

# OSFI B-15 Climate Risk Management Report

**Foresters Financial**

For reporting year 2025, published June 2026

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Financial

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# Introduction

Foresters Financial is a Fraternal Benefit Society, which provides fraternal benefits to its members as well as individual life insurance, savings and retirement products, through its branch and subsidiary operations in the United States, Canada and the United Kingdom. Further financial data is available [here](#).

This report provides disclosures required by the Office of the Superintendent of Financial Institutions ("OSFI") relating to climate risk and how it is managed by our organization. First published in 2026 based on the calendar year 2025, it will be updated annually.

Further detail on climate risk management in the UK business is available in our [UK Climate-related financial disclosure](#).

## Governance

### Board oversight

The Board of Directors of The Independent Order of Foresters is responsible for overseeing risk management, including climate-related risks. The Board tasks its Risk and Investment Committee (RIC) with primary responsibility for this oversight. The Risk and Investment Committee meets quarterly. The Committee contains individuals with experience in risk management including knowledge of climate risk, and reviews climate risk specifically at least annually. Climate-related considerations do not directly factor into their remuneration.

### Management's role

Senior Management supports a culture of risk management, including climate-related risk, as outlined in our Global Risk Management Policy. Responsibility for management of risk is embedded throughout the business, with leadership and oversight performed by the Executive Risk Committee, chaired by the Chief Risk Officer (CRO).

As with any other risk, each member of the Executive Committee (senior management) is responsible for identifying climate risks in their own functions. Given climate risk is a relatively new area, the risk function provides support to the Executive Committee to manage this risk.

More information on management's role in climate risk in our UK business is in our UK Climate-related financial disclosure.

## Strategy

### How climate risks and opportunities shape strategy and financial planning

As a provider of individual life insurance, savings and retirement products, Foresters Financial faces both transition risks - risks from the process of transitioning towards a low-carbon economy - and physical risks - risks as a result of more frequent and severe weather events and longer-term shifts in climate.

#### Short term – 1-5 years

- Regulatory and policy transition risks - ensuring Foresters monitors the changing requirements and continues to meet them.

- Reputational risk - in terms of not meeting stakeholder (consumers/employees) expectations on climate change, as well as reputational (and potentially regulatory) risk linked to mis-selling and/or greenwashing.
- Investment risk – physical and transition risks leading to market and credit risks.

### **Medium term – 5-10 years**

In addition to risks listed as short term above:

- Physical risks impacting insurance risk through impacts on mortality and morbidity from heat waves, air pollution and other physical risks contributing to, and arising from, climate change.
- Physical risks negatively impacting the mortgage market, reducing consumer demand for mortgage protection products
- Physical and transition risks causing slower economic growth, potentially impacting demand for Foresters’ products and curtailing Foresters’ growth.
- Physical risks impacting operations due to weather-related events, such as property damage due to storms and flooding at the site of Foresters’ offices or the offices of our third parties. Currently, Foresters maintains three physical offices for its employees in the US, UK, and Canada, and we own the UK office only. These physical risks could also increase insurance costs. Detailed risk assessment for physical locations of both our offices and third-party vendor offices has not yet been completed.

### **Long term – 10-30 years**

The risks are the same as above. There is an expectation that the magnitude would increase, and the relative ranking may shift.

We continue to improve our evaluation of the materiality of these risks to incorporate them into our business model and strategic planning. See [Risk management](#) section.

We are working to quantify our climate risks under different scenarios. Initial qualitative analysis indicates that a high physical risk scenario would likely cause the most material impact on the business.

## **Risk management**

### **Identifying and assessing climate risks and opportunities**

Risks have been identified through regular engagement between the Risk team and the Head of Sustainability. We have a cross functional working group on climate risk, with representatives from Sustainability, Risk, Investments and Finance. Regular meetings on climate risk are held between Risk, Sustainability and Actuarial.

We are working to better evaluate materiality of these risks, in order to incorporate them into our business model and strategy. Industry-wide challenges include:

- Data quality and data gaps: The industry faces material challenges obtaining climate data that is granular, forward-looking and decision-useful. There is little standardization. Data gaps include impacts on physical risk on mortality and on the exposure of investments and third-party providers.

