Serenia Life Financial – Climate Risk Management

Cautionary Note Regarding Forward-Looking Information

This document contains forward-looking information. Forward-looking statements are predictive in nature, depend upon future events or conditions, and include forward-looking vocabulary such as "achieve", "ambition", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "objective", "opportunity", "plan", "potential", "project", "target", "will" or similar expressions.

Certain statements in this report reflect Serenia Life Financial's approach to identifying, measuring, and managing climate-related risks and opportunities. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and assumptions. These include our ability to gather reliable data, changes in the regulatory environment in Canada, the success of our operational and investment strategies, and the overall transition to a lower-carbon economy.

Because of the high uncertainty about the nature, timing, and magnitude of climate-related impacts, our plans and metrics remain aspirational and are subject to recalibration as methodologies and standards evolve. Serenia Life defines short term as within 12 months, medium term as within 5 years, and long term as greater than 5 years.

---

1. Governance

Board Oversight

The Board of Directors at Serenia Life Financial is ultimately responsible for the oversight of climate-related risks and opportunities. The Board fulfills this duty directly and through its existing governance structure, primarily the **Risk and Compliance Committee and Investment Committee**, ensuring appropriate oversight of the enterprise risk framework. The Board regularly reviews management's execution against strategic plans and receives periodic briefings to maintain its proficiency in sustainability and emerging risk, investment and governance practices.

Management's Role

Management is responsible for delivering on the strategic plan and maintaining an effective Enterprise Risk Management (ERM) framework. Executive accountabilities are outlined as follows:

- **Chief Executive Officer (CEO):** Oversees risk management strategies and the resources necessary to implement them.
- **Chief Financial Officer (CFO):** Oversees public and regulatory sustainability reporting and ensures integration into internal financial control procedures. Assesses climate-related risks and opportunities for the investment portfolios.
- **Chief Risk Officer (CRO):** Integrates climate-related risks into the ERM framework and presents appropriate updates to the Board's Risk and Compliance Committee.

---

2. Risk Management

Integration Into the Overall Risk Management Process

At Serenia Life Financial, climate-related risks are treated as an integrated subset of strategic and sustainability risks within the organization's enterprise-wide risk classification framework.

Risk identification and mitigation proceed through the standard control cycle (Identification, Measurement, Management, Monitoring, and Reporting). Materiality is assessed quarterly against strategic thresholds.

The table below profiles risk types that management assesses on an ongoing basis:

Risk Types

Risk Type	**Key Risk Driver**	**Timeframe**	**Impact/Exposure Summary for Serenia Life Financial**
Physical Risk	Weather-related and environmental disruptions	Short to Medium Term	**Very Low Exposure:** Operations are limited to our single corporate office in Waterloo, Ontario. There is no material property, casualty, or real estate exposure for flood or fire, and is mitigated by commercial insurance. Employees and advisors can conduct business remotely.
Transition Risk	Credit Risk, Market Risk, Liquidity Risk and Liability Risk	Medium to Long Term	**Low Exposure:** Our investment portfolio primarily consists of publicly traded bonds, common shares, preferred shares, private and public pooled fund strategies and a small commercial mortgage portfolio. We work with investment managers to ensure they maintain a strong attention to the Principles for Responsible Investment ("PRI") standard. Liquidity risk and credit risk is low as a result of a high quality and highly liquid investment portfolio. Liability risk is assessed as low due to strong governance and risk management practices. Additionally, low external debt levels also reduce liability risk.

Physical risk mitigation is achieved through the diversification of our investments and a Business Continuity Plan that protects operations at our Waterloo site against disruptions.

---

3. Strategy

Serenia Life Financial's strategic planning process indirectly accounts for climate-related risks and opportunities. Our business purpose focuses on serving our membership base and managing capital responsibly to meet financial obligations with consideration of climate risk in future strategic planning as appropriate.

To manage and capture opportunities, we focus on three areas:

- **Insurance and Investment Products:** Developing and pricing protection and savings products that meet profitability targets and the long-term needs of our members.
- **Investments:** Maintaining a diversified investment portfolio consisting of publicly traded bonds, common and preferred shares, private and public pooled fund strategies and a small commercial mortgage portfolio, while applying risk-adjusted criteria in the short, medium and long term. We also ensure that our investment managers maintain climate change risk assessments in their investment strategies and continue to reduce climate related impacts of their investments.
- **Operations:** In the short and medium term, continued emphasis on reducing energy consumption and optimizing operational practices at our single office in Waterloo, Ontario by investing in facility improvements and energy saving technology.

---

4. Climate Ambitions and Metrics

Greenhouse Gas Emissions Profile (Scopes 1 & 2)

Our greenhouse gas accounting methodology is informed by the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, applying an operational control approach.

- **Baseline Year:** 2024
- **Reduction Ambition:** Maintain or reduce natural gas and electricity consumption levels (Scope 1 and Scope 2 combined, proportional reduction ambition) by implementing energy efficiency improvements over time.

Emission Scope	2024 Base Emissions (tCO_2e)[1]	2025 Base Emissions (tCO_2e)	Description / Measurement Methodology
Scope 1 (Direct)	77 tCO_2e	90 tCO_2e	Direct emissions from fuel combustion (e.g., natural gas) at our Waterloo corporate office.
Scope 2 (Indirect)	22 tCO_2e	28 tCO_2e	Indirect emissions from purchased electricity and utilities used at Waterloo corporate office.

Financed Emissions Baseline & Metrics

For our investment holdings (publicly traded assets and commercial mortgages), we measure financed emissions intensity using the portfolio weighted average carbon intensity.

- **Asset Classes Included:** Publicly traded corporate bonds, preferred and common equities.
- **Baseline Year:** 2025
- **Target:** Reduce financed emissions intensity to move closer to net-zero for listed companies over time.

OSFI Financial Data website

https://www.osfi-bsif.gc.ca/en/data-forms/financial-data/financial-data-fraternal-benefit-societies

[1] tCO_2e (Tonnes of Carbon Dioxide Equivalent): The standard unit for measuring carbon footprints. It combines the impact of various greenhouse gases (like methane and nitrous oxide) into a single metric based on their relative global warming potential, expressed as the equivalent amount of carbon dioxide (CO_2).