



HomeEquity
Bank™

Climate Risk Management

June 2026



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1.1 Overview

This Climate Strategy outlines how HomeEquity Bank (“HEB” or the “Bank”) identifies, assesses, and manages climate-related risks that are relevant to its business model and operational resilience, in alignment with Office of the Superintendent of Financial Institutions (OSFI) Guideline B-15.

Consistent with the nature of HEB’s operations and the duration of its assets, the strategy focuses primarily on near-term physical climate risks that may disrupt operations, while actively assessing how these environmental changes affect the long-term valuation, insurance availability, and credit risk of the Bank’s underlying residential property portfolio.

The strategy does not establish long-term sustainability or net-zero objectives but rather emphasizes operational continuity, the protection of asset quality, and the preservation of capital adequacy across the Bank’s lending footprint.



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2.0 Understanding Climate Risk

A photograph of a residential street completely flooded with brown water. The water is high enough to submerge the lower parts of houses and trees. The sky is a clear, bright blue with some light clouds. The overall scene conveys the physical risk of flooding.

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2.1 Introduction

HEB aligns its view of climate risk with the principles of OSFI Guideline B-15. As a specialized reverse mortgage lender, the Bank recognizes that climate-related factors can create unique pressures. HEB evaluates these challenges across three primary pillars:



Financial Impact

How changing climate trends affect our core asset portfolio and credit risk



Operational Resilience

HEB's ability to maintain business continuity and safeguard infrastructure during disruptions



Strategic Objectives

How the Bank positions its business model to adapt to market and regulatory shifts

To manage these impacts effectively, we categorize climate risks into two interconnected streams: physical risks and transition risks.



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2.2 Physical Risks

Physical risks refer to the financial risks arising from the increasing frequency and severity of climate-related events. These are split into two categories:

ACUTE



Event Driven

- Event-driven weather disruptions, such as severe floods, wildfires, and extreme storms

CHRONIC



Long Term Shifts

- Longer-term shifts in climate patterns, such as rising temperatures, sea-level rise, and shifting precipitation trends

For HEB, physical risks can impact the long-term value and insurability of real estate assets held as collateral. They can also create potential disruptions to broader business operations over the short to medium term.

2.3 Transition Risks

Transition risks refer to the financial risks associated with the global shift toward a low-greenhouse gas economy. These risks are driven by changes in:

POLICY & REGULATION

- New government laws
- carbon pricing
- reporting mandates

TECHNOLOGY

- Development and adoption of low-emission alternatives

MARKET & CONSUMER BEHAVIOR

- Shifting preferences toward sustainable products and services

HEB views transition risks as evolving factors. While secondary to immediate physical risks, regulatory and market shifts may influence the broader financial system and HEB's long-term strategic planning. HEB continues to monitor these broader regulatory shifts and evolving consumer trends within the housing market. However, they do not pose a significant threat to the Bank's financial performance or corporate strategy.

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HEB is embedding climate-related risks and opportunities into its governance structure and have enhanced the governance of climate risk and opportunity management in 2026 to improve performance and accountability at all levels of the Bank.

3.2 Climate Risk Governance Structure

HEB established a formal climate risk governance structure to align with OSFI B-15 Climate Risk Guidelines and to strengthen oversight, management, and integration of climate-related risks and opportunities across the Bank.

The governance structure is supported by a three-tier model consisting of Board and executive oversight, management-level governance, and cross-functional execution. The Board of Directors has overall responsibility for overseeing HEB's approach to climate-related risk management, including key risk considerations, strategic implications, and execution against regulatory expectations. Climate-related matters are reported to the Board through the Board-level committee, providing a formal forum for oversight and discussion of the Bank's climate risk management activities.

At the management level, climate risk reporting is embedded into a management committee. The management committee provides executive

sponsorship and a regular forum to review climate-related initiatives, monitor portfolio risk trends, assess policy implications, and support business decisions related to risk mitigation and remediation.

