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Management's Discussion and Analysis of 2025 Financial Statements and Results

The Management's Discussion and Analysis of Financial Statements and Results (MD&A) provides management's perspective on key events, transactions and issues that affect current and future performance of the Workers' Compensation Board - Alberta (WCB). The MD&A, prepared as of April 28, 2026, should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2025.

Forward-looking statements

This report contains forward-looking statements about certain matters that are by their nature subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, WCB objectives, strategies, targeted and expected financial results. They also include the outlook for WCB's business and for the Alberta and global economies. Risks and uncertainties arise from, but are not limited to, changing capital market, industry, and general economic factors or conditions; geopolitical instability; global or domestic pandemics; climate change; demographic and medical technology changes affecting claims and related costs; changes in legislation affecting WCB policies and practices; changes in accounting and actuarial standards; inability to retain and recruit qualified personnel; and other risks, known or unknown. Some are predictable or within WCB control; many are not. The reader is hereby cautioned not to place undue reliance on these forward-looking statements.

Unless otherwise indicated, all amounts shown are in millions of Canadian dollars.

Business Overview

Corporate profile

Founded in 1918, WCB is a statutory corporation with a legislative mandate under the *Workers' Compensation Act* (the Act) to administer the workers' compensation system for the province of Alberta. While accountable to the Minister of Jobs, Economy, Trade and Immigration, WCB is independently funded and operated. Through the payment of premiums, over 161,700 employers fund the system, which covers approximately 2.1 million workers.

WCB's mandate

In Canada, workers' compensation is a no-fault disability system that protects both employers and workers against the economic impact of work-related injuries and occupational diseases. Based on the Meredith Principles, the system covers injured workers for lost employment income and provides health care, rehabilitation and other services required due to a work-related injury, while employers are shielded from litigation. This system brings economic stability to the workplace through collective liability that minimizes the risks and expenses of injury. To achieve these objectives, the Act established the Accident Fund and imposed a statutory obligation on WCB to ensure that it be fully funded.

WCB's vision and mission

The core principles set out in WCB's vision and mission shape the corporate beliefs and values that guide the organization's operating philosophy.

Vision

Albertans working—a safe, healthy and strong Alberta.

Mission

WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans.

WCB's strategic vision is to make a positive and lasting impact on the people, society and economy of Alberta through what it does, while the mission statement describes the guidelines for how it intends to conduct business.

2025 Financial Performance

The 2025 financial statements accompanying the MD&A represent the audited financial statements prepared in accordance with IFRS Accounting Standards (IFRS).

IFRS 17 IN THE WCB CONTEXT

WCB's business model differs substantively from the commercial insurance model on which the International Financial Reporting Standard IFRS 17, *Insurance Contracts*, standard is based. IFRS 17 mandates the classification of costs into Insurance management, Financial management and Administration. However, this classification does not align with WCB's classification for funding purposes, which separately displays results from premium rate setting activities and asset liability management. More importantly, IFRS 17 prescribes valuation changes that would introduce significant volatility to WCB's annual premium rate setting. Fully incorporating IFRS 17 into WCB's business and funding processes would have material consequences for the Accident Fund and its stakeholders in terms of significantly increased premium rate and funding level volatility.

In accordance with its Funding Policy, WCB funding practice reflects a funding model based on long-term financial sustainability. In contrast, the IFRS 17 financial reporting model reflects a current market perspective focused on using bond yields to determine discount rates for calculating the present value of future cash flows related to insurance contracts, which inherently makes the financial results of the business more volatile. To shield premium rate setting and funding processes from the volatility of IFRS 17 reporting, WCB maintains Funding basis reporting for evaluation of financial performance, rate setting and funding level sufficiency, financial planning and decision making.

The following section provides an overview of WCB's 2025 operating highlights based on IFRS, along with a reconciliation to a Funding basis. This enables MD&A commentary on the 2025 rate setting and business performance. Note that the unaudited Funding basis results, while more stable over the longer term, can be materially different from the IFRS results in any given year. Financial results on the Funding basis are non-IFRS measures and do not have a standardized meaning under IFRS Accounting Standards and, therefore, may not be comparable to similar measures presented by other insurers. The Funding basis results supplement the related financial information prepared in accordance with IFRS Accounting Standards.

OPERATING HIGHLIGHTS AND FINANCIAL POSITION – IFRS 17 BASIS

The 2025 *Statement of Financial Performance and Comprehensive Income* prepared on an IFRS basis segregates WCB's financial results into three distinct categories: Insurance management, Financial management and Administration and other expense as follows:

(\$ thousands)	2025	2024
Insurance management		
Insurance revenue	\$ 1,696,318	\$ 1,539,382
Insurance expense	(2,107,186)	(1,907,179)
Insurance management result	(410,868)	(367,797)
Financial management		
Investment income and expense	1,271,842	1,526,075
Insurance finance income and expense	(257,800)	(843,500)
Financial management result	1,014,042	682,575
Administration and other expense - net	(111,560)	(101,558)
Net income	491,614	213,220
Other comprehensive income	1,897	(39,819)
Total comprehensive income	\$ 493,511	\$ 173,401

WCB reported a deficit from Insurance management activities of \$410.9 million in 2025, largely due to costs related to current year injuries exceeding premiums for insurance coverage. The Insurance management deficit increased by \$43.1 million primarily due to increased claims costs and remeasurement losses partially offset by increases in insurance revenue in 2025 compared to 2024.

Financial management activities produced a surplus of \$1,014.0 million in 2025 largely driven by an investment portfolio return of 9.2% (2024 – 12.2%). Year over year, the Financial management result increased by \$331.5 million as the Insurance finance income and expense of \$257.8 million (2024 - \$843.5 million) decreased by \$585.7 million. This decrease was primarily due to changes in the discount rates used to value insurance liabilities in 2024 and 2025.

Administration and other expense of \$111.6 million in 2025, primarily reflects the portion of expenditures that do not arise directly from fulfillment of insurance contracts. Administration and other expense was \$10.0 million higher in 2025 compared to 2024 due to inflationary impacts.

Combining these three components above produced an overall Net income on an IFRS basis of \$491.6 million in 2025, up from \$213.2 million in 2024.

The 2025 *Statement of Financial Position* prepared on an IFRS basis was as follows:

(\$ thousands)	2025	2024
Assets		
Cash and cash equivalents	\$ 300,235	\$ 265,807
Receivables and other assets	50,761	48,795
Investments	14,915,497	13,886,795
Property, plant and equipment	74,618	72,190
Intangible assets	19,467	25,801
	\$ 15,360,578	\$ 14,299,388
Liabilities		
Trade and other liabilities	\$ 54,738	\$ 91,788
Safety rebates	107,100	104,236
Employee benefits	56,268	51,588
Insurance liabilities	15,205,418	14,608,233
	15,423,524	14,855,845
Fund Balance	(62,946)	(556,457)
	\$ 15,360,578	\$ 14,299,388

Investments grew by \$1.0 billion over 2025 as a result of strong investment returns less the cash draws to fund operations. The insurance liabilities grew by approximately \$0.6 billion year-over-year, due to the liability remeasurement losses, and interest accretion on the liability, net of favourable offsets from discount rate changes.

