Horace Mann

2018–2019 Corporate Social Responsibility Report

Contents


HM
cares

“Horace Mann positively impacts millions of individuals and local communities through its direct and indirect economic activities. We understand our responsibility to be a good corporate citizen and are proud of the steps we’ve taken to incorporate ESG factors into our business — and to tell that story in a holistic way.”

Marita Zuraitis
President and Chief Executive Officer

Message from Our CEO

Marita Zuraitis
President and Chief Executive Officer

Horace Mann Cares. It's more than the title of our 2018–2019 corporate social responsibility report. Those three words sum up who we are, what we do and why we do it.

Horace Mann was founded in 1945 when two educators began offering special auto insurance rates to fellow teachers in Springfield, Illinois. Our company was built on a promise to serve educators, who shape the lives of students in schools all over the country. At Horace Mann, we care about the lifelong financial well-being of educators and their families, offering solutions and resources to help them through each stage of their lives. Staying true to this mission has helped us to become the largest multiline insurance and financial services company serving the educational community.

Our dedication to helping educators at each stage of their careers makes Horace Mann unique and enables us to deliver long-term value to shareholders. It also empowers us to invest in our employees, support our communities and deepen our commitment to educators.

I wholeheartedly agree with the Business Roundtable's statement on the purpose of a corporation, which outlines its responsibilities to shareholders, customers, employees, communities and suppliers. Those who claim businesses exist solely to benefit shareholders have likely never taught in a classroom with 30 kids, where you need to balance their (sometimes conflicting) needs while acknowledging the importance of each and every student. Similarly, Horace Mann works to balance its decisions and actions to benefit all stakeholders and achieve corporate social responsibility objectives.

Horace Mann's corporate social responsibility reports provide insights about how we do our best to make good business and ESG decisions, while considering how these choices will impact educators and our other important stakeholders. It supplements Horace Mann's financial disclosures by providing a deeper look into who we are and how we act as a good corporate citizen when it comes to the environment, social responsibility and governance (ESG). Horace Mann positively impacts millions of individuals and local communities through its direct and indirect economic activities. We understand our responsibility to be a good corporate citizen and are proud of the steps we've taken to incorporate ESG factors into our business — and to tell that story in a holistic way.

Horace Mann published its first corporate social responsibility report in 2016. Every year, we've taken the concept further and deeper. In 2018, we completed our first formal stakeholder engagement. Using interviews, surveys and other research, we identified the areas of greatest importance to these stakeholders. We discussed ESG topics with investors who represent more than 32% of outstanding shares — and also talked with potential investors. We've learned a tremendous amount, and we're building on these insights.

For example, in November 2018, I joined hundreds of CEOs across the country who signed a CEO Action for Diversity & Inclusion™ pledge to work toward four diversity and inclusion goals. This pledge is a formal statement of Horace Mann's commitment to diversity and inclusion, which is demonstrated in part by our strong gender diversity metrics. I firmly believe that Horace Mann's commitment to offering an inclusive work environment — one where diversity of thought is highly valued, and individual differences are recognized, respected and appreciated — is an important factor in our company's success.

I hope our report will give you new insights on Horace Mann's commitment to corporate social responsibility. We look forward to continuing our transparent dialogue with investors, customers, employees and other stakeholders to help you understand our decision-making and actions to create value as a socially responsible company. We welcome your feedback on our initiatives at csr@horacemann.com. Tell us what's on your mind, and how Horace Mann can best make a difference in the world around us.