The Climate Risk Taskforce manages implementation of climate risk initiatives, supports prioritization and decision-making, and mobilizes cross-functional teams and workstreams in Governance, Strategy, Risk Management, and Metrics and Targets, to deliver climate risk objectives. These workstreams support the development of governance processes, integration of climate considerations into business planning, embedding of climate-related risks into risk management practices, and development of metrics and reporting processes to support internal monitoring and regulatory compliance.

Through this governance structure, HEB seeks to enhance long-term resilience, support sustainable business practices, and promote alignment with strategic, risk management, and regulatory objectives.

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3.3 Governance Model

The Bank operates under a clear, three-tier governance model. This structure ensures robust oversight, swift decision-making, and accountability across all levels of the organization. Roles and responsibilities are assigned to specific bodies based on their operational focus. The table below outlines the core responsibilities and meeting frequencies for each governance level.

GOVERNANCE LEVEL	BODY/FUNCTION	KEY RESPONSIBILITIES	FREQUENCY
 Board and Executive Oversight	 Board Governance	<ul style="list-style-type: none"> Provides senior oversight of climate-related risk management activities, including progress against regulatory expectations, key risk considerations, and integration with enterprise risk management and strategic priorities 	 Semi-annually
 Management Oversight	 Management Committee	<ul style="list-style-type: none"> Reviews climate risk-related initiatives, policy changes, portfolio monitoring results, and emerging credit risk considerations. Supports management decisions related to climate risk mitigation and remediation 	 Quarterly
 Execution Focused	 HEB Climate Risk Taskforce	<ul style="list-style-type: none"> Manages climate risk initiatives, supports prioritization and decision-making, and mobilizes cross-functional teams to deliver climate-related objectives. Coordinates project execution across climate risk workstreams, tracks milestones and dependencies, manages reporting to the Management Committee, and supports delivery against the climate risk roadmap. Executes targeted activities across governance, strategy, risk management, and metrics and targets to support regulatory compliance and business integration. 	 Monthly

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3.4 Workstreams

To fully embed climate risk into the Bank’s corporate culture, the Management Committee delegates specific duties to four dedicated workstreams. These workstreams collaborate to build operational resilience and protect HEB’s core business assets. They focus on updating internal policies, enhancing data capabilities, and aligning the Bank’s risk appetite with regulatory expectations. The table below defines the focus areas and key objectives for each workstream.



Governance

Establish ongoing oversight, accountability, and governance processes for climate-related risks and opportunities beyond the initial regulatory implementation period



Strategy

Integrate climate considerations into business strategy, planning, and decision-making processes



Risk Management

Embed climate-related risks into the Bank’s enterprise risk management framework, credit risk assessment processes, and portfolio monitoring activities



Metrics & Targets

Develop climate-related metrics, targets, monitoring, and reporting processes to support internal oversight and regulatory compliance

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HEB recognizes that climate-related risks are an important and evolving driver of financial risk. In alignment with OSFI Guideline B-15, the Bank has established a climate risk management approach that reflects the nature, scale, and complexity of its operations.

This strategy outlines how the Bank identifies, assesses, and manages climate-related risks, and integrates these considerations into its broader risk management framework.

4.2 Strategy

The Bank's climate risk management strategy is designed to identify and manage climate-related risks in a manner consistent with its overall risk appetite and business model. The approach reflects the Bank's focused product offering, geographic footprint, and operational structure.

Climate-related risks are assessed across key dimensions, including business operations, third-party dependencies, and the Bank's lending portfolio. Where relevant, mitigation strategies are implemented to enhance resilience and minimize potential financial and operational impacts.



