



Working Together to Build Better Communities

Tarion Corporate Social
Responsibility Plan 2023

2023 Corporate Social Responsibility

About

Tarion's Corporate Social Responsibility Plan for 2023

Corporate Social Responsibility (CSR) is an important part of Tarion's culture. It has a significant impact on staff, our external relationships and the strategic decisions which guide Tarion's operations and direction.

Tarion puts a high priority on fostering sustainability and integrating meaningful economic, social and environmental considerations into our business practices. This plan serves to highlight Tarion's progress on corporate social responsibility and outlines further steps to build upon these achievements.

Impact

How Corporate Social Responsibility at Tarion makes an Impact:



Governance

Governance criteria consider our standards for operating and overseeing an effective organization that is well-run.



Environmental

Environmental criteria consider how we perform as a steward of the natural world.



Social

Social criteria consider our programs and processes to foster the well-being of Tarion's employees, stakeholders, and the communities in which we operate.

Priorities

Tarion's Area of Focus:



The Board of Directors is ultimately accountable for Tarion's actions and results through the setting of strategic direction and regulatory priorities. Our Board composition and structure, risk oversight procedures, whistleblower process and advisory councils exist to preserve and strengthen stakeholder confidence in Tarion.

Board of Directors

Our Board of Directors is a diverse and balanced group which represents key stakeholders including new home buyers, builders, consumer advocates, the financial community, and provincial and municipal levels of government across Ontario. The Board is responsible for promoting sound governance practices, conducting regulatory oversight and taking a leading role in setting the strategic direction for Tarion.

Board Committees

Audit and Risk Committee

The Audit & Risk Committee is a Standing Committee of the Board of Directors. On behalf of the Board, the Committee oversees the impact and management of all risks that affect Tarion, except for any matters concerning our governing legislation, which is overseen by the Governance & Regulatory Affairs Committee. The Committee also oversees Tarion's



external and management financial reporting, risk framework and reporting, and long-term financial sustainability.

Stakeholder Committee

The Stakeholder Committee has been established to provide guidance, informed opinion and progressive ideas, and to make recommendations to Tarion's Board of Directors with respect to the promotion of consumer interests and consumer protection initiatives. The Consumer Advisory Council (CAC) and Industry Advisory Council (IAC) are sub-committees of the Stakeholder Committee of the Board.

Governance & Regulatory Affairs Committee

The Governance & Regulatory Affairs Committee has been established to provide guidance and make recommendations to Tarion's Board of Directors on governance and regulatory matters. The Committee is also responsible for assisting the Board in fulfilling its oversight responsibilities with regard to Tarion's specific regulation-making powers as set out in the Ontario New Home Warranties Plan Act.

Human Resources & Compensation Committee

The Human Resources & Compensation Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities regarding human resources and compensation.

The Committee oversees the implementation of human resources decisions of the Board and ensures the adequacy and effectiveness of the systems implemented to ensure compliance with all human resources legislation, policies and procedures. Additionally, the Committee leads the evaluation and compensation process for the CEO.

Investment Committee

The Investment Committee reports to the Board on the corporate investment plans, policies and issues with respect to the Guarantee Fund and pension plan(s).

Risk culture

Tarion has adopted the Three (3) Lines of Defence Model to ensure consistent application of risk management by all staff in the execution of strategy, achievement of business objectives and delivery of day-to-day operations.

1. The first line of defence is comprised of Tarion's operational managers and process owners. These are Tarion's primary risk takers/owners. They are responsible for implementing effective internal controls and maintaining processes for identifying, assessing, controlling and mitigating the risks associated with their activities, consistent with Tarion's established risk thresholds.
2. The second line of defence is comprised of risk oversight groups (e.g., Tarion Management Risk Committee and the Board Audit & Risk Committee) that oversee Tarion's operational risk management and compliance functions.
3. The third line of defence is an independent assurance provider regularly assessing the effectiveness of Tarion's governance, risk management and internal controls, as applicable.