Sincerely,

Marita Zuraitis
President and Chief Executive Officer

About this report

Framework

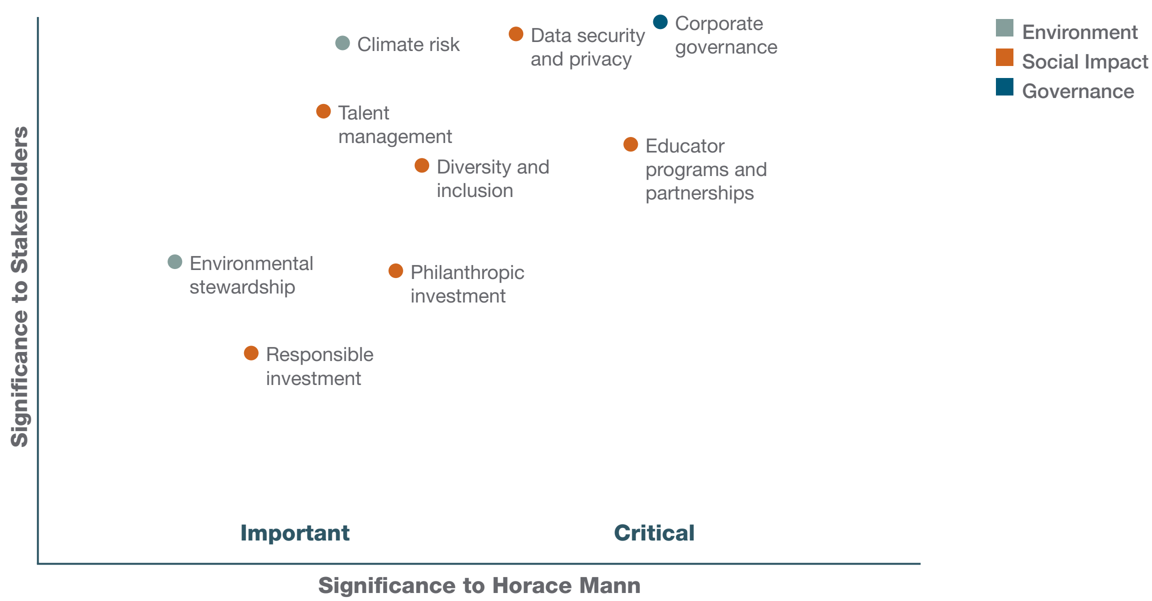
Horace Mann follows the GRI standards, an internationally recognized standardized framework for disclosing economic, environmental and social performance. The 2018–2019 report has been prepared in accordance with the GRI standards core option. We provide information on additional disclosures where data is available. The GRI Index shows where specific GRI disclosures are located, either within this report or within our other corporate reports. We also consulted the Sustainability Accounting Standards Board (SASB) standards for insurance companies.

Materiality and stakeholder engagement

In determining the topics to be discussed in this report, we:

- Identified potentially relevant issues based on their significance and fit with Horace Mann's mission to serve educators and our ability to influence the issue.
- Defined impacts and activities related to each issue.
- Prioritized issues based on internal and external stakeholder engagement.

Key issues



Our Business

Horace Mann exists to help our nation's educators protect what they have today and prepare for a successful tomorrow. We do so by providing auto, home, life and supplemental insurance and retirement products in the United States. Horace Mann is the largest national multiline insurance company focused on American educators as its primary market. Our nearly one million customers are primarily kindergarten through 12th grade teachers, administrators and other employees of public schools and their families.

Horace Mann continues to evolve its solutions, resources and partnerships to better meet the educational community's changing needs.

Over the past five years, we've made substantial progress on our "PDI strategy" — enhancing products, distribution and infrastructure — to achieve shareholder value and better serve our customers. From 2014 through 2018, we focused on filling PDI gaps to set the stage for profitable growth. In 2019, our focus shifted to transformation as we integrated two key acquisitions and completed an annuity reinsurance transaction. We believe we now have the tools in place to accelerate shareholder value creation, gain significantly larger market share, and transform Horace Mann into the provider of choice in the K-12 educational space.

Recent developments include:

Products. We added a supplemental business line — defined benefit products, such as cancer, heart and accident coverages — through our July 2019 acquisition of National Teachers Associates (NTA). These in-demand products address customer concerns about rising out-of-pocket expenses stemming from unexpected medical events and carry higher margins than many other types of insurance products.

Distribution. Trusted, knowledgeable agents partnering with schools make our growth possible. The NTA acquisition brought hundreds of agents with strong worksite marketing expertise and experience working with educators into the Horace Mann family. We've also created a direct sales team and enhanced self-service options, including a quicker, more comprehensive online quoting experience. These alternate sales channels funnel back to agents — who provide annual in-person reviews to help fine-tune their clients' recommendations and reinforce the agents' role as trusted advisors.

Infrastructure. We've upgraded each of our administrative systems to ensure our infrastructure is modern, scalable and easy to use, thereby improving the customer and agent experience. In 2019, we began to roll out a suite of applications designed to dramatically increase customer convenience via mobile access, e-signatures, real-time policy issuance and changes, coverage comparison features, consolidated billing and more. In addition, we now can better meet the needs of school district administrators and business officials due to our January 2019 acquisition of retirement plan provider Benefit Consultants Group (BCG), which provided Horace Mann with an efficient, scalable ISO® 9001-compliant retirement platform and stronger plan design, administration and other worksite capabilities that meet the needs of employers and worksites. We are working to leverage these enhanced capabilities to broaden our market presence in school districts across the country.

Horace Mann by the Numbers*

1,363,000
auto, property, annuity, supplemental and life policies in force

470,000
educator households served

226,000
people saving for retirement with Horace Mann

57,000
educators reached through our financial education workshops in 2018

289,000
students reached through our DonorsChoose partnership in 2018

$12.5
billion in assets

$1.3
billion in written premiums and contract deposits

12
consecutive years of dividend increases

9%
compound annual growth rate of book value plus dividends since 2011

$77
million in share repurchases since 2011

*YE2019, unless otherwise noted

Environment

Climate change is an important issue for the insurance industry and top-of-mind for Horace Mann, as we work every day to protect our customers' property and help them recover from hurricanes, windstorms, hail, severe winter weather, wildfires and earthquakes. Horace Mann is committed to understanding and managing the risks of climate change as they affect our company, customers and communities. We also continue to find ways to reduce our company's environmental impact.

