

Innovation Federal Credit Union

2025 Climate Report

Simplifying banking for Canadians and supporting economic opportunity and strong communities for our future generations.



innovation
FEDERAL CREDIT UNION

CEO'S MESSAGE

2025 was a year of record-breaking success and progress as we continued to strengthen the foundations of Innovation Federal Credit Union. We have improved operational resilience, advanced our digital transformation, and matured our risk and governance practices while staying true to our purpose of simplifying banking for Canadians. Thanks to our amazing team members, we did this in an environment defined by ongoing disruption, regulatory evolution, and rapidly changing member expectations.

As a cooperative, Innovation takes a long-term view of sustainability, resilience, and responsible growth. This perspective shapes how we think about the future—how we plan, how we govern, and how we support members and communities over time. Climate-related risks and opportunities are one part of this broader sustainability lens, alongside economic, technological, and social change that influences how members live, work, and do business. Building understanding in this area helps us prepare for what lies ahead and strengthens our ability to remain a stable, relevant, and trusted financial partner.

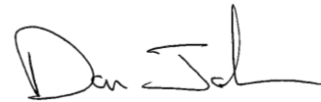
Over the past year, our focus has been on building practical foundations that support long-term resilience. This includes strengthening governance, building insight, and taking initial steps to incorporate climate considerations into our decision-making process. Our approach reflects a commitment to preparedness, transparency, and learning—ensuring we are well positioned to make informed choices and to support members as industries, communities, and expectations continue to evolve.

As we look ahead, we are continuing to build the enabling capabilities that support resilience across the organization. This includes translating what we are learning into stronger systems, data, and governance, alongside ongoing

investments in cyber security, cloud infrastructure, and modern technology platforms. Together, these capabilities strengthen decision-making, service delivery, and our ability to respond thoughtfully to evolving expectations while continuing to simplify banking for Canadians.

The years ahead will be shaped by several converging forces, including open banking, payments modernization, artificial intelligence, and a broader shift toward sustainability and long-term value creation. Together, these forces are changing not only how financial services are delivered, but what people expect from the institutions that serve them. For Innovation, this moment presents an opportunity to build a credit union that uses innovation to strengthen trust, expand access, and support financial well-being—while staying grounded in our cooperative values. By bringing technology, responsible banking, and long-term thinking together, we are positioning Innovation to create value in ways that endure: supporting members through change, contributing to strong communities, and building a credit union that remains relevant and sustainable for generations to come.

Thank you to our employees for your resilience, professionalism, and commitment. Thank you to our Board for your stewardship and guidance. And thank you to our members for placing your trust in Innovation.



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CEO

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INTRODUCTION

As a member-owned cooperative, Innovation exists to support our members and their communities over the long term. Sustainability, for us, is about building a credit union that is resilient, responsible, and able to grow in ways that support economic opportunity, strong communities, and future generations.

As a cooperative with deep roots in Saskatchewan and growing national reach, we take a long-term view of how we manage the credit union. That perspective includes thinking beyond today's conditions and considering how decisions made now may affect members, communities, and the places we serve years, or even generations, from now. This way of thinking aligns with our Responsible Banking perspective and emphasizes responsibility to those who come after us.

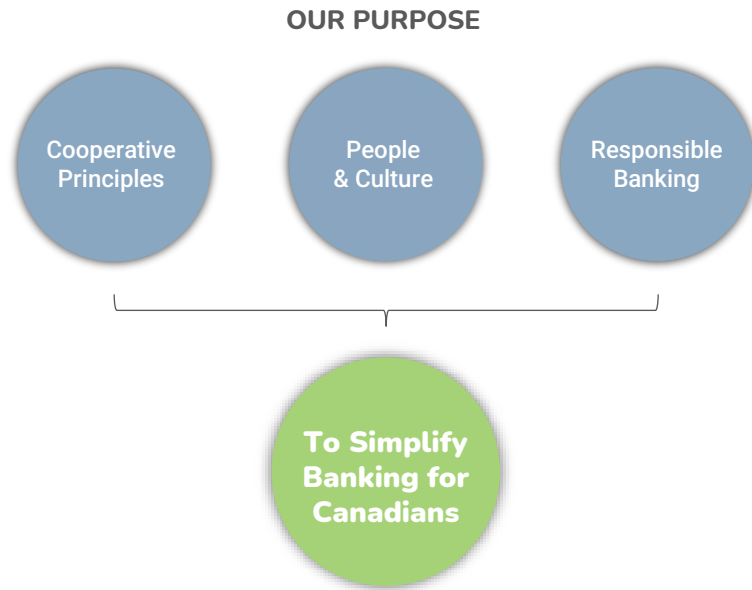
Climate-related risks are one part of this broader responsibility. Just as we plan for economic, technological, and social shifts, we also consider environmental factors that can influence members, businesses, and local economies over time. Understanding these risks supports responsible growth, sound risk management, and long-term sustainability for both the organization and its members.

