Insurer Climate Risk Survey for Reporting Year 2023

Governance

Board of Directors Oversight

The Board of Directors (the “Board”) of Intact Financial Corporation (“IFC” or “Intact”), the ultimate controlling parent company of the Intact Insurance Specialty Solutions insurance companies, which includes Atlantic Specialty Insurance Company and Homeland Insurance Company of New York (“Intact US”), is responsible for overseeing the strategic direction and initiatives regarding climate change risks.

The Board of Directors is ultimately responsible for overseeing the strategic direction and initiatives of Intact including our strategy related to climate change. Climate change risk is a shared accountability of the Board’s Risk Management Committee (RMC), Audit Committee (AC) and Governance and Sustainability Committee (GSC). The RMC oversees the assessment and management of the risks related to climate change and the development of strategies to manage these risks. The AC oversees the integrity, fairness and completeness of our climate-related financial disclosures. The GSC oversees our climate-related corporate disclosure and supports the Board in overseeing our climate strategy and objectives. The Board as a whole is engaged in shaping the strategy, as well as oversight.

IFC’s strategic objectives include a commitment to become net zero by 2050 across our business, to halve our emissions from our operations by 2030, relative to our 2019 baseline, and to be recognized by three out of four stakeholders as being a leader in building resilient communities. Climate change risk is reviewed in our ERM process to ensure identification, assessment, response, monitoring and reporting of risks. The governance of our strategic objectives, climate strategy and ERM is integrated into our organizational structure, at both the Board and management levels. The table below shows the key committees that have a governance role over climate-related matters at Intact. In all cases, their mandate is enterprise-wide.

Committee	Climate-related Roles and Responsibilities
Board of Directors	• Oversees the delivery of the Intact climate strategy and achievement of Intact’s strategic objectives (which include climate • change focused objectives), as well as overall management of climate change risks and opportunities.
Risk Management Committee	• Oversees the assessment and management of physical and transition risks (including liability risks) related to climate change. • Reviews risk monitoring (including climate change risk) programs and receives quarterly reports on risk monitoring activities, including investment risk monitoring. • Reviews the adequacy of Intact’s reinsurance program relative to weather-related catastrophe risk exposure. Establishes Intact’s risk tolerance for natural catastrophe risk.

Governance & Sustainability Committee	• Supports the Board in overseeing Intact's climate strategy and objectives and monitors its progress, initiatives and performance on such matters. It also stays abreast of emerging trends, standards and best practices with respect to climate change. • Oversees corporate disclosure on climate change and climate risk management.
Audit Committee	• Oversees the integrity, fairness and completeness of our financial statements and other financial disclosure, including climate-related financial disclosures. • Oversees the quality and integrity of our internal controls and procedures, including management and disclosure of climate risk. Oversees our actuarial practices, ensuring reserving practices are adapted to address our risks including those related to climate change and trend in catastrophes and severe weather events.

Intact Insurance Specialty Solutions US's approach to managing climate-related risks is in alignment with IFC's Enterprise Risk Management Strategy, which is shaped by the Board. This includes setting the risk appetite where appropriate and ensuring its governance structure and policies are effective. The Enterprise Risk Management Strategy includes the identification, assessment, response, monitoring, and reporting of risks.

Management Oversight

At the forefront of risk management at Intact, our Enterprise Risk Committee (ERC) is headed by our Chief Risk Officer, and reports to the Board's Risk Management Committee (RMC) quarterly. The Chief Risk Officer and ERC oversee the ERM process, which is integrated into all business activities and strategic planning. This includes the identification, assessment, response, monitoring and reporting of risks, including those related to ESG and climate. The ERM team meets quarterly with risk owners within the company, including Intact Investment Management (IIM), Chief Underwriting Officers and senior executives, to investigate top enterprise and emerging risks and ensure risk management plans are in place. Regional risk management teams report on regional, top risks and continued and emerging risks to the Chief Risk Officer, who manages Intact's Enterprise Risk Management Policy on behalf of the ERC.

Our Senior Management team, including our CEO, provides direct leadership on our strategy and advocates publicly for climate action within industry associations, for example the Geneva Association, and through collaboration with governments and regulators, including bilateral engagements with multiple levels of government.

The Chief People, Strategy and Climate Officer leads our climate strategy to drive ongoing integration of climate change into our central strategy. This role reports directly to the Group CEO. Additionally, delivery of our climate strategy is directly tied to executive compensation for executives at Intact.

Intact Insurance Specialty Solutions US operates in line with IFC's strategy and has access and insight into its processes. Intact US has appointed IFC's Risk Management Committee as responsible for the oversight of Intact US's management of climate risks. Intact US has designated certain senior managers as responsible for the management of Intact US climate risks.

Management committees with specific climate change responsibilities are shown in the table below.

