Task Force on Climate-Related Financial Disclosure (TCFD) Index

Palomar recognizes that climate change is perhaps the most complex risk facing society today. As a specialty insurance company writing earthquake, wind, hail, hurricane and flood coverage, climate change directly impacts Palomar's business and insureds. In our corporate reporting on climate change, we apply and adopt the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). The TCFD's four-pillar framework provides needed guidance on how climate-committed companies such as Palomar can disclose and address risks and opportunities in the changing climate.

GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities.

a) Describe the board's oversight of climate-related risks and opportunities.

Palomar's Board of Directors directly and through our committees oversee risk management policies and practices, including climate-related risks. In 2020, the Board of Directors established an Environmental, Social and Corporate Governance ("ESG") Committee that consists of Martha Notaras (Chairperson), Mac Armstrong, Daryl Bradley and Daina Middleton. The ESG Committee oversees and provides guidance on the company's strategies related to a number of factors, including environment, health and safety, corporate social responsibility, governance, sustainability and public policy matters relevant to our business.

Specific duties include:

- Assisting the management team in setting general strategy relating to ESG matters;
- Developing, implementing and monitoring initiatives and policies based on that strategy; and
- Overseeing communications with employees, investors and shareholders with respect to ESG matters.

In 2021, the Audit Committee established an Enterprise Risk Management ("ERM") Sub-Committee that consists of Daryl Bradley (Chairperson) and Robert Dowdell (member), and our Chief Underwriting Officer and Chief Risk Officer, who act as management participants. The ERM Sub-Committee is responsible for the following duties:

- Assisting in setting general strategy with respect to enterprise risk management, and to consider and recommend policies and practices that conform with the strategy;
- Assisting in overseeing internal and external material communications regarding our position or approach to enterprise risk management; and
- Assessing and monitoring the risk management framework employed to manage enterprise risks.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Palomar's Chief Underwriting Officer and Chief Risk Officer oversee risk management policies and practices, including climate-related risk. These executives consult climate data and other relevant information to guide the company's product development and business strategy.

Separately, our Chief Strategy Officer, Chief Legal Officer and Chief Talent & Diversity Officer guide ESG strategy and oversee the implementation of ESG initiatives.

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

Palomar recognizes that climate change has and will continue to affect the frequency, severity and geographical distribution of extreme weather events. Organizations such as the World Meteorological Organization (the "WMO") and the National Oceanographic and Atmospheric Administration (the "NOAA") have documented this dynamic in research that Palomar closely studies in developing its business strategies. Current climate models, such as the International Panel on Climate Change ("IPCC") model, which we use to help assess our risks, indicate physical climate-change risk will begin to rise more materially after the next two decades if left unmitigated.

As a specialty insurer whose products cover loss from hurricane and flood damage, Palomar is concerned about a continuation of this trend over the long term. We believe over the short term, natural climate variability will have a greater impact on natural catastrophe losses than the long term trends identified by the WMO and NOAA. To accommodate the evolving nature of climate risk, we consider both near-term (three to five year) and long- term (five to ten year) time horizons, with the long-term view used as a basis to develop mitigation strategies. Overall, we consider the near-term climate-change-related risks to be manageable and foreseeable, whereas long-term risks are elevated and highly uncertain. A worsening disaster footprint could influence company decisions regarding the mix of products we sell to consumers and could also impact the features of individual products.

b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Palomar is exposed to physical risk of climate change through the underwriting of personal and commercial property risks. While assessing and managing the impact of extreme weather events is part of our core business competency, changes in frequency and severity of events caused by climate change add to the challenges in accurately measuring expected impacts. There is also a risk that physical events reduce the profitability of investments across asset classes (e.g., equities, or corporate bonds), though analysis suggests that very significant impairments would be required for Palomar's portfolio to be materially impacted. Palomar considers the risk to our own operations from climate risk as less material, as we are generally not located in highly exposed areas and business continuity plans are in place to react to relevant extreme weather events.

As an innovative insurer, Palomar is positioned to provide climate change-informed products and services which enable existing and prospective customers to better understand and manage their exposure to climate risks. We also invest in community resilience through both the provision of property insurance and through investments in non-governmental organizations ("NGOs") such as Team Rubicon who assist communities rebuild in the immediate aftermath of catastrophic events. As a leading provider of insurance solutions for earthquakes, hurricanes, floods and other perils exacerbated by climate change, we see an opportunity to lead our industry and partner with private and public stakeholders to build a more sustainable, secure future.

c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Each major economy is likely to respond to transition risks in specific ways, and within different time periods. Shifts toward a low-carbon economy carried out in specific sectors are likely to affect not only those individual sectors, but other parts of the economy as well. There are at least three aspects to consider within this transition process: effect on technologies, economies, and society. The insurable risks related to these transitions could develop in many ways.

Achieving a transition to a low-carbon economy requires fundamental changes to all parts of the economy. While limiting climate change to 2°C or below will lower physical climate risk, the technological and policy changes required to achieve this create their own sets of risks.