As a federally regulated financial institution, Innovation is expected to assess and disclose climate related risks in line with [OSFI's B-15 Climate Risk Management Guideline](#). This report reflects those expectations, while also aligning with how we think about transparency, resilience, and responsible banking more broadly. This report exists not simply to meet a requirement but also provide transparency into how climate considerations fit into our long-term approach to stewardship, growth, and protecting the strength of Innovation for current and future members.



Sustainability, Responsible Banking, Our Purpose

Our purpose is **To Simplify Banking for Canadians**, and it is rooted in 3 core beliefs: Cooperative principles, People & Culture, Responsible Banking. Our approach to sustainability stems from these components and enables the long-term prosperity of both the credit union and the communities we work, live and play in.



At Innovation Federal Credit Union, sustainability refers to the integration of environmental, social, and governance (ESG) principles into core business strategies, risk management, and decision-making processes to support long-term financial performance, societal well-being, and environmental stewardship. A sustainable financial institution actively supports its members as Canada transitions to a low-carbon economy, promotes financial inclusion, and upholds ethical governance, while transparently engaging with stakeholders and complying with evolving regulatory expectations.

Environmental Responsibility

We consider how environmental and climate related factors may affect our members, communities, and the long-term resilience of the credit union. This includes how we can be prepared to support members through climate related change.

Social Impact

Strengthening financial inclusion, food security, education, and reconciliation in our communities through partnerships and programs that address immediate needs while building long term resilience and opportunity.

Governance Excellence

We are guided by strong governance practices that promote transparency, ethical conduct, and accountability, supporting sound decision-making and long-term trust in the cooperative.

Cooperative Principles

Being a cooperative is part of who we are. It means that as a member you are an owner with a voice and a share in the success of the credit union.

Responsible Banking™

Responsible Banking™ reflects our commitment to transparency, ethical practices, and making a positive impact in the communities we serve. Through Save, Earn, and Give, we use our profits in ways that make life better for members and communities by reducing fees, sharing our success, and reinvesting where it matters most.

People & Culture

Innovation's strategy is shaped and delivered through a people centric culture built on accountability, integrity, and respect.



INTRODUCTION

What is Climate Risk?

Climate risk refers to the potential financial impacts that can arise from climate-related changes and events. These risks generally fall into two categories. **Physical risk** reflects the impacts of climate and weather on assets, operations, and communities, while **transition risk** reflects the impacts of economic, market, and policy changes as industries and markets evolve in response to a changing climate.

Why Climate Risk is Important

Climate-related risks can influence core financial risks, affect multiple industries at once and emerge gradually or suddenly. For a credit union that serves members across diverse sectors and communities, understanding these risks supports prudent decision-making, financial resilience, and our ability to continue supporting members whether they are responding to disruption or planning proactively for the future.

Strengthening the Credit Union

With an understanding of climate-related risks, Innovation focuses on strengthening how we plan, govern, and manage risk across the organization. Incorporating climate considerations into existing decision-making processes helps ensure we are attentive to emerging factors that could influence our operations, financial position, and overall resilience, alongside other risks we already manage.

Supporting Members Through Change

Our members operate across a wide range of industries and communities, each experiencing change in different ways. By building insight into how climate-related factors may affect these sectors over time, Innovation aims to position itself as a relevant and supportive financial partner able to provide informed advice, appropriate solutions, and continuity of service as member needs evolve.