Committee	Climate-related Roles and Responsibilities	Action in 2023
Enterprise Risk Committee	• Headed by our Group Chief Risk Officer, this committee oversees risk management priorities, assesses the effectiveness of risk management programs, policies and actions of each key function of the business and reports quarterly to the RMC of the Board. • The RMC is mandated to identify risks that could materially impact the business, assess material risks to determine their significance and impact on financial resources and reputation, manage and monitor risks in accordance with our risk • appetite statement, and report on risks to the RMC of the Board.	• Analyzed emerging risks related to climate change. • Engaged quarterly with leadership of commercial, personal and specialty lines as well as with IIM leaders of the business to ensure proper risk assessment and mitigation plans are in place. • Continually evaluates the reinsurance program and program coverage. • Reviewed results of predictive models and climate indices to assess shorter term impacts of weather patterns. • Consulted with regulators on climate-related disclosures. • Reviewed catastrophe risk and weather-related perils and plans to further strengthen our modelling capabilities.
Operating Committee	• The Intact Operating Committee oversees the climate strategy, net zero target progress, climate adaptation initiatives and climate risk management approaches. • This Committee includes Intact's Group Chief Executive, Chief Risk, and Chief People, Strategy and Climate Officer, among other C-suite level executives. • Climate-related risks and/or opportunities that could impact Intact at the enterprise level, or that require strategic/operational	• Reviewed and discussed climate strategy progress updates throughout 2023. • Reviewed and approved climate strategy priorities for 2024.

	intervention, are presented and discussed with this committee.	
Operational Investment Committee	• Committee assists the Company's management in developing, implementing and monitoring investment objectives and strategies which consider ESG factors, including climate risk. • Reviews investment strategies, monitors performance and discusses investment risks. The OIC oversees the climate change engagement strategies with investees, commitments to climate initiatives such as Climate Engagement Canada and oversees progress on investment net zero targets. • IIM reports regularly and directly to this committee on all ESG matters related to • investment management.	• Reviewed investment strategies to confirm alignment with the climate strategy, identify gaps, and work to close them. • Oversaw investee engagement and quantification of Investment Emissions. • Oversaw the setting of the Investment Emissions intensity reduction target.
Disclosure Committee	• Oversees all corporate disclosures, including the Social Impact & ESG Report.	Discussed emerging climate disclosure regulation in Intact operating geographies. Reviewed the Social Impact & ESG Report, including the TCFD section.

IFC also incorporates climate-related risks, such as natural catastrophe risks, in the assessment of their impact on capital in the Own Risk and Solvency Assessment ("ORSA"). In Q4 2021, stress test scenarios were performed on transition risk which addressed the impact on capital over the long-term of severe and plausible climate risk scenarios. These stress test scenarios will be updated and performed again in 2024 to measure the transition risk impact under various climate scenarios. Results of the financial risk assessments that cover climate change from a capital perspective are captured in the annual ORSA Report.

IFC's public reports, including the Q4 Management's Discussion and Analysis, Management Proxy Circular and the Social Impact and ESG Report, which contains IFC's Task Force on Climate Related Financial Disclosures ("TCFD") report, describe the Board's role and the role of the Enterprise Risk Management Strategy in responding to climate risk. The Social Impact and ESG Report may be found at https://www.intactfc.com/English/in-the-community/social-impact-report/default.aspx

Governance

- Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y/N)
    - Yes.
- Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y/N)
    - Yes.
- Does management have a role in assessing climate-related risks and opportunities? (Y/N)
    - Yes.
- Does management have a role in managing climate-related risks and opportunities? (Y/N)
    - Yes.

Strategy

Our climate strategy focuses on our expertise, scale, and resources to address all aspects of climate change including our strategy to achieve net zero emissions. We play an integral role in enabling innovation, and the pathway to a sustainable future continues to be an opportunity for us to help facilitate a prosperous and climate-resilient economy.

Our five-part climate strategy, described below, is underpinned by the following principles:

- We will help people, businesses and society de-risk the transition to a sustainable future by leveraging our strengths.
- We will take an inclusionary approach to supporting our stakeholders, not an exclusionary one.
- We will focus our actions on areas that maximize the overlap between helping and winning.

IFC has established and publicly disclosed a five-part climate strategy describing its goals on climate-related risks and opportunities:

- COMMIT to achieve net zero overall by 2050
- Double down on helping people ADAPT to climate change
- Leverage our platform to SHAPE customer behaviour
- ENABLE the transformation by supporting existing and new industries that are key to the transition
- COLLABORATE with governments and industry to influence and accelerate climate action.

More information on climate strategy performance is available in the 2023 Intact Social Impact and ESG Report available at www.intactfc.com

Climate Change Risks

As a P&C insurer, assuming physical risk from our customers is our business. Risk management is thoroughly integrated into our Governance strategy at both the Board and Management level. Our risk management and underwriting expertise have enabled strong financial performance even in lines heavily impacted by severe weather.

Physical, transition and liability risks relevant to our business are presented here, along with the time horizon for which these risks may be most impactful and the ways in which we are managing these risks.

IFC has identified the following climate-related risks, which are all actively managed through internal risk management systems. Short term risks are equal to or under 4 years, medium term risks are 5-10 years, with long term risks being 10 years and longer.

Physical risk

Frequency and severity of weather-related claims

[Short- to long-term]

Climate change impacts our property insurance business due to changing weather patterns and an increase in the number and cost of claims associated with severe storms and other natural disasters. Weather patterns could continue to change and impact the likelihood and severity of acute and chronic natural catastrophes, such as severe convective storms, winter storms, hurricane/cyclone, wildfire, flood (acute) and/or cumulative gradual climatic changes (chronic) – for example, rise in sea level. This could impact our own operations due to physical damage to our premises, as well as those of our customers.

The impact of climate change may result in increased earnings volatility, and negatively affect our property and auto insurance results.