A review of both the internal (e.g., policies) and external (e.g., economy, new legislation) environments is used to identify risks. Identified risks are categorized by sources to facilitate the determination of their root cause. This allows for an analysis of their potential financial, operational and reputational impacts, and helps to establish an appropriate risk response. Depending on the assessment, Tarion may either opt to accept, exploit, mitigate, transfer, or avoid identified risks. An assessment of the nature of identified new, emerging and existing risks is undertaken. This is to understand the inherent risk exposure, the appropriate response, the effectiveness of Tarion's internal controls and the requirements for ongoing monitoring. Tarion's internal controls encompass all of its possible responses to risk, whether viewed as opportunities, uncertainties, or hazards. As part of its risk management strategies, Tarion has comprehensive business continuity plans for its operations in the event of a disaster to ensure continuous delivery of its services to stakeholders.

Capital Management

Tarion's fiscal risk management procedures also include modelling potential material claims risks and the risk of financial catastrophic scenarios. This risk scenario testing in turn feeds into our actuarial assessments of Guarantee Fund adequacy and our internal risk mitigation discussions. Management has adopted a capital management framework modeled after the framework used in the property and casualty insurance industry in Canada and modified to reflect the Tarion's circumstances, including its inability to raise capital in traditional ways. This framework incorporates the business requirements for sufficient capital throughout the variations of the new home building cycle, including possible losses from a future catastrophic event.

An exercise in the framework is the Financial Condition Testing (FCT). This annual exercise identifies and assesses potential risks that are translated to adverse scenarios that are likely to significantly impact Tarion's capital level. The FCT identifies corrective management actions

that can be applied following the stress testing in order to develop a plan to return to a position of capital adequacy. Moreover, the FCT testing process allows management to understand the implications Tarion's business plan has on capital, and provides awareness of significant risks to which Tarion may be exposed. The Board and Senior Management are involved in the determination of the stress scenarios and understand the key findings of the stress test to develop and implement risk mitigation strategies. The FCT exercise is reviewed by Tarion's external actuary and an actuarial opinion is obtained. The results of the annual FCT are presented to Tarion's Audit and Risk Committee and the FCT Report is approved by the Board.

Safeguards

Tarion conducts an annual Dynamic Capital Adequacy Test, and voluntarily applies the Office of the Superintendent of Financial Institutions' Capital Standards to ensure the corporation maintains strong financial stewardship of the Guarantee Fund. This helps ensure that we are in a stable financial position and able to pay out on homeowner claims.

Promoting Responsible and Ethical Conduct

Tarion is committed to fair dealing and integrity in the conduct of its business. This commitment is based on a fundamental belief that business should be conducted honestly, fairly and in compliance with applicable laws. Tarion expects all employees to share its commitment to high standards.

It is important that employees meet the highest standards of ethical behaviour and business conduct in the course of their employment at Tarion, and contribute to a respectful and inclusive workplace. Employees are expected to carefully consider public perception and exercise responsible judgment. In performing their duties, employees must act honestly and in good faith, with a view to the best interests of the Corporation.

Tarion's Code of Conduct sets out these expectations for all employees. This set of policies is evaluated, tested and audited annually, with the results reported to the Board at the start of each fiscal year or when there is a material change in the leadership or composition of the Board or Senior Management at Tarion.

Annual review and attestation of our Code is mandatory for all employees.

Raising concerns: Employees can confidentially and anonymously raise concerns related to suspected or potential wrongdoing through our Whistleblower Program Portal. Operated independently by a third party, the portal enables employees to report concerns via the web or by phone.



Environmental Stewardship is an important consideration within our operations. Tarion aims to reduce operational environmental impacts through our facilities practices, and our work policies and practices.

