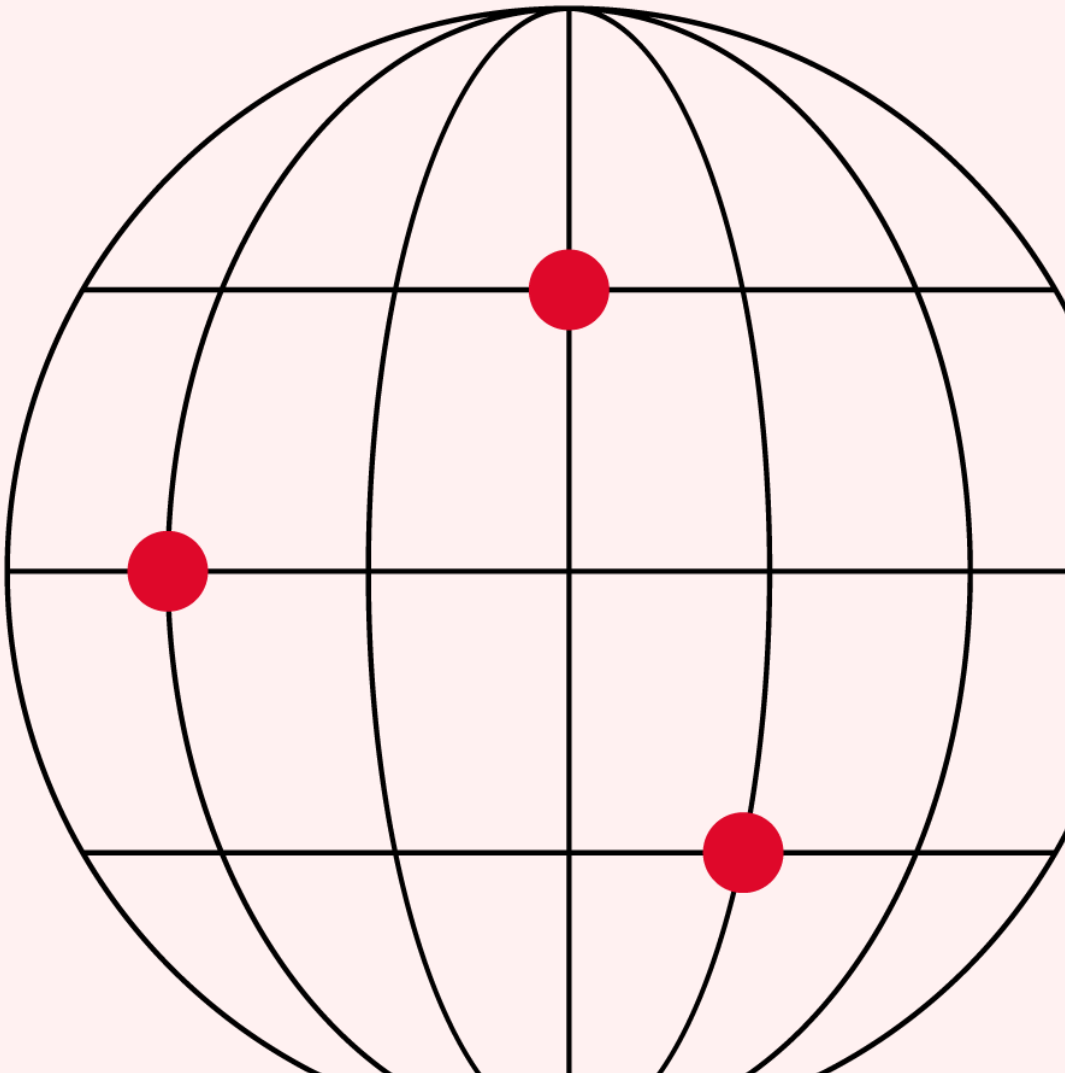
SOMPO

Canada

Climate-Related Financial Disclosure Report - 2025



SOMPO

Contents

Disclaimer/Caution on Forward Looking Statements

This report may include forward-looking statements based on the Branch and Group management policies and plans. These statements were created based on information available at the time of compilation. These statements are subject to risks and uncertainties and are not guarantees of future performance. Actual outcomes and results of activities may differ from such statements due to future changes in the business, economic, regulatory, market, or competitive environment, as well as other factors. The Branch and the Group assume no obligation to update these forward-looking statements unless required by applicable law or regulation.

Introduction and Scope

This report outlines how the Canadian Branches of Sompo Japan Insurance, Inc. ("SJI") and Endurance Specialty Insurance, Ltd. ("ESIL") (collectively "Sompo Canada" or the "Company") identify, assess, manage and oversee climate-related risks and opportunities, and how these considerations are integrated into the Company's governance, strategy, risk management, and decision-making processes.

Climate change is recognized as a source of both financial risk and strategic opportunity, with potential impacts across underwriting performance, investment portfolios, operational resilience, and long-term business strategy. Sompo Canada considers climate-related risks and opportunities within the context of its broader enterprise risk management ("ERM") framework and strategic planning process.

This report has been prepared in consideration of the Office of the Superintendent of Financial Institutions ("OSFI") Guideline B-15: Climate Risk Management, the Autorité des marchés financiers ("AMF") Climate Risk Management Guideline and is aligned with applicable Group-wide governance and risk management frameworks. The report also reflects the principles and disclosure structure of the International Sustainability Standards Board ("ISSB") IFRS Sustainability Disclosure Standards, including IFRS S2 Climate-related Disclosures.

This report describes Sompo Canada's climate-related governance and risk management practices, outlines the key climate-related risks and opportunities relevant to the business, and summarizes the scenario analysis used to assess resilience under different climate pathways. The disclosure is intended to provide transparent, decision-useful information to regulators, policyholders, business partners, and other stakeholders regarding how climate-related considerations are incorporated into ERM, capital and strategic planning, and the Company's approach to maintaining long-term financial resilience in a changing climate.

