# Guideline

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| **Title** | Climate Risk Management |
| **Category** | Sound Business and Financial Practices |
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## A. Overview

Climate change and the global response to the threats it poses have the potential to significantly impact the safety and soundness of federally regulated financial institutions (FRFIs), and the financial system more broadly. These risks, also known as "climate-related risks," are broadly categorized as physical and transition risks.

- "Physical risks" refer to the financial risks from the increasing severity and frequency of climate-related extremes and events (i.e., acute physical risks); longer-term gradual shifts of the climate (i.e., chronic physical risks); and indirect effects of climate change such as public health implications (e.g., morbidity and mortality impacts).
- "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 towards a low-GHG economy.

Physical and transition risks can also lead to liability risks, such as the risk of climate-related claims under liability policies, as well as litigation and direct actions against financial institutions for failing to manage their climate-related risks.

Climate-related risks may manifest over varying time horizons, and are likely to intensify over time, especially if the global economy undergoes a disorderly transition. They can drive financial risks, such as credit, market, insurance, and liquidity risks. They can also lead to strategic, operational, and reputational risks. In severe instances, climate-related risks can threaten the long-term viability of a FRFI's business model.

Building resilience against climate-related risks requires FRFIs to address vulnerabilities in their business model, their overall operations, and ultimately on their balance sheet. This entails forward-looking approaches that are holistic, integrated, and built on reliable empirical data and sound analyses. It also necessitates FRFIs to continuously monitor and incorporate developments in climate-related risk management, such as improving data quality and evolving risk measurement methodologies, into their governance and risk management practices.

## A1. Purpose and scope

The Guideline establishes OSFI's expectations related to the FRFI's management of climate-related risks. It aims to support FRFIs in developing greater resilience to, and management of, these risks. The Guideline applies to all FRFIs except foreign bank branches.[12]

There is no one-size-fits-all approach for managing climate-related risks given the unique risks and vulnerabilities that will vary with a FRFI's size, nature, scope, and complexity of its operations, and risk profile. The Guideline should be read, and implemented, from a risk-based perspective that allows the FRFI to compete effectively while managing its climate-related risks prudently.

## A2. Structure of the Guideline

The Guideline is organized into chapters, each with its own focus and principles-based expectations. These chapters are interrelated and mutually reinforcing. For example, enhanced transparency through climate-related financial disclosures (Chapter 2) incentivizes improvements in the quality of the FRFI's governance and risk management

practices (Chapter 1).

### A3. Outcomes

The Guideline presents the following three expected outcomes for FRFIs to achieve.

1. The FRFI understands and mitigates against potential impacts of climate-related risks to its **business model and strategy**.
2. The FRFI has appropriate **governance and risk management practices** to manage identified climate-related risks.
3. The FRFI remains **financially resilient** through severe, yet plausible, climate risk scenarios, and **operationally resilient** through disruption due to climate-related disasters.

## Chapter 1 – Governance and risk management expectations

This chapter outlines OSFI's governance and risk management expectations for climate-related risks. It complements and should be read in conjunction with other OSFI guidance that directly or indirectly addresses various elements of climate risk management. See Annex 1-1 for a non-exhaustive list of relevant OSFI guidance.

### I. Governance

**Principle 1: The FRFI should have the appropriate governance and accountability structure in place to manage climate-related risks.**

Please refer to OSFI's Corporate Governance Guideline for OSFI's expectations of FRFI Boards of Directors in regard to business strategy and risk appetite, operational, business, risk, and crisis management policies.

1. Senior Management has overall accountability for the FRFI's climate risk management.[3] The FRFI should consider whether and how Senior Management compensation policies and related practices should

incorporate climate-related risk considerations.

**Principle 2: The FRFI should incorporate the implications of physical risks from climate change and the risks associated with the transition to a low-greenhouse gas (GHG) economy to the FRFI in its business model and strategy.**

2. The FRFI should identify and understand the impact of climate-related risks on the FRFI's short-term and long-term strategic, capital, and financial plans.[4]

3. The FRFI should develop and implement a Climate Transition Plan (Plan),[5] in line with its business plan and strategy, that guides the FRFI's actions to manage increasing physical risks from climate change, and the risks associated with the transition towards a low-GHG economy. In developing the Plan, the FRFI should assess the achievability of its Plan under different climate-related scenarios and how it would measure and assess its progress against the Plan (e.g., internal metrics and targets such as GHG emissions).

