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OSFI B-15 Climate Risk Management Report

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Cautionary Note Regarding Forward-Looking Information

This report contains forward-looking information relating to the Ukrainian National Association, Canadian Branch (UNA, or the Company) climate-related strategies, plans, goals, and objectives. These statements are predictive in nature and relate to future events, conditions, or expectations. They are identified by words such as “believe”, “may”, “objectives”, “opportunity”, “plan”, “potential”, “project”, “target”, “will”, and other similar words, and relate to: the Company’s approach to climate-related governance, strategy, and risk management, including how it identifies, assesses, manages, and mitigates climate-related risks and opportunities; the Company’s assessment of the materiality of climate-related risks and opportunities, and the Company’s expectations regarding the timing of climate-related risks and opportunities and their potential impact on the Company’s operations, financial position, performance, and cash flows.

The forward-looking statements contained in this report reflect our current expectations, estimates, and projections regarding future events and are subject to change. These statements are not guarantees of future performance and involve inherent risks, uncertainties, and assumptions, many of which are difficult to predict.

In preparing our climate-related risk assessments and targets, we have relied on prevailing market practices, methodologies, criteria, and standards. Given the inherent limitations and uncertainties associated with climate science, risk analysis, and climate-related reporting, we have also made reasonable assumptions and estimates in developing the information presented in this report.

The forward-looking information in this report is intended to help stakeholders understand our current approach to climate-related governance, strategy, risks, opportunities, and objectives.

About the Ukrainian National Association, Canadian Branch

Ukrainian National Association is a fraternal benefit society insurance company incorporated under the laws of the Commonwealth of New Jersey, U.S.A. as a legal reserve fraternal society. The membership is comprised of individuals of Ukrainian birth, descent or affiliation. Ukrainian National Association is organized on the lodge system and provides insurance products and fraternal benefits to its members throughout the United States, Canada and Europe.

Ukrainian National Association, Canadian Branch has several lodges in Canada and has operated a Canadian branch since 1938. The company is licensed to write accident and sickness, life insurance and annuity products to its members in Ontario, Quebec, Alberta, British Columbia, Manitoba and Saskatchewan. The Canada Branch does not actively market individual life insurance. The company does not have a dedicated sales force.

Introduction

Climate change and the risks it poses have the potential to significantly impact the safety and soundness of federally regulated financial institutions. These risks are broadly referred to as “climate-related risks”. Climate-related risks emerge over varying time horizons and are likely to intensify with time.

This report provides climate-related disclosures that are in accordance with Canada’s Office of the Superintendent of Financial Institutions (OSFI) as set out in Guidelines B-15 – Climate Risk Management (B-15). This guideline lays out OSFI’s expectation that federally regulated financial institutions (FRFIs) include climate-related financial disclosures in their annual reporting, aligned with governance, risk management, metrics, and targets, including greenhouse gas (GHG) emissions, with phased-in timelines .

OSFI has categorized risks as either “Physical” or “Transitional” in nature.

Physical risks refer to financial risks that arise from climate-related extremes and events; these may increase in severity and frequency over time. These types of risk may be:

- Acute risks arise from more frequent and severe extreme weather events (e.g., storms, floods, wildfires that may impact the business directly).
- Chronic risks result from long-term shifts caused by climate changes such as rising temperatures, sea-level rise, and ecosystem degradation.
- Indirect effects include the impacts on public health, supply-chain disruptions, and broader economic consequences as a result of climate changes.

The above risks can disrupt the operations of the UNA, increase insurance claims, and impair the values of its investment assets.

Transition risks are those financial risks that arise as a result of the move towards a low-GHG economy. They may include:

- Policy and regulatory changes such as carbon pricing, emissions caps.
- Technological shifts which include but are not limited to rapid adoption of clean energy.

- Market and consumer preference changes which include declining demand for high-emission products, investments etc.
- Reputational pressures which would include stakeholder expectations for climate action.

These risks can affect asset valuations, business models, and creditworthiness. With asset valuations being particularly applicable to the UNA.

