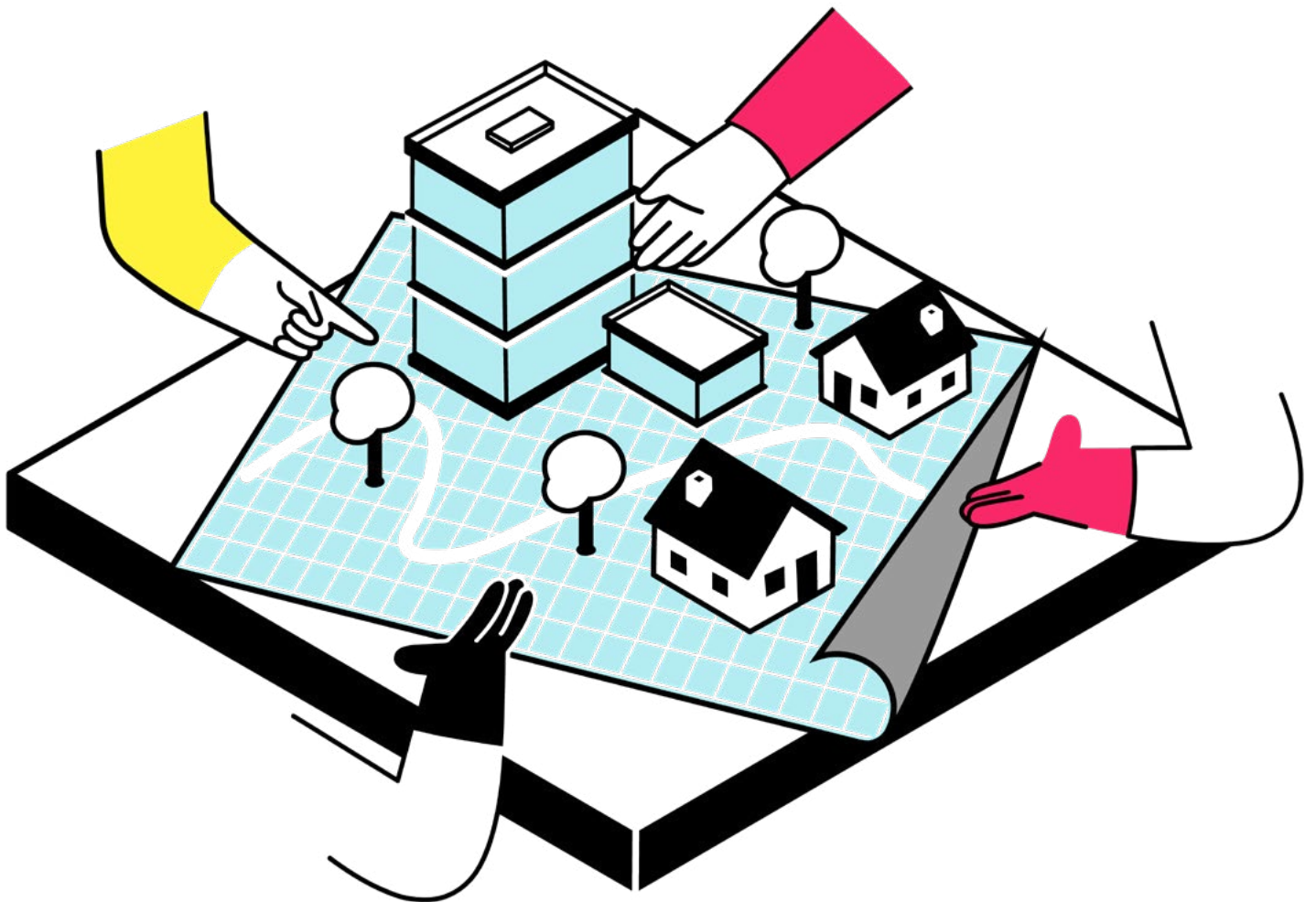


2025

CLIMATE REPORT

Let's Build Together



About Us

Our Story

Let's be honest: no one wakes up excited about insurance.

And that's okay. We're not here to steal the spotlight from real life. We're here to make it easier. While you're busy building, exploring, and doing what matters most, Sandbox is quietly shaping an experience that's delightfully simple, refreshingly clear, proudly human, and, dare we say, even interesting.

Our Guiding Principles

Relentless pursuit of simplicity.

Nothing is ever complete.

We're always working towards making everything easier.

Get to the point.

Less words, steps, and barriers.

No dead ends.

Digital or offline, we never leave our customers hanging.

The options are clear—we guide them at every step.

Our Why

We show up every day to deliver Unboring Insurance. It's not a slogan; it's how we work—leading with heart, sparking connection, leaning into growth, and leaving room for play.

Our How

At Sandbox, unboring starts with being delightfully simple. We do this by stripping away noise, ditching jargon, and making every interaction feel easy. That's what makes Sandbox different.

Our Values

We're Bold.

We're Fun.

We're Human.

We're Disruptors.

We're Curious.

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Message from President & CEO



Shared Stewardship: Advancing Our Climate Journey Together

At Sandbox, our purpose is simple: to make insurance easier and more human, so the people and communities we serve can count on us when it matters most. As a mutual insurer, we exist to serve our policyholders today and for generations to come. That long-term responsibility is at the centre of how we think about climate.

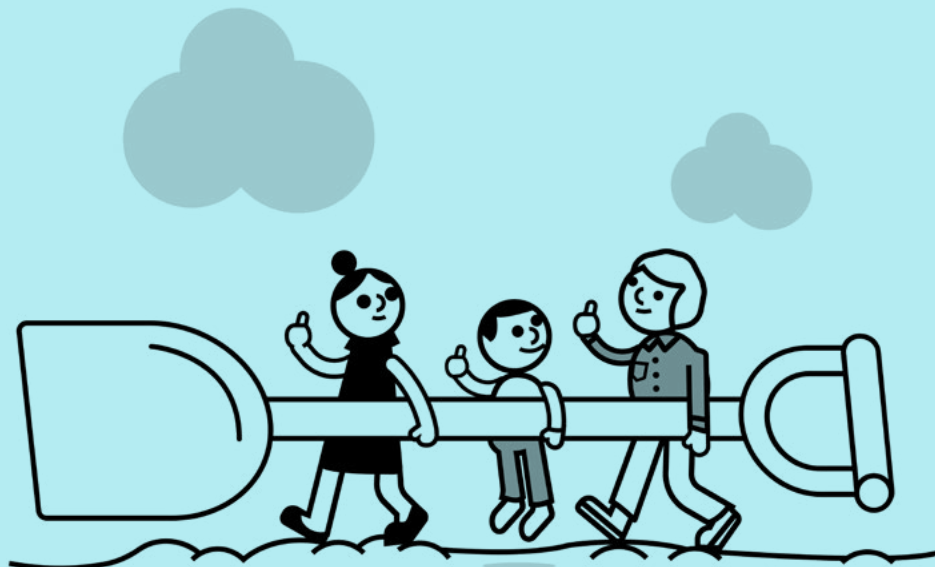
Across Western Canada, we see how severe weather affects the communities we serve. Natural disasters, including wildfires, hail, flooding, and severe storms impact families, farms, and small businesses in real ways. For a company rooted in community, understanding these risks and preparing for them is simply part of doing our job well. To us, this is about protecting our policyholders by ensuring our company remains strong and reliable long into the future.

What Climate Means at Sandbox

This report marks the beginning of how Sandbox is approaching sustainability, starting with climate. We chose to begin here because climate is directly connected to our core purpose as an insurer: helping people recover when the unexpected happens.

Climate-related risks are not only about the storms and wildfires we see today. They also include longer-term shifts in weather patterns and changes in how economies and regulatory environments evolve over time. These factors influence how we assess risk, where we grow, and how we continue meeting the needs of our policyholders.

As a growing mutual, we're taking a thoughtful and practical approach. Our goal is to better understand these risks, strengthen our capabilities, and make decisions that support the long-term resilience of our business and the communities we serve.



Starting Simple, Building Steadily

Climate resilience is not a finish line. It is an ongoing effort that evolves as the world around us changes. At Sandbox, this work is guided by strong Board oversight and a steady approach that puts our policyholders first. Our approach will remain grounded in simplicity. We'll stay focused on the actions that matter, aligned with our size, our resources, and our strategy.

This work connects back to what matters most: protecting people and families. When our communities face moments of difficulty or uncertainty, whether a wildfire, a storm, or an unexpected loss, our role is to show up with clarity, compassion, and confidence. That is what our policyholders expect from us, and it is what we are committed to delivering.

This report lays the groundwork for continued progress. We will continue to strengthen our understanding, capabilities, and practices over time so we can make sound decisions that support our policyholders, our communities, and the long-term strength of Sandbox.

Standing With Our Communities

I want to thank our Board, employees, reinsurance partners, broker partners, and policyholders. Your expertise, partnership, and perspective help shape how we think about these challenges and opportunities.

Together, we will continue to learn, adapt, and move forward in a way that reflects the values that define Sandbox: bold, human, curious, fun, and willing to challenge the status quo.

Rob Jones
President & CEO
Sandbox Mutual Insurance Company

"Our goal is to better understand these risks, strengthen our capabilities, and make decisions that **support the long-term resilience** of our business and the communities we serve."

Year in Review

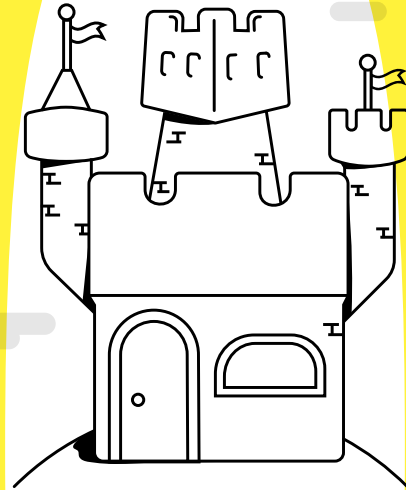
We clarified how climate risks are captured in our existing risk management process

by naming Climate Risk as its own risk, we've made it easier to see, track, and manage, while still building on how climate factors are already considered across other enterprise risks.



We established a new sustainability function.

Reporting to the Chief Financial Officer, it will guide our reporting, strengthen capabilities, and help teams bring climate considerations into daily decisions.



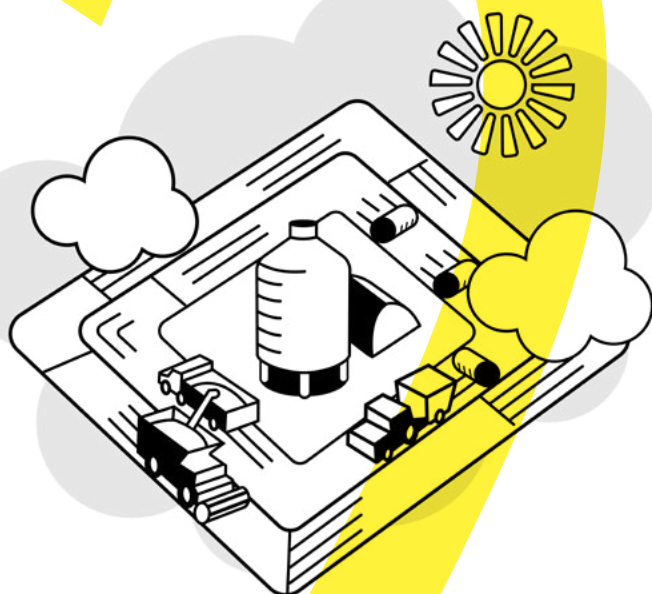
We added new coverage enhancements intended to support more resilient recovery.

Our Homeowners Comprehensive Policy now offers simple, helpful choices through our Build Back Better program when repairing homes, giving policyholders more value and choice during the repair process.



We named the reality that climate work isn't one-size-fits-all.

