging trends in climate conditions, regulatory responses to catastrophe events not being appropriately reflected in the models and other factors. Also, as discussed in our Annual Report on Form 10-K, we could experience more than one severe catastrophe event in any given period.

Climate Opportunities

The following are examples of specific climate-related opportunities Travelers has identified for each time horizon. The inclusion of these examples should not be construed as a characterization regarding materiality or financial impact (or potential impact) of these opportunities.

1. **Increased revenue through demand for "green" building/LEED certification designations (short-term)**

   State and local regulatory requirements such as OneNYC (GBEE – Greener, Greater Buildings Plan) drive renovation work that could lead to increased construction activity, potentially creating opportunities to grow our book of business in impacted states such as the Top 10 States for LEED: Illinois, Washington, Massachusetts, Colorado, Virginia, California, Maryland, Oregon, Utah and Nevada, as well as the District of Columbia. Travelers consults with industry advocates for better building standards that are designed to increase the survivability of commercial and residential structures.

   Travelers' specialized Construction casualty and surety teams, which also have expertise in "green" construction, provide highly skilled underwriting; customized INDUSTRY*Edge*® products for specific industries (such as our INDUSTRY*Edge*® for Electrical Contractors and INDUSTRY*Edge*® for General Contractors); and tailored programs and services to help reduce contractors' cost of risk, including risk associated with "green" construction products. *INDUSTRYEdge* is our fully integrated business risk solution that combines underwriting, risk control and claim services tailored to a range of different industries and businesses, helping customers to mitigate their risks and reduce costs arising out of losses. A complete list of our *INDUSTRYEdge* product solutions for the construction industry is available on our website.

2. **Increased revenue through demand for energy efficient, renewable and/or clean technology (short-term)**

   Environmental legislation and regulation on the state and local levels, such as those pertaining to solar energy or other sustainable building-related requirements or incentives, could lead to an increase in demand for Travelers products that respond to customer needs resulting from such regulation.

For example, in 2021, New Mexico updated its Sustainable Building Tax Credit program, continuing its long history as a leader in green building policy. New Mexico HB 15 was signed into law by Gov. Lujan Grisham on April 6, 2021. The updates not only expand the benefits of tax credits to affordable housing and to LEED Zero certifications, but they also extend New Mexico's Sustainable Building Tax Credit program through 2030 and increase the total tax credit cap to $7.15 million, up from the previous $5 million cap set in 2015. Growth in the renewable energy and clean technology industry segments, as a result of regulatory mandates or incentives or otherwise, could result in increased sales of specialized insurance and surety products that address renewable energy-associated risks (e.g., Travelers SolarPak®) and a potential increase in Business Insurance and Bond & Specialty Insurance net written premiums.

3. **Development of new products or services for renewable energy businesses through R&D and innovation (medium-term)**

The Renewable Portfolio Standard (RPS) has been enacted in 29 states and the District of Columbia, and Clean Energy Standards have been adopted by three states. These standards are part of the renewable energy and alternative energy frameworks established by the U.S. Department of Energy and individual states. In addition, eight states have renewable portfolio goals and two states have clean energy goals that are expected to increase the need for renewable energy products and services. These standards and goals and the related increased demand for renewable energy products and services provide the opportunity to develop new insurance products tailored to changes in related markets. Our dedicated Global Renewable Energy Practice, which provides solutions for renewable energy businesses, enables Travelers to evaluate and pursue the opportunities presented by the expanding renewable energy industry, as discussed in further detail under Capturing Climate Opportunities and Supporting the Growth of Renewable Energy Businesses.

4. **Increased sales of Travelers automobile insurance products with new technologies (medium-term)**

Auto emissions regulations throughout the United States may lead to an increase in demand, production and availability of hybrid and electric vehicles (EVs), which could lead to increased sales of Travelers automobile insurance products for hybrid and electric autos. In December, 2021, several U.S. cities (including Atlanta, Dallas, New York City and Los Angeles) along with three U.S. states (California, New York and Washington) joined with a number of automotive manufacturers, foreign governments (including Canada, Ireland and the United Kingdom) and other groups to sign the "COP26 declaration: zero emission cars and vans," pledging to work toward reaching 100% zero emission new car and van sales in leading markets by 2035 or earlier. The projected substantial increase in the number of EVs and charging stations could lead to an increase in demand for Travelers products over time.

5. **Mitigation of risks over time for customers who utilize our Risk Control services (long-term)**

Travelers Risk Control employs a network of safety and loss prevention professionals who provide assessment and consulting services to our customers and our Business Insurance domestic and international operations. Our network of more than 500 Risk Control consultants and our self-service website for Business Insurance customers provide a comprehensive framework and numerous planning resources, including individualized planning, to help businesses of all types plan for natural disasters, with a focus on safety and preserving business operations.

Climate trends, which manifest over long periods of time, provide a long-term opportunity for the Travelers Risk Control department to offer and develop services to help current and potential customers mitigate the risks associated with changing climate conditions. For example, to help mitigate and minimize property losses caused by weather-related events, Travelers Risk Control has developed a comprehensive framework of technical planning resources to assist customers with conducting business impact analyses to prioritize and implement risk management action plans and physical improvements. Risk Control monitors events and claim trends and partners with associations such as the Insurance Institute for Business & Home Safety (IBHS) to assess innovative building products and new technologies to minimize wind, hail, flood and wildfire exposures. This deep domain expertise allows us to help customers improve their resiliency over time.

In addition, our Risk Control professionals provide guidance about associated risks to our customers who have incorporated "green" products or systems to help reduce carbon emissions and/or increase environmental sustainability. These products and systems include, for example, solar panels on residential and commercial rooftops, lithium-ion batteries used to store solar energy and vegetative roofs on commercial buildings.

Travelers Risk Control maintains technical committee memberships on the National Fire Protection Association (NFPA), the Underwriters Laboratories (UL) Standards Technical Panels, the Fire Protection Research Foundation's Property Insurance Research Group, the Organization of Scientific Area Committees for Forensic Science (OSAC) and other associations to help us research and evaluate the reliability and fire safety of "green" products and systems to determine how these products and systems impact fire, structural and safety exposures. This knowledge is used to continually update our views and empowers our Risk Control professionals to help our customers mitigate the risks associated with changing climate conditions and "green" trends, with a goal of improving outcomes while strengthening customer relationships.

Impact of Climate-related Risks and Opportunities on Travelers' Business and Strategy

Changing climate conditions are expected to evolve over decades, and we believe Travelers is well positioned to respond to these trends. Our approach to climate-related risks and opportunities is multifaceted, and we believe it allows us to mitigate our exposure to climate-related risk and provide products and services that both help our customers mitigate those risks and meet our long-term financial objectives. Our approach includes underwriting and pricing to manage transition and physical risks, as well as monitoring "green" trends and offering products and tailoring pricing to respond to climate-related opportunities. We also incorporate climate considerations into our investment decisions. Other aspects of our comprehensive climate strategy include: advocating for and supporting community resiliency; mitigation and disaster preparedness efforts; and reducing the environmental impact of our own operations, including through our emissions reduction goals.

The below graphic summarizes Travelers' comprehensive climate strategy:

Figure 2.

Comprehensive Climate Strategy

Our climate strategy centers on making sound business decisions and engaging in public policy advocacy to help proactively address climate risk while also mitigating the impact of changing climate conditions

Proactively Addressing Changing Climate Conditions → **Resilience**

Supporting the Transition to a Lower-Carbon Economy

- ✓ Our dedicated Global Renewable Energy Practice provides solutions for businesses across the renewables spectrum, including onshore and offshore wind, solar and biopower operations
- ✓ Offer products and services designed to incentivize environmentally responsible behavior
- ✓ Advocacy
  - ✓ More efficient use of existing energy sources
  - ✓ Development of green energy sources
- ✓ Committed to become carbon neutral across our owned operations by 2030

Mitigating Exposure to Climate Risks

- ✓ Use multiple methods, including proprietary and third-party modeling processes and geospatial analysis, to evaluate our climate-related risks and make underwriting, pricing and reinsurance decisions
- ✓ Consider new insurance product and services that could be useful to our customers for addressing climate-related risks

Building Resilient Communities & Public Policy Advocacy

- ✓ Partner with nonprofits and other organizations around the country, such as Insurance Institute for Business & Home Safety (IBHS), the BuildStrong Coalition, Habitat for Humanity® and SBP. We are a sponsor of the Wharton Risk Center
- ✓ Promote stronger industry standards and building communities that can better withstand current and future weather-related risks

Education & Awareness

- ✓ The Travelers Institute, the public policy division of Travelers, leads our effort to raise awareness about changing climate conditions. Initiatives include:
- ✓ Development of research papers such as the Travelers Coastal Wind Zone Plan, a comprehensive, private-market approach to insuring the Gulf and Atlantic coasts
- ✓ Various events and campaigns to raise awareness about coastal challenges and disaster preparedness

Climate Scenario Analysis With Respect to the Hurricane Peril

Travelers is proud to be a leader in its industry in conducting scenario analysis with respect to identifying the incremental climate impact on physical risk, above typical weather conditions. This analysis has provided the Company with additional visibility into the potential impacts of climate on our business.

Weather perils are each unique and thus, customized scenario analysis must be performed on a peril-by-peril basis. Hurricane wind is a significant driver of risk-based capital requirements, making it a good initial candidate for scenario analysis. Travelers has retained a leading catastrophe modeling firm to evaluate the effects of changing climate conditions on the U.S. hurricane peril for two future emission scenarios and for several time horizons (i.e., 2030, 2050 and 2100). This analysis included the Company's in-force portfolio as well as an industry view. An April 2021 paper ("Most plausible 2005-2040 emissions scenarios project less than 2.5 degrees C of warming by 2100" by Pielke et al.) compared emission scenarios against the last 15 years of historical data and concluded that scenarios aligned with +2°C and +3°C are the most likely outcomes.[1] For our analysis, we chose emission scenarios Representative Concentration Pathway (RCP) 4.5 (< 2.5°C by 2100) and RCP 6.0 (< 3.0°C by 2100), consistent with the latest data, including the aforementioned research findings.

Scenario analysis requires considerable time, scientific expertise and prioritization of peril attributes. In particular, scientific expertise is required to evaluate the multitude of potential hurricane characteristics (e.g., frequency, intensity, size, track, speed, inland decay) and identify those most relevant and important to identifying the incremental climate impact on the insurance industry. After conducting considerable data analysis and scientific literature review, including guidance from the 2020 World Meteorological Organization (WMO) task team report on Tropical Cyclones and Climate Change, we incorporated in our analysis the combined effect of hurricane frequency by intensity category, size and track changes. These storm characteristics were selected both because they have the potential to be impactful to Travelers and because there is considerable scientific literature to support a consensus and range of uncertainty, which are essential for scenario analysis. Confidence in the direction and magnitude of change, as well as confidence in the uncertainty around the consensus mean, are critical to drawing meaningful conclusions from the analysis.

[1] Pielke, Roger, Jr, et al. "Most Plausible 2005-2040 Emissions Scenarios Project Less Than 2.5 Degrees C of Warming by 2100." SocArXiv, 23 Mar. 2021. Web.

Figure 3 demonstrates the incremental climate impacts on the range of potential average annual loss (AAL) and 100-year return period for the two emission scenarios (RCP 4.5 and RCP 6.0) at three snapshots in time. The results suggest high confidence with respect to the direction of change (increase) but high uncertainty regarding the magnitude of change. Based on this scenario analysis, given our company's risk profile, our underwriting strategy and the fact that changing climate conditions will occur over decades, we do not expect the climate impacts with respect to the hurricane peril to have a material impact to our AAL and return period loss estimates. While we anticipate the hurricane risk to be manageable over time, this scenario analysis provides insight into the range of potential future risk, allowing us to be forward-looking in our planning and strategy.

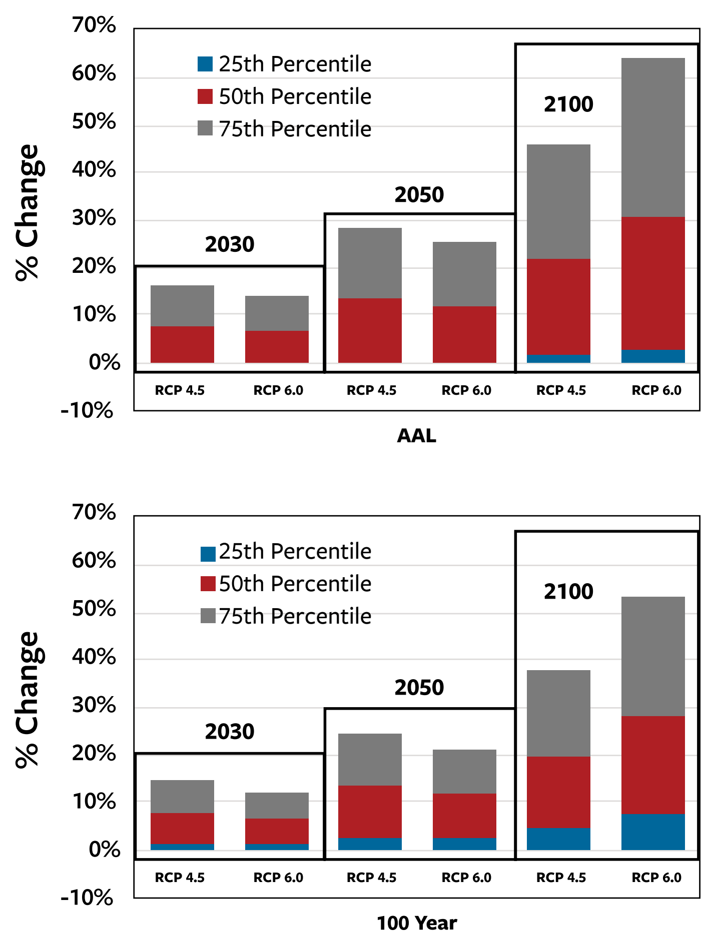


Figure 3. U.S. Hurricane scenario analysis results (AAL and 100-year return period) for the Travelers in-force portfolio using 2Q 2020 vintage exposure (Source: Risk Management Solutions; contracted analysis).

Forward looking climate information, statements and/or projections are inherently uncertain. The assumptions on the magnitude of climate impact on physical risk carry significant degrees of uncertainty due to a multitude of factors, including but not limited to, peril, region, understanding of climate science and Earth system dynamics, climate model projections, time horizon, greenhouse gas emission scenarios, national emission pledges and targets, population growth, technology and innovation, mitigation and resiliency efforts including adaptation, and regulatory changes.

Going forward, we expect to continue to invest in climate research, adding resources and capabilities to further support climate analytical studies, and engaging with catastrophe modeling firms to develop additional climate-conditioned evaluation tools.