OSFI has also noted that both physical and transitional risks can lead to ‘Liability’ risks.

These may include:

- Climate-related litigation.
- Claims under liability insurance policies.
- Legal actions for failing to manage climate risks prudently.

Climate risks can spread through an entity’s balance sheet ³, amplifying traditional financial risks. Among these, legal actions for failing to manage climate risks prudently would be the most likely to impact the UNA.

Being resilient in the face of climate-related risks means the UNA must address vulnerabilities in its operations, and ultimately its balance sheet ³, focusing on areas such as credit risk, market risk, insurance risk, liquidity risk, operational risk, strategic risk and reputational risk.

Scope of This Report

This report describes how UNA's approach to climate-related risks related to investment and operational oversight are managed through appropriate governance, strategy, risk management, and metrics and targets. The report covers the fiscal year ending December 31, 2025. All dollar amounts are in Canadian currency. References to "we", "our", "us", "UNA", and "Company" mean Ukrainian National Association, Canadian Branch. This report does not include the investing approach of the UNA's asset manager, who is bound by their primary accountability of fiduciary duty to their clients. The asset manager invests in line with Client goals and objectives as laid out in the Company's Investment Policy Statement (IPS).

Climate-Related Financial Disclosures

GOVERNANCE

Board of Directors

Oversight of the UNA's climate-related risk management rests with the Board of Directors. The Board maintains ultimate accountability for the Company's climate-related strategy and governance. To fulfill this responsibility, it relies on reports and briefings from management and external specialists and consultants, which inform the Board's level of engagement and support its role in challenging, advising, and guiding senior management.

Management

Management of the UNA supports the Board with enterprise-wide oversight of the management of both current and evolving risks, including those that are climate-related. Management also reviews results of OSFI's Standardized Climate Scenario Exercise (SCSE) and reviews and approves all financial reporting and note disclosure of the Company.

STRATEGY

The UNA investment portfolio holds federal and corporate bonds.

Given the scope of its investment portfolios, the UNA may experience the impact of physical and transitional risk with respect to its investments. These may arise from extreme weather events, from long-term gradual changes in weather patterns, or from the gradual move towards a low-GHG economy. Such risks are referred to as 'financed emissions'.

Supporting organizational resilience at the UNA means looking internally to evaluate its carbon footprint, and externally at outsourced services and investments, and taking appropriate steps to minimize the impacts of risk, to the extent deemed appropriate; while ensuring it maintains sufficient capital and liquidity buffers to effectively manage any residual climate-related risks.

RISK MANAGEMENT

Identification and Assessment

Effective risk management requires identifying those sources of operations and activities undertaken by the UNA that give rise to GHG emissions, both directly and indirectly, and assessing these risks and opportunities to quantify their impacts. It also encompasses evaluating the risk of operational disruptions resulting from climate changes. The combined climate-risk forms a part of the UNA's Enterprise Risk Management framework.

From an internal perspective, the UNA's own GHG emissions are non-existent, being a foreign fraternal benefit society with no physical space devoted to the Canadian operations. Changing weather patterns leading to higher temperatures, extreme heat and wildfires may disrupt UNA outsourced operations. In the fullness of time, these changes also have the potential to result in an increase in mortality claims. The extent of how climate-related factors will impact health outcomes and the resulting implications for our products and services is not yet known. Quantifying climate-related risk exposures for life insurers is challenging and complex. The magnitude and time horizons of climate-related impacts are difficult to predict due to data availability, data quality and the challenge of identifying causality.

From an external perspective, the impacts of physical and transitional risks may be felt within investment performance as a result of shifts in consumer preferences for green securities which in turn may influence investment asset values. New government climate-related regulations may also translate to risks to the Company if it fails to comply with such policies and regulations in a timely manner, or if the costs of complying become prohibitive. The combination of these risks may also culminate in reputational risk to the UNA.

UNA Approach to Climate-Related Risks and Opportunities

Currently, climate-related risks and opportunities are not believed to have a material impact on the Company's financial position, performance, or cash flows, given the Company's size and focus.

