



Environmental Social Governance

CORPORATE RESPONSIBILITY
2023 Report



PENN NATIONAL
INSURANCE

Feel Secure[®]



At Penn National Insurance, we are committed to fulfilling our mission of helping people feel secure and making life better when bad things happen.

We are guided by our core values: integrity, respect, social responsibility and transparency.

Our behaviors adhere to ground rules designed to optimize each team member's ability to achieve our objectives and fulfill our mission.

- Talk Straight
- Open Minded
- Empowerment
- Teamwork
- Leadership
- Customer Commitment
- Growth Mindset
- Results Oriented
- Innovative



Penn National Insurance was founded for the singular purpose of providing security and service to its policyholders. A century later, our mutual structure continues to provide a perfect alignment of interests between the company and our policyholders. Unlike companies with shareholder obligations, we have the ability to take the long-term view that allows us to completely focus on doing what is right for our policyholders.

With this long-term outlook, we are also able to provide a healthy and stable work environment for our team members, foster relationships with business partners and support the communities where we work and live.

Like all insurance companies, our core activities naturally support sustainability by:

- Providing loss control services to policyholders to minimize their risk
- Supporting strong building codes to protect assets and the environment
- Promoting safe driving habits to protect individuals and society
- Serving as a risk transfer mechanism for economic activity

Our Corporate Responsibility Report is intended to inform our stakeholders about our efforts to positively impact the environment and society and to sustain our world.



*Salt of the earth people
joining together for their
own mutual protection.*

That's still us today.



As a company founded by farmers, we continue to care about the environment. We are stewards of the environment in our business, management of risk, physical operations and interactions with others. As an insurance company, many of our actions are naturally focused on resilience and sustainability. By focusing on small Main Street businesses and individuals, our business strategy provides frequent and diverse opportunities to support sustainability.

Managing Climate Change

Climate change poses a risk to our business and to our world. Climate change is associated with widespread changes in weather patterns that threaten lives, disrupt communities and strain resources. We are keenly aware of the importance of mitigating climate change for our industry, our policyholders and ourselves, and we are committed to reducing the impact of climate change whenever practicable.

Our robust Enterprise Risk Management (ERM) program includes identifying and assessing climate change related risks and, where appropriate, acting upon those risks to lessen their impact on us and our customers.

We recognize that climate change can influence the return on an individual investment. We maintain investment guidelines that are geared toward balancing risk and the return on investment. As such, our investment portfolio is highly diversified by security type, industry, location and duration, which, in turn, diminishes the risks posed by the effect of climate change. Our investment manager maintains a carbon dashboard allowing us to quantify carbon intensity and identify the largest carbon contributors in our investment portfolio. We are also able to identify industries that are exposed



We seek to be good environmental stewards as we engage in risk management, in the way we operate our physical office facilities, and in our interactions with others.



to transition risk—a type of risk that arises from disruptions and shifts associated with the transition to a low-carbon economy. We are responsible and thoughtful in our investment strategy and actions while being ever mindful of our fiduciary responsibility to our policyholders.

Sustainability in Our Operations

We embrace sustainability and take meaningful steps to decrease our environmental impact.