We recognize that our climate journey won't look like that of larger insurers—and that's okay. Instead, we're forging our own path, choosing a grounded, right-sized approach built around what we know best: our communities, our policyholders, and growth that lasts.



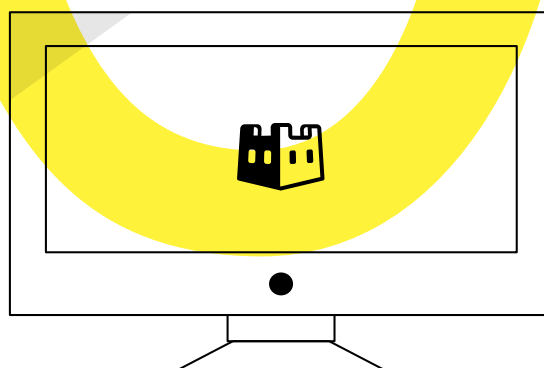
We updated the way we underwrite in areas exposed to flood.

Fair and transparent pricing matters—to you and to us. Understanding risk is where it starts for us, which is why we integrated a newer flood model into our underwriting and pricing process.



We started measuring greenhouse gas emissions,

helping us better understand the emissions footprint of our operations and energy use.

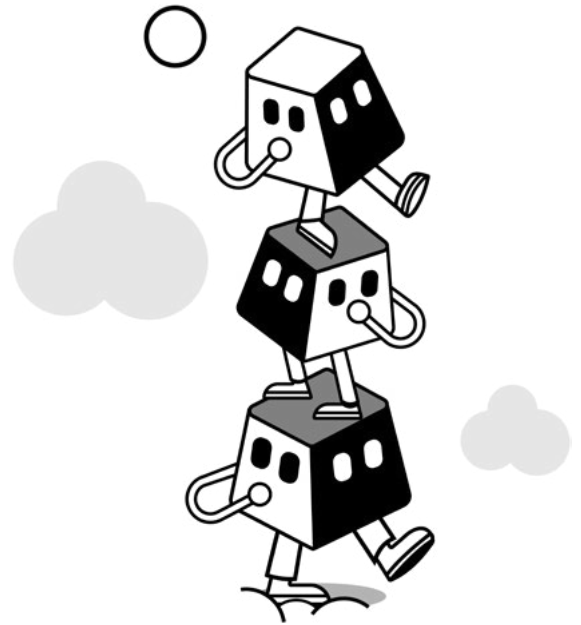


Our Approach

Where Climate Meets Insurance

Let's face it - weather and climate are complex topics. But for us, watching the bigger picture helps us deliver insurance that stays delightfully simple, no matter what the world throws at us.

At Sandbox, our climate work starts with building the oversight and management capabilities needed to support sound, well-supported decisions over time. We weave climate considerations into the work we already do, such as in our underwriting practices, to support smart growth and the long-term resilience our members and communities depend on.



Building Towards Our Climate Strategy

Our climate-first, foundations-led, forward-looking approach will keep evolving as we turn new insights into practical actions, while staying aligned with our strategic goals.



Shape

0-12 months

Align

- Anchor to purpose
- Define climate priorities

Connect

- Build awareness
- Engage with strategic partners



Construct

12-24 months

Integrate and Test

- Embed in practices
- Elevate capabilities

Share Progress

- Maintain transparency
- Deepen insights



Grow

24+ months

Scale and Adjust

- Scale what works
- Monitor for evolving needs

Listen and Inspire

- Inspire confidence
- Strengthen partnerships

Before You Step Into the Sandbox

We focused our first year of climate reporting on the information that helps people understand Sandbox's long-term financial resilience and ability to look after our policyholders. We keep it simple - could this climate-related information about a risk or opportunity significantly affect how someone views our financial strength or future outlook?

Our view of what matters most was shaped by internal expertise, external research, and insights from leaders and policyholders. Using this lens, we considered climate-related risks and opportunities across our operations and broader value chain, looking at different time horizons—what matters today, in the next few years, and further into the future.

When identifying climate-related risks and opportunities, we use guidance from recognized standard-setting bodies—such as the IFRS Sustainability Disclosure Standards¹—to reflect industry direction in sustainability reporting and help meet the requirements of applicable regulations, including OSFI's Guideline B-15 on climate risk management.

→ **Dig Deeper:** Appendix A: About This Report

When looking at climate, we consider both available data and context to decide what is most important. Some climate issues can influence our finances now, while others are important because of how risks could change over time. We also recognize that uncertainty increases the further we look into the future. The world, the data we have, and reporting expectations will keep evolving. What we share here is our best understanding today, and it will grow and change as we learn more.

→ **Dig Deeper:** Appendix E: Uncertainties, Limitations, and Cautionary Statements

Our climate report is best read alongside our Annual Report, which provides a more complete picture of Sandbox's business and financials. Our focus this year is on practical information that helps people understand how climate considerations fit within our existing risk processes and long-term stewardship responsibilities. We expect our non-financial reporting to continue to evolve alongside our broader sustainability strategy.

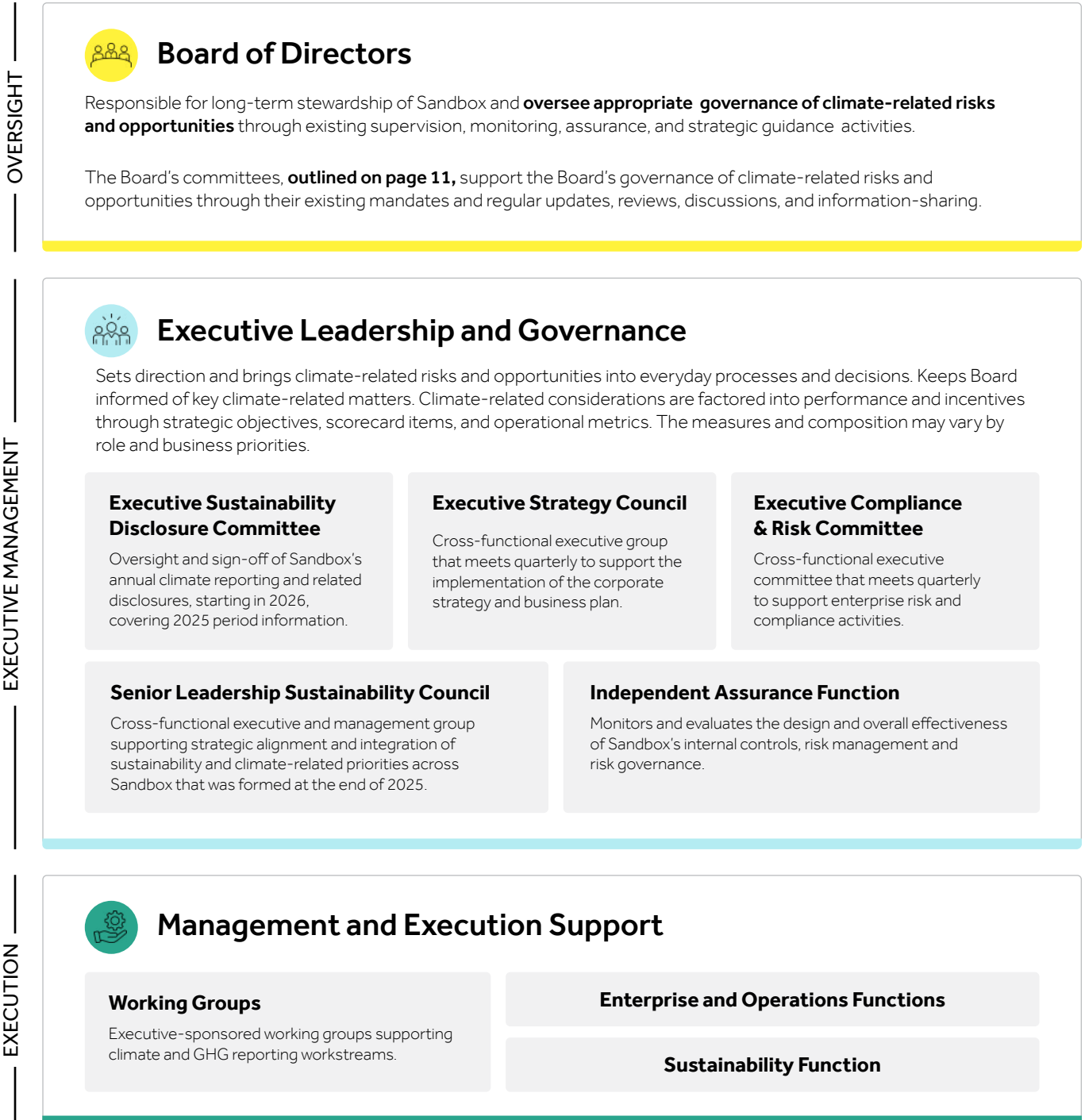
→ **Dig Deeper:** Sandbox 2025 Annual Report



Governance

Our Climate Governance Framework

Trust and long-term thinking at Sandbox starts with our Board of Directors, who help keep our foundation strong and future-ready. Our governance framework supports this by outlining who is responsible for climate-related risks and opportunities, from the Board and executive team to the functional teams who bring this work to life every day.



Strong Board Oversight, Shared Stewardship

Our Governance begins at the Board, where updates over climate-related information keep Directors connected as our capabilities mature. Committees support the Board in discharging its governance responsibilities for climate-related risks and opportunities through existing responsibilities and quarterly updates, reviews, discussions, and information-sharing. Climate-related considerations are not factored into Director compensation.

Oversight Body	Climate-related Oversight Responsibilities	Relevant Examples of Climate-related Activities
Board of Directors	<ul style="list-style-type: none"> Oversees the development of Sandbox's strategic plan and priorities, which considers climate-related information. Approves enterprise policies and frameworks that include climate-related considerations as part of broader risk factors. Approves regulatory filings, returns, and compliance reports for release. 	<ul style="list-style-type: none"> Approves annual OSFI climate-related risk returns. Receives 2025 Climate Report. Approves annual business plan, budget, and 5-year roadmap, which includes climate considerations. Receives updates on regulatory developments, including OSFI B-15, through quarterly Enterprise Risk Management (ERM) & Regulatory Compliance Management reports.
Compliance & Risk Committee	<ul style="list-style-type: none"> Oversees ERM & Regulatory Compliance Management. Approves risk appetite and ensures appropriate allocation of resources. Reviews the integrity of reports for compliance with legal and regulatory requirements. 	<ul style="list-style-type: none"> Approves 2025 Climate Report. Added climate risk and reporting as standing agenda item (Q1 2026). Receives quarterly ERM reports that include climate-related considerations.
Audit & Finance Committee	<ul style="list-style-type: none"> Oversees the integrity and adequacy of internal accounting and financial controls. Oversees investment and pension management. 	<ul style="list-style-type: none"> Reviews OSFI climate-risk returns.
HR & Governance Committee	<ul style="list-style-type: none"> Supports coordination and alignment across the Board and organizational structure. Oversees Board composition, skills, and education. Oversees Board compensation, and executive performance and incentives. 	<ul style="list-style-type: none"> Reviews OSFI Guideline amendments, including applicable climate-related requirements. Reviews executive management performance, goals, and compensation, taking into account broader risk inputs, including climate.

→ **Dig Deeper:** Sandbox 2025 Annual Report - Board of Directors

Clear Management Roles and Responsibilities

Management is responsible for integrating climate considerations into day-to-day decisions. We keep our decision-making simple, with clear roles and no dead ends.