Reconciliation of Funding basis

A reconciliation of the IFRS results to the Funding basis reflecting measurement and presentation adjustments is presented in the table below:

Adjustments to reflect measurement and presentation on a Funding basis:				
IFRS basis	Insurance management	Financial management	Administration and other expense	Net income
(\$ thousands)				
Statement of Financial Performance and Comprehensive Income	(410,868)	1,014,042	(111,560)	491,614
Reverse IFRS 17 onerous contract loss ¹	(61,000)			(61,000)
Remeasure the cost of current year claims applying funding discount rates ²	108,000			108,000
Remeasure the cost of prior year claims applying funding discount rates ²		(444,600)		(444,600)
Reclassify remeasurement gains & losses to ALM result	298,049	(298,049)		-
Reclassify administration components that are part of rate setting	(109,291)	(2,269)	111,560	-
	(175,110)	269,124	-	94,014
Funding basis	Customer operations	Asset liability management		Net Funding Surplus (Deficit)

A reconciliation of the IFRS fund balance to the Funding basis is presented in the table below:

Reconciliation of IFRS Fund Balance to Funding basis	Fund Balance
(\$ thousands)	IFRS Basis (62,946)
Derecognition of liability for remaining coverage and restatement of liability for incurred claims on a funding basis.	1,392,600
	Funding Basis 1,329,654
Funded Ratio	109.4%

As noted in the reconciliations above, the IFRS financial results are reconciled to the Funding basis by restating the claim benefit obligations using a long-term stable funding discount rate and realigning the results into the two Funding basis categories. The remeasurement of the claim benefit obligation on a Funding basis was endorsed by WCB's independent signing Actuary. The Funding basis results are unaudited.

These reconciling items are intended to provide results on a Funding basis that are representative of the "fully funded cost of current year injuries" to provide transparency to stakeholders on the sufficiency of 2025 premiums to cover 2025 fully funded injury costs. Furthermore, restatement of the IFRS 17 basis financial results to the Funding basis provides a more stable baseline for ongoing evaluation of funding sufficiency of the Accident Fund and to support funding decisions that are made from time to time.

The approach of using Funding basis financial reporting to inform fund management decisions is affirmed by the Board of Directors through the Funding Policy. The following sections provide commentary on WCB's financial condition and 2025 performance on a Funding basis.

¹ IFRS 17 requires immediate recognition (in the current period when the renewal premium rates are published) of an onerous contract loss when premiums are determined insufficient to cover the expected insurance expense. Onerous contract losses are not immediately recognized under the funding basis, only as the losses are realized.

² To remeasure the cost of current year and prior year claims using the funding basis net discount rate of 3.6%.

OPERATING HIGHLIGHTS – FUNDING BASIS

At the highest and simplest level, WCB is involved in two core and complementary business activities: customer operations and asset liability management (ALM).

Customer operations provide disability management for workplace injuries. Key business processes include rate setting, assessment and collection of premiums from employers, payment of compensation benefits to injured workers, return-to-work services and administration.

Asset liability management involves a risk-based approach to manage assets and liabilities so that sufficient assets are available to pay for claim-related obligations. Key business processes include strategic financial planning, investment management, claim benefit liability analysis and valuation, financial risk management and financial performance reporting. Prudent asset liability management not only ensures security of benefits for workers and fair premiums for employers but also provides appropriate tools for evaluating how effectively WCB is meeting its financial obligations.

The WCB's funding policy operates on the premise that in a given year, a link exists between current year premiums and the cost of current year injuries, and asset liability management activities will generate investment returns sufficient to cover the annual interest requirement on the claim benefit liability. Given the volatile performance of local and global economies, forecasting these outcomes is subject to a great deal of uncertainty and risk. Consequently, actual results will likely differ significantly from even the most rigorously developed plans. Surpluses or deficits can arise when actual costs and returns are different from forecast expectations, which rely on economic and business assumptions based on available information at a point in time.

In 2025, WCB experienced an overall operating surplus on a Funding basis of \$94.0 million. The factors contributing to the surplus are as follows:

Customer operations

A deficit of \$175.1 million as a result of insufficient premium revenue

- The Alberta economy continued to show resilience in 2025 despite an initially bleak outlook due to tariff concerns. As the year progressed, this outlook stabilized as the province experienced stronger-than-anticipated employment growth. Claim volume remained stable compared to 2024, while duration had a marginal decrease as improved economic conditions boosted modified work opportunities. WCB remained focused on delivering support through avenues that educate, engage and demonstrate care to every worker, employer and health care provider.
- Employer assessable earnings of \$127.4 billion were \$0.1 billion (0.1%) below budget, and \$5.8 billion (4.8%) higher than 2024. Premium revenue ended the year at \$1,779.9 million, which was \$17.4 million (1.0%) under budget and \$161.8 million (10.0%) higher than 2024. Claim benefit expense ended the year at \$1,762.1 million, \$62.0 million (3.6%) over budget, and \$144.3 million (8.9%) higher than 2024. The slight increase over budget was primarily driven by higher-than-expected economic loss payment (ELP) awards in 2025. A continued subsidization of the 2025 premium rate meant that the resulting premium revenues collected were not sufficient to cover the cost of injuries. Overall, the average collected premium rate was \$1.40, compared to an average required rate of \$1.53.
- Disabling claim volume increased to 51,900 (0.4%) from 51,700 in 2024, and the resulting disabling injury rate per 100 covered workers remained unchanged at 2.5. Lost-time claim (LTC) volume increased to 29,600 (1.4%) from 29,200 in 2024, and the resulting LTC rate per 100 covered workers held steady at 1.4. Average claim duration decreased from 63.1 days in 2024 to 62.1 days (-1.6%) in 2025.

Asset liability management

A surplus of \$269.1 million as a result of strong investment returns

- Investment returns generated net investment income of \$1,271.8 million, which was \$439.5 million (52.8%) above budget. The portfolio earned a rate of return of 9.2% for the year, exceeding the budget expectation of 6.2% but below the benchmark return of 10.3%.
- The net actuarial remeasurement losses amounted to \$323.6 million in 2025. These losses were primarily driven by higher-than-expected economic loss payment awards during the year and updates to actuarial assumptions related to economic loss payments and latent occupational disease claims, partially offset by gains from changes to retirement assumptions. These assumption updates resulted from experience studies conducted during the year.