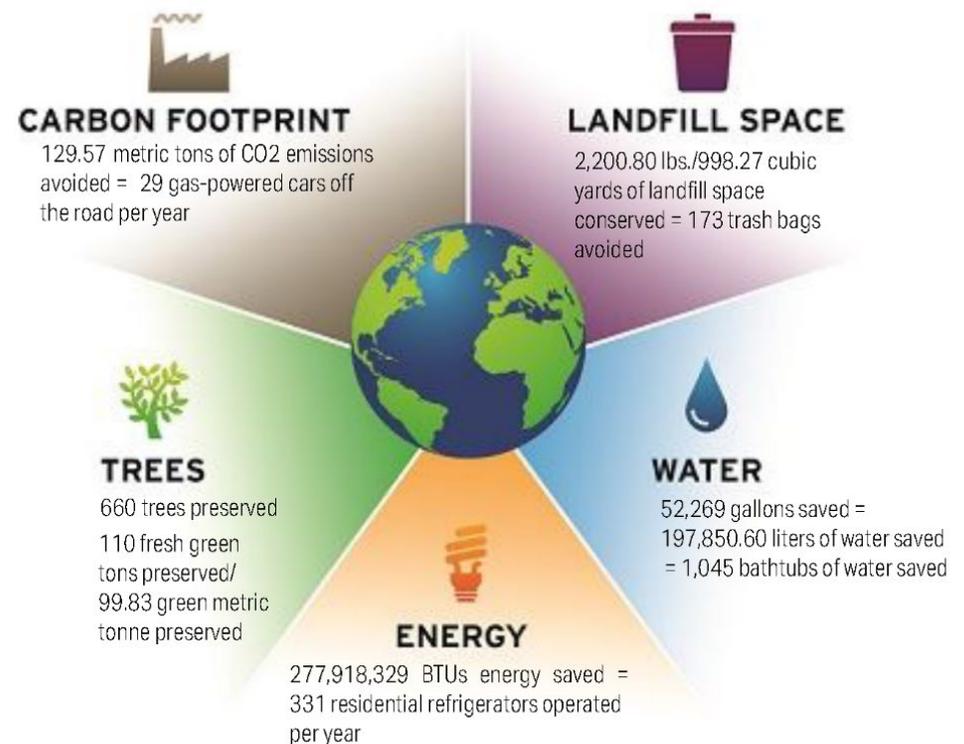
Eco-friendly Building Operations

We deploy and maintain a variety of eco-friendly operational practices including:

- Energy-efficient light fixtures, motion-sensing light switches, on-demand hot water heaters and cool-roof technology help reduce electrical consumption.
- Energy-efficient, healthy HVAC systems and environmentally friendly refrigerants help reduce electrical consumption and protect the environment.
- Flow restrictors on water taps help reduce water consumption.
- Redeployment of office equipment, furniture and supplies whenever possible. We proactively seek to donate items no longer used to local schools and non-profit agencies.

- Usage of environmentally safe cleaning products whenever possible.
- Comprehensive recycling program that includes recycling of paper and other paper products, metal, aluminum, carpet, batteries and refrigerants.

Our organization's eco-friendly decision to securely shred and recycle 27.51 short (U.S.) tons (60,649 pounds) of paper resulted in the following environmental benefits in 2022:





Reducing Carbon Emissions

For many years, we have been committed to flexible working arrangements. We provided the technology and tools to enable remote work and allow for virtual meetings. This commitment reduced our carbon footprint by limiting the frequency of employee commutes and unnecessary travel. We now operate on a remote friendly business model, bringing team members together when business purposes dictate, but otherwise supporting remote working arrangements. Our remote friendly model further reduces commuting and travel.

With our fleet vehicles, we conduct regular preventative maintenance to optimize engine performance and fuel consumption. We regularly evaluate the potential to incorporate electric or hybrid vehicles into our fleet. We offer a commuter benefit and have bicycle accommodations to encourage alternate methods of travel to and from the office.

Reducing Paper Use

We seek to reduce paper wherever possible. We provide a variety of methods for electronic interaction with our customers and business partners. We encourage customers to opt out of receiving paper policy documents and bills and to use our electronic self-service options for instant, on-demand access to their information. We offer paperless business transactions to obtain certificates of insurance, view identification cards, make payments, file claims and receive claims payments.

We encourage policyholders to vote by electronic proxy. Internally, we utilize an electronic document storage platform for a largely paperless environment.

In late 2021, we began offering electronic disbursement for claims payments. Of the claim payments that are now eligible to be paid electronically, 70% are paid via e-payment.

In 2023, we completed a large, multi-year strategic project to replace our legacy policy processing system. The new system provides even more opportunities for us to interact electronically, such as communicating more efficiently with our agencies' management systems and making system changes faster, all of which reduces the need for paper or printing even further. At the same time, we began to limit printing of certain commercial transactions in an effort to further promote electronic interactions and reduce paper use.



Disaster Management

We maintain a comprehensive disaster management plan. We are aligned with independent adjustment resources to ensure our timely and effective response and mitigation at times of catastrophic natural disaster. We seek to use materials or product components that are environmentally friendly.