Climate change

Climate change is an increasingly important issue to Horace Mann as scientists seek to identify the impact of human activity on weather patterns. These climate change risks directly affect our customers, insurance products and portfolio of investments.

While scientists do not always agree on the scope or timing of climate changes, they generally predict that several key deviations from previous climate trends will occur over the next several decades. Changes in U.S. precipitation patterns are expected to make the southwestern states drier and the northern states wetter; average sea levels are expected to rise; and there will be an additional risk of hurricanes along the Atlantic and Gulf coasts. These expectations have already been partially borne out over the past few years, as more frequent and severe weather events and natural catastrophes have led to higher insurance claims and costs.

These and other climate change risks must be understood, modeled and priced into our insurance products and services. They also have public policy implications, such as discouraging overbuilding in high-risk areas through flood insurance requirements and state regulatory approaches to insurance premium approvals; and modifying and enforcing building codes to better protect at-risk communities against the effects of natural catastrophes. For example, South Florida strengthened its building codes after Hurricane Andrew to increase occupant health and safety, help protect the local tax base, and support more rapid recovery from subsequent natural disasters.

Horace Mann has a duty to ensure we're there for our customers in the event of a loss. Our deep commitment to helping our customers was especially top-of-mind during the 2018 Camp Fire in California. We called every local customer for a wellness check within 48 hours after the fire began, brought in a catastrophe team to work alongside the local agent for quicker service, and provided an initial claims payment within seven days to each customer with a loss. We're also there beforehand to help customers mitigate potential future losses. For example, we encourage customers to update their roofs by offering a premium discount for roofs that are less than 10 years old. And we offer optional coverage to enable homeowners to bring the damaged portion of their homes up to the current code at the time of a loss.

Matt Rubin
Assistant Vice President,
Business Process Management

"We can't necessarily prevent a wildfire, but we can save lives and reduce losses."

The 2018 Camp Fire shocked California residents, first responders and insurance companies alike. Fueled by hot, dry gusts of wind, the fire burned 80 acres a minute at one point. Once the fire was out, claims were settled and the rebuilding began, Horace Mann instituted a pilot "wildfire certification program" in the heavily wooded Paradise and Chico areas. An experienced Horace Mann loss control specialist visits insured homes — at no cost to the customer — to identify easily rectified risks, such as removing flammable pine needles, vegetation and firewood from the perimeter or roof of the home, using fire-resistant building materials on the roof and exterior walls, and installing vent screens to keep flying embers from entering the house. "We can be proud that as a company, we're doing everything in our power to prevent a house from burning down — and give people more time to get out safely," Rubin said.

Environmental stewardship

By reducing waste and energy consumption, Horace Mann not only reduces its environmental footprint, but also, its operating costs. Our environmental stewardship program focuses on the following areas:

Reducing paper usage.

Paper is the largest source of potential waste for an insurance company. In 2019, we began to roll out a suite of applications to significantly decrease our paper use while dramatically increasing customer convenience via mobile access, e-signatures, real-time policy issuance and changes, coverage comparison features, consolidated billing and more. We expect to start realizing the benefits of these systems in 2020 and look forward to meaningful paper use reduction.

Reducing waste sent to landfills.

Active recycling programs at our three offices significantly reduced the amount of paper, plastic, metal and cardboard we send to landfills. We also recycle personal computers, monitors, servers, hard drives, printers and printer cartridges.

Supporting electric vehicles.

Driving an electric vehicle (EV) has obvious climate benefits and produces fewer emissions. In fact, an average EV on the road has the same emissions as a car getting 80 miles per gallon. Horace Mann installed electric charging stations at its headquarters in Illinois to encourage EV use by employees.

Managing energy and carbon emissions.

In 2018, we estimate that server virtualization alone reduced Horace Mann's annual energy usage by nearly 6 million kWh. This is the equivalent of reducing greenhouse gas emissions by 9.4 million pounds, planting more than 14,000 trees or taking nearly 800 cars off the highways. Our headquarters lowered its energy use via a more efficient energy management system, motion sensors, LED lighting, energy efficient ballasts, solar shades and window films. Our office building in Dallas, Texas enjoys Gold certification from LEED (Leadership in Energy and Environmental Design). We continue to seek and find ways to operate in a more environmentally friendly way. For example, we're now in the process of replacing all single-pane windows with double-pane insulated glass at our headquarters to reduce energy consumption by an estimated 20% to 25%.