The following table represents the operating highlights for each of WCB's key business activities on a Funding basis:

Results by business activity

(\$ millions)	2025 Budget	2025 Actual	2024 Actual
Customer operations			
Premium revenue	\$ 1,797.3	\$ 1,779.9	\$ 1,618.1
Claim benefit expense	(1,700.1)	(1,762.1)	(1,617.8)
Corporate administration and injury reduction	(192.4)	(192.9)	(179.9)
Deficit from customer operations	(95.2)	(175.1)	(179.6)
Asset liability management			
Investment income	913.7	1,361.1	1,599.9
Investment management expense	(81.4)	(89.3)	(73.9)
Net investment income	832.3	1,271.8	1,526.0
Interest expense on claim benefit liabilities	(720.9)	(676.8)	(637.5)
Remeasurement of claim benefit liabilities	-	(323.6)	(324.6)
Other expense items	(0.1)	(2.3)	(0.3)
Asset liability management expenses	(721.0)	(1,002.7)	(962.4)
Surplus from asset liability management	111.3	269.1	563.6
Operating surplus	\$ 16.1	\$ 94.0	\$ 384.0

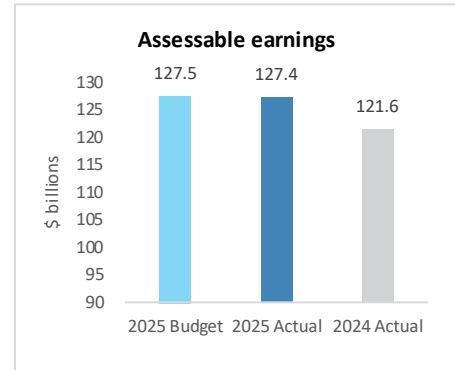
Customer Operations

PREMIUMS

Assessable earnings

- **\$0.1 billion (0.1%) under budget**
- **\$5.8 billion (4.8%) higher than prior year**

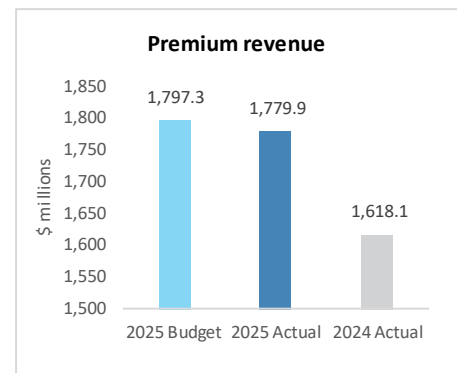
Year-over-year employment growth was consistent with expectations, with assessable earnings growing 4.8% over the prior year. All sectors were higher than the prior year, with the largest favourable variances in municipal government, education and health as well as construction and business services.



Premium revenue

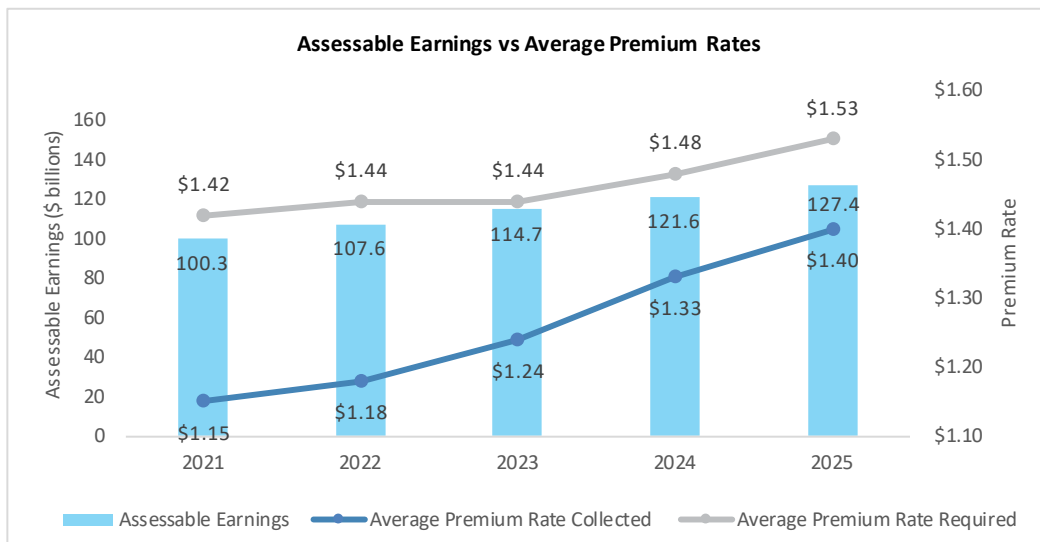
- **\$17.4 million (1.0%) under budget**
- **\$161.8 million (10.0%) higher than prior year**

Following the trend in assessable earnings, premium revenue was \$161.8 million higher than in 2024, however was slightly below expectations. Sectors representing the largest year-over-year increases were municipal government, education and health as well as construction.



Premium rates and assessable earnings

The chart below presents assessable earnings together with average premium rate required and collected from 2021 through 2025. Between 2021 and 2025 the premium rate required has been gradually increasing as claim benefit expenses have been increasing at a higher rate than assessable earnings. The overall rate setting gap shrank by \$0.02 in 2025 to \$0.13 (versus \$0.15 in 2024).

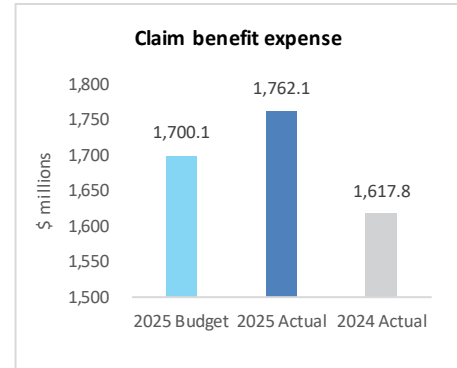


CLAIM BENEFIT EXPENSE

Claim benefit expense is an estimate of current and future costs arising from compensable injuries and exposures to occupational diseases occurring in 2025, as well as the current and future costs to administer these claims.

- **\$62.0 million (3.6%) over budget**
- **\$144.3 million (8.9%) higher than prior year**

