



Environmental Social Governance

CORPORATE RESPONSIBILITY *2021 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 team member's ability to contribute to achieving our objectives and fulfilling 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 for a perfect alignment of interests between the company and its policyholders. Unlike competitors with shareholder obligations, we have the ability to take the long-term view, which 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 in which we work and live.

Insurance companies' core activities naturally support sustainability—providing loss control services to policyholders to minimize their risk, supporting strong building codes to protect assets and the environment, promote safe driving habits to protect individuals and society, and serving as a risk transfer mechanism for economic activity.

Our inaugural Corporate Responsibility Report is intended to help 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 physical operations, management of risk and interaction with others.

Managing Climate Change

Climate change poses a risk to our business and to our world. Climate change tends to create severe weather. Severe weather threatens lives, disrupts communities and strains 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.

We have a robust enterprise risk management (ERM) program that includes identifying and assessing climate change related risks and, where appropriate, acting upon those risks to mitigate their impact on us and our customers.

We also recognize that climate change can impact the return on an individual investment and, as such, our investment portfolio is highly diversified by security type, industry, location and duration, which, in turn, mitigates the risks posed by the impact of climate change. We are responsible and thoughtful in our investment strategy and actions. We maintain investment guidelines that are geared toward balancing risk and the return on investment while being ever mindful of our fiduciary responsibility to our policyholders.



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.



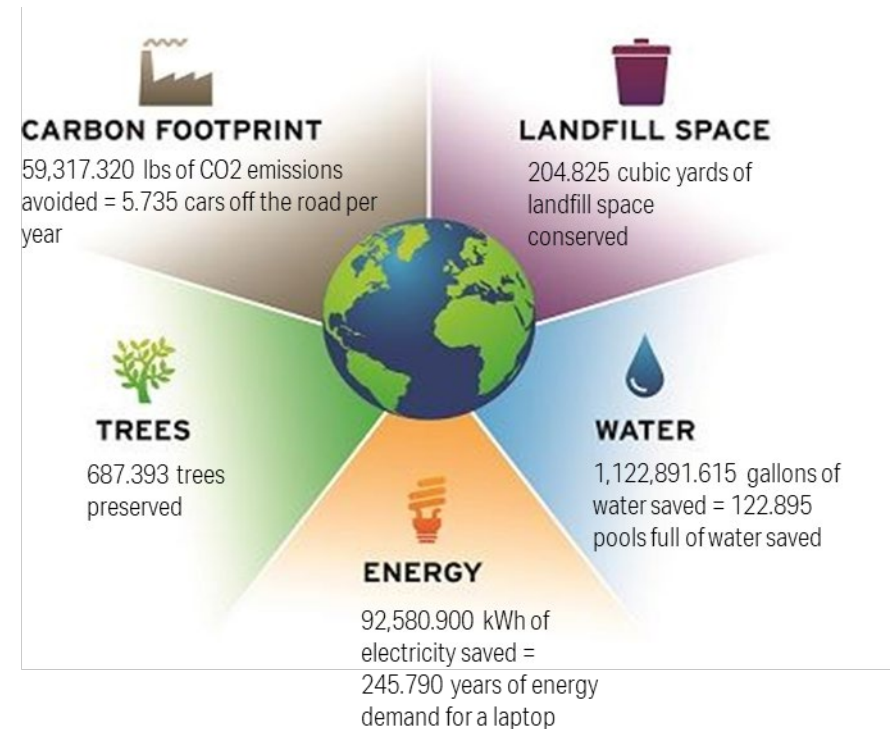
Sustainability in Our Operations

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

Eco-friendly Building Operations

- Energy-efficient light fixtures, motion-sensing light switches, on-demand hot water heaters and cool-roof technology help reduce electrical consumption.
- We maintain energy efficient and healthy HVAC systems.
- Flow restrictors on water taps help reduce our water consumption.
- We redeploy office equipment, furniture and supplies whenever possible. If we no longer have a need for these items, we proactively seek to donate them to local schools and non-profit agencies.
- We use environmentally safe cleaning products whenever possible.
- We maintain and promote a comprehensive recycling program that includes recycling of paper and other paper products, metal, aluminum, batteries and refrigerants.

Our organization's eco-friendly decision to securely shred and recycle 40.965 short (US) tons (81,929.400 pounds) of paper resulted in the following environmental benefits between September 2019 and December 2020:



Reducing Carbon Emissions

For many years, we have been committed to flexible working arrangements. This commitment reduces our carbon footprint by limiting the frequency of employee commutes. We have installed video technology in our



offices to further reduce travel and allow for increased use of “virtual meetings” among employees and with agents and other business partners.



We conduct regular preventative maintenance on our fleet vehicles 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 traveling to and from the office.

Reducing Paper Use

We provide a variety of methods for electronic interaction with our customers. 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 and file claims. We also minimize paper use by communicating electronically with agents and other business partners, and we utilize an electronic document storage platform for a largely paperless environment.

Since 2020, we have replaced approximately 880,000 paper documents with electronic versions.

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 utilize materials or product components that are environmentally friendly.

Encouraging and Helping Others to Do Their Part

As part of a program to optimize energy efficiency, our policyholders have access to services that can help them understand how they use energy and what steps they can take to improve energy efficiency and reduce their energy use.

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 mitigation of emissions and sustainability as important factors in the selection process.



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 and Diversity

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 committed 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. In 2020, we joined with nearly 2,000 other CEOs of the world's leading organizations as 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 actions that cultivate a trusting environment where all ideas are welcomed and where employees feel comfortable and empowered to discuss inclusion and diversity.