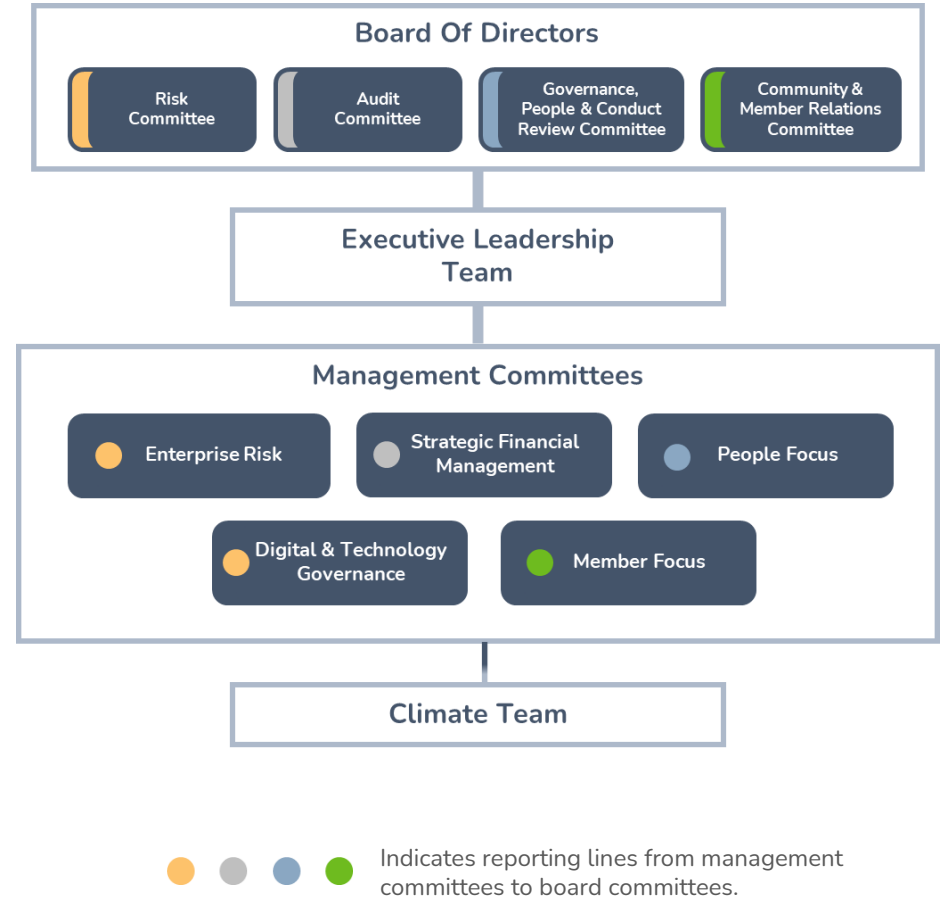
GOVERNANCE

Governance Structure

Strong governance is the foundation of Innovation’s commitment to long-term sustainability and responsible climate risk management. As a federally regulated financial institution, we recognize that prudent oversight and clear accountability are essential to earning and maintaining the trust of our members, partners, and regulators.

Our approach to sustainability is integrated into our broader governance framework, ensuring that climate-related risks and opportunities are addressed at the highest levels of decision-making. Through board and committee leadership, Innovation is building the structures needed to serve our members, enhance resilience, and shape the future of the credit union.

| Climate Risk Management Governance at Innovation | |
|--|---|
| Board of Directors and Board Committees | Provide oversight of climate risk management across the organization, with each committee fulfilling defined responsibilities to support effective governance and accountability. |
| Executive Leadership Team | Integrate climate risk management into business strategy and ensure appropriate leadership, resourcing, and organizational support. |
| Management Committees | Embed climate risk considerations into core business processes and operational decision-making, ensuring alignment with member expectations and enterprise priorities. |
| Climate Team | Coordinate cross-functional efforts to implement, strengthen, and mature Innovation’s climate risk management capabilities and support the development of climate-related strategy. |



Climate Governance at the Board Level

Our independent Board of Directors actively engages with our members and stakeholders, demonstrates a deep understanding of our business and its associated risks, and constructively challenges management to navigate the complexities of an ever-changing environment.

By upholding rigorous standards and principles, our Board guides Innovation in advancing our commitment to supporting members’ financial well-being and strengthening the communities we serve, while also delivering sustainable value for our membership.

The Board provides oversight of climate-related strategy and risk, recognizing its relevance across the credit union, with individual committees overseeing their respective areas as they relate to climate governance, risk, and reporting.

The Board continues to build its understanding of climate-related risks and opportunities through ongoing training and discussion, with 2025 focused on exploring the implications of targets, overall sustainability strategy, and effects on members. Executive management advises the Board on objectives and strategy, while management committees and functional groups lead implementation.

| Board and Board Committees | Meeting Frequency | Purpose | Role In Climate Oversight |
|--|-------------------|--|---|
| Board of Directors | Quarterly | Accountable for Innovation’s governance, strategy, financial performance and risk oversight. The Board oversees management performance and ensures the credit union operates prudently, complies with applicable laws and regulations, and acts in the long-term best interests of its members and communities. | <ul style="list-style-type: none"> Provides oversight of Innovation’s strategic approach to sustainability, including the management of climate-related risks and opportunities, metrics and targets, community investment, and key social priorities such as diversity and inclusion. |
| Risk Committee | Quarterly | Assists the Board in its oversight responsibilities of enterprise-wide risk management. It oversees the Risk Appetite Framework, monitors adherence to regulatory requirements, and ensures that risk management practices are aligned with Innovation’s strategy and member interests. | <ul style="list-style-type: none"> Oversees ESG-related risks, including climate risk, and ensures they are appropriately integrated into the Enterprise Risk Management Framework. |
| Community and Member Relations Committee | Quarterly | Supports the Board by overseeing initiatives that strengthen member relationships, community impact, and responsible banking practices. This includes oversight of member experience, complaints, growth, Indigenous engagement and Truth and Reconciliation efforts, and alignment with Innovation’s purpose and cooperative principles. | <ul style="list-style-type: none"> Oversees annual enterprise sustainability reporting and the Responsible Banking Platform, including sustainability-related strategies and initiatives. Supports coordination and alignment across the Board by reviewing ESG-related updates from all committees, including climate risk management. |
| Governance, People and Conduct Review Committee | Quarterly | Oversees Innovation’s governance framework, Board effectiveness, director succession and development, executive compensation, and conduct expectations. It ensures governance practices align with regulatory requirements, best practices, and the credit union’s values, while supporting a strong culture of ethical leadership and accountability. | <ul style="list-style-type: none"> Ensures ESG considerations are appropriately embedded within the governance framework. |
| Audit Committee | Quarterly | Supports the Board by overseeing the integrity of Innovation’s financial reporting, internal controls, and compliance with regulatory and accounting requirements. It reviews financial statements, internal and external audit results, and makes recommendations to the Board to support sound financial governance. | <ul style="list-style-type: none"> Oversees climate-related disclosures included in financial reporting, including related internal controls and regulatory compliance. Together with management and external auditors, reviews climate-related metrics and sustainability disclosures. |



Management Oversight of Climate-Related Risks

We are building our climate-related risk management capability through a dedicated, cross-functional team focused on establishing the foundational elements needed to manage climate risk effectively. The team brings together expertise from Risk, Strategy, Governance, Finance, and Business Intelligence and works collaboratively across the organization. The Vice President, Strategy and Innovation serves as Product Owner for this work. This structure supports alignment with enterprise priorities and ensures climate-related considerations are integrated into existing management processes. The team reports through Management Committees, with senior leadership directly involved as needed.