Impact of Non-Weather Trends on the Risks We Write

While we are taking a thoughtful and comprehensive approach to evaluating climate risk in our underwriting decisions, we also remain mindful of non-weather-related trends that have a significant impact on the risks we write. These trends are likely to have a significantly greater impact on catastrophe risk aggregation over the short, medium and long-term time horizons than physical risk changes. Risk factors that may increase catastrophe risk over time include aging infrastructure, population growth in high-risk areas (see figure 4) or in areas with weaker enforcement of building codes, urban expansion, an increase in the average size of a home (an increase of over 50% since the 1970s), increased inflation and post-event demand surge. Conversely, factors that may decrease catastrophe risk over time include increased adoption of building code standards and climate change adaptation (e.g., sea walls, levees, urban sewer capacity).

Figure 4 demonstrates the significant population growth since 1990 in states at a high risk for hurricanes and wildfires. Some of these high-risk states are experiencing population growth well above the regional average. These demographic changes have resulted, for example, in larger populations located in coastal areas that historically have been subject to severe storms and related storm surge, thus expanding our potential for losses from hurricanes.

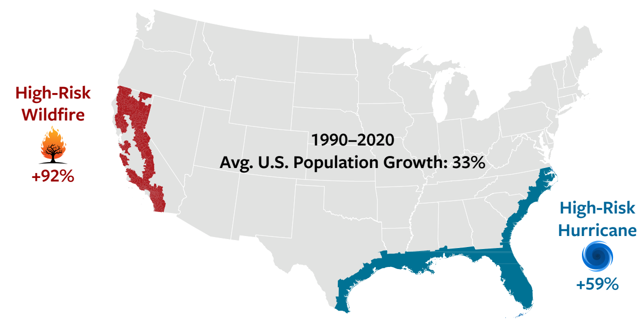


Figure 4. 1990–2020 population growth in high-risk areas for hurricane and wildfire (Source: US Census Bureau).

The risks associated with changing climate conditions will be with us for the foreseeable future. While we can't predict what the next weather-related catastrophe will be or where it will occur, we believe that the steps we take to ensure that our portfolio of risk properly contemplates the potential for loss position us to continue to deliver industry leading returns in the face of changing climate conditions.

Capturing Climate Opportunities and Supporting the Growth of Renewable Energy Businesses

As renewable energy businesses continue to innovate and expand, Travelers is playing a critical role in supporting the transition over time to a lower-carbon economy, both in the United States and internationally – specifically, through our insurance products and services designed for these innovative companies. Travelers has been in the renewable energy space for almost 30 years and is positioned to benefit from the increased economic activity in this space by insuring more renewable energy projects globally.

Travelers offers a range of tailored insurance solutions that cover the entire life span of renewable energy businesses that invest in, develop, operate and maintain commercial and utility-scale operations – from research and development and manufacturing to permanent operations, as well as onshore and offshore wind, solar and biopower operations. Our Global Renewable Energy Practice is designed to facilitate innovation and the growth of renewable energy businesses and support the energy transition. Our Global Renewable Energy Practice also helps Travelers capture a greater share of the expanding renewable energy industry domestically and internationally, as trends toward renewable and clean energy sources continue to accelerate.

For example, our WindPak® and SolarPak® products respond to unique coverage issues for the wind and solar industries based in the United States. We have also expanded our international footprint for onshore and offshore wind and solar operations throughout Asia, Europe, the United Kingdom, Mexico and Canada with our unique coverages written through Travelers Lloyd's Syndicate 5000.

We continue to aggressively pursue the renewable energy sector, such as by providing coverages globally for commercial and residential solar installations and onshore and offshore wind farms, including the first U.S. offshore wind farm project, Block Island Wind Farm. Over the past three years, our Global Renewable Energy Practice grew at a compound annual growth rate of 30%, with revenue up over 120% since 2018.
We also offer specialized coverage, as well as discounts where permissible, to incentivize environmentally responsible behavior – specifically, to encourage adoption of FORTIFIED Home™ construction, green buildings and hybrid/electric vehicles. Examples of our current product offerings include the following:

- **Green Building Coverages.** A suite of green building coverages that respond to the unique coverage issues of "green" buildings and provide for the additional costs to help policyholders repair, replace or rebuild with "green" materials after a loss.
- **Green Home Discount.** A discount of up to 5% for homes that are LEED (Leadership in Energy and Environmental Design) certified.
- **Wind Mitigation Discount**. In many states, our newest homeowners program offers a discount of up to 18% on hurricane premium for homes built to the IBHS FORTIFIED Gold™ standard. In Alabama, depending on the location, the discount can be up to 55% on hurricane premium for this designation. Additional discounts for wind mitigation may be available by state.
- **Hybrid/Electric Vehicle Discount.** A discount for hybrid or electric vehicles.
- **Hybrid Boat Discount.** A discount of up to 10% for hull and liability coverages on hybrid boats and yachts – available in certain states and subject to individual eligibility.
- **Electric Boat Discount.** A discount of up to 10% for electric boats run by motors instead of engines – available in certain states and subject to individual eligibility.

In addition, as discussed in further detail below, we are helping to support the energy transition through our billions of dollars of investments in "green bonds."

Incorporating Climate Considerations Into Our Investment Processes

The primary purpose of our investment portfolio is to enable us to fulfill our promise to our customers and fund the payment of future claims; accordingly, we employ a thoughtful investment philosophy that is focused on appropriate risk-adjusted returns. We approach the impact of climate on our portfolio the way we would approach any other investment risk. As a related matter, insurance companies are subject to significant regulatory investment requirements that place limitations on the types of investments insurers may make, as well as limitations on concentrations of credit and equity risk. These requirements have the primary objective of ensuring that insurers have sufficient liquidity to pay claims as they are presented. As a result, insurers do not have the flexibility that other segments of the financial sector may have with regard to investments and, thus, property casualty insurers tend to have large, fixed-income portfolios.

At Travelers, as of December 31, 2021, 93% of our investment portfolio is in highly-rated, fixed income securities, with a weighted average maturity of approximately five years. Climate trends, which manifest over many decades, should already be reflected in the credit ratings and price of those investments. The relatively short average maturity and liquidity of our fixed income investment portfolio allows the portfolio to be continually adjusted as trends evolve over time. Our portfolio management has a history of carefully managing risk (with default losses in our fixed income portfolio well below those of the overall market), including risks related to changing climate conditions. From a fixed income perspective, the equity layer of the borrower's capital structure acts as buffer for risks, including climate risks. The high credit quality of our fixed income holdings further reduces the potential negative impact of climate risks. Specifically, the weighted average credit quality of the Company's fixed maturity portfolio, both including and excluding U.S. Treasury securities, was "Aa2" at both December 31, 2021 and 2020.

All that said, working within the regulatory framework mentioned earlier, Travelers has established an Investment Policy, approved by the Board of Directors, which reflects a long-term approach to sustainable value creation and requires that Travelers consider ESG factors in the investment process to the extent relevant. We have assigned internally developed ESG scores to all issuers in our fixed income portfolio. Explicitly incorporating ESG factors into our fundamental credit analysis process has resulted in a higher level of awareness and focus on these factors. In certain circumstances, this has led to the exclusion of potential investments and the divestment of portfolio holdings ("negative screening") due to ESG risks where we believed that the expected returns were not consistent with the underlying risks – in other words, where we did not believe we would be appropriately compensated for the risks that we would be assuming.

With respect to our significant municipal bond portfolio, which exceeded $36 billion as of December 31, 2021, we incorporate the impact of changing climate conditions on a given city, state or region as part of our credit analysis. Since we assume catastrophe risks such as earthquakes and windstorms in our capacity as an insurer, we also seek to manage our portfolio's credit risk to such events by assessing our investment exposures to such catastrophes. In addition, for municipal bond issuers in the Southwestern United States and other areas of the country susceptible to drought, all investment analyses include an assessment of water supply adequacy.

A governmental response to climate risk might involve new regulations that could result in stranded assets, i.e., assets that have suffered from an unanticipated or premature loss of value. Evaluating risks to asset values is an integral part of our fundamental credit analysis process, as well. For example, for issuers in the electric utilities industry, our credit analysis pays close attention to these issuers' goals and timelines for reducing carbon emissions by lowering the carbon intensity of their generating assets. Consistent with this credit-based approach to investing, we have also recently publicly committed that: (i) we will not make new investments in companies receiving more than 30% of their revenues from thermal coal mining or electric utilities generating more than 30% of their electricity from coal, and (ii) we will not make new investments in companies holding more than 30% of their reserves in tar sands. Our policy also notes that Travelers will phase out publicly traded investments in companies that exceed the thresholds above as such investments mature.

GHG emissions data for the substantial majority of segments of our investment portfolio (e.g., municipal bonds, structured bonds, private equity funds) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our investment portfolio and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our portfolio. Nonetheless, we believe that we have incorporated the relevant risks into our investment analysis.

Climate Scenario Analysis With Respect to Our Investment Portfolio

We recently engaged a third-party vendor to perform a climate risk analysis of Travelers' investment portfolio. This analysis combined climate stress tests with stochastic modeling of possible future economic outcomes to help us better understand the possible impacts of various scenarios on our investment portfolio.

These scenarios, put forth by the Bank of England in its PRA Exploratory Exercise from 2019 ("BoE 2019"), include (i) a short-term disorderly transition to a low carbon economy, (ii) a long-term orderly transition to a low carbon economy and (iii) a long-term increase in global temperatures by 4°C due to a failed climate policy. The climate stress tests use different return assumptions for various asset sectors and carbon intensive industries and consider both transition risk and physical risk at multiple time horizons based on parameters specified in the BoE 2019.

The assumptions on the magnitude of climate impact on asset prices embedded into these stress tests carry significant degrees of uncertainty due to many factors, such as data quality, incomplete understanding of physical risks and emerging regulatory approaches. In addition, there is a high degree of uncertainty regarding the potential effects of changing climate conditions on financial markets and asset prices. All of these uncertainties increase as the scenarios extend further into the future. Additionally, it is important to note that, as mentioned above, our portfolio durations are significantly shorter than the BoE 2019 scenarios; accordingly, to the extent needed, we believe we would have ample opportunity to reallocate our investments over time.

Keeping the significant uncertainties associated with climate stress testing in mind, the results of our analysis provide some indication of how climate risk could impact our portfolio, including by assessing how climate risk affects different sectors and providing a relative comparison across portfolios, sectors and risk categories. Based on this climate risk analysis, we do not believe that changing climate conditions poses a significant risk to our investment portfolio, and we believe that we are well positioned on an absolute basis and as compared to our large U.S. property casualty insurance industry peers.

Additional high-level results from this climate risk analysis include the following:

- The incremental portfolio downside risk under each of the three climate scenarios considered is significantly smaller in magnitude than the downside risk from various economic conditions alone (e.g., inflation, interest rates, recessions).
- The effects of a long-term orderly transition to a low-carbon economy over the next 30 years should not have a meaningful impact on the portfolio value over the next five years.
- The risk to the portfolio of a failed climate policy scenario is insignificant over the next 5-10 years, as the physical risks from climate change only become significant over much longer time horizons.
- While, in the short term, a disorderly transition to a low-carbon economy has a greater impact on our portfolio's value than the other two climate scenarios modeled, the estimated 1 in 100 downside impact from this scenario is not a significant risk to our portfolio.
- The downside impact of these climate scenarios on Travelers' portfolio is smaller than for a portfolio with an asset allocation representing the average portfolio composition of 11 large U.S. P&C insurers invested in securities with climate exposures similar to market benchmarks. In other words, based on this analysis, Travelers is less exposed to climate risk in its investment portfolio than the average large U.S. P&C insurer. This is primarily due to Travelers' investment portfolio having lower allocation to equities, which the BoE 2019 assumes to suffer greater negative climate impacts than fixed income securities, and our corporate bond portfolio's higher average credit rating (higher rated, financially stronger issuers are assumed to suffer smaller losses than lower-rated issuers).

Supporting Environmental Improvements Through Our Investments

In addition to achieving appropriate risk-adjusted returns, our investments enable many environmental improvements. As of December 31, 2021, 45% of our fixed income portfolio is invested in municipal bonds, which some market participants consider the original ESG bonds. Our portfolio's focus on fixed income investments enables us to provide significant funding for many projects that will result in environmental and other societal improvements. For example, as of December 31, 2021, we have $6 billion invested in municipal bonds that support water and sewer projects, which help mitigate pollution, provide safe drinking water, promote conservation and, in many cases, respond to changing climate conditions. While we do not have formal targets for investing in "green" bonds – securities whose proceeds fund a variety of environmental projects – our "green" bond holdings have grown significantly over the last three years, as depicted in the graph below. As of December 31, 2021, we own almost $2.4 billion of these securities and an additional $0.2 billion of "sustainability" and "sustainability-linked" bonds (as classified by Bloomberg).

Green Bond Holdings

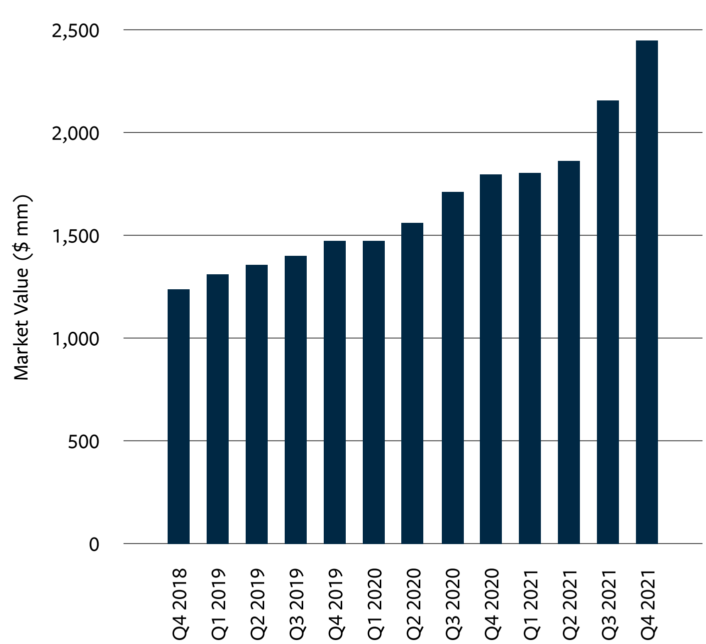


Figure 5.

Other Aspects of Travelers' Climate Strategy

In addition to accounting for climate risk in our underwriting and pricing decisions, as discussed in detail in the Risk Management section of this report, and providing products and product features that capture climate-related opportunities, our climate strategy includes the following components:

Advocating for Community Resiliency

Beyond the products and services we offer our customers and the thoughtful approach we take with respect to both our underwriting and investments, we are helping our communities become more resilient. Resiliency has a critical role to play in protecting our communities from the devastating effects of natural disasters. According to a 2019 National Institute of Building Sciences study, for every $1 invested in mitigation, the United States can save $6 in future disaster costs. For this reason, we continually endeavor to enhance public awareness about the need for effective adaptation strategies to reduce losses related to natural disasters and support and participate in research, advocacy and education. We also partner with nonprofit organizations around the country, including IBHS, the BuildStrong Coalition, Habitat for Humanity®, SBP (formerly the St. Bernard Project) and the Wharton Risk Center to promote stronger building codes, develop initiatives aimed at building communities that can better withstand changing weather patterns and influence industry standards and best practices.