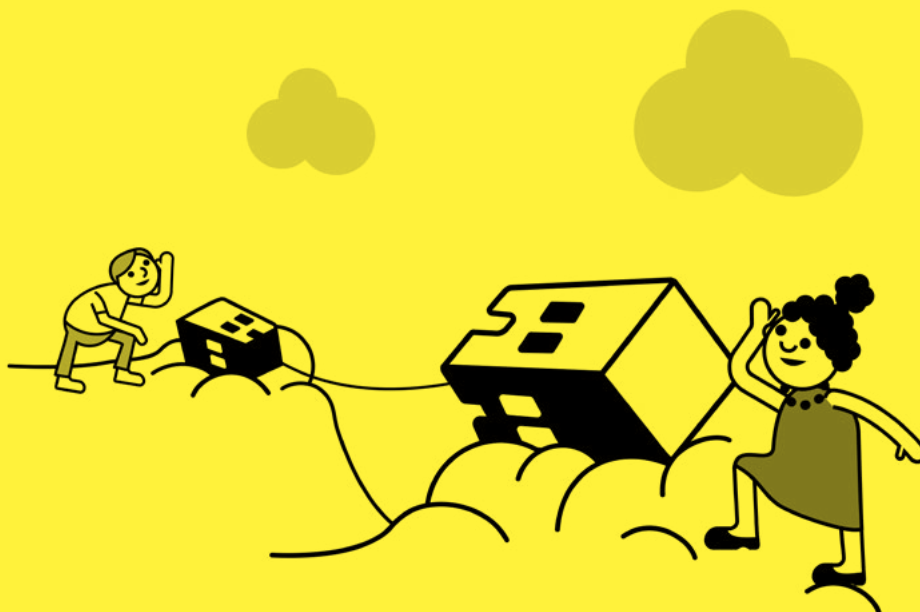
Chief Executive Officer (CEO) — Sets the overall direction for how climate-related risks and opportunities are considered in Sandbox’s strategic roadmap and business planning. Keeps the Board informed through regular discussions and quarterly updates on progress, risks, and key matters. Recommends the Annual Climate Report and GHG Statement to the Board.

Chief Financial Officer (CFO) — Executive owner of enterprise climate risk at Sandbox. Ensures climate considerations are reflected in financial planning and capital management, and oversees the development of our climate approach and monitoring processes. Key matters are coordinated through existing executive governance processes and escalated, at minimum quarterly, to the appropriate executive group and Board committees. Responsible for the internal controls that support accurate and reliable climate reporting. Reviews and certifies the Annual Climate Report and GHG Statement before CEO review and Board approvals.

Chief Risk & Compliance Officer (CRCO) — Oversees the effectiveness of the risk and compliance governance environment that supports climate-related risk management. Independently monitors and reports on enterprise, operational, and third-party risk practices, with direct reporting to the Compliance & Risk Committee.

Other Executive Officers — Monitors and manages climate-related risks and opportunities within their areas of responsibility. Climate-related matters are coordinated through our existing executive governance processes and key escalations are made, at minimum quarterly, to the appropriate executive group.

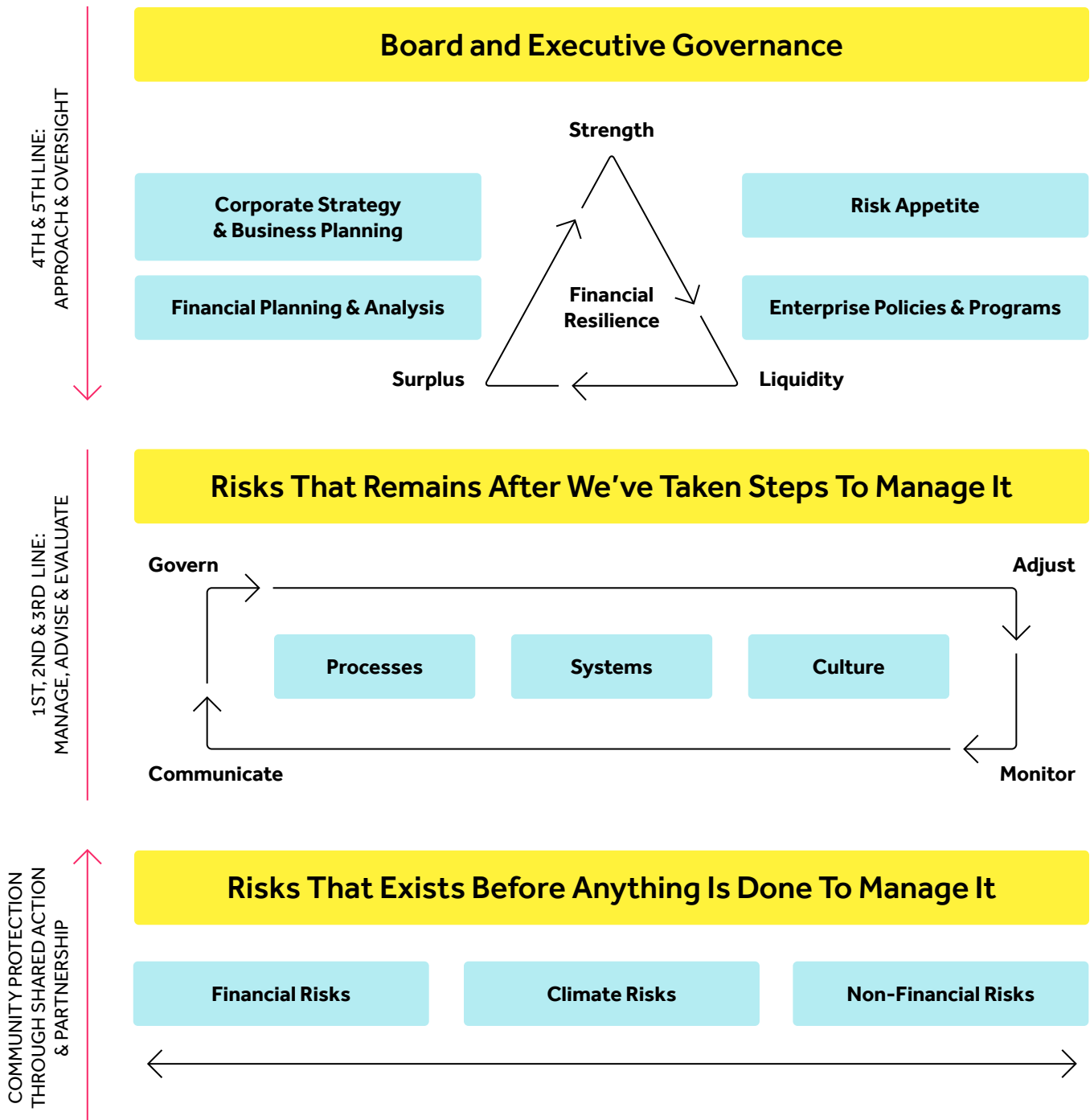
Sustainability Function — Established in 2025 under the CFO, this function helps progress reliable climate reporting, strengthens the link to financial planning and capital decisions, and provides visibility across the organization, helping build a practical, coordinated foundation for Sandbox’s climate program as part of our broader sustainability journey.



Risk Management

How Climate Fits Into Our Enterprise Risk Approach

At Sandbox, managing climate-related risk builds on the same established foundation we use to manage risks. Our starting point is our ERM Framework, which gives us a consistent way to manage risks across Sandbox. Climate-related risks are considered through the same lens—by looking at what could affect our ability to serve our policyholders, maintain financial resilience, and support our communities over the long-term.



How We Keep It Simple

Instead of creating something separate, we're building climate considerations into the processes we already use. This helps us keep things delightfully simple while supporting informed decisions and looking after our policyholders now and into the future. Here are a few practical ways this comes to life:

A consistent governance structure.

Our Board of Directors, through the Compliance & Risk Committee, oversees how risks are managed across the company, including climate-related considerations.

One clear climate risk owner.

An enterprise-level owner provides coordinated oversight across Sandbox, bringing together climate-related inputs from each area while responsibility remains with existing business and functional risk owners. This keeps ownership clear and empowers those closest to the risks.

Leveraging our existing risk and business planning processes.

Climate-related risks are identified, assessed, prioritized, and monitored using our ERM Framework. Climate-related opportunities are considered within the same strategy, business, and financial planning processes. As we go through our first full planning cycle with a wider view on climate, we expect to gain new insights, improve coordination, and strengthen how decisions are supported over time.

Same risk appetite, same guardrails.

Climate-related risks are managed within existing Board-approved risk appetites, as they affect different areas of our portfolio and risk profile. For example, insurance-related climate risks are managed under the insurance risk appetite. This approach enables climate-related risks to follow established prioritization and escalation processes, supporting flexible planning as we learn more.

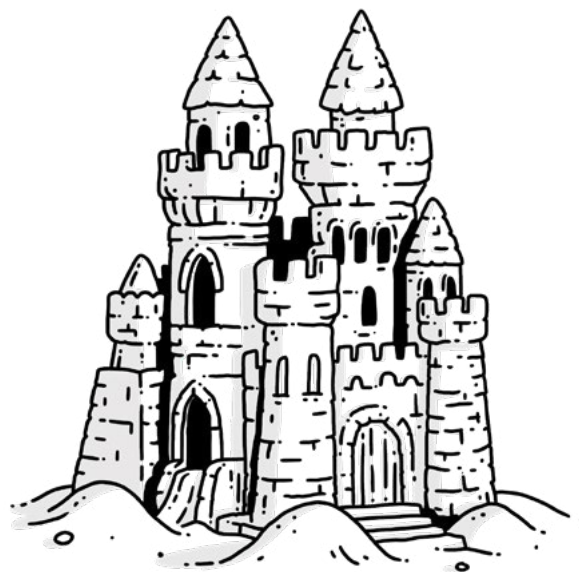
Connecting key enterprise programs.

We consider climate in the programs we already use, like regulatory compliance, operational risk, third-party risk, and reinsurance risk management.

Getting curious.

Climate risk can affect decisions across strategy, capital, and risk management. But measuring those impacts with certainty, especially over the long term, is challenging because of the technical complexity and resources needed to do this work.

That's why we're taking a practical and grounded approach. We start with the right questions and use qualitative insights about our business mix, supported by processes and toolsets like loss experience reviews, catastrophic modelling and stress testing to inform our choices. These tools aren't designed to predict the future, rather, they can help us navigate uncertainty, take proportionate action, and adapt our priorities as information continues to develop.



A Growing, More Connected View of Climate Risk

We're continuing to build on our understanding of climate-related risks, using the same simple, practical approach we apply to all risk management. Climate-related risks can show up in many ways across our operations and value chain, so we look at them as a connecting influence rather than a single, stand-alone issue.

Climate-related risks are included in our regular risk assessment process, where each functional-level risk owner may consider climate-related factors alongside the other relevant risk factors. For example, underwriting risk may consider both climate-related risk factors such as changes in physical-hazard conditions (e.g. flood zones) alongside other risk factors such as market pricing. In 2025, we added secondary perspective by creating a distinct cross-cutting climate risk in our ERM registrar, owned by the Chief Financial Officer, to help us see how climate risks could affect the business as a whole and

support clearer oversight. This separate climate risk does not replace other risks, their owners, or the actions taken within each function; rather, it provides an additional lens to help with analysis, prioritization, and monitoring at both the executive and Board levels.

In 2026, as part of ongoing ERM monitoring and continuous improvement, we undertook a refresh of our climate risk identification. This refresh was informed by internationally recognized standards and guidance, as well as changes in Sandbox's operating environment, industry risks, and regulatory landscape. The work included desktop research, internal discussions, a review of key operational processes, and simple "what-if" scenarios to help identify where climate-related risks or opportunities may be relevant. This approach relied on publicly available information rather than advanced climate modeling or quantitative scenario analysis.

In the near term, we are continuing to focus on the following climate-related risk management areas:



Capture & Report

Get to the point.

Providing timely and reliable climate-related insights, both from individual functions and the broader business, to support informed discussions and decisions on capital and business planning.



Training & Risk Awareness

No dead ends.