In 2025, our focus was on building and establishing the foundational elements to support the assessment, monitoring and oversight of climate-related risks. We will use the insights generated to inform the evolution of our climate strategy.



Management Committees' Climate-Related Responsibilities

The Management Committees meet quarterly and have specific roles and responsibilities related to Climate Risk Management. The membership of each of the following committees includes the Executive Leadership Team as well as key senior leaders from across the organization.

Member Focus Committee

Oversees the development and implementation of Innovation's sustainability strategy, including its climate strategy, and ensures supporting processes and procedures are established and maintained. The Committee also oversees the development, review, and approval of Innovation's annual climate-related risk disclosures and endorses the strategy components of those disclosures.

Enterprise Risk Committee

Provides management-level oversight of climate-related risk governance, ensuring climate-related risks are integrated into relevant risk management frameworks. The Committee oversees the development and implementation of processes, controls, and methodologies to identify and measure current and potential future climate risk impacts. It also reviews climate risk reporting to assess the effectiveness of Innovation's climate risk management and endorses the risk management content of Innovation's annual climate risk disclosures.

Strategic Financial Management Committee

Reviews climate-related and sustainability disclosures included in financial reporting to ensure alignment with applicable regulatory requirements. The Committee also reviews and endorses the metrics and targets components of Innovation's annual climate risk disclosures to ensure regulatory compliance.



Climate Strategy

As a member-owned financial institution, we recognize the growing importance of climate-related risks and opportunities to our long-term sustainability, strategy and members. In 2025, our focus was on building foundational awareness, assessing exposure to climate-related risks, and developing governance structures and reporting capabilities.

Some of the work completed to date includes integrating climate considerations into our enterprise risk management framework, assessing if targets are right for our strategy, implementing carbon accounting, and developing capabilities. This is about more than aligning our strategy with evolving regulatory expectations, it is an inflection point where we are considering what is best for the credit union and our members. We will continue to refine our approach as data, capabilities, and industry practices mature.

Climate And Responsible Banking

Innovation's climate strategy is not a standalone effort; it is integrated into our broader approach to Responsible Banking. Guided by the needs of our members and the communities we serve, sustainability at Innovation means helping members thrive today while preparing for tomorrow. Climate considerations sit alongside our commitments to community, social well-being, culture, and access to financial products and services as part of how we make responsible decisions across the organization.

At its core, Responsible Banking at Innovation is about how we create and share value with members and communities. Through our Save, Earn, and Give approach, we reduce everyday banking costs, return profits directly to members, and reinvest in the communities we serve. This model reflects our cooperative purpose—aligning Innovation's success with member outcomes, supporting financial well-being, and strengthening local communities through fair, transparent, and long-term decision-making.



Guided by the needs of our members and the communities we serve, sustainability at Innovation means helping members thrive today while preparing for tomorrow.

Climate Related Risks And Opportunities

Climate considerations challenge us to think differently about resilience, opportunities, and long-term decision-making. Some climate-related factors are best addressed through a prudent, risk-aware approach while others present meaningful opportunities as member needs, markets and technologies. These risks and opportunities are assessed through the same guiding lens that informs all our

decisions - what best supports our members, their communities, and the long-term sustainability of the credit union. Strengthening our understanding of climate-related risks and opportunities helps us make informed decisions that support our long-term resilience. The table below provides examples of key climate-related risks and opportunities and the different time horizons over which they may have the greatest impact.