- **Model limitations:** Climate risk unfolds over long time horizons, often decades, which does not align well with traditional actuarial or economic models calibrated on historical experience. It is challenging for models to capture the non-linearity, feedback loops and tipping points associated with climate risk, given the potential breadth, scale and interconnectedness of the risks.
- **Regulatory landscape:** The regulatory landscape is rapidly evolving, with inconsistent requirements across jurisdictions. This results in varying levels of capability and expertise across our third parties.

Climate-related risk has been incorporated into the risk management framework both for its current impact, and its impact as an emerging risk. We will use the framework to manage and mitigate the risks. Risk appetite metrics may be determined once we have gained an understanding of the data available and how it supports our understanding of the risk.

### **Regulatory and reputational risks**

We are monitoring developments in both regulations and public perception. We are considering the breadth in sentiment on climate to develop our approach and position our communications.

### **Investment risks**

On market, credit and reputational risk, we have had ongoing discussions with our asset managers on how they manage Environment, Social and Governance (ESG) risks, including physical and transition climate risks.

The Investments team surveys our asset managers annually on ESG and raises any issues that arise with the asset managers.

We have conducted an initial analysis of the physical and transition risks linked to our investments, using third-party data, acknowledging the current industry-wide limitations in climate risk data quality.

### **Insurance risks**

As a life insurer, insurance risks include impacts on mortality and morbidity. Relevant physical climate hazards include:

- **extreme heat:** particularly among older ages, urban populations, and outdoor workers. For example, heat-related mortality spikes have been observed in California, Arizona, Texas and parts of the Midwest.
- **wildfire smoke and air quality:** multi-year smoke exposure from Western Canada and U.S. wildfires is being increasingly linked to cardiovascular and respiratory mortality.
- **secondary health impacts:** such as the changing distribution patterns of infectious diseases or the impacts of extreme weather events on the health system and mental-health.

However, the potential magnitude of these risks is still highly uncertain.

While base mortality tables do not explicitly include climate risk, we are monitoring industry developments. Our approach is focused on scenario analysis and stress testing rather than base-assumption changes.

In our 2025 annual stress testing, our adverse mortality scenario provided useful information to understand a range of outcomes due to climate risk.

We have also considered the vulnerability of our policyholders to climate risk in terms of age, income and geographical location.

Physical and transition economic stresses could impact affordability and therefore lapse rates, but these impacts are also highly uncertain at this stage.

### **Operational risks**

Operational risks include business process disruption from extreme weather events. This includes impacts at our own offices as well as impacts on any of our third-party relationships. The associated operational risk is not unique to climate events, and management of this risk falls under our existing Business Continuity Program as well as our expanding Operational Resilience framework.

### **Strategic risks**

The long-term and systemic nature of climate-related risks presents a strategic challenge, potentially undermining the resilience of our business models and market positioning. Beyond the risks already identified, broader macroeconomic shifts driven by climate change may also reshape the sales environment and influence customer demand. These risks are explored in, for example, the prolonged recession scenario in our 2025 annual stress testing.

Shifting customer attitudes may shape demand for products and solutions. In the UK, the Foresters Stakeholder (Schroders) Sustainable Future Managed Fund was launched to customers in 2023, and the percentage of new business invested in this fund is monitored.

### **Scenario analysis and stress testing**

While we do not have stand-alone long-term climate scenarios, we have explored the potential impacts of both transition risks (policy changes, stranded assets, economic slowdown) and physical risks (extreme weather, health and morbidity impacts, operational disruption) in our 2025 annual stress testing.

Specifically, we have:

- Considered a prolonged recession scenario as a proxy for economic stress linked to transition and physical risks.
- Identified our exposure based on the percentage of holdings of bonds in the fossil fuel industry.
- Considered the vulnerability of our policyholders to climate risk in terms of age, income and geographical location.
- Our adverse mortality scenario provided useful information to understand a range of outcomes due to climate risk.

There were no capital implications from this work, but we will continue to improve our evaluation of the materiality of these risks to incorporate them into our business model and strategic planning.