Reducing water usage.

We encourage employees to conserve water and are mindful of water conservation while maintaining the grounds at our corporate headquarters. Overall water consumption per employee was 9,641 gallons in 2018, down 4.6% since 2014. Water discharge per employee was 5,360 gallons, down 9.5% since 2014.

Mobilizing employees, consumers and communities.

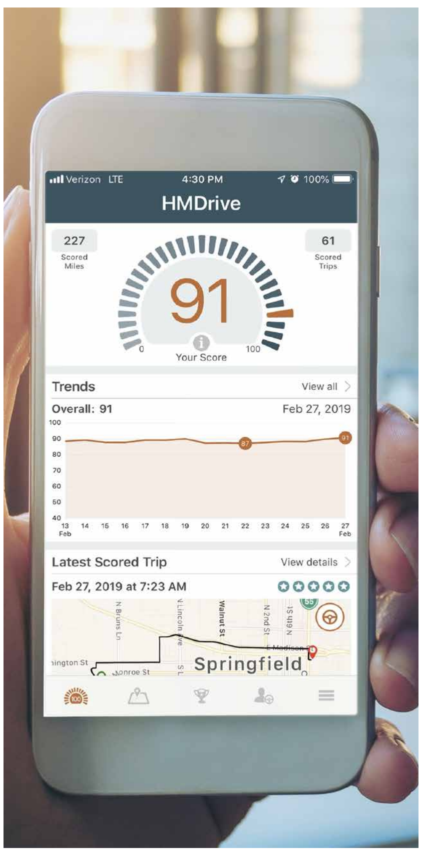
We encourage our employees to act in environmentally friendly ways, including powering down computers and lights every evening, participating in recycling and shredding programs, and collaborating across locations using technology rather than travel. We also promote recycling and sustainability to consumers and communities by sharing relevant events and information on our website and social media channels.

Social Responsibility

Horace Mann strives to have a significant positive social impact as an insurance company and employer. Our safe driving portfolio of initiatives is building awareness of the risks of distracted driving and providing tools proven to change driving behaviors. Our investment strategy factors in environmental, social and governance considerations; our products and services, governance practices and data security policies are designed to protect customers; and we are strongly committed to diversity and inclusion, supporting and developing our talent, and giving back to our communities.

Responsible driving

We offer a number of programs for students and educators that encourage responsible driving and draw attention to the dangers of distracted driving. Driver distraction is a national epidemic, killing more than 3,000 people in motor vehicle crashes in 2017 alone. The National Highway Traffic Safety Administration (NHTSA) estimates approximately 660,000 drivers are using cellphones while driving at any given moment during daytime hours. NHTSA also reports drivers who are talking or texting while driving are three times more likely to be in an accident. Drivers can lose full attention on the road due to their cell phones, audio controls, eating, drinking, smoking or sometimes, simply talking to a passenger. However, many of us think we can successfully multitask while driving — and repeated studies show that most of us think we're better than average drivers. Horace Mann's responsible driving programs are designed to create awareness, encourage safe driving and prevent accidents. Our solutions include:



HM*Drive*™ safe driving mobile app.

We began offering the HM*Drive* app in 2019 at no charge to *anyone* — not just Horace Mann customers — via the Apple and Google app stores. (A registration token provided by Horace Mann is required to use this app.) Once installed, the app runs in the background to provide personalized insights to each driver. Each trip is scored using a star rating, and trips over the previous two weeks are compiled into an overall score. Drivers improve their scores by avoiding risky behavior, such as speeding, hard braking and acceleration, aggressive cornering and cellphone use while driving. Drivers can use the app to compete with others and track their personal trends, streaks and achievements.

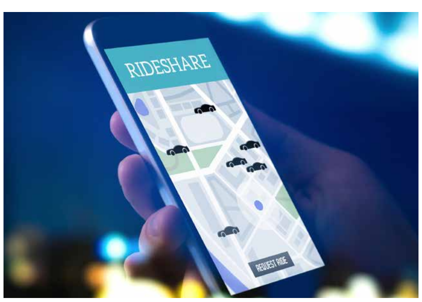
To encourage adoption, Horace Mann customers who download HM*Drive* and meet certain usage criteria obtain a premium credit on their auto insurance policy in approved states. In addition, we run seasonal contests that enable users of the HM*Drive* app to win prizes, further accelerating adoption of this powerful safe driving tool. The app has been proven to help make the roads safer for everyone driving. Users see an average reduction of 35% in phone distraction, 20% in hard braking, and 20% in speeding within the first 30 days of using the app, according to the developer's data. More broadly, responsible driving saves lives, reduces carbon emissions and accidents, reduces the need for vehicle replacement parts, and sends fewer damaged vehicles and parts to landfills.