| | Risk Driver | Time Horizon | Climate-related Risks – Examples | Climate-related Opportunities - Examples |
|-----------------|------------------------|--------------|--|---|
| Transition Risk | Reputation | M, L | <ul style="list-style-type: none"> Member and stakeholder perceptions that Innovation is unprepared to manage climate-related risk may result in reputational damage, higher cost of funds, and reduced demand for products and services. | <ul style="list-style-type: none"> Supporting our members as they transition to address the challenges and opportunities related to climate change Aligning with cooperative and Responsible Banking principles can enhance Innovation’s reputation. |
| | Policy and Regulations | S, M | <ul style="list-style-type: none"> Failure to comply with evolving laws and climate-related regulations may result in regulatory non-compliance risk. Unanticipated policy or regulatory changes may adversely affect the profitability of certain members or high-emitting sectors. | <ul style="list-style-type: none"> Aligning with evolving climate-related laws and policy direction can position Innovation for the transition to the future global economy. Supporting members in accessing subsidies, tax incentives, and transition programs can help mitigate the financial impacts of policy and regulatory change. |
| | Technology | M, L | <ul style="list-style-type: none"> Members dependent on new technologies for climate transition may incur losses if benefits fail to materialize. Technological change and infrastructure investment may create operational risks through obsolescence, misallocation, or capability gaps. | <ul style="list-style-type: none"> Adopting advanced technologies can improve operational efficiency, strengthen competitive positioning, and support positive member outcomes. Investing in fit-for-purpose systems and infrastructure can build internal capability and enhance the quality and reliability of emissions reporting. |
| | Market | S, M, L | <ul style="list-style-type: none"> Members in emissions-intensive sectors could experience revenue pressure. Climate-related market shifts may result in collateral value volatility and increased credit concentration risk for Innovation. | <ul style="list-style-type: none"> Supporting members in adapting to changing market conditions by offering climate-related product and services. Expanding sustainable lending solutions can enhance portfolio diversification and risk resilience. |
| Physical Risk | Acute | S | <ul style="list-style-type: none"> Acute extreme weather events may damage member assets and operations, resulting in collateral value deterioration. Extreme weather may disrupt Innovation’s operations through Member Advice Centre closures and service interruptions. | <ul style="list-style-type: none"> Assessing physical climate risk exposure and resilience within the real estate-secured loan portfolio can support proactive risk management. Strengthening business continuity planning and event response capabilities can reduce service disruption and support members during extreme weather events. |
| | Chronic | M, L | <ul style="list-style-type: none"> Chronic changes in weather patterns may adversely affect agricultural members, limit insurance availability, and impair the credit quality of affected loans. Increased geographic concentration risk may arise if chronic climate impacts disproportionately affect key regions within Innovation’s footprint. | <ul style="list-style-type: none"> Strengthening portfolio composition can enhance resilience and support proactive member advice. Improved understanding of insurance availability and coverage trends can inform collateral management and risk mitigation strategies. |

S = Short Term = 0-5 years | M = Medium Term = 5-10 years | L = Long Term 10+ Years



Integrating Climate Related Risks and Opportunities Into Strategy and Decision-Making

Innovation is taking steps to integrate sustainability and climate-related risk management into strategic decision-making. Climate-related risks and opportunities are evolving in nature and often play out over longer time horizons, requiring them to be considered as part of ongoing planning and decision-making rather than through isolated, point-in-time assessment.

Sustainability and supporting the long-term well-being of our communities have always been core to Innovation. Incorporating a climate perspective builds on this foundation. As this work is relatively new, our understanding of climate-related risks and opportunities—and how they may influence our business model and value chain—will continue to develop over time as we build on the foundational work completed in 2025.

As part of this initial phase, we have established governance structures, developed emissions measurement capabilities, incorporated climate considerations into ICAAP modelling, and integrated climate into discussions at both the leadership and Board levels. We have also developed a climate risk heatmap and explored potential climate targets, including what a net zero commitment could mean for Innovation and our members. At this stage, our focus remains on deepening our understanding of potential implications for the credit union, our members, and the communities we serve before establishing formal targets or limits.

Climate-related considerations are being embedded within our enterprise risk management and strategic planning processes, alongside the broader factors that shape our operating environment. This work is focused on strengthening how climate-related factors are considered in decision-making over time, rather than driving immediate changes to our business model or services.

Our current focus is on strengthening the data, insight, and internal capabilities needed to better understand where climate-related risks and opportunities may emerge across our activities. As this work progresses, it will support more informed, forward-looking decision-making and ensure Innovation remains well positioned to respond thoughtfully as conditions and member needs evolve.

For more information on Innovations strategy and performance please see our [Annual Report](#). Additional financial data on banks can be found on [OSFI's Website](#).

Looking Ahead

As conditions continue to evolve, we are optimistic about the opportunity to support members as they navigate change. We will continue to build our capabilities, assess member needs, and monitor emerging risks and opportunities so we remain well positioned to serve our members in a practical, responsible way that supports long-term resilience, sustainability and prosperity.



Identifying and Assessing Climate Risks

Innovation’s Enterprise Risk Management Framework provides the foundation for enterprise-wide oversight of significant risks through identifying, assessing, managing, and reporting risks. Climate-related risk is recognized as a material and transverse risk driver that can influence multiple risk categories, including credit, market, liquidity, operational, reputational, and strategic risks. Innovation integrates climate-related risks, including both physical and transition risks, into its enterprise risk management processes to ensure a comprehensive and forward-looking approach.

