Governance

Q1: **Disclose the insurer's governance around climate-related risks and opportunities. In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following**

- **Identify and include any publicly stated goals on climate-related risks and opportunities; and**
- **Describe where climate-related disclosure is handled within the insurer's structure, e.g. at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level**

Climate-related goals

Wawanesa General Insurance is a direct-to-consumer insurance company that provides industry-leading customer service in California and Oregon. We are a division of Wawanesa Mutual Insurance, a diversified North American insurer that serves more than two million policyholders today who trust us for their insurance needs. We are committed to providing superior claims service and have been awarded J.D. Power's "Highest in Customer Satisfaction Among Auto Insurers in California" for the third year in a row. We proudly serve over 300,000 policyholders in California and Oregon, where approximately 85% of our policies cover personal auto and 15% cover personal property.

As a mutual, a commitment to sustainability, including managing climate risks and opportunities, is naturally part of our purpose of looking after one another and our vision of building a safer, healthier, more sustainable future for our members and communities. The link between our commitment to sustainability and overall company strategy is increasing, with an enterprise-wide sustainability strategy approved by the Board in 2022, including a strong focus on addressing climate risks and opportunities throughout the business and with our members and communities.

Progress to date has focused on the general state of readiness in managing climate risk. Wawanesa created its first Greenhouse Gas (GHG) inventory in 2022 and are in the process of developing enterprise goals and commitments.

Climate-related disclosure

Wawanesa's climate-related disclosures are consolidated and presented at the group/enterprise level. Climate disclosure is developed by a cross-functional TCFD including the Sustainability, Enterprise Risk Management (ERM) and Finance functions.

Sustainability Function	The sustainability function has the overall responsibility to provide guidance on Wawanesa's climate strategy and manage cross-functional collaboration for execution.
Enterprise Risk Management	The ERM function collaborates with our business and support units in Canada and the U.S., including our P&C and Life operations, in aggregating the various initiatives and plans to manage current and future climate related risks.

Finance	The finance function provides guidance on TCFD reporting requirements as well as regulatory climate reporting and is responsible for the integrated IFRS/ISSB regulatory reporting while providing inputs into the quantification of the financial impacts of climate risks and opportunities.

Disclosure content is also provided by Compliance, Reinsurance, Claims, and Operations/Products.

Q2: **Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.**

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

- **Describe the position on the board and/or committee responsible for the oversight of managing climate-related financial risks.**

The Board of Directors oversees and monitors the Company's enterprise risk management and strategy, which includes sustainability performance and management of top and emerging risks. As such, the Board, in collaboration with Board Committees and Management, is responsible for overseeing and monitoring the company's approach on managing risks and opportunities related to climate change. Detailed roles and responsibilities related to the identification, mitigation and management of climate-related risks and opportunities at the board and board committee level are currently under development. We look forward to sharing additional information in 2023.

Q3: **Describe management's role in assessing and managing climate-related risks and opportunities**

Several senior management committees are in place with responsibility for overseeing and monitoring various policies, processes and risks that are impacted by climate change at the enterprise level.

Our Executive Risk and Compliance Committee (ERCC) is responsible for oversight of the risk management process, including climate risks, and the Compliance group is responsible for monitoring new climate related laws and regulations.

Our Reinsurance Committee oversees Wawanesa's Reinsurance Policy and objectives to provide financial security, stability in our loss experience, access to capacity and technical underwriting expertise. Climate risk is directly considered within these objectives, with key risk indicators monitored on a quarterly basis.

The Executive Sustainability Committee (ESC) was created in Q4 2022 to focus on Wawanesa's overall approach to sustainability, which includes managing climate-related risks and opportunities within our business. The efforts of the ESC are supported and implemented by functions across the business including a dedicated sustainability function that is responsible for program management of Wawanesa's enterprise sustainability strategy and the operations functions that consider the impacts of climate risk in our approach to products, pricing, reinsurance, and concentration limits.

We also have various operational policies and committees that inherently manage climate risk as a top and emerging risk, such as Pricing, Product, Capital Management, Regulatory Compliance Management, Investment Policy Statement, etc.

Strategy

Q1: Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning where such information is material.