Physical Risks

4.2.1 Operations and Infrastructure

Climate-related events may impact the Bank's operations, including its physical infrastructure, third-party service providers, and workforce. Potential impacts include disruptions to critical services, reduced operational continuity, and risks to employee health and safety. To mitigate these risks, the Bank has established a Business Continuity and Crisis Management Framework, which includes:

- Defined protocols for managing business continuity risks
- Clearly articulated roles and responsibilities during crisis events, including extreme weather scenarios
- Disaster recovery and scenario planning capabilities to support operational resilience

4.2.2 Business Operations and Assets

Climate-related risks may affect the residential properties that serve as collateral for the Bank's lending activities. Severe weather events and other climate-related hazards could impair the insurability of these properties and adversely affect collateral values, including in areas with elevated exposure to physical climate risk.

To support the management of these risks, the Bank is implementing a data-informed approach to assess geographic exposure and determine appropriate insurance requirements, consistent with its credit risk management practices and Board-approved risk appetite. In addition, portfolio-level stress testing supports the ongoing monitoring and assessment of potential climate-related impacts and related adjustments, if any, to capital adequacy measurements.

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HEB manages climate-related risks through its established risk management framework, with a current focus on physical risks given the Bank's exposure to residential real estate collateral across Canada. The Bank continues to enhance its data, analytics, governance, and operational capabilities to identify, assess, classify, mitigate, monitor, and report climate-related risks over time.

5.2 Climate Risk Management Process

The Bank's cross-functional Climate Risk Taskforce plays a key role in coordinating climate risk management activities across relevant business lines and oversight functions. The Taskforce supports the development of enterprise capabilities, processes, and disciplines required to embed climate risk considerations into the Bank's risk management practices over time. HEB leverages industry best practices and tools in driving climate risk insights which are then integrated into other relevant risk mitigation plans.

To manage climate-related risks, HEB applies a multi-faceted approach aligned with its overall risk management framework. This approach includes: (1) risk identification, (2) risk assessment and measurement, (3) risk classification, controls and mitigation plan, (4) risk monitoring and reporting.

The Bank's four core pillars operate as a continuous, repeating cycle. This end-to-end climate risk management process directly shapes and refines HEB's controls, processes and reporting mechanisms.



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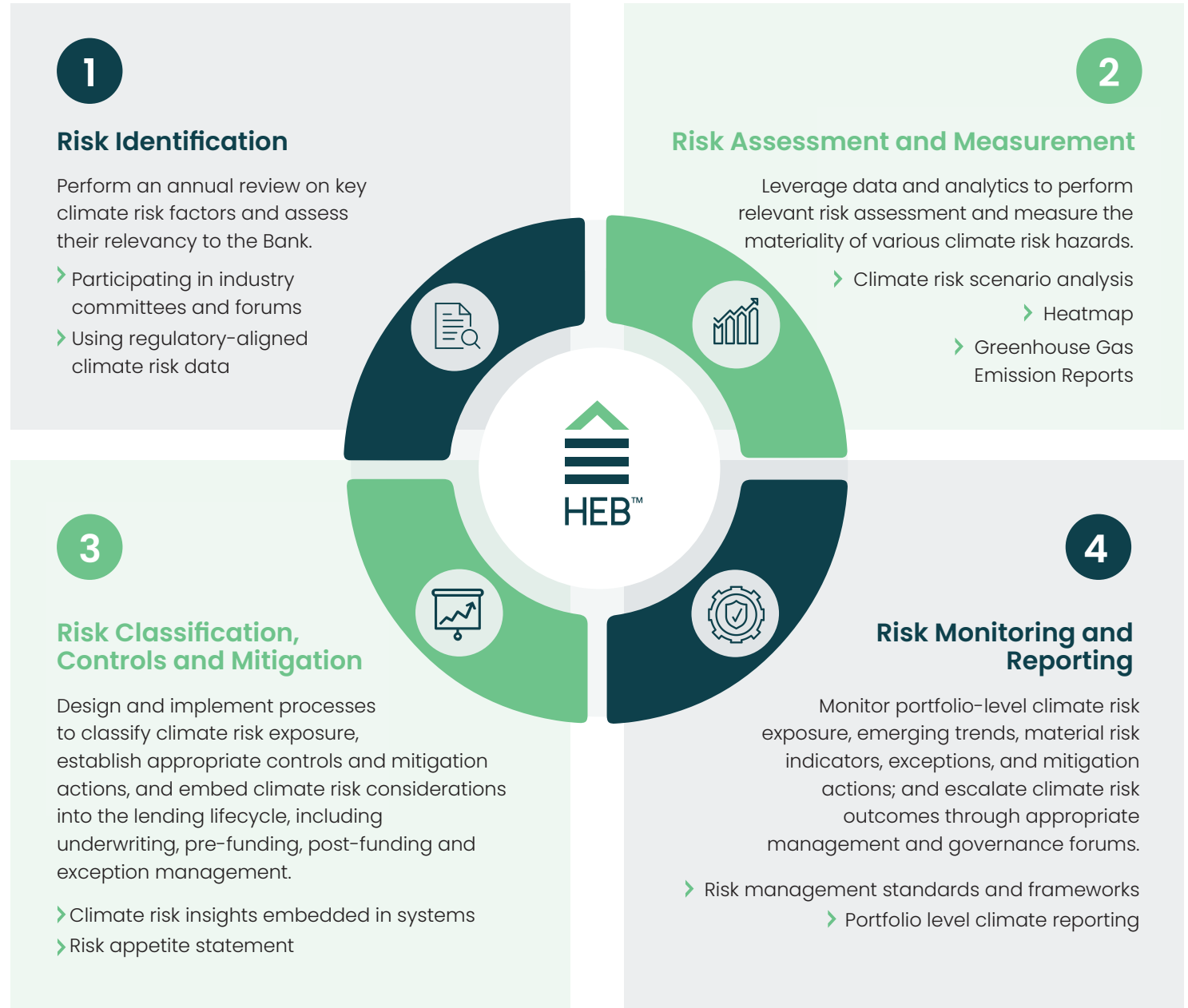
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5.2.1 Risk identification