## II. Risk management

**Principle 3: The FRFI should manage and mitigate climate-related risks in accordance with the FRFI's Risk Appetite Framework.**

### A. Risk identification, measurement, and management

4. The FRFI should integrate climate-related risks into its Risk Appetite Framework and Enterprise Risk Management (ERM) framework.

5. The FRFI should reflect climate-related risks in its Internal Control Framework, relevant policies, and practices, and articulate the roles and responsibilities of different business lines and Oversight Functions in managing climate-related risks.

6. The FRFI should have processes and controls to identify and measure the current and potential future impact of climate-related risks on its portfolio of exposures (e.g., credit, market, operational, insurance, and liquidity) over appropriate time horizons.

7. The FRFI should identify, collect, and use reliable, timely, and accurate data pertaining to physical risks (e.g., geophysical location of exposures) and transition risks (e.g., GHG emissions data) relevant to its business activities to inform risk management and decision-making. Where data gaps exist, the FRFI should consider alternative data sources or reasonable proxies to bridge the gap.[6]

8. The FRFI should implement relevant tools and models, including those used for climate scenario analysis, to measure and assess its climate-related risks. Where the FRFI chooses to use tools and models developed by external third parties to support its assessment, the FRFI should sufficiently understand the embedded data, methodology, assumptions, and their limitations.[6]

### B. Risk monitoring and reporting

9. The FRFI should incorporate climate-related risks into its internal monitoring and reporting of business performance and risk management effectiveness. It should monitor and report on relevant internal metrics, limits, and indicators to assess the effectiveness of its climate risk management. It should also monitor and report on internal targets to assess the FRFI's progress in managing its physical risk exposures and risks associated with the transition towards a low-GHG economy, consistent with its Plan.

10. The FRFI should develop capabilities to aggregate its climate risk data to identify and internally report on climate-related exposures, including risk concentrations (e.g., geographies, sectors, products, or counterparties). It should also have internal reporting systems that can produce reliable, timely, and accurate reporting on these risks to support strategic planning and risk management.

## III. Climate scenario analysis and stress testing

OSFI may develop this section into a separate chapter in a future iteration of the Guideline.

## Principle 4: The FRFI should use climate scenario analysis to assess the impact of climate-related risks on its risk profile, business strategy, and business model.

**Climate scenario analysis**: Climate scenario analysis uses a hypothetical future state of the world to assess the impact of climate-related risks on a FRFI's operations. These exercises can help the FRFI achieve different objectives in its strategic planning and enterprise risk management, such as:

- Assessing the impact of physical and transition risks on the FRFI's strategy and risk profile, and the resiliency of its business model;
- Identifying relevant climate-related risk factors that can drive the FRFI's financial and non-financial risks, and estimating exposures and potential losses;
- Identifying data, methodology, and assumption limitations; and
- Informing the adequacy of the FRFI's risk management framework.

11. When undertaking climate scenario analyses, the FRFI should consider a range of plausible and relevant models and climate scenarios, over various time horizons (i.e., short-, medium- and long-term), when climate-related risks can materialize and drive the FRFI's risks.[7]

12. The FRFI should consider climate scenarios that encompass both physical and transition risks, and the potential interplay between these two types of risks. The FRFI should also understand the methodology and approaches used, including data and methodological limitations, and assumptions.

In addition to FRFIs' own internal climate scenario analysis to understand the resilience of their business model and strategy, FRFIs will be required to complete standardized climate scenario exercises and report their results to OSFI on a periodic basis. These exercises will enable OSFI to assess aggregate exposures to physical and transition risks and compare FRFI approaches to climate scenario analysis.

## IV. Capital and liquidity adequacy

OSFI may develop this section into a separate chapter in a future iteration of the Guideline.

**Principle 5: The FRFI should maintain sufficient capital and liquidity buffers for its climate-related risks.**

13. The FRFI should incorporate climate-related risks into its Internal Capital Adequacy Assessment Process (ICAAP) or Own Risk and Solvency Assessment (ORSA) process.

