



RFA BANK OF CANADA

CLIMATE RISK DISCLOSURES

DECEMBER 31, 2025



1. Overview

Consistent with the Office of the Superintendent of Financial Institutions ("OSFI") Guideline B-15 Climate Risk Management ("OSFI Guideline B-15"), RFA Bank of Canada ("RFA", "RFA Bank" or the "Bank") is committed to developing resilience to climate-related risks through enhanced governance, risk management, and disclosures aligned with evolving regulatory and industry standards.

These disclosures outline RFA's current approach to identifying, measuring, and managing climate-related risks, and reflects an evolving process as methodologies, data, and regulatory expectations mature.

2. Governance

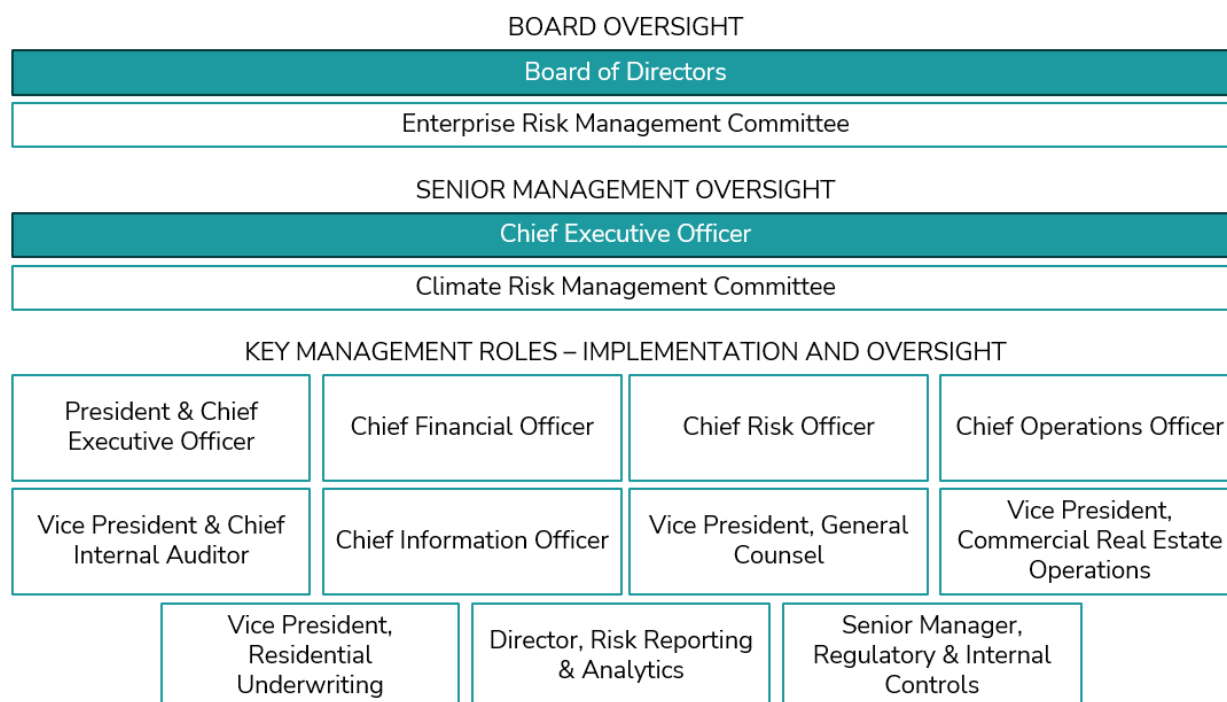
RFA Bank has established governance structures to oversee climate-related risks integrated within its overall Enterprise Risk Management ("ERM") Framework, including the following:

Board Oversight: The Board of Directors (the "Board") is responsible for oversight of the Bank's strategy and business plan, including its Climate Transition Plan, and for monitoring progress of climate-related strategic goals. In addition, the Board oversees the Bank's risk profile through its established governance committees.

The Enterprise Risk Management Committee of the Board ("ERMC") is responsible for oversight of the Bank's risk governance, as outlined in its mandate. This includes the integration of risk governance with the Bank's strategy and business planning as well as compliance with OSFI Guideline B-15 regulatory requirements such as metrics, targets, reporting, and disclosures.