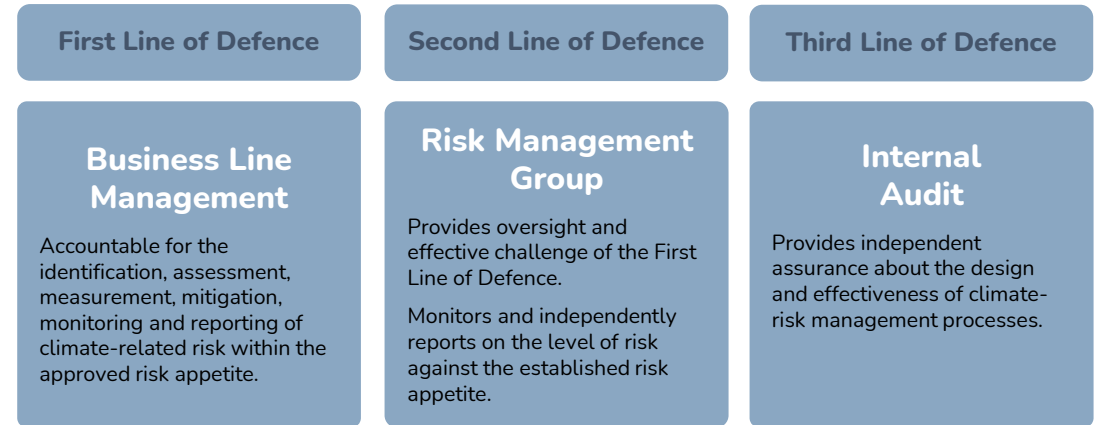
Physical Risks

Potential financial and operational impacts of climate-related events—such as floods, wildfires, and extreme weather—that can damage properties, disrupt business activities, and impair collateral values. These may arise from extreme weather events or from longer-term shifts in climate patterns.

Transition Risks

Potential financial and strategic impacts of the transition to a lower-carbon economy, political or public policy shifts to reduce emissions, or regulatory changes. These changes can influence members’ business models, affect asset values, and alter Innovation’s credit, market, and operational risk exposures.

Climate-related risks are managed within Innovation’s established Three Lines of Defence model. Business lines across the organization, as the first line of defence, manage these risks and report them to senior management through the Enterprise Risk Committee. The second line of defence, the Risk Management Group, reviews and challenges these inputs to ensure appropriate oversight. The internal audit function, as the third line of defence, provides independent assurance on the governance and management of climate-related risks. Together, the three lines of defence strengthen Innovation’s overall risk management and governance practices.



Risk Appetite Framework

Climate risk considerations are embedded in Innovation’s Risk Appetite Framework through qualitative risk statements that inform strategic planning and decision-making. These statements are reviewed and updated annually as part of the integrated strategic planning and risk appetite processes.



Climate Risk Heatmap

Our climate risk heatmap is one tool we use to identify potential climate risk vulnerabilities across multiple industry sectors.

A qualitative assessment of the sensitivity of the loan portfolio to physical and transition risks is conducted for all commercial lending activities.

Ratings were developed internally based on industry reports, review of regulatory exercises and internal stress test results.

As at December 31, 2025

| Commercial Loans – Industry Sector | Physical Risk | Transition Risk | \$ in Thousands | % |
|------------------------------------|---------------|-----------------|------------------|--------------|
| Real Estate and Construction | High | Medium | 732,454 | 19.2% |
| Agriculture | High | High | 529,967 | 13.9% |
| Indigenous and Municipalities | Medium | Medium | 178,720 | 4.7% |
| Professional Services | Medium | Low | 62,458 | 1.6% |
| Hospitality and Leisure | Medium | Low | 54,648 | 1.4% |
| Trade | Medium | Low | 43,148 | 1.1% |
| Manufacturing | Medium | High | 31,632 | 0.8% |
| Education and Healthcare | Low | Low | 30,424 | 0.8% |
| Finance and Insurance | Medium | Medium | 19,862 | 0.5% |
| Mining, Oil and Gas | High | High | 11,065 | 0.3% |
| Communications | Low | Low | 5,776 | 0.2% |
| Transportation | High | High | 3,902 | 0.1% |
| Other | Low | Low | 4,405 | 0.1% |
| | | | 1,708,461 | 44.9% |

Total dollar amounts reflect commercial and agriculture loans only. Percentages are calculated based on the total Innovation loan portfolio, which also includes consumer loans (personal loans and residential mortgages) and finance leases.



Managing and Reporting Climate Risks

As Innovation's climate strategy evolves, the organization continues to enhance and build out the management and integration of climate-related risks into decision-making processes. In 2025, Innovation developed reporting to capture exposure to both physical and transition risks. Climate-related risk reporting is incorporated into the quarterly reporting provided to senior management and the Board of Directors.

Scenario Analysis

In 2024, OSFI launched its Standardized Climate Scenario Exercise (SCSE), which applied to all federally regulated financial institutions (FRFIs). OSFI identified three key objectives for the SCSE:

1. Raising awareness and encouraging a strategic orientation with FRFIs to better understand the potential exposures to climate change.
2. Encouraging the building of FRFIs' capacities to assess the impact of climate-related catastrophic events and policies and to conduct climate scenario analysis.
3. Establishing a standardized quantitative assessment of climate-related risks, both transitional and physical in nature.

Innovation submitted its SCSE results to OSFI in two phases in late 2024 and early 2025. Innovation continues to invest in resources, tools and infrastructure to further develop internal scenario-analysis capabilities.