Education for teenagers.

End Distracted Driving (EndDD.org) is a campaign of the Casey Feldman Foundation, a not-for-profit organization founded by Joel Feldman after his daughter Casey was killed by a distracted driver in 2009. Since 2017, Horace Mann has worked with EndDD.org to bring science-based presentations on distracted driving to high schools across the country. The presentations are given by Feldman or a Horace Mann representative trained by EndDD.org.

Education for elementary and middle school students.

In 2019, Horace Mann began collaborating with EndDD.org and the Safe Roads Alliance to pilot the "Kids speaking up for road safety: A lesson on distracted driving" program for children in elementary and middle schools. The program includes turnkey classroom lesson plans, so regular or substitute teachers can teach children about the various type of driver distractions, how to recognize when a distraction can be a risk to their safety, and encourage children to act as safety ambassadors at home — including speaking up when they're in a vehicle with a distracted driver. This program has been selected by NHTSA to evaluate the effectiveness of classroom intervention on distracted driving.



Safe and sound.

Educators with a Horace Mann auto policy who are too tired to drive or don't feel safe driving home can take advantage of our complimentary "safe and sound" policy endorsement and be reimbursed up to $35 for a ride-share driver or other transportation.

Responsible investing

Prudent stewardship of Horace Mann's $6.6 billion investment portfolio is vital to ensure we meet our promises to policyholders, employees and other stakeholders. We and our outside asset managers cultivate a conservative risk management culture that appropriately balances investment returns with ESG risks and opportunities. We pursue diversified investment strategies that are designed to limit portfolio volatility, appropriately navigate changing market dynamics and economic uncertainty, and proactively identify and capitalize on opportunities — all of which contributes to competitive risk-adjusted returns. Our investment strategy has resulted in strong and stable investment returns, allowing us to provide financial security to our customers at their time of need — whether we're paying their catastrophe claims, life insurance benefits or lifelong retirement income.

ESG integration

In 2019, we formally incorporated ESG factors into our investment management framework. We aligned our ESG Investment Policy with the Principles for Responsible Investment (PRI) supported by the United Nations. Specifically:

- Three of our four primary asset managers are PRI signatories. We are proactively encouraging our largest asset manager to become a PRI signatory.
- We and nearly all our asset managers have fully integrated ESG risks and opportunities into the investment decision-making process across our entire portfolio. Incorporating ESG screens into our investment analysis and decision-making process is designed to minimize investment risks while surfacing investment opportunities that are consistent with Horace Mann's values, such as ethical conduct. In addition, we prohibit investments in gun manufacturers, given the negative societal impact guns have in our K-12 education community.
- We meet with our primary asset managers annually to discuss their ESG methodologies and how these are incorporated into their investment processes.

Within our investment portfolio, we hold $1.9 billion in responsible investments, up from $1.8 billion in 2018. Responsible investments provide societal and environmental benefits, while also generating a long-term sustainable return to benefit all stakeholders. The major categories include:

Green investments.

Our $44.8 million green investment portfolio includes equity stakes in 26 LEED-certified real estate properties and 12 renewable energy infrastructure projects. We continue to seek additional green investments, such as companies or projects committed to the conservation of natural resources, production and discovery of alternative energy sources, implementation of clean air and water projects, and other environmentally conscious business practices.

Infrastructure investments.

Our $120.3 million portfolio grew 14% from $105.3 million in 2018 and includes equity positions in 47 projects that build, upgrade or maintain transportation networks of airports, seaports, railroads and roads, as well as energy pipelines, power generation facilities and transmission lines around the world. In addition, we held $8.2 million in debt financing for six of these types of projects.

Impact investments.

We have been a member of the Federal Home Loan Bank of Chicago (FHLB) since 2013. FHLB provides reliable liquidity to member institutions and economic development loans, improving access to mortgage loan financing, fostering homeownership and facilitating affordable housing development. Horace Mann seeks additional project-specific impact investments that improve the communities in which we live and work, such as economic development, affordable housing, low-income housing and historical preservation.

Municipal bond investments.

Municipal bonds are a core component of our investment portfolio. These holdings directly support infrastructure and community services, provide funding for K-12 and higher education, generate economic development and create jobs. Our $1.7 billion portfolio represents 25.4% of our assets and provides funding to more than 559 communities in all 50 states.

Responsible data security practices

Horace Mann's privacy policy is a commitment to protect and limit the use of (and access to) personal information that is shared with us. While we gather personal information to issue and service customers' policies and offer them other insurance or financial products, we do not sell customers' personal or medical information to anyone.