We participate on the board of IBHS, an independent, nonprofit, scientific research organization supported by the insurance industry. IBHS translates top-tier research into action to strengthen homes and businesses, inform the insurance industry and increase community resiliency. Over the last decade, IBHS has identified gaps through full-scale laboratory testing at its state-of-the-art facility and influenced changes to existing building code standards and best practices to mitigate potential losses. To provide just one recent example of IBHS' important work, in 2021, IBHS released the "Wildfire Prepared Home" program. Similar to the FORTIFIED program for wind, this new program provides homeowners with a pathway to receive a three-year designation recognizing their efforts to reduce wildfire risk. Through our research partnership with IBHS, we have gained a better understanding of severe wind, hail and fire impacts on building engineering standards and have incorporated these insights into our underwriting and pricing methodologies.

We also participate on the board of the BuildStrong Coalition, a group composed of national business and consumer organizations, companies and emergency management officials. BuildStrong is dedicated to advocating for federal government legislation and incentivizing state adoption and enforcement of building codes to protect property, save lives from the devastation of natural disasters and reduce loss costs.

National mitigation and resiliency efforts benefited from the enactment of the Disaster Recovery Reform Act in 2018. Long a priority for Travelers and the BuildStrong Coalition, this legislation provides states and localities with dedicated pre- and post-disaster funding opportunities that will continue to save lives and help communities reduce the future costs of natural disasters by helping homeowners fortify their homes using IBHS proven technologies. Federal and state funding for resiliency efforts is essential. According to the 2019 National Institute of Building Sciences study referenced above, for every $1 spent on adopting building codes, the United States can save $11 in future disaster costs.

To help build stronger, more resilient communities, we also joined forces with Habitat for Humanity® as well as IBHS in 2011 to build affordable, wind-resistant homes to FORTIFIED Home™ standards throughout the country. Developed by IBHS, FORTIFIED Home™ construction practices are designed to help homeowners and communities better weather future storms, including hurricanes, high winds, hail and severe thunderstorms. Building FORTIFIED means exceeding the minimum standards set by building codes for construction techniques and materials. Our partnership shows that by making a few important changes in home construction standards, homes are better able to withstand storms without significantly adding to the cost. In 2019, Travelers launched a FORTIFIED building pilot program with SBP, a nonprofit organization that works to shrink the time between disaster and recovery. With assistance from SBP and other organizations, more than 31,000 FORTIFIED homes have been built over the last five years to help communities rebuild after devastating natural disasters.

In these ways, we are advocating for our communities, which we believe is good for our customers, for the communities in which we live and work and for creating shareholder value over time.

Thought Leadership on Disaster Preparedness and Renewable Energy

Travelers is helping to proactively address risks such as hurricanes, wildfires and other disasters through the Travelers Institute, the public policy division of Travelers. The Travelers Institute gathers community members and professionals, including independent insurance agents and brokers, to explore the science of these issues and the latest research on prevention and mitigation. In 2020, given the dual challenges of preparing for a disaster while facing the pandemic, the Travelers Institute teamed up with IBHS and the American Property Casualty Insurance Association (APCIA) during National Hurricane Preparedness Week on a media campaign to provide information and tips to prepare a home or business for a disaster. In addition, the Travelers Institute convened these organizations for a webinar to celebrate the 10th anniversary of the IBHS Research Center, highlighting successes and lessons learned on preparedness for wildfires, hail and wind events. Further, the Travelers Institute highlighted growth opportunities in renewable energy through a dedicated webinar featuring Travelers' Global Practice Leader for Renewable Energy.

Improving Our Eco-Efficient Operations

We continually analyze our operational impacts on the environment and look for cost-effective ways to minimize those impacts without compromising on our promise to our customers and employees.

Our Chief Administrative Officer, a member of the Company's Management and Operating Committees, oversees office activity, mobile combustion and business travel enterprisewide with the help of the Corporate Real Estate and Procurement teams. These teams regularly monitor and analyze our operations and facilities to identify ways for us to operate more efficiently, reduce our environmental impact and lower our operating expenses. We prioritize projects based on their expected financial impact, so our efforts to reduce our energy consumption and waste not only reduce our environmental impact but also lower our operating expenses.

To assist these efforts, we utilize an environmental management system that regularly reviews our operations to measure our impacts and to identify opportunities that increase efficiency and reduce costs. Some of the key elements of our environmental management system include periodic recommissionings of facilities; evaluating emerging technologies, such as alternative energy, and their potential use in our facilities; partnering with power and other utility providers to review our operations and, when available, leveraging their incentive programs to help fund our improvements; evaluating potential changes to energy regulations that may impact our costs and operations; using technology to fine-tune operational parameters; minimizing and recycling as much waste as possible; and evaluating how to be more efficient in space utilization, which has led to the introduction of an open workspace environment that is designed to increase operational efficiency and decrease our need for office space, further minimizing our impact on the environment. We describe our efforts with respect to reducing our greenhouse gas emissions, responsible water use and waste disposal, and paper usage, in turn, below.

Greenhouse Gas Emissions

Reducing our carbon footprint is one important aspect of our climate strategy. As discussed in further detail in the Metrics and Targets section below, we have reduced our carbon footprint significantly over the years and have recently announced our commitment to become carbon neutral across our owned operations by 2030. In recent years, we have implemented various emissions reduction initiatives, including:

- **Lighting.** We have renovated our Travelers-owned Hartford campus to upgrade our lights to LED and continue to work with the local utility companies to understand the incentives for which Travelers could qualify.
- **Information Technology (IT) Equipment Upgrades.** On a regular basis, we upgrade the IT equipment in our data centers to more energy efficient equipment.
- **Owned Building Fabric Maintenance Program.** Targeting windows and roofs, we have a comprehensive preventive maintenance and repair program for our owned buildings to ensure building integrity and reduce energy loss. This program for building fabric will be ongoing for the life of each building.
- **Cloud Migration.** We are working toward using more cloud storage solutions to reduce our dependence on data centers, which will reduce our carbon footprint, over time.
- **Efficient Fleet Vehicles.** We partner with car manufacturing companies to continue transitioning our fleet to more environmentally efficient vehicles/engines.

Results from these initiatives have been impactful. For example, as a result of these actions, we have reduced the electricity usage at our owned facilities by 42% over the last decade. In addition, our open workspace environment, which we began to implement in 2017, increases operational efficiency and decreases our need for office space. We expect that upon completion of our office renovation project, we will reduce our real estate portfolio by approximately 30%.

Additionally, many of our efforts in recent years to improve our claim service also reduce our emissions intensity. For instance:

- We have implemented virtual claim tools, which allow customers to share photos and videos when filing a claim, eliminating the need for a live inspection. We are now using virtual claim handling capabilities on a significant majority of both auto appraisals and wind/hail claims, all without the need for inspection by a Travelers Claim professional. Leveraging our state-of-the-art digital capabilities can speed claim payments and also reduce miles driven by our claim fleet.
- Deploying drones to inspect roof damage improves the customer experience and eliminates safety hazards, while reducing emissions associated with roof inspections, as drone use reduces the need for ladder assist vendors to travel to the affected property.

Water and Waste

As with energy and GHG emissions, we see many opportunities to align our long-term financial interests with responsible water use and waste disposal, creating shared value for our shareholders and the environment. Travelers has implemented certain practices to help ensure proper waste handling and water use. Specifically, we:

- Employ a third-party vendor to properly recycle and dispose of obsolete IT equipment.
- Shred and recycle paper at all locations.
- Installed auto-shutoffs on most faucets.
- Are installing water bottle filling stations in all new workspaces to reduce the use and disposal of single-use water bottles.
- Have a bottle and can recycling program at all owned locations.

In 2018, we began tracking waste and water usage in our owned facilities. We now measure and track all waste at our owned facilities, including single stream recycling, municipal solid waste and construction/demolition waste. Furthermore, we now track all water and sewer use, including general water use for restrooms, kitchens and landscape-related irrigation.

With these tracking capabilities, we are able to trend waste/water consumption over time and quantify impacts of building improvements as they relate to creating more environmentally sustainable workplaces.

Paper Usage

For almost two decades, Travelers has implemented a variety of business initiatives to reduce our paper usage. In 2019, Travelers started partnering with American Forests, the oldest conservation group in the United States, to fund the planting of a tree for every Personal Insurance customer who chooses paperless billing.

As of December 31, 2021, we have funded the planting of over three million trees, exceeding the goal we had set for ourselves. In 2020, we also joined the U.S. chapter of 1t.org to help conserve, restore and grow one trillion trees by 2030. In addition to restoring natural landscapes, providing habitat for wildlife and naturally capturing carbon emissions, this effort has helped us minimize our environmental impact and carbon footprint. We are proud that we are now planting more trees than we are using. Beyond the environmental impacts of planting trees for this campaign, paperless billing provides an added level of convenience for customers by allowing for easy access and retrieval of policy documents, while helping us save millions of dollars in paper and postage costs.

Additional details on these aspects of our strategy can be found in the Climate Strategy, Eco-Efficient Operations and Public Policy sections of our sustainability website.

Risk Management

Travelers employs a long-term financial strategy to manage risk/reward over time. We continually measure results to understand the performance of our products and businesses and apply our collaborative understanding of risk to adjust our current view of risk/reward, as appropriate. Through our ERM framework, we actively evaluate the risk/reward relationships on both an individual and a portfolio basis. This evaluation impacts the risks we decide to insure and the appropriate rates to charge. The Enterprise Underwriting department is one of the key internal risk management functions at Travelers. Enterprise Underwriting defines and manages Travelers' corporate underwriting risk appetite and controls to ensure consistency across the enterprise. Enterprise Underwriting also defines and manages the related underwriting authority standards and thresholds, and each business operates within the defined authority standards.

Risk management for changing climate conditions is addressed within our business model and ERM framework. As part of our ERM process, business and corporate groups work to identify and assess climate-related risks, both physical and transitional. We regularly review emerging issues, including changing climate conditions, to consider potential changes to our risk models and their use, as well as to help assess the need to adjust underwriting, pricing or reinsurance strategies, coverage terms and conditions or to develop new products or otherwise explore climate-related opportunities. We evaluate event exposures using catastrophe models, as discussed under Strategy above, and report aggregate exposure and strategies regularly to management and the Risk Committee of the Board. For more details on how we incorporate climate-related risk into our reinsurance portfolios, see Mitigation of Climate Risks in our Underwriting and Pricing Decisions.

Our integrated, iterative and collaborative ERM process includes evaluating risk and reward, setting underwriting and operational strategies, and monitoring the results of our efforts. As part of our process, we consider various external environments and influences, including the economy, insurance marketplace, and views of regulators, the investment community and rating agencies.

For climate-related risks – both physical and transitional – several management groups and business-level risk committees, including the Catastrophe Risk Management group, the Enterprise Risk Committee, the Emerging Issues Committee and the Committee on Climate, Energy and the Environment (CEEC), advise the Board and its Risk Committee. The CEEC coordinates and supports climate-related initiatives and strategies across Travelers and is a venue to share information and leverage expertise. The CEEC has four subgroups, each led by senior staff and aligned with a key area of focus:

1. **Risk Identification & Management.** (Discussed in further detail under Process Used to Determine Climate-related Risks.) Supports business activities to identify, monitor and assess climate-related risks. Participants include representatives from our Enterprise Risk Management function (which includes the Enterprise Risk Management group, Catastrophe Risk Management, and Enterprise Underwriting), Investments, Government Relations, Legal, Risk Control, Claim, Global Renewable Energy Practice and business underwriting groups across the Company.

2. **Products, Market Development & Customer Services.** (Discussed in further detail under Process Used to Determine Climate-related Opportunities.) Supports activities to identify and develop product opportunities, explore potential new markets and expand services to help customers prepare for and respond to potential risks related to changing climate and "green" trends. Participants include Business Insurance Underwriting and Product, Enterprise Underwriting, Risk Control, Claim, the Global Renewable Energy Practice and employees from across our business units.

3. **External Relations, Communications & Industry Leadership.** Supports Travelers' external-facing corporate groups on matters pertaining to climate, energy and the environment. Participants include the Travelers Institute, Government Relations, Corporate Communications, Catastrophe Risk Management, Enterprise Underwriting, Risk Control, Community Relations and Investor Relations.

4. **Facilities & Operations Management.** Coordinates the Company's initiatives and activities to develop and implement environmentally responsible corporate practices, including establishing emission reduction goals and monitoring progress in achieving those goals. Participants include members of the Travelers Corporate Real Estate team, along with key members of the facility management teams of our outsourced service provider.

For a more complete discussion of our ERM framework, please see our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Process Used to Determine Climate-related Risks

Using actionable science to make informed business decisions is a pillar of Travelers' catastrophe risk management philosophy. Given our longstanding focus on changing climate conditions, our Catastrophe Risk Management group, which assesses catastrophe risk and manages the development of our strategic catastrophe efforts, includes experts in data science, meteorology, hydrology, geophysics and environmental engineering, among other areas. We have also established dedicated teams for each catastrophe peril, with the goal of developing industry-leading scientific and underwriting expertise. We have incorporated our learnings into our product development, risk selection, pricing, capital allocation and claim response.

The insights we have developed have enabled us to supplement standard vendor catastrophe models with our own sophisticated peril-by-peril view. This approach gives us a refined granular view of catastrophe risk, incorporating proprietary variables, such as complex roof characteristics, tree and brush density and location intelligence down to the parcel level. These variables are incorporated into our product development, enhancing our segmentation. They are also integrated into proprietary algorithms that we use at the point of sale to inform risk selection and decisions about terms and conditions.

We use various analyses and methods, including proprietary and third-party modeling processes and geospatial analysis, to evaluate our climate-related risks and make underwriting, pricing and reinsurance decisions designed to manage the Company's exposure to catastrophe events. In addition to catastrophe modeling and analysis, we also model and analyze the Company's exposure to other extreme events. We also utilize proprietary and third-party computer modeling processes to evaluate capital adequacy. In addition, we consider historical loss experience, recent events, underwriting practices, market share analyses, external scientific analysis and various other factors, including non-modeled losses, to refine our proprietary view of catastrophe risk. These analytical techniques are an integral component of our ERM process and further support our long-term financial strategies and objectives.

We actively monitor and evaluate changes in third-party models and, when necessary, calibrate the catastrophe risk model estimates delivered via our proprietary modeling processes. Importantly, in addition, our underwriting appetite evolves as the environment evolves, and we modify our underwriting if we believe that the risks exceed our risk appetite. Finally, as discussed under Mitigation of Climate Risks in our Underwriting and Pricing Decisions, in addition to factoring in catastrophe models and historical experience, we are able to respond quickly to changing conditions since most of our policies renew annually. This gives us the flexibility to adjust our underwriting and pricing strategies and related policy terms and conditions, as appropriate.