HEB identifies climate-related risks through a combination of internal portfolio analysis, external climate data, and expert inputs. The Bank has engaged climatology and climate data experts to support the development of portfolio-level climate hazard assessments and to improve its understanding of climate-related exposures across its residential real estate portfolio.

Based on the Bank's business model and geographic footprint, HEB has identified physical climate hazards as the most relevant climate-related risks to its portfolio. These include flood-related hazards, such as coastal flooding, riverine flooding, as well as wildfire risk. As an asset-based lender operating across Canada, the Bank recognizes that climate-sensitive locations may present elevated collateral, credit, operational, and insurance-related risks.

Climate-related risks may arise across the lending lifecycle, including during property valuation, underwriting, credit adjudication, portfolio monitoring, renewal, default management, and loss mitigation. HEB continues to assess where climate-related risks may affect existing risk types, particularly credit risk, collateral risk, operational risk, strategic risk, and reputational risk.

5.2.2 Risk assessment and measurement

HEB assesses climate-related risks by combining portfolio exposure data with climate hazard information to evaluate potential current and future impacts on the Bank's residential real estate collateral. The Bank's assessment considers geographic location, property exposure, hazard severity, and scenario-based climate data to better understand areas of potential risk concentration.

The Bank's climate risk assessment currently focuses on physical risk, with particular emphasis on flood-related hazards. HEB uses available climate data and scenario analysis to evaluate hazard exposure across relevant time horizons and to understand how climate-related risks may evolve over time (short term, medium term and long term). These assessments are intended to support the Bank's understanding of risk concentrations, collateral resilience, and potential implications for underwriting, portfolio management, and risk appetite.

HEB recognizes that climate risk measurement is an evolving discipline and that climate-related data, models, methodologies, and assumptions continue to mature. Where third-party data or external models are used, the Bank seeks to understand the underlying methodology, assumptions, limitations, and applicability to its portfolio. HEB also continues to enhance its internal data capabilities, including the use of property-level location data, climate hazard information, and portfolio segmentation to support more reliable and decision-useful risk measurement.

