

The Cincinnati Insurance Companies

# ENVIRONMENTAL STEWARDSHIP 2016



*Everything Insurance Should Be®*



## A MESSAGE FROM OUR PRESIDENT AND CHIEF EXECUTIVE OFFICER

We recognize that preserving our environment is everyone's responsibility. We consider how the property casualty and life insurance products and services we offer policyholders can help meet green objectives and reduce our carbon footprint. Although our service-based industry is a relatively low contributor to emissions, we also seek to make progress in improving the energy efficiency of our operations and headquarters facility.

A sustainable energy management strategy has multiple benefits, including reducing the amount of energy required for company operations. We also recognize the importance of managing enterprise risk, such as the risk of insured losses from extreme weather events, in part influenced by climate change.

As good stewards of our resources, we're committed to making steady progress toward lessening our impact on the environment through:

- reducing consumption of electricity and gas at our headquarters facility
- improving the fuel efficiency of our company automobile fleet
- introducing additional paperless options for policyholders
- reducing postal mail when possible
- serving our customers locally by placing field associates – approximately one-third of our total employees – near the agencies and policyholders they serve

While we do not seek accolades, we were pleased to be ranked in Newsweek's 2016 list of Top 500 Green Companies in the United States. Over the next year, we will continue to recycle, reduce the usage of and reuse resources appropriately, while increasing awareness of environmental issues among our associates.

Together, we can keep our planet healthy for generations to come.

Thank you for your interest in Cincinnati Financial Corporation.

Best regards,

A handwritten signature in black ink that reads "Steve". The signature is written in a cursive, flowing style.

Steven J. Johnston, FCAS, MAAA, CFA, CERA  
President and Chief Executive Officer

# ENVIRONMENTAL STEWARDSHIP MISSION STATEMENT

We promote environmental stewardship by recycling and reusing resources appropriately, recognizing that reduced usage contributes to a healthy natural environment and cost-efficient operations. We work to keep our community and company healthy by:

- increasing our awareness of environmental issues affecting our company, our industry and community
- creating a culture that encourages recycling, reducing and reusing in our daily decisions
- developing, implementing and measuring the recycling, reducing and reusing programs offered to our associates, shareholders, agents and policyholders

## OUR ENVIRONMENTAL FOCUS

Our company has been working diligently since 2009 to implement and track strategies to reduce our impact on the environment at our corporate headquarters. We employ a management approach that focuses on five major areas of environmental stewardship:

1. Sustainable Site
2. Energy and Atmosphere
3. Materials and Resources
4. Indoor Environmental Quality
5. Water Efficiency



SUSTAINABLE  
SITE



ENERGY AND  
ATMOSPHERE



MATERIALS AND  
RESOURCES



INDOOR  
ENVIRONMENTAL  
QUALITY



WATER  
EFFICIENCY

## SUSTAINABLE SITE

When we expand or update our headquarters campus, we have used environmentally responsible features for energy consumption and recycling of materials. Our campus has 102 acres, which includes 42 acres of green space. We use a holistic grounds management program that addresses the impacts of our hardscape, as well as sustainable landscaping initiatives to maintain our campus.

Using native plants and adapted species and conserving the natural habitat around our facility contributes to the quality of our environment and the beauty of our campus. A carpooling program for associates helps ease traffic congestion and pollution near our Fairfield, Ohio, headquarters. We reimburse the associate who drives \$1 per passenger each way and provide preferred parking to those who carpool.

### Certifications

In 2015, the U.S. Green Building Council awarded LEED® Silver certification for our 1.2 million square-foot headquarters office building. LEED (Leadership in Energy & Environmental Design) is the recognized authority of measuring “green” buildings. LEED examined our building operations and maintenance in several areas including water efficiency, energy and atmosphere, alternate commuting transportation, materials and resources, indoor environmental quality and innovation in operations. Cincinnati’s headquarters was the second building in Ohio with more than one million square feet to achieve certification under the LEED for Existing Buildings: Existing Operations and Maintenance rating system. Our 48,000 square-foot business continuity center has been LEED Gold certified since 2010.

Our headquarters office building again qualified for the U.S. Environmental Protection Agency’s ENERGY STAR® certification. This annual certification process signifies that the building performs in the top 25 percent of similar facilities nationwide for energy efficiency and meets strict energy efficiency performance levels set by the EPA. Commercial buildings that earn EPA’s ENERGY STAR certification use an average of 35 percent less energy than typical buildings and also release 35 percent less carbon dioxide into the atmosphere.