Separately, as discussed in both the Governance and Risk Management sections of this report, business-level risk committees play an active role in developing and executing our ERM strategy. The CEEC includes two subcommittees that are directly involved with determining climate-related transition and liability risks and climate-related opportunities, respectively: the Risk Identification & Management subcommittee, discussed immediately below, and the Products, Market Development & Customer Services subcommittee, discussed under Process Used to Determine Climate-related Opportunities.

The Risk Identification & Management subcommittee includes representatives from our ERM function in the United States and the United Kingdom, including the Catastrophe Risk Management and Enterprise Underwriting groups; our business underwriting groups across the Company; our Risk Control function; and the Investment, Legal and Regulatory functional areas. The subcommittee meets regularly to discuss and assess climate-related issues, risks and trends.

The subcommittee stays current on climate-related and environmental risks, including through industry publications and external conferences, and actively monitors various relevant risk factors, such as:

- Climate-related litigation and novel theories of liability.
- Legal and regulatory requirements impacting climate, energy and the environment.
- Market-based policies that put a price on greenhouse gases, such as carbon pricing or cap-and-trade programs.

- Efforts by states, nations and nongovernmental organizations to adopt policies or implement programs designed to reduce emissions impacting global temperatures.
- Emerging regulatory requirements and "best practice guides" for international businesses with respect to risk management, disclosure and scenario analysis practices relating to changing climate conditions.
- Impacts related to emerging "clean" or "green" energy and technology trends and products.

The subcommittee also receives regular updates from internal subject matter experts regarding emerging scientific analyses and published reports relating to weather trends and the effects of changing climate conditions. The majority of these publications focus on forward-looking impacts. These publications include:

- Materials issued by the U.N. Intergovernmental Panel on Climate Change (IPCC).
- The National Climate Assessment Reports issued in the United States by the National Oceanic and Atmospheric Administration (NOAA) as part of the U.S. Global Change Research Program (USGCRP).
- Articles published in scientific journals.

When a potential risk is identified, the subcommittee engages in a comprehensive review to evaluate the risk. This process involves the relevant internal stakeholder groups and, as appropriate, may be elevated pursuant to our ERM framework for discussion with senior management and the Board of Directors.

Process Used to Determine Climate-related Opportunities

The business lead for the Global Renewable Energy Practice is the chair of one of the subcommittees of the CEEC, the Products, Market Development & Customer Services subcommittee. The subcommittee consists of Travelers specialized industry experts, who collaborate, among other things, on:

- Identifying potential new products and assessing their feasibility.
- Exploring potential new markets.
- Monitoring the impact of climate and "green" trends on current product offerings.
- Sharing ideas and exploring possibilities to avail ourselves of additional climate-related opportunities.

When we identify a potential opportunity, we conduct a comprehensive evaluation of the viability of the opportunity, as well as the risks associated with the opportunity. This process involves experts from the relevant disciplines across the organization, including industry experts and our Risk Control professionals. After a determination is made that a product is viable and within our risk appetite, further vetting is conducted through our ERM process prior to product development and/or launch.

Mitigation of Climate Risks in Our Underwriting and Pricing Decisions

As a property casualty insurance company, we are in the business of insuring risk. More specifically, Travelers is a risk/return-focused company, and we regularly evaluate our underwriting standards to ensure we are earning an appropriate return for the risks we are underwriting. Our risk appetite is dependent on our ability to understand the property and casualty risks that we underwrite. We try to avoid exposures that cannot be evaluated or have unacceptable levels of uncertainty. For both property and casualty lines of business, we consider environmental factors, including weather trends and patterns, alongside other relevant risk variables in our underwriting evaluation process and in our underwriting strategies.

For example, given our risk/return requirements, our direct exposure to thermal coal and tar sands is de minimis; simply put, these businesses are not attractive to us from a risk/return standpoint. Consistent with our risk/return approach to underwriting, we have recently published a policy in which we publicly commit that we will not (i) provide insurance for the construction and operations of any new coal-fired plants, (ii) underwrite new risks for companies that generate more than 30% of their revenues from thermal coal mining, (iii) underwrite new risks for companies that generate more than 30% of their energy production from coal, or (iv) underwrite new risks for companies that hold more than 30% of their reserves in tar sands. Travelers also committed to phasing out existing underwriting relationships that exceed the thresholds above by 2030.

Understanding climate-related effects on weather perils is part of our fundamental evaluation process in connection with the underwriting and pricing of risks related to many of our products. We use proprietary, industry-specific supplemental questionnaires to help us identify specific risk characteristics and other relevant factors, including changing climate conditions and other environmental factors, which we incorporate into our underwriting process. That said, GHG emissions data for the vast majority of our underwriting portfolio (e.g., personal automobile, homeowners, small and mid-sized businesses) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our customers and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our underwriting portfolio. Nonetheless, we believe that we have incorporated the relevant risks into our underwriting process.

Pricing of Travelers property and casualty insurance products is generally developed based upon a number of factors, including an estimation of expected losses; the expenses associated with producing, issuing and servicing business and managing claims; the time value of money related to the expected loss and expense cash flows; and a reasonable profit margin that considers, among other factors, the capital needed to support the Company's business. Travelers has a disciplined approach to underwriting and risk management that emphasizes product returns and profitable growth over the long term rather than premium volume or market share.

As discussed in detail throughout this report, we can and do take steps to ensure that our portfolio of risk properly contemplates the potential for loss and that we continue to maintain the right balance of risk and reward. We will continue to underwrite risks to the extent we believe we can earn an appropriate risk-adjusted return, and we will reduce our exposure to or exit altogether markets and geographies when, upon careful evaluation, we don't believe that appropriate risk-adjusted returns are achievable. We manage the performance of our business over time, and that approach is foundational to our underwriting philosophy and core to how we manage our catastrophe exposure. We believe we are well positioned to continue to deliver industry-leading returns in the face of changing climate conditions.

Catastrophe Modeling

Core to our strategy is the incorporation of weather and climate variability into our underwriting and pricing decisions. Our catastrophe modeling, as described in the Process Used to Determine Climate-related Risks section above, is critical to this effort.

It is important to note that there are no industry-standard methodologies or assumptions for projecting catastrophe exposure. Accordingly, catastrophe estimates provided by different insurers may not be comparable.

Based on the proprietary and third-party models utilized by the Company, the table below sets forth, as of December 31, 2021, the probabilities that estimated losses, comprising claims and allocated claim adjustment expenses (but excluding unallocated claim adjustment expenses), from a single event occurring in a one-year timeframe will equal or exceed the indicated loss amounts (expressed in dollars, net of tax, and as a percentage of the Company's common equity). For example, on the basis described in the table below, the Company estimates that there is a one percent chance that the Company's loss from a single U.S. and Canadian hurricane in a one-year timeframe would equal or exceed $2.0 billion, or 8% of the Company's common equity at December 31, 2021.

	DOLLARS (IN BILLIONS)		PERCENTAGE OF COMMON EQUITY[1]	
LIKELIHOOD OF EXCEEDANCE[2]	SINGLE U.S. AND CANADIAN HURRICANE	SINGLE U.S. AND CANADIAN EARTHQUAKE	SINGLE U.S. AND CANADIAN HURRICANE	SINGLE U.S. AND CANADIAN EARTHQUAKE
2.0% (1-in-50)	$1.5	$0.5	6%	2%
1.0% (1-in-100)	$2.0	$0.7	8%	3%
0.4% (1-in-250)	$2.5	$1.2	9%	4%
0.1% (1-in-1,000)	$6.4	$1.7	24%	6%

[1] The percentage of common equity is calculated by dividing (a) indicated loss amounts in dollars by (b) total common equity excluding net unrealized investment gains and losses, net of taxes, included in shareholders' equity. Net unrealized investment gains and losses can be significantly impacted by both discretionary and other economic factors and are not necessarily indicative of operating trends. Accordingly, the Company's management uses the percentage of common equity calculated on this basis as a metric to evaluate the potential impact of a single hurricane or single earthquake on the Company's financial position for purposes of making underwriting and reinsurance decisions.

[2] An event that has, for example, a 2% likelihood of exceedance is sometimes described as a "1-in-50 year event." As noted above, however, the probabilities in the table represent the likelihood of losses from a single event equaling or exceeding the indicated threshold loss amount in a one-year timeframe, not over a multi-year timeframe. Also, because the probabilities relate to a single event, the probabilities do not address the likelihood of more than one event occurring in a particular period, and, therefore, the amounts do not address potential aggregate catastrophe losses occurring in a one-year timeframe.

The threshold loss amounts in the table above, which are based on the Company's in-force portfolio at December 31, 2021, and catastrophe reinsurance program at January 1, 2022, are net of reinsurance, after-tax and exclude unallocated claim adjustment expenses, which historically have been less than 10% of loss estimates. For further information regarding the Company's reinsurance, see "Item 1 – Business – Reinsurance" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The amounts for hurricanes reflect U.S. and Canadian exposures and include property exposures, property residual market exposures and an adjustment for certain non-property exposures. The hurricane loss amounts are based on the Company's catastrophe risk model estimates and include losses from the hurricane hazards of wind and storm surge. The amounts for earthquakes reflect U.S. and Canadian property and workers compensation exposures. The Company does not believe that the inclusion of hurricane or earthquake losses arising from other geographical areas or other exposures would materially change the estimated threshold loss amounts.

Catastrophe modeling relies upon inputs based on experience, science, engineering and history. These inputs reflect a significant amount of judgment and are subject to changes which may result in volatility in the modeled output. Catastrophe modeling output may also fail to account for risks that are outside the range of normal probability or are otherwise unforeseeable. Catastrophe modeling assumptions include, among others, the portion of purchased reinsurance that is collectible after a catastrophic event, which may prove to be materially incorrect. Consequently, catastrophe modeling estimates are subject to significant uncertainty. In the table above, the uncertainty associated with the estimated threshold loss amounts increases significantly as the likelihood of exceedance decreases. In other words, in the case of a relatively more remote event (e.g., 1-in-1,000), the estimated threshold loss amount is relatively less reliable. Actual losses from an event could materially exceed the indicated threshold loss amount. In addition, more than one such event could occur in any period.

Moreover, Travelers is exposed to the risk of material losses other than property and workers compensation coverages arising out of hurricanes and earthquakes, and it is exposed to catastrophe losses from perils other than hurricanes and earthquakes, such as tornadoes and other windstorms, hail, wildfires, severe winter weather, floods, tsunamis, volcanic eruptions, solar flares and other naturally occurring events.

In addition, compared to models for hurricanes, models for earthquakes are less reliable due to there being a more limited number of significant historical events to analyze, while models for tornadoes, hail storms, wildfires and winter storms are newer and may be less reliable due to the highly random geographic nature and size of these events. Accordingly, these models may be less accurate in predicting risks and estimating losses. Further, changes in climate conditions could cause our underlying modeling data to be less predictive, thus limiting our ability to effectively evaluate and manage catastrophe risk. In addition, models for some events are either in early stages of development and, therefore, not widely adopted, or are not yet available.

For more information about the Company's exposure to catastrophe losses, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, under "Item 1A – Risk Factors – High levels of catastrophe losses, including as a result of factors such as increased concentrations of insured exposures in catastrophe-prone areas, could materially and adversely affect our results of operations, our financial position and/or liquidity, and could adversely impact our ratings, our ability to raise capital and the availability and cost of reinsurance" and "Item 1A – Risk Factors – We may be adversely affected if our pricing and capital models provide materially different indications than actual results."

External Studies

In addition to catastrophe modeling, we evaluate the findings contained in governmental reports, such as the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6; 2021) and the U.S. Fourth National Climate Assessment Reports (NCA4 volumes 1 and 2; 2017–2018), as well as other external scientific studies related to climate to assess potential impacts on our underwriting and pricing decisions. For example, we have evaluated the extent to which phases of the Atlantic Multidecadal Oscillation, the El Niño–Southern Oscillation, the North Atlantic Oscillation and Saharan dust conditions may influence changes in basin frequency, severity or U.S. landfall risk of hurricanes.

Catastrophe Experience

Our catastrophe underwriting also incorporates lessons learned from recent events, including the 2017 Tubbs Fire (California), the 2018 Camp Fire (California) and the 2019 Kincade Fire (California), as well as past events, such as Hurricanes Harvey and Katrina and Superstorm Sandy. In addition, we are studying impacts of several 2020 and 2021 wildfire events in California and Oregon, as well as the late-season 2021 Marshall fire (Colorado). These lessons are reflected in our:

- Disciplined approach to terms and conditions that are designed to make outcomes more predictable.
- Risk control initiatives, which help us with risk mitigation, selection and pricing.
- Proprietary flood underwriting, which factors in building footprints compared to segmented flood zones.
- Proprietary wildfire underwriting, which factors in terrain slope, vegetation density and propensity to burn, and road access, including proximity to fire stations, as well as historical footprints.

As it relates to the California wildfires in particular, we now view events such as those of the past few years as being less remote than we thought previously. As a consequence of that, as well as the longer-term trend in catastrophe losses, for certain perils we have weighted our more recent experience somewhat more heavily than we otherwise would have in modeling catastrophe losses going forward.

Additional Factors Limiting Our Exposure to Climate-related Risks

In addition to factoring in catastrophe models, external studies and historical experience, we are able to mitigate our exposure to climate-related risks including through the following:

- **Annual Policies.** We are able to respond quickly to changing conditions since most of our policies renew annually. This gives us the flexibility to adjust our pricing, underwriting strategy and related policy terms and conditions, as appropriate. In addition to making short-term tactical adjustments to our underwriting strategy and product pricing based on the climate-related risks we identify, we monitor climate-related risks on a medium- and long-term horizon to arrive at a holistic view of climate-related impacts on our business, further allowing us to adjust and refine our strategy, products and pricing.
- **Reinsurance.** Informed by our risk selection, claim experience and risk appetite, we reinsure a portion of the risks we underwrite to further manage our exposure to losses and to protect our capital. We cede to reinsurers a portion of these risks and pay premiums based upon the risk and exposure of the policies subject to such reinsurance. We conduct an ongoing review of our risk and catastrophe coverages and, from time to time, make changes to our reinsurance program as we deem appropriate. For example, Travelers utilizes a corporate catastrophe excess-of-loss reinsurance treaty with unaffiliated reinsurers to manage its exposure to losses resulting from catastrophes and to protect its capital. In addition to the coverage provided under this treaty, Travelers also utilizes catastrophe bonds to protect against certain weather-related losses in the Northeastern United States and a Northeast catastrophe reinsurance treaty to protect against losses resulting from weather-related catastrophes in the Northeastern United States. To address some ongoing degree of uncertainty surrounding weather volatility, we added a new catastrophe reinsurance treaty to our overall reinsurance program in 2019. For further discussion of our reinsurance program, see our Annual Report on Form 10-K.
- **Product Diversity.** Our broad product diversity also mitigates our exposure to climate-related risks. We engage broadly across nine major lines of insurance through our three business segments – Business Insurance, Bond & Specialty Insurance and Personal Insurance. Our portfolio is balanced across these lines of business and further diversified by geography and customer size and type. Travelers is a leading U.S. commercial insurer with a top-five position in five major product lines, including a No. 1 position in workers compensation and commercial multi-peril.[1] Our Business Insurance segment accounts for more than half of our net written premiums and includes product lines that are less susceptible to climate-related risks, such as workers compensation and general liability. Likewise, our Bond & Specialty Insurance segment offers primarily fidelity, surety, cyber, management liability and professional liability products. In 2021, approximately 67% of domestic premiums were from liability lines (e.g., workers compensation, management liability, general liability, auto insurance), whereas approximately 33% of domestic premiums came from property lines (e.g., homeowners and commercial property). See the Business Strategy & Competitive Advantages section of our sustainability website to learn more about our product breadth and specialization.

