GOVERNANCE

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.

Columbia Mutual Insurance Company (CMI) is a Missouri mutual property and casualty insurance corporation that serves as the ultimate controlling person and lead insurer of a holding company system informally known as Columbia Insurance Group.

Our Board has delegated certain functions to various Board committees that are governed by a written Charter outlining its responsibilities and reporting obligations to the Board. Our Board understands and accepts that while these committees have the authority to examine particular issues, undertake certain actions and report back to the Board on such recommendations and actions, the ultimate responsibility on all matters lies with the Board. For purposes of this Response, our Audit Committee assists our Board in fulfilling oversight responsibilities with respect to our enterprise risk management framework and related risk profile, including meeting with management to review identified risks, controls and mitigation efforts and recommending changes as appropriate.

The Board, with assistance from the Board Audit Committee and corporate Enterprise Risk Management/Investment Committee (ERM/Investment Committee), is responsible for the governance of risk by ensuring that the management teams maintains a sound system of risk management and internal controls to appropriately safeguard our policyholders' interests and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

The Board has approved an Enterprise Risk Management Policy (ERM Policy) that establishes the framework for identifying, assessing, monitoring, and reporting significant risks. The primary goal of this Policy is to assess the risk appetite of the Group and to define the risk tolerance in the form of statements that quantify financial limitations. Qualitative and quantitative inputs are utilized to determine if an identified risk should be assumed, avoided, transferred, or mitigated.

The edicts of the Board as reflected in the ERM Policy are carried out by the corporate ERM/Investment Committee that is comprised of employees and members of our management team, including our Chief Risk Officer and company Investment Manager. Risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate leaders with ultimate stewardship residing with the Board.

Weather-related risks are fully addressed by the company's ERM program and are considered both in terms of their effect on asset management and from an underwriting perspective. The company's ERM Risk Register outlines actions needed to best monitor the company's exposure to severe weather events by using various risk assessment models and storm prediction reports. We continually monitor weather patterns and how they shift over time, presumably due to changes in climate. We have made deliberate efforts to diversify our book of business geographically and by line of business to remain at an acceptable risk level with regard to severe weather threats, which vary somewhat according to region and type of business. We purchase reinsurance from financially strong reinsurers at levels that help us manage exposures within our risk tolerance levels.

STRAGEGY

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.

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

As stated in our core values, Columbia Insurance Group believes in "being responsible corporate citizens." In keeping with that statement, we are dedicated to the assessment, reduction, and mitigation of emissions in our operations where possible and appropriate. We continue to increase awareness and decrease emissions as an organization in the following ways:

- Our maintenance technician completed Building Operator Certification training through our local energy and utility provider, which resulted in a certification awarded by the Midwest Energy Efficiency Alliance. This program included a series of training courses and assigned projects regarding the energy and resource-efficient operation of buildings. Our technician continues to implement the information learned through these courses where possible.

- We continue to increase electronic policyholder communications where possible and are working toward a paperless option to decrease our use of paper, ink, and other materials.
- We utilize fluorescent light bulbs both inside and outside our buildings with energy-efficient LED lighting, which has led to a 30% decrease in energy usage.
- A majority of the HVAC units at our home office have been updated, which allows for more efficient operations and reduced emissions.
- We decreased company travel by installing video conferencing equipment in all five branch office locations. Employees may also utilize the Microsoft Teams video conferencing software for individual or small group meetings.
- We implemented a hybrid work from home policy whereby employees may choose to work from home up to two days per week. This has led to a reduction in fuel consumption, carbon emissions, and waste from our office locations.
- Beginning in 2017, our recycling program has diverted more than 20 pounds of plastic bottles and 140 pounds of aluminum from landfills, and we shredded and recycled over 2,000 pounds of paper. We continue to reduce our use of paper as we transition to increased electronic communications including utilizing Electronic Funds Transfers in lieu of paper checks, use of which has been reduced by more than 60 percent. These efforts led to a reduction of the amount of outgoing paper waste leaving our in-house mail room by approximately 30 percent. In addition, we continue to recycle wooden pallets, personal computers, and copy machines and repurpose all office furniture or donate it to local non-profit companies instead of discarding it.
- We transitioned fleet vehicles to four-cylinder engines, which decreased our annual fuel consumption and reduced carbon emissions.

We work closely with state and federal insurance trade associations to keep communication lines open with legislators about severe weather trends, better building codes, and building limitations in flood or hurricane prone areas. Another key component of this process is our financial support for Insurance Institute for Business and Home Safety (IBHS) and its efforts to develop and promote better building materials and guidelines to ensure less damage from weather-related losses in the future. We also work closely with our reinsurance partners to aid in their development of more accurate catastrophe models to help us achieve a better spread of risk, and finally we communicate with our policyholders to encourage proactive measures in both the long-term, such as reducing their carbon footprints with our paperless business options, as well as the short-term, such as developing emergency preparedness strategies and plans in case of disaster.

RISK MANAGEMENT

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.

As previously noted, weather-related risks are addressed by the company's ERM program and are considered both in terms of their effect on asset management and from an underwriting perspective. The company's ERM Risk Register outlines actions needed to best monitor the company's exposure to severe weather events by using various risk assessment models and storm prediction reports. We continually monitor weather patterns and how they shift over time, presumably due to changes in climate. We have made deliberate efforts to diversify our book of business geographically and by line of business to remain at an acceptable risk level with regard to severe weather threats, which vary somewhat according to region and type of business. We purchase reinsurance from financially strong reinsurers at levels that help us manage exposures within our risk tolerance levels.

