INSURER CLIMATE RISK SURVEY
For Reporting Year 2023

Company Name	State Compensation Insurance Fund		
NAIC Number	35076	Group No.:	0000
Line of Business	Property & Casualty	State Of Domicile	California - CA

Climate Risk Survey Questions	2023 State Fund Response
1. Governance – narrative *1. Disclose the insurer's governance around climate-related risks and opportunities.* *In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:* • Identify and include any publicly stated goals on climate-related risks and opportunities. • Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level. *A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.* *In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:* Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks. *B. Describe management's role in assessing and managing climate-related risks and opportunities.*	State Compensation Insurance Fund ("State Fund") is California's leading provider of workers' compensation insurance. A not-for-profit that is funded solely by premiums and investment income, the company is an independent state agency (501 c27). Although State Fund does not have any publicly stated climate goals, State Fund is committed to meeting all state regulations, including the recently passed SB 1203, which calls on state agencies to be net zero by 2035. To this end, State Fund has undertaken multiple sustainability efforts to reduce its carbon footprint, including: •Installation of exterior and interior LED lighting and energy-efficient heating, ventilation, and air conditioning (HVAC) systems at several locations. •Installation of daylight harvesting systems at all owned buildings. •Adoption of water-saving measures such as waterless or dual-flush toilets and low-flow faucets at most sites. •An internal campaign to "ban the bottle" and a substantial reduction in plastic water bottle purchases for State Fund-hosted events. •In the past year State Fund has reduced energy use of owned buildings by 105,628 kWh or seven tenths of a percent (0.7%), though water and gas use slightly ticked up as business functions continue to normalize post COVID with water use increasing by 43 hundred cubic feet (HCF) or point two percent (0.2%), and gas use increasing by 4,142 therms or two point six percent (2.6%). •The construction of an extensive sustainability and solar energy program, including solar, EV charging stations, and energy storage at seven locations throughout California. State Fund is a single entity structure. Climate disclosures cover the entire operations of the company, which at year-end of 2023 consisted of 4,004 employees across 25 locations. State Fund operates solely in California; we have approximately 85,712 policyholders. Our year-end information for 2023, including premiums earned, losses incurred, and the value of our investments portfolio, can be found in our annual report at: https://www.statefundca.com/about/2023-annual-report/. State Fund's sustainability program is overseen by an Executive Oversight Committee

	(EOC), comprising of chosen members of the Executive Committee (EC). The EOC oversees various facets of State Fund's operations, including corporate communications, HR, business development, underwriting, field operations, marketing, and risk management. During 2024, the EOC will continue to provide direction and feedback to State Fund's newly formed four topic committees. Each committee is responsible for managing a priority ESG topic and implementing its respective ESG Blueprint—a strategic plan outlining actions and initiatives designed to manage associated risks and opportunities. These topics include Climate Resilience, Diversity, Equity, and Inclusion (DEI), Service Access & Inclusion, and Societal Health. State Fund continued to have 54% of Executives participating on the Sustainability EOC during 2023. The EOC meets quarterly to discuss ESG-related issues including those related to climate risks and opportunities. These decisions are then reported to the entire EC on a quarterly basis. For State Fund's investments portfolio, any climate-related disclosures are guided by an environmental and climate focus and other related ESG criteria. State Fund works directly with its investment managers as part of its investment process laid out in its Investment Policy Statement (IPS) to ensure ESG frameworks incorporate State Fund's ESG goals, including climate-related goals around green bonds, ESG rating performance, and carbon intensity. These are reported on and monitored quarterly at the board meetings of the Investment & Risk Committee (IRC). The IRC is responsible for the oversight of climate-related risks and opportunities. The IRC is comprised of four members of the Board and is responsible for reviewing changes to the risk profile and compliance with approved Enterprise Appetite and Tolerance statements during their quarterly meetings. The IRC ensures that Management's target and tolerance levels related to individual risks are aligned with State Fund's purpose and values. The Chief Investment Officer (CIO) is the executive responsible for the oversight of climate-related investment risks and opportunities. The CIO reports regularly to the IRC. Responsibility for coordination of overall risk management rests with the Chief Risk Officer, who oversees State Fund's Enterprise Risk Management Program with guidance from the Executive Risk Committee and the IRC.