For a discussion regarding the management of climate risk associated with our investment portfolio, see the section titled Incorporating Climate Considerations into Our Investment Processes under the Strategy pillar, above.

[1] 2021 U.S. Statutory DWP. Five major product lines: Commercial Multi-Peril (Commercial Multiple Peril (Liability), Commercial Multiple Peril (Non-Liability), Farmowners Multiple Peril); Commercial Auto (Commercial Auto No-Fault (Personal Injury Protection), Commercial Auto Physical Damage, Other Commercial Auto Liability); General Liability (Other Liability Occurrence, Product Liability); Workers Compensation; and Surety. Copyright © 2022, S&P Global Market Intelligence. Used with permission.

Metrics & Targets

We measure a variety of climate-related metrics that inform our climate and overall business strategies. We also set GHG targets to monitor our operational eco-efficiencies.

Catastrophe Losses

On an annual basis, we monitor changes in catastrophe model output on our book of business, changes in the state-of-the-science, and weather and non-weather loss trends as part of the natural catastrophe planning process by business unit and by peril.

(DOLLARS IN MILLIONS)	2021	2020	2019
Catastrophe Losses (pre-tax)	$1,847	$1,613	$886
Catastrophe Losses (after-tax)	$1,459	$1,274	$699
Earned Premiums Ceded (Reinsurance Premiums) [1]	($2,154)	($1,944)	($1,798)
Reinsurance Recoverable[2]	$8,452	$8,350	$8,235

[1] For total company, including related to catastrophes

[2] Net allowance for estimated uncollectible reinsurance at $141 million and $146 million at December 31, 2021 and 2020, respectively

The Company defines a "catastrophe" as an event:

- that is designated a catastrophe by internationally recognized organizations that track and report on insured losses resulting from catastrophic events, such as Property Claim Services (PCS) for events in the United States and Canada; and
- for which the Company's estimates of its ultimate losses before reinsurance and taxes exceed a pre-established dollar threshold.

The Company's threshold for disclosing catastrophes is primarily determined at the reportable segment level. If a threshold for one segment or a combination thereof is exceeded and the other segments have losses from the same event, losses from the event are identified as catastrophe losses in the segment results and for the consolidated results of the Company. Additionally, an aggregate threshold is applied for International business across all reportable segments. The threshold for 2021 ranged from approximately $20 million to $30 million of losses before reinsurance and taxes.

The table on the following page presents the amount of losses recorded by the Company for significant catastrophes that occurred in 2021, 2020 and 2019, the amount of net unfavorable (favorable) prior year reserve development recognized in 2021 and 2020 for catastrophes that occurred in 2020 and 2019, and the estimate of ultimate losses for those catastrophes at December 31, 2021, 2020 and 2019. For purposes of the table, a significant catastrophe is an event for which the Company estimates its ultimate losses will be $100 million or more after reinsurance and before taxes.

(IN MILLIONS, PRE-TAX AND NET OF REINSURANCE)[1]	LOSSES INCURRED / UNFAVORABLE (FAVORABLE) PRIOR YEAR RESERVE DEVELOPMENT FOR THE YEAR ENDED DECEMBER 31,			ESTIMATED ULTIMATE LOSSES AT DECEMBER 31,		
	2021	2020	2019	2021	2020	2019
2019 PCS Serial Number:						
33 – Severe wind storms	(9)	8	250	249	258	250
61 – Severe wind storms and tornadoes	(13)	8	109	104	117	109
2020 PCS Serial Number:						
16 – Tennessee tornado activity	(9)	151	n/a	142	151	n/a
19 – Severe storms	(9)	134	n/a	125	134	n/a
20 – Severe storms	(25)	165	n/a	140	165	n/a
33 – Civil unrest	(7)	100	n/a	93	100	n/a
44 – Tropical Storm Isaias	(22)	140	n/a	118	140	n/a
46 – Midwest derecho	(10)	212	n/a	202	212	n/a
68 – California wildfire – Glass fire[2]	(9)	145	n/a	136	145	n/a
2021 PCS Serial Number:						
15 – Winter storms	228	n/a	n/a	228	n/a	n/a
17 – Winter storms	508	n/a	n/a	508	n/a	n/a
29 – Severe wind storms	105	n/a	n/a	105	n/a	n/a
60 – Hurricane Ida	417	n/a	n/a	417	n/a	n/a
76 – Tornado outbreak	131	n/a	n/a	131	n/a	n/a

[1] Amounts are reported pre-tax and net of recoveries under all applicable reinsurance treaties, except for the Company's 2021, 2020 and 2019 Underlying Property Aggregate Catastrophe Excess-of-Loss Treaties. Those treaties covered the accumulation of certain property losses arising from one or multiple occurrences (both catastrophe and non-catastrophe events) for the period January 1, 2021, through and including December 31, 2021, and the period January 1, 2020, through and including December 31, 2020, and the period January 1, 2019 through and including December 31, 2019, respectively. As a result, the benefit from those treaties are not included in the table as the allocation of the treaties' benefit to each identified catastrophe changes each time there are additional events or changes in estimated losses from any covered event.

[2] In addition to the Glass fire, there were 16 other PCS-designated wildfires in 2020. While none of the 16 wildfires were individually large enough to meet the Company's threshold for disclosure as a significant catastrophe in this table, total losses in 2020 from those wildfires were $169 million, of which two wildfires totaling $73 million met the Company's threshold for disclosure as catastrophes.

n/a: not applicable

Greenhouse Gas Emissions

As an insurer, most of our Scope 1 and 2 GHG emissions result from office activity and mobile combustion (e.g., claim vehicles). While we strive to reduce our emissions, our primary climate-related risks and opportunities relate to our property insurance business and claim service.

Travelers set a goal to reduce the Company's absolute Scope 1 and 2 emissions by 40% by 2020, based on a 2011 base year. By year-end 2020, we exceeded this goal, cutting absolute Scope 1 and 2 emissions by 60%. In April 2021, we announced our commitment to become carbon neutral across our owned operations by 2030. We will achieve this by reducing or offsetting an additional 50,000 metric tons of carbon dioxide. We plan to accomplish this goal by continuing to implement projects that result in absolute physical reductions of GHG emissions, continuing efforts to reduce energy consumption, increasing the percentage of renewable energy sources, reducing the size of our vehicle fleet and transitioning to a greater use of electric vehicles. When these efforts are exhausted, as a last resort, we will buy certified offsets.

The table below outlines our Scope 1, 2 and 3 emissions data, which has been verified by an independent third party. We use The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) to calculate our Scope 1 and 2 greenhouse gas emissions.

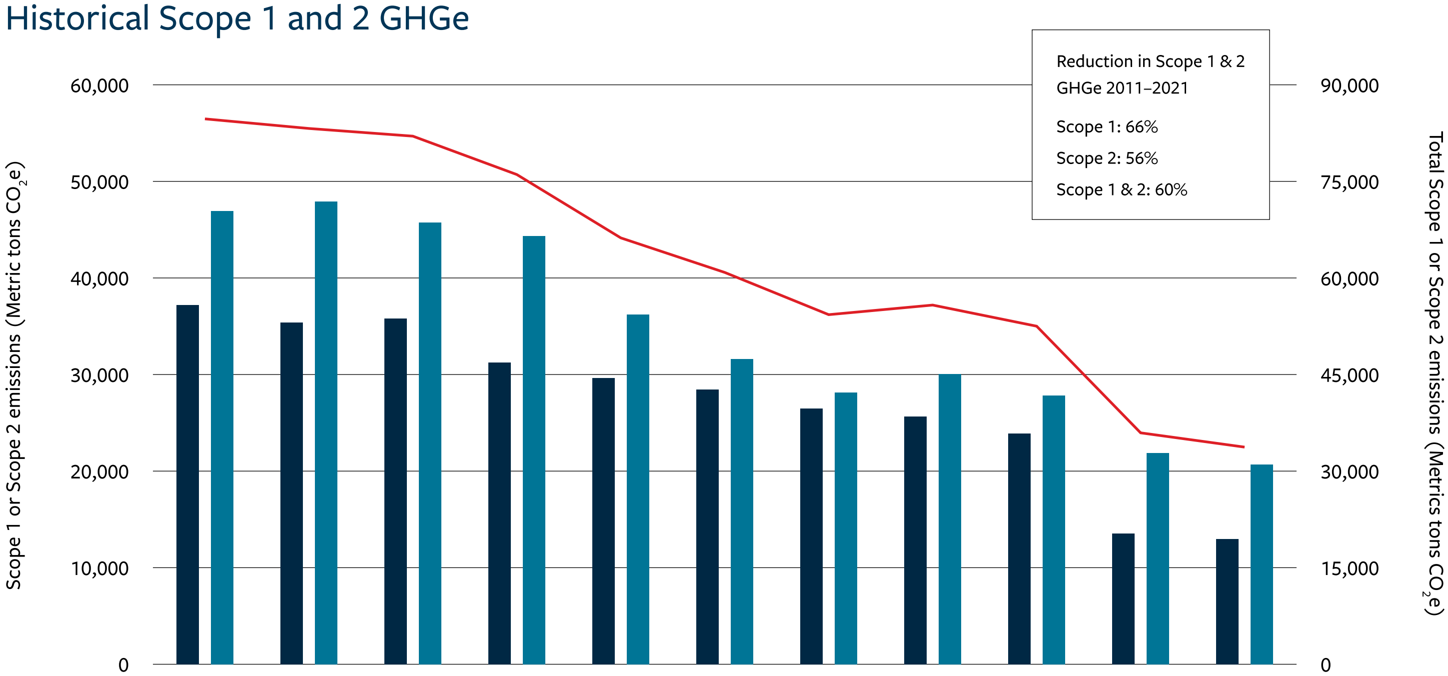
TOPIC	2021	2020	2019	2011
Scope 1 GHG Emissions (metric tons CO_2e)	12,794	13,500	23,746	37,436
Emissions from Mobile Combustion (metric tons CO_2e)	11,655	12,414	22,525	36,574
Emissions from Office Activity (metric tons CO_2e)	1,139	1,086	1,221	862
Scope 2 GHG Emissions (metric tons CO_2e)[1]	20,683	21,908	27,970	47,167
Total Scope 1 and Scope 2 GHG Emissions (metric tons CO_2e)	33,477	35,408	51,716	84,603
GHG Emissions per Revenue (metric tons CO_2e per $)	0.00000096	0.00000111	0.00000163	0.0000033248
GHG Emissions per FTE (metric tons CO_2e per person)	1.12	1.18	1.72	2.76
Scope 3 Emissions from Travel	4,479	5,666	17,819	Not Tracked
Percentage of Electricity from Renewable Sources[2]	22%	22%	19%	Not Tracked
Percentage of Total Energy from Renewable Sources[2]	8%	8%	6%	Not Tracked

[1] Location-based method

[2] Percentages from renewable energy for 2020 and 2019 have been restated to reflect adjusted data from certain utility vendor partners.

As illustrated in the chart below, from 2011 through 2021, we reduced our Scope 1 and Scope 2 emissions by 66% and 56%, respectively.

Historical Scope 1 and 2 GHGe



TOPIC	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Scope 1	37,436	35,633	35,804	31,184	29,605	28,352	26,640	25,591	23,746	13,500	12,794
Scope 2	47,167	48,151	46,278	44,576	36,352	31,979	28,250	29,881	27,970	21,908	20,683
Total	84,603	83,784	82,082	75,760	65,957	60,331	54,890	55,472	51,716	35,408	33,477

Figure 6.

Conclusion

As always, we continue to take into account all relevant factors, including environmental factors, in both our underwriting and investment processes, and we will adjust our strategies and practices, as appropriate, as the energy market and governmental policies continue to evolve. Through our Global Renewable Energy Practice and our other products and services, we will also continue to support our clients across the energy sector, enabling their innovation and the transition to a cleaner environment. Finally, we will continue to seek cost-effective ways to reduce the environmental impact of our own operations.

sustainability.travelers.com

Important Legal Information

This report contains information about Travelers. Travelers disclaims any duty or obligation to update such information. Any “forward-looking statement” is made only as of the date such information was originally prepared by Travelers and is intended to fall within the safe harbor for forward-looking information provided in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements. Words such as “may,” “will,” “should,” “likely,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “believes,” “estimates” and similar expressions are used to identify these forward-looking statements. These statements include, among other things, statements about our future results of operations and financial condition; our share repurchases and dividends; our strategy and competitive advantages; our strategic and operational initiatives to improve profitability and competitiveness; our new product offerings; our innovation agenda; our investment portfolio; our risk management, including climate-related risks and opportunities; our catastrophe modeling, including statements about probabilities or likelihood of exceedance; our scenario analyses; our cybersecurity, business resiliency and data privacy; our underwriting strategy; and our carbon footprint. Results may differ materially from those expressed or implied by forward-looking statements. Factors that can cause results to differ materially include those described under “Forward Looking Statements” in the Corporation’s most recent Form 10-K and Form 10-Qs filed with the Securities and Exchange Commission and linked in this report, and with respect to our scenario analyses, those factors described under “Climate Scenario Analysis With Respect to the Hurricane Peril” and “Climate Scenario Analysis With Respect to Our Investment Portfolio” in this report.

This report may contain links to other internet sites and may frame material from other internet sites. Such links or frames are not endorsements of any products or services in such sites, and no information in such site has been endorsed or approved by Travelers.

Except where noted, the information covered in this report highlights our performance and initiatives in fiscal year 2021.

The inclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact of that information. For additional information about Travelers, please see our filings with the Securities and Exchange Commission, including our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

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TRAVELERS

February 15, 2023

VIA EMAIL

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549
Email: shareholderproposals@sec.gov

Re: Shareholder Proposal to The Travelers Companies, Inc. on Behalf of Meyer Memorial Trust (S) and KFP CA Limited Partnership

Ladies and Gentlemen:

Meyer Memorial Trust (S) and KFP CA Limited Partnership (the "Proponents") are the beneficial owners of common stock of The Travelers Companies, Inc. (the "Company" or "Travelers") and have submitted a shareholder proposal (the "Proposal") to the Company. The Proponents have designated *As You Sow* to act as their representative with respect to the Proposal, and it is in that capacity that I write in response to the letter dated January 17, 2023 (the "Company Letter") sent to the Securities and Exchange Commission by Yafit Cohn of Travelers. In the Company Letter, Travelers contends that the Proposal may be excluded from the Company's 2023 proxy statement. Proponent's response follows. A copy of this letter is being emailed concurrently to the Company.

