EFFORT TRUST

Our Effort Is For You

Climate Risk Management

Introduction and Background

Climate change and the global response to it have the potential to affect the safety and soundness of federally regulated financial institutions (FRFI) and, more broadly, the stability of the financial system. These climate-related financial risks are generally categorized as physical risks, arising from the increasing frequency and severity of climate-related events and longer-term shifts in climate patterns, and transition risks, arising from economic, policy, technological, and market adjustments associated with the transition toward a lower-greenhouse-gas economy.

Climate-related risks may manifest over different time horizons and can act as drivers of existing financial and non-financial risks, including credit, market, operational, liquidity, and reputational risks. While the nature and materiality of these risks vary across institutions based on their size, complexity, and business activities, financial regulators globally, including the Office of the Superintendent of Financial Institutions (OSFI), recognize the importance of appropriately identifying, managing, and disclosing climate-related risks in order to support institutional resilience and contribute to confidence in the financial system.

The Effort Trust Approach

The Effort Trust Company (the Corporation, Effort Trust, we or our) recognizes the importance of managing climate-related risks in a manner that is appropriate to its business model, geographic footprint, and overall risk profile, while continuing to support its core objective of prudent conservative growth. As a small, federally regulated trust company with operations concentrated in Ontario, Effort Trust's primary activities involve residential mortgage lending, related financial services and property management, with no direct exposure to carbon-intensive or high-emitting industries.

The Corporation's lending activities focus predominantly on residential real estate, including single-family and multi-unit residential properties, located within select Ontario markets. As a result, Effort Trust's exposure to climate-related risks arises primarily through the collateral securing its mortgage portfolio and the financial resilience of its borrowers, rather than through direct ownership of physical assets or lending to emissions-intensive sectors. Many of the properties underlying the Corporation's mortgage portfolio are situated in areas assessed to have relatively low exposure to flooding and other acute physical hazards, and physical climate risks are not currently assessed as material to Effort Trust's business strategy or financial position, based on available portfolio analysis and current geographic risk profile.

While Effort Trust's direct exposure to climate-related financial losses is assessed as limited at this stage, the Corporation recognizes that climate-related risks may emerge or evolve over time, including through transition dynamics such as changes in household energy costs, insurance availability and pricing, and broader policy or market developments. Effort Trust also recognizes that regulatory expectations with respect to climate risk management and disclosure are continuing to evolve across the Canadian financial sector.

In this context, Effort Trust is committed to meeting applicable regulatory requirements and aligning its climate-related governance, risk management, and disclosure practices with the expectations set out by OSFI, including Guideline B-15: *Climate Risk Management*. The Corporation approaches climate risk management through a proportional lens, integrating climate-related considerations into its existing governance and enterprise risk management frameworks rather than establishing separate or standalone climate functions.

Effort Trust's approach emphasizes transparency, sound governance, and disciplined risk management. Climate-related risks are considered one of the potential drivers of existing risk categories—such as credit, operational, and liquidity risk—and are assessed using qualitative analysis aligned with the Corporation's size, complexity, and available data.

The Board of Directors (Board) and Senior Management will continue to monitor regulatory developments, industry practices, and emerging climate-related risk drivers, and will refine the Corporation's approach as the relevance or materiality of such risks changes over time.

Through this measured and proportionate approach, Effort Trust seeks to support its long-term financial resilience while maintaining focus on its core business activities and fiduciary responsibilities to depositors, borrowers, and other stakeholders.

Governance

The Board of the Corporation has ultimate responsibility for the oversight of the Corporation's strategy, risk appetite, and risk management framework, including the identification and oversight of material climate-related risks, in a manner proportionate to the size, complexity, and risk profile of the institution.

Climate-related risks are considered as cross-cutting (transversal) risk drivers that may influence multiple existing risk categories, including credit, operational, and strategic risk, and are assessed within established risk management processes in a manner proportionate to the Corporation's size, complexity, and business model.

Given the Corporation's focused business model — residential mortgage lending secured by properties located solely in select Ontario markets — the Board's oversight of climate-related risks is primarily oriented toward physical climate risks that could affect collateral values, borrower resiliency, or portfolio concentration over time.