Encouraging and Helping Others to Do Their Part

Our policyholders have access to information and services that can help them understand what steps they can take to improve energy efficiency and reduce energy use. Through an online self-help tool, our commercial policyholders can explore ways to help reduce energy costs specific to their operations. We communicate proactively on hurricane and other disaster preparedness to help reduce personal loss and mitigate the environmental impact of national disaster.

We also partner with our reinsurers to offer specialized coverages and services that incentivize policyholders to purchase energy efficient technology, conserve energy and replace damaged commercial equipment and systems with energy efficient options.

When purchasing supplies and evaluating vendors for hire, whether for our own building maintenance or in conjunction with claims, we consider energy efficiency and sustainability as important factors in the selection process.

In 2022, our team members formed a recycling community on our internal employee communication platform. The goal of the recycling community is to examine and strengthen team members' stewardship of waste and recyclables in our offices and homes. Team members share information, ideas and community events that support recycling, sustainability and other eco-conscious efforts.





Penn National Insurance is deeply committed to being a socially responsible corporate citizen. It starts with the most important resource—our team members.

Embracing Inclusion, Diversity and Belonging

Within our operations and our communities, Penn National Insurance is committed to making a positive difference in the lives of others.

In Our Workplace

We are dedicated to a work environment in which all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to the organization's success. Along with nearly 2,000 other CEOs of the world's leading organizations, we are signators of the CEO Action for Diversity and Inclusion Pledge. The Pledge underscores our commitment to build a productive, diverse and inclusive workplace and to engage in conversations and actions that cultivate a trusting environment where all ideas are welcomed and where employees feel comfortable and empowered to discuss inclusion and diversity.

We have taken action to fulfill this commitment:

- The Compensation Committee of the Board of Directors transitioned to become the Human Resources Committee with oversight accountability for the effectiveness of talent management strategies and inclusion and diversity programs and initiatives.
- We completed an assessment of our baseline Diversity, Equity and Inclusion (DEI) performance across multiple areas against recommended protocols from a leading university. While not all of the protocols apply to a corporate setting, two-thirds of the recommended practices are already firmly in place.



Count on our unwavering voice among the chorus rejecting racism. In our communities, and within our operations, we are committed to making a positive difference.



- We completed a pay equity analysis across the organization and now assess pay equity for individuals as they are hired, during the merit review process and when they are promoted.
- We have revised our promotional pay guidelines to assure employees are properly rewarded when assuming additional responsibilities.
- By broadening our recruiting sources to include Boots on the Ground (military veterans) and eQuest (reaches hundreds of diverse recruiting sites), we are successfully attracting diverse candidates.
- Our community outreach efforts continue with financial support bolstering the educational work of community organizations and schools.
- Our internship program introduces Harrisburg City students to the work world and the insurance business.

By welcoming all to our workplace, our company becomes even stronger. DEI is a journey and not a checklist assignment to be completed. Our commitment to nurturing diversity, visible and invisible, carries on.

We maintain and enforce a variety of policies designed to ensure an environment free of discrimination of any kind. Various training programs support these policies, including unconscious bias and anti-harassment training for all employees.

We utilize a market-based employee compensation structure that provides a framework for equitable pay. We conduct regular pay equity analysis to ensure that our employee compensation is equitable.

We regularly compare our practices against leading benchmarks to identify areas of opportunity. Our board of directors is actively engaged and provides guidance on issues of inclusion, diversity and belonging. We have open conversations among our team members to help us identify potential opportunities to proactively increase inclusion and diversity throughout our organization.



With Our Business Partners

We value mutually beneficial relationships with diverse suppliers and business partners that strengthen the communities in which we operate.

We maintain a vendor diversity policy to provide the maximum opportunity for small and diverse businesses to participate as our partners and suppliers of goods and services.



Our subsidiary, Inservco Insurance Services, Inc., is in a joint venture with a Socially Economically Restricted Business.

We recruit agency business partners who are members of historically underrepresented groups. Steps we are taking to diversify our independent agency plant include:

- Becoming more active on minority agent committees in various state agent associations where we are members.
- Seeking referrals from our existing minority agents.
- Striving for diversity among our Aspire Group of agents newer to the insurance business.
- Working with our larger agents and agency networks to understand their inclusion and diversity plans and how we can support those efforts.