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

- **Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency; and**
- **Describe the insurer's plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations**

Engaging constituents

Wawanesa educates our customers and communities in the U.S. on wildfire and sustainability topics on our website blog at Wawanesa.com. We bring awareness to customers and communities through sharing content in our quarterly e-newsletter, and on social media, including Facebook, Twitter, Instagram, and LinkedIn. Examples of this information include topics on wildfire season preparation and evacuation.

At a group level, Wawanesa continues to actively engage with and participate on several external committees and organizations focused on sustainability and climate-change matters, including Climate Proof Canada, the Institute for Catastrophic Loss Reduction, the Insurance Bureau of Canada, the International Cooperative and Mutual Insurance Federation (ICMIF) Prevention & Resilience Working Group.

Managing GHG emissions

Wawanesa plans to quantify its GHG emissions on an annual basis starting in Q1 2023and continuously work on reducing emissions within our operations. Current and planned activities to reduce GHG emissions include maintaining LEED certification on select buildings, reducing overall office space, optimizing fleet management practices, reducing the number of fleet vehicles, transitioning to more fuel efficient and hybrid vehicles, and obtaining better data to have a more complete and accurate GHG inventory to enable us to make more informed decisions on further GHG reduction activities. We are currently in review of our emission inventory as we work to develop operational reduction targets.

Wawanesa's Distributed Work Program (DWP) provides flexibility to employees and reduces our overall carbon footprint. Work duties can be performed in the office or from home. With the DWP, employees choose how and where they want to work- the office, from home, or a hybrid mix of time spent at both.

As part of our quantification of Scope 3 emissions in 2023, we plan to calculate the avoided emissions from employee commuting and business travel linked to the DWP.

Q2: **Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term.**

In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

- **Define short, medium, and long-term, if different than 1-5 years as short term, 5-10 years as medium term, and 10-30 years as long term.**

We define time frames based on guidance set out in our enterprise risk management framework.

Short -Term	1-3 years
Medium-Term	4-10 years
Long-Term	10-30 years

Across the Enterprise, we describe climate risk as the risk of financial losses or strategic disadvantage due to the transition to a lower-carbon economy or the physical impacts of climate change. This includes the outcomes of both transition risk (policy, legal, technology, reputation, and market changes) as well as physical event-driven (acute) losses or longer-term (chronic) shifts in climate patterns.

In 2022, the Corporate Strategy and Sustainability team conducted a risk assessment of physical and transitional risks that climate change presents over the next 1-3 years, which was used to inform strategy development and prioritize execution of key deliverables. This risk assessment was done in accordance with Wawanesa's Enterprise Risk Management Policy and reviewed by the Enterprise Risk Management team. Although the risk assessment performed was focused on the short-term implications of climate change, it is defined as a unique risk with long term impacts and interdependencies across other top and emerging risks.

The table below outlines our high-level assessment of physical and transition risks for our business.

Risk Type	**Risk factors/Potential impacts**	**Time Frame**
Physical Risk	1. Increase in the severity and frequency of extreme weather events in North America impacting assets of policyholders and our investments.	Short, medium, and long-term.
Transition Risk	1. Imminent mandatory climate-related reporting and organization-wide resources needed to build climate and ESG reporting; quality and content reported could have reputational impacts in addition to potential compliance or credit rating impacts. 2. Market uncertainty during a transition to a low-carbon economy may lead to shifting customer preferences for sustainable products and potential changes in investment portfolio performance and allocations 3. Reputational risk associated with increasing stakeholder (supplier, regulator, broker, employee, and	Short, medium, and long term

	customer) expectations for climate action and strength of sustainability commitments, or resistance from climate change deniers amidst stakeholder groups 4. Underwriting profitability challenges due to the regulatory and timing challenges of raising rates to match rising reinsurance premiums and potential increasing claim costs 5. Increasing operational costs due to rising energy prices and purchasing low-carbon technologies (e.g., LED lightbulbs, EV charging stations etc.) that may be required to reduce Wawanesa's own emissions	

Climate linked opportunities

- Developing and integrating climate considerations in our communications and product offerings will provide value to our members while also improving opportunities for our market reputation and reach.
- Identifying new sources of data to help identify and manage concentration risks.
- Ability to reprice P&C products annually and perform regular product review.
- The transition from fossil fuels toward clean energy could create new investment opportunities for Wawanesa's portfolio such as renewable and green tech investments, alternative energy, alternative transportation etc.
- Decreasing energy and emissions in our operations in areas such as facilities, fleet, travel, and paper has the potential to decrease expenses and increase our reputation with employees and clients.