The Bank maintains a skills and competencies matrix to ensure that the Board is comprised of individuals with a diverse range of skill sets and backgrounds, including those relevant from a climate perspective. The Bank also ensures that climate risk training education sessions (last session held in March 2025) are made available periodically.

The following graphic details RFA Bank's overall climate governance structure.



Senior Management Accountability: Senior Management (defined as the CEO and their direct reports) are accountable for the identification, assessment, and management of climate-related risks and opportunities, ensuring their integration within business and risk management processes. The Bank maintains internal frameworks and policies such as the ERM Framework, Risk Appetite Statement, Climate Risk Management Policy, and Capital Management Policy that govern the management of risks arising from climate-related sources in accordance with applicable guidelines, regulations, and internal review requirements.

The Bank has established a Climate Risk Management Committee (“CRMC”) to support the development and implementation of its climate-related initiatives. The group brings together representatives from key functional areas, including risk management, finance, legal, internal audit, and business lines, to provide a coordinated approach to climate-related matters.

The CRMC is responsible for directing RFA’s climate activities, including the development of a climate transition plan, and addressing evolving regulatory expectations, including those set out under OSFI Guideline B-15. The group meets periodically, as required, to monitor progress and support ongoing integration of climate considerations into the Bank’s processes and decision-making.

At this time, the Bank has not yet established climate-related performance targets. Consequently, executive compensation is not directly linked to climate-specific metrics; however, it remains indirectly linked through the Bank's overall financial performance.

3. Strategy

RFA considers climate-related risks and opportunities within the context of its business activities, with a primary focus on residential and commercial real estate mortgage lending. Climate-related factors have the potential to influence housing affordability, borrower resilience, and overall portfolio performance. In line with OSFI Guideline B-15, RFA continues to enhance its approach to identifying and assessing the potential impacts of climate risk on its business model, risk profile, and capital position. As internal capabilities, data, and methodologies continue to develop, climate-related considerations are being progressively incorporated into risk management and capital planning processes to support sound and informed decision-making.

These climate related risks are categorized as:

- **Physical Risks:** Refer to the financial risks arising from the increasing severity and frequency of climate-related extremes and events (i.e., acute physical risks) and longer-term gradual shifts of the climate (i.e., chronic physical risks).

These climate-related hazards (e.g., floods, wildfires) could impact collateral values and borrower repayment capacity.

- **Transition Risks:** Refer to the financial risks related to the process of adjustment towards a low-greenhouse gas ("GHG") economy. These risks can emerge from current or future government policies, legislation, and regulation to limit GHG emissions, as well as technological advancements and changes in market and customer sentiment.

Regulatory, market, and technological changes associated with the transition to a low-carbon economy may influence property or asset values, insurance or regulatory costs, and borrower financial resilience.

RFA's strategy includes:

- Developing a Climate Transition Plan aligned with its 3-year financial plan and overall strategy
- Gradual integration of climate considerations into underwriting and portfolio monitoring
- Monitoring geographic and sectoral concentrations sensitive to climate risk
- Enhancing data capabilities to support forward-looking analyses

Climate-related Risk Impacts

Based on its current business model and portfolio mix, which is primarily concentrated in real estate secured lending, RFA does not anticipate climate-related physical or transition risks to have a material impact on its financial performance in the short-term (1-2 years). Similarly, no significant investments related to mitigation or adaptation are planned under the current scope of operations and strategy.

RFA recognizes that climate-related factors may influence asset quality, credit performance, and the longer-term (>5 years) composition of the portfolio. Accordingly, these risks and potential opportunities are being monitored and assessed on an ongoing basis.

4. Risk Management

The Bank manages climate-related risks within its overall ERM Framework by taking a risk-based, fit-for-size approach commensurate with the Bank's complexity, business model, and risk profile. RFA follows its established risk management cycle of identifying, assessing, mitigating, measuring, monitoring, and reporting within existing risk and governance processes.

Climate-related risk considerations are integrated within relevant internal frameworks, policies, and practices, including the ERM Framework, Risk Appetite Statement, Climate Risk Management Policy, and other supporting risk management processes and controls. Climate-related risks are defined as transversal risks and treated as drivers of existing risk categories rather than as a standalone risk type.

