

Sagen Mortgage Insurance Company Canada

OSFI B-15 Climate-Related Risk
Disclosures Year Ended December 31, 2025



Cautionary Note Regarding Forward-Looking Information

Certain statements made in this report contain words such as “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions are intended to identify forward-looking statements. These forward-looking statements relate to Sagen Mortgage Insurance Company Canada (“Sagen” or the “Company’s”) climate-related strategies, plans, objectives and goals. These include statements relating to: the Company’s approach to climate-related governance and to identifying, considering and managing climate-related risks and opportunities; the materiality level of climate-related risks and opportunities; the timeframe in which climate-related risks and opportunities may manifest and their expected impacts on the Company’s operations, financial position, performance and cash flows. The forward-looking information in this report is presented to assist our stakeholders in understanding how we currently intend to address climate-related governance, strategy, risks, opportunities, and objectives, and is not for the purpose of promoting any business or business interest or for other purposes.

Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to risks, uncertainties and assumptions. There is a possibility that our expectations, forecasts, estimates, predictions and conclusions may not prove to be accurate and our assumptions may prove to be incorrect. In addition, many of

the assumptions, standards, metrics and measurements used in preparing these forward-looking statements, particularly those relying on third-party climate scenarios and evolving greenhouse gas measurement methodologies, are not audited or independently verified, have limited comparability and continue to evolve. Our assessments reflect our current level of climate risk management maturity and are subject to refinement as data availability and industry standardization improve. Any objectives or targets discussed in this report may also need to change or be recalibrated as climate risk measurement methodologies mature, regulatory expectations under Guideline B-15 evolve, and to meet our other strategic objectives and the reasonable expectations of our stakeholders, including expectations around financial performance. As a mortgage insurance company, our primary purpose is to provide our clients and customers with solutions to meet their mortgage insurance needs and to deliver on the promises we make to them.

Numerous factors (many of which are beyond our control) may cause actual results to differ materially and impact our ability to achieve climate-related targets, objectives and strategies. These factors include the need for more and better climate data and standardization of climate-related measurement methodologies, our ability to gather and verify data, and our ability to develop indicators to effectively assess and manage climate-related risks as applicable to our business.

About Sagen

Sagen Mortgage Insurance Company Canada (“the Company” or “Sagen”) is the largest private-sector residential mortgage insurer in Canada and has been providing mortgage default insurance in Canada since 1995. As a Federally Regulated Financial Institution (“FRFI”), the Company is regulated by the Office of the Superintendent of Financial Institutions (OSFI) and provincial financial services regulators. The Company has built a broad underwriting and distribution platform across the country that provides customer-focused products and support services to the majority of Canada’s residential mortgage lenders and originators. The Company underwrites both transactional and portfolio mortgage insurance for residential properties in all provinces and territories of Canada and has the leading market share among Canadian mortgage insurers.

Federally regulated lenders are required to purchase transactional mortgage insurance in respect of a residential mortgage loan whenever the loan-to-value ratio exceeds 80%. The Company’s transactional mortgage insurance covers default risk on mortgage loans secured by residential properties to protect lenders from any resulting losses on claims. By offering insurance for transactional mortgages, the Company plays a significant role in providing access to homeownership for Canadians. Homebuyers who can only afford to make a smaller down payment can, through the benefits provided by mortgage insurers such as Sagen, obtain mortgages at rates comparable to buyers with more substantial down payments. The Company

also provides portfolio mortgage insurance to lenders for loans with loan-to-value ratios of 80% or less. Portfolio mortgage insurance is beneficial to lenders as it provides the ability to manage capital and funding requirements and mitigate risk.

Because the Company is a mortgage default insurer rather than a property and casualty (P&C) insurer, its exposure to physical climate risks is primarily indirect. As of December 31, 2025, the Company had approximately \$6.6 billion in total assets and \$3.5 billion in shareholders’ equity. For the year ended December 31, 2025, the Company had net income of approximately \$549 million.



Introduction



Climate change presents financial risks that may affect the safety and soundness of FRFIs and the resilience of the broader financial system. OSFI's Guideline B-15: Climate Risk Management sets out expectations for how FRFIs should govern, identify, assess, manage, monitor and disclose climate-related risks. Sagen's approach is intended to be proportionate to its business model, risk profile, and current level of climate risk management maturity.