In The Community

We invest in the Community First Fund, a non-profit financial institution whose mission is to create financial equity through wealth-building opportunities for individuals, family and business owners, especially people of color, women and immigrants.

With Our Board of Directors

Our board of directors emphasizes diversity among its directors, including diversity of gender, race, background, education, industry and experience.





Empowering Our Team Members

We provide a safe, respectful and engaged work environment focusing on physical, emotional and financial health and safety, and personal and professional growth and development.

Employee Wellness

We recognize that our team members' personal health and well-being is critical to our strength as a company. We offer a robust total rewards program that includes:

- Core and voluntary benefits of medical, dental and vision coverage, short- and long-term disability protection; life, disability and supplemental benefits; flexible spending and health savings accounts; and health advocacy.
- 401(k) plan, financial education and retirement planning.
- Employee assistance program.
- Flexible and remote working arrangements, combined paid time off, generous paid holidays, service recognition and awards, professional designation achievement recognition and awards, and tuition reimbursement.
- Introduction of a new paid family leave program that will better address the changing needs of today's families.

We have an active wellness program that promotes awareness and assists team members in making healthy choices and reducing health risks. Our wellness program is supported by dedicated activities, committees and communities. The wellness program also provides an opportunity to earn a monetary credit toward future medical premiums.



Workplace Safety

We are committed to protecting the safety and health of our employees. We maintain a Workplace Safety and Health Program that helps us prevent injury and illness in the workplace. We will not permit safety to be sacrificed for any reason.

In March 2020, our comprehensive planning and preparedness allowed us to swiftly and effectively implement our business continuity and pandemic response plans. In a matter of days, we successfully transitioned operations that could be performed remotely out of our physical offices. We implemented strict protocols to ensure the safety of the employees whose work required them to remain on site. Since then, we have transitioned to a remote friendly business model that supports our continued commitment to appropriate safety protocols.



We maintain an active ergonomics program designed to promote healthy work practices, increase work efficiency, reduce errors, fatigue and stress, and promote job satisfaction. Our ergonomics program includes education, individual workstation assessment and specialized equipment.

Personal and Professional Development

We encourage both personal and professional growth for all team members. We support and promote professional development curriculums such as introductory insurance programs, the highly respected Chartered Property Casualty Underwriter (CPCU) designation and other specialized programs and certifications. We have a variety of optional personal learning sessions available to team members.



Employee Engagement

Strong employee engagement is vital to our success. In 2021, we partnered with a third party to conduct an employee engagement survey to identify areas where we are doing well, along with opportunities for improvement.

The survey results reflect our team members' high level of commitment to Penn National Insurance. Eighty-three percent of our employees completed the survey. The results revealed an engagement score of 87 compared to an engagement score of 83 in 2018 and a national average engagement score of 64. Our employees clearly take pride in their work.

Our leadership team is actively involved in implementing changes based on our team members' feedback, and we will conduct a follow-up employee engagement survey in 2024 to gauge our progress.



Helping Others Stay Safe

We actively encourage others to prevent or reduce loss or injury. We educate and promote hurricane and severe weather preparedness through email communications and social media posts. We provide loss control consultation to commercial policyholders to help them with preparedness, contingency planning and risk mitigation. We provide premium discounts to commercial policyholders that maintain safety committees. We support organizations that install smoke and carbon monoxide detectors in the community.

Policyholder Safety and Educational Portal

Policyholders have access to a safety and educational portal where they can find a wealth of information to help them protect their business, lower costs and provide a safe workplace for employees and clients. The safety portal includes resources such as safety best practices and training videos and materials.

Safety Grant Program

Our Safety Grant program assists our commercial policyholders to enhance safety in ways that might not otherwise be financially feasible. Safety grants are used for workers' compensation, property/liability and auto eligible items.

Property safety grants are used for new safety program elements such as fire sprinkler systems, fire detection, alarm systems, exterior cameras, motion sensors or beam sensors, and slip/fall prevention items.

Fleet safety grants help policyholders operate their fleets efficiently and safely. These safety grants have helped commercial policyholders implement telematics management and vehicle monitoring programs, install and use dash cameras and purchase emergency kits.