How we manage physical risk

Pricing and risk selection

- Maintaining an adequate capital margin to ensure we are sufficiently capitalized to withstand an acceptable level of insurance and/or market shocks.
- We input weather, climate and topographic data into machine learning models to develop risk maps to assess the risk of weather perils such as flood and wildfire. We have begun enhancing the risk models to include climate change projections for temperature and precipitation, to get a better understanding of risk profiles under a changing climate. This allows us to plan for the medium and longer-term time horizons. In 2023 we completed a climate scenario exercise to try to understand how resilient our Canadian personal lines book will be to climate change in the future. Work is underway to expand this work to other lines of business in other geographies.
- Reviewing products, underwriting and pricing practices related to severe weather.
- Continuously invest in and redefine how we select and price risk with data and predictive analysis, leveraging the expertise of 500 experts across AI, machine learning, actuarial science, and data. To get the full benefits of our pricing sophistication, we have account level pricing

governance metrics for new business and renewals that are monitored closely to ensure execution of the pricing strategies.

Product innovation

- Transforming our property lines of business and continually evolving our products to account for new climate realities, such as:
  - Individualizing coverages by peril;
  - Implementing the latest hazard maps to most accurately reflect exposure;
  - Implementing coverage endorsements that respond to changing risk; and
  - Educating customers on protective measures against flood and wildfire and inform them of grant opportunities for climate-resilience measures taken.

Claims

- Employing over 7,000 claims professionals globally dedicated to helping customers get back on track.
- Using actuarial tools to support the claims operations for rapid CAT assessment including the number of claims, nature of claims, geo-coded maps and supply-chain requirements.

Risk control and loss prevention

- Investing in a global risk control team with deep technical expertise, including engineers, fire protection experts, sprinkler designers, brokers, claims adjusters and underwriters.
- Continued efforts to raise broker awareness on climate adaptation and ways to increase climate resilience through multiple avenues, including climate-related content in newsletters and industry magazine articles, and sharing resources (courses and tools).
- Working with partners, such as the University of Waterloo, our industry association the American Property Casualty Insurance Association and the global insurance industry think tank The Geneva Association, to promote climate change adaptation initiatives

Enhanced Loss Modelling

- Leveraging the expertise of our internal catastrophe modelling teams to assess major peril risk inherent within underwriting portfolios, provide catastrophe risk advisory and pricing guidance to the business, and set risk appetite thresholds for extreme events.

Risk Transfer

- Reinsuring certain risks to limit our maximum loss in the event of weather-related catastrophe losses or other significant losses. The placement of ceded reinsurance is mainly on an excess-of-loss basis (per-risk or per-event), with the primary objective of capital protection.

Engaging with Investees

- IIM engages with investees on climate change resiliency to assess the awareness of climate-related weather issues and investees' adaptation efforts. We discuss the impacts of extreme weather events on financial performance and assess how investees' management integrates climate change risk into their overall risk management.
- In 2023, IIM portfolio managers held 77 meetings where we engaged on investees' climate resilience.

Transition risk

Shifting market demand [Medium-term]

In some sectors, the transition could lead to contraction of market demand and has the potential to negatively impact certain businesses, adding risk to the assets we hold and customers we insure in certain sectors. We also expect new industries to emerge and market demand for certain sectors to increase.

Shifting Cost of Claims [Medium-term]

Changes in the operational cost base or claims profile due to new or unproven technologies associated with the net zero transition (e.g., increasing wind turbine size, battery storage etc.).

Shifting Asset Valuations [Medium-term to Long-term]

A decline in the valuation of assets we hold in certain sectors that are vulnerable to transition risks. There is more pressure on companies to disclose their transition pathways to continue attracting capital from investors. Furthermore, the investment in and exposure to GHG-intensive sectors or companies could increase the reputational risk associated with public perception. We also expect some assets to appreciate and be viewed favourably as supporting the transition.

Climate-related litigation [Short- to medium-term]

Physical and transition risks may also lead to liability risk, such as the risk of climate-related claims under liability policies, as well as the risk arising from other climate-related litigation or direct actions against Intact. Such litigation or direct actions may also pose reputational risk.

How we manage transition risk

Transition Risk Assessment for Investments

- We enhanced our internal analysis and understanding of potential impacts of transition risk on specific industries within our asset portfolio, building on Intact’s participation in regulator scenario analysis pilot projects to explore the risks posed by climate change and test the resilience of the financial services sector.
- We recognize the need for continued investment in data and modelling to continuously refine our analysis given the stochastic and uncertain nature of climate risk.
- We confirmed the benefits of our diversified, high-quality portfolio as well as our policies to review our investees’ transition plans and remain ready to adjust our security selection, sector/segment allocation, and asset mix –as appropriate –when we see evolving climate risk trends.

Engaging with Investees

- We continue to progress our engagement of investees through Climate Engagement Canada as a founding participant, to drive dialogue with Canadian issuers about climate risks and opportunities.
- We engage with high emitting investees, with a view to helping support the energy sector’s net zero transition. We engage with investees on the integration of climate change into strategy and governance measures.

- Through deployment of our position on oil and gas, engage with investee companies who do not have satisfactory transition plans and expect tangible improvements.