OSFI Guideline B-15 is intended to support FRFIs in enhancing their understanding and management of climate-related risks, strengthening governance and risk management practices, and improving the transparency and decision-usefulness of climate-related disclosures for stakeholders. While Sagen is not currently subject to a separate mandatory climate disclosure regime under IFRS Sustainability Disclosure Standards, the Company has considered these frameworks to support alignment with evolving global and Canadian disclosure practices.

Sagen also monitors global standards set out by the International Sustainability Standards Board (ISSB): IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information; and IFRS S2 Climate-related Disclosures. We are not currently required to report under requirements issued by the ISSB.

In December 2024, the Canadian Sustainability Standards Board (CSSB) issued its inaugural Canadian Sustainability Disclosure Standards (CSDS): CSDS 1 General Requirements for Disclosure of Sustainability related Financial Information and CSDS 2 Climate-related Disclosures. Sagen is not currently subject to a separate mandatory climate disclosure regime under IFRS and the application of CSDS 1 and 2 remains voluntary until mandated by the appropriate authorities.

This report describes the actions Sagen is taking to integrate climate risk considerations across the four categories of climate risk management: governance, strategy, risk management, and metrics and targets. Where quantitative estimation is not yet sufficiently developed, disclosure is qualitative and designed to provide transparent information regarding governance, risk identification, scenario analysis, and climate risk management.

Governance



Climate-related risks and opportunities are overseen through Sagen's existing corporate governance structure and are integrated within the Company's Enterprise Risk Management Framework ("ERMF"). Climate-related governance is embedded within Sagen's existing governance structure.

Board Oversight

The Board of Directors oversees Sagen's approach to climate-related risk management and ensures that climate-related considerations are appropriately integrated into the Company's strategy and risk appetite. The Board reviews the Climate Risk Management Policy and monitors its alignment with the ERMF. In carrying out its oversight responsibilities, the Board considers the potential impacts of climate-related risks on the Company's business model, financial performance, and long-term resilience. The Board and its committees receive updates on climate-related risks and developments on a periodic basis. These updates include information on emerging risks, scenario analysis, regulatory developments, and progress in strengthening the Company's climate risk management capabilities.

Risk and Investment Committee

The Risk and Investment Committee supports the Board in overseeing the identification, assessment, monitoring, and management of climate-related risks within Sagen's overall risk profile. The Committee provides oversight of management's implementation of the Climate Risk Management Policy and reviews climate-related risk exposures and their potential implications on underwriting performance, investment activities, and financial resilience. The Committee monitors the integration of climate-related risks into the Company's risk appetite framework and receives updates on scenario analysis, emerging risks, and regulatory developments. The Committee escalates material matters to the Board, as appropriate. As the Company's approach to climate-related targets evolves, oversight will extend to monitoring progress against such targets. To support effective oversight, the Board and its committees participate in periodic education and briefings and have access to internal and external expertise as appropriate.



Audit Committee

The Audit Committee supports the Board in overseeing the integrity of climate-related disclosures, ensuring alignment and consistency with regulatory expectations. The Committee also oversees the effectiveness of internal controls over climate risk management, including internal audit coverage of climate-related risk management and reporting processes.

Senior Management Responsibilities

Senior Management is responsible for the approval, implementation and execution of the Climate Risk Management Policy and for integrating climate-related risks into the Company's business strategy, risk management practices, and decision-making processes. The Chief Risk Officer provides oversight of climate risk management. The Risk and Finance functions currently lead the assessment and monitoring of climate-related risks, with ongoing efforts to enhance involvement across other business functions.

Climate-related risks and opportunities are monitored through Sagen's existing risk management and governance processes. Senior management is responsible for the identification, assessment, monitoring, and reporting of climate risk, including the development of scenario analysis and alignment with financial disclosures. Senior Management ensures that appropriate processes, controls, and governance are established to manage climate-related risks and that material matters are escalated to the Risk and Investment Committee, the Audit Committee and the Board, as appropriate.



Integration with Enterprise Risk Management

Climate-related considerations are incorporated into existing governance and reporting processes and are escalated through established risk governance forums as appropriate.

Sagen's Climate Risk Management Policy operates as a supporting policy under the ERMF. Climate-related risks are not managed as a standalone risk category but are integrated across existing risk types, including insurance risk, investment risk, operational risk, liquidity risk, legal and compliance risk and reputational risk.

Compensation and Climate Risk

At the current stage of maturity, climate-related considerations are not incorporated into executive compensation through standalone climate performance measures. The Company will assess the appropriateness of incorporating climate-related considerations into compensation frameworks as its climate risk management capabilities evolve.