Independent of the precise pathway, the transition could be disruptive, as significant asset price moves are required to shift resources to low-carbon technology on a global scale. Changes in public perception and the regulatory landscape could reshape legal and reputational risks.

Transition risks are more uncertain than physical risks. We use a climate scorecard to measure transition-risk-related indicators, with the assessment indicating that a physical risk path currently is significantly more likely than a transition path. However, transition risks and physical risks are not mutually exclusive and can potentially co-exist, depending on the timing, speed and effectiveness of the path followed.

RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks.

a) Describe the organization's processes for identifying and assessing climate-related risks.

Palomar's economic model is closely tied to our coverages for natural disasters and catastrophes. We believe the existing scientific consensus that man-made changes to climate conditions are leading to increases in sea levels and global temperatures, and that the severity and frequency of weather-related natural disasters may increase relative to historical experience. We believe that this increase in severe weather, coupled with currently projected demographic trends in catastrophe-exposed regions, contributes to factors that will increase the average economic value of expected losses, increase the number of people exposed per year to natural disasters and in general exacerbate disaster risk, including risks to infrastructure, global supply chains and agricultural production. In addition to the impacts that environmental incidents have on our business, changes to law and regulation related to climate change could also directly affect our business, including state insurance regulations that could impact our ability to manage property exposures in areas vulnerable to significant climate driven losses, and possible new requirements that insurers integrate the financial risk of climate change into business operations and governance. Additionally, The ERM Sub-Committee, which is guided by the Own Risk and Solvency Assessment ("ORSA") model developed by the NAIC, is ultimately responsible for assessing and monitoring our risk management strategy and framework.

From an underwriting standpoint, we carefully consider the development and deployment of insurance products in coastal areas that may be impacted by rising sea levels, and we incorporate scenarios into our catastrophe modeling that involve elevated sea surface temperatures and other relevant data. As part of our risk management practice, we use third-party vendor catastrophe modeling tools to help estimate our exposure to weather risk by line of business, as well as on a per-occurrence and aggregate basis. Our modeling process generates exceedance probability curves and we evaluate our modeled net retained weather risk against specific probable maximum loss ("PML") return periods.

b) Describe the organization's processes for managing climate-related risks.

Climate change could have an impact on the frequency and severity of weather-related events in the areas where Palomar provides hurricane and flood coverage. In consideration of these risks, we have instituted certain underwriting guidelines and criteria to mitigate our risk and we have employed a robust reinsurance program to address and mitigate our risk of a material climate change impacting business. We partner with catastrophe modeling companies AIR Worldwide ("AIR") and Risk Management Services ("RMS"), whom both leverage the latest IPCC model, to evaluate climate-related risks to our core underwriting portfolio. We also leverage data from the National Weather Service and the National Hurricane Center to ensure we are evaluating the most relevant data in our respective markets.

While Palomar is honored to offer insurance products that provide resilience after disaster strikes by helping our policyholders rebuild their homes and businesses, we are also mindful of the need to reduce the severity of events through more responsible climate management. Accordingly, with respect to our office activity, mobile combustion and business travel, we continue to work on reducing our environmental impact. We offer our team a hybrid work environment that not only addresses our team members changing needs, but also has the added benefit of reducing our carbon footprint. Additionally, for a portion of our residential inspections, we use a leading photo and video verification platform, which reduces our carbon footprint by eliminating the need to send an inspector to each unique location. Palomar will conduct a third-party validated study of our climate footprint in 2022 and report back to our stakeholders with that data and a plan to achieve carbon neutrality by a date certain.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Palomar regularly and continually reviews, monitors and assesses catastrophe model literature, papers and publications for potential effect on our business. Tests using computer simulations are conducted to assess the effect of climate changes on Palomar's business and policyholders. The weather-related computer models allow us to assess our concentration of risks, claims frequency and product pricing to ensure consumer confidence in our ability to respond to catastrophes as they develop. Our reinsurance brokers also assist in assessing how climate change may affect our business.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Palomar is in the process of identifying key performance indicators ("KPIs") to track and ensure improvement in the mitigation of operational and investment related risks. As is stated above, Palomar has initiated a work from home initiative due to the COVID-19 virus stay at home orders and plans to continue to have a work from home option to reduce commute time and vehicle emissions. We have also implemented a largely paperless environment. Where allowed we issue policies via email through PDF files and avoid the printing and re-printing of policies, amendments, endorsements, billing statements, etc. Internally, communication is via email and records are kept in paperless form. When we do need to print, we utilize dual side printing. We use energy saving light bulbs, and our lighting and electrical

systems use motion sensor technology to automatically turn of electricity when not needed. We have also installed web conferencing technology to reduce the need to travel from office to office.

b) **Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**

Palomar will conduct a third-party validated study of our climate footprint in 2022 and report back to our stakeholders with those data and a plan to achieve carbon neutrality by a date certain.

c) **Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**

Palomar regularly consults predictive studies and analyzes disaster patterns after disaster events, allowing us to make the appropriate changes to our underwriting portfolio and business strategy.