In what other ways do we live into this commitment? It starts with continually monitoring data security and privacy trends and threats. We use this information to enhance our enterprise information security program, security operations center and a vendor management program, which assesses third-party information security controls. Our responsible security practices are overseen by our Chief Information Security Officer and Information Security Council. They're responsible for information asset and technology protection, directing critical incident response planning and testing, and advising on information security initiatives, projects and policies.

We routinely test our industry-compliant procedures for customer identification authentication and how to help contain or prevent data loss if a breach were to occur. Every year, the internal audit team evaluates the effectiveness of our cybersecurity controls in adherence to the Institute of Internal Auditors' Mandatory Guidance, which includes the International Standards for the Professional Practice of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing — as published and promulgated by the Institute of Internal Auditors. In addition, our information security risk assessment processes are aligned with the National Institute of Standards and Technology (NIST) cybersecurity framework, combined with fundamentals and concepts from the Factor Analysis of Information Risk (FAIR) methodology.

Employees are trained on information security policies, standards and the appropriate handling of customer data when hired, quarterly and annually. Employees in high-risk roles receive additional advanced training.

Strengthening the Horace Mann culture

In November 2018, CEO Marita Zuraitis joined hundreds of CEOs across the country who signed a pledge to work toward four diversity and inclusion goals outlined by CEO Action for Diversity & Inclusion™. This pledge is a concrete expression of Horace Mann's longstanding support for diversity and inclusion, which starts with an inclusive work environment where diversity of thought is highly valued, and individual differences are recognized, respected and appreciated.

Horace Mann continues to strengthen its inclusive culture. More than 700 employees attended the company's first Day of Understanding in May 2019, which featured workshops encouraging meaningful conversations about bias in the workplace. This was followed by a visit from the "Check Your Blind Spots" tour bus, which offered employees a unique multimedia experience focused on blind spots that can potentially influence everyday decision-making. Following this, we hosted a week of diversity workshops, inviting experts from the community to speak to employees about a variety of diversity topics. Horace Mann has encouraged employees to take online training on diversity and inclusion, as well as to sign diversity and inclusion pledges.

Darrin Sortor
Manager,
Customer Care Center

"Diversity and inclusion are important to give everyone a voice — with fairness, respect and empathy — and to help each one of us improve and succeed."

Darrin Sortor volunteered to be a facilitator during Horace Mann's first Day of Understanding. He showed up wearing a baseball jersey that was half St. Louis Cardinals, half Chicago Cubs — teams from the two major cities closest to Springfield, Illinois. "I opened my class by asking if you would exclude people from your group because they're Cards versus Cubs fans. They all said, 'Of course not!' Then I asked a tougher question — if unconscious bias might lead you to exclude someone due to her beliefs or the color of his skin. It made us all acknowledge we all have unconscious bias. Since that Day of Understanding, I've seen greater attention to diversity and inclusiveness throughout the company, and on my customer care team. People are more welcoming of others. There's more camaraderie. Everyone is asked to participate and give an opinion. Diversity and inclusion are important to give everyone a voice — with fairness, respect and empathy — and to help each one of us improve and succeed."

As an additional measure of our commitment to diversity, Horace Mann was included in the 2019 and 2020 Bloomberg Gender-Equality Index (GEI), which distinguishes companies committed to transparency in gender reporting and advancing women's equality. Women are strongly represented at all levels of our workforce, and 55% of promotions went to women in 2018. As part of our continuing work on compensation, we reviewed our pay structure in 2018 to determine gender alignment within salary grades. This analysis revealed that we have gender alignment (94% to 110% of female to male compensation) within salary grades.

We also value and encourage ongoing professional development through on-site and online courses, skills training, a career development resource center that includes online self-assessments, employee scholarships, and bonuses and full reimbursement of costs to obtain industry and professional certifications and designations from the Life Office Management Association (LOMA), The Institutes, The American College and other educational partners. We're especially proud of our Emerging Leaders program, which enables dozens of individuals every year to network with others within their cohorts while exploring leadership concepts linked to Horace Mann's Leadership Success Profile.

Employee achievements are acknowledged by peers and leaders through our social recognition portal, as well as formal individual and team award programs. These include Employee of the Month, Employee of the Year, Community Spirit Award, Team Spirit awards, an annual employee recognition trip and career milestone awards.