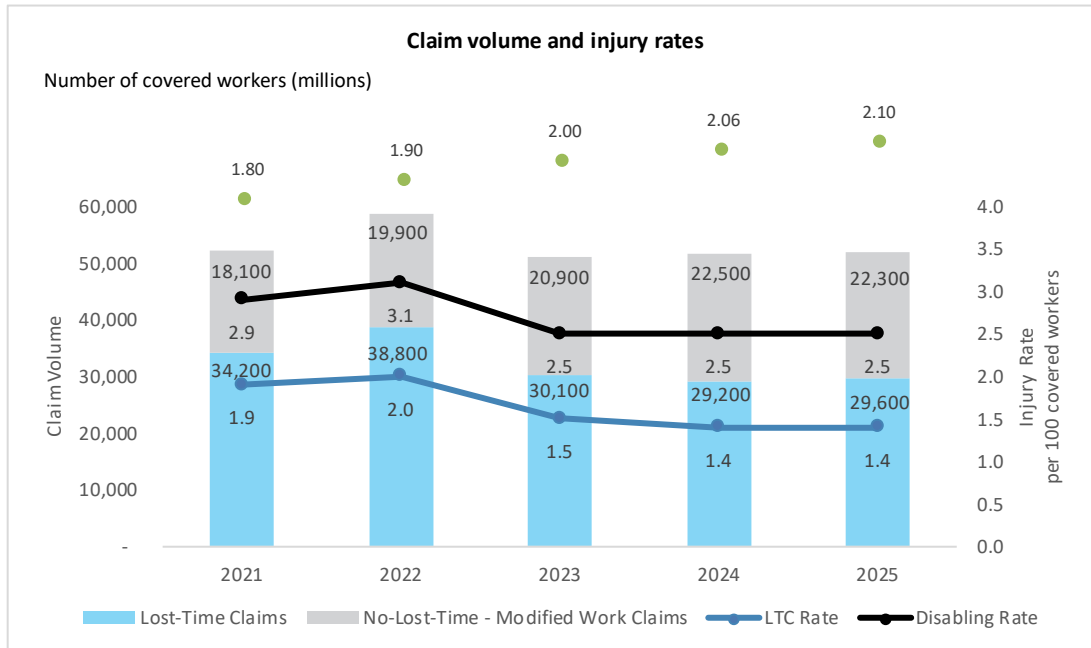
The variance to budget and prior year is driven by the provision for the future cost of current year injuries. Year-end results were \$144.3 million (8.9%) higher than prior year, driven mainly by higher-than-expected economic loss payment awards in 2025 and updates to various actuarial assumptions.



Claim volume and injury rates

Disabling claim volume comprises two components: claims resulting in lost-time from work and those resulting in no-lost-time due to a return to modified duties. Disabling claim volume increased in 2025 (0.4%) due to increases in Lost Time Claim (LTC) volume (1.4%), while no time-loss modified work (NTL-MW) claims decreased slightly (0.9%).

Claim injury rates are calculated based on claim volume and covered workers. In 2025, the number of covered workers increased by 1.9%. Growth in LTC and Disabling volumes generally kept pace with growth in covered workers, resulting in no change in the LTC and Disabling rates.

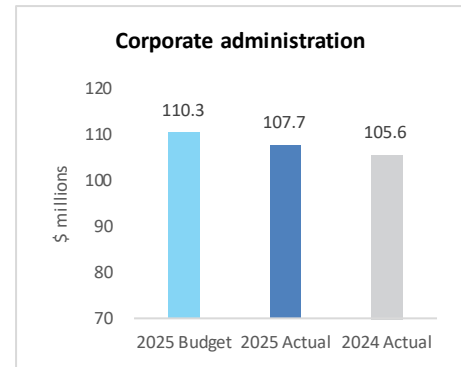


CORPORATE ADMINISTRATION

↘ **\$2.6 million (2.4%) under budget**

↗ **\$2.1 million (2.0%) higher than prior year**

Corporate administration expenses exclude costs for administering claims (2025 — \$174.7 million, 2024 — \$165.6 million) that are included in claim benefit expense. Corporate administration was below budget from deferral of some project work due to supply chain delays. The increase over 2024 is due to inflationary impacts.



Asset Liability Management

The Act requires that the Accident Fund remain fully funded such that sufficient assets are maintained to pay for the liability obligations of the fund. It follows that the financial risks inherent in those assets and liabilities need to be fully understood and carefully managed to limit the risk that fluctuations on either side cause the Accident Fund to become unfunded. ALM helps determine an appropriate investment strategy to reduce funding risk.

The portfolio is prudently managed within a robust ALM framework, which involves an integrated risk-based approach to managing the fund’s assets within the context of the claim benefit obligations they are expected to safeguard. Financial risks are modeled and studied on a regular basis, to confirm that the portfolio can deliver on its requirement to pay for the obligations of the fund well into the future. Volatility in investment markets and the economic environment makes this a complex and challenging exercise. However, strong risk management practices supported by modeling software provide a systematic and consistent platform for monitoring the emerging risk profile of the assets and liabilities. Throughout the year, risk metrics confirmed that the Accident Fund was operating within an acceptable level of risk.

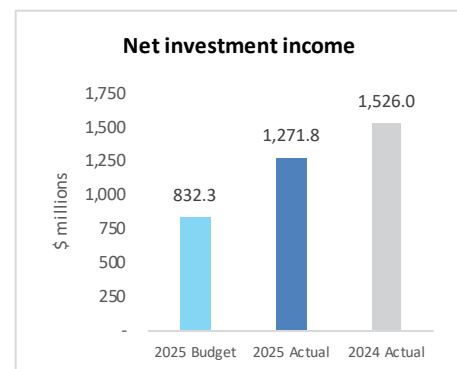
INVESTMENTS

Net investment income

↗ **\$439.5 million (52.8%) over budget**

↘ **\$254.2 million (16.7%) lower than prior year**

Net investment income exceeded budget due to robust portfolio returns that were broadly in-line with financial markets. A resilient global economy led to performance that exceeded long-term return expectations, though lower than the prior year amid trade concerns and elevated geopolitical risks.



The portfolio earned a rate of return of 9.2% net of fees in 2025 (1.1% below the policy benchmark) and 7.3% for the ten-year period ending December 31, 2025 (0.9% above the policy benchmark). The global economy remained resilient in 2025, building on positive momentum from the prior year. Despite heightened geopolitical risks and the implementation of elevated tariffs, economic activity stayed buoyant supported by moderating inflation and a gradual easing of monetary policy. Performance was positive across most asset classes, driven primarily by strong contributions from public equities, while real estate continued to face valuation headwinds.

The primary goal of the investment portfolio is to earn a long-term rate of return that meets or exceeds the actuarial nominal rate of return on a Funding basis (referred to as the actuarial discount rate). On this basis, the portfolio’s rate of return of 9.2% exceeded the actuarial expectation (Funding basis) of 5.6% for 2025, as well as over the ten-year

period (7.3% vs 4.9%). The long-term return remains consistent with the expected level of risk as set in the Investment Policy Statement and the ALM framework.

Investment returns play a pivotal role in WCB’s financial results. The following provides an overview of the economic and market forces that had a direct impact on WCB’s investment portfolio and returns.

Capital markets overview

Capital markets faced significant crosscurrents throughout the year. The first half of 2025 was marked by heightened trade tensions as the U.S. imposed broad global tariffs, thus triggering periods of market volatility. Sentiment improved in the second half as the economy remained resilient, global inflation eased and central banks continued cutting short-term policy rates to support domestic growth. Despite ongoing geopolitical and trade policy uncertainty that is expected to persist and contribute to market volatility in 2026, overall risk-on sentiment prevailed.