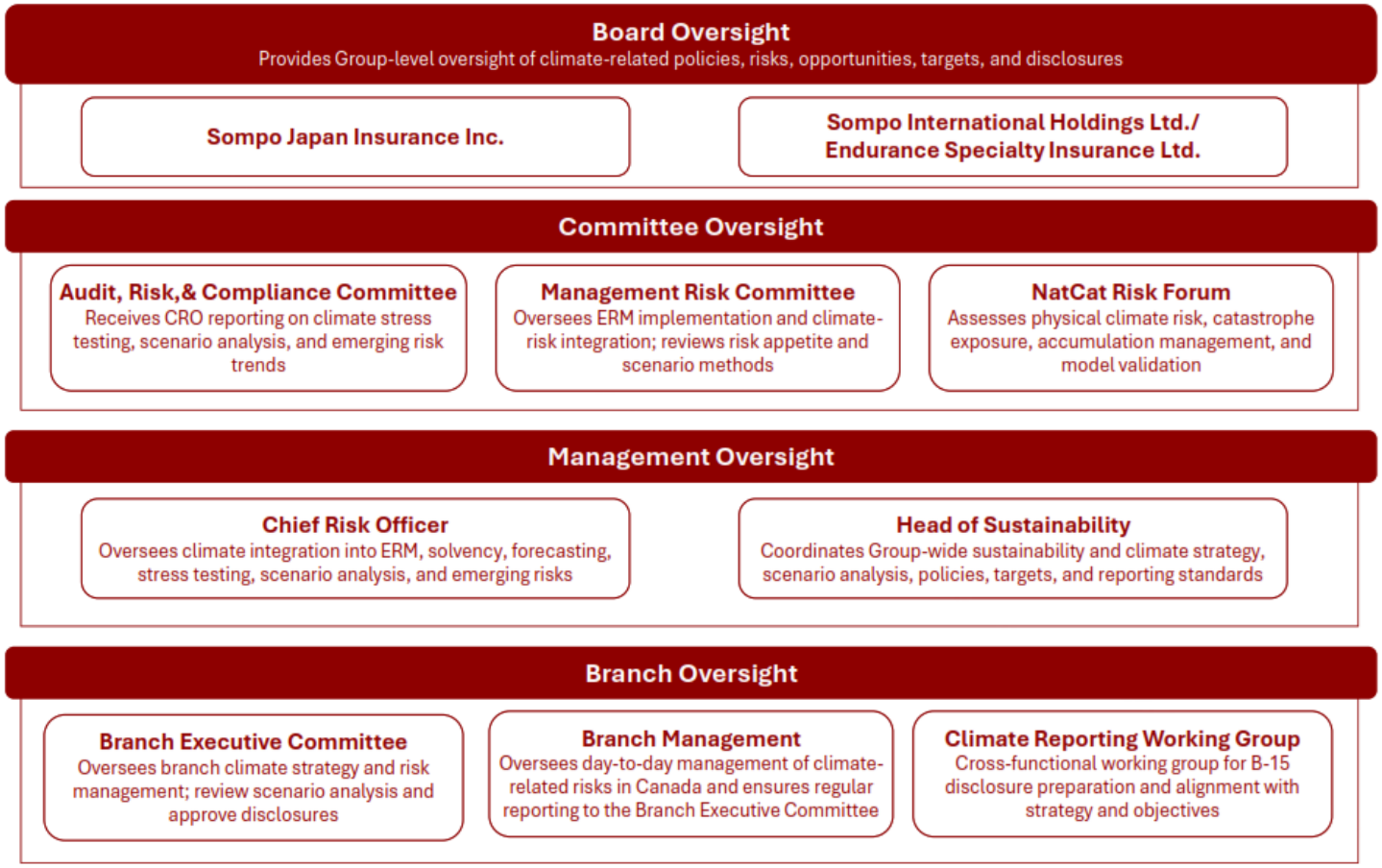
Scope

This report covers the Canadian branches of SJI and ESIL and includes climate-related disclosures for the reporting period January 1, 2025 to December 31, 2025, unless otherwise stated.

Governance

The following diagram summarizes the governance bodies and management functions that together support oversight of climate-related risks and opportunities. It demonstrates how Board-level oversight is supported by committee review, management execution, and branch-level governance and coordination.

Figure 1: Governance bodies and management functions overseeing climate risk



Board Oversight

Sompo Canada, as part of the Sompo Holdings, Inc. group of companies, operates within the governance frameworks established by Sompo International Holdings, Ltd. (“SIH”) and SJI (collectively, the “Group”). Oversight of climate-related risks and opportunities is provided through the Boards of Directors of SIH and SJI, as well as the Boards of relevant legal entities, including ESIL.

The Boards oversee the Group’s approach to climate-related governance, including the approval of relevant policies and commitments, the integration of climate considerations into strategy and capital planning, and review of climate-related targets, risk exposures, and disclosure obligations. Oversight activities are supported by the ERM framework, climate scenario analyses, and regular management reporting, enabling informed assessment of climate-related risks and opportunities over the short, medium and long term.

Board members bring extensive experience across insurance, risk management, finance, and sustainability-related matters and receive periodic training on emerging climate-related risks, regulatory developments, and evolving supervisory expectations. Board decision-making is informed by internal analytics, external scientific research, CAT modeling, and climate scenario methodologies.

Committees Oversight

Board oversight is supported by a series of management and risk governance committees across the Group. SIH's Board, together with the Audit, Risk & Compliance Committee, the Management Risk Committee and specialized sub-committees, including the Natural Catastrophe Risk Forum, oversees climate-related exposures and associated risk management activities.