Simple engagement with management to support a strong risk culture where climate-related risks can be understood, talked about, and viewed through an opportunity lens as part of everyday decision-making.



Enhance & Evolve

Relentless pursuit of simplicity.

We expect to make practical adjustments as our climate strategy develops and opportunities arise, guided by our review cycles and the feedback that comes through our governance processes.

This approach provides a clear and practical way to bring additional climate-related insights into our existing processes, strengthening consistency in our climate risk register while preserving strong functional ownership and supporting both internal decision-making and external reporting.

Climate-Related Risks and Opportunities

Climate risks come in two main forms.

Physical risks:

Relate to the business impact of disruptive climate events and the gradual effects of a changing climate — they can show up as acute, sudden events like flooding or chronic, gradual shifts in temperature and environmental conditions.

Transition risks:

Relate to the business impacts of a lower-emissions future, including changes in policy, technology, markets, and expectations, which may occur at different paces and scales.

Both types of risks can influence the people we serve and how we run our business, from day-to-day operations to legal and regulatory responsibilities. Physical and transition climate conditions can move at different speeds and scales, shift direction, and come with elevated uncertainty. These changes can travel through the economy, affecting households, businesses, and markets, potentially leading to varying levels of financial risk and uncertainty for Sandbox.

Climate-Related Risk Drivers

The following labels are used throughout the next section to illustrate how climate-related drivers interact with related risk transmission channels:

A = Acute (Physical)

C = Chronic (Physical)

T = Transition

Climate-Related Opportunities

Climate-related opportunities are the new possibilities that can surface when the world changes such as new ways to help people, simplify the way we do things, or create value for our policyholders and communities. These opportunities can include developing climate-informed products, entering new markets, and improving how we operate. For example, by strengthening our processes and technology, we can stay responsive and keep things running smoothly, even when climate events cause operational disruptions or create a rush of claims.

Acknowledging Complexity

Climate sits within an interconnected system. As a result, climate-related risks and impacts rarely arise from a single factor, but instead reflect the interaction of severe weather, longer-term environmental change, and broader social and economic conditions. Instead, they reflect the interaction of severe weather, longer-term environmental change, and broader social and economic conditions.

Physical impacts are influenced not only by severe weather, but also by ecosystem condition, infrastructure age, development policies, building practices, and land management, while transition risks are shaped by wider policy, macroeconomic, and market dynamics. Many of these factors sit beyond Sandbox's direct control.

Given how these factors are connected, Sandbox approaches climate with an understanding of inherent complexity and uncertainty, focusing on areas where we have visibility and can meaningfully respond, including through collaboration and partnership with stakeholders across the communities and networks in which we operate.

From the Castle Lookout: What We're Seeing Right Now

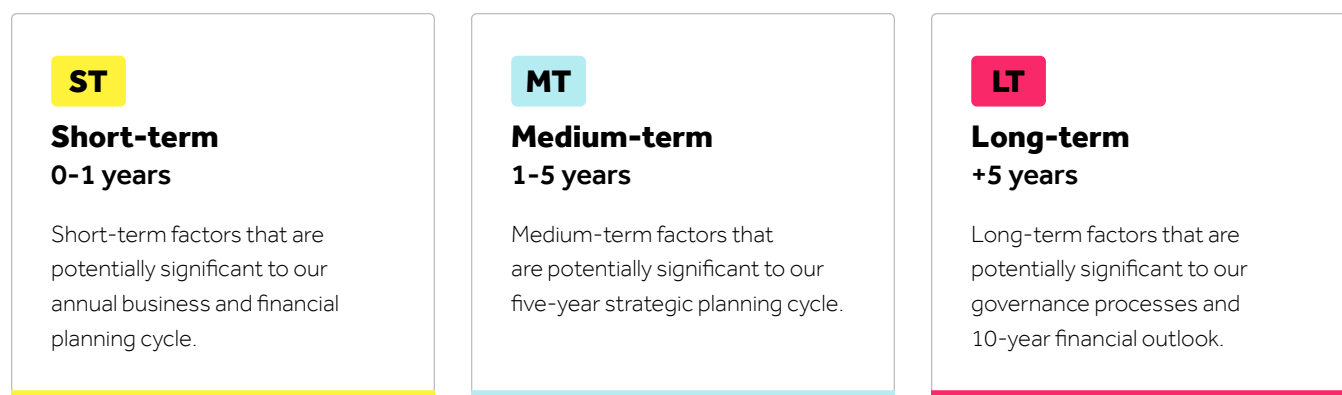
The following illustrative examples shows a high-level summary of climate-related risks and opportunities we're currently seeing as important to Sandbox and the time horizons over which they could occur.

As part of our regular risk and strategic planning work, we look at what these climate-related factors could mean for our business and value chain today and over time.

We think about how they may influence the business environment, our clients, our portfolio, and our own operations across the short, medium, and long term, and under different possible futures. We also outline the key mitigation actions we can take to address these risks and opportunities across the areas of our business, many of which we are already taking actions to ensure we have the right foundations from which to adapt our approach over time.

Time Horizons

We use the following time horizons to classify climate-related risks and opportunities, aligned to our governance, strategy, and business planning processes.



These examples are not meant to suggest how likely these risks are, what the actual outcomes would be, or how big their financial impact could be; they're our perspectives to help explain the bigger picture. For a discussion of risks that Sandbox has determined could be significant to our financial position, please see Note 7 "Insurance Risk" and Note 16 "Financial Risk Management" Notes to Financial Statements in the 2025 Annual Report.

→ **Dig Deeper:** Sandbox 2025 Annual Report - Notes to Financial Statements

Our analysis represents what we've done to date and what we're seeing across the industry. These are examples of how this could look in practice based on current information and reflect a working view that may evolve as data and capabilities develop. They are not detailed backcasts, models, or forecasts, and uncertainty increases over longer time horizons. Our responses to climate-related risks are subject to uncertainty and practical limitations; additional risk-specific considerations are summarized in Appendix E and should be read alongside the following examples.


→ **Dig Deeper:** Appendix E: Uncertainties, Limitations, and Cautionary Statements

Non-Financial Risk Management

The following outlines how Sandbox considers climate-related risks and opportunities across key non-financial management areas.

Risk Overview

Climate-related insurance risk may result in more volatile earnings from variability in claims costs, underwriting results, and reinsurance response. This risk arises from acute weather events, longer-term changes in hazard patterns, and related transition dynamics, affecting loss frequency, severity, and timing, with implications for pricing adequacy. Impacts can be shaped by geographic and peril concentrations and may be more pronounced where aggregation and evolving loss trends introduce uncertainty in loss estimation and reserving.

Risk Category	Timeframe	Channel	Drivers		
 Insurance	ST to LT		A	C	T
		Loss development and volatility*	✓	✓	
		Reinsurance structure*	✓	✓	
		Pricing adequacy*		✓	
		Claims adequacy and reserving practices	✓	✓	✓

ST = Short-term **MT** = Medium-term **LT** = Long-term **A** = Acute (Physical) **C** = Chronic (Physical) **T** = Transition

*Select activities are supported by external service providers under established contractual and oversight arrangements.

Our Response

Managed through approved underwriting policies, pricing and reserving practices, and reinsurance risk management.

During the period, our response was reflected in:

- We expanded business across British Columbia and Ontario, starting with program business to manage entry risk and strengthen geographic diversification, with Ontario program business commencing in 2026.
- We integrated an updated third-party flood hazard model into underwriting and pricing, aligned with our portfolio rebalancing and habitational pricing implementation.
- We maintained continuity for policyholders in hail-exposed regions through disciplined underwriting amid higher claims activity, reduced market capacity, and ongoing urban development in exposed areas.
- We are closely monitoring elevated wildfire losses in northern Prairie regions and maintaining a measured approach to underwriting in line with our mutual values.
- We updated our 2025 reinsurance program to add a second reinsurance tower, introducing separate catastrophe and per-risk coverages informed by loss experience and third-party modelling.
- Planned use of quota share participation in 2026 alongside existing coverages may reduce retained weather claims below existing attachment points.

Opportunities



Pricing & Incentives

Pricing and product features that align coverage with risk and encourage resilience-enhancing behaviour.



Risk Selection & Protection

Underwriting and reinsurance practices that help manage loss volatility and support portfolio stability.



Loss Prevention & Services


Embedded prevention and customer education programs that reduce claim frequency and severity.

Non-Financial Risk Management (continued)



Risk Overview

Climate-related operational risk may result in increased operating costs, particularly during periods of elevated demand or disruption. This risk arises from acute weather events that affect workforce availability, facilities access, infrastructure, or third-party services, as well as from evolving climate conditions that require ongoing review of operational models, tools, and processes. Impacts may be influenced where operations rely on critical systems, external vendors, or capacity assumptions that require adaptation as conditions change.

Risk Category	Timeframe	Channel	Drivers		
 <p>Operational</p>	ST to LT		A	C	T
		Operations continuity*	✓		
		Claims and service delivery*	✓		
		Model suitability and use*		✓	✓
Physical facilities	✓	✓			

ST = Short-term MT = Medium-term LT = Long-term A = Acute (Physical) C = Chronic (Physical) T = Transition

*Select activities are supported by external service providers under established contractual and oversight arrangements.


Our Response


Managed through approved operational policies and governance frameworks covering business continuity, claims and service delivery, technology, and third-party oversight.


During the period, our response was reflected in:

- We updated our business continuity plan with clearer severe-weather triggers to reduce disruption and support employee safety.
- We advanced our cloud infrastructure transition to increase geographic distribution and reduce the risk of localized severe-weather or utility disruptions affecting critical systems.
- We established a new customer experience team and continued investing in claims technology to support growth and manage claims volumes.
- We assigned model risk accountability to the Chief Technology Officer, supported by ERM oversight.

Opportunities

- 

Operational Readiness & Third-Party Oversight
Surge-ready operating models and strengthened third-party standards that support service continuity and manage event-driven cost variability.
- 


Digital Claims Enablement & Accelerated Settlement
Expanded use of digital claims intake, triage, and automation to support timely settlement and customer experience during severe-weather events.
- 

Collaborative Vendor Enablement & Innovation
Deeper collaboration with key third-party providers to introduce new tools, workflows, and service approaches that enhance customer experience and operational effectiveness during climate related events.

Non-Financial Risk Management (continued)

Risk Overview

Climate-related regulatory risk may result in increased costs, greater management oversight, and potential legal or reputational impacts, including effects on insurance results where underwriting regulations influence pricing, availability, or market participation. This risk arises from evolving climate-related regulations, supervisory expectations, and disclosure standards that affect governance and climate-related communications. Impacts may vary based on how requirements evolve over time and how well disclosures and supporting processes align with external expectations.

Risk Category	Timeframe	Channel	Drivers		
 <p>Regulatory</p>	ST to LT		A	C	T
		Compliance and oversight			✓
		Disclosure and conduct			✓

ST = Short-term MT = Medium-term LT = Long-term A = Acute (Physical) C = Chronic (Physical) T = Transition

*Select activities are supported by external service providers under established contractual and oversight arrangements.

Our Response

Managed through approved regulatory compliance and internal control governance frameworks that support alignment with evolving supervisory expectations, including those related to capital adequacy and solvency oversight.

During the period, our response was reflected in:

- We added Climate Risk as a distinct risk within our ERM process to support more holistic oversight alongside existing risk management practices.
- We reinforced disclosure governance through a disclosure committee and internal review process for climate-related reporting.

Opportunities


- 
Regulatory Engagement & Alignment
 Active engagement with industry bodies and regulators to support alignment with evolving requirements and expectations.
- 
Disclosure Credibility & Stakeholder Confidence
 Strengthening the consistency and reliability of climate-related disclosures to support compliance and stakeholder confidence.