Equity markets concluded a third consecutive year of robust returns, supported by solid corporate earnings, expectations of monetary policy easing, and improving financial conditions. However, market leadership shifted in 2025 with the U.S. trailing in performance compared to other regions. Canadian equities returned +31.7%, supported by a rally in gold and materials, as well strong gains in the financial and discretionary consumer sectors. This strength was mirrored in emerging markets and Europe, where a weaker U.S. dollar and increased demand for non-U.S. assets provided a significant tailwind. In comparison, the S&P 500 gained a more modest +17.9% in USD (+12.4% in CAD) as AI adoption continued to be supportive but was tempered by rising concerns over elevated valuations and signs of a softening labor market. Fixed income investors, however, remained cautious amid fiscal and macroeconomic uncertainties, resulting in more modest bond returns. Canadian bonds returned 2.6%, navigating a year of volatile yield movements as markets reacted to shifting economic data.

Within real assets, infrastructure assets continued to be a reliable performance anchor, once again helping to offset a real estate sector that remains in a period of muted recovery. Infrastructure delivered solid returns, supported by stabilizing interest rates and strong demand for energy and power generation, digital networks and transportation. Real estate operations have largely stabilized with transaction activity increasing. However, returns remain subdued as valuations continue to be impacted by regional disparities, a competitive leasing environment and overall decrease to quality.

CLAIM BENEFIT LIABILITIES

At the end of each fiscal year, WCB determines its claim benefit liabilities for all injuries that have occurred on or prior to that date, as well as for past exposures that may result in future occupational disease claims. These liabilities represent the actuarial present value of all future benefits and related administration costs, excluding costs attributable to self-insured employers. As at December 31, 2025, the estimated future payments amounted to \$31.5 billion. After discounting them at a nominal rate of return of 5.6% in 2026 and 5.7% per annum thereafter, the total claim benefit liabilities were \$13.9 billion on a Funding basis, which represents an increase of \$1.0 billion over 2024. The claim benefit liabilities determined on a Funding basis were reviewed and endorsed by WCB’s independent signing actuaries. The Funding basis results are unaudited.

Effect of discounting

The difference between the future payments and the present value highlights the significant effect of discounting, as shown in the table below.

(\$ billions)	Years 1 to 5	Years 6 to 15	Years 16 & Beyond	Total
Timing of future payments	\$ 5.9	\$ 8.1	\$ 17.5	\$ 31.5
Effect of discounting	(0.7)	(3.3)	(13.6)	(17.6)
Claim benefit liabilities (funding basis)				\$ 13.9

Funding

The Funding Policy is the primary instrument through which WCB manages its capital or fund structure and provides direction for setting premium rates and the optimum funding level. Details of the Funding Policy may be found in the **Policy and Legislation** section of WCB's website.

FUNDING PRINCIPLES AND POLICY

The strategic aim of funding and investment policies is to strive for balance between financial risk (i.e., volatility), investment returns and funding sustainability. Specifically, the Funding Policy embodies these financial objectives:

- Minimize the risk of becoming unfunded.
- Minimize cost volatility to employers.
- Ensure a link exists between current premiums and the cost of current year injuries.

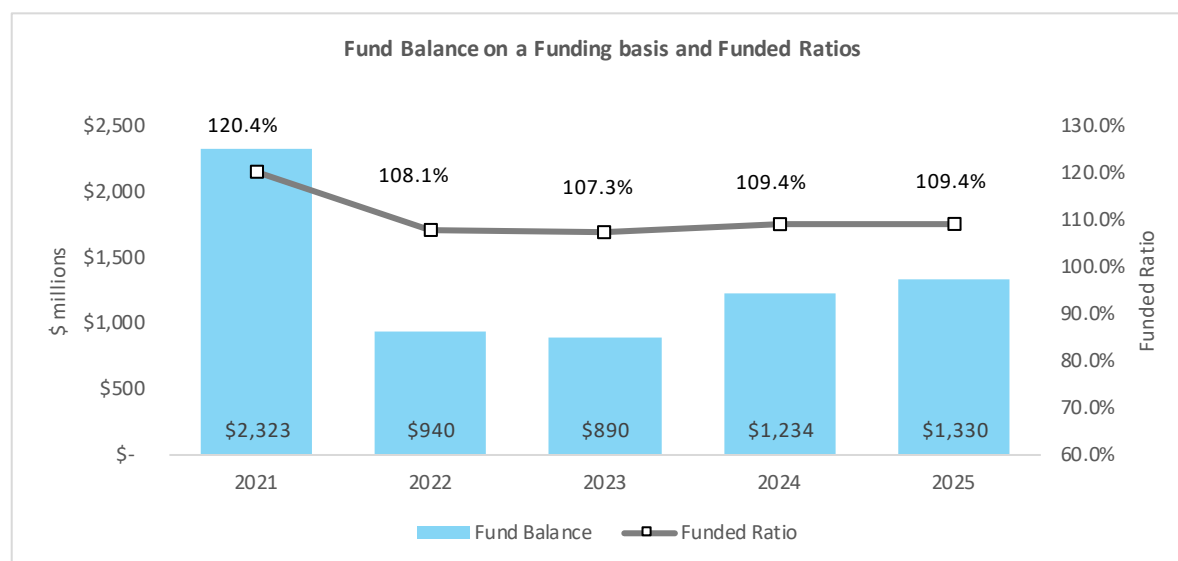
The funding mechanisms that evolve from these objectives address those risks that may affect the financial sustainability of WCB over the long term —primarily investment volatility. Funding Policy rules are in place to minimize these risks, with ongoing monitoring and evaluation to ensure they continue to respond effectively to changing economic conditions.

The Funding Policy prescribes use of Funding basis financial reporting to inform funding level decisions.

FUNDING LEVEL

As at December 31, 2025, the Funded Ratio (total assets to total liabilities on a Funding basis) is 109.4% (2024–109.4%). Viewed from another perspective, WCB has total assets of \$15.4 billion to cover the discounted present value of its total liabilities on a Funding basis of \$14.1 billion. The Funded Ratio is above the legislative requirement of 100%.

The chart below displays the Fund Balance on a Funding basis and Funded Ratios for the five consecutive years ended December 31:



Enterprise Risk Management

OVERSIGHT

Under WCB's corporate governance structure, the Board of Directors is responsible for overall risk management. The executive team, which has a mandate to identify and manage enterprise-level risk, is assisted by the Planning & Priorities Committee, composed of a group of senior managers with responsibility for risk identification, assessment and mitigation at the operating level.

RISK ASSESSMENT

WCB has three primary processes for managing risk. First, risk management is integral to the day-to-day business. Major projects and changes to business processes must go through a documented risk analysis to assess risk and identify mitigation plans and controls to lessen the likelihood or impact of these risks. The second process is to complete a systematic and comprehensive risk assessment of emerging corporate risks as they develop throughout the year. Finally, WCB also completes corporate risk assessments during the year that engage departmental management teams and senior managers to develop a comprehensive organizational risk register. The executive team prioritizes those risks with the highest potential residual impact to WCB and selects some for comprehensive risk assessment and mitigation.

SIGNIFICANT RISKS

WCB has identified the following risk exposures that could have significant impact on the organization and its operations.

