

Climate-Related Financial Disclosures

Pavonia Life Insurance Company of Michigan, Canadian Branch

Pursuant to OSFI Guideline B-15: Climate Risk Management

Reporting Entity: Pavonia Life Insurance Company of Michigan, Canadian Branch (“Pavonia” or “the Branch”)

Home Jurisdiction / Parent: Pavonia Life Insurance Company of Michigan, incorporated in the State of Michigan, United States

OSFI Category: Foreign Insurance Branch

Lines of Business Written in Canada: Life insurance

Fiscal Year-End: December 31, 2025

Reporting Period: Fiscal year ended December 31, 2025

Date of Publication: June 27, 2026

This disclosure is made pursuant to the Office of the Superintendent of Financial Institutions (OSFI) Guideline B-15: Climate Risk Management (March 2025 version). It covers the climate-related financial information relevant to the Branch's Canadian operations only, for the fiscal year ended December 31, 2025. As a small foreign insurance branch, the Branch's Canadian activity is limited, and its disclosures are proportionate to that scale, consistent with Principle 5 (§26) of Guideline B-15.

1. Governance

1a. Governance Body Oversight

As a foreign insurance branch, Pavonia operates under the direct oversight of its parent company, Pavonia Life Insurance Company of Michigan (the "Parent"), which holds primary governance responsibility for climate-related risks and opportunities across the enterprise, including the Branch's Canadian operations. At the branch level, Branch management bears responsibility for ensuring that the Parent's risk frameworks, including those addressing climate-related risks, are applied to Canadian operations in a manner consistent with OSFI expectations.

Climate risk is considered as part of the Branch's annual Own Risk and Solvency Assessment (ORSA) process, which draws on methodology and expertise provided by the Parent. Given the Branch's limited scale of operations in Canada (fewer than 20 in-force policies) climate risk oversight at the branch level does not require a dedicated committee. Branch management receives support from the Parent's risk management function, which has relevant subject-matter expertise. Climate risk is not currently linked to remuneration at the branch level, which is consistent with the Branch's limited size and activity.

1b. Management's Role

Branch management is the primary committee responsible for monitoring and managing climate-related risks within the Canadian branch. Branch management is supported by the Parent's risk management and compliance functions, which provide frameworks, tools, and guidance applicable to the Branch's operations.

On a day-to-day basis, climate risk is managed through the Branch's integration into the Parent's enterprise risk management (ERM) framework. Material changes in risk profile are reported to the Parent's senior management. Branch management reviews climate risk considerations as part of the annual ORSA process and escalates any emerging concerns to the Parent as appropriate.

2. Strategy

2a. Climate-Related Risks and Opportunities Identified

For the purposes of this disclosure, the Branch uses the following time horizons: short term (0–3 years), medium term (3–10 years), and long term (10+ years).

Physical risks are risks arising from more frequent or severe weather events (acute risks) or long-term shifts in climate conditions (chronic risks). Given that the Branch's Canadian portfolio consists of assumed life insurance with fewer than 20 in-force policies, exposure to physical climate risks is assessed as immaterial. Life insurance is not directly tied to physical assets or property damage, and the Branch's small, stable book does not create meaningful concentration in geographies or sectors that are particularly vulnerable to physical climate impacts. This assessment applies across short, medium, and long term time horizons.

Transition risks are risks arising from policy changes, technological shifts, or evolving market expectations as economies adjust to a lower-carbon future. The Branch may be indirectly exposed to transition risks to the extent that the financial health of counterparties is affected by climate-related regulatory or economic changes. However, given the nature and volume of the Branch's Canadian business, these exposures are currently assessed as low across all time horizons.

The Branch has not identified material climate-related opportunities that are specific to its current Canadian operations, given the limited scale of activity. Should the Branch expand its Canadian business, opportunities such as increased demand for climate-conscious insurance products or enhanced reputational positioning from transparent disclosure may become relevant and will be assessed at that time.

2b(i). Effects on Business Model, Strategy, and Financial Position

The identified climate risks do not currently have a material effect on the Branch's Canadian business model or strategy. The Branch's Canadian operations consist of a small, run-off or near-static book of life insurance, and the Branch relies on its Parent for underwriting, risk management, and operational functions. No significant changes to strategy or resource allocation are planned in response to climate risk at the branch level at this time.

Given the limited scale of the Branch's Canadian operations, climate-related risks are not expected to have a material effect on financial position, performance, or cash flows in the near to medium term. The Branch will continue to monitor its risk profile and reassess this position if the volume or nature of its Canadian business changes materially. In the event that the Branch becomes more active in Canada, it will rely on the Parent's home office to provide support for climate risk management as needed.