The Board exercises oversight through:

- Approval of the Corporation's overall risk appetite and risk management framework;

- Ongoing review of risk reports provided by senior management and the Risk Management function; and
- Oversight of principal risks through the Audit and Risk Management Committee.

The Board expects Management to identify emerging risks, including climate-related risks, assess their materiality to the Corporation's operations and balance sheet, and escalate material findings as appropriate. Directors are chosen following a rigorous vetting process and their remuneration is not tied to any climate-related considerations.

The Board has delegated oversight of risk management matters, including climate-related risks, to the Audit and Risk Management Committee.

The Audit and Risk Management Committee oversees:
- The effectiveness of the Corporation's risk management framework;
- Identification and monitoring of principal risks to the Corporation's business; and
- Reporting on significant risk exposures and concentrations within the credit portfolio.

Climate-related risks, where relevant, are considered within existing risk oversight processes rather than through a standalone climate committee. This approach reflects the Corporation's size, risk profile, and limited geographic and product scope, and is consistent with OSFI's proportional expectations for Category II small and medium-sized banks (SMSBs).

Senior Management is responsible for the day-to-day management of risks, including the identification, assessment, monitoring, and mitigation of climate-related risks within existing risk management processes.

Climate-related risks are managed as part of the Corporation's broader enterprise risk management framework, rather than through separate climate-specific policies.

The President & CEO has overall accountability for ensuring that material risks, including emerging climate-related risks, are appropriately identified and reported to the Board.

The independent Risk Management function supports both Senior Management and the Board in the oversight of climate-related risks through its mandate to identify, assess, and monitor material risks affecting the Corporation.

The Risk Management function:
- Works with other members of Senior Management to assess portfolio-level risks, including risks related to geographic concentration and collateral exposure;
- Reviews risk exposures relative to the Corporation's risk appetite; and
- Escalates material risk considerations to the Audit and Risk Management Committee as appropriate.

Given the Corporation's limited operational footprint and single-product focus, climate-related risks are evaluated primarily on a qualitative basis and within the context of existing risk categories rather than through standalone climate risk models or quantitative scenario analysis.

Integration of 3 Lines of Defense Model
The Corporation's governance and risk management framework operates under a Three Lines of Defense model, which also applies to climate-related risks:

- First Line (Business and Management): Responsible for identifying and managing risks arising from lending activities, including risks potentially affected by climate-related factors.
- Second Line (Risk Management, Finance, Compliance): Provides independent oversight, challenge, and monitoring of risks, including climate-related risks as part of broader risk assessments.
- Third Line (Internal Audit): Provides independent assurance over governance, risk management, and control processes, including the effectiveness of risk management frameworks.

Proportionality and Ongoing Evolution
As a Category II SMSB with a narrowly focused business model and limited geographic exposure, the Corporation has adopted a proportionate approach to climate-related governance disclosures.

At the present time:

- No standalone Board-approved climate strategy or climate-specific risk-appetite has been established; and
- Climate-related metrics, targets, or scenario analyses have not been implemented, as Management and the Board do not consider them proportionate or decision-useful given the Corporation's size, activities, and risk profile.

The Board and Senior Management will continue to monitor regulatory developments, evolving market practices, and emerging climate-related risks. The Corporation expects its governance practices and disclosures to evolve over time as climate-related risks become more measurable or material to its operations.

Strategy

Effort Trust has undertaken a qualitative assessment of climate-related risks in the context of its business model, size, and geographic footprint. As a small trust company operating solely in Ontario, with lending activities limited to residential mortgage lending in select Ontario markets, the Corporation has identified the following climate-related risks as potentially relevant to its strategy and business over the medium to longer term:

Physical Risks

1. Physical property damage arising from acute climate events, particularly flooding, which could affect residential properties securing the Corporation's mortgage portfolio or affecting the property management portfolio.

2. Operational disruptions resulting from acute climate events, including weather-related events that could temporarily affect staff availability, third-party service providers, or access to critical facilities and systems.