14. The FRFI should incorporate the impact of climate-related drivers on its liquidity risk profile and integrate a range of FRFI-specific and market-wide severe, yet plausible, climate-related stress events when assessing the adequacy of its liquidity buffers.

# Chapter 2 – Climate-related financial disclosures

This chapter outlines OSFI's expectations for the disclosure of climate-related risks.

## I. Purpose of disclosure expectations

1. OSFI reinforces its climate risk management expectations through climate-related financial disclosure expectations. Climate-related financial disclosures help OSFI to meet its mandate of protecting depositors, creditors, and policyholders, and contributing to public confidence in the Canadian financial system, by ensuring relevant information is publicly available to enable understanding of FRFIs' financial condition and the risks to which they are exposed.

2. Users interested in FRFIs' climate-related financial risk information may also include investors, analysts, and the public at large. By providing this broad group of users with relevant risk and risk management information, these disclosures can build confidence in FRFI management, and enable FRFIs to attract, or maintain their access to, capital and liquidity channels. By extension, confidence in FRFIs contributes to the

public confidence in, and resilience of, the Canadian financial system.

## II. Scope of application

3. This chapter applies to all FRFIs in the scope of this Guideline, except for subsidiaries of FRFIs that report consolidated results to OSFI.

4. This Guideline expects FRFI-specific disclosures at the highest consolidated level. The in-scope FRFI is permitted to reference non-FRFI parent-level or group-level disclosures, for disclosure elements common to both in-scope FRFI and non-FRFI parent or group, for the corresponding reporting period.

## III. Principles for effective disclosure of climate-related risks

5. The fundamental principles set out below provide guidance to FRFIs on OSFI's expectations for climate-related financial disclosures. These principles can help achieve high-quality and decision-useful disclosures that enable users to understand the financial impact of climate change on FRFIs. FRFIs should present disclosures that reflect the principles below.

6. The FRFI may encounter tension in the application of the principles set out below, whether between principles or within a single principle.8 Such tensions are inevitable given the wide-ranging and sometimes competing needs of users and preparers of disclosures. The FRFI should aim to find an appropriate balance of disclosures that reasonably satisfy the expectations and principles without overwhelming users with unnecessary information.

7. OSFI expects a FRFI to continually look to evolve its disclosure practices, and to regularly review disclosures for relevance, comprehensiveness, and clarity.

### Principle 1: The FRFI should disclose relevant information.

8. The FRFI should provide information specific to the current and potential future impact of climate-related risks and opportunities on its markets, businesses, corporate or investment strategy, financial statements and reports, and

future cash flows.

9. The FRFI should present disclosures in sufficient detail to enable users to assess its exposure and approach to addressing climate-related risks, which is expected to evolve over time as FRFI practices mature.

10. The FRFI should provide information from the perspective of the current and potential future impact of climate-related risks and opportunities on value creation, considering and addressing the different time frames and types of impacts.

## Principle 2: The FRFI should disclose specific and comprehensive information.[9]

11. The FRFI should provide disclosures of its exposure to current and potential future impacts of physical and transition risks; the potential nature and size of such impacts; the FRFI's governance, strategy, processes for managing these risks, and performance with respect to managing climate-related risks and opportunities.

12. To be sufficiently comprehensive, the FRFI should include historical and future-oriented information in its disclosures to allow users to evaluate their previous expectations relative to actual performance and assess possible future financial implications.

13. For quantitative information, the FRFI should use data that is consistent with what is used in its investment and risk management decision-making. The FRFI should provide an explanation of the definition, measurement framework used, scope applied, and for future-oriented information, the key assumptions and judgments used. The FRFI should explain any data limitations and/or methodology challenges it faced during the reporting period and their impact on disclosure.

14. Any scenario analyses should be based on data or other information used by the FRFI for investment decision-making and risk management. Where appropriate, the FRFI should also demonstrate the effect on selected risk metrics or exposures of changes in the key underlying methodologies and assumptions, both in qualitative and quantitative terms.

15. Management should exercise discretion to avoid disclosing proprietary and/or confidential information. Management should also exercise discretion to avoid disclosing commercially sensitive information about climate-

related opportunities that could seriously prejudice future economic benefits. If the FRFI omits information expected by this Guideline, it should specify the items that it has not disclosed and explain the corresponding rationale.