Our core fixed income manager New England Asset Management (NEAM), responsible for day-to-day management of approximately 85% of our investable assets, actively monitors ESG Risk categories for all individual securities in the portfolio. Additionally, NEAM provides stress testing under a number of climate change scenarios. Our investment portfolio is managed conservatively with the primary goals of protecting policyholder assets and maximizing long-term solvency. Our investment portfolio is highly diversified by risk, type, and duration of security. Our investment strategy is not structured to reflect environmental or social issues. While we monitor these issues, we have not changed our investment policy to exclude or include any particular asset class.

NEAM has engaged Sustainalytics, Inc., a leading ESG research provider to provide comprehensive ESG data on global corporations. NEAM takes an integrated approach to ESG by using ESG research to complement traditional quantitative and qualitative research done by NEAM analysts. NEAM has established an ESG Risk Management Committee chaired by the ESG Risk Manager and other members of senior management. This group has responsibility for high level strategic decisions for ESG implementation within the firm.

The integration of ESG factors into NEAM's investment opinions has three components:

1. Research: Financial, ESG & other information is gathered from company reports and third-party research providers, including Sustainalytics;
2. Context: ESG research is put into context for materiality as with traditional analytic metrics; and
3. Review: ESG research is vetted quarterly by NEAM's credit committee & continually monitored & evaluated by its analysts, together with other factors, to determine ongoing credit risk both at the sector and issuer level.

NEAM is also a signatory to the "Principles For Responsible Investment" in June 2019.

As previously noted we financially support IBHS and its efforts to develop and promote better building materials and guidelines to ensure less damage from weather-related losses in the future. We share any and all information obtained from IBHS with our independent agency partners so that they will be equally informed of these matters. We also actively support and participate in state and federal legislative efforts aimed at improving building codes to mitigate damage from weather-related events.

We also work to help our policyholders understand risks presented by climate change, as well as develop risk management techniques by including literature with billing statements that advise our policyholders of ways to reduce weather-related losses (e.g., how to prepare or protect their property from upcoming storm seasons). We encourage policyholders to develop an emergency preparedness plan and provide information to assist them in doing so.

As part of our loss control services, we also provide information and recommendations on energy saving techniques.

METRICS AND TARGETS

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.

Climate change poses financial threats to the company in that severe weather events have become more common, powerful and widespread. Increased weather-related losses also have the potential to lead to higher claims costs due to a higher demand for replacement building materials, etc. Changing weather patterns have expanded geographically, and some of these areas and risks identified by the Company are as follows:

- **The Midwest** has experienced a significant increase in the frequency and severity of weather-related claims in recent years. As a result, we have taken action to significantly reduce our personal property business in this region.

- **Coastal Regions** continue to experience ever-increasing risks of severe weather in the form of hurricanes. Our exposure in the coastal regions is not widespread, and should we expand our market, we will continue to diversify our book of business geographically to offset these increased risks. The exposures we have in coastal regions are managed with reinsurance.

Further, regulatory and legislative changes related to climate issues also pose a potential threat to our operations. Specifically, mandates of coverage or restrictions on pricing that do not correlate directly to risk can increase the company's loss costs and reduce profit to untenable levels. Unexpected restrictions on underwriting actions following weather-related events also result in additional policyholder notices and actions that often lead to confusion and increase our cost of operations. The completion of duplicative surveys, data calls and other reports after weather-related events can also increase our cost of doing business.

We recognize that changes in the frequency and severity of severe weather-related events can have a potentially significant financial impact on our operations. At the time of this response, management of catastrophe exposure remains one of the highest priority risks in the company's ERM program. As part of that program, risk owners take responsibility for carrying out the risk controls that have been identified to help monitor and manage risks related to changes in weather and climate. Some of these risk controls include:

- The use of external catastrophe models and historical results to assess prospective catastrophic risk for pricing and exposure management purposes.
- Evaluating information generated internally or provided by our reinsurance partners to assess our overall exposure to various catastrophic risks.
- Consideration of property facultative placement and review of controls in place designed to monitor coastal and earthquake exposures.
- Careful evaluation of agency appointments in catastrophe prone areas.

These and other tools allow us to structure our reinsurance program to protect the company from major loss from these potential weather-related events. As the demand for reinsurance increases in the industry in general, the costs and terms associated with it favor the reinsurers.

Based on information obtained through our ERM program, we continue to minimize our concentrations of personal property lines of business as they are more prone to weather-related losses. Our ERM Risk Register is continually assessed, revised and updated to reflect the most current applicable risks, and the potential impacts of climate change related risks are regularly reassessed.

We are also a corporate member of Federal Home Loan Bank of Des Moines (FHLB), which provides secondary liquidity in case of cash need. This provides our company with an additional layer of financial security, should the need arise.

We continually manage our exposures by evaluating our book of business to ensure we are maintaining a proper spread of risk throughout our underwriting territory. We use underwriting guidelines to mitigate weather-related losses in areas that are more prone to such activity. We evaluate trends in historical catastrophe loss and continue to watch for new developing trends as climactic change continues to effect weather patterns. We also work closely with our reinsurance partners who use sophisticated catastrophe models to help us better understand our exposures to loss and develop loss estimates for natural disasters. The external models help us determine how much reinsurance to purchase and how it should be structured to satisfy our risk tolerance levels. We also have developed business continuity plans that address our ongoing business operations should one or more of our locations become damaged by a severe weather-related event.