ENERGY STAR was introduced by EPA in 1992 as a voluntary, market-based partnership to reduce greenhouse gas emissions through energy efficiency. Today, the ENERGY STAR label can be found on 20,000 commercial buildings and industrial plants that meet strict energy-efficiency specifications set by the EPA.



## ENERGY AND ATMOSPHERE

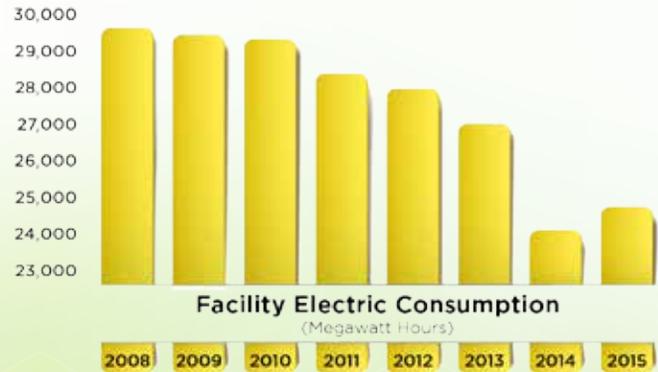
Being able to manage our energy consumption with greater precision and efficiency has helped us achieve an 18 percent reduction in annual electricity usage compared with 2008.

Some of the projects undertaken over the past eight years include:

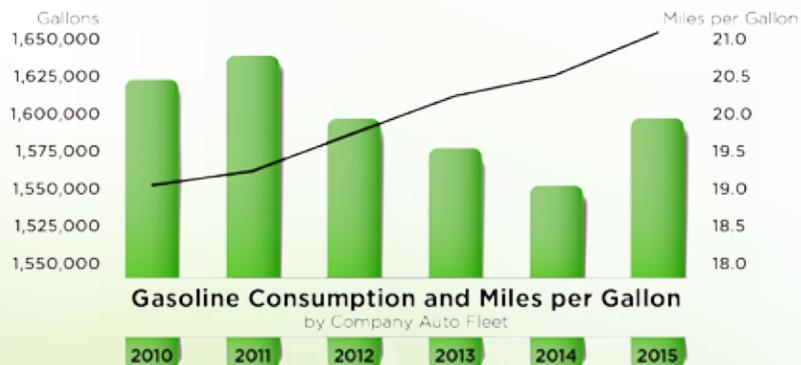
- installing occupancy sensors in many of our conference rooms to automatically adjust temperatures when the rooms are unoccupied
- programming building thermostats to reduce overall power consumption as well as chiller and boiler loads from 7 p.m. to 6 a.m.
- automating the shut-off of building lights during nonbusiness hours
- increasing the use of virtual servers in our data center
- using higher-efficiency LED lighting to replace older, burnt-out light bulbs
- adding energy-efficient window film in all exterior stairwells (approximately 17,000 square feet) to eliminate 79 percent of the solar gain in these areas
- replacing a 29-year-old chiller with a modern, high-efficiency model that will result in energy savings of 20 percent

Our electricity supplier, Duke Energy, offers an incentive rebate program, which we use to help fund future energy-related projects. We also have been a participant in demand response programs since 2013 and have successfully transferred our electrical load from the power grid to company generators during the required testing period. Such transfers, upon request by our electric supplier, can provide stability on the power grid and reduce the need for expansion of utility generation facilities.

Overall energy consumption, as indicated by the graphs to the right, shows an improving trend at our headquarters facility. While weather patterns influence consumption for purposes of facility heating and cooling, we believe a significant portion of the improvement is due to our environmental stewardship efforts.



In addition to reducing energy consumption, we improved 2015 fuel efficiency (miles per gallon) of our company automobile fleet by approximately 13 percent compared with 2010, reducing emissions as more fuel-efficient vehicles are added to the fleet and less efficient vehicles are retired from service. Our fleet vehicle program now includes Ford's Fusion and C-MAX hybrids, providing drivers with two attractive options if they wish to select a gas-hybrid vehicle.



In terms of environmental disclosure, we continue to participate in the CDP climate change information request program (formerly the Carbon Disclosure Project). Our 2016 disclosure score (based on 2015 data) of “C” is equal to the overall CDP climate change program average, which includes more than 2,200 other companies that responded to the 2016 information request. In 2016, CDP changed its scoring methodology and began awarding letter grades instead of numerical scores. Our annual disclosure scores improved from 53 in 2010 to 85 in 2015.

During 2015, emissions from the fossil fuels used to heat our facilities and power vehicles in our company automobile fleet, in combination, were approximately 8 percent lower than in 2010. Emissions during 2015 resulting from the generation of electricity used in our facilities declined 26 percent compared with 2010, roughly equivalent to the annual energy use of more than 600 homes.