The Audit, Risk & Compliance Committee receives reporting from the Chief Risk Officer ("CRO") regarding climate stress testing, scenario analysis, and emerging risk trends. The Management Risk Committee oversees implementation of the ERM framework, including climate-related risk integration, and reviews updates to risk appetite and scenario methodologies. The Natural Catastrophe Risk Forum assesses physical climate risks and catastrophe exposure, including accumulation management and model validation for key perils.

Management Oversight

Management accountability for climate-related risks and opportunities is established through defined governance structures, management committees, and the three-lines-of-defence model. These structures support the identification, assessment, management, monitoring, and reporting of climate-related risks across the organization and are aligned with Group governance frameworks and Canadian supervisory expectations.

The CRO is responsible for overseeing the integration of climate-related considerations into ERM processes, including solvency forecasting, stress and scenario analysis, and emerging risk assessment. The Head of Sustainability at SIH is responsible for coordinating Group-wide sustainability and climate-related strategy, policies, targets, and reporting standards, and works with Sompo Canada to support consistent implementation across the organization.

Oversight is further supported by the Management Risk Committee and relevant sub-committees, which monitor climate exposures, validate model and scenario methodologies, and recommend updates to risk appetite and governance practices where appropriate.

Branch Oversight

Sompo Canada's Branch Executive Committee includes members of Branch Management together with representatives from Home Office senior management.

In accordance with OSFI Guideline E-4, Branch Management has overall accountability and oversight of the day-to-day management of climate-related risks within Canada, including implementation of applicable regulatory expectations and coordination across the three lines of defence. Regular reporting is provided to the Branch Executive Committee regarding climate-related risks, controls, regulatory developments, and reporting activities.

The Branch Executive Committee reviews and approves the Branch Climate Risk Management Policy, oversees climate-related governance and control activities applicable to the Branch, and reviews the results of climate scenario analysis and stress testing. The Committee also supports alignment between Group frameworks and Canadian supervisory expectations. Contributors from the Group Sustainability team will periodically attend meetings to inform the Branch Executive Committee on climate-related initiatives. For the purposes of preparing this report, a Climate Reporting Working Group comprised of members in sustainability, risk, finance, business and legal and compliance functions was created to ensure the core components of OSFI's B-15 expectations, as reflected herein, are developed efficiently and aligned with the organization's overall strategy and objectives.

Climate Reporting Framework

Climate-related metrics, risk indicators, and governance activities are monitored through established reporting processes and governance forums.

Management provides periodic reporting to relevant committees regarding climate-related risks, sustainability initiatives, regulatory developments, and progress against applicable targets and priorities. Climate scenario analysis is performed annually in alignment with OSFI expectations, with results incorporated into risk management, capital planning, and Own Risk and Solvency Assessment ("ORSA") processes, as applicable.

These governance structures, reporting processes, and internal controls support the ongoing integration of climate-related considerations into ERM, strategic decision-making, and business operations

Strategy

Climate Risk and Opportunity Profile

Sompo Canada manages climate-related risks and opportunities in alignment with the broader business strategies and risk appetites established by SIH and SJI. Climate considerations are incorporated into underwriting, investment, operational, and strategic decision-making processes to support long-term financial resilience and sustainable business performance.

Climate change is expected to influence the Company through both physical and transition-related impacts across multiple time horizons. Sompo Canada uses climate scenario analysis and risk assessments to evaluate the resilience of its business model and strategy under a range of plausible climate pathways and to support strategic planning, capital allocation, and risk management activities.

Consistent with its broader risk management framework and customer-focused approach, Sompo Canada seeks to manage climate-related risks while continuing to support the fair treatment of customers throughout the insurance product life cycle.

A summary of these risks and opportunities is presented in Table 1 below. The timeframes are based on what we believe are the most plausible impacts from various climate or policy drivers. In the short term, policy changes and market shifts are the main drivers. In the medium-to-long term, new technologies take hold and longer-running physical risks build. The Company uses widely accepted climate scenarios to anchor the transition and physical risks and opportunities.

Physical Risks

Acute Physical Risks

Acute physical risks arise from event-driven climate hazards such as hurricanes, floods, wildfires, and heatwaves that occur suddenly or over short time horizons. These events can cause significant damage to infrastructure and property, disrupt supply chains and operations, and drive higher insurance claims and volatility in financial performance.

Chronic Physical Risks

Chronic physical risks reflect longer-term shifts in climate patterns, including rising average temperatures, sea level rise, changing precipitation patterns, and ocean warming. Over time, these trends can erode asset values, alter risk profiles across geographies and sectors, increase operating and adaptation costs, and contribute to sustained pressure on insured losses and investment performance.

Transition Risks

Transition risks arise from the global shift toward a lower-carbon economy and reflect how changes in policy, markets, technology, and stakeholder expectations can affect financial performance and business operations. These risks may influence underwriting,

investments, and operations as economies decarbonize and climate considerations become increasingly embedded in regulation and consumer behavior. Examples of transition risks include:

- Policy Risks: Arising from current or future regulations and legal actions related to climate change, such as carbon pricing and emissions reduction mandates.
- Market Risks: Stemming from shifts in supply and demand as economies decarbonize, consumer preferences change, and costs increase.
- Technology Risks: Involving the development or adoption of new technologies that support the transition while existing technologies become obsolete.
- Reputation Risks: Related to stakeholder perceptions of an organization's climate strategy or brand reputation.