Benefit cost risk

Many of WCB's claim-related benefits are subject to external factors that have potentially significant impacts on the amount and duration of related benefit costs. These risks and uncertainties are driven largely by economic conditions such as health care inflation and utilization, as well as employment and wage growth. Other factors may also arise through administrative precedents established through the appeals process, legislative changes or from new medical findings for occupational disease. All these factors add significant uncertainty to WCB's cost structure and may impose, over time, pressures on the funding level.

Fraud-related risk

Every year, WCB collects over 1.7 billion dollars in premium revenue to cover current and future costs arising from compensable injuries and exposures to occupational diseases occurring in the year, as well as the future costs to administer these claims. The magnitude of these costs and the number of individuals and companies involved in these processes—over 161,700 employers, 199,000 injured workers and thousands of service providers—creates an inherent risk for fraud. WCB employs an extensive audit program to monitor the organization's ability to protect against fraud and implements additional controls, as required, to strengthen WCB's management of fraud risk.

Funding risk

Managing the components of WCB's overall funding level is a complex process that involves forecasting, liability projection, investment management and operational performance. Although processes are within management's influence or control, many of the assumptions used in forecasting involve significant uncertainty regarding the future. Asset liability management is at the forefront to ensure that tools, forecasting and financial planning remain relevant to support sound decision-making processes within WCB.

Investment risk

In its investment portfolio, WCB is exposed to financial risk, which includes market and portfolio risk, among others. Market risk is the risk that the fair value of investments and/or associated cash flows may change because of changing general economic conditions or events that broadly affect capital markets. Portfolio risk relates to specific

composition and management of WCB's portfolio. Details of financial risks related to investments are discussed in Note 7 *Investment Risk Management*, in the accompanying financial statements and notes.

Premium risk

WCB has exposure to premium risk, which is the risk that premiums set for the coming fiscal period will not be sufficient to cover the operating costs in that year. The risk is largely driven by provincial economic conditions such as employment growth and wage escalation. To manage premium risk, WCB has instituted a comprehensive forecasting program that leverages widely accepted economic-forecasting sources such as the Conference Board of Canada.

Technology risk

To support its core business processes, WCB uses a number of information systems for processing transactions and maintaining injured worker and employer information. If these systems were to fail or were compromised, significant disruption to business processes and customer service could result. To mitigate technology risk, WCB maintains a business continuity plan, system controls and backup systems to address processing failures and provides extensive training to develop internal system expertise.

Material Accounting Policies and Significant Accounting Estimates

The preparation of financial statements in accordance with IFRS requires that management select accounting policies and make judgments, assumptions and estimates that could significantly affect current and future results of operations and financial condition. Certain of those accounting policies involve significant accounting estimates because they require WCB to make particularly subjective or complex judgments about matters that are inherently uncertain, with the likelihood that materially different amounts could be reported using different assumptions or under different business strategies and conditions. WCB has discussed the development, selection, and application of key accounting policies, and the significant accounting estimates and the underlying judgments and assumptions they involve with the Audit Committee of the Board of Directors.

The following sections discuss how those material accounting policies, together with the underlying judgments, assumptions, and estimates that management has applied, could materially affect the amounts reported in the financial statements.

ACCOUNTING POLICIES

WCB's material accounting policies and their effects on reported results are described in accompanying financial statements and notes.

ACCOUNTING ESTIMATES

Valuation of insurance liabilities

WCB has significant obligations extending well into the future for compensation benefits to injured workers. In determining the valuation of these obligations WCB applies the actuarial present-value methodology. Actuarial methodology projects benefit payment streams into the future and discounts them to present value using a discount rate assumption.

For the measurement of insurance liabilities under IFRS 17, benefit payments (i.e., fulfilment cash flows arising from claims) are projected into the future and discounted to present value using a rate curve derived from market consistent yields of debt securities that have similar duration and other risk characteristics, adjusted for credit and liquidity risk. Similarly, the inflation assumption will reflect market observations along a curve rather than a constant assumption. An onerous contract loss, if any, is also recognized in insurance liabilities.

Details of the valuation are in Note 12 *Insurance Contracts*, with sensitivity of the associated risks in Note 14 *Insurance Risk and Risk Management*, and the effect of changes in the discount rate assumption in Note 15 *Insurance Finance Income and Expense*, in the accompanying financial statements and notes.

Valuation of investments

The WCB investment portfolio is managed by the Alberta Investment Management Corporation (AIMCo). Instead of directly holding individual securities, the portfolio is invested in AIMCo pools encompassing the same asset classes. AIMCo pools issue redeemable units that confer a right to a proportionate share of the income and net assets of the respective fund, but unit holders have neither the power to direct management of the funds, nor any enforceable interests in the underlying securities. Accordingly, the fund unit is the unit of account for recognition and measurement of portfolio investments. As a financial instrument, the fund unit is measured at fair value, which reflects the valuation of the underlying holdings of the fund on a fair value basis. Because the fair value of these units reported in the Statement of Financial Position approximates their market value, they are exposed to measurement volatility during periods of economic and market instability.

As the investment manager, AIMCo uses judgment in fair value measurement of the underlying assets and liabilities in each pool in selecting and/or developing appropriate valuation techniques, assumptions, risk factors and input data consistent with observable market information. For those pools holding private (i.e., non-tradable) investments, the degree of measurement uncertainty inherent in their valuations, as well as the nature of the market for such assets, may cause their estimated fair value to differ materially from their realized value, depending on prevailing market conditions at the time of sale or liquidation.

Details of investment assets and their inherent risks are in Note 5 *Investments* and Note 7 *Investment Risk Management* in the accompanying financial statements and notes.

Valuation of employee benefit liabilities

Application of defined benefit accounting for WCB's employee post-employment plans requires an actuarial determination of employee benefit obligations extending well into the future. Furthermore, WCB's participation in multi-employer defined pension plans entails significant use of judgment in determining its economic exposure to the respective plan assets and liabilities, and selecting or developing measurement methodologies, data and assumptions consistent with WCB's proportionate participation.

The actuarial valuation process projects benefit cost streams into the future and discounts them to present value using a discount rate linked to market yields on high quality corporate bonds with similar risk and cash flow characteristics as the benefit liabilities. Measurement uncertainty is high because judgments and assumptions regarding the estimated amount, timing and duration of benefit commitments many years in the future are inherently difficult to predict reliably and are subject to external factors outside management's control. Since these judgments and assumptions may change in response to current and future economic conditions, benefit plan remeasurement arising from changes in judgments and assumptions in any given period, may also result in material changes to the related liabilities or assets, if any. Details of WCB's sponsored and multi-employer defined benefit plans are in Note 11 *Employee Benefits* in the accompanying financial statements and notes.