Investment and Proxy Voting Policies

- We continue to evolve and enforce our positions on coal and oil and gas, with a view to helping support the energy sector transition towards a low-carbon economy. This involves assessing the climate disclosure and transition plans for all companies in our investment universe that:
    - Are estimated to generate more than 25% of revenue from thermal coal mining.
    - Derive more than 25% of energy generation, revenue or net income from thermal coal.
    - Are included in the top GHG emitters from the oil and gas producers within our portfolio.
    - We will remove companies from our investment universe who are non-responsive or do not provide a satisfactory plan.
- We vote in alignment with our proxy voting policy, to have a say on climate-related issues. In 2023, we voted on 347 shareholder proposals related to ESG matters, of which 96 were environment-related.

Underwriting

- We are assessing underwriting risks and opportunities that can emerge in the net zero transition, such as our commitment to support companies delivering critical transition technologies. We have appointed a President of Renewable Energy with strategic responsibility for strengthening our renewable energy capabilities globally.
- We leverage our internal climate risk management framework for the underwriting process across commercial, personal and global specialty lines of business.
- We are assessing existing exposure to high-emitting sectors such as energy, producing an inventory of current underwriting guidelines, and overlaying them with strategic, regulatory and market considerations to produce recommendations for our business leaders.

ESG considerations in energy underwriting

With our product offering and expertise, we are well placed to support the growth of clean technologies critical to a low- GHG future such as renewable and other low-emissions energy production.

To that end, our risk control teams help clients manage the physical risks associated with technologies critical to the transition such as solar panels, wind turbines, and battery energy storage systems.

Globally in 2023, our renewable energy business supported a wide range of projects around the world. The following activities remain outside of Intact’s risk appetite for the energy insurance portfolio:

- Arctic oil and gas exploration, extraction, and production.
- Standalone oil sand accounts.
- Thermal coal mining.
- Utilities with greater than 25% revenues from coal power generation.

The transformation of existing industries is key to achieving global ambitions of net zero. We recognize the complexity that the energy industry faces in charting a course towards net zero. To that end, Intact will continue to support energy clients, within our risk appetite, that demonstrate a commitment to reducing their GHG emissions.

We will review the transition plans of energy clients, focusing on their emissions disclosure, net zero ambitions and strategies, and climate governance. We will engage with energy customers with unsatisfactory transition plans.

Climate Change Opportunities

Climate change presents an opportunity to both help society manage the impacts and for Intact to win in the marketplace with innovative products and services. These opportunities are summarized below.

Opportunities related to physical risks

Leverage our AI capabilities to outperform:

Continuously investing in and redefining how we select and price risk with predictive analytics, leveraging the expertise of experts across AI, machine learning, actuarial science, and data.

Provide leadership in helping to build resilient communities:

Investing in climate resilience in our communities and promoting research and development.

Capitalize on increased demand for insurance coverage:

As weather patterns shift and public awareness for the need for insurance cover expands, we expect to see an increase in demand for insurance products and services. With consideration of factors such as available sectoral transition pathways, country-level targets, and IIM's interim targets.

Opportunities related to transition risk

Support new and transition-critical technology and industries:

Our product and service offerings support new industries and technologies that will grow as the transition accelerates, using risk management expertise and customer engagement to understand coverage needs.

Shape behaviours of investees and customers:

We can help accelerate the transition by influencing investee behaviour through our investment decisions and engagement. We engage with investee companies who do not have satisfactory transition plans1 and expect tangible improvements. We will remove companies from our investment universe who are either non-responsive or do not provide evidence of progress on their transition plan. The opportunity also exists to adopt a similar approach to underwriting with enhanced customer engagement, enhanced transition plan reviews and using premium incentives to shape behaviours.

Enable existing industry transformation:

We use our size, expertise and resources to help facilitate the transformation of industries that are key to the transition and help de-risk industries and technologies that can accelerate the transition, including renewable energy technologies. We anticipate increasing demand for renewable energy insurance and increasing revenue from this stream.

Provide thought leadership and contribute to climate policy development:

We help accelerate the net zero transition and resilience to climate change through continued collaboration with government and industry association committees and working groups.

Overall Resilience to Climate Change

We have a number of risk management strategies in place to mitigate risk, reduce financial impact and capture potential opportunities. Our business strategy and intrinsic risk management processes are responsible, in large part, for our climate change resilience. Some of the key activities contributing to our resilience as a business include:

- Leveraging operational planning processes that consider changing weather patterns. Using up-to-date catastrophe models and building identifiable trends into our weather planning, technical pricing and exposure management are key parts of our underwriting guidance. As part of this we:
- Use weather peril models, risk maps and geolocation tools to support risk assessments and underwriting of residential and commercial properties, especially in relation to impacts related to flood and wildfire risks.
- Continuously invest in and redefine how we select and price risk with data and predictive analysis.
- We conduct stress-testing with internally developed scenarios and measure their aggregate effects on our business. We then take action to limit these effects, whether by limiting our exposures or by transferring risk to others. In doing so, we help ensure that our ability to get customers back on track won't be compromised even when extreme events occur.
- Reinsuring certain risks to limit our maximum loss in the event of weather-related catastrophe losses or other significant events. Our reinsurance program for catastrophe protection is mainly on an excess-of-loss basis (per-risk or per-event) and is primarily designed as a capital safeguard against large catastrophic events. Our catastrophe reinsurance covers flood, windstorms, hurricanes, wildfires and other severe weather events.
- Working with our customers to promote adaptation measures that improve resilience to extreme weather.