Table 1: Climate risks and opportunities across time horizons

Short 2–3y | Medium 3–10y | Long 10–30y

Category	Climate driver	Business area	Impact on company	Risk	Opp.	Horizon
PHYSICAL RISK						
Acute & Chronic	Increased frequency and severity of extreme weather events (e.g., floods, hurricanes, heatwaves)	Operations	Loss of productivity and increased operating costs resulting from global warming and more frequent and severe natural disasters from climate change.	●		Short / Medium / Long
		Underwriting	Increased insurance claims due to more frequent or severe weather disasters, or from sea level rise, as a result of climate change.	●		Short / Medium / Long
	Sea level rise and average temperature increases	Underwriting	Climate related hazards will begin effecting new geographies and creating new demand for insurance products to cover natural perils		○	Medium / Long
	Asset devaluation from physical damage and regional climate vulnerability	Investments	Loss in asset value from financial instability resulting from more severe and frequent climate-related natural disasters	●		Medium / Long
TRANSITION RISK						
Policy & Regulation	Carbon pricing mechanisms, energy efficiency mandates, renewable energy subsidies	Operations	Increased operating costs from carbon taxes	●		Short / Medium
	Regulatory shifts affecting carbon-intensive sectors (e.g., fossil fuel divestment, emissions caps)	Underwriting	Impacts to underwriting of carbon intensive or non-renewable energy production companies/sectors	●		Short / Medium / Long
	Policy-driven market revaluation of high-emission assets	Investments	Price fluctuations of stocks and bonds due to policy transitions	●		Short / Medium
Technology	Technological disruption from clean energy and low-carbon innovations	Underwriting	Declining premium revenue from carbon intensive companies/sectors due to the transition to lower carbon alternatives and phasing-out of non-renewable energy	●		Medium / Long
	Technological disruption from clean energy and low-carbon innovations	Underwriting	Opportunities to underwrite emerging and green technologies to support decarbonization		○	Short / Medium / Long
	Capital reallocation toward green technologies and away from legacy fossil-based systems	Investments	Opportunities to invest in companies developing emerging and green technologies to support decarbonization.		○	Short / Medium / Long
Market	Demand shifts toward low-carbon products and services; consumer behavior change	Underwriting	Declining premium revenue from carbon intensive companies/sectors due to the transition to lower carbon alternatives and phasing-out of non-renewable energy	●		Medium / Long
			Opportunities to expand geographical areas by tackling climate change as an opportunity. Products and services that adapt to climate change and consider behavior change of consumers		○	Short / Medium / Long
	Market devaluation of carbon-intensive sectors due to investor preference for ESG-aligned assets	Investments	Declining asset value from carbon intensive companies/sectors due to the transition to lower carbon alternatives and phasing-out of non-renewable energy.	●		Short / Medium / Long
			Invest as an asset owner and provide climate change-related products and services		○	Short / Medium / Long
Reputation	Stakeholder pressure and reputational damage from association with high-emission industries	Operations	Damage to the company's brand image from associations with companies or sectors considered "bad actors" from their contribution to climate impacts.	●		Short / Medium / Long
Liability	Legal exposure from climate-related litigation and failure to disclose climate risks	Underwriting	Risk of increased claims payments from climate related litigation	●		Medium / Long

Impacts of Climate Risks on the Business Model and Value Chain

Climate change presents a range of physical and transition risks that may affect the Company's underwriting activities, investment portfolio, operations, and broader value chain over the short, medium, and long term.The most significant exposures are concentrated within underwriting and investment activities, while operational impacts are comparatively lower.

Physical risks arise from the increasing frequency and severity of acute weather-related events, including hurricanes, floods, wildfires, and heatwaves, as well as longer-term chronic climate changes such as rising temperatures, sea-level rise, changing precipitation patterns, and ocean warming. These risks may affect the Company's business model and value chain by altering the frequency, severity, and geographic distribution of insured losses, influencing underwriting performance, pricing adequacy, reinsurance needs, and portfolio mix over time. They may also affect investment performance and operational resilience, including through disruption to critical third-party services, claims handling, and broader supply chain dependencies.

Business impacts may include:

- higher insurance claims and catastrophe losses;
- increased earnings volatility;
- changing risk concentrations across geographies and sectors;
- operational and supply chain disruption; and
- potential impairment of investment asset values.

Transition risks arise from the global shift toward a lower-carbon economy, including changes in regulation, public policy, technology, market dynamics, and customer preferences. These developments may affect the Company's business model and value chain by changing demand for insurance products, altering the risk profile and financial resilience of insureds and counterparties, and influencing the pricing, availability, and terms of coverage in transition-sensitive sectors. They may also affect investment performance and operating environments through changes in asset valuations, credit quality, supplier practices, and the regulatory expectations applicable to the Company and its value chain.

Business impacts may include:

- reduced or shifting insurance demand in transition-sensitive sectors;
- changes in insured risk profiles and counterparty credit quality;
- pressure on underwriting, pricing, and portfolio mix;
- potentially stranded assets, lower investment valuations, or increased market volatility; and
- changes in operating costs, supplier practices, and regulatory compliance

Strategic Climate Opportunities

The transition to a lower-carbon economy and the need to adapt to physical climate change also creates opportunities across the company's underwriting and investment business. On the insurance side, opportunities are concentrated in developing and scaling products that support renewable energy, clean technology, sustainable agriculture, disaster prevention and mitigation, and corporate climate resilience. Physical climate trends also open new markets by expanding demand for coverage in geographies and perils increasingly affected by climate change. Additionally, shifting customer preferences create growth potential for low-carbon and climate-adaptive solutions that help clients manage transition and physical risks.

In investments, capital reallocation toward renewable energy, clean technology, and other ESG-aligned sectors presents opportunities to support decarbonization while enhancing long-term, risk-adjusted returns. Scenario analysis is used to identify areas where asset resilience and demand growth are strongest under different climate pathways, helping to guide strategic priorities in insurance and asset management. These insights support actions such as growing transition-enabling and green insurance

products, investing as an asset owner in climate solutions, engaging with investee companies, and leveraging climate intelligence to expand into new sectors.