Q3: Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

- **Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.**
- **Discuss if and how the insurer makes investments to support the transition to a low carbon economy.**

Helping customers adapt to climate-related risk

As discussed in the previous section, Wawanesa utilizes a number of channels to educate our customers and communities in the U.S. on wildfire and sustainability topics through a blog, e-newsletter and on social media.

In accordance with California's wildfire safety regulation, Wawanesa is in the process of finalizing a pricing plan which would include discounts and credits designed to encourage preventative behaviours, such as using more resilient building materials, clearing brush and vegetation around the home, installing in-home water sprinklers, etc.

Wildfire Defense System (WDS) is a loss prevention service included with our California Homeowner's policy. WDS is the largest insurance resource wildfire fleet in the USA. They have experience and capabilities to reduce the insured-loss risk posed by the increasing threat of wildfire due to climate change. They analyze risk, monitor fires, and respond to fire threats. In addition, WDS staffs trained wildfire professionals who are dispatched to policyholders' properties when a fire threatens the home and will protect and defend the home against the fire with services such as spraying flame-retardant foam.

Investments to support the transition to a low carbon economy

Within the U.S. General investment portfolio, 100% of the P&C assets are invested with external investment managers. All the external investment managers in our P&C portfolio are signatories to the UN PRI, have firm-level ESG policies and committees dedicated to the integration of ESG factors in the investment process, and engage directly with company management on ESG issues. A sustainable investments strategy to support the transition to a low carbon environment has been developed and the Investments team has engaged the Investment Committee of the Wawanesa Board of Directors on a timeline of this initiative. This includes assessing sustainable investment opportunities across asset classes and investments to support the transition to a low carbon environment.

Q4: **Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.**

Wawanesa currently leverages multiple scenario-based tools and processes to model the impact of adverse events, including climate change. The two critical ones are the Canadian regulatory Financial Condition Testing (FCT) and the Own Risk Solvency Assessment (ORSA) stress tests. Both involve projecting forward Wawanesa's strategic business plan, then shocking with adverse events to better understand its financial impact, capital resiliency and possible management actions in response to the event.

Climate change was previously one of the Own Risk Solvency Assessment stress tests completed with the results presented to the Risk Committee of the Board. The stress event modeled included a shock to invested assets, and a loss of business due to reputation risk (transition risks) and a climate related increase in catastrophe events and reinsurance costs (physical risk). The stress test results demonstrated that capital levels were resilient within internal targets. No specific scenarios were modeled to assess the impact of a 2-degree Celsius impact. Climate risk will be considered as part of future ORSA and FCT work relating to the shorter-term transition and longer-term more volatile physical risks. The results of these scenarios will help in assessing Wawanesa's climate risk resilience considering their overall strategy.

Risk Management

Q1: **Disclose how the insurer identifies, assesses, and manages climate-related risks.**

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

- **Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.***
- **Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.***
- **Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.***

Managing impacts of climate related risks on the underwriting portfolio

Wawanesa relies on conservative underwriting practices, accurate valuation of the homes we insure, development and implementation of prevention best practices, proper pricing of our insurance products and purchasing adequate reinsurance to manage climate-related risks.

Wawanesa's risks are consistently monitored and reviewed to ensure that price levels are sufficient over a one-year time horizon. Although climate risk represents a longer-term shift in future cost changes, Wawanesa utilizes third party wildfire scores to support underwriting and pricing practices to reduce its exposure to wildfire risk.