SUMMARY

The Proposal requests that the Company issue a report addressing "if and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities in alignment with the Paris Agreement's 1.5°C goal, requiring net zero emissions." The measurement, disclosure, and reduction of Traveler's insured and invested greenhouse gas emissions in alignment with global goals is critical to reducing climate risk to the Company and shareholder portfolios, while providing investors with the ability to assess the Company's climate progress and accountability.

The Company requests the Staff's concurrence in the Proposal's exclusion from its proxy materials because, the Company argues, the Proposal has been substantially implemented by its statements that it does not currently have the ability to measure and reduce its underwritten and financed emissions and that it is doing "its part to align with the target set forth in the Paris Climate Agreement."[1]
This is merely a repeat of the Company's failed arguments from its previous no-action request regarding this Proposal. It is also not a basis for excluding the Proposal, both because the Proposal's request is future-facing and because the Company's excuse is just that: an excuse, which fails to implement the guidelines or essential purpose of the Proposal.

The Company further argues that the Proposal interferes with its ordinary business. This same argument has been soundly rejected by Staff, which recognized last season that this Proposal transcends ordinary

[1] https://investor.travelers.com/newsroom/press-releases/news-details/2021/Travelers-Makes-Earth-Day-Pledge-to-Become-Carbon-Neutral-by-2030/default.aspx

business and does not micromanage. The Company provides no reason for the Staff to depart from its precedent here.

THE PROPOSAL

WHEREAS: Insurance companies have a critical role to play in meeting the Paris Agreement's 1.5 degree Celsius (1.5ºC) goal. Limiting global warming to 1.5 degrees versus 2 degrees is projected to save $20 trillion globally by 2100;[1] while exceeding 2 degrees could lead to damages ranging from $21 to $563 trillion.[2] The U.S. insurance industry is under increasing pressure to address its contributions to climate change from underwriting, insuring, and investing in high emitting activities.[3]

These financial activities contribute to systemic risk to the global economy, investors, and insurers' profitability. Swiss Re projects close to a 10% fall in total economic value by mid-century if climate change stays on its currently anticipated trajectory.[4] The U.S. Commodity Futures Trading Commission warns that climate change could impair the productive capacity of the national economy, recommending that state insurance regulators require insurers to assess how their underwriting and investment portfolios may be impacted by climate-related risks.

Growing public pressure for climate-related action from the insurance industry is exemplified by recent legislation passed in Connecticut requiring regulators to incorporate emissions reduction targets into their supervision of insurers.[5]

Shareholders are concerned that The Travelers Companies is not adequately reducing the climate impact of its insurance-related activities, creating significant risk to our Company, investors, and the global climate. In 2021, Travelers experienced pre-tax catastrophe losses of $1.847 billion, up from $1.613 billion in 2020, and $886 million in 2019.[6] In October 2022, Travelers reported a 20% fall in quarterly profit due to claims related to Hurricanes Ian and Fiona.[7] This follows a larger global trend: According to Munich Re, natural disasters caused losses of $280 billion in 2021, up from $210 billion in 2020 and $166 billion in 2019.[8]

Travelers is a climate laggard in the global insurance sector, scoring in the bottom half of a survey of the 30 largest global insurers.[9] In contrast, 29 global insurers (more than 14% of global premium volume) have joined the United Nations' Net Zero Insurance Alliance.[10]

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1 https://www.nature.com/articles/d41586-018-05219-5
2 https://www.nature.com/articles/s41467-020-18797-8/
3 https://shareaction.org/reports/insuring-disaster-a-ranking
4 https://www.swissre.com/dam/jcr:e73ee7c3-7f83-4c17-a2b8-8ef23a8d3312/swiss-re-institute-expertise-publication-economics-of-climate-change.pdf p.1
5 https://www.businessinsurance.com/article/20210617/NEWS06/912342605/Connecticut-bill-calls-for-regulation-of-insurers%E2%80%99-climate-risks
6 https://sustainability.travelers.com/iw-documents/sustainability/Travelers_TCFDReport2021.pdf p.26
7 https://www.reuters.com/markets/us/insurer-travelers-profit-falls-hurricane-costs-lower-investment-returns-2022-10-19/
8 https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2022/natural-disaster-losses-2021.html
9 https://insure-our-future.com/wp-content/uploads/2022/11/SP-IOF-2022-Scorecard-v0.8-online-1.pdf
10 https://www.unepfi.org/net-zero-insurance/

By measuring and disclosing its emissions attributable to its underwriting, insuring, and investing activities, and adopting targets aligned with the Paris Agreement's 1.5ºC goal, Travelers can reduce risk to itself, investors, and the global climate.

BE IT RESOLVED: Shareholders request that Travelers issue a report addressing if and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5ºC goal, requiring net zero emissions.

SUPPORTING STATEMENT: Shareholders recommend the report disclose:

- Whether Travelers will begin measuring and disclosing the emissions associated with the full range of its underwriting, insuring, and investment activities and by when; and

- Whether Travelers will set a Paris aligned, net zero target, for its full range of emissions and on what timeline.

BACKGROUND

In the Proposal, investors ask Travelers to "issue a report addressing if and how it intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5ºC goal," which entails net-zero global emissions by 2050. Emissions from underwriting and investment activity make up the vast majority — as much as 97 percent — of insurers' total climate emissions.[1] Thus, investors have particular cause to be concerned that by failing to measure, disclose, and set reduction targets for its emissions, the Company lags behind its peers and continues to create climate risk for the Company and investor portfolios. For example, the Net Zero Insurance Alliance ("NZIA"), established in 2021, currently has thirty members that have committed to transition their insurance and reinsurance underwriting portfolios to net-zero GHG emissions, consistent with the 1.5ºC goal.

The risks associated with climate change are significant. According to Munich Re, 2022 is tied with 2021 as the second-most costly year on record for the world's insurers, with insured losses from natural disasters associated with climate change totaling approximately $120 billion in 2022.[2] These risks will only grow in the future without concerted and effective action from Traveler's and the entire insurance industry to reduce greenhouse gas emissions.

There is no question that the action requested in this Proposal is important to investors. Last year, more than 55% of outstanding Company shares voted in favor of this Proposal.[3] Yet, the Company has taken no meaningful steps to address investor concern.

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[1] https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-for-Credible-Net-Zero-Commitments.pdf.
[2] https://www.usnews.com/news/world/articles/2023-01-09/hurricanes-and-floods-bring-120-billion-in-insurance-losses-in-2022.
[3] https://www.investmentnews.com/investors-approve-esg-proposals-at-lowes-twitter-travelers-222392.

ANALYSIS

The Company argues that the Proposal can be omitted under Rule 14a-8(i)(10) because it has been substantially implemented and under Rule 14a-8(i)(7) because it micromanages the Company's business. However, neither rule, each addressed in turn below, provides a basis for excluding the Proposal.

I. The Company Has Not Substantially Implemented the Proposal.

The Company Letter asserts that the Proposal may be excluded from the 2023 Proxy materials as substantially implemented pursuant to Rule 14a-8(i)(10). To meet its burden, the Company must demonstrate that its "particular policies, practices and procedures compare favorably with the guidelines of the proposal." *Texaco, Inc.* (Mar. 28, 1991). It must also show that it has addressed the proposal's underlying concerns and essential objectives. *See Exelon Corp.* (Feb. 26, 2010); *accord. Best Buy Co., Inc.* (Apr. 22, 2022).

The Proposal's <u>guidelines</u> request a report addressing "if and how" the Company "intends to measure, disclose, and reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities," consistent with the Paris Agreement. The Proposal further asks that the report include a disclosure of "whether" and "when" the Company "will begin measuring and disclosing the emissions associated with the full range of its underwriting, insuring, and investment activities" and "on what timeline" the Company "will set a Paris aligned, net zero target, for its full range of emissions." The <u>essential purpose</u> of the Proposal is to ensure that the Company's activities are aligned with the Paris Agreement and to create accountability for whether the Company is addressing and minimizing "risk to [the Company], investors, and the global climate."

Last season, the Company requested the Staff's concurrence to exclude a substantively identical Resolved clause, also on the basis of Rule 14a-8(i)(10). The Staff concluded that "[b]ased on the information [the Company] presented, it appears that the Company's public disclosures do not substantially implement the Proposal." *The Travelers Companies, Inc.* (Mar. 31, 2022). While the Company has slightly adjusted the flavor of its attack on the Proposal, its 2022 no-action request relied on the same reports upon which it now relies. *Compare The Travelers Companies, Inc.* (Mar. 31, 2022) (Company letter stating: "The TCFD Report addresses, among other things, every element of the Proposal.") *with* Company Letter at 4 ("The TCFD Report directly addresses every element of the Proposal. . . ." (emphasis omitted)). In other words: the Company points to virtually nothing new it has done to implement the Proposal since the Staff last denied its no-action request. Following the denial of the Company's no-action request, investors approved the Proposal with 56% of the vote.

Rather than respond to the denial of the no-action request and the majority shareholder support for the proposal by taking substantive action to implement its guidelines and advance its essential purpose, the Company has come back for a second bite at the no-action apple. In its most recent TCFD Report, the Company states:

> That said, GHG emissions data for the vast majority of our underwriting portfolio (e.g., personal automobile, homeowners, small and mid-sized businesses) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our customers and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our underwriting portfolio.

Company Letter at 4-5 (quoting TCFD Report). The Company argues that because the Proposal requests a report addressing "if and how" it will measure and disclose its emissions, the above statement answers the "if" question in the negative, thereby implementing the Proposal.

This argument is unpersuasive. First, while the Company's relative emphasis on this argument is increased this go-around, its failed no-action request from last season relied primarily on *identical* language from the 2020 TCFD Report. *See The Travelers Companies, Inc.* (Mar. 31, 2022) (Company Letter, at 4, quoting 2020 TCFD Report: "That said, GHG emissions data for the vast majority of our underwriting portfolio (e.g., personal automobile, homeowners, small and mid-sized businesses) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our customers and are therefore unable to disclose the emissions, or establish any emission reduction targets, with respect to our underwriting portfolio."); *id.* (Company Letter, at 5-6, providing chart purporting to demonstrate implementation of Proposal, with above-quoted language constituting the "How the Company's TCFD Report Addresses Each Element" for each element of the Proposal). In other words, the Company's argument is not even based on a *new* disclosure following its failed no-action request last year or the shareholder vote in favor of the Proposal in 2022. It is the same argument as last year.

Second, the Company is incorrect about its grammatical argument: the above-quoted language — in which the Company purports to disavow its ability to measure Scope 3 emissions "at this time" —does not answer the question of *if* the Company ever intends to do so. That the Proposal requests a disclosure of the Company's present *and* future plans is further demonstrated in the Proposal's supporting statement, which asks that the report disclose "whether … and by when" the Company will "begin measuring and disclosing" the relevant emissions, and "whether … and on what timeline" the Company "will set" a Paris-aligned net-zero target for the full range of its emissions. Even accepting the Company's efforts to parse the Proposal to this extreme degree, the TCFD Report upon which the Company relies does not state that the Company *never* intends to measure and disclose this information. Indeed, it does the opposite. The Company's disavowal is explicitly limited to "at this time," and premised on its interpretation of present conditions — it argues that, at present, it believes that relevant data "is not readily available" and "remains uneven."[4] The Company's error as to the availability of such measuring tools is discussed briefly *infra*.

Apart from this semantic attempt to secure exclusion of the Proposal, the Company's only argument is to point to the same half-measures it pointed to last season, which the Staff has already concluded are inadequate to support an argument for substantial implementation. In every instance but one, the Company's 2021 TCFD Report is not meaningfully different from the 2020 TCFD Report the Staff has already concluded did not substantially implement the Proposal, as shown in the chart below:

[4] Notably, Travelers suggests that data quality has not improved since the last TCFD report. This is not the case. But in any event, greenhouse gas emissions data is imperfect for all companies and industries, yet provides sufficient information to assess climate-related action, as demonstrated by the Company's use of climate data and modelling to assess its climate risk for TCFD purposes. Waiting until emissions data is perfect before acting would be disastrous for companies, shareholders, and the economy as emissions grow and drive irreparable changes in the climate.

Company Letter Bullet Point	2021 TCFD Report	2020 TCFD Report
"use of proprietary and third-party computer models" (p. 5)	"Use multiple methods, including proprietary and third-party modeling processes and geospatial analysis, to evaluate our climate-related risks and make underwriting, pricing and reinsurance decisions" (p. 10)	"Travelers uses various analyses and methods, including proprietary and third-party computer modeling processes, to evaluate our climate-related risks and make underwriting, pricing and reinsurance decisions" (p. 7)
"evaluation of findings contained in various governmental reports and other external scientific studies" (5)	"[W]e evaluate the findings contained in governmental reports … as well as other external scientific studies related to climate to assess potential impacts on our underwriting and pricing decisions" (24)	"[W]e evaluate the findings contained in governmental reports … as well as other external scientific studies related to climate to assess potential impacts on our underwriting and pricing decisions." (11)
"incorporation of lessons learned from recent events into its catastrophe underwriting" (5)	"Our catastrophe underwriting also incorporates lessons learned from recent events … as well as past events …" (24)	"Our catastrophe underwriting also incorporates lessons learned from recent events … as well as past events …" (11)
"support of the transition to a lower-carbon economy through its growing Global Renewable Energy Practice" (6)	• "Our dedicated Global Renewable Energy Practice, which provides solutions for renewable energy businesses, enables Travelers to evaluate and pursue the opportunities presented by the expanding renewable energy industry …" (9) • "Over the past three years, our Global Renewable Energy Practice grew at a compound annual growth rate of 30%, with revenue up over 120% since 2018 …" (13) • Lead of Global Renewable Energy Practice chairs a Climate, Energy and Environment subcommittee (21) • Lists Global Renewable Energy Practice participation in Company's Risk Identification & Management and Products, Market Development & Customer Services subgroups (19)	• "Our dedicated Global Renewable Energy practice, which provides solutions for renewable energy businesses, enables Travelers to evaluate and pursue the opportunities presented by the expanding renewable energy industry …" (7) • "In 2020, our Global Renewable Energy Practice grew its gross written premiums by nearly 40% year-over-year." (13) • Lead of Global Renewable Energy Practice chairs Climate, Energy and Environment subcommittee (9) • Lists Global Renewable Energy Practice participation in Company's Risk Identification & Management and Products, Market Development & Customer Services subgroups (15)

The only new action the Company can point to is its commissioning of a climate risk analysis. *See* Company Letter at 6. The analysis, described at pages 14-15 of the 2021 TCFD report, addresses risk, not the actions the Company will take to reduce that risk. It therefore does not substantially implement the Proposal's request that the Company disclose if and how it intends to measure, disclose, and reduce the GHG emissions associated with its underwriting and investing activities.[5] Simply put, the Proposal does not request a climate risk analysis.