We established an Inclusion & Diversity Council to promote and enhance our culture of accountability. The Inclusion & Diversity Council's recommendations have resulted in the following:

- enhanced inclusion & diversity training for all employees
- new inclusion & diversity training for managers
- creation of dedicated resources within our intranet platforms regarding inclusion and diversity



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.



- recognition of Dr. Martin Luther King, Jr. Day in our paid holiday schedule beginning in 2022; and
- implementation of a dedicated email address for employees to share thoughts and ideas related to our inclusion and diversity efforts.

We anticipate steady valuable contributions from the Inclusion & Diversity Council as yet another empowered representation of the voice of our team members.



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. In 2021, we introduced unconscious bias training for all team members.

We utilize an employee compensation structure that provides a framework for equitable pay. To further ensure pay equity, we conduct regular pay equity analysis.

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

- Corporate sponsorship of the National African American Insurance Association.
- Utilizing our membership and participation in various state agent associations to become more active on minority agent committees.
- Continuing to tap into our existing minority agent relationships and seek referrals.
- Continuing to add diversity to our Aspire Group of agents newer to the insurance businesses.
- Working with our larger agents/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, a dress-for-your-day dress code, service recognition and awards, professional designation achievement recognition and awards, and tuition reimbursement

We have an active wellness program that promotes awareness and assists team members to make healthy choices and reduce 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.

To ensure we are maintaining a healthy work environment for our building occupants, in 2019 we commissioned a third party to conduct an Indoor Air Quality (IAQ) study on our headquarters facility in Harrisburg, Pennsylvania. The IAQ



study found that our building is “healthy” even against the most stringent air quality standards. The study found no significant pollutants or presence of bacteria, mold or indoor gases; appropriate temperature and humidity ranges; acceptably low allergenic particles; and properly working, maintained and designed systems.

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, specialized equipment, and in-office massage therapy offerings.

Personal & 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 CPCU designation and other specialized programs and certifications. We have a variety of optional personal learning sessions from which team members can choose.

Employee Engagement

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

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.



Helping Others Stay Safe

We actively encourage others to prevent or reduce loss or injury. We provide education and reminders to our customers about hurricane and severe weather preparedness. 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.



Safety Grant Program

Our Safety Grant program assists our commercial policyholders to enhance safety in ways that might not otherwise be financially feasible.



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 telematics safety grants help policyholders to implement a state-of-the-art vehicle monitoring service to help operate their fleets efficiently and safely.

Wearable device safety grants provide financial support for commercial policyholders to implement programs utilizing wearable technology such as boots, vests and data-collecting clip on sensor devices.

Since 2019, we have awarded 86 safety grants through which we have provided approximately \$144,000 in assistance to our policyholders.

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.

Supporting Our Communities

The farmers who founded our company in 1919 passed along to us a tradition of giving back to the community, which 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 given millions of dollars to our local, urban public school district, and hundreds of thousands of dollars to support other urban education-related 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 to organizations in the communities in which our field offices are located.



We also 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. Most recently, we donated office space in our

headquarters facility in Harrisburg, Pennsylvania, to the Dauphin County Library System amounting to \$300,000 in support over three years.

Coronavirus Response

Since the start of the pandemic, we have been committed to keeping our employees safe and well informed while providing uninterrupted service to our policyholders and agents. We have also recognized and responded to the dire needs of many in our communities.

In March, 2020, our comprehensive planning and preparedness allowed us to swiftly and calmly 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.

We offered options to help our policyholders maintain their insurance coverage during the economic uncertainty created for many by the pandemic.

At the height of the covid-19 pandemic, we donated over 19,000 respirator masks to a local hospital. We donated \$50,000 to the United Way of the Capital Region (Harrisburg, Pennsylvania area) covid-19 Relief Fund and to organizations in the communities of each of our field offices.

In late 2020, we provided additional support to these same organization when we donated \$28,000 in funds that had been allocated for our team members' 2020 holiday celebrations to pandemic relief initiatives. We anticipate similar donations in 2021.





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's operations ultimately rests with the Board of Directors. Led by an independent chair, our Board of Directors 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, 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.

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.

A 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 of Directors 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 of Directors.

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

Our ERM program is supported by our management and Board of Directors and is considered a key operational component of our business.

Ethics & Compliance

A strong culture of compliance is embedded in the organization. We maintain and administer a comprehensive Corporate Compliance and Ethics Program (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



disclosures, 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 relying on internal government relations knowledge, fostering long-standing relationships, and to support our trade associations. In doing so, we provide bipartisan support of those candidates who understand our industry and in the furtherance of promoting or achieving favorable insurance, business or other relevant legislation, regulation and policy. 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 privacy 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 oversees our cybersecurity risk and, at every meeting, receives a report on the status of our controls.

In support of our ISP:

- Incident Response – We have a documented plans in place to respond to a variety of possible incidents and crises. These plans are periodically reviewed and tested.
- Business Continuity – We maintain a formal business continuity program and conduct annual disaster recovery testing.
- Internal Audit - We conduct an annual internal audit of our physical and cybersecurity controls.
- Education - We educate team members about techniques used by cybercriminals through the use of online courses, regular phishing tests and a dedicated email address to report potential cyber threats. Risk Management – As part of our Vendor Management Program, we assess vendor risk prior to establishing a relationship with a vendor. We take steps to monitor and manage vendor risk, including cybersecurity risk, throughout the lifecycle of the relationship.
- Testing - We regularly test our physical and cyber security programs to identify any vulnerabilities, and we conduct an annual privacy assessment to identify any gaps in controls.
- Benchmarking - We regularly benchmark our physical and cyber security protocols and our privacy related policies and procedures against our peers and best practices.

The results of our ISP testing 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.





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Feel Secure®

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