## Principle 3: The FRFI should disclose clear, balanced, and understandable information.

16. The FRFI should present disclosures that communicate financial information that serves the needs of a range of users (i.e., sufficiently granular to inform sophisticated users but also provide concise information for those who are less specialized.)

17. The FRFI should show an appropriate balance between qualitative and quantitative information and use text, numbers, and graphical presentations in its disclosures as appropriate.

18. The FRFI should include fair and balanced narrative explanations that provide insight into the meaning of quantitative disclosures, including the changes or developments they portray over time.

19. The FRFI should provide straightforward explanations of risks and opportunities in its disclosures. Terms used in the disclosures should be explained or defined for a proper understanding by the users.

## Principle 4: The FRFI should disclose reliable and verifiable information.

20. The FRFI should provide high-quality reliable information in its disclosures. This information should be neutral—i.e., free from bias.

21. The FRFI should report information that is verifiable (e.g., amounts disclosed should be traceable to their sources). Disclosures should be defined, collected, recorded, and analyzed in such a way that the information reported is verifiable to ensure it is high quality.

22. To the extent practicable, the FRFI should base its disclosures on objective data and use best-in-class measurement methodologies, which would include common industry practice as it evolves.

23. The FRFI should adequately explain future-oriented disclosures that involve the FRFI's judgment and ensure such disclosures are reasonable and supported.

24. The disclosures should be subject to internal governance processes and controls that are the same or substantially like those used for financial reporting.

25. The disclosures are not expected to be subject to independent external assurance at this time, but FRFIs should work towards a future state in which external assurance is expected.

## Principle 5: The FRFI should disclose information appropriate for its size, nature, and complexity.

26. The volume and level of detail of disclosure should be greater for a FRFI that is larger, has more varied business lines and geographic locations, or is systemically important, than for other FRFIs. The FRFI should exercise discretion in determining the appropriate level of detail in its disclosures to enable transparency of its risks, risk management practices, and opportunities.

## Principle 6: The FRFI should disclose information consistently over time.

27. The FRFI should disclose consistently over time to enable users to understand the impact of climate-related risks on the FRFI's business and to allow for meaningful inter-period comparisons.

28. The FRFI should explain:

    - inter-period variances in amounts disclosed;
    - the underlying reasons for the inter-period variances in amounts disclosed (e.g., whether due to changes in climate-related risks, measurement methodologies, presentation, or a combination); and
    - the impact of these reasons on prior period comparability of effected amounts in terms of direction and magnitude.

    In such instances, or if new information becomes available, retrospective restatement is allowed but not expected.

## IV. Implementation date and comparative period disclosure

29. The FRFI is expected to implement the expectations in Annexes 2-1 and 2-2 of this Guideline effective the fiscal periods ending on or after October 1, 2024, 2025 and 2026, as applicable. The FRFI may voluntarily early adopt disclosure expectations.

30. Starting in the reporting period after implementation, FRFIs should disclose comparative period amounts and, to the extent useful for an understanding of the disclosures, comparative period narrative information.

## V. Location and timing of disclosures

31. The FRFI may exercise discretion regarding the location of the disclosures expected by this Guideline. Possible locations include but are not limited to: Report to Shareholders[10] (if disclosed to the public), or a stand-alone report (e.g., Environmental, Social, and Governance, or "ESG", Report, Climate Risk Report, Pillar 3 Report). The FRFI may exercise discretion in signposting disclosure expectations of this Guideline to publicly available reports of its choice.

32. The FRFI is expected to make its climate-related financial disclosures publicly available (i.e., on the FRFI's company website) no later than 180 days after fiscal year-end, as applicable. The FRFI should maintain an ongoing archive of all disclosures relating to prior reporting periods.

## VI. OSFI's Financial Data websites

33. In-scope FRFIs which are neither a D-SIB[11] nor an IAIG[12] Headquartered in Canada are expected to provide in their climate-related financial disclosures a link to one of OSFI's Financial Data websites[13] as appropriate, to alert readers to additional information available.

## VII. Frequency of disclosure

34. The frequency for the disclosures expected by this Guideline is **annual**. The FRFI may voluntarily present the expected disclosures on more frequent basis.

## VIII. Disclosure format

35. The format for the disclosures expected by this Guideline is **flexible**. The FRFI may present the expected information in the format that best suits the FRFI.