The Bank's most significant climate-related exposures arise primarily from its on-balance sheet real estate secured lending ("RESL") portfolio, particularly through physical risk drivers such as flood and wildfire. Transition risk is monitored predominantly in relation to the Bank's commercial portfolio and evolving regulatory and market developments.

The Bank utilizes internal portfolio data in conjunction with third-party environmental data to assess physical risk exposures and concentrations of its on-balance sheet assets.

Climate-related risks are managed through the Bank's existing governance, control, and oversight structure using a three lines of defence model, with the business owning risks, Enterprise Risk Management providing oversight and challenge, and Internal Audit providing independent assurance.

The Bank monitors climate-related risks on an ongoing basis through its established risk monitoring and reporting processes, with material risks, trends, and emerging issues escalated through appropriate management and Board-level governance channels to support oversight and decision-making.

Consistent with the Bank's current stage of maturity, climate risk management capabilities continue to evolve over time in a manner proportionate to the Bank's operations, including continued enhancement of data, analytics, monitoring, and quantification of risk appetite.

5. Metrics and Targets

RFA Bank is in the early stages of developing climate-related metrics and disclosures, which may include both quantitative and qualitative measures such as the following:

- **Operational Emissions:** RFA is developing and will be tracking Scope 1 and Scope 2 GHG emissions associated with its operations on an annual basis. RFA applies the GHG Protocol Corporate Standard in the classification and reporting of Scope 1 and Scope 2 emissions. Its approach, based on utility consumption data and established emission factors, aligns with the GHG Protocol framework and supports comparability.

Given the nature of its operations as an office-based organization, RFA does not own or operate combustion equipment or a corporate vehicle fleet and accordingly reported no Scope 1 emissions for 2025. Scope 2 emissions relate primarily to natural gas (for heating) and electricity use within its leased office premises and are measured using standard Canadian combustion emission factors and location-based grid electricity emission factors, respectively.

Natural gas and electricity consumption data is obtained from the building landlord and used to estimate associated emissions. RFA does not currently incorporate renewable energy certificates, market-based adjustments, or carbon offsets into its reporting; as such, disclosed Scope 2 emissions reflect gross natural gas and electricity-related emissions.

Based on its current operating model, including hybrid work arrangements, RFA does not expect a material change in Scope 1 or Scope 2 emissions in the near term.

RFA's total emissions from its facilities in 2025 were: **46.24 tCo2e**

- **Financed Emissions:** Developing financed emissions methodologies for lending portfolios (using PCAF emission factor for Scope 1, 2 and 3 counterparties' absolute GHG emissions).
- **Risk Indicators:** Internal indicators such as geographic concentration in floodplains and areas prone to wildfire are used as proxies for climate vulnerability while the Bank develops more robust measurements based on stress factors.

RFA's primary business activities focus on residential and commercial real estate mortgage lending. As a result, climate-related risks are currently assessed as having relatively lower

materiality compared to other key business risks and priorities. Accordingly, the Bank has not established specific climate-related targets under its current strategy.

RFA will continue to monitor the evolving landscape, and, in the context of its business strategy, management may consider setting formal targets should climate-related risks or opportunities become more significant to its overall objectives. In line with OSFI guidance, RFA plans to enhance metrics, data quality, and disclosures over time.

Additional financial information is available through the Open Government Portal at [Banks - Open Government Portal](#).

6. Data and Limitations

RFA acknowledges that climate-related disclosures are subject to limitations, including:

- limited availability and consistency of climate-related data,
- ongoing development of standardized methodologies (e.g., financed emissions), and
- reliance on third-party data and assumptions.

These challenges are consistent across the financial services industry and are anticipated to improve as regulatory frameworks and data availability evolve.

7. Future Developments

RFA Bank is committed to enhancing its climate risk management and disclosure practices, including:

- strengthening governance and accountability frameworks,
- expanding climate-related data collection and analytics capabilities,
- advancing scenario analysis and stress testing, and
- aligning disclosures with applicable sustainability standards and guidance issued by OSFI, the Canadian Sustainability Standards Board (“CSSB”), and the International Sustainability Standards Board (“ISSB”).

RFA Bank recognizes climate change as a key emerging risk driver and is committed to integrating climate considerations into its governance, strategy, and risk management practices. This disclosure reflects the Bank’s current state of development and its ongoing efforts toward enhanced transparency and resilience.