

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.

Governance Response:

Pinnacol Assurance ("Pinnacol") is a monoline, monostate workers' compensation insurance company operating in Colorado. Pinnacol has little exposure to climate-related risks which are historically not a driver of workers' compensation losses.

Pinnacol's management team assesses and manages risks, including climate-related risks, through an Enterprise Risk Management (ERM) framework. Identified risks are allocated across Board sub-committees based on the type of risk (e.g., operational, financial). Climate risk is shared across Pinnacol's Governance and Ethics Committee, and Pinnacol's Investment Committee, which has oversight of Environmental, Social and Governance (ESG) policies related to Pinnacol's investment portfolio. Pinnacol's Chief Investment Officer (CIO) is responsible for the climate-related risks associated with the investment portfolio, and Pinnacol's Chief Legal and Corporate Resources Officer (CLO) is responsible for the other climate-related risks.

Pinnacol has 650 employees with one location in Denver, Colorado. Pinnacol's financial information including premiums, losses incurred, and the value of its 2022 investment portfolio can be found on Pinnacol's website [here](#).

While Pinnacol does not have publicly stated climate goals, it is committed to reducing Pinnacol's environmental footprint and has undertaken multiple sustainability efforts which are discussed further in this document.

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 1-5 years 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.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

Strategy Response:

While there is little direct exposure to climate-related risks at Pinnacol, we do have stakeholders who are interested in Pinnacol's response to climate-related risks. Pinnacol educates its employees, independent agents and policyholders on how to respond to weather related events including how to be safe in storms, during extreme weather, and on icy/wet surfaces.

Pinnacol is also very active in Green Initiatives. The following are some examples:

- In 2022, Pinnacol earned the EPA's ENERGY STAR with a score of 86, meaning that it is more efficient than 86 percent of similar properties nationwide.
- Pinnacol has been LEED Gold certified since 2015.
- Pinnacol was recertified as Certifiably Green Denver (CGD) in 2023. CGD is a program managed by the Denver Department of Environmental Health to provide education and recognition to businesses for exemplary environmental achievement.

- Pinnacol maintenance and renovation projects focus on sustainable and environmentally friendly products and usage. Examples include xeriscaping, preventative maintenance on the irrigation system, and e-waste recycling drive for employees..
- Pinnacol operates in an almost paperless environment with files stored electronically.

Pinnacol has taken these steps to support the climate and community, and believe it is the right thing to do.

In managing Pinnacol's investment portfolio, Pinnacol's Investment Policy Statement (IPS) indicates that it expects investment managers to 1) commit to using Environmental, Social and Governance (ESG) factors in their analysis and how the factors might affect the long-term performance; and 2) identify the most material ESG risks contained in an investment.

To ensure consistency with Pinnacol's vision and mission, the following are environmental factors that should be considered when evaluating securities in the investment portfolio.

- Climate change
- Air and water pollution
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity

The IPS also contains Social and Governance factors that are not included in this discussion.

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 the insurers' processes for identifying and assessing climate-related risks, 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 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 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.

Risk Mgmt Response:

See response 1 and 2 above.

Pinnacol identifies, assesses, and manages risk through its ERM program. The program is managed by the Chief Risk Officer (CRO) with support from executive management and others in the organization. On a quarterly basis, the CRO presents an updated Key Risk Dashboard to the board and to all board sub-committees. The Key Risk Dashboard provides updates on those risks assigned to each sub-committee. As mentioned, climate-related risks are contemplated in the quarterly analysis.

Pinnacol does not directly integrate climate-risks into its underwriting process but does consider the work hazards that are impacted by climate risk (e.g., excess heat, air quality) when performing the underwriting analysis.

For the investment portfolio, Pinnacol evaluates its investment managers on ESG qualities including:

- Maintaining an ESG Investment Policy or other appropriate documentation outlining how the firm uses ESG data in its research and portfolio construction process
- Person(s) dedicated to ESG
- Utilizing internal or external ESG scoring systems in portfolio construction
- Engaging with portfolio company management on important client ESG issues

On a quarterly basis, Pinnacol obtains ESG scores of holdings in separately managed accounts. For any holding where an ESG vendor has been assigned a "very high", "severe" or similar risk rating, information will be requested from the investment manager or ESG vendor to determine the circumstances causing the low ESG score. If it is determined that the circumstances are inconsistent with Pinnacol's mission or vision, the investment manager may be asked to divest the security within a reasonable amount of time. Pinnacol will also request that the investment manager contact the company to communicate the reason for the divestment and encourage action as appropriate.

With the assistance of its investment consultant, Pinnacol will annually assess an investment manager's ESG implementation. Reporting will be presented to the Investment Committee summarizing the progress of ESG integration by Pinnacol's investment managers.

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.

Metrics and Targets Response:

Internally, Pinnacol monitors the impact our Green Strategies have on the organization. These metrics are not public. Pinnacol continues to evaluate based on what we know - each industry and each individual work environment is unique. Quantifiable data and metrics are an important part of the equation.