Non-Financial Risk Management (continued)



Risk Overview

Climate-related strategic risk may affect long-term earnings stability, growth prospects, and strategic flexibility, including decisions about market participation and risk tolerance. This risk arises from management’s response to changes in physical hazard conditions and transition dynamics—such as evolving market behavior and customer expectations—that influence the relevance of the value proposition and how the organization positions itself over time. Impacts may vary based on concentrations in specific geographies, products, or business models, and how strategy and risk appetite adapt as conditions and uncertainties evolve.

Risk Category	Timeframe	Channel	Drivers		
 Strategic	MT to LT		A	C	T
		Value proposition		✓	✓
		Market positioning	✓	✓	✓
		Strategy and risk appetite	✓	✓	✓

ST = Short-term MT = Medium-term LT = Long-term A = Acute (Physical) C = Chronic (Physical) T = Transition

*Select activities are supported by external service providers under established contractual and oversight arrangements.




Our Response

Managed through approved strategic planning and risk-appetite processes, within a broader context that includes climate-related factors when assessing market participation, portfolio direction, and long-term positioning.

During the period, our response was reflected in:

- We continued investing in our capabilities by establishing a sustainability function to support enterprise alignment.
- We introduced resilience-focused endorsements to support loss prevention and flexible repair options.
- We introduced new engagement processes with brokers and policyholders to inform future climate-related considerations and customer-value opportunities.
- We recalibrated our strategic risk appetite to align with value-focused growth, recognizing that climate-related factors can also influence market positioning.

Opportunities


- 
Ecosystem Partnerships
 Partnerships across brokers, reinsurers, and public stakeholders that support community resilience and trust.
- 
Data-Driven Decision Enablement
 Modern data, analytics, and automation that support faster, more consistent decisions.
- 
Customer Value & Retention
 Products and services that stay relevant and useful for customers as risk environments evolve.

Financial Risk Management

The following outlines how Sandbox considers climate-related risks and opportunities across key financial management areas.

Risk Overview

Climate-related credit risk may increase the sensitivity of investment and reinsurance counterparties to financial stress, which could affect the timing and certainty of cash flows and recoveries. This risk arises from climate-related physical impacts and transition dynamics that influence counterparty balance-sheet strength, sector performance, and correlation across exposures. Impacts may vary based on the concentration and diversification of counterparties and where common climate drivers may increase the likelihood of stress across multiple exposures at the same time.

Risk Category	Timeframe	Channel	Drivers		
			A	C	T
 <p>Credit</p>	ST to LT				
		Reinsurer capital strength*	✓	✓	✓
		Counterparty credit quality and recognition timing*		✓	✓
		Counterparty concentration and correlation*		✓	✓

ST = Short-term LT = Long-term A = Acute (Physical) C = Chronic (Physical) T = Transition

*Select activities are supported by external service providers under established contractual and oversight arrangements.

Our Response

Managed through approved reinsurance and capital governance policies addressing counterparty selection, diversification, and contract certainty.

During the period, our response was reflected in:

- We updated our reinsurance program to separate catastrophe and non-catastrophe exposures, supporting broader reinsurer participation and counterparty diversification.
- We reflected revised OSFI expectations in counterparty reinsurance oversight, supported by broker analysis, including considerations of reinsurer financial strength, concentration, and recoverability.

Opportunities

✓ Reinsurance Program Design & Risk Transfer

Structuring reinsurance arrangements and selective risktransfer solutions to support counterparty diversification, improve recovery timing, and manage capital and liquidity impacts during severe loss events.

✓ Counterparty Risk Management & Diversification


Monitoring and managing concentrations and correlation across investment and reinsurance counterparties to reduce exposure to climate-driven financial volatility across markets.

Financial Risk Management (continued)



Risk Overview

Climate-related market risk may result in increased volatility in investment valuations and investment income, affecting operating cash flows and liquidity management practices. This risk arises from climate-related physical and transition factors that influence interest rates, inflation expectations, equity markets, and credit spreads. Impacts may vary based on asset mix, risk tolerance, and the extent to which market repricing reflects evolving climate-related conditions.

Risk Category	Timeframe	Channel	Drivers		
			A	C	T
 Market	MT to LT				
		Investment valuation		✓	✓
		Investment income		✓	✓
		Interest-rate and inflation environment		✓	✓

ST = Short-term LT = Long-term A = Acute (Physical) C = Chronic (Physical) T = Transition

*Select activities are supported by external service providers under established contractual and oversight arrangements.

Our Response

Managed through approved investment and capital governance policies setting asset-mix limits, risk tolerances, and performance objectives.

During the period, our response was reflected in:

- We engaged with our investment consultants to better understand how climate and environmental, social, and governance (ESG) factors are considered, supporting future engagement with our asset manager.


Opportunities

- 
Engagement & Risk Awareness
 Active dialogue with reinsurance and investment counterparties to monitor climate-related risk exposures and support informed credit and liquidity risk management.
- 
Climate Informed Portfolio & Capital Management
 Incorporating climate considerations into investment mix, assetliability management, and risk limits to help manage market volatility and support more stable financial outcomes over time.

Financial Risk Management (continued)

Risk Overview

Climate-related liquidity risk may result in short-term cash-flow pressures and liquidity timing mismatches, particularly following periods of elevated claims activity. This risk arises primarily from acute weather events that accelerate claims payments and may affect the timing of reinsurance recoveries. Impacts may vary based on access to liquid investments, how claims are settled, and the timing of cash coming in and going out during periods of higher claims activity.

Risk Category	Timeframe	Channel	Drivers		
 Liquidity	MT to LT		A	C	T
		Claims payment timing	✓	✓	
		Premium collection timing	✓		
		Reinsurance timing*	✓		
		Investment mix and liquidity		✓	✓

ST = Short-term MT = Medium-term LT = Long-term A = Acute (Physical) C = Chronic (Physical) T = Transition

*Select activities are supported by external service providers under established contractual and oversight arrangements.

Our Response

Managed through approved capital, stress testing, reinsurance, and investment policies addressing liquidity and timing.

During the period, our response was reflected in:

- We considered liquidity in periodic investment portfolio rebalancing and maturity reviews, with emphasis on bond maturities and asset liquidity.
- We used external actuarial models of conservative solvency stress and going concern scenarios, including multiple catastrophes, inflation, recovery timing, and adverse market conditions relevant to investment liquidity.

Opportunities



Liquidity Planning & Claims Funding Readiness

Aligning underwriting, reinsurance, and liquidity planning practices to reduce short-term cashflow pressure following major events and support orderly claims settlement under surge conditions.

Metrics and Targets

Our Climate Data Building Blocks

Metrics help us manage climate-related risks and opportunities. We currently use our core financial and risk metrics, like gross written premium, combined ratio, and capital measures to understand overall performance. These metrics give useful insight at a high level, but they aren't specific to climate. Developing reliable climate-specific metrics is still challenging across the financial sector, especially for smaller or growing organizations, because of technical complexity, evolving standards, and existing capabilities.

As part of our growing climate program, we've started with reporting select qualitative indicators and our enterprise GHG emissions.

Over time, we expect to expand our climate-related metrics as they become clearer through alignment with our strategy, regulatory expectations, and developing industry standards.

Sandbox has not yet defined numeric targets connected to our climate strategy or GHG performance, and an internal carbon price has not been adopted at this stage. We're focused on building a baseline so any potential future objectives we may choose to set are robust, meaningful, and practical.



We're busy shaping our approach to climate metrics.

Before You Dig Into the Details

When deciding which climate-related metrics to include, we considered how reliable and available the data is across our business, from external vendors, and the availability of tools and methodologies. Many climate metrics rely on third-party data, new data collection processes, and emerging methods that need time to mature before they can be consistently useful for decision-making.

The metrics in the following sections reflect areas where data is more readily available, reliable, and measurable. Where relevant, we note where metrics may not fully represent all assets or business activities.

The climate-related information disclosed involves inherent uncertainties, judgments, and assumptions, and shouldn't be seen as a definitive or complete measure of future risk or performance. In many cases, the data is informed by third-party inputs, models, or estimates, and methods aren't yet fully standardized across the industry, making comparisons difficult.

These metrics provide a snapshot of our current understanding of climate-related risks and opportunities based on the data, estimates, and methods we have today. As industry practices evolve, and as our own capabilities and data sources mature, we'll continue to refine and enhance our metrics over time.

→ **Dig Deeper:** Appendix E: Uncertainties, Limitations, and Cautionary Statements



Our Indicators

Weather-related losses

Weather-related losses vary year to year, largely reflecting catastrophe (CAT) losses from wildfires, floods, and seasonal storms. These are challenging times for communities, and as a mutual insurer, supporting our policyholders through these moments is central to who we are.

For internal purposes, Sandbox monitors multi-loss events to understand potential changes relevant to financial performance. In 2025, Sandbox experienced 11 weather-related events, with overall frequency broadly consistent with recent years. Relative to recent periods, the reporting year experienced a higher proportion of net losses associated with wildfire activity and a lower proportion of storms and floods. As a proportion of net premium earned, larger weather-related losses remained broadly consistent with longer-term experience.

Sandbox has catastrophe and multi-line excess of loss insurance coverages that reflects our business and the risks we face in supporting our policyholders. For a discussion of reinsurance coverage, please see Note 7 "Insurance Risk" in the 2025 Annual Report.

→ **Dig Deeper:** Sandbox 2025 Annual Report – Notes to Financial Statements

Less severe weather-related losses may occur more frequently and are monitored as part of routine claims activity. Because the data is still developing, our disclosures focus on larger, more significant loss severity and volatility drivers, such as weather-related CAT events.




Management is currently assessing the practicality of weather-related loss and catastrophe metrics, with consideration given to broader reporting developments, including IFRS 18. For a discussion of the new accounting standards, please see our Note 2 "Basis of Presentation" in the 2025 Annual Report.

→ **Dig Deeper:** Sandbox 2025 Annual Report – Notes to Financial Statements

Our Emissions

Overview

Greenhouse gas emissions are grouped into three reporting categories:



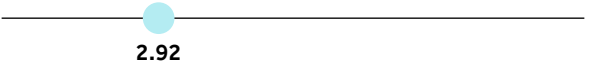
 <p style="text-align: center;">Direct Emissions Scope 1</p> <p>GHG emissions that come from our sources, such as a building heating, that are owned or controlled by Sandbox. At Sandbox, this includes our fuel used to heat our offices and refrigerants in our air conditioning systems. It would also include owned vehicles, if they were not leased.</p>	 <p style="text-align: center;">Indirect Energy Emissions Scope 2</p> <p>GHG emissions that come from purchased energy, such as electricity. Even though these emissions physically occur elsewhere and do not come from equipment we own or control ourselves, we still measure them because they are a result of the energy we use.</p>	 <p style="text-align: center;">Indirect Value Chain Emissions Scope 3</p> <p>GHG emissions that occur in the upstream and downstream activities of an organization, from purchased goods to investments. Currently, Sandbox does not report on Scope 3 emissions, as this is not currently expected under applicable regulations.</p>
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Sandbox uses standard carbon accounting practices to measure and report scope 1 and 2 emissions based on the GHG Protocol³. More detail on our methodology, including measurement, boundaries, and assumptions can be found in the Notes to the GHG Statement.

→ **Dig Deeper:** Notes to the GHG Statement

Emissions Snapshot

The following figures summarize how we measure and report our GHG emissions. In 2025, Sandbox's total Scope 1 and Scope 2 (location-based) emissions were 447 tCO₂e, with approximately 42% from Scope 1 sources and 58% from Scope 2. Our GHG intensity, measured as total Scope 1 and Scope 2 per full-time equivalent (FTE), was 2.92 tCO₂e/FTE.