Strategy



Climate-Related Risks and Opportunities



Sagen has identified climate-related risks that may reasonably be expected to affect its business model, strategy, financial condition, financial performance and cash flows over time. These risks are categorized as physical risks and transition risks.

Physical risks arise from both acute events, such as floods and wildfires, and chronic changes in climate patterns that may affect regional housing markets, property values, borrower resilience and economic conditions. Transition risks arise from changes in policy, regulation, technology and market dynamics associated with the transition to a lower greenhouse gas (“GHG”) emissions economy.

Sagen also recognizes that climate-related developments may give rise to potential opportunities over time. These opportunities are assessed as part of the Company’s broader strategic review processes and are currently considered emerging and not material to our business operations or financial performance.

Impact on Business Model and Value Chain



Sagen's exposure to climate-related risks is primarily indirect and arises through its insured mortgage portfolio.

Borrowers are required to maintain property insurance as a condition of eligibility for mortgage insurance. Although property insurance may not cover every hazard, property damages sustained from a climate disaster may not necessarily cause mortgage borrowers to default on their mortgages. In the event that such a default does occur, Sagen's insurance coverage explicitly excludes property damages, including property damages sustained from climate disasters.

While mortgage insurance does not cover property damage, physical climate events can indirectly increase probability of default and loss severity for mortgage insurance policies in regions affected by climate events if the climate events cause economic disruption in those regions, including borrower displacement, impacts to employment and declines in property values.

Similarly, government policies or regulations aimed at migration away from carbon-intensive industries can indirectly increase probability of default and loss severity for mortgage insurance policies in the regions in which those industries are located, if such policies or regulations lead to economic disruption in those regions, including impacts to employment and declining property values in the local housing market.

A mitigant to these risks is that the Company maintains a well-diversified portfolio by geography.

Climate-Related Risks

Consistent with Sagen’s Climate Risk Management Policy and ERMF, Sagen conducted a risk assessment as part of ongoing efforts to identify, prioritize and monitor climate-related risks. The following table outlines the key areas of potential impact from climate-related risks:

Risk Category	Risk Type	Description of Climate-Related Impact
Insurance Risk	Physical	Physical climate events such as wildfires and floods may affect borrower income, employment stability and repayment capacity in regions of exposure to the physical climate events, leading to increased probability of borrower default and loss severity
Insurance Risk	Transition	Transition impacts resulting from migration away from carbon-intensive sectors may affect borrower income, employment stability and repayment capacity, particularly in regions dependent on carbon-intensive industries, leading to increased probability of borrower default and loss severity
Operational Risk	Physical	Physical climate events may disrupt the Company’s operations, critical services, third-party providers or infrastructure, affecting business continuity and service delivery
Liquidity Risk	Physical	Increased claims activity or market stress arising from climate-related events may impact liquidity needs and funding requirements
Capital Adequacy Risk	Physical and transition	Elevated losses or increased volatility in mortgage performance may impact capital and capital planning over time
Investment Risk	Transition and physical	Transition risks and the consequential market re-pricing may impact the value, performance and credit quality of investment assets, particularly for investment assets in carbon-intensive industries Physical risks and the consequential market re-pricing may impact the value, performance and credit quality of investment assets, particularly for investment assets in climate risk exposed industries
Legal & Compliance Risk	Transition and physical	Evolving regulatory expectations, including the OSFI Guideline B-15, are expected to increase compliance obligations and disclosure requirements
Reputational Risk	Transition and physical	Stakeholder expectations related to climate risk management, transparency and sustainability practices may impact the Company’s reputation
Strategic Risk	Transition and physical	Climate-related developments may influence long-term housing market dynamics, geographic concentrations and business strategy

Financial Impacts



Climate-related risks may affect Sagen's financial performance through impacts on claims experience, underwriting of new business and investment portfolio performance. These impacts may manifest through increased claim frequency and severity, changes in premium volumes, declines in investment values and broader housing market effects.

For the year ended December 31, 2025, the Company did not have any significant insured exposure in the regions impacted by severe weather events. Additionally, climate-related risks have not had a material impact on the Company's financial position, financial performance or cashflows.

However, the Company recognizes that climate-related risks may have increasing financial implications over time as both physical and transition risks evolve.

Resilience and Strategic Response

Sagen is progressively integrating climate-related considerations into our strategic and risk management processes in a manner proportionate to our business model and current level of climate risk management maturity. Sagen's approach to mitigation and adaptation is primarily focused on strengthening risk management practices and improving the Company's ability to identify, measure and respond to climate-related risks over time.