Estimated premiums

The reported premium revenue at year-end includes an estimate of premium adjustments, primarily related to unreported payrolls as at the reporting date, as well as an estimate for safety rebates earned by participating employers that have met performance criteria for workplace safety. Premium receivables at year-end also include an estimate for expected credit losses. Generation of these estimates requires use of judgment in developing the methodology as well as the relevant economic assumptions. As such, actual premiums, safety rebates and collections may differ from reported amounts in periods of economic uncertainty.

Details of these estimates are in Note 13 *Insurance Revenue and Expense* in the accompanying financial statements and notes.

Governance and Compliance

Legislative authority

Under the authority of the Act, WCB is a provincial board-governed organization that operates independently while reporting to the Minister of Jobs, Economy, Trade and Immigration.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR) to provide reasonable assurance regarding the reliability of the entity's financial reporting and the preparation of its financial statements in accordance with IFRS. WCB has developed a framework and plan for the overall ICOFR program, which is based on best practices under the COSO¹ and COBIT² frameworks. The ICOFR program is facilitated by WCB's Management Audit Services group and program results are shared with the Office of the Auditor General.

Business planning

An important aspect of financial planning and budgeting is linkage to WCB's strategic plan and the resulting corporate objectives developed each year in support of the strategic plan. These objectives and the related performance indicators set the direction for the organization and identify the significant areas of focus for the coming year. The annual budget establishes the foundation for appropriate resource allocation for achieving the corporate objectives.

Emerging Reporting Issues

WCB conducts continuous environmental scans of the financial reporting and actuarial standard-setting landscape. Important developments in recognition and measurement of critical financial statement items may have significant implications for fund balance in the current and future reporting periods. Once standards are officially issued, WCB analyzes their key requirements to ensure that any major impacts on the organization are well understood, thus facilitating timely planning and effective implementation of accounting processes and systems that will result in high-quality financial reporting.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

On May 30, 2024, the International Accounting Standards Board (IASB) issued *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7).

The key concepts introduced in these amendments include clarifying the timing of recognition and derecognition of certain financial assets and liabilities, including introducing an election for early derecognition for financial liabilities settled through an electronic payment system, and expanding guidance on assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments are effective for reporting periods beginning on or after January 1, 2026 with early adoption permitted. Restatement of comparative information is not required and is only permitted, if possible, without the use of hindsight. WCB is finalizing the impact assessment of the new standard on the financial statements. WCB's first financial statements prepared in accordance with these requirements will be as at December 31, 2026.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB released IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18) to replace IAS 1 *Presentation of Financial Statements*. Many of the principles and requirements in IAS 1 will be retained with limited changes.

The key concepts introduced in IFRS 18 primarily affect the structure (i.e., presentation format) of the Statement of Financial Performance and Comprehensive Income; new note disclosures for certain profit or loss performance measures that are reported outside an entity's financial statements (i.e., management-defined performance measures);

¹ Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework), which developed a governance framework for internal control.

² Control Objectives for Information and Related Technology, a collection of best practices for IT governance, control and assurance.

and enhanced principles governing aggregation and disaggregation of results in the primary financial statements and notes.

IFRS 18 will be effective for reporting periods beginning on or after January 1, 2027, with early adoption permitted. Retrospective restatement of comparative periods is required. WCB is in the process of assessing the impact of the new standard on the financial statements. WCB's first financial statements prepared in accordance with these requirements will be as at December 31, 2027.

Looking Ahead

BUSINESS OUTLOOK

Alberta's economy remained resilient in 2025 despite global trade policy uncertainty, with external forecasts for real GDP growth at 2.5 per cent for the year, outperforming most other provinces. This was supported by momentum in the energy sector, growth in the construction sector, and strong demographics. WCB results for the year were consistent with steady economic conditions.

Labour market performance exceeded expectations in 2025 as economic expectations shifted through the course of 2025 from initially more pessimistic due to tariff concerns, to a more stable outlook as Canada and Alberta adjusted to the new landscape. The labour force expanded at a slightly faster rate than jobs grew, which resulted in a small increase in the unemployment rate. However, employment gains were broad-based across services sectors and construction, in line with strengthened demand from several years of strong population growth.

Inflation pressures eased considerably through 2025 and interest rates gradually declined as the Bank of Canada continued monetary easing. Slower inflation and lower borrowing costs helped to mitigate uncertainty and create a more favourable economic environment, although many households and businesses continue to feel the effects of recent years' elevated price growth and interest rates on affordability and spending power.

Alberta continues on a generally positive economic path, supported by expanded export capacity for energy products and moderate investment gains in capital and technology. However, the province also faces global headwinds, including geopolitical uncertainty namely through trade and tariff risks heading into 2026. More recently, escalating conflict in the Middle East has increased uncertainty and volatility in global energy markets. These conditions could influence capital investment decisions in the near term.

In 2025, economic conditions supported stable operations at WCB, though rising global uncertainty related to trade and energy markets may influence the operating environment heading into 2026.

Claims and disability management

Trends in 2025 reflected ongoing changes in the nature of injuries and recovery needs across Alberta's workplaces. Lost-time claim volumes held relatively stable compared to the past several years, though psychological injury claims volumes remain elevated. Despite these pressures, return-to-work outcomes remain strong.

WCB supported 89% of workers to achieve fitness for work within four months and 94% to achieve a successful return to work, surpassing targets. Continued investments in evidence-based return-to-work planning, strengthened coordination with providers, and enhanced assessment tools contributed to more timely, durable outcomes that will serve us well into the future. In particular, utilization of the cognitive psychosocial job demands analysis tool exceeded expectations in assisting workers in returning to work.

Delivering exceptional customer service

Throughout 2025, WCB met or exceeded all major service commitments. 83% of workers received benefits within 14 days of an accepted claim, and 84% of workers and employers reported satisfaction with the respect, timeliness, and clarity of services.

Second year of our five-year strategic plan

In 2025, WCB advanced the second year of its five-year strategic plan by strengthening health-care access, modernizing services and improving outcomes for injured workers. Expanded clinical provider networks, including a new Alberta Medical Association agreement and nurse practitioner contracts across rural and urban communities, improved stability and access to care. Progress also continued on CareHub, a new reporting and collaboration platform designed to reduce administrative burden and enhance communication with return-to-work providers.

Clients remained at the centre of service delivery as WCB completed a comprehensive service optimization roadmap balancing near-term improvements with longer-term transformation. A new in-house virtual coach was successfully piloted in the contact centre, while mobile and online services were enhanced through a mixture of new features and significant improvements. Innovations addressing the changing nature of claims and work included improved outcomes for workers with psychological injuries, a national partnership with Wounded Warriors Canada, and stronger re-employment results for workers aged 50 and older.

Investment in technology, people, and financial stewardship positioned WCB for long-term sustainability. Key achievements included progress toward modernized claims and employer account systems, accelerated cloud migration, and expanded use of responsible AI and analytics to reduce time to insight. Leadership development, succession planning, and inclusion initiatives strengthened organizational capacity, while actuarial enhancements and funding-policy reviews supported more robust risk management.