Transition Risks

3. Increased household energy and insurance costs borne by mortgage borrowers, which may affect borrower affordability and resilience over time, particularly in the context of broader transitions toward lower-carbon energy use and increasing insurance premiums in higher-risk areas. Additional financial stress placed on borrowers may increase the risk of defaults at times where collateral values may come under pressure.

These risks have been identified based on the Corporation's geographic concentration, collateral-based lending model, and reliance on residential mortgage borrowers' ongoing ability to service their obligations.

Effort Trust's business strategy is deliberately conservative and focused on steady growth within a clearly defined lending footprint.

Physical climate risks, particularly flooding, may affect:

- The condition and value of residential real estate used as collateral;
- Loss severity in the event of borrower default; and
- Risk concentrations within specific geographic areas over time.

The Corporation does not engage in any material direct property ownership or development activities, and therefore physical climate risks are primarily indirect and arise through the mortgage collateral securing its loan portfolio rather than direct balance-sheet exposure.

Operational disruptions from acute climate events could affect short-term business continuity. These risks are managed within the Corporation's broader operational risk and business continuity planning framework, rather than through climate-specific operational strategies. A comprehensive disaster recovery plan has been developed, tested and deployed to mitigate business interruptions, including those that may result from physical climate impacts.

Transition risks related to increased household energy and insurance costs may impact borrower affordability and cash flow capacity, particularly as insurers reprice coverage in higher-risk areas or as households face higher costs related to energy efficiency upgrades or climate adaptation measures. While these risks are not expected to be immediate or systemic, they are relevant over longer time horizons and are considered when assessing borrower resilience at origination and on an ongoing portfolio basis.

Effort Trust's strategy is assessed as resilient to the currently identified climate-related risks due to the following structural features of its business model:

- A highly focused product offering limited to residential mortgages with conservative caps on loan-to-value ratios and conservative valuations;

- Geographic concentration within Ontario, where climate-related risks are understood and where regulatory, insurance, and municipal frameworks provide some mitigation;
- Conservative underwriting practices and a risk appetite oriented toward capital preservation and depositor protection;
- Strategic use of insurance;
- Avoiding material direct investment in real estate operations; and
- Limited reliance on long-dated or complex funding structures that could amplify climate-related market or liquidity risks.

Given the Corporation's size and limited balance sheet complexity, Effort Trust has not established internal climate scenario modelling frameworks. However, the Corporation has leveraged insights from OSFI's Standardized Climate Scenario Exercise (SCSE) to inform its qualitative assessment of climate-related risks. Formal internal scenario modelling is not currently considered proportionate, taking into account the Corporation's size, complexity, and available data. Instead, resilience is assessed through qualitative analysis, including portfolio monitoring, concentration analysis, and ongoing evaluation of emerging risks.

Effort Trust considers climate-related risks across the following qualitative time horizons, consistent with its business planning processes:

- Short-term (0–3 years): Potential for acute physical events causing localized property damage or short-term operational disruption.
- Medium-term (3–10 years): Gradual increases in insurance costs, energy costs, and changes in borrower affordability dynamics.
- Longer-term (10+ years): Evolving patterns of physical climate risk that could influence property values or geographic risk concentrations.

These time horizons are used for high-level consideration only and are not embedded in formal financial projections or scenario modelling.

Effort Trust applies a proportionate approach to climate-related strategy assessment. The Corporation has not established a standalone climate strategy or climate transition plan, nor has it adopted climate-specific growth targets or emissions-based objectives, as such measures are not considered proportionate to its current size, complexity, and business activities.

The Board and Senior Management will continue to monitor:

- Changes in climate-related risk drivers affecting Ontario residential and commercial real estate;
- Regulatory expectations under OSFI Guideline B-15; and
- The availability of reliable, decision-useful climate data relevant to mortgage and property management portfolios.

The Corporation's strategic assessment of climate-related risks will evolve as these factors develop and as the materiality of such risks increases.

Effort Trust has assessed the potential impact of identified climate-related risks on its business, strategy, and financial planning in a manner proportionate to its size, geographic footprint, and business model.

Based on this assessment, Effort Trust does not expect climate-related risks to drive any material changes to its business plan or strategic direction in the short to medium-term.