The Company's actions remain wholly insufficient to fulfill the Proposal's guidelines or accomplish its essential purpose. Failure to assure investors of the Company's intent to now, or at some point in the future, measure, disclose, and reduce its underwriting and investment emissions in alignment with the Paris Agreement calls into question the Company's stated commitment and willingness to minimize internal and systemic climate risk.

The Company's argument that measurement of these emissions is impossible is erroneous. In November 2022, the Partnership for Carbon Accounting Financials ("PCAF") launched its Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions, a "global, standardized methodology to measure and disclose the GHG emissions associated with insurance and reinsurance underwriting portfolios."[6] Building on the PCAF standard, the NZIA — a group of insurers constituting more than 15% of global premium volume — released in January 2023 its Target-Setting Protocol, which "built a framework and measurement tools to assess the impact of [insurance and reinsurance companies] activities on climate change."[7] The NZIA "methodologies make it possible to measure insured emissions."[8]

In short, the Company — having done nothing to implement the Proposal in response to the Staff's previous determination and the Proposal's success at last year's AGM, and lagging behind its peers in fulfilling the guidelines and essential purpose of the Proposal — is essentially asking the Staff to reconsider its decision from last season. It offers no reason to do so. In fact, the opposite is true. The Company's insistence that it cannot measure its financed emissions have proven even less credible than before. The Proponents urge the Staff to reject the Company's no-action request, again.

II. The Proposal Transcends Ordinary Business and Does Not Micromanage the Company.

The Company also argues that the Proposal is excludable under Rule 14a-8(i)(7).

Rule 14a-8(i)(7) incorporates two central considerations. First, the Commission has recognized that certain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they are not ordinarily subject to direct shareholder oversight. However, Proposals related to a company's day-to-day business, but focused on a *significant social policy issue* generally are not excludable. *See* SEC, Exchange Act Release No. 40018 (May 21, 1998) ("1998 Release").

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[5] The Company also points to a "recently published" policy involving the underwriting of coal projects. *See* Company Letter at 6. The Company also presented this policy in the previous no-action request. *See The Travelers Companies, Inc.* (Mar. 31, 2022) (Company Letter at 4-5).

[6] https://carbonaccountingfinancials.com/en/newsitem/pcaf-launches-the-global-ghg-accounting-and-reporting-standard-for-insurance-associated-emissions

[7] https://www.unepfi.org/industries/insurance/launch-of-nzia-target-setting-protocol-version-1-0/

[8] *Id.*

The second inquiry under Rule 14a-8(i)(7) is whether the proposal "micromanages" a company "by probing too deeply into matters of a complex nature upon which shareholders, as a group, would not be in a position to make an informed judgment." *Id.* More recently, in Staff Legal Bulletin No. 14L, the Staff articulated two basic tests for micromanagement: (1) whether the proposal "frame[s] the investor deliberation in a manner consistent with market discussions, available guidelines and the state of familiarity/expertise on the issues in the investing marketplace," and (2) whether the proposal "leave[s] sufficient flexibility for board and management discretion?" Staff Legal Bulletin No. 14L (Nov. 3, 2021).

Under these standards, the Proposal is not excludable.

As the Company recognizes, the Staff has repeatedly determined that proposals addressing climate change transcend a company's ordinary business. *See* Company Letter at 8-9; *see also Chubb Limited* (Mar. 26, 2022) (concluding that proposal requesting company report whether and how it intended to align its underwriting and investment activities with the Paris Agreement transcended ordinary business).

The Company's argument is that this proposal is different because it "could undermine [the] company's core business model and/or relate to the products and service offered by the company." Company Letter at 9. This hyperbolic statement is not the relevant inquiry under Rule 14a-8(i)(7). In Staff Legal Bulletin No. 14L, the Staff stated that proposals addressing significant policy issues do not run afoul of the Rule "even if the significant policy issue relates to the 'nitty-gritty of [a company's] core business.'" (Nov. 3, 2021). As a factual matter, the focus on the Company's Scope 3 (underwriting- and investment-related emissions) is appropriate, given that this category of emissions is expected to account for upwards of 90 percent of the Company's total emissions.[9]

Recent Staff precedent, including proposals that closely mirror this one, confirm that proposals that address climate change through the lens of companies' business practices transcend ordinary business. In addition to the substantially same proposal brought last year that was upheld by Staff, a different proposal last season directly requested that the Company "adopt and disclose new policies" to "ensure that its underwriting practices do not support new fossil fuel supplies." *The Travelers Companies, Inc.* (Mar. 30, 2022). The Staff concluded that the Proposal "transcend[ed] ordinary business matters and d[id] not seek to micromanage the Company." *See also The Hartford Financial Services Group, Inc.* (Mar. 28, 2022) (same proposal, same result); *Chubb Limited (Green Century)* (Mar. 26, 2022) (same); *JPMorgan Chase & Co.* (Mar. 25, 2022) (same); *Citigroup Inc.* (Mar. 7, 2022) (proposal requested Board "adopt a policy … committing to proactive measures to ensure that the Company's lending and underwriting do not contribute to new fossil fuel supplies," Staff determined the proposal "does not seek to micromanage the Company"). These precedents also demonstrate investor sophistication and interest in, as well as public discussion about, the issue of insurers' underwritten and financed emissions.

Nor does the Proposal deny the Board and management discretion to manage the Company's underwriting business. In Legal Bulletin No. 14L, the Staff stated that it would no longer concur, under Rule 14a-8(i)(7), in the exclusion of proposals "that suggest targets or timelines" for the reduction of greenhouse gas emissions "so long as the proposals afford discretion to management as to how to achieve such goals." The Proposal falls within the boundaries of this statement. Indeed, it *expressly*

[9] *See* https://g20sfwg.org/wp-content/uploads/2021/10/2021-UNEP-FI.-Recommendations-for-Credible-Net-Zero-Commitments.pdf.

leaves to management the "how" of "measuring, disclosing, and reducing" the emissions associated with its core underwriting business by *asking the Company to disclose the* "*how*."

The Proposal transcends ordinary business and does not micromanage the Company's business. As such, it is consistent with Staff guidance concerning Rule 14a-8(i)(7). This is why <u>the Proposal has already been upheld against a micromanagement challenge</u>. In *Chubb Limited (As You Sow)* (Mar. 26, 2022), the proposal requested "a report … addressing whether and how [the company] intends to measure, disclose, and reduce GHG emissions associated with its underwriting, insuring, and investment activities in alignment with" the Paris Agreement. Chubb, like the Company here, argued that the proposal would alter "the very core of the Company's business model" and related to "certain of [Chubb's] product offerings." The Staff declined to concur in the exclusion of the proposal, writing that the proposal "transcends ordinary business matters and does not seek to micromanage the company." The Company does not address *Chubb Limited* or attempt to explain why the Staff should depart from its previous decision. Needless to say, no precedent the Company cites is as on-point as *Chubb Limited*'s analysis of *this* Proposal.

In light of these principles and precedents, the Company has provided no basis under Rule 14a-8(i)(7) to exclude the Proposal.

CONCLUSION

Based on the foregoing, we believe that the Company has provided no basis for the conclusion that the Proposal is excludable from the 2023 proxy statement pursuant to Rule 14a-8. The Proponents respectfully request that the Staff deny the no-action request.

Sincerely,

Luke Morgan
Staff Attorney, *As You Sow*

CC:

Danielle Fugere, Chief Counsel & President, *As You Sow*
Yafit Cohn, The Travelers Companies, Inc.
A.J. Kess, The Travelers Companies, Inc.

TRAVELERS

The Travelers Companies, Inc.
Yafit Cohn
Chief Sustainability Officer & Group GC
485 Lexington Avenue, 8th Floor
New York, NY 10017
917.778.6764 TEL
888.277.0906 FAX
ycohn@travelers.com

VIA E-MAIL   February 28, 2023

Re: The Travelers Companies, Inc. – Omission of Shareholder Proposal from Proxy Materials Pursuant to Rule 14a-8

U.S. Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, N.E.
Washington, D.C. 20549

Ladies and Gentlemen:

The Travelers Companies, Inc. ("Travelers" or the "Company") is filing this letter with respect to the shareholder proposal and supporting statement (collectively, the "Proposal") co-filed by: As You Sow ("As You Sow") on behalf of (i) Meyer Memorial Trust (S) and (ii) KFP CA Limited Partnership (collectively with As You Sow, the "Proponents") for inclusion in the proxy statement and form of proxy to be distributed by the Company in connection with its 2023 Annual Meeting of Shareholders (collectively, the "Proxy Materials").

On January 17, 2023, the Company submitted a letter (the "No-Action Request") to the Staff (the "Staff") of the Division of the Corporation Finance of the Securities and Exchange Commission (the "Commission") requesting that the Staff not recommend any enforcement action against the Company if it omits the Proposal in its entirety from the Proxy Materials based upon:

- Rule 14a-8(i)(10) because the Proposal has already been substantially implemented; and
- Rule 14a-8(i)(7) because the Proposal deals with matters relating to the Company's ordinary business operations.

We are in receipt of the Proponents' February 15, 2023 response to our No-Action Request (the "Proponents' Response Letter"), which independently raises substantial and potentially disqualifying issues related to their Proposal, as discussed below.[1] The Company is submitting this letter solely to address certain of the glaring misconceptions raised in the Proponents' Response Letter and not to reiterate the Company's broader positions set forth in the No-Action Request.

A. The Proposal Is Excludable under Rule 14a-8(i)(10) Because It Has Been Substantially Implemented

In their Response Letter, the Proponents attempt to deflect the fact that the Proposal has been substantially implemented pursuant to Rule 14a-8(i)(10), but in doing so, they expose insurmountable weaknesses in and contradictions between their arguments, as set forth below.

1. The Proponents Impermissibly Attempt to Modify the Proposal as Proposed by Requiring the Company to Disclose Not Just "if," but "When" it Intends to Measure, Disclose and Reduce its Greenhouse Gas Emissions

The Proposal is clear on its face:

> Company shareholders would be asked to vote on whether the Company should "issue a report addressing ***if and how*** it intends to measure, disclose, and reduce the greenhouse gas emissions" associated with certain of its activities in alignment with a net zero greenhouse gas ("GHG") emissions goal (emphasis added).

The Proponents, however, claim in their response letter that the "proposal asks that the report include a disclosure of 'whether' and 'when' the Company 'will begin measuring and disclosing the emissions associated with the full range of its underwriting, insuring and investment activities' and 'on what timeline' the Company 'will set a Paris aligned, net zero target, for its full range of emissions.'" Proponents' Response Letter at 4. Notably, while this language appears in the Proposal's supporting statement, it does not appear in the resolution itself, which is what Proponents seek a vote on by the Company's shareholders. Fundamentally, the Proponents are impermissibly attempting to rewrite the Proposal by adding into it components that are not subject to a vote. Importantly, and as set forth in further detail in the No-Action Request, the Company has in fact implemented the Proposal as written — it has answered "if" it intends to measure, disclose and reduce GHG emissions by publicly stating that "at this time, [the Company] **cannot** accurately calculate the total emissions of our customers and are therefore **unable** to disclose the emissions, or establish any emissions reduction targets, with respect to" its underwriting and investment portfolios (the "Responsive Statement") (emphasis added).

While the Company believes that its actions in response to the Proposal must be assessed based on the plain language of the Proposal's resolution, reading the word "when" into the Proposal

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1 Pursuant to Rule 14a-8(j), we are simultaneously providing the Proponents with a copy of this submission. The Company will promptly forward to the Proponents any response received from the Staff to this request that the Staff transmits by email or fax only to the Company.

would similarly strongly militate against its inclusion in the Proxy Materials. As discussed in the No-Action Request, the Company has publicly disclosed that it cannot at this time disclose or establish targets related to its underwriting or investment activities (i.e., the Responsive Statement) primarily because of significant data-related issues that are outside the Company's control. In the No-Action Request, the Company indicated that representatives of As You Sow conceded as much in their discussions with the Company — they indicated that "they understand from other market participants beyond the Company how difficult it is to obtain accurate and complete [GHG-related] data." No-Action Request at 14. Importantly, the Proponents did *not* dispute this telling admission in their response letter. Putting aside the fact that the Company's Responsive Statement fulfills the Proposal's essential elements, it is evident that the Company cannot responsibly take a position on "when" it will commit to a net zero GHG goal when, as the Company has explicitly disclosed, the third-party data required to make such a commitment is not available, and the Company has no way to determine if and when such data will become available.

2. The Proponents' Claim that the Company's Actions Did Not "Accomplish [the Proposal's] Essential Purpose" Contradicts the Proponents' Position on Micromanagement

In the Proponents' Response Letter, the Proponents claim that "[t]he Company's actions remain wholly insufficient to fulfill the Proposal's guidelines or accomplish its essential purpose." Proponents' Response Letter at 7. As explained above and in further detail in the Company's No-Action Request, the Company has, in fact, accomplished the Proposal's essential purpose by way of the Responsive Statement. To the extent the Responsive Statement does not satisfy the Proposal's "essential purpose," then the Proposal's essential purpose must, logically, be to direct the Company to measure, disclose and reduce the GHG emissions associated with its underwriting and investment portfolios in alignment with the Paris Agreement's 1.5° C goal — a clear micromanagement of the Company, as set forth in further detail in the No-Action Request. *Cf.* No-Action Request at 9-10 ("Consistent with the Company's view that the Proposal would directly impact its day-to-day ordinary business operations, in discussions regarding the Proposal among representatives of the Company and As You Sow, representatives of As You Sow acknowledged that, through the submission of the Proposal, ***they had in fact specifically aimed to restrict and circumscribe the types of products and services offered by the Company***.") and 11 ("representatives of As You Sow acknowledged that ***they are primarily interested in impacting the underlying activity that the report would purportedly address*** — namely, how to influence the Company's pricing strategies and customer relationships, even if it means exiting relationships or business") (emphasis added).

3. The Table on Page 6 of the Proponents' Response Letter is Inapposite

On page 6 of the Proponents' Response Letter, the Proponents set forth a table highlighting similarities between the Company's 2020 and 2021 Task Force on Climate-related Financial Disclosures ("TCFD") Reports. It is unclear why the Proponents highlighted these similarities, and the Proponents effectively give short shrift to the most integral component of the Company's 2021 TCFD Report, namely the Responsive Statement. Notably, while the Company referenced its comprehensive annual climate reports in the No-Action Request, it did not rely on any of the quoted excerpts from the TCFD reports in its No-Action Request to substantively support its substantial implementation argument, nor did the Company focus on how such excerpts evolved from one TCFD Report to the next.