Workers' compensation safety grants provide financial support for commercial policyholders to implement programs and purchase equipment to help keep their employees safe. Grants have been used to purchase fall protection, lockout/tagout equipment, industrial hygiene equipment, ergonomic aids, wearable technology and safety training.

Since 2018, we have awarded 132 safety grants totaling approximately \$280,838 in assistance to our policyholders.





Supporting Our Communities

The farmers who founded our company in 1919 passed along to us a tradition of giving back to the community that we honor and carry forward today. We give back to the community because we believe that businesses have a moral obligation to do so.

We concentrate our support to organizations that specialize in delivering resources to those in need. We focus much of our philanthropy in our headquarters city of Harrisburg, Pennsylvania, where we have provided millions of dollars in support of our local, urban public school district, and hundreds of thousands of dollars to support other urban educational improvement initiatives. We rank among the largest contributors to our local United Way, and we match our employees' donations dollar for dollar. We provide meaningful support in a variety of ways to organizations in the communities where our field offices are located.

We offer several programs that provide honorary monetary contributions to organizations that are served by our employee volunteers.

Along with our financial support, we encourage employees to volunteer by offering workplace volunteer opportunities and time off to volunteer. Our employees provide Board and committee leadership to numerous nonprofit organizations in our communities.

We provide other in-kind donations such as office furniture, equipment and supplies. We donate excess office supplies to schools and nonprofit organizations. Employees work together to collect, wrap and deliver gifts or meals to area children and families and help clean up or improve community spaces. We are providing office space in our headquarters facility in Harrisburg, Pennsylvania, to the Dauphin County Library System amounting to \$300,000 in support over three years. We are proud to collaborate with educational institutions to offer summer internship opportunities to high school students and recent graduates in our headquarters' local community. Participants in the program gain valuable work and education experience over nine weeks. One of these organizations, Joshua Group, is a Harrisburg, Pennsylvania, nonprofit organization providing at-risk students with mentoring and positive role modeling that can be life altering for individuals and families. We are proud to have extended employment to a graduate of the program.





Operating with integrity and purpose is at the heart of all that we do. It has been since our formation in 1919 when a group of farmers came together to oppose a restriction on their ability to move modern farming equipment on the newly paved roads throughout the commonwealth. To this day, we remain focused on our founders' original principles. Our mission, core values and ground rules reflect this commitment and guide us every day.

We recognize that strong and effective corporate governance is critical to sustain our organization and preserve the corporate culture that has served us so well for so many years.

Board of Directors

Oversight of the company ultimately rests with the board of directors. Led by an independent chair, our board adopts best practices in private company governance and, where appropriate, that of public entities as well. The directors hold themselves and management to the highest standards of integrity, accountability and performance.

Our board of directors is highly skilled and engaged. Directors possess individual skills in accounting, finance, law, human resources, medicine, insurance regulation, strategic planning, leadership, risk and insurance operations. They bring extensive and varied experience, both within and outside of the insurance industry, including in executive management, government/public service, business ownership and the medical profession. They participate in educational sessions throughout the year to stay current on issues and augment these skills.

The board of directors maintains a succession plan to ensure that its membership is comprised of individuals who have the competencies, characteristics, diversity and skills to continuously govern the organization and provide strategic direction and guidance.



Strong and effective corporate governance is critical to sustain our organization and preserve the corporate culture.



Operating with Purpose

Well developed strategic and operational plans guide our decisions and operations. The board provides guidance during the strategic planning process and approves the final plan. Agile methodology allows for on-going review and, where appropriate, revisions to existing plans. Senior management charged with executing strategic initiatives and operational plans regularly interacts with the board.

Enterprise Risk Management

A comprehensive Enterprise Risk Management (ERM) Program coordinates the company's risk management activities to ensure that risk and capital management considerations permeate all aspects of corporate decision-making.

An Enterprise Risk Oversight Committee of the board oversees our ERM practices and provides an open and ongoing communication forum between management, third parties, and the Board of Directors and its committees to discuss risk and risk management.

The board, through its committees, oversees material risks and reviews the status of these risks at every meeting.

Our ERM program is embedded throughout all levels of the organization and considered a key operational component of our business.