55%
women in the workforce

22%
women on board of directors

45%
women in middle management

42%
women in senior management

Recognition at the annual meeting of Women on Boards 2020

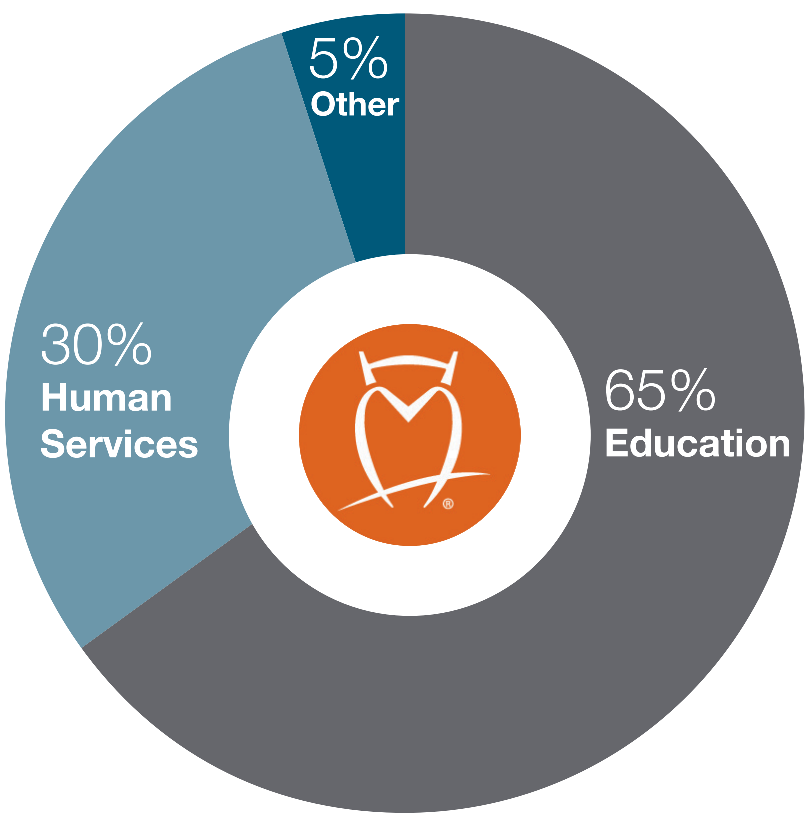
Giving back to our communities

The Serve Illinois Commission on Volunteerism and Community Service awarded the Governor's Volunteer Service Award to Horace Mann in April 2019. This year's award recognized 27 volunteer programs and volunteers who make a difference in Illinois and highlights the importance of volunteerism and community service.

We give back to our communities and customers in the following ways:

Community Investment.

We focus most of our community investment on organizations that serve and benefit educators, such as DonorsChoose and the NEA Foundation, to which we contributed $650,000 in 2018. Horace Mann and its employees gave more than $387,000 in 2018 to the United Way of Central Illinois, and our employees and agents spent countless hours volunteering at not-for-profits in 2018, including serving on the boards of the Springfield Public Schools Foundation and the Central Illinois Foodbank. In 2019, we awarded a $25,000 grant to the Central Illinois Foodbank to help expand its Healthy Foods Distribution Program for Central Illinois students from low-income homes. The grant will fund an expansion of the program to include dairy and protein at Harvard Park Elementary School in Springfield, Illinois, where 93% of students live below the poverty line.



Student Loan Solutions.

Horace Mann's comprehensive Student Loan Solutions program offers workshops and guidance through the highly complex student loan forgiveness, repayment and refinancing options. In 2018, we assisted more than 2,400 educators with student loan forgiveness, putting them on the path to more than $107 million in forgiveness. Easing the financial burden of student loans can help educators stay in a profession they love while achieving other important financial goals, from buying a house to saving for retirement. Of course, managing student loan debt is only one aspect of financial wellness — so Horace Mann agents and employees offer additional workshops on the basics of budgeting, how to plan for retirement and other helpful topics.

DonorsChoose.

DonorsChoose connects donors with teachers who need funds for classroom resources. In 2018, Horace Mann contributed $550,000 to DonorsChoose to fund more than 2,700 classroom projects and help more than 2,400 teachers and 289,000 students in 1,625 schools across the country — such as funding a physical science project for 80 sixth-graders attending class in an empty hardware store after the Camp Fire in California. About 62% of projects funded by Horace Mann were in schools with a majority of students from low-income households. Horace Mann agents also held more than 200 workshops in 2018 to help teachers learn how to successfully appeal for funds on DonorsChoose.

Governance

At Horace Mann, we consider it vitally important to make decisions — at every level — in a way that is consistent with our Code of Ethics, Code of Conduct and sound governance principles. In accordance with corporate governance best practices, we have separated the Chairman and CEO roles, have a majority of independent directors, and align executive compensation with shareholder value metrics and corporate objectives. We strive to do the right thing and hold ourselves accountable for our actions and results.

Corporate governance

Board composition. Our board represents a diversity of expertise, professional experience, age, ethnicity and gender, and a range of tenures. A majority of our directors are independent. Directors' expertise includes leadership, insurance operations, agency management, finance, education, marketing and technology. The board and Nominating & Governance Committee understand the importance of board refreshment and maintaining a balance between long-term board service and the new ideas, experience and expertise that can be gained by recruiting new directors.