At this stage, the Company's strategic focus is on strengthening foundational capabilities, including:

- Enhancing climate risk governance and oversight
- Improving understanding of geographic and hazard-based exposures
- Advancing climate scenario analysis
- Improving data quality and availability
- Developing ghg emissions measurement methodologies
- Strengthening disclosure and reporting processes

As the Company's climate risk management capabilities mature, climate-related insights are expected to increasingly inform risk assessment, portfolio monitoring and strategic decision-making.

Time Horizons

Sagen assesses climate-related risks and opportunities across multiple time horizons as follows:

- Short term (0-5 years)
- Medium term (5-10 years)
- Long term (10+ years)

These time horizons support the assessment of how climate-related risks may evolve and affect the Company's business model and financial resilience.



Climate-Related Opportunities

The Company recognizes the importance of opportunities that arise from climate risk adaptation and will seek opportunities that appropriately balance risk and return.

The Company's primary purpose is to help Canadians responsibly achieve and maintain homeownership. Any immediate climate-related opportunities are not currently assessed as material to our business operations and Sagen believes that they have not had a material impact on our financial position, financial performance or cash flows for the year ended December 31, 2025.

The Company's approach to identifying future opportunities is qualitative and exploratory, reflecting the evolving nature of climate-related data and methodologies.

One area of observation is that in the long term, increasingly severe weather events such as floods, wildfires, hurricanes, droughts and extreme heat may push international migrants to seek safer, more stable environments and Canada's cooler climate and abundant land may make it an attractive destination for climate-driven migration. This shift may create demand for new communities, resilient infrastructure and innovative housing solutions that have the capacity to grow, which in turn may stimulate the housing market in Canada and increase demand for mortgage insurance. The Company would be well positioned to continue assisting Canadians in achieving responsible home ownership in this scenario and providing stability in the housing finance system.

The Company recognizes that the transition to a lower-carbon economy may present long-term strategic opportunities. Over time, as government policies and consumer preferences evolve, there may be increased demand for energy-efficient housing, retrofits, and related "green" financing solutions. As a leading mortgage default insurer, the Company is well-positioned to support lenders and homebuyers in navigating this transition.

Sagen will continue to monitor potential opportunities, recognizing that the timing, scale and direction of their impact remains uncertain and is influenced by broader economic, demographic and policy factors.



Risk Management

Sagen identifies, assesses and monitors climate-related risks according to its Climate Risk Management Policy and existing enterprise risk management processes. Climate-related risks are considered as drivers of existing risk categories and are evaluated based on their potential impact, likelihood and time horizon.

These risks are monitored through internal reporting and scenario analysis and are escalated through established governance and risk management forums as appropriate.

Climate Scenario Analysis

To complement the Company's risk management processes, Sagen conducts quantitative scenario analysis. During the year ended December 31, 2025, the Company developed and conducted two severe yet plausible climate scenarios that focused on the short and medium terms (5 and 10 years, respectively) with additional narratives provided to hypothesize potential impacts over the long term (10+ years).

The first scenario related to transition risk and contemplated the introduction of climate policies that were aimed at transitioning Canada towards a net zero GHG emissions economy. Under this scenario, the introduction of climate policies posed transition risk to carbon intensive industries but resulted in low physical risk.

The second scenario related to physical risk and contemplated inaction to mitigate climate risk. Under this scenario, transition risk was lower for industries, but physical risk was high due to the indirect effects of climate events on impacted housing markets. This scenario projected the occurrence of increased localized severe climate events such as floods or wildfires.

The scenario selection was informed by industry-accepted sources on climate change such as the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS) and required the Company to make projections about the future macroeconomy and about how it could impact the Company's business and financial performance. Certain macroeconomic assumptions within the scenarios such as levels of unemployment and changes in house prices were determined at the regional level to reflect the varying impact of climate risk across different regions of Canada.

The scenario results provided valuable insights into the Company's indirect exposure to physical risks and transition risks and the macroeconomic challenges that such risks could impose. These insights will inform how the Company refines and uses climate scenario testing going forward. The Company plans to continue to develop its climate scenario analysis capabilities, including the intended use of climate hazard information (e.g., flood and wildfire), to better assess the potential impacts of physical and transition risks on its underwriting portfolio, capital adequacy, liquidity, and overall financial performance over relevant time horizons.

Targets



Sagen's current climate-related targets are focused on acquiring required data and advancing risk measurement methodologies and analytical capabilities to support effective climate risk management and assess the impact of climate risk on the Company's operations, conditions and business strategy. These targets are qualitative in nature.