Climate change scenario analysis

Global temperatures have risen by 1.1-1.2°C since industrialization, and we have seen the impact of a changing climate, with an estimated five-fold increase in natural hazards over the past five decades. In 2023 we conducted a climate scenario analysis to evaluate the impact of a 3-5°C global warming scenario on our underwriting business in Canada, deploying a multidisciplinary team of specialists in meteorology, geomatics, data science, climate science, and actuarial science. This scenario aligns with the Intergovernmental Panel on Climate Change (IPCC) RCP8.5[2] model projections, or worst-case scenario.

Using this RCP8.5 scenario, our team assessed projections for a 2040 view of potential losses due to both catastrophic (CAT) and non-catastrophic (non-CAT) weather events. This timeline was chosen as a prudent measure to understand the potential impacts and mitigation opportunities for our property insurance business.

The analysis was conducted on a peril-by-peril basis, starting with our Canadian personal lines business. We assessed several perils including severe convective storms, winter storms, hurricane, wildfire and flood, and looked at the potential impacts of climate change on each of these perils. Our analysis indicates that the anticipated increase in weather-related losses due to climate change is projected to be manageable, in aggregate, and in the context of Intact's corporate strategy and business model.

Despite the upward trajectory of weather-related events in the recent past, our corporate strategy and business model have allowed us to consistently achieve favourable financial results and meet the needs of our customers. This gives us confidence in our ability to maintain our commitment of helping and winning through to 2040 in our Canadian personal lines business, and that our products will continue to meet the needs of our customers into the future. The foundation of our resilience lies in our corporate strategy, the robust structure of our business model, the diversity and adaptability of our product offerings, and our 12-month repricing cycle.

Scenario analysis is a helpful tool to assist us in understanding and planning for future climate-related risks and opportunities and includes the work our US-based actuarial and risk management teams have been engaged in to determine the projected possible impact of natural catastrophes. Over time, analysis will be updated and improved, including the expansion of additional geographies and lines of business. The outcomes of these analyses will continue to be integrated into pricing and risk selection, product innovation, and claims and supply chain planning. Work is underway to expand this work to other lines of business in other geographies. In addition, we are working with specialist teams, including meteorologists and hazard engineers, at our broker partners to assess risk-based capital requirement based on RCP 4.5 projections to 2040 and 2050 for both hurricane and wildfire risk.

In addition to the more recent Climate Scenario Analysis exercise, Intact has previously participated in pilot projects with the Bank of Canada (BoC) and the Office of the Superintendent of Financial Institutions (OSFI). Using our expertise in risk management, we contributed to the development of scenario analysis tools and resources. The BoC/OSFI exercise revealed that the transition impact of climate scenarios on our business remains manageable.

Strategy

- Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y/N)
    - Yes.
- Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y/N)
    - Yes.
- Does the insurer make investments to support the transition to a low carbon economy? (Y/N)
    - Yes.
- Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y/N)
    - Yes.

Risk Management

Climate change risk is reviewed in our Enterprise Risk Management (ERM) process to ensure identification, assessment, response, monitoring and reporting of risks. Our ERM framework and internal control procedures are designed to identify, assess, respond to, monitor and report on various risks, including ESG risks. Our ERM strategy is designed to provide the link between our strategies and our risk appetite and to articulate how we manage risk to achieve our strategic objectives. Accountability for the management of ESG risks is clearly allocated to members of senior management.

A shared risk taxonomy is maintained across the jurisdictions in which we operate to ensure a consistent approach to risk identification, assessment and reporting. Governance of insurance risk was enhanced by developing the guiding principles for underwriting governance in 2023, to be implemented in 2024 for all territories.

ESG-related risks are identified and mapped to our top enterprise risks and incorporated in ongoing risk assessment, management, and reporting. For more information on top enterprise and emerging risks, including climate risk, their potential impacts and how we manage these risks, including our risk appetite, please see our Q4-2023 Management's Discussion & Analysis (MD&A).

We designed the Enterprise Risk Management (ERM) Framework to ensure effective management and monitoring of the risks that Intact is exposed to in order to protect our business, clients, employees and stakeholders, while delivering on our promises to our shareholders. Our risk management programs aim at mitigating risks that could materially impair our financial position, accepting risks that contribute to sustainable earnings and growth and disclosing these risks in a full and complete manner.

Effective risk management rests on identifying, understanding and communicating all material risks we are exposed to in the course of our operations. In order to make sound business decisions, both strategically and operationally, management must have continual direct access to the most timely and accurate information possible. Either directly or through its committees, the Board of Directors ensures that our management has effective risk management programs in place. The Board of Directors, directly and in particular through its Risk Management Committee, oversees our risk management programs, procedures and controls and, in this regard, receives periodic reports from, among others, the Chief Risk Officer, internal auditors and the independent auditors.

Climate change risk Insurance risk

Risk we are facing

As a property and casualty insurer, a core element of our business is to assume physical climate risk from our customers. Changes in the climate may have a material impact on the Intact's risk profile in several ways.

Physical risk has been affecting our property and auto insurance business due to changing climate patterns and an increase in the number and cost of claims associated with severe storms and other natural disasters. Changing weather patterns have resulted in hotter, drier weather in some areas and more humid, wetter weather in other areas. The result has been more unpredictability in weather and increasingly severe storms. In 2023, this was increasingly evident as we incurred elevated catastrophe losses related to weather events.

