GOVERNANCE

Safety Insurance Group, Inc. ("Safety") recognizes the serious threat climate change poses to our various stakeholders, our financial stability, and the resiliency of our business operation. In consideration of their risk oversight responsibilities, Safety's Board has an active role, as a whole and at the various committee levels, in actively overseeing climate-related and other risks identified in Safety's corporate risk profile. The Safety Board is kept appraised of and discusses the strategies, associated with climate-related risks and mitigation strategies through quarterly Committee meetings. Various committees, including the Audit, Nominating and Governance, Compensation, and Investment committees, exist and assists the Safety Board in the discharge of their responsibilities. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks. Through their risk oversight responsibilities, the Audit Committee reviews and approves all company disclosures including those related to climate change. The Investment Committee reviews the Investment Advisors compliance with key portfolio objectives and applicable regulations including any environmental risks resulting a transition to a low carbon environment.

Safety is comprised of four insurance company subsidiaries. Managing the subsidiaries organizational risks is the ultimate responsibility of the Chief Executive Officer (CEO). An Executive Committee of seven vice presidents supports the President and CEO. This committee is responsible for establishing Safety's culture, business objectives and strategic initiatives, and has direct ownership of the company's risk portfolio, including climate change risk. Effectively managing climate change risks is a strategic initiative. Weekly executive committee meetings are held during which certain organizational risks, including climate change, is discussed.

Safety's management team owns and manages the portfolio of all risks applicable to the business processes they oversee. Through the implementation of policies, procedures, controls, programs or plans, divisional directors and managers implement and maintain mitigation strategies necessary to manage the risks of not meeting Safety's business objective and strategic initiatives. This would include mitigation strategies related to climate risk.

Management's Risk Committee, as established by the Executive Committee, oversees the organization-wide Enterprise Risk Management Program. Through this committee's oversight responsibilities, Safety's entire risk profile, including climate risk, is effectively monitored and managed. The committee meets monthly to discuss Safety's highest rated risks which includes climate-related risks. The Director of Risk, Audit & Compliance chairs this committee, reports functionally to the Audit Committee, and keeps the Audit Committee appraised of Safety's risk profile quarterly.

STRATEGY

A key objective of Safety's Enterprise Risk Management Program is to recognize and manage risks to both avoid large, unexpected losses and increase shareholder value. In doing so, we actively integrate risk considerations into our business planning and strategic planning sessions. The corporate strategy is developed as part of annual strategic planning sessions. Ongoing monitoring of Safety's business objectives and the risks, opportunities, and tactical initiatives arising from these strategic sessions are performed by the executive committee, through the support of various oversight groups and are a key attribute of the enterprise risk management program. Considered a continuously evolving risk, climate change is actively addressed within the corporate strategy due to its short and long-term impact Safety's business objectives. This includes evaluating our underwriting guidelines including those relating to our coastal exposure which would be most impacted by climate related physical risk events.

As a group of property and casualty insurers, Safety has always been impacted by and addressed event-driven physical risks. Namely, catastrophe and severe weather risk events are continuously evaluated, mitigated, managed, and subsequently reported on within our annual Own Risk Solvency Assessment filing. Quarterly risk updates are discussed with the Audit Committee. However, we also recognize the significant increase in climate change risk and its potential long-term impact on the organization as a whole. Physical events such as catastrophes and severe weather event and other non-physical risk considerations impact not only the resilience of the organization but its financial stability. These risks are regularly stressed.

Through our strategic considerations, we evaluate the organization's needs in meeting other evolving transition risks such as enhanced emission reporting requirements and potential impacts to our investment portfolio. Our asset advisors recently updated the policies surrounding our investment portfolio exposure from a climate change perspective. We are also constantly looking for ways to reduce our own carbon footprint. Recent initiatives include conserving energy through updated environmentally focused HVAC systems, employing recycling programs, and offering a work from home program to the employee base.