Climate Resilience and Scenario Analysis

To properly understand the climate-related risks and opportunities within the Company, Sompo runs forward-looking climate scenarios across multiple time horizons. These scenarios analyze potential impacts of various climate and policy scenarios to our operations and value chain. This assessment identifies the likely risks and opportunities that could be expected to arise from physical climate hazards as well as transition risks to a low-carbon economy.

Sompo Canada conducts annual physical and transition climate scenario analysis to understand what future implications climate change could have within its existing underwriting and investment portfolio. This allows the Company to make strategic decisions and adjustments to improve resilience in our business plan.

Implications for Underwriting Strategy

Physical Risks

As part of our climate risk management approach, we assess how physical climate risks could affect our insured exposures in Canada, with a focus on the acute weather-related perils that are most relevant to Sompo Canada. This assessment is designed to understand how changing climate conditions could influence future insured losses and risk concentrations, and to support informed underwriting and portfolio management decisions.

Our analysis uses a long-term outlook aligned with a 30-year horizon. Using a bottom-up approach, we start with today's insured property exposures, estimate current catastrophe risk, and then evaluate how that risk could evolve by 2055 under a mid-range emissions pathway (RCP 6.0). The RCP 6.0 pathway is considered a "business-as-usual" or moderate mitigation scenario where global mean temperature rises ~2.6-3.0°C by 2100 relative to pre-industrial levels. We then incorporate forward-looking climate-conditioned models to project and compare to today's risk. Currently, limitations in climate model coverage in Canada limits the assessment to Canadian inland flood and North Atlantic hurricane wind. However, the Company anticipates closing these gaps and improving physical climate risk assessments in the future.

Results indicate relatively moderate increases in modeled risk over the 30-year period, with inland flood risk projected to increase by approximately 18.4% and North Atlantic hurricane wind risk by 11.9% by 2055. On an average annual basis over the period, this is equivalent to an increase of approximately 0.55% per year for inland flooding and 0.38% per year for hurricane wind. Based on this analysis, these changes are not currently considered material in the near term, but they will continue to be monitored and reassessed in future updates.

Table 2: Projected portfolio gross loss to 2055 under the RCP 6.0 emissions pathway (AEP 200), including compounded annual equivalent

Peril[1]	Metric	Total change over 30 years (2025–2055)	Annualized change (compounded)
Inland Flooding	1:200	+18.4%	+0.55% per year
North Atlantic Hurricane (wind only)	1:200	+11.9%	+0.38% per year

[1] Climate risk assessments based on Aon Impact Forecasting flood model and Moody's climate conditioning model outputs

Transition Risks

To better understand potential transition risks in our insurance portfolio, we use the Network for Greening the Financial System (NGFS) short term climate scenarios for 2025–2030, which are designed to demonstrate how near-term policy decisions and severe weather could affect various economies and business sectors. The NGFS scenarios provide clear storylines (e.g., Highway to Paris, Sudden Wake Up Call, Diverging Realities, Disaster & Policy Stagnation) that combine policy pressures and extreme event assumptions so financial institutions can understand risks in a consistent way.

To translate these scenarios into future premium impacts, we (1) used our 2025 portfolio and align each policy with its sector and location, then (2) apply the scenario's signals for that sector and region for the period covering 2025 - 2030. This combined changes in expected activity for each sector/region with changes in prices (CPI) to estimate how GWP would move under each scenario.

Across the 2025–2030 period, scenario analysis indicates the Company's premium outlook remains resilient under transition-focused pathways when compared to the Baseline. At a sector level, the results show clear differentiation across the portfolio. Sectors aligned to electrification, innovation, and low-carbon capital formation—such as power supply, batteries, and research-driven activities—exhibit the strongest relative gains under transition scenarios, reflecting increased investment and economic activity as decarbonization accelerates. In contrast, sectors with greater exposure to fossil energy, particularly coal and gas-related activities, experience relative declines versus the Baseline, consistent with higher transition costs and shifting demand under tighter climate policy assumptions.

Overall, the transition scenario assessment shows continued growth in transition-aligned segments of our insurance business, while highlighting areas where monitoring will be needed as the transition unfolds.

Table 3: Projected cumulative change in gross written premium (GWP) relative to baseline, 2025–2030, by scenario

Scenario	Description	Cumulative change (%))
Disasters & Policy Stagnation (physical shocks)	Climate policy stalls while severe compound disasters (heat/drought/wildfire, then storms/floods) strike regions in sequence, damaging capital and productivity and spilling over through trade and financial linkages	–0.14%
Diverging Realities (fragmented)	Climate policy tightens unevenly across regions, rather than globally and smoothly. This policy divergence raises the cost of abatement (e.g., higher/less predictable carbon-price and compliance paths vs. an orderly case). Concurrent physical shocks in selected regions.	+3.04%
Highway to Paris (orderly)	A fast, coordinated transition to net zero by 2050, driven by stronger carbon pricing and a technology push (with carbon revenues recycled into green R&D and investment), which can create some short-term frictions as the economy retools	+3.98%
Sudden Wakeup Call (disorderly)	After years of limited action, policy tightens abruptly in 2027 without global coordination, causing energy price spikes, asset stranding in high carbon sectors, and short-term financial stress, even as the economy is forced onto a net zero path	+3.23%

Implications for Investment Strategy

We assessed our investment-related impacts of climate change by measuring Climate Value-at-Risk (CVaR)[2] across a set of transition and physical climate pathways. CVaR measures the potential downside under adverse climate outcomes and is comprised of three elements: (i) policy risk (transition costs associated with regulation and market repricing), (ii) technology opportunity (potential

[2] Climate Value at Risk modeling utilized from Moody's

value uplift from low-carbon technology adoption), and (iii) physical risk (impacts from acute and chronic climate hazards). We focus on the period from 2030 to 2050, which is most relevant for business planning and transition strategy, and provide 2100 outcomes as supplementary tail-risk context.