Transition risk is the risk inherent in the transition to a low-carbon and more climate-resilient economy, involving changes in government policies, the legal environment, technologies and financial markets. Awareness of the potential risk continued to increase this year with several examples of large institutional investors shifting away from carbon-intensive sectors.

Physical and transition risks may also lead to **liability risk**, such as the risk of climate-related claims under liability policies, as well as the risk arising from other climate-related litigation or direct actions against Intact. For instance, compensation could be sought for losses resulting from an alleged failure of Intact to manage the climate-related risks outlined above, from allegations related to "greenwashing" in the Intact's representations or from climate activism-driven actions. Such litigation or direct actions may also pose reputational risk.

Potential impact

The most significant climate change risks we face include physical risk related to our insurance products and transition risk related to our investments.

Physical risk

Underwriting: Weather patterns could continue to change and impact on the likelihood and severity of natural catastrophes, such as wildfires, hail and flooding in the west, and wind, heavy precipitation and hurricanes in the east. The impact of climate change may result in increased earnings volatility and negatively affect our property and automobile insurance results, which collectively contribute to a majority of our total annual premiums.

There were many examples in 2023 including wildfires, flooding, severe storms, and an ice storm that materially impacted our earnings. These types of events are likely to become more frequent and/or severe as a result of climate change.

Operations: Could disrupt our operations, should severe weather events affect our premises or the premises of any outsourced business functions.

Transition risk

Investments: The risk could lead to a decline in the valuation of assets we hold in certain sectors that are vulnerable to transition risk. Furthermore, the exposure to carbon-intensive sectors or companies could result in the perception of disregard towards a greener economy and increase reputational risk for insurers who underwrite these risks.

How we manage this risk

Physical risk

Underwriting: To address this risk, we have ongoing initiatives including pricing and product changes to reflect new climate realities, regular reviews of claims processes and a greater focus on consumer loss prevention. Many initiatives have been implemented over the last several years including the expanded use of deductibles and sublimits, segmentation refinement.

These initiatives help mitigate, to some extent, P&C insurance losses resulting from water damage and harsh weather. As climate risk continues to evolve, and given that it is subject to uncertainty, we are continuously developing or acquiring new modelling tools to help better assess risks from weather patterns. We input weather, climate and topographic data into machine learning models to develop and adapt risk maps used to assess weather perils such as flood and wildfire.

Investments: See above Strategy *section* for more details on initiatives undertaken by Intact Investment Management (IIM) to help mitigate transition risk in our investment portfolio.

Liability Risk Resiliency

Below are the methods Intact US and its affiliates use to manage liability risk:

- We apply our leading financial disclosure practices to our net zero commitment, disclosing our progress in a timely manner.
- We are transparent with any changes to our strategy or our targets.
- We conduct internal climate risk assessment surveys with Underwriting, monitoring liability claims for climate-related liability trends.
- We have included climate change litigation as a top emerging risk for quarterly assessment and monitoring. We have identified the root causes of risk and are taking adequate steps to measure and mitigate our exposure.
- We are also actively monitoring the growing body of climate change litigation cases to better identify, assess and mitigate risk. Our awareness of climate change litigation outcomes helps us develop appropriate policy settings and proactively mitigate our exposure to climate risk. Further, it enables us to make progress on our climate action (including ESG agenda) to ensure we maintain a high level of consumer and investor confidence.

Increasing climate knowledge among stakeholders

As a business that is fundamentally affected by climate change, we believe we have a responsibility for educating and creating awareness of climate change's impacts among our most important stakeholders.

These are just some of our stakeholder-specific highlights:

- **Customers:** We rolled out an eco-driving feature for our Usage Based Insurance (UBI) customers that enables them to learn how they can improve their fuel efficiency with changes to their driving style.
- **Employees:** Approximately 22,000 employees, or over 70% of our people globally, completed an introductory module on climate change. We also launched a second module to enhance our employee's climate knowledge. This is part of a broader climate change education journey for our employees to understand climate change and its impacts on our business and communities.
- **Brokers:** In 2023, we began providing climate change training support for brokers in partnership with the Intact Centre on Climate Adaptation in Canada.

Risk Management

- Does the insurer have a process for identifying climate-related risks? (Y/N)
        - Yes.
    - If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y/N)
        - Yes.
- Does the insurer have a process for assessing climate-related risks? (Y/N)
        - Yes.
    - If yes, does the process include an assessment of financial implications? (Y/N)
        - Yes.
- Does the insurer have a process for managing climate-related risks? (Y/N)
    - Yes.
- Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y/N/Not Applicable)
    - Yes.
- Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (Y/N)
    - Yes.
- Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y/N)
    - Yes.
- Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y/N)
    - Yes.
- Has the insurer utilized climate scenarios to analyze their investment risk? (Y/N)
    - Yes.

Metrics and Targets

Metrics

We recognize the importance of understanding, measuring and managing the impact of our own operations, across our business and our progress on our climate strategy priorities.

Our climate strategy outlines our commitment to:

- Achieve net zero emissions across our business by 2050.
- Halve operations emissions by 2030, compared to our baseline year of 2019.

