TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT 2022

NOTE:
Emissions data as of December 31, 2021, all other data as of July 1, 2022.

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A NOTE FROM OUR CEO

Welcome to our inaugural TCFD Climate-Related Disclosure Report

Background

In 2017, the Financial Stability Board created the Task Force on Climate-Related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. In April 2022, the National Association of Insurance Commissioners adopted the recommendations made by the TCFD as a new standard for insurance companies to report their climate-related risks. The TCFD standard is currently the international benchmark for climate-related disclosures and helps stakeholders understand the climate-related risks to the insurance market.

Sustainability

Environmental goals and understanding the potential impact of climate-related risks are top of mind for us, just as they are for a growing number of companies. We are striving to reduce our own carbon emissions through both broad programs and everyday actions, such as reducing our office footprint and providing flexible remote and hybrid work arrangements.

As an office-oriented workplace and a monoline insurer of low-risk businesses, our environmental impact and influence is significantly less than that of many other organizations. Nonetheless, we are committed to sustainability and making improvements wherever possible.

Enterprise Risk Management (ERM)

In addition to our sustainability efforts, the Company's ERM framework is focused on responsible investment stewardship while limiting our exposure to climate-related losses, including protecting the Company and its invested assets against a catastrophic climate-related event.

As we continue to grow our business, minimizing our carbon footprint will be a priority for us. We will continue to increase focus on those areas we can control and look for ways to engage our stakeholders and constituents to both educate and influence them.

Thank you for taking an interest in EMPLOYERS and sharing the journey with us.

Kathy

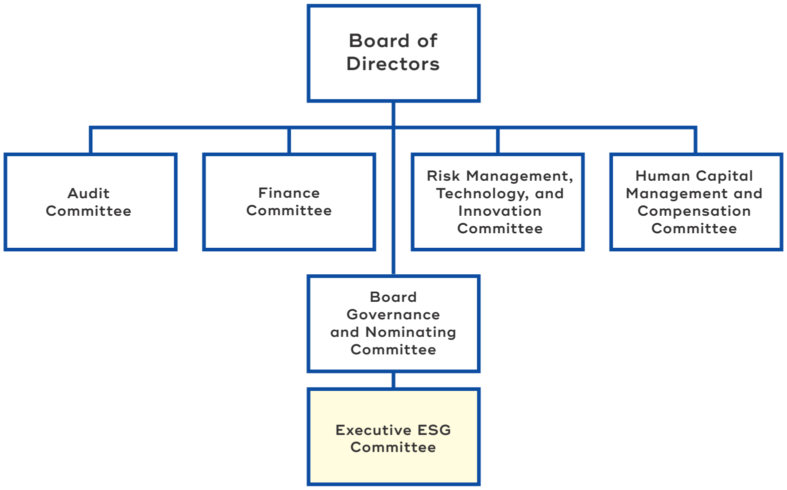
Katherine Antonello
President and Chief Executive Officer
Employers Holdings, Inc.

GOVERNANCE

What is our oversight?

The Finance Committee of our Board of Directors oversees the Company's investment guidelines and transactions, investment risk management, and reinsurance treaties. The Company's investment and reinsurance activities are embedded and overseen within the operations of the Company's Chief Financial Officer. The Chief Financial Officer is also primarily involved in the organization's business strategy and financial planning activities.

The Governance and Nominating Committee of our Board of Directors oversees Environmental, Social, and Governance (ESG) matters, including receiving periodic updates from the Company's internal ESG Committee, which reviews and monitors major initiatives and strategies to address climate-related risks and opportunities. The Chair of the ESG Committee is our Chief Administrative Officer, and committee members include our Chief Financial Officer and our General Counsel.



STRATEGY

As a monoline workers' compensation carrier, material climate change and environmental risks are primarily limited to:

(1) the potential impacts to our investment portfolio over time, and

(2) while not proven to be directly correlated with the effects of climate change, a catastrophic seismic event.