# Annexes

## Annex 1-1 – Other OSFI guidance

This Guideline complements other OSFI guidance that directly or indirectly addresses various elements of climate risk management, including but not limited to:

1. Corporate Governance Guideline, which sets out OSFI's expectations of Board of Directors and FRFI management on corporate governance.
2. Guideline E-18: Stress Testing, which sets out OSFI's expectations on the use of stress testing for senior management to use in making business strategy, risk management, and capital management decisions.
3. Guideline E-19: Own Risk and Solvency Assessment (ORSA), which sets out OSFI's expectations of an insurer's own assessment of its risks, capital needs and solvency position, and for setting Internal Targets, based on an insurer's ORSA.
4. Guideline E-19: Internal Capital Adequacy Process (ICAAP), which sets out OSFI's expectations of federally regulated deposit-taking institutions' own assessment of the adequacy of their capital.
5. Guideline B-10: Third-Party Risk Management Guideline, which sets out OSFI's expectations on FRFI management of risks associated with third-party arrangements.
6. Guideline E-23: Enterprise-wide Model Risk Management for Deposit-Taking Institutions, which sets out OSFI's expectations on institutions' establishment of sound policies and practices for an enterprise-wide model risk management framework.

7. Guideline E-21: Operational Risk Management, which sets out OSFI's expectations on FRFIs' management of operational risk.

## Annex 1-2 – Examples of climate-related transmission channels

### Physical risk: Increased frequency and severity of weather events

| Risk event | Potential impact or loss |
|---|---|
| **Credit risk:** Damage to collateral for bank loans | **Credit impact:** Higher loan to value and loss given default (LGD) due to reduced collateral value; leading to higher capital requirements |
| **Market risk:** Physical damage and a perception of heightened risk that can affect the market value of investments | **Market loss:** Mark-to-Market (MTM) investment and/or trading losses |
| **Insurance risk:** Insurance claims consistently exceed insurance company expectations | **Insurance loss:** Increased insurance losses and increase cost to reinsure |
| **Operational risk:** Physical damage to premises; outage of critical services or functions (e.g., bank branch, insurance claims department) | **Operational loss:** Losses due to physical damage and/or outage; potential reputational damage |

### Transition risk: Increased regulation related to GHG-intensive industries

| Risk event | Potential impact or loss |
|---|---|
| **Credit risk:** GHG-intensive borrowers face higher costs of doing business and/or lower revenues reducing profitability | **Credit impact:** Increased probability of default due to pressures on the borrower and LGD due to stranded assets, which could lead to higher capital requirements for the FRFI |
| **Market risk:** Unexpected valuation change in debt and equity securities issued by impacted firms | **Market loss:** Investment and/or trading losses linked to securities issued by impacted firms |
| **Liquidity risk:** An institution with a GHG-intensive portfolio may experience diminished demand for its funding instruments in wholesale debt markets as its assets become more illiquid | **Liquidity impact:** Potential challenges rolling over debt or raising capital |
| **Liability risk:** The Board of the FRFI may not be seen as fulfilling its legal obligations and appropriately accounting for and managing its climate-related risks | **Legal impact:** Possible legal action against the FRFI Board; potential reputational damage to the FRFI |

## Annex 2-1 – Greenhouse gas emissions accounting

1. Regarding calculation of GHG emissions, (in Annex 2-2, "Metrics and Targets" Disclosure Elements b) i and b) ii, the FRFI is expected to use the latest GHG Protocol Corporate Accounting and Reporting Standard and the latest GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, or comparable reporting standards.

2. Regarding calculation of the portion(s) of Scope 3 GHG emissions, (in Annex 2-2, "Metrics and Targets" Disclosure Element b) ii, pertaining to the FRFI's financed and/or insurance-associated GHG emissions, the FRFI is expected to use the latest Partnership for Carbon Accounting Financials' (PCAF's) Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF Standard), or a comparable industry-accepted approach.

3. See Annex 2-2 - Minimum Climate-Related Financial Disclosure Expectations for detailed disclosure expectations and implementation dates.