 <p style="font-size: 2em; font-weight: bold;">447</p> <p>tCO₂e</p> <p>Total Scope 1 and 2 Emissions 2025 emissions breakdown</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #add8e6; width: 42%; text-align: center; padding: 5px;">42%</div> <div style="background-color: #ffff00; width: 58%; text-align: center; padding: 5px;">58%</div> </div> <p style="display: flex; justify-content: space-around; font-size: 0.8em;"> Scope 1 Scope 2 </p>	 <p style="font-size: 2em; font-weight: bold;">2.92</p> <p>tCO₂e/FTE</p> <p>GHG Intensity Emissions per full-time equivalent</p> <div style="text-align: center;">  <p>2.92</p> </div>
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→ **Dig Deeper:** Statement of GHG Emissions

→ **Dig Deeper:** Appendix C: Reporting Criteria

Statement of GHG Emissions

(in tonnes CO₂e)

Year ended December 31, 2025

	2025
Scope 1 GHG Emissions	
Carbon dioxide (CO ₂)	187.15
Methane (CH ₄)	0.10
Nitrous oxide (N ₂ O)	0.93
Hydrofluorocarbons (HFCs)	0.00
	188.18

	2025
Scope 2 GHG Emissions	
Carbon dioxide (CO ₂)	258.52
Methane (CH ₄)	0.71
Nitrous oxide (N ₂ O)	0.04
	259.27

	2025
Total GHG Emissions	
Scope 1 and 2 carbon dioxide equivalent (CO ₂ e)	447.45

	2025
Other GHG Emissions	
CO ₂ from biologically sequestered carbon	0.00

See accompanying notes to GHG statements.

Approved by the Executive Management:

Rob Jones

President and CEO

Jennifer Woloschuk

CFO

Notes to GHG Statement

(in tonnes CO₂e)

Year ended December 31, 2025

1. **Company information:**

Sandbox Mutual Insurance Company (the "Company") is a Canadian federally registered mutual corporation licensed to write property, automobile, liability, fidelity and boiler and machinery insurance, in the provinces of Saskatchewan, Manitoba, Alberta and British Columbia. The Company is subject to the Insurance Companies Act (the "Act") and to regulation by the Office of the Superintendent of Financial Institutions Canada ("OSFI") and the Provincial Superintendents of Financial Institutions/Insurance for the provinces in which the Company is licensed. The Company's head office is located at 250 Willis Crescent, Saskatoon, Saskatchewan, S7T 0V2, Canada.

The Greenhouse Gas ("GHG") statement has been presented by management to the Compliance & Risk Committee. Management and the Compliance & Risk Committee report to the Board of Directors, which approved the GHG statement on May 5, 2026.

2. **Basis of presentation:**

(a) Statement of compliance

The Scope 1 and 2 GHG statement (collectively referred to hereafter as the "GHG statement"), unless otherwise noted, has been prepared in accordance with OSFI Guideline B-15, Annex 2-1, paragraph 1, and the latest GHG Protocol reporting standards³ (collectively referred to hereafter as the "reporting criteria") for the period January 1 to December 31, 2025.

(b) Basis of measurement

The GHG statement has been prepared with a financial control consolidation approach across Scope 1 and 2 emission source categories. All significant emission source categories and types are reported. Where an emission source category or type is applicable within the organizational and operational boundaries but does not contribute emissions during the reporting period, a value of zero is reported.

Global Warming Potential ("GWP") factors from Intergovernmental Panel on Climate Change ("IPCC") are used to normalize emissions to presentation units using globally recognized methodologies. Biogenic CO₂ emissions are reported separately and excluded from Scope 1 and Scope 2 totals. Where material estimates are needed, assumptions and methodologies are applied consistently and disclosed in the accompanying notes.

(c) Statement of GHG classification

The GHG statement has been prepared in a format aligned with the reporting criteria's presentation requirements, whereby Scope 1 and Scope 2 GHG emissions are presented both in aggregate and as disaggregated gross amounts, in order of GHG type. The GHG statement comprises current and non-current amounts.

(d) Presentation units

The GHG statement is presented in metric tonnes of carbon dioxide equivalent ("tCO₂e"), unless otherwise specified.

3. **Material accounting policy information:**

The following principal accounting policies used in the preparation of the GHG statement.

(a) Initial recognition

Emissions are recognized when sufficient activity information is available to calculate or estimate them with appropriate accuracy, typically upon receipt of activity data (e.g. consumption data from supplier invoices). Adjustments are made only if updated or corrected data (e.g., revised utility bills) received after initial recognition is significantly different.

Notes to GHG Statement

(in tonnes CO₂e)

Year ended December 31, 2025

3. **Material accounting policy information (continued):**

(a) Emission factors

The Company applies emission factors which are standardized coefficients that quantify the amount of GHG emissions associated with a unit of activity data. They are typically expressed as units of mass of CO₂ equivalent per unit of activity, such as kilograms of CO₂e per liter of fuel consumed, per megawatt-hour ("MWh") of electricity used, or per kilometer traveled. They may be referenced from recognized published sources or calculated using site-specific data. They do not include unit conversion factors and may not directly imply an estimate of emissions but serve as a standard quantification input in the emissions calculation.

Emission factors are intended to change over time and are reviewed annually, with updates applied as at December 31 of the reporting period to ensure alignment with the most current and relevant data. Emission factors will be updated annually, however previously published emission factors will not be updated in previously reported statements.

Published emission factors often contain non-current data, with typical time lags of approximately two years for location-based Scope 2 emission factors and up to several years for Scope 1 emissions factors (e.g. mobile combustion). Users should consider this temporal lag when interpreting reported emissions figures. Although the underlying studies for factors may have a time lag, they remain appropriate because they are based on internationally recognized or peer-reviewed methodologies, are updated periodically, and represent the best available data without incurring undue cost or effort to obtain more granular site-specific information.

Emission factors inherently carry uncertainty due to variability in measurement methods, data quality, and assumptions underlying their derivation. While efforts are made to select the most accurate and representative factors, users should be aware that emissions estimates based on emission factors are subject to these uncertainties.

The Company uses the provincial 'non-preliminary' GHG generation factors from the Environment and Climate Change Canada ("ECCC") National Inventory Report ("NIR").

(b) Leased assets, franchises, and outsourced activities

Consistent with reporting criteria, a finance or capital lease is treated as wholly owned and is recorded as such on the balance sheet. Leased assets that do not meet those criteria are operating leases. The Scope 1 and 2 GHG statement includes emissions from finance leases, whereas operating leases are recognized in the Scope 3 GHG statement rather than the Scope 1 and 2 GHG statement.

The Company only has one capital lease, specifically a Pitney Bowes Postal Machine located at the Saskatoon head office, which consumes grid-delivered electricity. Based on the reporting criteria, emissions are recognized in the Scope 2 GHG statement rather than the Scope 3 GHG statement.

The Company has operating leases for a company vehicle fleet. Based on the reporting criteria, emissions are recognized in the Scope 3 GHG statement rather than the Scope 1 and 2 GHG statement.

The Company has outsourced activities, specifically the purchase of services for facility maintenance (e.g. snow removal), fire suppression, and co-located servers. Consistent with reporting criteria on purchased goods and services, including, without limitation, non-production-related procurement, are recognized in the Scope 3 GHG statement, and therefore not included in the Scope 1 and 2 GHG statement.

Notes to GHG Statement

(in tonnes CO2e)

Year ended December 31, 2025



3. **Material accounting policy information (continued):**

The company has no franchises and all office building are wholly-owned.

(a) Summary of measurement approaches

The Company measures GHG emissions using recognized calculation methodologies that comprise primary and secondary data, emissions factors, and GWP's. Specifically, ECCC technical quantification guidance and GHG Protocol Scope 2 Guidance are used to prepare the GHG statement. The Company does not use direct measurement methods or techniques.

The Company uses GWP's from IPCC Fifth Assessment Report ("AR5") as specified below:

Common Name or industrial designation	Chemical formula	GWP value for 100-year time horizon (AR5)
Carbon dioxide	CO ₂	1
Methane – fossil	CH ₄	28
Nitrous oxide	N ₂ O	265
Nitrogen trifluoride	NF ₃	16,100
Sulfur hexafluoride	SF ₆	23,500
Hydrofluorocarbons (HFCs)	C _x H _y F _z	Species dependent
Perfluorocarbons (PFCs)	C _x F _y	Species dependent

Source: Intergovernmental Panel on Climate Change (2013). Adapted from Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the IPCC.

(b) Base year

The Company has selected the 2025 reporting period as its initial base year. Base year recalculations and restatements are performed in accordance with the Company's internal GHG accounting methodology. This base year selection is subject to change. Sandbox's business activities and operating profile continue to evolve, which may result in the current base year not being fully representative of steady-state operations. As such, management reserves the right to review and update the base year and recalculation standard to ensure alignment with organizational structure, operational boundaries, and strategic objectives. This may include selecting an average of annual emissions over multiple consecutive years to account for potential volatility year-to-year.

4. **Use of estimates and judgements:**

The preparation of the GHG statement in conformity with the reporting criteria requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of Scope 1 and 2 GHG emissions. Management reviews these estimates and assessments periodically, based on past experience and other factors. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Actual results could differ from these estimates.

5. **Use of estimates and judgements (continued):**

Information about significant areas of judgment in applying accounting policies that have the most significant effect on the amounts recognized in the GHG statement is included in the following notes:

- Note 3(a)(i) – Timing differences may arise between utility billing periods based on meter read dates and the greenhouse gas reporting period. For natural gas, this resulted in an estimated amount of approximately 10.57 tCO₂e for the period. Management assessed whether adjusting reported emissions to align the billing period with the reporting period would enhance faithful representation and was determined that further refinement would not meaningfully improve comparability with future reporting periods, given expected changes in statement boundary related to an asset held for sale, and limited incremental benefit relative to the effort required. Accordingly, emissions have been reported based on the billed period.
- Note 3(b)(ii) – Judgment is applied when selecting appropriate source-level emissions quantification methodologies under the reporting criteria. For stationary combustion, management selected a simplified calculation equation within the ECCC technical quantification guidance that is aligned with the size, nature, skills, and resources of the Company and does not require undue effort or cost, as it provides a faithful representation of emissions, considering the limited incremental benefit of more complex calculation equations and data requirements.

6. **Management accountability and third-party assurance:**

Management is responsible for ensuring that this GHG statement is consistent with other information and data contained in the Sustainability Report and accurately reflects the Company's emissions profile. In preparing this statement, estimates and assumptions are sometimes necessary because of missing data, data acquisition cost and effort, inherent complexity of emissions factors, and operational constraints. Management believes such estimates have been based on careful judgment and are properly reflected in the accompanying GHG statement.

Management is also responsible for maintaining a system of internal controls designed to support complete, accurate, and reliable emissions data. The integrity and reliability of the Company's GHG reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees, and appropriate delegation of authority and division of responsibilities. The Company's Code of Business Conduct, which is communicated to all levels in the Company, requires employees and directors to maintain high standards in the conduct of the Company's affairs.

The Board of Directors ensures that management fulfills its responsibilities for GHG reporting and internal controls and is ultimately responsible for reviewing and approving the GHG statement. The Board is assisted in exercising its responsibilities through the Committees, composed of non-management directors. The Committees meets periodically with management and, where applicable, external assurance providers to satisfy itself that management's responsibilities are properly discharged, to review the GHG statement, and to recommend approval to the Board.

The Company did not seek an independent review or assurance of the full Climate Report, including, without limitation, Scope 1 and Scope 2 GHG emissions. This is consistent with the applicable reporting criteria, which do not require external assurance. Therefore, figures should be interpreted with consideration of inherent limitations. This report has been prepared in accordance with internal governance processes and has undergone appropriate internal review prior to submission. The information presented in this report is based on available data and methodologies. While reasonable efforts have been made to ensure accuracy, the data has not been subject to external assurance and may be subject to change.