Governance – closed ended questions answered in addition to the narrative: 1. Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/**N**) 2. Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (**Y**/N) 3. Does management have a role in assessing climate-related risks and opportunities? (**Y**/N) 4. Does management have a role in managing climate-related risks and opportunities? (**Y**/N)	

2. Strategy – Narrative *2. Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.* *In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:* • Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency. • Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations. *A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.* *In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:* • Define short, medium, and long-term, if different than 1-5years as short term, 5-10 years as medium term, and 10-30 years as long term. *B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.* *In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:* • Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk. • Discuss if and how the insurer makes investments to support the transition to a low carbon economy.	State Fund's climate strategy covers risks and opportunities and seeks to build resiliency across three areas: (1) our operational greenhouse gas (GHG) impacts, (2) climate-related risks in investment and underwriting, and (3) helping our customers (policyholders and their employees) adapt to climate-related risks and opportunities, including adapting our products and services where necessary. We engage with key constituencies including internal stakeholders (employees and management) and our customers where necessary to ensure climate resiliency and management of climate risk. State Fund's climate strategy to reduce our impact on climate change and operational GHG emissions includes these outcomes: • Reduced reliance on gas-powered pool cars, with a reduction of fleet to 13 vehicles, with 38% of our fleet now comprised of EVs. We'll be reducing our fleet in 2024 to 6 passenger vans as we continue to adapt our fleet to the needs of our increasingly remote workforce. • Due to increased business travel requirements, our 2023 travel-related greenhouse gas emissions have risen by 135% compared to 2022 numbers. • Upgraded buildings to reduce operational emissions at owned locations, including new lighting, energy-efficient HVAC, drought-landscapes, and green transformers. • Installed solar panels in all owned locations, reducing greenhouse gas emissions. • Reduced paper usage by 28% compared to 2022 usage, resulting in a reduction of 98,648 lbs. or approximately 840 trees compared to 2022. • In 2023, recycling at State Fund decreased by 48%, dropping from 724 tons to 374 tons. This decrease was attributed to reduced demand resulting from our remote work environment, lower need of necessary document shredding, and an overall use of less paper due to actions such as the consolidation of mail, double-sided printing, and electronic delivery of documents. • Provided drought and wildfire awareness education materials to all employees in partnership with the University of California. • Eliminated single-use plastic bottles at State Fund offices through our "Ban the Bottle" initiative. We give every new hire a reusable tumbler. • Between 2019 and EOY 2023, State Fund planted 1,932 trees for new hires. An additional 34 trees were planted to commemorate the service of every Sustainability Council member during 2023 as we transitioned our work to our four topic committees. • Transitioned the majority of our policyholder training to live webinars. This has reduced our carbon footprint by reducing vehicle miles driven while increasing attendance across the board. Additionally, we anticipate initiating additional activities over the coming years, including:

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.	• Aligning office composting programs with SB 1383. • Conducting environmental property risk assessments on all our real estate assets. • Developing a net zero or carbon neutral target in alignment with SB 1203 and associated action plan by 2035. State Fund's climate strategy considers risks and opportunities over the short (1-5 years), medium (5-10 years), and long-term (10-30 years) horizons as defined by TCFD. Although State Fund has not yet completed a formal scenario analysis, we consider climate-related risks and opportunities within the following areas: Investments - State Fund considers climate-related risks in its investment portfolio and has set 3 ESG goals to reduce financial risk. Two of these are related to climate directly: our increased investment in green bonds over short, medium, and long-term horizons and our commitment to reducing the carbon footprint of our portfolio by 75% below the 2019 baseline by 2030. For several years now, our investments team has worked with our investment managers to use Morgan Stanley Capital International (MSCI) or an equivalent ESG data provider to ensure each investment meets our ESG score requirement (MSCI ESG rating of BB or above) and to analyze the carbon footprint of the company's portfolio quarterly to ensure it remains on track with the larger reduction goal as described above. Underwriting - State Fund has identified our agricultural business sector, which represents 8% of our overall business, as the most impacted by climate-related risks. Although we have not taken action to limit customer geographic locations or industries due to climate considerations, or yet incorporated climate considerations directly into premium pricing, we do engage policyholders and their employees, as described below, to develop policyholder education and loss prevention services to help mitigate any increased risk of climate-related illnesses and hazards for California workers. High-risk policyholders that successfully complete loss prevention programs may be given a premium adjustment, as described in Question 3 on risk management. In 2022, under the auspices of the Sustainability Council, State Fund identified its material issues and developed strategic roadmaps for advancing performance and progress in the management of these issues. Two of these issues, climate resilience and societal health, cover climate-related risks and opportunities. In late 2023, State Fund streamlined its sustainability governance structure by sunsetting the Sustainability Council and introduced four topic committees. Each committee, overseen by the Executive Oversight Committee (EOC), is dedicated to overseeing a material ESG issue:

	Climate Resilience, Diversity, Equity, and Inclusion (DEI), Service Access and Inclusion, and Societal Health. Responsibilities within committees include: • Providing strategic direction and recommendations for State Fund's sustainability initiatives, including climate-related projects such as greenhouse gas inventory calculations and achieving net-zero or carbon-neutral targets. • Balancing the sustainability value, cost, and business needs to guide organizational decisions. • Integrating sustainable practices into operational aspects where practical. As a California-based business, our policyholders and their employees are subject to climate change hazards common in California, including heat and smoke-related illnesses from excessive heat and wildfires. As a result, engaging our policyholders has been a top priority for State Fund since its inception. We have worked to help our customers adapt to climate-related risks. Our health and safety and loss prevention teams have taken steps to address these issues by developing online resources for identifying and combatting heat and smoke-related illnesses through our Online Safety University at safeatworkca.com through seminars/webinars that are available to ALL California employers, including our policyholders, in both English and Spanish. In 2023, State Fund's more than 300 safety courses, accessible around the clock, had over 282,000 visits and generated over 875,000 page views. Several of these courses provide training that focus on climate-related content. During the pandemic, live safety seminars were converted to a virtual format, allowing for reduced carbon footprint from travel and increasing flexibility for attendance. Although virtual safety seminars are still available in certain scenarios, we have transitioned back to in-person seminars as the primary format for delivering live safety presentations to policyholders and their employees as the threat from COVID-19 continues to diminish. In addition, we have adapted the delivery of our products and services to reduce reliance on paper and mail delivery. Digitization efforts have resulted in visit letters being delivered by email as well as printed safety pamphlets, guides, and checklists being moved to safeatworkca.com. Since the implementation of this new software, we have saved more than 6,105,000 sheets of paper, equivalent to 610 trees. We also conduct targeted policyholder outreach campaigns that address climate-related scenarios like severe weather, fires, earthquakes, high heat, droughts, and floods. These campaigns include safety information, standards guidance, and compliance resources, tailored to specific conditions and regions.

2. Strategy - closed ended questions answered in addition to the narrative: 1. Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (**Y**/N) 2. Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (**Y**/N) 3. Does the insurer make investments to support the transition to a low carbon economy? (**Y**/N) 4. Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (**Y**/N)	

3. Risk Management – Narrative *3. Disclose how the insurer identifies, assesses, and manages climate-related risks.* *In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:* • Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk. • Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable. • Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered. *A. Describe the insurers' processes for identifying and assessing climate-related risks.* *In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:* • Discuss whether the process includes an assessment of financial implications and how frequently the process is completed. *B. Describe the insurer's processes for managing climate-related risks.* *C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.* *In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:*	State Fund identifies, assesses, and manages climate-related risk through its Enterprise Risk Management (ERM) program , which is overseen by the Chief Risk Officer with guidance from the Executive Risk Committee and the Investment & Risk Committee (IRC) of the Board. State Fund's ERM monitors all risks that have an impact on the organization's success, including climate-related risks. State Fund's ERM Policy contains specific guidance for the identification and assessment of emerging risks as well as the monitoring and reassessment of known risks. The ERM process uses a combination of top-down and bottom-up perspectives to obtain and communicate a holistic view of the strategic and tactical repercussions of risk and risk events and their effect on the success of the enterprise. Potential changes in employer distributions, both geographically and by sector, as well as operational threats from extreme weather events such as wildfires and sea level changes, are evaluated as part of the annual refresh of the organization's risk profile. Action plans, including mitigation, control, and monitoring, are developed when material threats are identified. Material threats are reviewed by the Executive Risk Committee and included in the enterprise risk register. State Fund's Chief Investment Officer (CIO) is involved in the management of risk to investment return on State Fund's investments portfolio to understand the potential effect on capital and policyholder surplus. The company's investment teams also monitor climate-related risks in the investment portfolio. Investment selections and decisions are actively guided by an environmental focus and relevant ESG criteria. The portfolio is assessed on a quarterly basis against established ESG goals and metrics, including reduction in carbon footprint, ESG scores, and green bond adoption. State Fund supports investments in green bonds, COIN, fixed income, equities, and alternatives that raise capital and investment for projects with climate benefits such as renewable energy, sustainable resource use, conservation, and adaptation to climate change. These investments help reduce climate-related risk in the investment portfolio, ensuring the long-term ability of State Fund to maintain a healthy policyholder surplus. Progress and status of ESG metrics and goals are reviewed with the IRC on a quarterly basis. The investments team also utilizes informal scenario analysis to assess the risks to the portfolio. State Fund utilizes the Bank of England Climate Biennial Exploratory Scenario (CBES) - 2021 to analyze the portfolio against three scenario types: Early Action Transition (if net zero is achieved globally by 2050 with global warming limited to 1.8 degrees Celsius), Late Action Transition (if transition is delayed to 2031, but global warming still limited to 1.8 degrees Celsius), and No Additional Action (no transition to carbon neutral with warming of 3.3 degrees Celsius by 2080).