With respect to physical risks, including the risk of physical property damage resulting from acute climate events such as flooding, the Corporation's exposure is assessed as limited. The Corporation's residential mortgage portfolio is concentrated in select Ontario markets, and a significant portion of the underlying properties are located in areas with relatively low assessed flood risk, as determined in the SCSE exercise conducted by OSFI in 2024. As a result, physical climate risks are not currently considered material to the Corporation's strategy, capital planning, or overall risk profile. Physical risks primarily manifest indirectly through mortgage collateral values rather than through direct ownership or operational exposure.

Potential operational disruptions arising from acute climate events are similarly assessed as manageable within the Corporation's existing operational risk and business continuity frameworks. These risks are not expected to result in material or sustained disruption to the Corporation's business model.

With respect to transition risks, including the potential for increased household energy and insurance costs affecting borrower affordability, Effort Trust currently views these risks as gradual and incremental in nature. While such cost pressures may affect individual borrowers over time, they are not expected to result in a material change to the Corporation's lending strategy or risk appetite in the near term. These considerations are addressed through existing underwriting practices and portfolio monitoring processes rather than through changes to strategic direction.

Accordingly, climate-related risks do not currently have a material impact on:

- The Corporation's chosen business model;
- Its strategic objectives;
- Its financial planning assumptions; or
- Its capital allocation approach.

Effort Trust will continue to monitor the evolution of climate-related risks, particularly physical risks relevant to Ontario residential real estate and transition-related affordability pressures, and will reassess the potential strategic implications should the materiality of such risks increase over time.

At present, climate-related risks have not affected the Corporation's financial position, performance or cash flows for the reporting period.

Risk Management

Effort Trust identifies, assesses, prioritizes, and monitors climate-related risks through its existing enterprise risk management, rather than through separate or standalone climate-specific processes. Effort Trust is updating its Enterprise-Wide Risk Appetite Framework (RAF) and related policies, procedures and governance documents to incorporate consideration of climate-related risks.

Consistent with Principle 3 of OSFI Guideline B-15, climate-related risks are considered as potential drivers of established risk categories, including credit, operational, liquidity, and reputational risk, and are integrated into the Corporation's overall risk management practices in a manner proportionate to the size, complexity, and nature of its business.

Climate-related risk identification is primarily conducted through underwriting and portfolio review processes, with particular focus on property location, collateral quality, borrower resilience, and insurance coverage. Given that Effort Trust's residential mortgage portfolio is concentrated in jurisdictions assessed to have relatively low exposure to acute physical climate hazards and has no exposure to emissions-intensive industries, climate-related risks are not currently assessed as material risk drivers requiring distinct escalation or prioritization frameworks.

Ongoing monitoring of climate-related risks is embedded within routine risk reporting, portfolio monitoring, and senior management oversight processes. Management remains attentive to evolving climate-related risk drivers, regulatory expectations, and industry practices, and will reassess its approach should the nature, geographic concentration, or materiality of climate-related risks change over time.

Effort Trust's processes for identifying, assessing, prioritizing, and monitoring climate-related opportunities are integrated into its existing business planning, underwriting, and risk management frameworks. Given the Corporation's focused business model and concentration in residential mortgage lending within jurisdictions assessed to have relatively low climate risk, climate-related opportunities are not currently identified as a distinct or material driver of strategic or financial performance.

Effort Trust does not use climate-related scenario analysis to identify climate-related opportunities at this time. Formal scenario analysis is not currently considered necessary given the Corporation's size, complexity, and risk profile, and continues to be assessed as practices and data evolve.

Effort Trust will continue to review its approach to identifying and assessing climate-related opportunities as stakeholder expectations, regulatory guidance, and the Corporation's business activities evolve, applying a risk-based and proportionate lens consistent with OSFI Guideline B-15.

Effort Trust integrates the identification, assessment, prioritization, and monitoring of climate-related risks and opportunities into its overall enterprise risk management framework, rather than managing them through separate or standalone processes.