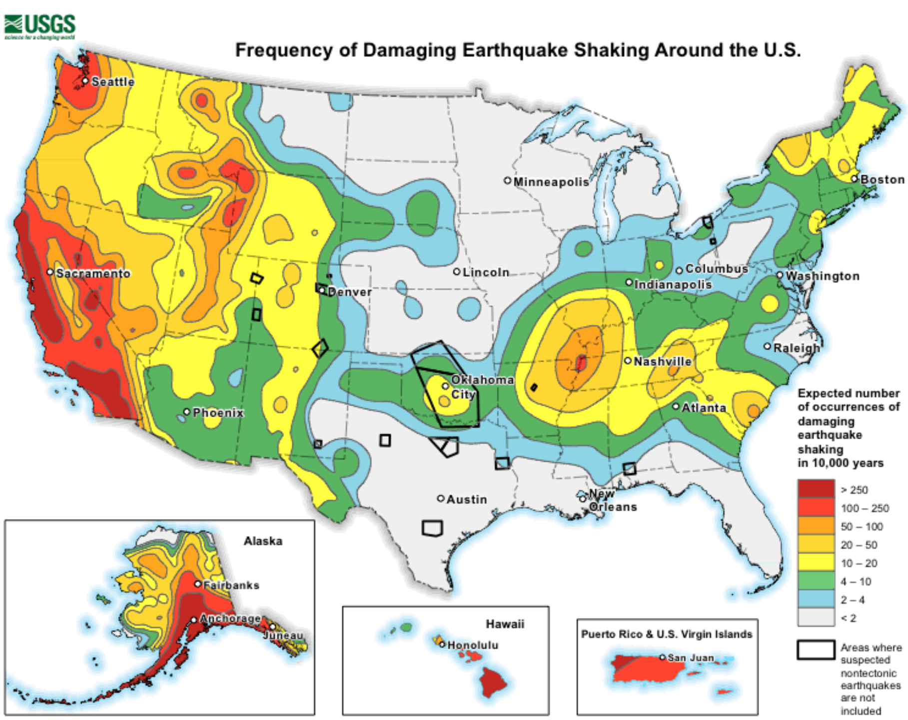
What risks have we identified?

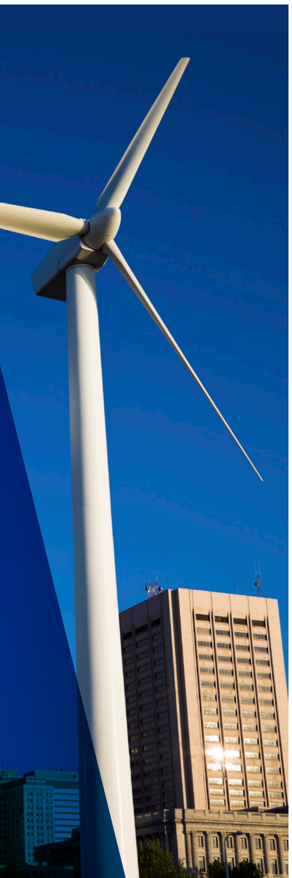
Investment climate-related risks include potential costs associated with continuing to hold assets that may have exposure to the effects of climate change and a shifting global economy. Increasing credit risk and limited growth opportunities, as well as the potential reputational risk of maintaining a high concentration of assets in a given industry or sector, have the potential to negatively impact us as an organization.

The Company's largest exposure to natural catastrophes is currently a major U.S. earthquake, particularly if such an event were to occur during normal business hours. This is because earthquakes cannot be predicted and have the potential to impact a large geographic area. Further, California, where 45% of our in-force premiums are currently generated, is home to two-thirds of our nation's earthquake risk.

What are some opportunities?

Climate-related opportunities include the ability to participate in the global transition to a low-carbon economy and the potential to capitalize on efficiencies, innovation, and growth that will extend beyond industries like energy and transportation.





How do we use this information?

As the world transitions to a more sustainable economy, sustainability data and climate-related insights are increasingly important to help uncover the catalysts that could drive asset values over the long term. Providing capital to sectors that support innovation and a transition toward a net-zero carbon economy is an important consideration to our Investment Managers.

Each of our Investment Managers are signatories to the United Nations Principles for Responsible Investment (PRI) Group, an independent nonprofit organization that encourages investors to use responsible and sustainable investment practices to enhance returns and better manage risks. They actively monitor the ability of our bond issuers to repay their obligations, remain competitive, and maintain a strong financial position. ESG criteria are significant components of those considerations over the short, medium, and long-term investment horizons.

Over the past several years, the Company and our Investment Management Team have incorporated California's Carbon Initiative into our investment strategy, which was designed to reduce the insurance industry exposure to fossil fuel-based investments.

Lastly, the catastrophic loss models that we rely on to identify the potential for exposure to the organization also consider the potential risks associated with climate change. Although not proven to be directly correlated to climate change, we believe the Company's largest exposure to natural catastrophes is U.S. earthquake risk, and the Company purchases a significant amount of catastrophe reinsurance annually to address this risk.

How resilient are we?

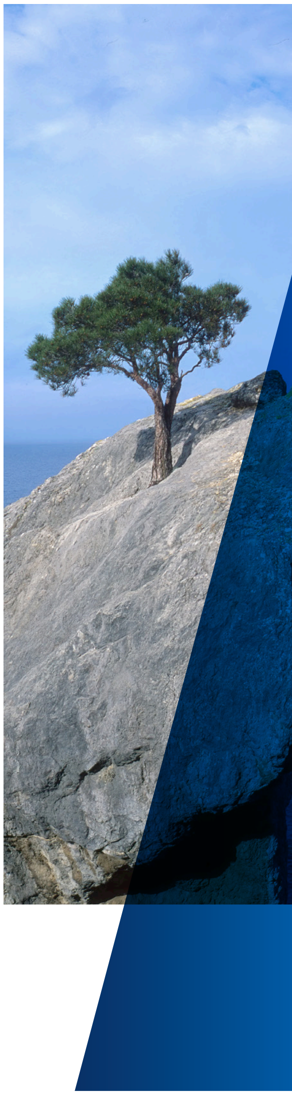
The Company regularly analyzes our investment portfolio exposure to climate-related risks. That analysis allows us to conduct a series of climate-related scenarios and consider the potential impact to our portfolio, our policyholders' surplus, and our statutory net income.