Current targets include:

- Subject to data availability and quality, integrating information on flood and wildfire zones into risk management, scenario analysis and stress testing exercises and continuing to develop climate risk modelling capabilities to inform decision making.
- Continuing to develop and enhance the Company's estimation methodologies, data coverage, and data quality related to GHG emissions measurement.

Progress is monitored through internal governance processes based on the advancement of data quality, analytical capabilities and integration into risk management practices. Targets are reviewed periodically and may evolve as the Company's approach to climate risk management continues to mature.

Metrics



Scope 1 and 2 GHG Emissions

For the year ended December 31, 2025, Sagen’s total Scope 1 and Scope 2 GHG emissions were estimated to be **134 tCO₂e**, comprised of:

- Scope 1: **95 tCO₂e**
- Scope 2: **39 tCO₂e**

The Company’s GHG emissions inventory is comprised of real estate properties to which Sagen has acquired subrogation rights in the course of our loss mitigation process. As a mortgage default insurer, Sagen does not own or control any other insured properties within our insurance portfolio and therefore any other insured properties are excluded from Scope 1 and 2 measurement.

Scope 1 emissions represent direct emissions from fuel combustion (e.g., natural gas), while Scope 2 emissions represent indirect emissions from purchased electricity.

Sagen calculates emissions in alignment with the GHG Protocol Corporate Standard, using an operational control boundary. Emissions are estimated based on energy consumption data and regionally appropriate emission factors, including Canadian-specific factors where available.

Metrics: continued

Sagen continues to enhance its measurement approach for Scope 1 and 2 GHG emissions, including improvements to data quality, coverage and methodology to support consistency and comparability of disclosures over time.

Scope 3 GHG Emissions⁽¹⁾

Sagen assesses Scope 3 greenhouse gas (“GHG”) emissions across selected categories relevant to its operational footprint, including business travel (Category 6), employee commuting (Category 7), and upstream leased assets (Category 8).

Scope 3 emissions arise primarily from indirect activities that are not owned or directly controlled by the Company. These include employee travel patterns, commuting behaviour and emissions associated with leased office space. As such, measurement involves the use of assumptions and estimation techniques, including the application of external emission factors and proxy data where direct information is not available.

Sagen has identified these categories as the most relevant to our operations and continues to enhance its understanding of GHG emissions drivers. Efforts underway are focused on improving data quality, refining estimation methodologies and increasing consistency of measurement over time.

Financed emissions⁽¹⁾

Scope 3 category 15 financed emissions reflect the exposure of Sagen’s investment portfolio to carbon-intensive assets. Measurement of financed emissions is intended to support the identification of potential transition risk concentrations in investment assets and is calculated in line with the Partnership for Carbon Accounting Financials (“PCAF”) methodology.

The Company has established a process for quantifying financed emissions and our current focus is on enhancing the methodology, increasing coverage, and improving data quality.

Insurance-related Physical Risk Metrics⁽¹⁾

Sagen has identified insurance-related physical risk metrics intended to support its understanding of climate hazard exposure within the insured mortgage portfolio. These are expected to include the number and value of insured mortgages located in higher flood-risk zones, defined as areas where flooding is greater than one event in every hundred years relative to the total insured mortgage portfolio, and the number and value of insured mortgages located in wildfire hazard zones, relative to the total insured mortgage portfolio.

The Company’s current focus is on building the underlying data, analytical and mapping capabilities required to quantify these metrics in a reliable and repeatable manner.

(1) Metrics other than Scope 1 and 2 GHG emissions are not required to be disclosed under B-15 at this time.