Climate-related considerations are treated as potential drivers of existing risk categories and are incorporated, where relevant, into established credit risk, underwriting, portfolio monitoring, and risk oversight activities, consistent with the Corporation's size, complexity, and business model.

Physical Risks

Effort Trust's Assessment of Risk	
In the context of Effort Trust's operations, acute risks include risk of extreme weather events or sudden changes such as floods, wildfires or heatwaves while chronic risks involve the gradual and persistent changes in the climate – such as rising sea levels or shifting ecosystems – that accumulate over time and have long-lasting effects.	• Maintain a diversified lending portfolio to improve resilience to geographic environmental developments or events. • Avoid lending in flood or fire zones or areas subject to coastal erosion. • Develop and conduct a Climate Scenario Analysis (CSA) in the future to evaluate our loan portfolio's exposure to climate risks. • Completed the Standardized Climate Scenario Exercise (SCSE) prescribed by OSFI under a limited scope to gain meaningful insights and an overview of the potential impact of transition risks such as resulting shifts in buyer preferences. • Maintenance of a disaster recovery plan to address disruption of operations caused by acute risks such as floods at Effort Trust offices or key service providers supporting operations.

Transition Risks

Effort Trust's Assessment of Risk	
Borrower affordability and resilience.	• Ensure geographic diversification of lending portfolio with strict limits on geographic and single borrower concentration. • Maintain conservative loan-to-value limits in line with existing practice. • Maintain significant capital buffers for credit risk, calibrated via the ICAAP process. • Maintain conservative, rigorous mortgage underwriting standards.

This integrated approach supports consistent risk identification and decision-making through existing governance and reporting structures, including Senior Management and Board oversight. Effort Trust will continue to review its integration approach as climate-related risks evolve and as regulatory expectations or business activities change over time.

Metrics and Targets

Effort Trust does not currently rely on standalone quantitative climate metrics to assess climate-related risks and opportunities. Instead, climate-related considerations are incorporated into the Corporation's existing underwriting standards, collateral assessment practices, and portfolio management processes, which are designed to support prudent credit risk management.

The Corporation's residential mortgage portfolio is concentrated in jurisdictions assessed to have relatively low exposure to acute physical climate hazards, and lending decisions are informed by property-level due diligence, borrower creditworthiness, loan-to-value limits, and security quality. As a result, climate-related risks are assessed primarily as potential drivers of credit risk within Effort Trust's existing risk management framework rather than through separate climate-specific metrics.

Effort Trust remains attentive to evolving climate-related risk factors and regulatory expectations and will continue to review whether additional metrics become relevant or material over time, taking into account the nature, scale, and geographic concentration of its lending activities.

Our Scope 1 emissions encompass direct GHG emissions resulting from the use of natural gas from properties, companies and operations under financial control, as well as fugitive emissions of refrigerant gases from pressurized equipment such as building air conditioning units. Scope 2 emissions pertain to indirect GHG emissions derived from purchase energy, specifically electricity used at our properties.

The Corporation has calculated its Scope 1 and Scope 2 emissions in accordance with the Greenhouse Gas Protocol Corporate Standard – Revised Edition (see Appendix 1). The emissions cover all the Corporation's properties, companies and operations where it has financial control. Direct data was available for electricity and natural gas usage in some cases. Refrigerant assumptions were estimated using standard assumptions.

These measurements are subject to estimation uncertainty and are intended to support transparency rather than precise quantification, and Effort Trust's approach and assumptions may evolve as data availability and methodologies develop.

Total Gross GHG by scope (tCO_2e)

	2025
Total Scope 1	1,405
Total Scope 2	261
Total estimated emissions of all scopes (Scope 1, 2)	**1,666**

Emissions include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), primarily from natural gas combustion, fugitive refrigerant leakage and purchased electricity.

Total Gross GHG by source (tCO_2e)

	2025
Stationary combustion	1,164
Fugitive emissions	241
Purchased energy	261
Total estimated emissions for all sources	**1,666**

Effort Trust has not established quantitative or qualitative climate-related targets at this time. Given the Corporation's size, focused business model, and geographic concentration, climate-related risks are not currently assessed as material drivers of strategic performance that would warrant the establishment of formal targets.