In response to the risks and opportunities identified, the UNA has three focus areas. Each of these are managed in line with its Risk Appetite Framework.

Insurance

UNA's product is designed and priced to meet the needs of its policyholders. Research on long-term climate changes and rising global temperatures and their impact on mortality and morbidity is in the early stages. The UNA will continue to monitor research in this area and adopt appropriate actions as deemed appropriate or when required.

Investments

UNA seeks to invest in companies best positioned to deliver risk-adjusted returns over longer-term operations. At present the Company's investment portfolios do not present significant climate-related risks.

Operations

UNA considers the direct impact on operations of extreme weather events, such as flooding, power outages, and wildfires that may impact internal and outsourced operations. The Company relies on third party contingent operating plans to support on-going outsourced operations in adverse circumstances.

Metrics and Targets ¹

The UNA reports climate-related metric across two categories:

- Enterprise GHG emissions across scope 1 and 2 as defined by OSFI (see below).
- Investment Portfolio metrics.

The UNA’s goal is to effectively manage the risks it faces while ensuring the long-term sustainability of its operations and ensuring it maintains sufficient capital and liquidity buffers to effectively manage any residual climate-related disruptions.

Our investment approach is guided by internal methodologies aligned with standard industry practice.

The UNA uses external frameworks and guidance to evaluate the relative materiality of GHG emission sources. The Company reviews its risk management on an ongoing basis to ensure alignment with its strategic priorities, applicable frameworks, and the external environment.

Enterprise Greenhouse Gas (GHG) Emissions

GHG emissions are measured in metric tons of CO₂e (t CO₂e) which stands for Carbon Dioxide Equivalent. OSFI defined scope1, 2 and 3 applications to the UNA are presented in Table 3 below.

Greenhouse Gas Emissions	
Scope 1	Not Applicable
Scope 2	Not Applicable
Scope 3	Financed Emissions

Scope 1

Scope 1 includes all direct GHG emissions from sources that are owned or controlled by the Company. These include, but are not limited to, owned properties, fleet of motor vehicles, generators and boilers.

This category does not apply to the UNA because it does not own office space for the Canadian operations, nor does it own vehicles, generators, or boilers.

Fiscal year 2025 Scope 1 emissions are 0.00 t CO₂e.

Scope 2

Scope 2 includes indirect emissions from purchased energy, namely the emissions associated with the production of heat and electricity from assets not owned by the insurer.

This category does not apply to the UNA because it does not allocate any emission generating resources to the Canadian operations.

Fiscal year 2025 Scope 2 emissions are 0.00 t CO₂e.

Scope 3

Scope 3 includes all other indirect emissions within the value chain of the organization, both upstream and downstream, occurring from sources the insurer does not own or control. These include, but are not limited to, financed emissions and insurance-associated emissions.

UNA is not yet required to disclose Scope 3 emissions and is currently working towards compliance with future disclosure requirements.

References

1. OSFI Guideline B-15 – Climate Risk Management
2. <https://www.osfi-bsif.gc.ca/en/news/osfi-issues-new-guideline-climate-risk-management>
3. Specific ways Guideline B-15 impacts balance sheet composition and risk management include:
 - Asset Valuations & Devaluation: FRFIs must assess vulnerable physical assets (e.g., investment portfolios) to potential climate hazards, leading to mark-to-market adjustments or impairment. The transition to a low-carbon economy may also create "stranded assets ⁴," reducing their carrying value on the balance sheet.
 - Financed Emissions: Under Category 15 (Investments), lenders and banks must account for greenhouse gas (GHG) emissions associated with their loans and investments. This requires tracking financed emissions on both on-balance sheet and off-balance sheet assets, influencing future capital allocation and divestment decisions.
 - Capital & Liquidity Buffers: Guideline B-15 requires entities to incorporate climate risks into their ORSA processes. Consequently, institutions must maintain higher or more resilient capital buffers and liquid resources to survive plausible, severe climate risk scenarios.

A stranded asset includes investments or physical properties that suffer unanticipated or premature write-downs, devaluation, or conversion to liabilities well before the end of their economic life.