The enterprise-wide Corporate Strategy & Sustainability team is currently drafting the organization's 3-year Prevention approach utilizing the International Cooperative and Mutual Insurance Federation (ICMIF) and the United Nations Office for Disaster Risk Reduction (UNDRR) report "From protection to prevention: The role of cooperative and mutual insurance in disaster risk reduction," which identified practical terms to shift focus on providing risk transfer products and services as a means to protect the insured from disaster risks, to an emphasis on prevention through disaster risk reduction.

Managing impacts of climate related risks on the investment portfolio

Wawanesa has taken steps over the last several years to incorporate climate-related risk assessments (both physical and transition) into our investment program, including consideration of environmental practices in our Investment Beliefs Statement, consideration of climate transition risk in our investment management strategies, ongoing engagement with the Investment Committee of the Board of Directors on portfolio climate risk analysis, and annual reviews with our external investment managers on ESG factors within our portfolio.

The investment team is currently leveraging a third-party system for additional climate risk modeling capabilities within our publicly traded equities, bonds, and preferred shares. Risk scenarios are available to assess the transition and physical risk on our investment portfolios based upon underlying holdings.

The overall analysis is designed to provide a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in an investment portfolio. Wawanesa intends to formally incorporate GHG Emission reduction targets into our enterprise-wide Investment Policy Statement and is developing a roadmap to achieve these targets in the coming years.

Q2: Describe the insurers' processes for identifying and assessing climate-related risks.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

- **Discuss whether the process includes an assessment of financial implications and how frequently the process is completed**.

Wawanesa identifies top and emerging risks through annual and quarterly risk discussions and analysis, where climate-related risks are assessed. Climate-related risks are multifaceted and systemic, and impact other risks identified and assessed. The quarterly risk discussions are largely qualitative, however Wawanesa analyses interdependencies quantitatively as part of the annual OSRA and FCT scenario modelling exercise.

Wawanesa identifies current exposure to climate change and weather-related risk through review of catastrophe models and examination of automobile and homeowner insurance book of business. Wawanesa continuously adapts our policy coverages and reinsurance contracts as required, based on the review.

Q3: **Describe the insurer's processes for managing climate-related risks.**

Climate risk exposure is managed by the Company's conservative underwriting practices, greater accuracy in valuation of properties to ensure adequate limits of coverage, proper pricing of our insurance products and appropriate limits of reinsurance.

Wawanesa's Enterprise Risk Management Team undertakes quarterly risk reviews and updates to management and the board of directors for top and emerging risks. This process includes extensive consultation with business units to inform the assessment. These evolving risk discussions are intended to embed a continuously improving risk culture based on risk awareness and ownership and to account for risks that emerge during the year and include climate-related risks.

Wawanesa is also undergoing an improved enterprise-wide concentration risk management process to better identify areas with significant catastrophe risk and will establish risk management limits and thresholds. Establishing concentration limits will help limit Wawanesa's exposure to aggregation of risk in areas with significant current and future catastrophic losses, notably in light of climate-related changes to policyholder risk profiles. Elements considered as part of the concentration analysis in the U.S. will include earthquake and wildfire exposure modeling– tools also used for underwriting decision support.

Q4: **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management.**

In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

- **Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.**
- **Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.**

- **Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.**

General Enterprise Risk Management Process

Climate related risks are addressed through Wawanesa's general enterprise-risk management process. The potential impact of climate change has been identified through economic capital stress testing, with the results presented to the Risk Committee of the Board.

Annually, Wawanesa's Enterprise Risk Management (ERM) team identifies and assesses top and emerging risks facing Wawanesa through a risk consultation with business leaders across the enterprise and a review of risks identified in industry publications. The risks and any potential changes are reviewed and updated quarterly through similar risk consultations. Top and emerging risks facing Wawanesa include Climate / Catastrophe both from a physical risk and transition risk perspective.

The significance of climate-related risks is determined based on risk assessments that support the identification and assessment of top and emerging risks. The factors to determine the level of risk are approved by management and include potential financial, insurance, operational, legal/regulatory, and strategic impacts.

Climate Scenario Modeling for Underwriting Risks

A review of the company's climate related risk modeling is currently underway. The objective of this project is to provide insight into the design and operational effectiveness of the climate-related risk modelling framework, as well as the strategic preparedness related to addressing increasing severity and frequency of extreme weather events and long-term shifts in climate patterns caused by climate change. This review will assess the organization's progress with the development of climate-related scenario analysis to assess the impact of climate-related risk drivers on its risk profile and business strategy.