Accordingly:

- No climate-related objectives or targets have been set to monitor progress toward strategic goals;
- There is no defined measurement period or base period for climate-related targets;
- No revisions to climate-related targets have been made; and
- Effort Trust does not monitor performance or trends against climate-related targets, since none have been established.

Effort Trust's approach to climate risk management emphasizes integration into existing governance, underwriting, and risk management processes rather than the use of standalone targets or commitments. The Board and Senior Management periodically review the Corporation's approach to climate-related risks in the context of regulatory expectations, business activities, and evolving industry practices.

The Corporation will continue to reassess the appropriateness of establishing climate-related targets over time, should the relevance or materiality of climate-related risks change or should regulatory expectations evolve.

As no greenhouse gas emissions targets have been established, disclosures regarding performance against emissions targets, including the use of carbon offsets, are not applicable.

Appendix 1 – Methodology for Emission Calculations

Our emissions have been calculated following the Greenhouse Gas Protocol – Revised Standard (GHG Protocol) for the period January 1, 2025, to December 31, 2025, in alignment with our fiscal year.

We define our organizational boundary using the financial control approach according to the GHG Protocol. Under this approach, we account for all GHG emissions from activities across Scope 1 and 2 over which we have financial control.

As required by best practice in corporate GHG accounting per the GHG Protocol and the United Nations Framework Convention on Climate Change (decision 24/CP.19), all six Kyoto Protocol greenhouse gases should be included, where applicable. These include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbon (PFCs), sulfur hexafluoride (SF_6) and chlorofluorocarbon (CFC). Greenhouse gases applicable to Effort Trust include CO_2, CH_4 and N_2O, primarily from natural gas combustion, fugitive refrigerant leakage and purchased electricity. Any non-CO_2 gas is multiplied by its Global Warming Potential (GWP) to convert to a standardized unit, carbon dioxide equivalent (CO_2e).

Scope 1 and 2

Within our inventory, we include direct and indirect GHG emissions from the following sources for properties, companies and operations we have financial control over:

- Natural gas used for heating;
- Refrigerants used for cooling, AC and HVAC systems; and
- Electricity use for lighting, appliances, electronics and other electrical equipment.

Where available, to capture activity data, we leveraged consumption data from monthly utility bills for each property, company and operation during the reporting period. In cases where data was unavailable, emissions were estimated based on proxy consumption data allocated proportionately to our occupancy by square footage, where relevant.

Scope 1 - Stationary Combustion

Stationary combustion emissions result from the consumption of natural gas in Effort Trust properties. Activity data was derived from actual natural gas consumption from utility bills during the reporting period, where available.

To quantify the GHG emissions from stationary combustion, activity data is multiplied by the relevant emission factor for each GHG, including carbon dioxide, methane and nitrous oxide. Effort Trust does not burn any biomass fuels and related emissions from combustion of biomass are nil.

Fugitive emissions from refrigerant gases arise from pressurized equipment such as building air conditioning units. Activity data was derived from information on refrigerant type and equipment capacity at each facility, where available.

Refrigerant leakage was estimated for all properties.

Scope 2 - Purchased Electricity

Indirect GHG emissions from purchased energy are associated with the consumption of purchased electricity at our offices and properties. Although we do not own or control these sources of electricity, its activities require the generation of energy which in turn emits GHG emissions.

Purchased electricity can either be sourced directly from the regional grids (location-based) or through contractual agreements (market-based). However, since we do not use any contractual instruments, our market-based emissions are equivalent to location-based emissions. Further, Effort Trust does not operate in markets that provide product or supplier-specific data or residual grid emission factors. In line with this, we have measured Scope 2 emissions using the location-based approach from the GHG Protocol Scope 2 Standard.

Activity data was derived from actual energy usage data from monthly invoices and meter readings for each property during the reporting period, where available. Under the location-based method, emissions associated with grid electricity consumption were calculated as a multiple of the appropriate emissions factor for electricity. The emission factors used in the calculation of our GHG emissions from purchased energy were the Canadian provincial emission rates from the National Inventory Report (NIR).