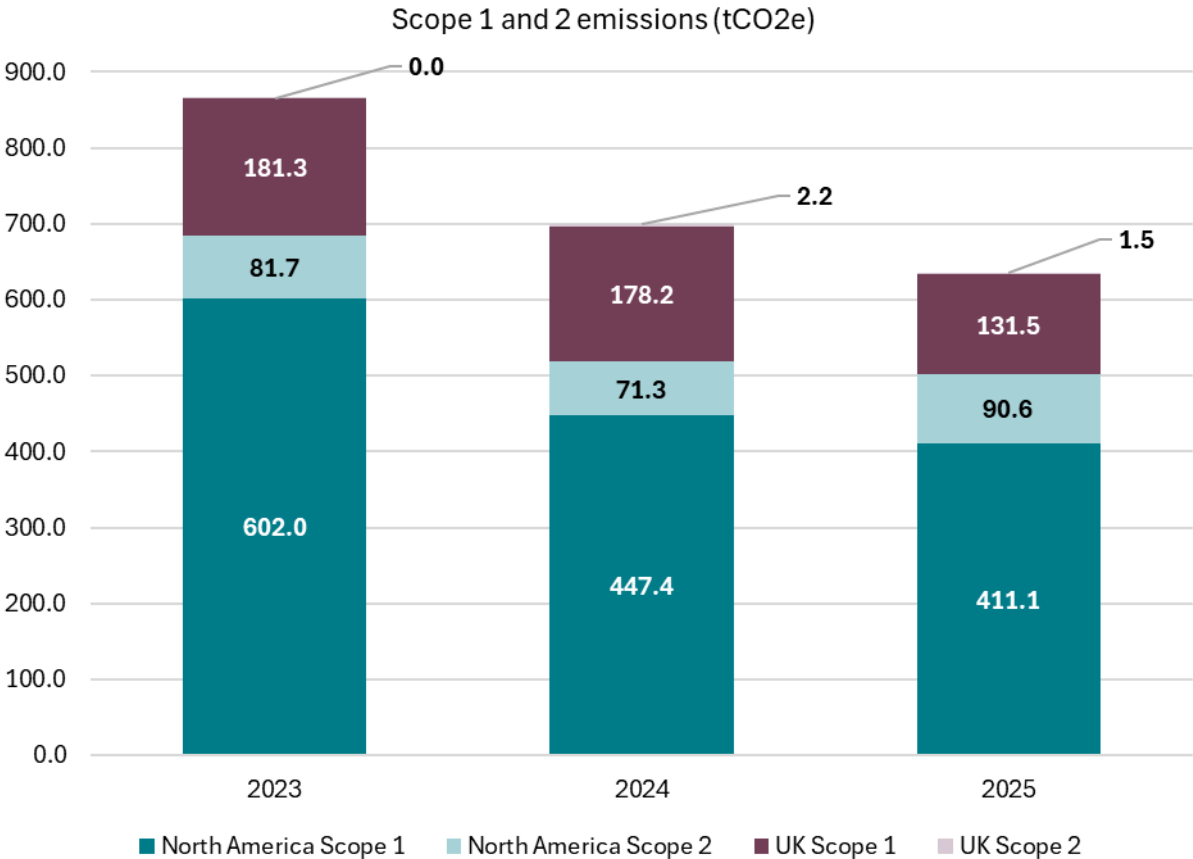
We are exploring the extension of our modeling horizon beyond five years.

# Metrics and targets

## Metrics

### Scope 1 and 2 emissions

The chart below presents annual emissions trends (tCO<sub>2</sub>e<sup>1</sup>), broken down by region and scope<sup>2</sup>:



2025 saw a 9% reduction in emissions compared to 2024. In North America, office efficiency measures have reduced carbon emissions, despite a warmer summer, colder winters and an increase in the carbon intensity of Ontario electricity. In the UK, reductions have been driven by lower fleet emissions. This is a result of a shift to more adviser appointments being virtual rather than face-to-face.

<sup>1</sup> Metric tonnes of carbon dioxide equivalent

<sup>2</sup> The Greenhouse Gas (GHG) Protocol defines three scopes for classifying emissions: Scope 1 covers direct emissions from a company's owned or controlled sources (like company vehicles or on-site fuel combustion); Scope 2 covers indirect emissions from purchased energy (electricity, steam, heating, cooling); and Scope 3 includes all other indirect emissions in the value chain (upstream and downstream).

Beyond Scope 1 and 2 emissions, we are still developing our metrics to assess climate-related risks and opportunities.

We have conducted an initial analysis of:

- Scope 3 emissions including our financed emissions and business travel
- Climate Value at Risk for both physical and transition risk
- Percentage invested into sectors vulnerable to transition risks / physical risks and opportunities

We are working to validate these metrics and exploring how these metrics can be embedded in our risk management processes.

## **Targets**

We are still developing our metrics to assess climate-related risks and opportunities and have not set targets.