## Annex 2-2 – Climate-related financial disclosure expectations

### Governance

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| a) | Describe the governance body(ies) (e.g., board of directors, committee, other) or individual(s) responsible for oversight of climate-related risks and opportunities, including their identity, responsibilities, skills and competencies, process around staying informed including the frequency of meetings, oversight of strategy, major transactions, risk management processes, target setting and monitoring progress towards those targets, and a description of whether and how climate-related considerations are factored into their remuneration. | 2024 | 2025 | 2024 | 2025 |
| b) | Describe management's role in monitoring, managing, and overseeing climate-related risks and opportunities, including the identity of the management-level position or committee as applicable, its governance processes, controls, and procedures, and how oversight is exercised over that position or committee. | 2024 | 2025 | 2024 | 2025 |

## Strategy

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| a) | Describe the climate-related risks and opportunities the FRFI has identified that could reasonably be expected to affect its cash flows, access to finance or cost of capital,16 including:<br>• The classification of each climate-related risk as either physical or transition risk;<br>• The expected timeframe for the occurrence of effects associated with each risk and opportunity (short, medium, or long term);<br>• The FRFI's definitions of 'short term,' 'medium term,' and 'long term' in relation to strategic decision-making planning horizons. | 2024 | 2025 | 2024 | 2025 |

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| b) i | **Business model and value chain**<br><br>Describe:<br><br>• the current and anticipated[16][18] effects of climate-related risks and opportunities on the FRFI's business model and value chain;<br>• where in the FRFI's business model and value chain the climate-related risks and opportunities are concentrated.<br><br>**Strategy and Decision making**<br><br>Disclose information about current and anticipated:<br><br>• changes to the FRFI's business model, including its resource allocation, to address climate-related risks and opportunities;<br>• direct mitigation and adaptation efforts;<br>• indirect mitigation and adaptation efforts.<br><br>**Financial position, financial performance, and cash flows**<br><br>Describe:<br><br>• how climate-related risks and opportunities have affected the FRFI's financial position, financial | 2024 | 2025 | 2024 | 2025 |

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| b) ii | Describe the FRFI's climate transition plan [See Climate Transition Plan Risk Management Expectation in Chapter 1 of this Guideline].19 | TBD | TBD | TBD | TBD |
| c) | Describe the resilience of the FRFI's strategy, taking into consideration different climate-related scenarios, including a scenario which limits warming to the level aligned with the latest international agreement on climate change20, or lower.19 | TBD | TBD | TBD | TBD |

## Risk Management

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| a) | Disclose information about the FRFI's processes and related policies for identifying, assessing, prioritizing, and monitoring climate-related risks. In meeting this disclosure expectation, the FRFI should explain how it has applied Principle 3, and its supporting paragraphs, in Chapter 1 of this Guideline. | 2024 | 2025 | 2024 | 2025 |
| b) | Disclose information about the FRFI's processes for identifying, assessing, prioritizing, and monitoring climate-related opportunities including information about whether and how the FRFI uses climate-related scenario analysis to inform its identification of climate-related opportunities. | 2024 | 2025 | 2024 | 2025 |
| c) | Disclose information about the extent to which, and how the FRFI's processes for identifying, assessing, prioritizing, and monitoring climate-related risks and opportunities are integrated into and inform the FRFI's overall risk management process. | 2024 | 2025 | 2024 | 2025 |

## Metrics and Targets

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| a) | Disclose metrics used by the FRFI to assess climate-related risks and opportunities in line with its strategy and risk management process. | 2024 | 2025 | 2024 | 2025 |
| b) i | Disclose separately the FRFI's Scope 1 and location-based Scope 2 absolute gross GHG emissions for the period.<br><br>Disclose the measurement approach, inputs, and assumptions the FRFI uses to measure its Scope 1 and Scope 2 GHG emissions, and the underlying reasons for these decisions.<br><br>Disclose the reporting standard used by the FRFI to calculate and disclose GHG emissions. If the reporting standard used by the FRFI is not the GHG Protocol Corporate Standard, disclose how the reporting standard used by the FRFI is comparable. | 2024 | 2025 | 2024 | 2025 |