4. The Proponents Mischaracterize the Company's Argument that Measuring GHG Emissions is Extremely Challenging at This Time

The Proponents' Response Letter strikingly asserts that "[t]he Company's argument that measurement of these emissions is impossible is erroneous." Proponents' Response Letter at 7. In particular, the Proponents point to the existence of (a) the Partnership for Carbon Accounting Financials' ("PCAF") Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions (the "PCAF Standard") and (b) the Net Zero Insurance Alliance's ("NZIA") Target-Setting Protocol (the "NZIA Protocol") as negating the Company's statements about the inaccessible nature of the underlying data required to set GHG emissions targets with respect to its underwriting and investment portfolios, which is described more fully in the No-Action Request. As an initial matter, the reasons why the Company does not at this time plan to "measure, disclose and reduce" GHG emissions associated with its policyholders and the Company's own investments and operations has ***no bearing*** on whether the Company has substantially implemented the Proposal. As noted previously, the Proposal asks "*if* and how" the Company intends to measure, disclose, and reduce GHG emissions associated with certain of its activities in alignment with a net zero goal, to which the Company has fully responded.

Further, the PCAF Standard sets forth a *methodology* for insurance companies to measure GHG emissions, while the NZIA Protocol sets forth *framework and measurement tools*. Putting aside certain consequential issues with the PCAF Standard's and NZIA Protocol's methodologies, the existence of these frameworks does not resolve any of the data-related challenges facing insurance companies such as the Company. Notably, neither of these publications addresses the Company's inability to obtain the data, including from its third-party policyholders, that would be necessary to implement these methodologies or frameworks. In fact, the NZIA Protocol succinctly acknowledges that the ability of a company to measure insured emission is limited by "(i) the scope of the available methodology to account for and report on GHG emissions associated with re/insurance portfolios,… (ii) the lack of science-based guidance for credible target setting in all sectors …; and (iii) the availability of emissions data from/or in relation to underlying re/insureds."[2] Recognizing these limitations, the NZIA Protocol clearly indicates that those setting targets under the NZIA Protocol "shall individually set portfolio target boundaries for a material and relevant portion of their respective portfolios ***where reliable data is available***" (emphasis added).[3] Unsurprisingly, the PCAF Standard indicates that "[l]imited data is often the main challenge in calculating insurance-associated

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2 Net-Zero Insurance Alliance - Target-Setting Protocol Version 1.0 at 11, available at https://www.unepfi.org/wordpress/wp-content/uploads/2023/01/NZIA-Target-Setting-Protocol-Version-1.0.pdf.

3 *Id.*

emissions"[4], further noting that "[r]e/insurers shall use high-quality data ***where available*** for specific insurance products and the underlying assets/companies and shall improve the quality of the data over time" (emphasis added).[5] As indicated above in Section A.1 above and in the No-Action Request, and as representatives of As You Sow themselves confirmed, there are numerous and potentially insurmountable challenges in obtaining such data. As it relates to Travelers, and as discussed in the Company's 2021 TCFD Report, the GHG emissions data for the vast majority of the Company's underwriting portfolio (e.g., personal auto, personal homes, small and mid-sized businesses) is simply unavailable and, where it is available, the data quality remains uneven and unreliable. In fact, GHG emissions information is only available with respect to a subset of the large companies in Travelers' underwriting portfolio, representing less than 0.003% of the Company's total customers.

B. The Proposal Is Excludable Under Rule 14a-8(i)(7) Because It Deals with Matters Relating to the Company's Ordinary Business Operations

The Proponents' Response Letter further demonstrates the extent to which the Proposal seeks to interfere with the Company's ordinary business operations in direct contravention of Rule 14a-8(i)(7), as described below.

1. The Proposal Provides No Flexibility to Company Management to Implement the Proposal

The Proponents, on the one hand, claim that the Proposal is flexible because it "expressly leaves to management the 'how' of 'measuring, disclosing, and reducing' the emissions associated with its core underwriting business by asking the Company to disclose the 'how'", while on the other hand, dictate in the Proposal that the Company may only comply by aligning its underwriting and investment portfolios in a manner that meets the Paris Agreement's 1.5° goal, requiring net zero emissions. Proponents' Response Letter at 8-9. These positions simply cannot be reconciled. If shareholders were to approve the Proposal, they would be asking the Company to commit to altering its core business operations so as to "reduce the greenhouse gas emissions associated with its underwriting, insuring, and investment activities, in alignment with the Paris Agreement's 1.5° goal, requiring net zero emissions." In essence, the Proponents seek to dictate that the Company align its underwriting and investment portfolios with the Paris Agreement's 1.5° goal, requiring net zero emissions, but apparently management would be afforded "flexibility" in determining how to do so. As such, it is clear that the Proposal allows for no management flexibility whatsoever while, instead, improperly attempting to micromanage the Company's core business operations by requiring the Company to achieve net zero emissions with respect to both its underwriting and investment portfolios.

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4 The Partnership for Carbon Accounting Financials – Insurance-Associated Emissions at 5, available at https://carbonaccountingfinancials.com/files/downloads/pcaf-standard-part-c-insurance-associated-emissions-nov-2022.pdf.

5 *Id.* at 19.

2. The Proponents Conflate "Addressing Climate Change" With Mandating Potentially Transformative Company-wide Decisions

The Proponents further claim that "the Staff has repeatedly determined that proposals addressing climate change transcend a company's ordinary business." Proponents' Response Letter at 8. The Proposal, however, does not just "address climate change." Rather, and per As You Sow's representatives' own admissions highlighted in the No-Action Request, ***the Proponents are in fact aiming to restrict and circumscribe the types of products and services offered by the Company***. *See* No-Action Request at 9-10 ("Consistent with the Company's view that the Proposal would directly impact its day-to-day ordinary business operations, in discussions regarding the Proposal among representatives of the Company and As You Sow, representatives of As You Sow acknowledged that, through the submission of the Proposal, ***they had in fact specifically aimed to restrict and circumscribe the types of products and services offered by the Company***.") and 11 ("representatives of As You Sow acknowledged that ***they are primarily interested in impacting the underlying activity that the report would purportedly address*** — namely, how to influence the Company's pricing strategies and customer relationships, even if it means exiting relationships or business") (emphasis added). The underlying intent of the Proposal is to micromanage which risks the Company does or does not underwrite, which customers it may or may not do business with, and which investments the Company makes, retains or divests. Claiming that the Proposal merely "addresses climate change" is disingenuous.

C. Conclusion

We have not attempted to address each of the arguments in the Proponents' Response Letter, or the many other issues raised in the Company's No-Action Request that were not addressed by the Proponents, and instead refer the Staff to the Company's prior No-Action Request.

For the reasons discussed above and in its prior letter, the Company respectfully reiterates its request that the Staff express its intention not to recommend enforcement action if the Proposal is excluded from the Company's Proxy Materials in reliance on Rules 14a-8(i)(7) and (10).

If the Staff disagrees with the Company's conclusions regarding omission of the Proposal, or if any additional submissions are desired in support of the Company's position, we would appreciate an opportunity to speak with you by telephone prior to the issuance of the Staff's Rule 14a-8(j) response.

If you have any questions regarding this request, or need any additional information, please do not hesitate to contact the undersigned at 917-778-6764 or ycohn@travelers.com.

Sincerely,

Yafit Cohn

Yafit Cohn

cc: Danielle Fugere, As You Sow
A.J. Kess, The Travelers Companies, Inc.

AS YOU SOW
30 YEARS 1992 – 2022

March 8, 2023

VIA EMAIL

Office of Chief Counsel
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549
Email: shareholderproposals@sec.gov

Re: Shareholder Proposal to The Travelers Companies, Inc. on Behalf of Meyer Memorial Trust (S) and KFP CA Limited Partnership

Ladies and Gentlemen:

On behalf of the Proponents, I write to briefly respond to the Travelers Companies, Inc.'s letter in further support of its no action request, sent by Yafit Cohn on February 28, 2023 (the "Company Reply"). The Company argues that Proponents' initial response to the Company's no action request "raises substantial and potentially disqualifying issues related to their Proposal." Company Reply at 1-2. None of these arguments have merit.

First, the Company argues that the Proponents' initial response "impermissibly attempted to modify the proposal" by quoting the proposal's Supporting Statement. Company Letter at 2. As an initial point, this objection is immaterial. As the Proponents explained in the initial response, even if the Staff were to read the Proposal in the hyper-technical way demanded by the Company, its present disclosures do not disclose "if" it intends to measure, disclose, and reduce its Scope 3 GHG emissions, only that it is currently not doing so, based entirely on *present* conditions. This does not substantially implement the Proposal for the reasons discussed in the Proponents' Response.

Moreover, the Company's hyper-technical approach to parsing the Proposal is at odds with the natural reading that shareholders will give it. As Proponent's initial response to the Company's no-action request noted, a reading of the whole Proposal provides "further demonstrat[ion]" that the Company's existing disclosures do not fulfill its essential purpose. The Company insists that the "resolution itself," by which it means the "resolved" clause, "is what Proponents seek a vote on," and therefore that any discussion of the Proposal's Supporting Statement is inappropriate. This is without merit. Shareholders will review and consider the entire text of the Proposal, including the Background and Supporting Statement. *See* The Travelers Companies, Inc., *Notice of 2022 Annual Meeting of Shareholders & Proxy Statement*, at 72 (reprinting full text of last year's similar proposal). *See also, e.g.*, *Apple Inc.* (Dec. 21, 2021) (Staff did not concur in exclusion of proposal where company argued against consideration of background and supporting statement in assessing substantial implementation arguments). No reasonable shareholder, having read the entirety of the Proposal, could possibly consider the Company's existing disclosures to have fulfilled the Proposal's essential purpose.[1]

[1] Further, the Company's insistence that the Supporting Statement cannot be used to assist in interpreting the Proposal is, to say the least, an odd fit next to the Company's heavy reliance on remarks allegedly made by *As You Sow* employees in a meeting with the Company. *See* Company Reply at 3 (relying on statements allegedly made by "representatives of As You Sow . . . in their discussions with the Company"), 6 (same).

Second, the Company *still* fails to point out what it has done to implement the Proposal since last year's failed no action request. In their initial reply, Proponents pointed out that virtually all of the actions pointed to by the Company to demonstrate substantial implementation of the Proposal were also included in its previous disclosures, which predated the Staff's determination last season that the Company had not substantially implemented the Proposal. *See* Proponents' Response at 5-6.[2] The Company Reply complains that Proponents gave "short shrift" to the Company's "Responsive Statement." But, as Proponents pointed out, this "Responsive" Statement was included, in substantially identical form, in the previous TCFD Report. *See* Proponents' Response at 4-5. Below is a comparison of the "Responsive Statement" from the 2021 TCFD Report, and **the same language** in the 2020 TCFD Report:

2021 TCFD Report (i.e., the "Responsive Statement")[3]	2020 TCFD Report[4]
That said, GHG emissions data for the vast majority of our underwriting portfolio (e.g., personal automobile, homeowners, small and mid-sized businesses) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our customers and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our underwriting portfolio, nonetheless, we believe that we have incorporated the relevant risks into our underwriting process.	That said, GHG emissions data for the vast majority of our underwriting portfolio (e.g., personal automobile, homeowners, small and mid-sized businesses) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our customers and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our underwriting portfolio. Nonetheless, we believe that we have incorporated the relevant risks into our underwriting process.
GHG emissions data for the substantial majority of segments of our investment portfolio (e.g., municipal bonds, structured bonds, private equity	GHG emissions data for the substantial majority of segments of our investment portfolio (e.g., municipal bonds, structured bonds, private equity

Regarding the alleged statements made by an *As You Sow* representative, Proponents' initial response did not address them because they are irrelevant and taken egregiously out of context. For example, regarding the availability of Scope 3 emissions data, the full statement of the *As You Sow* representative was that, while GHG emissions data is imperfect, and many companies have so stated, the vast majority of companies *As You Sow* has engaged with have nonetheless moved forward with measuring and disclosing emissions and setting Scope 3 targets. Five of the largest U.S. banks, many of which used PCAF methodologies, are just one example. In other words: the imperfection of data is not an excuse; waiting for perfect data would ensure failure to address climate change. Other statements attributed to *As You Sow* by the Company, both here and in the initial no action letter, are likewise taken out of context and/or partial, and therefore inaccurate.

[2] The Company insists that it "did not rely on any of the quoted excerpts . . . in its No-Action Request." Company Reply at 3-4. As Proponents' Response made clear, the quoted excerpts corresponded to a bullet-pointed list of actions the Company pointed to as relevant to its substantial implementation argument. *Compare* Company No Action Letter at 5-6 *with* Proponents' Response at 6.

[3] https://sustainability.travelers.com/iw-documents/sustainability/Travelers_TCFDReport2021.pdf, at 22, 14. *See also* Company No Action Letter at 4-5.

[4] https://sustainability.travelers.com/iw-documents/sustainability/Travelers_TCFDReport2020.pdf, at 9, 13. *See also The Travelers Companies, Inc.* (Mar. 31, 2022) (Company Letter at 4).

funds) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our investment portfolio and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our portfolio. Nonetheless, we believe that we have incorporated the relevant risks into our investment analysis.	funds) is not readily available and, where it is available, the data quality remains uneven. Accordingly, at this time, we cannot accurately calculate the total emissions of our investment portfolio and are therefore unable to disclose the emissions, or establish any emissions reduction targets, with respect to our portfolio. Nonetheless, we believe that we have incorporated the relevant risks into our investment analysis.

Proponents did not give "short shrift" to the "Responsive" Statement. Rather, it is at the *core* of the Proponents' argument: if the Staff determined that this language did not substantially implement the Proposal last season, it should do so again this year.

Third, the Company Reply does not provide any additional support for its "ordinary business" argument. The Company argues that the Proposal does not leave management discretion because it requests alignment with the Paris Agreement. *See* Company Reply at 5. The Staff has already declined to exclude this Proposal on this exact basis. *See Chubb Limited* (Mar. 26, 2022) (micromanagement no-action request denied where company argued that the Proposal micromanaged by requiring "a singular method of implement[ation] . . . namely, adhering to the Paris Agreement's 1.5° goal by having shareholders decide that the Company should restrict offering its core services to customers and making certain categories of investments" and further argued that the proposal's reference to the Paris Agreement "explicitly impos[ed] a specific method for implementation without regard to circumstance and without any reasonable exceptions").

Tellingly, the Company spends no time at all attempting to differentiate or refute *Chubb Limited*, which involved a substantially identical proposal at one of the Company's peer firms, which made substantially similar arguments as to why the proposal micromanaged. The Proponents respectfully request that the Staff once more decline to concur in the exclusion of the Proposal.

CONCLUSION

Based on the foregoing, we believe that the Company has continued to provide no basis for the conclusion that the Proposal is excludable from the 2023 proxy statement pursuant to Rule 14a-8. The Proponents respectfully request that the Staff deny the no-action request.

Sincerely,

Luke Morgan
Staff Attorney, *As You Sow*

CC:

Danielle Fugere, Chief Counsel & President, *As You Sow*
Yafit Cohn, The Travelers Companies, Inc.
A.J. Kess, The Travelers Companies, Inc.