Appendix A: About This Report

Reporting Period

This Report covers the fiscal year January 1 to December 31, 2025. Unless otherwise noted, we presented all information in this Report as at and for the year ended December 31, 2025. Given that this is the first reporting period under the applicable requirements, we do not provide disclosure for fiscal 2023 and 2024. Comparative information will be made available where required in subsequent reporting periods.

Reporting Boundary and Scope

This Report includes information about Sandbox and covers the fiscal year January 1 to December 31, 2025. Unless otherwise noted, we presented all information in this Report as at and for the year ended December 31, 2025. The data in this report reflects Sandbox's financially controlled assets, unless otherwise noted. For any entities, businesses, assets, or other holdings we acquire, information is first provided for the year after acquisition, if available, to enable full integration of data systems. If data is unavailable, we will assess the expected significance of the data and estimate if deemed necessary for disclosure. Information in respect of divested holdings ceases to be included on the date that the sale is completed. There were no key corporate events that have impacted the scope of reporting in 2025.

References to "we", "our", "us", "the Company" and "Sandbox" mean Sandbox Mutual Insurance Company. This Report does not describe the detailed investment decision-making processes of our external asset manager. Investment activities are carried out in accordance with an established mandate and guidelines, with investment decisions undertaken by the asset manager in line with its fiduciary responsibilities. For more information on Sandbox's investment governance, please see Note 16 "Financial Risk Management" in the 2025 Annual Report

→ **Dig Deeper:** Sandbox 2025 Annual Report – Notes to Financial Statements

Regulations, Reporting Standards and Frameworks

The structure and content of this Report are prepared in reference to OSFI B-15 which sets out expectations for the management and disclosure of climate-related risks for federally regulated financial institutions in Canada. We provide a comparison to the climate-related financial disclosure expectations set out in Annex 2-2 of B-15 for the reporting period in Appendix D of this Report.

→ **Dig Deeper:** Appendix D: OSFI Guideline B-15 Index

We are committed to ensuring our climate disclosures are informed by best practices. The structure and content of this Report are informed by reporting standards, frameworks, and other guidance including, but not limited to: the IFRS Sustainability Standards issued by the International Sustainability Standards Board, comprising consolidated reference materials from the Sustainability Accounting Standards Board Standards, recommendations from the Task Force on Climate-related Financial Disclosures, Climate Disclosure Standards Board, and Value Reporting Foundation. In addition, we report with reference to the World Business Council for Sustainable Development (WBCSD) ESG Disclosure Handbook. Our Scope 1 and 2 GHG emissions are reported with reference to the standards set out in the GHG Protocol, published by the World Resources Institute and WBCSD.

Terms and Measures

Key terms used throughout the Report are defined in Appendix B: Key Terms and Endnotes.

→ **Dig Deeper:** Appendix B: Key Terms and Endnotes

In addition to Key Terms and Endnotes, Additional information on the definitions, citations, and explanatory context related to the metrics and measurement criteria applied is provided in Appendix C: Reporting Criteria, and the footnotes and endnotes referenced throughout this Report. As such, they represent a critical element for understanding the information within this Report.

→ **Dig Deeper:** Appendix C: Reporting Criteria

Cautionary Statement and Assurance

We did not seek an independent review of our full report, including, without limitation, Scope 1 and 2 GHG emissions. Therefore, figures should be interpreted with consideration of inherent limitations. This report has been prepared in accordance with internal governance processes and has undergone appropriate internal review prior to submission. The information presented in this report is based on available data and methodologies. While reasonable efforts have been made to ensure accuracy, the data has not been subject to external assurance and may be subject to change. Prioritization of topics or risks is used in a sustainability or climate context for this report is different than how we address materiality for disclosure requirements under financial reporting and accounting standards. For further important information regarding climate-related data, metrics and forward-looking statements, refer to Appendix E: Uncertainties, Limitations, and Cautionary Statements.

→ **Dig Deeper:** Appendix E: Uncertainties, Limitations, and Cautionary Statements

Appendix B: Key Terms and Endnotes



Key Terms

CAT (Catastrophic Event)

A less frequent, higher-severity event, often related to natural or climate hazards, that results in significant insured, financial, or operational losses, typically reaching industry-defined loss thresholds of approximately CAD \$25 million or more in Canada.

Enterprise Risk Management (ERM):

A structured framework for identifying, assessing, managing, and monitoring risks across an organization.

Full-Time Equivalent (FTE):

A unit representing the workload of one full-time employee and used to measure workforce capacity by aggregating full-time and part-time employment.

Greenhouse Gas (GHG):

Any atmospheric gas identified under the Kyoto Protocol that contributes to the greenhouse effect and climate change. Including but not limited to, carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

International Financial Reporting Standards (IFRS):

Global standard-setting organization that oversees the development of financial and sustainability accounting standards through the International Accounting Standards Board and the International Sustainability Standards Board, respectively, which establish requirements for the preparation and presentation of financial and sustainability-related disclosures. These international standards may be adopted, adapted, or referenced by jurisdictional standard-setting bodies and regulators, including the Canadian Sustainability Standards Board.

Office of the Superintendent of Financial Institutions (OSFI):

Canada's federal prudential regulator responsible for supervising and regulating federally regulated financial institutions.

World Business Council for Sustainable Development (WBCSD)

An international organization that supports the development, governance, and use of sustainability frameworks, including co-convening the Greenhouse Gas Protocol for corporate and value-chain emissions reporting.

Endnotes

1. OSFI Guideline B-15 refers to Climate Risk Management, issued by the OSFI which sets out regulatory expectations for federally regulated financial institutions regarding the governance, strategy, risk management, and disclosure of climate-related risks. This Guideline is informed by the TCFD framework and considers subsequent developments under the IFRS Sustainability Disclosure Standards, including IFRS S2.
2. The IFRS Sustainability Disclosure Standards comprise IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2, Climate-related Disclosures, issued by the International Sustainability Standards Board. These standards have been adopted in Canada by the Canadian Sustainability Standards Board as the basis for jurisdictional sustainability disclosure standards.
3. The GHG Protocol is the leading global corporate standard for calculating and managing GHG emissions. The standards referenced in this Report are without exception, the GHG Protocol Corporate Accounting and Reporting Standard revised edition (March 2004) and the Scope 2 Guidance (January 2015). As needed on indirect Scope 2 emissions boundaries, we referenced the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (October 2011).

Appendix C: Reporting Criteria

The criteria we use to report our climate-related metrics are explained below:

Total scope 1 and 2 emissions per full-time equivalent (GHG Intensity)	
Definition	GHG intensity as total quantity of emissions from scope 1 and scope 2 (location-based) per full-time equivalent.
Scope	The reporting period covers emissions from January 1 to December 31, with full-time equivalent employees measured as at December 31.
Units	tCO ₂ e/FTE.
Method	<p>GHG intensity is calculated by dividing total Scope 1 and Scope 2 (location-based) greenhouse gas emissions, expressed in tonnes of carbon dioxide equivalent (tCO₂e), divided by the total number of full-time equivalent employees at year-end.</p> <p>Refer to Note 3 of the 'Notes to GHG Statement' for additional information on the methodology used to calculate total Scope 1 and Scope 2 (location-based) greenhouse gas emissions.</p>
Judgments and Estimates	Refer to Note 4 of the 'Notes to GHG Statement' for additional information on the estimates and judgements relevant to calculated total Scope 1 and Scope 2 (location-based) greenhouse gas emissions.
Source	Internally defined metric.

Appendix D: OSFI Guideline B-15 Index



Annex 2-2: Climate-related financial disclosure expectations applicable to Sandbox for the reporting period.

Governance	Disclosure Expectation	Expectation
a.	Describe the governance body(ies) or individual(s) responsible for oversight of climate-related risks and opportunities, including their identity, responsibilities, skills and competencies, process around staying informed including the frequency of meetings, oversight of strategy, major transactions, risk management processes, target setting, and monitoring progress towards those targets, and a description of whether and how climate-related considerations are factored into their remuneration.	Climate Report: Governance (pp. 10-12)
b.	Describe management's role in monitoring, managing, and overseeing climate-related risks and opportunities, including the identity of the management-level position or committee as applicable, its governance processes, controls, and procedures, and how oversight is exercised over that position or committee.	Annual Report: Board of Directors (pp. 10-13)

Strategy	Disclosure Expectation	Reference
a.	Describe the climate-related risks and opportunities the FRFI has identified that could reasonably be expected to affect its cash flows, access to finance or cost of capital, including: <ul style="list-style-type: none"> The classification of each climate-related risk as either physical or transition risk; The expected timeframe for the occurrence of effects associated with each risk and opportunity (short, medium, or long term); The FRFI's definitions of 'short term,' 'medium term,' and 'long term' in relation to strategic decision-making planning horizons. 	Climate Report: Our Approach (pp. 5) Climate-related Risks and Opportunities (pp. 16-24)
b. i	<p>Business model and value chain</p> <p>Describe:</p> <ul style="list-style-type: none"> the current and anticipated effects of climate-related risks and opportunities on the FRFI's business model and value chain; where in the FRFI's business model and value chain the climate-related risks and opportunities are concentrated. <p>Strategy and Decision making</p> <p>Disclose information about current and anticipated:</p> <ul style="list-style-type: none"> changes to the FRFI's business model, including its resource allocation, to address climate-related risks and opportunities; direct mitigation and adaptation efforts; indirect mitigation and adaptation efforts. 	Annual Report: Notes to Financial Statements (pp. 26-60)
	<p>Financial position, financial performance, and cash flows</p> <p>Describe:</p> <ul style="list-style-type: none"> how climate-related risks and opportunities have affected the FRFI's financial position, financial performance, and cash flows for the reporting period; <p>how the FRFI expects its financial position, financial performance, and cash flows to change over the short, medium, and long term, given its strategy to manage climate-related risks and opportunities.</p>	

Risk Management	Disclosure Expectation	Reference
a.	Disclose information about the FRFI's processes and related policies for identifying, assessing, prioritizing, and monitoring climate-related risks.	Climate Report: Risk Management (pp. 13-15)
b.	Disclose information about the FRFI's processes for identifying, assessing, prioritizing, and monitoring climate-related opportunities including information about whether and how the FRFI uses climate-related scenario analysis to inform its identification of climate-related opportunities.	
c.	Disclose information about the extent to which, and how the FRFI's processes for identifying, assessing, prioritizing, and monitoring climate-related risks and opportunities are integrated into and inform the FRFI's overall risk management process.	

Metrics and Targets	Disclosure Expectation	Reference
a.	Disclose metrics used by the FRFI to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate Report: Metrics and Targets (pp. 25-27) Annual Report: Financial Snapshot (pp. 18-19)
b. i	<p>Disclose separately the FRFI's Scope 1 and location-based Scope 2 absolute gross GHG emissions for the period.</p> <p>Disclose the measurement approach, inputs, and assumptions the FRFI uses to measure its Scope 1 and Scope 2 GHG emissions, and the underlying reasons for these decisions.</p> <p>Disclose the reporting standard used by the FRFI to calculate and disclose GHG emissions. If the reporting standard used by the FRFI is not the GHG Protocol Corporate Standard, disclose how the reporting standard used by the FRFI is comparable.</p>	Climate Report: Statement of GHG Emissions (pp. 28) Notes to GHG Statement (pp. 29-32)
c.	<p>Disclose any quantitative and qualitative climate-related targets the FRFI has set to monitor progress towards achieving its strategic goals, including:</p> <ul style="list-style-type: none"> • The objective of the target; • The period over which the target applies; • The base period from which progress is measured; • Any revisions to the target and an explanation of those revisions; <p>Disclose information about the FRFI's approach to setting and reviewing each target and how it monitors progress against each target;</p> <p>Disclose information about the FRFI's performance against each climate-related target and an analysis of trends or changes in the FRFI's performance.</p> <p>For any GHG emissions target disclosed (and the corresponding metrics), disclose it both gross and net of, carbon offsets, and explain the type of offset.</p>	Climate Report: Metrics and Targets (pp. 25-27)

Appendix E: Uncertainties, Limitations, and Cautionary Statements

This Report is being provided solely for informational purposes and not for the purposes of promoting, either directly or indirectly, any business or business interest.

