

# Climate Risk Report 2025

Questbank's first annual disclosure of climate-related governance, strategy, risk management, and metrics in accordance with OSFI Guideline B-15.

**Reporting period:** January 1 – December 31, 2025    **Entity:** Questbank    **Published:** June 2026

## ABOUT THIS REPORT

### Our commitment to transparent climate disclosure

This Document applies to Questbank and Community Trust Company (CTC) (collectively referred to as "Company"). The Company is a federally regulated financial institution (FRFI) and a wholly-owned subsidiary of Questrade Financial Group ("QFG"). As a digital-first, Schedule 1 Canadian bank, the Company provides mortgage solutions and deposit products to Canadians.

This report has been prepared in accordance with OSFI Guideline B-15 (Climate Risk Management). It is our inaugural public climate disclosure and represents the establishment of baselines, frameworks, and practices that will be refined in subsequent reporting cycles. We present this information in a spirit of transparency, acknowledging that our program is maturing and that metric targets will follow.

**Reporting boundary:** This report is scoped to the Questbank subsidiary. The Company's climate-related exposures are assessed across three pillars: (1) the residential mortgage credit portfolio, subject to physical and transition risks; (2) corporate operations, covering Scope 1 and Scope 2 GHG emissions from the Company's leased facilities; and (3) strategic resilience to climate-related disruptions.

## GOVERNANCE

### Board and management oversight of climate risk

Climate risk governance is anchored in the Company's Enterprise Risk Management (ERM) framework. Oversight is being established through the Board committee and management-level committee structure, with climate considerations expected to be progressively embedded in strategic decision-making and day-to-day operations.

### BOARD COMMITTEES

**RRC**      **Risk Review Committee** — Exercises ultimate oversight of the ERM framework, including climate risk appetite.

**GCRC**      **Governance & Conduct Review Committee** — Ensures governance remains compliant with evolving standards, including OSFI B-15.

**AC**      **Audit Committee** — Oversees the integrity of financial reporting, including climate-related financial disclosures.

## MANAGEMENT COMMITTEES

**EXCO**      **Executive Committee** — Oversees day-to-day operations and alignment to strategic climate priorities.

**ERMC**      **Executive Risk Management Committee** — Monitors climate risk against Board-approved Risk Appetite Framework.

**CredC**      **Credit Risk Committee** — Oversees climate change impacts on the lending portfolio; receives escalations from LAWG.

**LAWG**      **Lending Advisory Workgroup** — Analyzes acute climate events and their geographic impact on the mortgage portfolio; escalates findings to CredC.

The Company is working to ensure climate risk expertise is developed across its governance bodies and that climate considerations are progressively factored into strategic planning and, in time, executive remuneration frameworks, as the program matures.

## BUSINESS MODEL & STRATEGY

### How climate risk intersects with our operations

As a digital-first bank without a physical branch network, the Company's business model inherently carries a relatively low direct emissions footprint. The primary concentration of climate-related financial exposure lies within our \$6.1 billion residential mortgage portfolio, where collateral values and borrower creditworthiness are directly linked to physical climate events and transition pressures.

## INTERNAL TRANSITION PLAN

### Three pillars guiding our climate response

The Company is adopting a first-generation Internal Transition Plan. As baselines are being established in this reporting cycle, formal reduction targets are expected to follow in the 2026 reporting cycle. The Plan is intended to be reviewed annually by the Board of Directors, beginning at the Q2 2026 Risk Review Committee in August 2026.

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#### PORTFOLIO MONITORING — FINANCED EMISSIONS

The Company is managing transition risk within its mortgage portfolio. The 2025 and 2026 reporting cycles are being used to establish a comprehensive baseline of financed emissions, calibrate risk appetite, and develop underlying metrics for Board-approved limits.

The portfolio's short weighted-average maturity of 1.2 to 1.7 years supports frequent climate reassessments at renewal.

2

#### **OPERATIONAL DECARBONIZATION — INTERNALLY GENERATED EMISSIONS**

The Company aims to minimize its direct environmental impact by maintaining a hybrid work-from-home model and a lean physical footprint. The recent relocation of its secondary office to 70 York Street (LEED Gold) beginning in April 2026 further supports a transit-oriented, low-carbon operational strategy.