Greenhouse gas (GHG) emissions

We report a reduction of 16% in our total GHG emissions when comparing our 2023 data (market-based) to our baseline year of 2019. In 2023, the first full year post-COVID, business activities have stabilized into a pattern more consistent with life before the pandemic. As expected in the first full year post-COVID, our emissions increased from 2022. Nevertheless, we are making progress on our goals and remain on track towards our interim target of halving our operations emissions by 2030.

The scope of the operations GHG emissions estimates section encompasses all of Intact Financial Corporation's wholly-owned subsidiaries' operations and activities.

Emissions from our investment portfolio[1]

We worked with a third-party consultant to conduct a Scope 3 GHG emissions materiality assessment and determined that Investment Emissions are the most material category of Scope 3 emissions.[2]

In 2022, we disclosed our Investment Emissions for the first time, covering our common shares, preferred shares and corporate bonds portfolio. These emissions were estimated in accordance with the Partnership for Carbon Accounting Financials (PCAF) methodology for calculating GHG emissions.

In 2023, we recorded a 35% reduction in Investment Emissions intensity (common shares, preferred shares and corporate bond portfolio) from our 2019 baseline[3].

We have set interim targets for this portfolio, and are progressing in achieving them:

- Engage with the top 20 emitters among our investees which currently represent more than 50% of the common shares, preferred shares and corporate bond portfolio's emissions intensity, by 2025.
- Minimum of 40% reduction in the emissions intensity of our investments portfolio (common shares, preferred shares and corporate bonds) by 2030, compared to our baseline year of 2019.

---

[1] Investment emissions fall into category 15 of the GHG Protocol's Scope 3 categories.

[2] Investment emissions fall into category 15 of the GHG Protocol's Scope 3 categories.

[3] In 2023 we worked on improving the accuracy of emissions data from our investees. Work is ongoing on improving accuracy of emissions data, in collaboration with our third party data provider.

Emissions associated with our insurance portfolio and supply chain

Insurance-associated and supply chain emissions are also important to our business and are being incorporated into our emissions measurements. Parallel to this work, we are evolving our underwriting guidelines and requirements for suppliers.

Please see below extract from page 70 of IFC's 2023 Social Impact and ESG Report for our metrics.

As at 31 December 2023		2023	2022	2021	2020	2019
Total GHG operations emissions (tonnes CO_2e)[1]	Scope 1	17,865	17,380	15,854	14,999	18,441
	Scope 2 (location-based)[2]	9,328	8,845	10,098	12,046	13,515
	Scope 2 (market-based)[3]	8,363	7,928	9,395	11,032	12,949
	Scope 3	12,415	8,838	3,010	4,337	14,484
	Scope 3 waste[4], water and paper	454	484	453	530	542
	Scope 3 business travel	11,962	8,353	2,558	3,806	13,943
	Total (location-based)	39,609	35,062	28,961	31,382	46,440
	Total (market-based)	38,644	34,145	28,259	30,368	45,874
GHG intensity (Gross tonnes CO_2e/employee)	Location-based	1.32	1.21	1.09	1.27	1.93
	Market-based	1.29	1.18	1.07	1.23	1.91
Energy consumption (MWh)	Electricity, district heating and cooling	74,168	72,335	78,884	85,223	94,869
	Gas consumption	35,970	40,752	42,762	39,206	44,434
	Stationary Liquid Fossil Fuels	7,315	8,618	11,793	11,799	13,617
	Transportation—vehicles	56,572	48,605	37,890	38,127	53,982
	Total energy use	174,025	170,310	171,329	174,355	206,902
Business travel (million passenger km)[5]		36.4	24.9	5.3	11.0	50.8
Waste[4]	Waste generated (tonnes)	1,099	1,374	1,405	1,482	1,509
	Diverted from landfill (%)	81.3%	79.9%	75.2%	84.5%	80.0%

As at 31 December 2023		2023	2022	2021	2020	2019
Investment Emissions[7]	Gross GHG emissions (tonnes CO_2e)	688,841	665,727	686,979	640,337	795,320
	GHG intensity (WACI)[6]	160	168	188	193	248
Catastrophe losses	Weather CAT losses	$1,141M	$717M[8]	$483M	$205M	$326M
	Weather loss ratio (%)	5.6%	3.7%	3.0%	1.8%	3.2%

As at 31 December 2023		2023
Building climate resilient communities	Dollar value of partnerships focused on climate change adaptation in 2023	$3.0M
Investments	Number of IIM engagements with investees re: climate resilience in 2023	77

Notes on the GHG Emissions Data Table from the 2023 Social Impact and ESG Report:

1 For more information about how our operations emissions are calculated, please refer to the Notes on our operations emissions estimates below.
2 The location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using primarily grid-average emission factor data). For more information see The Greenhouse Gas Protocol Scope 2 Guidance.
3 The market-based method takes into account emissions from electricity that companies have purposefully chosen; it takes into account emissions factors from contractual instruments, including contracts for the purchase of renewable energy certificates and similar environmental attributes. For more information see The Greenhouse Gas Protocol Scope 2 Guidance.
4 Includes UK&I data and partial data coverage for Canadian locations. Efforts are being made to increase actual data coverage for future years. For more details, see the Notes on our operations emissions estimates below.
5 Includes commercial air and rail travel.
6 In tCO2e/$M company revenue.
7 These estimates cover emissions attributable to the common shares (long strategies only of common shares held within Intact's investment portfolio were considered, i.e. excluding short positions or mixed long and short positions held in common shares), preferred shares and corporate bonds held by Intact group as of December 31st each year (the "Investment Emissions"). For more information about how our Investment Emissions are calculated, please refer to the Notes on Investment Emissions estimates below.
8 The 2022 CAT loss value has been restated based on IFRS17, which will be our basis moving forward.