Ethics & Compliance

A strong culture of compliance is entrenched in the organization. We maintain and administer a comprehensive Corporate Compliance Program to prevent, detect and respond to violations of law, company policy and ethical standards by employees and third parties. The Corporate Compliance Program supports a positive work environment; a healthy workplace; protection of company assets, systems, information and resources; protection of third party information; business practices and standards of conduct that are grounded in ethics, fair dealing, and integrity; and social responsibility.

The Corporate Compliance Program has strong policies and procedures at its foundation and includes compliance controls, communication, training, established protocols for investigations and response, monitoring and enforcement. Employees can report suspected violations without fear of retaliation of any kind through a variety of methods including an anonymous reporting hotline and anonymous internet based reporting.





Our ERM program, Vendor Management program, Information Security program, conflict of interest management, divisional quality reviews, annual risk assessments and the internal auditing function are all integral to our Corporate Compliance program. The



Corporate Compliance program is also supported by a cross-functional Regulatory Compliance team that provides regular opportunities for its members to engage in discussion on relevant or emerging regulatory issues that could impact operations.

The Corporate Compliance Program is active and dynamic with results that demonstrate its effectiveness.

Government Relations and Responsible Advocacy

We seek to positively impact legislation, regulation and policies that govern the insurance and business communities by active involvement in our trade associations. At all times, we engage in government relations and advocacy efforts with the utmost integrity, transparency and ethical purpose.

Respecting Privacy and Protecting Data

We respect our policyholders' and customers' privacy and have invested significant resources to protect their data.

We maintain and abide by a comprehensive Information Security Program (ISP) that is designed to protect the company's critical information and technology assets from a wide range of threats. Our ISP ensures business continuity, minimizes business risk, protects information and maximizes return on information security investments and business opportunities. Security measures protect information assets and preserve the confidentiality of the employees and consultants, customers, partners, suppliers, and other associated entities.

An information security governance framework establishes accountability and authority and oversees the management and monitoring activities for the ISP. Policies, procedures, processes, standards, and guidelines optimize, secure and leverage information as an enterprise asset while satisfying legal and compliance requirements and managing risk. A set of organizational constructs, such as committees and forums that review and endorse information security policy objectives and strategies and aid the process of making information risk-related decisions in the organization are an integral part of our ISP. The Audit committee of the board of directors provides oversight for our cybersecurity risk and, at every meeting, receives a report on the status of our controls.



In support of our ISP, we participate in the following actions:

- **Incident Response** – Documented plans in place to respond to a variety of possible incidents and crises, and periodically review and test these plans.
- **Business Continuity** – Maintain a formal business continuity program and conduct annual disaster recovery testing.
- **Internal Audit** - Conduct annual internal audit of our physical and cybersecurity controls.
- **Education/Awareness** – Continuously educate team members about techniques used by cybercriminals through the use of online sessions, quarterly newsletters, regular phishing exercises and dedicated channels to report potential cyber threats.
- **Vendor Management** – Assess vendor risk prior to establishing a relationship with a vendor. Take steps to monitor and manage vendor risk, including cybersecurity risk, throughout the lifecycle of the relationship.
- **Risk Assessment** - Regularly assess our physical and cyber security programs to identify any vulnerabilities, and conduct annual security and privacy assessments to identify any gaps in controls.

- **Benchmarking** – Regularly benchmark our physical and cyber security protocols and our privacy related policies and procedures against established frameworks.

The results of our ISP assessment and benchmarking exercises are consistently favorable, but we recognize that this is an ever-evolving area, and we pursue opportunities to strengthen our programs whenever possible.

A Culture of Governance

We recognize that strong and effective corporate governance is critical to sustain our organization and preserve our corporate culture.

In late 2021, a culture risk assessment was conducted to assess the adequacy and effectiveness of the internal control environment directly impacting our corporate culture and the conduct

that arises from individual interpretation of the culture. The assessment found that our governance practices are healthy and effectively mitigate risk. The assessment concluded that our corporate culture supports the company's purpose, strategy, and business model, and that team members' behaviors, beliefs, and values are consistent with corporate culture. We are committed to maintaining strong and effective corporate governance.





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