Climate Scenario Modeling for Investment Risks

Additional work is underway by the investment team leveraging third-party software to enhance climate risk modeling capabilities. The focus is on publicly traded equities and bonds. Risk scenarios are available to assess the transition and physical risk on our investment portfolios based upon underlying holdings. The overall analysis is designed to provide a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in an investment portfolio.

Metrics and Targets

Q1: **Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.**

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

- **Discuss how the insurer uses catastrophe modeling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.**

Wawanesa's catastrophe modeling incorporates all major exposure perils including earthquake, severe convective storm, wildfire, and flooding. The catastrophe models are used for two key areas of the business: monitoring of risk and concentration and purchasing of the reinsurance program. The catastrophe models are created and parameterized by third-party vendors and, to the extent possible, they account for climate risk and changes over a one-year time horizon. Although the forecast period is only one-year forward, climate-related risks are also managed through the reinsurance agreements and proactively monitored through the catastrophe modeling exercise.

Q2: Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

- **In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)**

The following climate-related metrics are in use and/or review:

Metric type	Description	Metric examples
Broad risk appetite metrics	These metrics are used to monitor performance and risk and will reflect any adverse climate-related impacts on Wawanesa's business.	• Combined operating ratio • Underwriting concentration risk measure • Catastrophe exposure • Minimum capital ratio (MCT)
Investment-related metrics	Several climate-related metrics are available through our third-party investment software. Usage of these metrics will be developed as advancement of scenario analysis and targets are undertaken.	• Portfolio temperature rating • Sector or geography breakdown of GHG emissions • Companies setting decarbonization and net-zero targets and their progress • The percentage of revenue a company has derived from renewable energy • The stressed market value of portfolio under a specific scenario • Sustainable assets within investment portfolio
Sustainability-related metrics	Metrics to assess climate-related risks and opportunities in line with Wawanesa's Sustainability Strategy are still under development. The following examples are under consideration:	• Measures related to industry resiliency benchmarks • Number of sustainable insurance products • Investments in community organizations or partnerships

		• Engagement / participation / sentiment from employees and policyholders regarding climate resiliency • GHG emission metrics

Q3: **Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**

Wawanesa's GHG Inventory is designed to follow the overarching principles for corporate GHG inventory reporting as defined by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) in the GHG Protocol Corporate Accounting and Reporting Standard (2004).

Wawanesa uses an operational control approach for the inventory boundary. The boundaries include 41 corporate offices across Canada and the US. Currently, the boundary excludes Wawanesa subsidiary Western Financial Group Inc.

The following GHG emission sources are included in Wawanesa's operational boundary:

- Scope 1 ("Direct"): Natural gas combustion (for heating), Mobile Combustion (Canadian fleet), Fugitive Emissions from Refrigeration and Air Conditioning and;
- Scope 2 ("Energy Indirect"): Purchased electricity

Wawanesa's GHG Emissions were quantified by a third-party sustainability consulting firm, using standard GHG quantification approaches consistent with the WRI/WBCSD GHG Protocol. These reported emissions have not received third-party verification at this time.

Enterprise GHG Emissions for 2021 (in tonnes CO2e)
Scope 1: 2,313
Scope 2: 1,121

Wawanesa General (USA) GHG Emissions for 2021 (in tonnes CO2e)
Scope 1: 63
Scope 2: 223

Risks associated with Wawanesa's Scope 1 and 2 GHG emissions include:

- Reputational risks associated with increasing stakeholder expectations for climate action relative to our climate related commitments; and
- Increasing operational costs due to rising energy prices and purchasing low-carbon technologies that will be required to reduce emissions.

The quantification of Scope 3 financed emissions for the Enterprise is underway. Investment emissions will be released in 2023 with insured emissions under review as the climate accounting rules progress in this sector.

Q4: **Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.**

Wawanesa’s first Greenhouse Gas (GHG) inventory was created in 2022, with targets and commitments under development. We look forward to sharing more in 2023.