The results of these analyses indicate that the value and liquidity of the Company's investment portfolio and associated revenues could be significantly impacted by various climate scenarios. The Company is currently working with its Investment Managers in order to evaluate and measure both the climate-related challenges and the range of potential outcomes as well as the uncertainty with which the Company may need to contend.

Despite these challenges and uncertainties, the range of possibilities suggests that our analytical approach toward a well-diversified investment portfolio and our minimal exposure to non-investment, direct climate-related risks should continue to enhance the Company's resilience as we adapt to the impacts of climate change.

The Company also analyzes our business exposure to climate-related risks by closely monitoring our modeled risk to a severe U.S. earthquake event. Our internal guidelines call for our probable maximum loss for a 1 in 250-year catastrophic event (a 0.4% chance of occurrence) to be less than 20% of our pre-event capital. Currently, our reinsurance coverage for such a loss comfortably exceeds that guideline, and we believe that our current reinsurance could withstand a greater than 1 in 1,000-year U.S. earthquake occurrence (a 0.1% chance of occurrence).

Based on the above modeling, we believe our current level of catastrophic reinsurance is adequate to protect the Company from experiencing a rating downgrade, an adverse regulatory action, reputational harm, and / or potential insolvency.



RISK MANAGEMENT

How do we identify, assess, and manage climate-related risks?

As part of our comprehensive ERM Program, we maintain and actively monitor a risk register of strategic, operational, and physical risks to determine what the most significant risks are to the organization, what controls are needed to address these risks, and what the current and potential impacts are. The Executive Risk Committee has responsibility for the identification and assessment of current and emerging risks, including climate-related risks, broadly across the organization. Once identified, they are incorporated into our ERM Program and are assigned to the appropriate operational areas to be monitored and addressed.

METRICS & TARGETS

How do we measure success?

As mentioned previously, we utilize catastrophic modeling to evaluate our coverage as related to our largest material risk, a significant U.S. earthquake. Every year, these models are recalibrated, which allows us to review coverage and ensure adequate financial protection. While our internal guidelines call for our probable maximum loss for a 1 in 250-year catastrophic event (a 0.4% chance of occurrence) to be less than 20% of pre-event capital, our reinsurance coverage for such a loss comfortably exceeds that guideline.

As related to our investment portfolio, and after evaluating 76% of our fixed income securities and 94% of our equity securities, our average MSCI ESG(1) rating was an "A," or the third highest of seven categories. Our target is to be rated no less than an "A" in terms of our MSCI ESG rating to ensure that the Company can effectively manage its financial risks from climate change within its investment portfolio.

What is our carbon footprint?

The GHG protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations and is the world's most widely used GHG accounting standard. This TCFD Report includes the organization's accounting for both Scope 1 (mobile sources of emissions) and Scope 2 (purchased energy) GHG emissions as well as a calculation of our carbon intensity.

Scope 1 GHG emissions for us are represented by our fleet vehicles and the associated miles driven each month. Using the U.S. Environmental Protection Agency's (EPA) Center for Corporate Climate Leadership calculator, the 241,647 reported miles driven in 2021 represented Scope 1 GHG emissions of approximately 88 metric tons of carbon dioxide equivalent (CO_2e).

Our Scope 2 emissions include purchased energy at all our facilities. The same EPA tool is used to calculate this portion of our carbon footprint and considers our office sizes, varying energy efficiencies in each region across the country, and kilowatt-hours (kWh) of electricity purchased. Combined, our Scope 2 emissions for 2021 were approximately 404 metric tons of CO_2e.

According to the U.S. Energy Information Administration, the national average for office spaces like ours is 15.9 kWh/sq ft annually. Our average over all our facilities was 8.4 kWh/sq ft in 2021, less than 53% of the national average!*

Carbon intensity is a widely accepted metric to gauge the efficiency of our organization related to our GHG generation and can be used both as a benchmark against our peers and a way to measure year to year efficiencies within our organization.

In 2021, the organization generated approximately 0.91 metric tons of CO2e/$M in net written premium via our Scope 1 and Scope 2 emissions. Although data is limited for comparison to other monoline workers' compensation carriers at this time, our carbon intensity is less than many low-carbon and carbon neutral organizations.

Scope 1

88

metric tons CO_2e

Scope 2

404

metric tons CO_2e

Scope 1 + 2

0.91

metric tons CO_2e / $M of NWP

Net Written Premium (NWP)

8.4

kWh / sq ft

National Average is 15.9 kWh / sq ft

*Source: eia.gov/consumption/commercial/