3

#### **STRATEGIC RESILIENCE — BUSINESS CONTINUITY & SUPPLY CHAIN**

The Company is working to integrate climate considerations into its Business Continuity Risk Management (BCRM) and Third Party Risk Management (TPRM) frameworks, with the aim of ensuring that critical service providers and digital supply chains can validate disaster recovery capabilities against extreme weather scenarios.

## **RISK MANAGEMENT**

### **Identifying, measuring, and treating climate-related risk**

Climate risk is being integrated into the Company's Enterprise Risk Management Framework and Policy (ERMFP) and Risk Appetite Framework (RAF) as a subset of strategic risk. The Company is managing climate risk through a dedicated Climate Risk Policy, which is designed to govern the identification, assessment, monitoring, and treatment of climate-related exposures across the risk lifecycle.

#### **PHYSICAL RISK**

##### **CONTINUOUS**

- Acute weather events (floods, wildfires, ice storms) may impair collateral values and borrower creditworthiness, increasing Loan-to-Value ratios and Loss Given Default.
- Damage to critical network infrastructure poses operational continuity risks.

#### **TRANSITION RISK**

##### **MEDIUM TO LONG TERM (1 - 10+ YEARS)**

- Rising carbon pricing and evolving energy regulations may increase borrower operating costs, raising Probability of Default in energy-intensive property segments
- Properties reliant on carbon-intensive heating may face relative valuation declines as market preferences shift toward energy-efficient assets.

The Company assesses every mortgage property for location-specific physical vulnerabilities prior to funding, including flood and wildfire risk. Properties in high-risk zones are subject to mandatory insurance conditions. Flood plain properties are subject to a maximum Loan-to-Value cap of 65%. During active climate events, the Company monitors hazard perimeters against its mortgage portfolio and applies additional underwriting restrictions where warranted. Post-funding, insurance coverage is monitored and claims are managed to ensure damaged collateral is restored. Geographic diversification is maintained as a primary mitigant against localized climate event concentration.

# METRICS & TARGETS

## 2025 GHG emissions baseline

The Company is calculating and disclosing gross GHG emissions in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. 2025 represents our first full reporting year; formal reduction targets are expected to be established in the 2026 reporting cycle as the baseline is validated.

<h3>Nil</h3> <p><b>TCO<sub>2</sub>E — SCOPE 1</b></p> <p>Direct emissions. The Company does not own a vehicle fleet; primary building heating systems at leased facilities are managed by landlords.</p>	<h3>64.4</h3> <p><b>TCO<sub>2</sub>E — SCOPE 2</b></p> <p>Indirect emissions from electricity and heating at the Company's primary office at 5700 Yonge Street, North York.</p>
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**Methodology note:** Scope 2 indirect emissions are estimated using a square-footage intensity proxy based on NRCAN's Survey of Commercial and Institutional Energy Use (SCIEU, 2019), applying a 47% natural gas / 46% electricity fuel split, a natural gas emission factor from ECCC's National Inventory Report, and an Ontario grid emission factor of 75 g CO<sub>2</sub>e/kWh (The Atmospheric Fund, October 2025). Since heating and electricity are bundled into the Company's lease, these emissions technically fall under GHG Protocol Scope 3 Category 8 (Upstream Leased Assets), but are reported under Scope 2 for alignment with the OSFI DC2-A template. Scope 3 financed emissions are calculated internally using the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry and will be publicly disclosed in accordance with OSFI's prescribed timeline. The Company does not finance properties outside of Canada.

### FORWARD PATH

The Company is working toward progressing from proxy-based estimation to verified primary utility data in FY2026, with the aim of improving data quality from PCAF Score 4 to Score 2 or 3. As the Scope 3 financed emissions baseline matures, the Company is expected to develop risk appetite metrics and reduction targets for consideration by the Board, beginning at the Q2 2026 Risk Review Committee.

## CAUTION

### Forward-looking information

This report contains forward-looking statements regarding the Company's climate-related strategies, objectives, and ambitions. These statements are predictive in nature and depend on future events and assumptions that may not materialize. Goals and ambitions expressed herein are aspirational and subject to recalibration as data quality, regulatory requirements, and climate science evolve. Achieving these goals is subject to material risks, including limited data availability, regulatory changes, reliance on third-party methodologies and technologies, and the inherent uncertainty of climate projections.

Forward-looking statements in this report should not be read as guarantees of future performance. The Company does not undertake an obligation to update such statements except as required by applicable law or regulation.