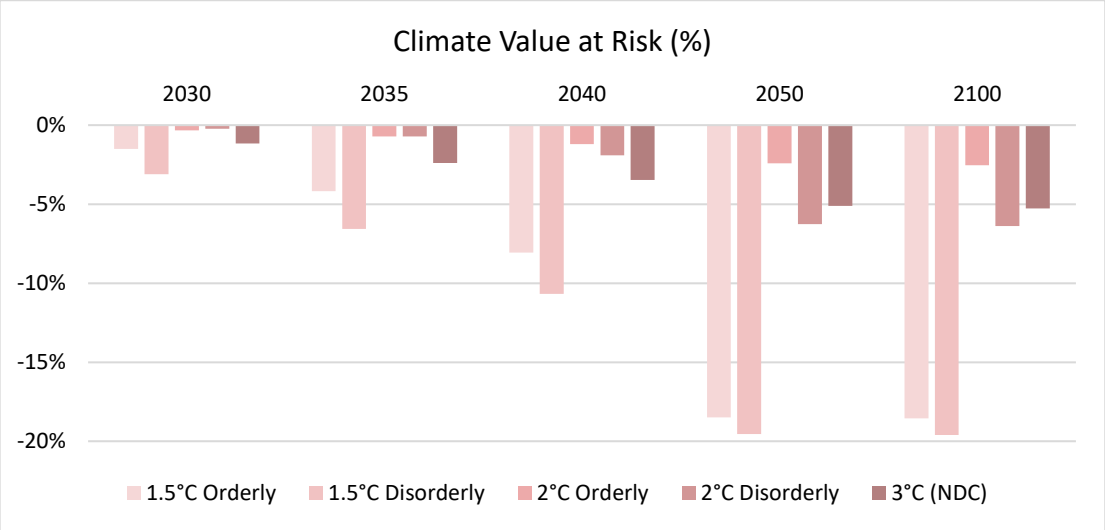


Figure 2: Total CVaR for Corporate Investments by Scenario and Horizon (2030-2050, 2100)

The climate scenario analysis indicates that downside risk to the investment portfolio increases across longer time horizons, with the most pronounced impacts emerging in the medium to long-term. The assessment shows a progressively higher Climate Value at Risk, particularly between 2035 and 2050 and in the more ambitious climate pathways (i.e. 1.5°C), consistent with more abrupt policy and market adjustment.

Across modeled scenarios, policy risk is the dominant driver of portfolio downside by 2050, outweighing physical and technology effects. This sensitivity reflects the portfolio's exposure to transition-sensitive industries, including pipeline transportation and midstream energy infrastructure, where evolving carbon pricing regimes, methane regulation, permitting constraints, and demand shifts can materially affect asset values and cash flows. Technology-related impacts are positive across all modeled transition pathways, indicating offsetting opportunities associated with innovation and low-carbon investment, although these effects remain smaller in magnitude than policy-driven downside. Physical risk increases over time under hotter pathways but remains a secondary contributor relative to transition policy risk through the time horizon assessed.

Financial Position, Financial Performance and Cash Flows

For the reporting period, Sompo Canada did not identify a separately measurable amount of claims, reserves, investment results, or cash flows that could be reliably attributed solely to climate change. In the property and casualty insurance context, it is often difficult to distinguish the effects of climate change from natural catastrophe variability, exposure growth, claims inflation, and other market or portfolio factors within a single reporting period. Nevertheless, climate-related risks and opportunities informed management's decision-making during FY2025 through catastrophe exposure monitoring, underwriting and portfolio management, investment risk assessment, and capital and liquidity planning. These activities were integrated into the Company's enterprise risk management framework and supported by climate scenario analysis used to assess potential effects on underwriting, investments, earnings, solvency, and liquidity. As FY2025 represents the first year in which Sompo Canada has established this reporting baseline across areas such as investments, premiums, and climate-related risk analysis, the Company expects that future reporting periods will provide a stronger basis for identifying and comparing climate-related trends and potential financial effects over time.

Over the short, medium, and long term, Sompo Canada expects climate-related risks and opportunities to affect its financial position, financial performance, and cash flows in several ways, including changes in claims trends and volatility; shifts in demand for insurance in sectors that may be more exposed to transition risk or more aligned with the transition to a lower-carbon economy; changes in investment values and returns; and changes in the timing and amount of claims payments, reinsurance costs, and other operating cash flows. While current methods do not allow the Company to precisely isolate all climate-related financial effects in a given reporting period, management uses reasonable and supportable information available at the reporting date—including climate scenario analysis and portfolio risk assessments—to understand these potential impacts and support decisions related to underwriting, investments, reinsurance, and capital management. As data, modelling, and climate risk measurement practices continue to improve, Sompo Canada expects to further strengthen how it assesses and discloses climate-related financial effects over time.

Overall Climate Resilience and Outlook

Based on current assessments, Sompo Canada considers its strategy to be resilient under the climate pathways assessed, while recognizing that climate-related risks and opportunities may continue to affect underwriting, investments, operations, and the broader value chain over time. The Company will continue to monitor these developments through enterprise risk management, strategic planning, and scenario analysis to support long-term financial resilience in a changing climate.

Risk Management

Risk Identification, Assessment, and Monitoring

Sompo Canada identifies and assesses climate-related risks and opportunities through its broader enterprise risk management and strategic planning processes, considering both the impacts of the Company's activities on the environment and society and the potential financial implications of climate-related factors for the business. Climate-related risks are considered across underwriting, investments, operations, and the broader value chain, and are evaluated over short, medium, and long-term time horizons to support an understanding of both current exposures and how those exposures may evolve as the business profile, operating environment, and broader climate-related drivers change.