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| b) ii | Disclose the FRFI's Scope 3 absolute gross GHG emissions for the period.16<br><br>In preparing its Scope 3 GHG emissions disclosure, the FRFI should consider its entire value chain21 and all 15 categories22 of Scope 3 GHG emissions, disclose which of these categories are included in the Scope 3 GHG emissions disclosure, and ensure inclusion of Category 15: Investments emissions.<br><br>• For all in-scope FRFIs, Category 15 entails emissions from loans and investments (financed emissions).<br>• For in-scope FRFIs that participate in asset management activities, Category 15 entails emissions from Assets Under Management (AUM25). See Metrics and Targets disclosure element b) iii below for disclosure expectations and implementation date of Scope 3 GHG emissions from AUM25.<br>• For in-scope FRFIs that participate in financial activities associated with property and casualty insurance (excluding mortgage insurance), Category 15 entails emissions from insurance and reinsurance underwriting portfolios (insurance-associated emissions).<br><br>FRFIs should not combine but should present separately financed emissions, insurance- | 2028 | 2028 | 2028 | 2028 |

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| b) iii | **Additional and specific information about FRFIs' Category 15 Investments emissions**<br><br>Disclose the following, as applicable:<br><br>**For in-scope FRFIs that participate in asset management activities, disclose:**<br><br>1. The FRFI's absolute gross financed emissions pertaining to assets under management (AUM25), disaggregated by Scope 1, Scope 2, and Scope 3 GHG emissions.<br>2. For each of the disaggregated items in (1), above, the total amount of AUM25 that is included in the financed emissions disclosure, expressed in Canadian dollars.<br>3. The percentage of the FRFI's total AUM 25 included in the financed emissions calculation.<br>    1. If the percentage is less than 100%, the FRFI should explain the exclusions (i.e., due to lack of methodology or lack of data), including types of assets and the associated amount of AUM25.<br>4. The methodology used to calculate the financed emissions from AUM25, including the method of allocation the FRFI used to attribute its share of emissions in relation to the size of the AUM25 balance. | TBD | TBD | TBD | TBD |

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| c) | • Disclose any quantitative and qualitative climate-related targets the FRFI has set to monitor progress towards achieving its strategic goals, including:<br>  ◦ The objective of the target;<br>  ◦ The period over which the target applies;<br>  ◦ The base period from which progress is measured;<br>  ◦ Any revisions to the target and an explanation of those revisions;<br>• Disclose information about the FRFI's approach to setting and reviewing each target and how it monitors progress against each target;<br>• Disclose information about the FRFI's performance against each climate-related target and an analysis of trends or changes in the FRFI's performance.<br><br>For any GHG emissions target disclosed (and the corresponding metrics, if applicable), disclose it both gross of, and net of, carbon offsets, if applicable, and explain the type of offset (for example, carbon credit, nature-based, other.) | 2024 | 2025 | 2024 | 2025 |

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| d) | Disclose the following cross-industry metrics:<br>1. climate-related transition risks: the amount and percentage of assets or business activities vulnerable to climate-related transition risks;16<br>2. climate-related physical risks: the amount and percentage of assets or business activities vulnerable to climate-related physical risks;16<br>3. climate-related opportunities: the amount and percentage of assets or business activities aligned with climate-related opportunities;16<br>4. capital deployment: the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;<br>5. internal carbon price:<br>1. an explanation of whether and how the FRFI is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and<br>2. the price for each metric tonne of GHG emissions the entity uses to assess the costs of its GHG emissions<br>6. remuneration:<br>1. the percentage of Senior Management and other material | 2025 | 2026 | 2025 | 2026 |

| Disclosure element | Disclosure expectation | Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest) | | | |
|---|---|---|---|---|---|
| | | D SIBs | SMSBs (Categories 1, 2 and 3) | IAIGs headquartered in Canada | All other federally regulated insurers (Life, P&C, and Foreign Insurance Branches) |
| e) | Disclose industry-based metrics. In determining the industry-based metrics that the FRFI discloses, consider the applicability of the industry-based metrics associated with disclosure topics described in the Industry-based Guidance on Implementing Climate-related Disclosures, (Financials Sector, as applicable to the FRFI's business model/activities). | 2028 | 2028 | 2028 | 2028 |

## Footnotes

1 'Foreign bank branches' refers to foreign banks authorized to carry on business in Canada on a branch basis under Part XII.1 of the *Bank Act*.

2 This Guideline applies to Canadian branches of foreign insurers to the extent the expectations relate to, or impact, the risks insured in Canada by the foreign insurer, the sufficiency of the related vested assets relative to the foreign insurer's insurance business in Canada, and/or and the Branch Adequacy Asset Test (BAAT) or Life Insurance Margin Adequacy Test (LIMAT) targets.