In managing climate risk, we also performed an internal assessment on the strategies we are taking, currently and in the future, with respect to our efforts to reduce greenhouse gas emissions through our service offerings. Through our multiyear digital transformation strategy, we have enhanced how we interact with our policyholders. Through our many paperless programs, we encourage all of our policyholders to take advantage of our product solutions to not only meet their changing needs but also become environmentally responsible by reducing paper consumption. Through strategic planning, we continue to consider means to enhance our services to limit gas emissions.

RISK MANAGEMENT

Safety maintains an overall risk culture and governance framework that ensures all organizational risks, including climate change and it's correlated risks (pricing, product development, business continuity, etc.), are thoroughly managed. By effectively applying the *Three Lines Model* in managing risk, separation exists between the ownership, oversight and assurance of risk management and control within the organization. Additionally, as primary stakeholders, the Board of Directors, its committees, and the Executive Management Committee collectively are responsible and accountable for setting Safety's business objectives and strategies.

Safety's ever-changing risk portfolio is continually managed to meet our value-based objectives. Through our formal Enterprise Risk Management Program, we seek to provide assurance that the portfolio of risks impacting our ability to meet our business objectives and strategic initiatives are understood and effectively managed by risk owners throughout the organization. The formalized Risk Management program includes phases to identify, analyze, measure, evaluate, treat, and report on our portfolio of risks.

Safety's highest rated risks, which includes climate change, are discussed at the monthly Risk Committee meetings. The Audit Committee is appraised of any changes to Safety's risk profile on a quarterly basis.

All organizational risks, including climate change risk, are assessed annually and certified quarterly as part of the Enterprise Risk Management Program's risk assessment process. Through this process, all organizational risks, including climate change, are identified, analyzed, and evaluated by the executive and senior management team. Under the risk committee's oversight, all threats and opportunities due to climate change or any other risk are assessed to ensure mitigation strategies are in place to limit our exposure and allow Safety to effectively operate within our corporate risk appetite and meet corporate objectives. Such strategies include the transfer or risk through our reinsurance program or the acceptance and ongoing mitigation of the risk.

Climate change risk is also considered in our underwriting practices, as we maintain diversified lines of insurance with a spread of individual risks categorized by line of insurance, territory, and class. Our underwriting and reinsurance programs also consider the potential impact of climate risk by dividing our homeowner rating territories into coastal and non-coastal to allocate price on the basis of risk.

We also recognize that climate change could have an impact on our investments. We maintain a conservative, diversified investment portfolio that achieves risk-adjusted return while aligning with our values and ESG priorities. We also place importance on integrating the same ESG issues prioritized at Safety within the holdings of our investment portfolio. Our assets are overseen by third-party investment managers with robust ESG integration strategies. Asset managers engage in ongoing dialogue with investee companies around ESG performance. The Safety Insurance Investment Committee sets guidelines that our investment managers follow.

METRICS & TARGETS

Safety has always considered Catastrophic loss as a primary threat to our financial strength. However, we also recognize our catastrophe risk exposure is increasing as a result of future unexpected impacts resulting from climate change. The potential increase in the frequency and severity of catastrophic events resulting from climate change has not yet led the company to develop specific climate change metrics. However, we leverage quantitative measures to determine if adequate financial resources are available to manage our current and long-term business plan. Specifically, our own in-house probable maximum loss (PML) modeling serves our capital modeling needs to assess value at risk over select time periods. This model recognizes Catastrophe risk as the greatest threat to our financial strength. Our modeled scores are calculated at various levels of stress. Specifically, through this model we assess our net required capital at confidence levels from a one in 20-year event (95%) to a one in 500-year event (99.8%), at both actual and under stressed conditions. Resulting scores express the excess or shortfall of net required capital as a percentage of available capital. The modeled results drive our reinsurance needs with a goal of effectively mitigating our underwriting risk and adhering to our formal risk appetite and tolerance guidelines.

Safety does not currently disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions. We did recently issue our Environmental, Social and Governance ("ESG") report that highlights our ESG journey, including our climate related initiatives.