Tarion's head office building has a robust environmental sustainability program. Our property undergoes energy audits every five years to assess energy performance and identify improvement opportunities. As part of this process, there is a consistent investment in property and equipment upgrades aimed at increasing the operational efficiency of the building. A variety of water management practices have been undertaken, including retrofitting equipment and investing in the latest water conservation technologies. As a result of these efforts, Tarion's head office facility achieved LEED Gold building certification in 2021. Our facility has also received BOMA Best Platinum certification.

As part of our operational sustainability program, each of our major office services suppliers has been asked to report on sustainability efforts. Our four largest suppliers, ranked by overall dollar value of services delivered, each provide sustainable products to Tarion. Where possible, each vendor is in the process of reducing their emissions and transitioning towards reliance on renewable energy sources.

As a result of Tarion's ongoing rebrand project, we have changed our corporate clothing, stationary, signage and other branded items to reflect our updated visual identity. Careful consideration is being applied to the environmental impact of our rebranding activities to minimize waste related to updated physical materials. During 2023, we aim to recycle or repurpose over 700 lbs of materials.

During 2022, Tarion officially transitioned head-office based employees to a hybrid work environment. The transition to hybrid work allowed for a reduction in our office space, so that we moved from two floors of our office tower down to one. The reduction to our office footprint and the reduction to in-office days for employees has created significant reductions to energy and water use, as well as commute-related carbon emissions.



Tarion strives to foster an inclusive culture where every person is empowered to thrive, reach their fullest potential and belong. Through our stakeholder, community and employee programs, we aim to make Ontario a better place to live.

Stakeholders

Tarion's core purpose is to enhance fairness and confidence in the new home buying experience in Ontario.

Tarion invests in education offerings for new homeowners, municipal partners, home inspectors, real estate professionals, builders and other stakeholders, to build understanding of roles and responsibilities with respect to new home warranties, and to build confidence in new home construction in Ontario.

Tarion waives registration and enrollment fees for eligible homes that are built for a charitable purpose. Tarion waived fees for 713 enrolments during 2013-2022. We are projecting to waive fees for approximately 90 enrolments in 2023.



Employees

Tarion aims to provide a place where talented people can thrive and be good corporate citizens.

Tarion believes that a strong commitment to diversity, equity and inclusion allows employees to perform at their very best and underpins a culture in which everyone feels they have an equal opportunity to belong and build a career. During 2022, we will continue to adopt practices that ensure equality of opportunity in the workplace, and to remove systemic barriers so that employees have every opportunity to feel included at work.

Tarion recognizes the importance of fostering an environment that provides psychological safety for our employees and our stakeholders.



Communities

Tarion aims to contribute to the communities it serves. We are committed to supporting volunteer activities that serve the communities in which we live and work. Our goal is to foster a spirit of volunteerism and to provide additional opportunities for employees to get involved in supporting causes that are important to their colleagues. During 2023, we asked employees to nominate the charities that are important to them for support by Tarion Cares. We will host fundraising events, sponsor employee community involvement and provide a platform for employees to encourage participation with the charities they support. Appendix “A” outlines the activities and charities that Tarion Cares has planned for 2023.



Partners

Tarion’s Corporate Social Responsibility Partners:

Tarion Cares

Tarion Cares is a cross-departmental employee committee established to promote employee social responsibility, encompassing Tarion’s commitment to its business values by raising funds in support of various humanitarian not-for-profit organizations. This committee aims to create greater social connections at Tarion to contribute to employee well-being while connecting employees to social responsibility.

Appendix A: 2023 Tarion Cares Plan

<p>Planned Events</p>	<p>Raffles Food drives Mother’s Day chocolate sales Trivia Candy sale</p>
<p>Charities Supported</p>	<p>Ride to Conquer Cancer Canadian Blood Services Sick Kid’s Foundation Terry Fox Foundation Rainbow Railroad Ernestine’s Women’s Shelter Men’s Street Ministry Kids Help Phone and Crisis Ontario Heart and Stroke Foundation Canadian Red Cross - Earthquake in Turkey/Syria Relief Saint John’s Ambulance Daily Bread Food Bank</p>