Executive compensation. The guiding principles of the executive compensation program include pay for performance, aligning executives' interests with those of shareholders, driving long-term value creation, and ensuring a significant proportion of compensation is "at risk" based on the company's performance. More than 70% of our CEO's compensation, and more than 60% of compensation for the other named executive officers, is linked to performance- or equity-based incentives. Performance measures focus on absolute and relative shareholder return and are designed to incentivize operating growth and risk management.

Other governance best practices include a stock ownership requirement for directors and top executives, limited executive benefits and perquisites, a clawback provision for both cash and equity awards, no company stock hedging or pledging, no single-trigger change in control benefits, no excise tax gross-ups from a change in control, and no poison pill.

H. Wade Reece
Board Chairman

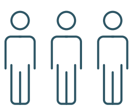
"Corporate governance can never be taken for granted. It helps us make the right decisions to achieve Horace Mann's business goals, manage our risks, maintain our financial strength, and take care of our employees, agents, customers and communities."

Board Composition

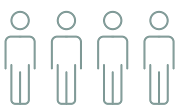
40% diverse

*Diverse board member based on gender (2) and ethnicity (2)

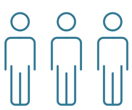
63.1 average age



<60 years

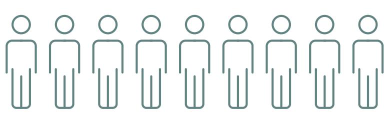


60 – 67 years



68 – 75 years

4.8 average tenure



10 years or less on board

greater than 10 years on board

ESG focus, dialogue and oversight. Horace Mann launched its corporate social responsibility program in 2016, and continues to formalize it by encouraging internal and external dialogue on ESG topics and more clearly articulating its focus areas. In 2018, the company completed its initial stakeholder engagement of interviews, surveys and other research to identify areas of interest to various stakeholder groups. During 2018, Horace Mann discussed ESG topics with investors representing more than 32% of outstanding shares. And on an annual basis, the Enterprise Risk Management (ERM) Committee discusses ESG risk and the corporate social responsibility team briefs the board on ESG initiatives and developments. The full board reviews and approves the corporate social responsibility report.

Risk management. Throughout the year, the board and its relevant committees receive regular reports from the ERM Committee and its chairman about the major risks and exposures facing Horace Mann, along with actions management has taken to monitor and control these risks and exposures. Throughout the year, the board and its relevant committees dedicate a portion of their meetings to review and discuss specific risks in greater detail. Given the growth and potential ramifications of cybersecurity risks, the chief information security officer regularly briefs the board and its relevant committees about cybersecurity risks, monitoring, detection and mitigation. The Audit Committee dedicates a portion of its meetings to review and discuss Horace Mann's cybersecurity program.

Other policies and programs

As spelled out in our Code of Conduct and Employee Handbook, we apply equal opportunity principles in recruiting, hiring, advancement, training, compensation and retention; treat employees and job applicants fairly and equitably; have a zero tolerance policy for harassment and discrimination; and evaluate people based on their qualifications, demonstrated skills and achievements rather than their race, creed, color, religion, gender, sexual orientation, gender identity, national origin, age, disability, pregnancy, genetic information, marital status, military status or veteran status. We updated our Employee Handbook and Equal Employment Opportunity statement in 2018 to include gender identity as a protected group.

In 2019, Horace Mann adopted a Human Rights Statement that outlines specific actions and policies that demonstrate our respect for the human rights of our employees, customers, community residents, vendors and partners. Our Vendor Code of Conduct states that Horace Mann vendors are expected to conduct business lawfully, and with honesty and integrity — and provides examples ranging from safeguarding information to avoiding conflicts of interest. Our Code of Ethics also outlines our expectations of fairness and transparency in how our employees deal with our educator customers, employees, shareholders and suppliers. In addition, our CEO and Horace Mann employees have signed diversity and inclusion pledges.

Of course, policies and pledges can be seen as only words on paper if they are not linked to programs that help people do the right thing. Our HR helpline gives employees someone to call to discuss specific concerns and situations in confidence. Likewise, we updated our mandatory sexual harassment prevention training and anti-harassment and complaint procedure in 2018 and instituted a new toolkit to help our agents identify and prevent sexual harassment. Employees reaffirm their commitment to the standards outlined in our Code of Ethics during an annual formal training and certification process, and see them in action in our day-to-day operations.

CORPORATE SOCIAL RESPONSIBILITY AT HORACE MANN

We're guided by our mission to serve educators,
inspired by their dedication to excellence,
and committed to making our communities better.

To view active links within this report, please download our electronic version from: csr.horacemann.com

We welcome your feedback and suggestions:
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