3. Risk Management

3a. Identifying, Assessing, Prioritizing, and Monitoring Climate Risks

The Branch identifies and assesses climate-related risks through its annual ORSA process, which is conducted in alignment with the Parent's enterprise risk framework. Climate risk is considered as part of the broader risk identification exercise, drawing on internal guidance provided by the Parent's risk management function as well as relevant OSFI guidance, including Guideline B-15 and its underlying principles.

Risks identified through this process are assessed qualitatively, taking into account the nature, scale, and complexity of the Branch's Canadian operations. Given the Branch's very limited Canadian footprint, climate risk is currently prioritized as low relative to other risk categories. Monitoring and prioritization of risks is conducted on an annual basis as part of the ORSA cycle, with interim escalation to the Parent if material changes in risk profile are observed.

3b. Identifying Climate-Related Opportunities

The Branch considers potential climate-related opportunities as part of the broader strategic review conducted through the ORSA process and in consultation with the Parent. At this time, no material opportunities specific to the Branch's Canadian operations have been identified, consistent with the limited scale and nature of current Canadian activity. Climate scenario analysis has not yet been applied at the branch level; this capability will be developed over time, including with support from the Parent, if the Branch's Canadian business expands.

3c. Integration with Overall Risk Management

Climate risk is integrated into the Branch's overall risk governance framework as a recognized risk category within the ORSA process. The Branch's risk management approach follows the Parent's ERM framework, adapted to reflect the regulatory requirements and operating context of a Canadian foreign insurance branch regulated by OSFI.

Climate risk is not currently listed as a standalone risk category in a formal risk appetite statement at the branch level, given the Branch's limited size and activity. It is, however, considered within the broader risk identification and management processes described above. Should the Branch's Canadian operations grow materially, the integration of climate risk into a more formal risk appetite framework will be revisited.

4. Metrics and Targets

4a. Climate-Related Metrics

Given the Branch's very limited Canadian business, the primary metric used to assess climate-related risk exposure is the volume and nature of in-force business in Canada, including the number of policies, the lines of business written, and the geographic distribution of risks. This metric provides a straightforward indicator of the Branch's potential exposure to both physical and transition climate risks and supports the qualitative risk assessment conducted as part of the ORSA process. As at the most recent ORSA, climate risks were deemed as minimal as the Branch is not writing new business.

More granular metrics (such as premium concentration in weather-sensitive sectors or exposure by geographic risk zone) are not currently tracked at the branch level, as the Branch's Canadian portfolio is too limited to make such analysis meaningful. These metrics will be considered if the Branch's Canadian activity grows. The Branch acknowledges that its current metric set is basic and proportionate to its size.

4b(i). Scope 1 and Scope 2 GHG Emissions

Scope 1 emissions are direct greenhouse gas (GHG) emissions from sources owned or controlled by the Branch. Scope 2 emissions are indirect GHG emissions from the consumption of purchased electricity, heat, steam, or cooling.

The Branch has no owned or leased premises in Canada and no employees based permanently in Canada. All operational functions are conducted from the Parent's offices in the United States. Accordingly, attributable Scope 1 and Scope 2 GHG emissions (both market-based and location-based) are zero for the fiscal year ended December 31, 2025.

Canadian Branch GHG Emissions Metrics
2025 GHG Scope 1 emissions (metric tons CO ₂ e): 0
2025 GHG Scope 2 emissions (location-based) (metric tons CO ₂ e): 0

The GHG Protocol Corporate Accounting and Reporting Standard has been used as the reference methodology. The boundary applied is operational control. No allocation of emissions from Parent operations has been made, as no portion of the Parent's physical operations in the United States is attributable to the Branch's Canadian activities. No data limitations are identified in relation to this disclosure.

4c. Climate-Related Targets

The Branch has not set formal climate-related targets specific to its Canadian operations. This reflects the Branch's limited scale of Canadian activity and the fact that its Scope 1 and Scope 2 GHG emissions are zero. The Branch is not aware of parent-level climate targets that have been formally extended to apply to its Canadian branch operations at this time.

The Branch will consider whether to establish branch-level climate targets in the future, particularly if the volume or nature of its Canadian business changes materially or if the Parent establishes enterprise-wide targets with explicit application to Canadian operations.

Elements Not Yet Applicable

The following Annex 2-2 elements are not yet required for this institution's category and have therefore been omitted from this disclosure:

Strategy b)(ii) — Climate Transition Plan: Implementation date is TBD. This element will be addressed when OSFI establishes the applicable implementation date.

Strategy c) — Resilience of Strategy / Scenario Analysis: Implementation date is TBD. This element will be addressed when OSFI establishes the applicable implementation date.

Metrics b)(ii) — Scope 3, Financed, and Insurance-Associated GHG Emissions: Implementation date is fiscal year 2028, consistent with the February 20, 2025 OSFI update aligning with CSSB standards.