Uncertainty Factors and Practical Limitations

GHG Emissions

Climate-related metrics are inherently subject to greater uncertainty than historical financial information. These metrics rely heavily on emissions estimates, and even where emissions data is reported, it frequently incorporates underlying assumptions and estimation methodologies. As a result, reported figures may fluctuate from year to year due to changes in assumptions, data availability, or calculation approaches, rather than reflecting underlying performance alone. These considerations are relevant to Scope 1 and Scope 2 emissions associated with our direct operations and purchased energy. In addition, the aggregation of emissions data at a portfolio level introduces methodological complexity, including the potential for double-counting, which may further affect comparability across reporting periods and with third-party disclosures.

Insurance Risk

There are inherent uncertainties in climate science, modelling techniques, and hazard projections, which means actual outcomes may significantly differ from our current expectations. We rely on third-party data, models, and actuarial inputs that help integrate current industry practices in manner that is proportional to Sandbox's size, nature, scope, and resources and our assessments will continue to evolve as improved information and methodologies become available.

Portfolio-level accumulation and concentration management is performed annually and supplemented by line-of-business monitoring on a monthly basis. Management considers this approach proportionate to Sandbox's size, nature, scope, and resources. At the same time, relying on an annual portfolio-level view may limit our ability actively manage exposure patterns that could develop between review cycles.

Reliably distinguishing gradual, climate-related influences from broader loss-trend drivers remains challenging. These overlapping factors can introduce noise into observed loss experience, making it difficult to isolate

whether changes in attritional losses are attributable to climate trends or to other structural or economic drivers. We assess loss experience using generally accepted actuarial and industry practices, applying them in a manner proportionate to Sandbox's size, nature, scope, and resources. Even so, uncertainty remains, and our understanding and attribution of climate-related effects will continue to develop as data quality improves, analytical techniques evolve, and industry practices mature.

Loss-prevention programs are widely understood to support resilience, but their effectiveness can vary across locations, events, and timeframes. Some measures such as resilient building materials, vegetation management, or weather-modification initiatives may contribute to reduced damage and losses in certain circumstances, while in others their impact may be harder to isolate or may not be visible within typical evaluation periods. We follow generally accepted industry practices when supporting or considering loss-prevention efforts, applying them in a manner that is proportional to Sandbox's size, nature, scope, and resources. Even so, uncertainties remain around how individual programs or combinations of measures may perform during future events, and our understanding will continue to evolve as improved information and industry practices become available.

Financial Risks

Climate-related events may affect the timing of claims payments and related cash flows. While the Company maintains liquidity management practices designed to support its obligations, some variability in the timing of cash requirements is inherent during periods of elevated claims activity.

Assessments of counterparty credit risk are based on available information, including external credit ratings and disclosures. The potential implications of climate-related physical and transition risks on counterparties continue to evolve and may be reflected in credit assessments over time.

Climate-related physical and transition considerations form part of broader macroeconomic conditions and may influence both market valuations and inflationary and interest-rate dynamics over time. These effects may emerge over longer time horizons and, as a result, may not be fully reflected in observable market inputs used in the valuation of pooled or less-liquid investments at a given reporting date. As with other macroeconomic drivers, the extent and timing of these impacts are inherently uncertain and may evolve as overall economic conditions change.

Operational Risk

Certain critical functions—including claims services, information technology, utilities, and specialized vendors—are delivered by third parties whose resilience, preparedness, and recovery capabilities during disruptive events are not fully within Sandbox's direct control. As a result, service availability and response outcomes during extreme weather or other climate-related disruptions may differ from expectations.

Investments in technology and operational enhancements are intended to support efficiency and resilience; however, the successful implementation, adoption, and realization of anticipated benefits—particularly within claims-management and workflow systems—cannot be assured. Outcomes may be influenced by execution risk, user adoption, vendor performance, and evolving operational requirements.

Forecasting the financial effects of climate-related operational impacts remains challenging, particularly where such effects are intertwined with broader macroeconomic conditions. Long-run expectations related to repairs, maintenance costs, asset performance, and equipment lifespan involve estimation uncertainty

and may evolve over time as conditions, practices, or assumptions change.

Labour-market dynamics and supply-chain conditions may also affect Sandbox's operating model. Availability, cost, and performance of skilled personnel—including external adjusters and other vendors—may fluctuate in response to climate-driven events or broader economic trends, which could influence service delivery, timelines, and operating expenses. Sandbox monitors these considerations using generally accepted operational risk practices, applied in a manner proportionate to the organization's size, nature, scope, and resources, and will continue to refine its approach as information and experience evolve.

Governance, Regulatory and Conduct Risk

The timing and magnitude of climate-related compliance costs are subject to uncertainty, reflecting the evolving scope, sequencing, and implementation timelines of regulatory requirements across jurisdictions. Changes in regulatory interpretation, guidance, and supervisory expectations may result in compliance obligations that differ from current assumptions.

Sandbox may also be exposed to reputational risk arising from stakeholder perceptions—whether factually accurate or not—regarding its climate-related disclosures, practices, or positioning. Divergent expectations across regulators, investors, customers, and other stakeholders may increase the risk of misalignment in interpretation, particularly in an environment where climate-related standards and norms continue to develop.

In addition, legal and regulatory scrutiny related to alleged false or misleading climate-related claims (commonly referred to as greenwashing) represents an area of uncertainty. Interpretations of disclosure adequacy and substantiation continue to evolve, and trends in climate-related litigation and regulatory investigation remain dynamic. Sandbox monitors these developments and applies generally accepted governance and compliance practices in a manner proportionate to its size, nature, scope, and resources, recognizing that expectations and interpretations may continue to change.

Strategic Risk

Strategic planning related to climate change involves forward-looking assumptions about regulatory developments, hazard trends, market conditions, and competitive responses. The pace, direction, and interaction of these factors may change from planning scenarios, which could affect the relevance or effectiveness of planned initiatives over time.

The information used to inform strategic analysis continues to evolve. Variability in data availability, consistency, and interpretability across regions and time horizons may limit direct comparability or decision-readiness. As a result, strategic insights derived from such information may be subject to revision as data quality improves and methodologies mature. The depth and sophistication of climate-related strategic analysis are also influenced by organizational maturity, resourcing, and access to tools and expertise. Sandbox's approach is designed to be proportionate to its size, complexity, and business profile, and is expected to develop over time as climate-related considerations become increasingly integrated into enterprise strategy and planning processes.

The pace and extent of climate-related strategic integration are influenced by organizational scale, resourcing, and business complexity. Sandbox applies a proportionate approach that focuses significant exposures and decision-useful insights appropriate to its size and risk profile. As a result, the timing, depth, and scope of integration may differ from those of other institutions. As organizational capacity, data availability, and tools continue to develop, climate-related considerations are expected to become more fully embedded in planning and decision-making processes.

Forward-Looking Statements

Certain statements made in this Report are forward-looking statements about Sandbox Mutual Insurance Company's (the Company) sustainability and environmental (including climate), social and governance (ESG)-related strategies, current and future plans, activities, areas of focus, risks, opportunities, performance, achievements, goals, metrics and targets, commitments and priorities that are predictive in nature or any other future events or developments constitute forward-looking statements (collectively, our "Approach"). The words "achieve", "aim", "ambition", "anticipate", "aspiration", "assumption", "believe", "could", "estimate", "expect", "goal", "indicate", "initiative", "intend", "likely", "may", "objective", "outlook", "predict", "plan", "potential", "project", "seek", "should", "strategy", "strive", "target", "trend", "will", "would" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements. Unless otherwise indicated, all forward-looking statements in this Report are made as at December 31, 2025, and are subject to change after that date.

The forward-looking statements in this Report represent our current expectations, estimates and projections regarding future events and are not historical facts, and remain subject to change. These forward-looking statements are not a guarantee of future performance, involve inherent risks and uncertainties and are based on key factors and assumptions, all of which are difficult to predict and many of which are beyond our control. In particular, because of the limitations and uncertainties inherent in climate science, risk analysis and sustainability and climate reporting (including greenhouse gas measurement and quantification), we have relied upon various market practices, taxonomies, methodologies, criteria and standards, and made reasonable approximations and assumptions, in establishing our Approach. However, there are many factors that we may not foresee or be able to accurately predict which may impact our Approach, including but not limited to, changes in government, political or regulatory approach or treatment in relation to sustainability disclosures, reporting and other requirements, and our ability to gather and verify data and successfully implement various initiatives under expected time frames, among other unforeseen events or conditions.

Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, credit, market, liquidity, insurance, underwriting, concentration, claims adequacy, reinsurance, operational, strategic, regulatory, reputational, and legal risks.

The terms "sustainability", "net zero", "sustainable investing", "ESG", "carbon neutral", "climate-related", "decarbonization", "transition", "resilient", "responsible" and similar terms, taxonomies, methodologies, criteria and standards are evolving in terms of both meaning and scope. As a result, our use of such terms may vary over time to reflect such evolution. Any references to such terms in this Report are intended as references to internally defined criteria and not to any jurisdiction-specific regulatory definition or voluntary standard that may exist.

Our Approach described in this Report rely on currently available information without undue cost or effort, and on assumptions and estimations based on internal and third-party data. Although we believe these sources are reliable, we have not independently verified or assessed the assumptions or estimations or the underlying data, and we cannot guarantee the accuracy of such third-party assumptions, estimations or data. Moreover, the quality, consistency and reliability of data used in connection with our Approach may vary across the sectors, regions, or markets that we focus on, and in some cases may not exist. We caution that there are inherent limitations and uncertainties with available data and methodologies that may impact our underlying assumptions and estimations. Our ability to maintain or progress our Approach may be impacted if their underlying assumptions or estimations prove to be incorrect or if regulatory, economic, technological and other external factors necessary to enable their achievement fail to evolve. These factors and related uncertainties could have a material effect on our Approach and our ability to meet them.

We anticipate that our Approach and the methodologies and scenarios we use in connection with those objectives (including to measure our GHG emissions) may need to be revised to reflect improvements in data quality and methodologies, the evolution of best practices, regulations, standards and science and changes in our business

practices or strategies. In addition, our reporting on progressing our Approach relies on market practices and various external frameworks, methodologies, taxonomies, criteria and other standards, which may change over time (or in some cases may not yet exist), resulting in changes to, or restatements of, our reporting processes and results.

Other factors that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements in this Report include the matters set out in the Sandbox's 2025 Annual Report for the year ended December 31, 2025 under the heading "Notes to Financial Statements" and other factors detailed in any other publicly available documents.

The forward-looking statements in this Report are presented for the purpose of assisting our stakeholders in understanding our Approach and may not be appropriate for other purposes. The Company does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

Additional Disclaimers

As a mutual insurance company, Sandbox Mutual Insurance Company is not required to prepare or file under Canadian securities laws; further, this Report is not required to be prepared or filed under Canadian securities laws and is intended to provide information from a different perspective and in more detail than is required to be included in other filings mandatory by Canadian regulatory authorities. The information contained herein should not be read as necessarily the same level of materiality of disclosure required in other filings and should not be considered to be incorporated by reference into any such filings.

The information contained in this Report is not intended to provide specific financial, tax, investment, insurance, legal or accounting advice and should not be relied upon and does not constitute a specific offer to buy and/or sell insurance services. This Report may contain examples of our internal sustainability and climate research processes and is not intended to represent any particular product's or strategy's performance or how any particular product or strategy will be invested at any particular time.

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All information contained within this Report, including, without limitation, Scope 1 and 2 greenhouse gas (GHG) emissions amounts, was not subject to independent assurance.

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