ICAAP

Climate-risk modelling is incorporated into Innovation's Internal Capital Adequacy Assessment Process (ICAAP) using a basic modelling tool based on assumptions and proxies. The scenario assumes rising temperatures and a reduction in crop production resulting in a material impact on Innovation's agricultural business. The most recent ICAAP results demonstrate that Innovation maintains sufficient capital reserves to mitigate the modeled climate-related impacts.

Business Continuity

Innovation's Business Continuity Management Program outlines how the organization responds to climate-related events that pose physical risks to operations. The program helps ensure that Innovation can maintain or restore critical services during disruptions and minimize potential impacts on service delivery, operations, and financial performance. Climate-related events that may trigger business continuity measures include severe weather, wildfires, flooding and other comparable region-wide physical disruptions.



METRICS

Green House Gas (GHG) Emissions

Measuring greenhouse gas emissions at its core is simply a way of understanding where emissions come from and how closely they are connected to an organization's activities. For a financial institution, emissions generally fall into two broad groupings:

- **Operational Emissions:** Emissions associated with running the organization itself, such as heating, travel, and energy use. These emissions fall under three distinct scopes: Scope 1, Scope 2, and Scope 3.
- **Financed Emissions:** Emissions associated with the activities that are supported through Innovation's lending and investment activities. When a financial institution provides a loan to a business, the financial institution is partially responsible for the emissions created by that business. Financed emissions are a dedicated category under Scope 3.

What Is Included in This Report

Greenhouse gas emissions associated with an organization's operations can fall across all three scopes. Currently, Innovation is focused on the most direct and reliable portions of our operational emissions.

This report includes Innovation's Scope 1 and 2 emissions. Scope 1 emissions relate to sources we directly control, such as fuel used to heat buildings. Scope 2 emissions relate to the electricity we purchase and use to operate our Advice Centres. These emissions provide a practical starting point for measurement based on available data and existing systems. Calculating them involves the use of standard emissions factors and reasonable assumptions applied consistently to produce transparent estimates. Innovation is actively working to better understand additional operational emissions contained within Scope 3, including financed emissions; however, Scope 3 emissions are not included in this report.

How We Calculate Emissions

To calculate greenhouse gas emissions, Innovation follows the Greenhouse Gas (GHG) Protocol, an internationally recognized standard and the methodology preferred by OSFI. Under the GHG Protocol, emissions are grouped into three categories, commonly referred to as scopes:

Scope 1 Direct emissions

Emissions from sources that an organization owns or controls directly.

Scope 2 Indirect emissions from purchased energy

Emissions from the generation of electricity, heating, cooling, or steam that an organization purchases and uses. These emissions occur off-site but are linked to the organization's energy use.

Scope 3 Other indirect emissions (value chain emissions)

Contains 15 categories of indirect emissions that occur across an organization's value chain, both upstream and downstream. For financial institutions, this includes financed emissions associated with lending and investment activities.

Financed Emissions

Financed emissions are typically the primary source of emissions for financial institutions and fall under Scope 3, Category 15 of the GHG protocol. Innovation is a member of the Partnership for Carbon Accounting Financials and applies its methodologies and emissions factor database to calculate financed emissions.



METRICS

Scope 1 and 2 Emissions

The table below summarizes Innovation’s Scope 1 and Scope 2 emissions in tonnes of CO₂ equivalent (tCO₂e). These were calculated using the GHG protocol and emission factors from the Intergovernmental Panel on Climate Change guidelines.

Scope 1 and 2 Emissions by Emission Scope

| Emissions by Scope | GHG Emissions (tCO ₂ e) |
|--------------------------------------|------------------------------------|
| Scope 1 (Direct) | 461.77 |
| Scope 1 (Direct) HVAC | 89.51 |
| Scope 1 (Direct) Corp vehicles | 39.22 |
| Total Scope 1 (Direct) | 590.49 |
| Total Scope 2 (Energy Indirect) | 971.43 |
| Total Scope 1 and 2 Emissions | 1561.92 |

Scope 1 and 2 Emissions by Emission Source

| Emission Source | GHG Emissions (tCO ₂ e) |
|--|------------------------------------|
| Stationary Combustion (Scope 1) | 551.28 |
| Mobile Combustion (Scope 1) | 39.22 |
| Electricity Consumption (Scope 2) | 971.43 |
| Total Emissions (Scope 1 and 2) | 1561.92 |

Targets

At this time, Innovation has not established decarbonization targets. Our immediate focus is on developing a robust understanding of our emissions profile, strengthening governance, and building the data, systems, and capabilities required to effectively assess climate-related risks and opportunities.

This approach is intended to support sound decision-making that reflects the best interests of our members, our portfolio, and the communities we serve. As this work advances and our understanding continues to mature, we will periodically reassess the role of targets within our broader climate risk management framework.