Forward-Looking Perspective



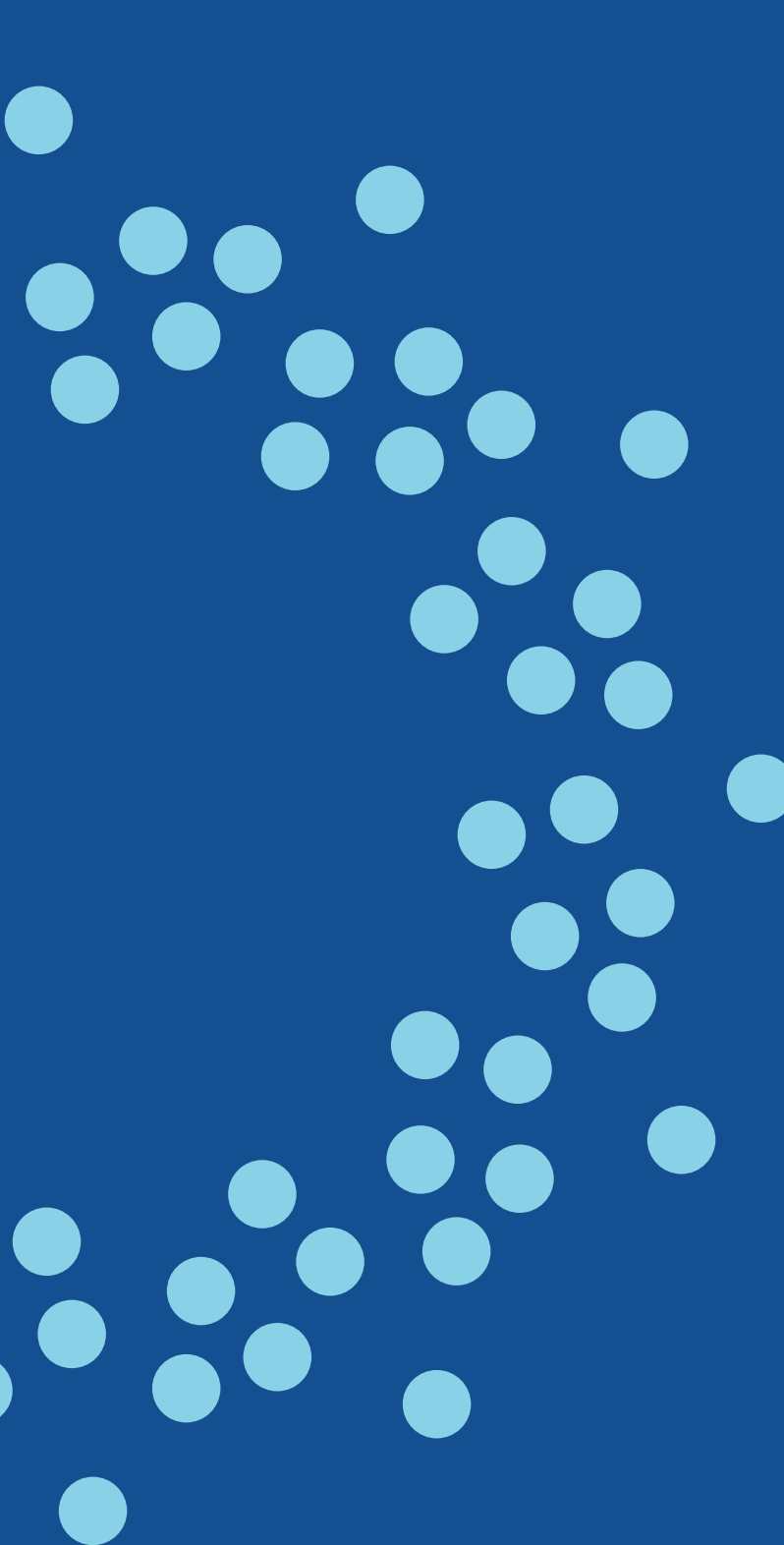
Sagen continues to advance its approach to managing climate-related risks in a manner that is proportionate to its business model, risk profile and current level of maturity in regard to climate risk management. As outlined throughout this report, climate-related risks for the Company are primarily indirect in nature and are assessed through their potential impacts on borrower performance, collateral values, housing markets and broader macroeconomic conditions.

The Company has established foundational governance, risk management and scenario analysis practices to support its understanding of climate-related risks and their potential implications. These practices are expected to evolve over time as data availability, methodologies and regulatory expectations continue to develop.

Looking ahead, Sagen will continue to focus on strengthening its climate risk management capabilities, including enhancing data quality, refining scenario analysis, improving climate hazard exposure mapping and advancing risk measurement approaches. This work is intended to support more informed decision-making and further integration of climate risk considerations into existing risk management and business processes over time.

The Company will also continue to monitor emerging climate-related developments, including regulatory changes, market dynamics and advances in climate science, to ensure its approach remains aligned with evolving expectations and industry practices.

Given the inherent uncertainty associated with climate-related risks, including the pace and nature of the transition to a lower GHG economy, Sagen's approach will remain iterative and adaptable. The Company will continue to assess the relevance and materiality of climate-related risks and opportunities and will enhance its disclosures as its capabilities mature.



Stay connected with us

2060 Winston Park Drive, Suite 300

Oakville, Ontario L6H 5R7

Toll-free: 1.800.511.8888

Mortgage.info@sagen.ca

sagen.ca