Climate-related risks are assessed across physical and transition categories at the Company level. Sompo Canada uses a combination of catastrophe modelling, internal risk intelligence, and emerging-risk scanning to identify relevant climate-related exposures and transition vulnerabilities. In assessing these risks, management considers their potential effect on underwriting performance, claims trends and volatility, pricing adequacy, investment valuations and returns, operational resilience, regulatory expectations, and capital and liquidity planning. This approach supports the identification of both current and potential future climate-related impacts.

Climate-related opportunities are identified alongside risks, particularly across underwriting and investment activities. These include opportunities to support renewable and low-carbon projects, client transition and resilience solutions, and portfolio positioning toward transition-aligned assets. Climate scenarios and portfolio assessments are used, where appropriate, to test assumptions underpinning insurance products, investment strategies, and growth plans, with progress monitored through established governance and reporting structures as part of broader climate risk oversight.

Measurement and monitoring are supported by climate scenario analysis, stress testing, and climate-related metrics aligned to the broader risk management framework. The Branch conducts annual physical and transition climate scenario analysis to assess the resilience of underwriting and investment portfolios under different climate pathways, and uses these assessments to inform risk management, capital planning, and strategic decision-making. Ongoing monitoring is further supported by metrics and indicators including geographic and peril concentration indicators, scenario-based premium sensitivity, Climate Value-at-Risk for investments,

greenhouse gas emissions, and climate opportunity indicators relevant to underwriting and investments. These measures help management monitor whether climate-related exposures remain consistent with the Company's risk profile and support escalation and reassessment where risk characteristics, portfolio composition, or external conditions change.

Integration into ERM and Risk Appetite

Climate risk is recognized as a material risk within Sompo and is embedded in the enterprise risk management framework through a Sustainability risk-appetite pillar. Sompo Canada aligns with this Group framework, integrating climate-related risks and opportunities into underwriting governance, reinsurance strategy, investment limits, capital and liquidity planning, and solvency coverage.

Climate-related considerations are embedded within the risk appetite framework and are also considered in underwriting decisions, portfolio construction, reinsurance purchasing, and capital and liquidity planning. Group policies establish exclusions and restrictions for certain high-risk activities, including coal power generation, thermal coal mining, oil sands extraction, and Arctic energy development, with Sompo Canada aligning through its local governance and risk-appetite framework.

Climate Risk Controls

Effective management of climate risk operates through the three-lines-of-defence model. Business units are responsible for managing climate-related risks within their portfolios, including incorporating climate-relevant drivers into underwriting, pricing, accumulation management, reserving considerations, and escalating emerging climate signals that may affect risk or return. Embedded actuarial and pricing functions support this process by assessing changes in exposure, claims, and uncertainty arising from physical, transition, and liability-related climate drivers.

Second-line functions, including Risk, Sustainability, Actuarial, and Compliance, collaborate to identify, assess, and oversee climate-related risks and opportunities. This includes the development, operation, and enhancement of climate scenario analysis and stress testing; assessment of financial impacts; integration of results into ORSA/GSSA and broader risk management processes; and monitoring of climate-related metrics and targets. These activities are informed by internal analysis and relevant external research and guidance, including work published by the IPCC and NGFS. Scenario analysis and stress testing are conducted annually and cover physical, transition, and liability risks, with results considered in ORSA/GSSA processes and reported to the Audit, Risk & Compliance Committee, the Management Risk Committee, and the Branch Executive Committee.

The third-line and internal audit provides independent assurance over climate risk management and reporting, including reviews of governance, scenario analysis processes, model risk management, data quality, disclosures, and key controls, and escalates material findings to senior management and the Audit, Risk & Compliance Committee.

Capital and Liquidity

Climate-related risks are considered a part of Sompo Canada's capital and liquidity planning through the enterprise risk management framework and the ORSA. Physical and transition risks are assessed under severe but plausible scenarios to understand potential impacts on underwriting performance, investments, earnings, and solvency.

Results from climate scenario analysis, including catastrophe stress testing and transition pathways, inform management's view of financial resilience and support decisions on reinsurance, capital buffers, and risk appetite. Liquidity impacts from climate risks are monitored within the broader liquidity risk framework, with a focus on potential effects on claims timing, asset liquidity, and market conditions.

Overall, capital and liquidity planning is designed to maintain resilience to climate-related risks in line with regulatory expectations and Group solvency standards, with outcomes reviewed through regular governance and oversight processes.

Metrics and Targets

Sompo Canada uses a set of climate-related metrics and targets aligned with the Group to monitor exposure to physical and transition risks, assess strategic opportunities, and track progress against climate-related objectives. These metrics are integrated into enterprise risk management, underwriting and investment governance, and strategic planning, and are reported through management and Board oversight processes. Together, they provide useful insight into how climate-related risks and opportunities may affect the Company's business model, financial resilience, and long-term performance.

The metrics reflect those currently used by management to identify risk concentrations, assess portfolio sensitivity under different climate pathways, inform underwriting and investment decisions, and monitor progress toward climate-related targets. Where data availability, methodology, or regulatory phase-in timelines limit the scope of quantitative disclosure, Sompo Canada provides qualitative disclosures. As climate data quality and measurement practices evolve, these metrics will continue to be refined to enhance comparability, coverage, and alignment with OSFI Guideline B-15 and Group-wide climate risk management frameworks.

Climate Metrics

The table below summarizes the core climate-related metrics used by Sompo Canada to identify, assess, and manage climate-related risks and opportunities in line with its strategy and risk management framework. Together, they provide management and oversight committees with consistent, decision-useful information on risk concentrations, financial resilience, and opportunity development, and support transparent disclosures.