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Section 5.2.3 Risk Classification, Controls, and Mitigation Planning

HEB uses the outputs from its climate hazard assessments to support the classification of climate-related risk exposures. The Bank is developing a risk classification approach to categorize exposures based on relevant climate hazard. This approach is designed to help the Bank identify higher-risk exposures and determine where enhanced review, controls, or mitigation actions may be appropriate.

Climate-related risk controls and mitigation actions are being developed and embedded into relevant business processes over time. These may include enhancements to underwriting guidance, property review processes, insurance considerations, credit policy, operational procedures, and portfolio monitoring. The Bank is also assessing how climate risk information can be incorporated into internal systems and workflows to support consistent and timely decision-making across the lending lifecycle.

As part of its ongoing risk management activities, HEB continues to evaluate the potential impacts of climate-related risks on its risk appetite, credit standards, collateral management practices, and operational processes. The Bank's approach is intended to balance prudent risk management with the continued delivery of its core lending products to Canadian homeowners.

5.2.4 Risk Monitoring and Reporting

In addition to OSFI prescribed scenario analysis on selected FSAs, HEB will perform full portfolio climate risk assessments annually using updated data. Climate-related risk information is reported through relevant management and governance forums and Board-level committees, as appropriate.

The Bank continues to develop climate risk metrics, indicators, and reporting capabilities to monitor exposure trends, geographic concentrations, hazard classifications, and the effectiveness of mitigation actions. These capabilities are expected to evolve as the Bank enhances its data infrastructure, internal systems, and climate risk methodologies.

The Bank expects its climate risk management practices to continue to mature over time as regulatory expectations, data availability, analytical methods, and industry practices evolve.

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Section 6.1 Introduction

Established in 2026, HEB’s baseline Greenhouse Gas (GHG) emissions inventory captures 2025 Scope 1, 2, and 3 data.

<p style="text-align: center;">SCOPE 1</p> <p>Scope 1 emissions originate from sources directly owned or controlled by the organization.</p>	<p style="text-align: center;">SCOPE 2</p> <p>Scope 2 includes indirect emissions from energy purchased and consumed in operations controlled by the organization</p>	<p style="text-align: center;">SCOPE 3</p> <p>Scope 3 are financed emissions (Category 15) generated by loans, investments, and other financial services.</p>
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6.2 Metrics and Targets

HEB does not have any scope 1 emissions. Scope 2 emissions are made up of grid electricity and purchased heating, steam and cooling for HEB’s leased office. Scope 3 emissions are primarily made up of emissions generated from the Bank’s reverse mortgage portfolio.

GHG Emissions by Scope - 2025 (tCO2e)



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4.1 Introduction

4.2 Strategy

5.0 RISK MANAGEMENT FRAMEWORK INTEGRATION

5.1 Introduction

5.2 Climate Risk Management

6.0 METRICS & TARGETS

6.1 Introduction

6.2 Targets and Metrics

> 7.0 FUTURE CONSIDERATIONS

7.0 • FUTURE CONSIDERATIONS

HEB remains committed to a journey of continuous improvement regarding the Bank's climate risk capabilities. As data quality matures and climate science evolves, HEB will continue to refine our granular property-level assessments and adapt frameworks to align with emerging regulatory expectations and industry best practices. Moving forward, HEB will continue to evolve its climate risk capabilities by expanding climate-related scenarios and stress testing, enhancing third-party resilience assessments, and assessing low-probability, high-impact events such as widespread power outages.

Looking ahead, HEB intends to proactively monitor these diverse risk factors to strengthen the integration of climate considerations into the Banks's broader operational resilience planning. These ongoing enhancements will directly support HEB's ability to respond to increasing physical climate risks while ensuring the Bank's risk frameworks remain firmly aligned with OSFI B-15 requirements to protect long-term shareholder value.