Entering 2026, WCB is well positioned to navigate economic uncertainty while continuing to deliver care, trust, and fairness for workers and employers.

Full initiative progress details and the results they achieved are available in the Annual Report, where organizational performance is thoroughly discussed for each priority in the 2024-2028 strategic plan.

OUTLOOK FOR FINANCIAL CONDITION

The 2026 financial outlook continues to be meaningfully impacted by heightened uncertainty in global trade relations, stemming from the implementation of widespread tariffs by the U.S. government, and geopolitics more broadly. Given the current economic climate's unpredictability, premium rate subsidization was extended into 2026. The evolving relationships between Canada and its trading partners, including the U.S. and China, have significant implications for the provincial workforce, economy, and our operations at WCB. Against this backdrop, WCB will continue to manage its business with a solid focus on financial sustainability.

2026 premium rate

For 2026, the average collected premium rate is set at \$1.46 per \$100.00 of assessable earnings based on the 2026 Financial Plan and Operating Budget. Assessable earnings are expected to grow to \$132.3 billion. At this level of earnings, a rate of \$1.51 would be required to collect premiums sufficient to cover the fully-funded cost of claims (i.e., the full cost of injuries expected to occur in the rate-setting year, which includes a provision for the future costs of those injuries). The subsidized collected rate set for 2026 recognizes the expectation of continued growth in Alberta's economy, but also that employers are faced with the challenge of managing uncertainty in the current geopolitical landscape. The gap between the required and collected rates of \$0.05 (2025 \$0.13), will be absorbed by the Accident Fund, which represents a short-term strategy to support employers during ongoing economic uncertainty. Lost-time-claim volume in 2026 is expected to be 29,500, while fully-funded costs are expected to grow by 6.1% over the 2025 budget. Barring some combination of a significant increase in the growth rate of assessable earnings or an improved outlook regarding claims cost growth, there will be upward pressure on premium rates until the gap is closed.

Asset liability management

WCB's asset liability management activities are a critical component of the organization's long-term financial health and the sustainability of future payments to injured workers. WCB's independent actuaries have estimated that WCB's total obligation for injured worker benefits that will be paid in the future, related to past accidents, will total approximately

\$31.5 billion. WCB's asset liability management activities are focused on ensuring that WCB's \$14.9 billion investment portfolio earns sufficient investment income to fully cover these obligations for decades into the future.

The total investment portfolio return for 2026 is budgeted at 6% net of fees, which is higher than the 5.6% nominal rate of return used by the actuaries in calculating the claim benefit liability. The budgeted investment return is based on rigorously developed long-term capital market and economic forecasts, but uncertainty in capital markets make this a difficult number to predict. The rate of return on the investment portfolio is variable from year to year and inherently susceptible to a significant level of volatility, which may create investment surpluses or deficits.

The valuation of WCB's \$13.9 billion claim benefit liabilities (Funding basis) involves significant assumptions, methods, and claim data. Annually, a rigorous process is followed in order to determine the present value of all future claim payments related to past injuries that have occurred. Given the inherent uncertainty in claim experience from year to year, it is not possible to budget for claim experience gains or losses in advance of the valuation. Any actuarial experience gains or losses arising from future claim activity, policy changes or adjustments to assumptions/methods will be recorded as they arise.

Funding level

WCB's Funded Ratio at the end of 2025 was 109.4% which held steady with 109.4% in 2024. The budgeted Funded Ratio for 2026 is 107.1%. The reduction is due to continued rate subsidization and a forecast for modest investment returns due to geopolitical instability amid elevated equity valuations. Given continued uncertainty surrounding the global economy, coupled with the volatility of investment returns, it is difficult to determine, with any certainty, WCB's future funding level. WCB has a broad-based risk management framework, of which a long-term view is essential. It is designed to mitigate, where possible, this economic and capital market volatility. WCB has mechanisms in place to respond if the Funded Ratio falls below the legislated level of 100%.

FACING THE FUTURE

Looking to 2026, Alberta's economic landscape will be shaped by continued trade tensions and increasing geopolitical uncertainty. At the time of writing, U.S. tariffs on Canadian imports appear to have stabilized, but the national and provincial economies are dealing with a new trade policy paradigm, characterized by unpredictability and increasing trade tensions among nations, that is likely to persist for several more years. Although this introduces some downside risk, growth in Alberta's economy is expected to outpace the national average, supported by strengths in industry composition and demographics, along with stable inflation.

The trend of modest, yet steady population growth should continue for Alberta into 2026. This demographic outlook considers that market fundamentals, such as optimistic economic prospects and housing affordability, will continue to draw people to the province; however, there could be some offsets as a result of lower provincial and federal immigration targets. Service sector and residential construction demand stand to benefit the most from positive demographic trends, which includes the ongoing effects of record-high migration from 2022 through 2024.

Alberta's energy sector is expected to provide upside but is subject to significant uncertainty due to increased tensions in the Middle East. Structural factors supporting the sector include improved market access and cooperation between provincial and federal governments. Greater utilization of the Trans Mountain pipeline and new natural gas export routes through B.C. will allow for continued increases in energy production. The federal government looks to be more supportive of broad-based developments in energy projects, demonstrated by the signing of the Canada-Alberta Memorandum of Understanding. Although U.S. tariffs on Canadian energy will likely persist, Alberta's energy exports are subject to comparatively lower tariffs and should remain cost competitive in the global market. On the risk side, the conflict in Iran has already influenced a steep increase in oil prices, which could surge higher if energy products are not able to travel through the Strait of Hormuz – a key supply corridor in the Persian Gulf – for an extended period. Sustained high oil prices would be advantageous for Alberta given the predominance of the energy sector, but this trajectory is highly uncertain as it is contingent on the extent and duration of the conflict. Based on analysis from the Bank of Canada, inflation expectations are stable amid the current tariff landscape in the near term. However, higher tariffs worldwide and heightened tensions among the global trading system will challenge our open economy that is

heavily reliant on international trade. While central bank analysis on the inflationary impact of the conflict in Iran is not yet available, higher energy prices are an inflationary risk. Overall, the Bank of Canada views the current policy rate as neutral in the short term, balancing downside economic pressures with upside pressures to inflation, which should support business and household spending. The Bank of Canada indicated that they are closely monitoring the military actions in the Middle East as a key risk and are ready to respond as needed.

WCB has been sensitive to the challenges employers have endured for several years in the face of economic instability, including pandemic recovery, and managing the cost pressures associated with higher prices and borrowing costs. Employers are now contending with uncertainty associated with geopolitical risks, as such, premium rate subsidization continues into 2026. WCB remains committed to closing the rate setting gap while also minimizing cost volatility for employers.

WCB's strategic plan provides a clear roadmap to guide the organization as we navigate the uncertainties that lie ahead. We have the right strategies to focus our efforts and still allow us to adjust as new risks and opportunities arise.

Through thoughtful and strategic planning, we will continue to deliver on our commitments to our clients, employees, and partners.