• Discuss whether climate-related risks are addressed through the insurer’s general enterprise-risk management process or a separate process and how frequently the process is completed. • Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered. • Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.	Although State Fund is interested in integrating ESG factors into its underwriting process, the company's underwriting team does not identify climate-related risk as a direct cause of worker's compensation injuries at the portfolio or individual account levels. State Fund is aware that certain exposures and hazards may exist for our policyholders that could be indirectly related to climate change, such as exposure to outdoor elements or heat- and smoke-related illnesses. Such exposures and hazards may be cited at the discretion of an underwriter in our filed scheduled rating plans based on the individual characteristics of the employer, such as the existence and quality of a safety program to mitigate against these exposures and hazards. However, since the cause of these exposures and hazards may be difficult to isolate, it isn't appropriate for our underwriters to directly link the exposure or hazard to climate change and use climate-related risk in premium pricing. As the impact of climate change on the state's economy, infrastructure, and workforce becomes more defined, State Fund will reevaluate the link between exposures/hazards and climate change and adapt its risk management strategies for climate change in underwriting accordingly. State Fund is committed to educating policyholders on their need to protect their employees from smoke- and heat-related illness and exposure to outdoor elements. To this end, the company (1) provides loss prevention guidance and resources to policyholders and (2) adjusts our premium pricing to reflect the policyholder's management of those exposures and hazards. Educational resources include annual heat illness prevention seminars/webinars that educate employers on hydration, proper shading of work areas, effective employee awareness and training on heat illness, and high heat and emergency procedures. Resources can be found at safeatworkca.com. Additionally, State Fund actuaries monitor changes in loss trends to identify the impact on the company and recommend actions to address and mitigate the financial impacts of related long-term trends. However, climate is not directly evaluated for actuarial pricing of risks. The company also monitors emerging regulations around climate change, including SB 1203, to ensure compliance with any state mandates around GHG emissions and climate change.

3. Risk Management – closed ended questions answered in addition to the narrative:

1. Does the insurer have a process for identifying climate-related risks? (**Y**/N)
   - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (**Y**/N)
2. Does the insurer have a process for assessing climate-related risks? (**Y**/N)
   - If yes, does the process include an assessment of financial implications? (**Y**/N)
3. Does the insurer have a process for managing climate-related risks? (**Y**/N)
4. Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/**N**/Not Applicable)
5. Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (**Y**/N)
6. Has the insurer considered the impact of climate-related risks on its investment portfolio? (**Y**/N)
7. Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/**N**)
8. Has the insurer utilized climate scenarios to analyze their investment risk? (**Y**/N)

4. Metrics and Targets – Narrative *4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.* *In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:* • Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate- related risks the insurer uses catastrophe models to assess, if any. *A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.* *In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:* • In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions) *B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.* *C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.*	Although State Fund internally tracks climate-related data related to its operational footprint, such as energy, water, waste, and emissions, these metrics are not currently disclosed publicly. These metrics include: • Tons of paper used • Fleet mileage and CO2 emissions • Air travel mileage and CO2 emissions • Natural gas usage • Gallons of water consumption • Pounds of paper and physical records recycled • kWh of energy used We monitor metrics by facility and intensity to normalize differences in building size and headcount. State Fund's investments team uses weighted average carbon intensity (WACI) to track the carbon intensity of its investment portfolio and manage the climate-related risks in its investment portfolio. The investments team also tracks the number and value of green bond holdings as a metric to track climate-related opportunities in its investments portfolio. Although State Fund's actuarial team does not currently use climate-related metrics to assess and monitor climate-related risks and opportunities in the underwriting process, State Fund does use certain catastrophe modeling to track the 1 in 100-year probable loss for earthquake and terrorism risks and uses catastrophe modeling to manage these risks. The company does not currently disclose its Scope 1, 2, or 3 GHG emissions and has not yet set any public targets for emissions reductions beyond what is required under state law or regulation.

4. Metrics and Targets – closed ended questions answered in addition to the narrative: 1. Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/**N**) 2. Does the insurer use metrics to assess and monitor climate-related risks? (Y/**N**) 3. Does the insurer have targets to manage climate-related risks and opportunities? (Y/**N**) 4. Does the insurer have targets to manage climate-related performance? (Y/**N**)	