Table 4: Climate metrics for assessing and managing risks and opportunities

Metric Category	Metric / Indicator	What It Measures	How It Is Used
Physical Risk – Insurance	NAT-CAT accumulations (AEP / OEP)	Exposure to extreme weather events by peril and geography	Risk appetite calibration, reinsurance, underwriting limits
	Per-peril loss metrics (e.g., 1-in-200 AEP)	Severity of low-probability, high-impact events	Solvency assessment, ORSA, capital planning
	Geographic and peril concentration indicators	Exposure concentration in climate-vulnerable regions	Accumulation management and portfolio steering
Transition Risk – Insurance	Scenario-based premium impact (NGFS)	Sensitivity of premiums to transition pathways	Underwriting strategy, pricing, appetite setting
Transition & Physical – Investments	Climate Value-at-Risk (CVaR)	Potential downside under climate scenarios	Investment risk oversight and portfolio monitoring
Climate Opportunities – Insurance	Green / transition-aligned premium indicators	Scale of climate-aligned insurance activity (GWP in renewables and green sectors)	Product strategy and growth tracking
Climate Opportunities – Investments	Capital allocation to transition-aligned assets	Investment deployed toward climate solutions	Strategic asset allocation
GHG Emissions – Operations	Scope 1 & 2 GHG emissions	Operational emissions footprint	Progress toward emissions targets
Targets – Group	Net-zero commitment (2050)	Long-term decarbonization alignment	Strategic direction and oversight

Greenhouse Gas Emissions

For greenhouse gas emissions calculations, we apply Group aligned methods and controls. Reporting follows the GHG Protocol for Scopes 1 and location-based Scope 2 with stated organizational boundaries and any estimation assumptions. The operational boundary is aligned with the GHG protocol's operational control approach, including leased and owned assets. While certain Scope 3 emissions are also calculated, they will be phased-in to our public disclosures in alignment with OSFI's implementation timeline.

Table 5: Sompo Canada's Scope 1 and Scope 2 GHG emissions for FY2025

Emissions Category	Source Description	Measurement Approach, Boundaries, and Data Limitations	Emissions (tCO_2e)
Scope 1 – Direct emissions	Mobile combustion - Company vehicle	Fuels used in company owned vehicles based on distance traveled and DEFRA emission factors for mid-sized vehicle. Organizational boundary: All vehicles owned by Sompo Canada where mobile combustion of fuels takes place	2.25
Scope 2 – (location-based)	Electricity consumption	Based on electricity consumption[3] and emission factors from the Minister of Environment and Climate Change Organizational boundary: All sites leased by Sompo Canada	5.32
Total Scope 1 + Scope 2 (location-based)	—		7.52

Climate Targets

Sompo Canada contributes to the Sompo Group's climate commitments and aligns its strategy and planning with Group-level greenhouse gas reduction targets across underwriting, investments, and operations. The Group has established a net-zero greenhouse gas emissions target by 2050, supported by interim targets that include a 60% reduction in operational GHG emissions by 2030 from a 2017 base year, and a 40% reduction in investment portfolio emissions intensity by 2030 relative to a 2019 base year. Additionally, the Group has an insurance target to reach ¥7.0 billion of annual GWP from transition insurance (e.g., renewable energy) by FY2026.

Climate-related targets are established and periodically reviewed through Group sustainability governance and the enterprise risk management and strategy cycle. Progress against these targets is monitored through quarterly management reporting and annual disclosures, with Company-level key performance indicators aggregated and reported to the Group to support consistent oversight and execution across the organization.

[3] Electricity consumption was not available for the reporting period and was therefore modeled based on office floor space using estimation factors from Ontario Ministry of Energy and Electrification's Energy and Water Reporting and Benchmarking (EWRB) Data Explorer

Appendix A

Table 6: OSBI B-15 Guideline Index

B-15 Section	Disclosure Element	OSFI Disclosure Expectation	Location in Report
Governance	Board Oversight	Board oversight of climate-related risks and opportunities, including strategy and risk management	Governance – Board Oversight (pp. 4-5)
	Management Accountability	Management roles and responsibilities for managing climate-related risks and opportunities	Governance – Management Oversight and Reporting Framework (pp. 5-6)
Strategy	Risk and Opportunity Identification	Identification and classification of material climate-related risks and opportunities by type and time horizon	Strategy – Climate Risk and Opportunity Profile; Table 1 (pp. 6-7)
	Business Model and Value Chain Impacts	Impacts of climate-related risks and opportunities on the business model and value chain	Strategy – Impacts of Climate Risks on the Business Model and Value Chain (p. 8)
	Strategy and Decision-Making	How climate-related risks and opportunities are reflected in strategy and business decisions	Strategy – Strategic Climate Opportunities (pp. 8-9
	Climate Resilience and Scenario Analysis	Resilience of the strategy under different climate-related scenarios over relevant time horizons	Strategy – Climate Resilience and Scenario Analysis (pp. 9-12)
Risk Management	Risk Identification and Assessment	Processes to identify, assess, prioritize, and monitor climate-related risks	Risk Management – Risk Identification, Assessment, and Monitoring (pp. 12-13)
	Climate-related Opportunities	Processes for identifying, assessing, and monitoring climate-related opportunities	Risk Management – Risk Identification, Assessment, and Monitoring (pp. 12-13)
	Integration with ERM and Risk Appetite	Integration of climate-related risks and opportunities into ERM, RAF, and governance processes	Risk Management – Integration into ERM and Risk Appetite (p. 13)
	Capital and Liquidity Adequacy	Consideration of climate-related risks in capital and liquidity planning, including ORSA	Risk Management – Capital and Liquidity (pp. 13-14)
Metrics and Targets	Climate Risk Metrics	Metrics used to assess and manage climate-related risks and opportunities	Metrics and Targets – Climate Metrics Table (p. 14)
	GHG Emissions	Disclosure of Scope 1 and Scope 2 GHG emissions, measurement approach, and standards applied	Metrics and Targets – Greenhouse Gas Emissions (pp. 14-15)
	Climate Targets	Climate-related targets, performance monitoring, and governance review	Metrics and Targets – Climate Targets (p. 15)