Appendix 1: OSFI Guideline B-15 Index

The following table details how our report addresses the 2025 disclosure expectations as outlined in OSFI’s Guideline B-15: Climate Risk Management Annex 2-2.

| OSFI B-15 Disclosure Element and Expectation | | Page Reference |
|--|---|---|
| Governance | | |
| a) | Describe the governance body(ies) (e.g., board of directors, committee, other) 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. | Governance: Governance Structure |
| 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. | |
| Strategy | | |
| 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. | Strategy: Climate Strategy Climate-Related Risks and Opportunities |
| b)i | With respect to business model and value chain, describe: <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. | |
| | With respect to strategy and decision making, disclose information about current and anticipated: <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. | |
| | With respect to financial position, financial performance, and cash flows, describe: <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; • 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. | |

Appendix 1: OSFI Guideline B-15 Index

| OSFI B-15 Disclosure Element and Expectation | | Page Reference |
|--|---|---|
| Risk Management | | |
| a) | Disclose information about the FRFI's processes and related policies for identifying, assessing, prioritizing, and monitoring climate-related risks. In meeting this disclosure expectation, the FRFI should explain how it has applied Principle 3, and its supporting paragraphs, in Chapter 1 of this Guideline. | Risk Management: Identifying and Assessing Climate Risks Climate Risk Heatmap Monitoring and Reporting Climate Risk |
| 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 | | |
| a) | Disclose metrics used by the FRFI to assess climate-related risks and opportunities in line with its strategy and risk management process. | Metrics: Metrics |
| b)i | Disclose separately the FRFI's Scope 1 and location-based Scope 2 absolute gross GHG emissions for the period. 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. 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. | |
| c) | Disclose any quantitative and qualitative climate-related targets the FRFI has set to monitor progress towards achieving its strategic goals, including: <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. Disclose information about the FRFI's approach to setting and reviewing each target and how it monitors progress against each target. Disclose information about the FRFI's performance against each climate-related target and an analysis of trends or changes in the FRFI's performance. For any GHG emissions target disclosed (and the corresponding metrics, if applicable), disclose it both gross of, and net of, carbon offsets, if applicable, and explain the type of offset (for example, carbon credit, nature-based, other). | Not applicable. Innovation does not currently have targets. |



Appendix 2: Glossary

Community investment strategy

Structured approach by financial institutions to allocate resources (capital, partnerships, services) toward initiatives that promote long-term environmental, social, and economic well-being in the communities they serve. For Board Committees, this strategy is not just philanthropic; it's a governance and strategic imperative aligned with ESG (Environmental, Social, and Governance) goals.

Disclosures

Formal, structured communication of climate-related and sustainability-related information by financial institutions to stakeholders, regulators, and the public. Under OSFI Guideline B-15, disclosures are a regulatory requirement designed to enhance transparency, accountability, and comparability in how institutions manage climate risk and sustainability performance.

ESG governance

Formal structures, roles, and processes through which a financial institution's Board and its committees oversee the integration of Environmental, Social, and Governance (ESG) principles into strategy, risk management, performance monitoring, and stakeholder engagement. It ensures that sustainability is not a peripheral concern but a core component of institutional decision-making, accountability, and long-term value creation.

Greenhouse gas emissions (GHG emissions)

GHG emissions are gases released into the atmosphere due to natural and anthropogenic (human-caused) activities that absorb and re-emit infrared radiation. The primary GHGs in the Earth's atmosphere are carbon dioxide, water vapour, methane, nitrous oxide, and ozone.

Low-carbon economy

An economy with minimal output of GHG emissions.

Metrics

Quantifiable indicators and evaluative frameworks used to measure a financial institution's progress toward its environmental, social, and governance (ESG) goals. These metrics are essential for Board Committees to assess strategic alignment, regulatory compliance, stakeholder impact, and long-term value creation.

Physical risks

Potential financial and operational impacts of climate-related events—such as floods, wildfires, and extreme weather—that can damage properties, disrupt business activities, and impair collateral values.

Resilience

The ability to anticipate, absorb, recover from, and adapt to shocks, disruptions, or changing external conditions across economic, individual, and community contexts.

Stakeholders

Our stakeholders include current and prospective members, employees, suppliers, governments, regulators, non-governmental organizations, and community organizations.

Sustainability reporting

Structured disclosure and oversight of environmental, social, and governance (ESG) performance, risks, and strategies. It is a governance mechanism that ensures the institution integrates ESG principles into its core business strategy, risk management, and decision-making processes to support long-term financial performance, societal well-being, and environmental stewardship.

Sustainability strategy

Intentional integration of environmental, social, and governance (ESG) principles into the institution's core business strategy, risk management, and governance structures. It is a forward-looking framework that guides how the institution creates long-term value for members, communities, and the environment while complying with evolving regulatory expectations.

Transition risks

Potential financial and strategic impacts of the transition to a low-carbon economy, political or public policy shifts to reduce emissions, or regulatory changes.



Appendix 3: **Caution Regarding Forward-Looking Statements**

This Climate Report may contain forward-looking statements concerning Innovation’s future strategies. These statements involve uncertainties in relation to prevailing economic, legislative, and regulatory conditions at the time of writing.

By their very nature, forward-looking statements are based on assumptions that involve inherent risks and uncertainties, both general and specific. It is therefore possible that the forecasts, projections, and other forward-looking statements will not be achieved or will prove to be inaccurate. Although the credit union believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct.



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