3 For foreign entities operating in Canada on a branch basis, OSFI looks to Branch Management to oversee operations in Canada.

4 Climate-related risks can affect FRFIs through micro- and macro-economic transmission channels. Refer to Annex 1-2 for examples of these channels.

5 Refer to the Financial Stability Board's Task Force on Climate-Related Financial Disclosures Guidance on Metrics, Targets, and Transition Plans (PDF) for additional guidance on elements to consider as part of transition planning.

6 Uncertainties may arise at each step of the measurement, methodology, or modeling process, which can result from, but are not limited to, data (limitations around quality, representativeness, or historical coverage) or model misspecification. The FRFI should consider applying a margin of conservatism to address these uncertainties.

7 When selecting relevant climate scenarios, the FRFI should consider industry-accepted sources, such as the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and the Network for Greening the Financial System (NGFS). The FRFI should also consider domestic and global policies and legislation, such as the *Canadian Net-Zero Emissions Accountability Act*.

8 For example, the FRFI may update a methodology or increase the level of detail disclosed to improve the relevance of disclosure, at the expense of consistency of disclosure. Tension can also arise within a single principle. For example, Principle 4 states that disclosures should be verifiable, but assumptions made about future-oriented disclosures often require significant judgment by FRFI management that is difficult to verify.

9 As data quality, availability and scenario analysis capabilities improve, OSFI expects to issue updated climate-related financial disclosure expectations in the future with increased expectations.

10 "Report to Shareholders" includes the Primary Financial Statements (Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows), Notes to the Financial Statements and Management's Discussion & Analysis.

11 Consistent with other OSFI Guidance, OSFI identifies D-SIBs as Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, and Toronto-Dominion Bank.

12 The term "IAIGs" refers to Internationally Active Insurance Groups. "IAIGs headquartered in Canada" refers to Sun Life Assurance Company of Canada, Manufacturers Life Insurance Company, Canada Life Assurance Company, and Intact Financial Corporation.

13 OSFI's financial Data websites

14 "SMSBs" refers to "Small and Medium-Sized Deposit Taking Institutions" as defined in OSFI's SMSB Capital and Liquidity Requirements Guideline.

15 The term "All Other Federally Regulated Insurers" refers to all federally regulated insurers other than "Internationally Active Insurance Groups Headquartered in Canada."

16 In preparing this disclosure, the FRFI should use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort.

In meeting these disclosure expectations, FRFIs should provide both quantitative (single amount or range) and qualitative information, with the following exceptions:

- Non-D-SIBs and Non-IAIGs need not disclose quantitative information on cash flows.
- FRFIs need not disclose quantitative information on current and anticipated financial effects if those effects are not separately identifiable or the level of measurement uncertainty is so high that the resulting quantitative information would not be useful.
- FRFIs need not disclose quantitative information on anticipated effects of climate-related risks or opportunities if the FRFI does not have the skills, capabilities, or resources to do so.

- FRFIs should disclose instances where such an exception applies and why.

18 In preparing this disclosure, the FRFI should use an approach commensurate with its available skills, capabilities, and resources.

19 Final disclosure expectation and/or timing of implementation to be determined later.

20 As at the date of publication of this guideline, 1.5°C above pre-industrial levels, based on the 2015 Paris Agreement.

21 In determining the scope of its value chain, and selecting the measurement approach, inputs, and assumptions it uses to measure Scope 3 GHG emissions, the FRFI should use all reasonable and supportable information available to it at the reporting date without undue cost or effort.

22 The 15 Categories of Scope 3 GHG emissions, as described in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (PDF).

23 For Category 15 Investments emissions, FRFIs may use the most recently available emissions-related data from entities within its value chain alongside their own current year financial data. For example, when disclosing for fiscal year 2028, the FRFI may use financial data for fiscal year 2028 and GHG emissions data for fiscal year 2027.

24 If insurance revenue is impracticable for the purpose of disclosing insurance-associated emissions, then in-scope FRFIs may alternatively use gross written premium and disclose the approach used.

25 Assets under management (AUM) refers to: Off-balance sheet investments pertaining to asset management activities.