Catastrophe Modelling

As discussed in the Risk Management section above, we leverage the expertise of our internal catastrophe modelling teams to assess major peril risk inherent within underwriting portfolios, provide catastrophe risk advisory and pricing guidance to the business, and set risk appetite thresholds for extreme events. More information can be found in the TCFD section of our 2023 Social Impact and ESG Report and in Section 29.6 Top and emerging risks that may affect future results of IFC's Q4 Management's Discussion and Analysis.

Building Resilient Communities

We provide leadership in helping to build resilient communities. We do this by investing in climate resilience in our communities, and promoting research and development. Since 2010 we have committed CAD $26.4 million in funding for climate adaptation action. Historically this has been focused on partnerships in Canada, but is now being expanded to our other markets, including the US.

Metrics and Targets

- Does the insurer use catastrophe modeling to manage your climate-related risks? (Y/N)
    - Yes.
- Does the insurer use metrics to assess and monitor climate-related risks? (Y/N)
    - Yes.
- Does the insurer have targets to manage climate-related risks and opportunities? (Y/N)
    - Yes.
- Does the insurer have targets to manage climate-related performance? (Y/N)
    - Yes.

Notes on operations emissions estimates:

- The data on our operations emissions estimates encompasses IFC and its wholly-owned subsidiaries' operations and activities, subject to limitations on the availability of data and/or relevant proxies, as further described below.
- Operations emissions is defined herein as known sources of Scope 1 and 2 GHG emissions, and specified sources of Scope 3 GHG emissions (business travel, waste, water and paper). Estimates of these operations emissions were prepared with reference to The Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard, Scope 2 Guidance and Corporate Value Chain (Scope 3) Accounting and Reporting Standard (collectively, the "GHG Protocol").
- Some data sources were incomplete or unavailable, such as utility usage data at specific real estate locations (e.g., certain IFC Canada locations). In these instances, we used estimation techniques and/or proxy data. For example, in the case of missing utility data, proxy data from buildings of a similar profile in the same region may be used. Efforts are being made to increase actual data coverage, where possible and material, for future years.
- Standards, methodologies and data sources for estimating operations emissions are evolving. In line with the GHG protocol, and where material, all years of emissions data may be re-stated from time to time to take account of annual changes in emissions from acquisitions and/or divestments, or improvements in data and/or data calculation methodologies.

Notes on Investment Emissions estimates:

- In preparing our GHG emissions estimates, IIM uses the S&P Global Trucost database as the primary data source for investment emissions. Although we believe this database is reliable, it contains data from other third-party sources (such as public disclosures). IIM has not independently verified data from S&P Global Trucost, or any other third-party data sources (e.g., data reported in investees' disclosures) on which they rely, for accuracy or completeness. The data may therefore be of varying quality.
- Based on S&P Global Trucost's identification of the data quality in relation to PCAF scoring system, data used for our GHG emissions estimates for years 2019 to 2023 is currently evaluated to be equivalent in average to a PCAF data quality score of approximately 2.4 to 2.5.
- The data used by IIM in estimating our Investment Emissions is frequently updated, including as data sources restate their historical emissions and as data quality and accuracy is improved. Such changes may result in changes to IIM's estimates of Investment Emissions and/or restatements of prior years' Investment Emissions. As such, data reported in the 2022 Social Impact & ESG report regarding both the absolute Investment Emissions and their weighted average carbon intensity (WACI) has been restated within this report.
- Due to lags in reporting of data by investees, there are also lags in the subsequent incorporation of this data into S&P Global Trucost and other third-party data sources that IIM uses in estimating our Investment Emissions. Consistent with PCAF guidance, where data from the relevant reporting year is unavailable, IIM sometimes needs to use data from the most recent previous year.
- Our reported absolute Investment Emissions and WACI related to our investments may not capture the full extent of investees' actions affecting their GHG emissions, in part due to the above-mentioned lags in data availability. Therefore, we may need to restate the absolute reported emissions and WACI of our portfolios as more recent data becomes available.
- We believe that WACI is a useful metric in comparing investments across different asset classes and sectors. However, because WACI is determined with reference to company revenue, it can be sensitive to external market factors, such as commodity prices, resulting in fluctuations in WACI that are not necessarily a product of emissions performance.
- Comparisons of our reported Investment Emissions to other companies' corporate disclosures cannot be carried out accurately, due to factors such as variability in investees' data, market forces (e.g., currency conversions) and changes in market capitalization.
- In estimating our Investment Emissions, IIM relied on PCAF guidelines. The methodologies are frequently changing in response to the evolving global response to climate change. As new methodologies are adopted, or as existing methodologies are enhanced or revised we may need to restate our reported Investment Emissions.
- In line with the GHG Protocol, estimated Investment Emissions associated with RSA Insurance Group (which Intact acquired in 2021) have been included in all reported years of Investment Emissions data.