## MATERIALS AND RESOURCES

In April 2016, we fully implemented the managed print program that began in 2015. As a result, we eliminated approximately 2,500 old printers, stand-alone fax machines and copiers in favor of centrally located multi-function devices (MFDs) capable of printing, copying, scanning and faxing documents. Over time, we expect the MFDs to produce benefits including lower overall energy consumption and more efficient use of materials, such as paper and toner. In connection with our managed print program, we recycled 788 old or nonfunctional printers, fax machines, copies and scanners, and are in the process of donating approximately 1,400 usable desktop and network printers to Crayons to Computers, a nonprofit organization partnership with schools in Ohio, Northern Kentucky and Indiana.

Recycling of paper, cardboard, cans and bottles continue to reflect our associates' efforts to find ways of incorporating environmental awareness into our daily operations.

During 2015, we recycled:

- 256 tons of paper
- 23 tons of cardboard
- 12 tons of aluminum cans and plastic bottles

We also recycled approximately 28 tons of electronic equipment, three tons of printer toner and donated nearly five tons of company supplies to an organization that supports local schools.

We focus on being environmentally responsible in our document printing operations and were recognized for achievement in waste reduction by ITU AbsorbTech, a supplier of reusable absorbent towels, after eliminating nearly 100 pounds of industrial wiping towels. As a five-year member of the Forest Stewardship Council, we purchase paper that comes from mills with certified sustainability programs, including reforestation and chain of custody requirements. In addition, where practical and not cost-prohibitive, paper purchases are made with 10 to 30 percent post-consumer waste included.



## INDOOR ENVIRONMENTAL QUALITY

We recognize that a quality indoor office environment increases productivity by keeping associates healthy and comfortable. While we are reviewing additional ways to assess the quality of our headquarters building environment, we have already improved the air quality by:

- using a certified green janitorial service
- prohibiting tobacco use on our campus

## WATER EFFICIENCY

On an annual basis, the consumption of water that is evaporated through our condenser system cooling towers is 6 to 7 percent higher than the amount of water we use in our building's lavatories, kitchens and break areas.

We monitor the efficiency of our cooling tower operation very closely, including the quantity of blowdown, which is the amount of calcium and other dissolved solids that remain in the recirculating water. As the amount of blowdown becomes larger, scale can form in the system and the efficiency of cooling tower operations begins to slow down. Tight control of the blowdown helps us conserve water used by the chillers, air conditioners and other equipment.

After conducting an audit of all water fixtures and fittings within our headquarters building, we replaced aerators for all lavatory and break room faucets and coffee stations in 2014 and continue to analyze the audit to consider other opportunities to reduce water usage over time.

## DOING GREEN BUSINESS

A countrywide focus on environmental stewardship has influenced our business opportunities, including product development and service delivery. We've seen an increasing demand by insurance policyholders for insurance coverage for green buildings related to renewable energy or reduced greenhouse gas emissions.

Our Executive Capstone™ homeowner insurance policy automatically provides some coverage for the reasonable costs to repair or replace covered, damaged property with green alternatives. A Green Upgrade coverage endorsement is also available and offers broader benefits, such as coverage for green upgrade expenses after a covered loss.

We also offer a commercial property green endorsement that provides policyholders with:

- additional coverage, at no additional charge, to cover the increased cost of repairing a building insured at replacement cost values with a current green certification
- coverage, at an additional premium charge, to repair a building not currently green certified using green materials and building techniques to help it qualify for green certification in the future

Commercial, personal and life insurance clients, our independent agents, associates and shareholders appreciate options to reduce the use of paper and to reduce the carbon footprint associated with mailing policies and other communications. Online policyholder services allow our personal lines policyholders to review policy documents, view auto insurance IDs, pay bills and review account details at their convenience while also reducing paper mailings. The Association for Postal Commerce indicates that each piece of U.S. first-class postal mail generates an estimated 87 grams of carbon dioxide equivalent. With approximately 1 million policies for personal automobiles or homes and related coverages, we believe reducing those mailings can add up to a significant environmental impact.

Cincinnati Financial Corporation shareholders may choose to enroll in the electronic delivery program and receive emails from the company instead of hard-copy mailings of financial reports, proxy statements, proxy ballots and other information. Shareholders who participate in the program enjoy receiving information more quickly than waiting for standard mailings, reducing the amount of paper they receive and reducing the environmental impact associated with U.S. postal mailings.

## A CLEANER TOMORROW

Working together, we'll expand our environmental stewardship program creating new initiatives to preserve the Earth's resources and reduce waste. We'll update our report on a yearly basis to track the progress we've made and to share our ideas for a cleaner tomorrow.



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