

# OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS CANADA DETAILED ACTION PLAN

to the recommendations of the Supervision of Climate-related Financial Risks of the 2023 Reports 1 to 5 of the Commissioner of the Environment and Sustainable Development

Report Ref. No.	CESD Recommendation	Departmental Response	Description of Final Expected Outcome/Result	Expected Final Completion Date	Key Interim Milestones (Description/Dates)	Responsible Organization/ Point of Contact (Name, Position, Tel #)	Indicator of Achievement (For Committee Use Only)
4.30	The Office of the Superintendent of Financial Institutions Canada should, in its departmental plan and upcoming departmental sustainable development strategy, carefully consider and, if necessary, clearly demonstrate how its policies and programs contribute to the United Nations' Sustainable Development Goals, particularly Goal 13 (climate action), with a set of timelines, performance indicators, and supporting metrics, where appropriate.	Agreed. In 2023–24, the Office of the Superintendent of Financial Institutions Canada (OSFI) will develop and table its Departmental Sustainable Development Strategy that will be aligned with the 2022 to 2026 Federal Sustainable Development Strategy and will discuss strategies to support the United Nations' Sustainable Development Goals as applicable. Under the United Nations' Sustainable Development Goals 12 and 13 within the federal strategy, there are several targets, milestones, and implementation strategies that OSFI would directly contribute to, which could result in changes to our internal operations and enhance support for initiatives such as the Greening Government Strategy: A Government of Canada Directive. More specifically, OSFI will review its policies and programs with a view to identifying how it can better support goals related to responsible consumption, greenhouse gas emissions, and climate resilience.	<ul style="list-style-type: none"> <li>Table and publish OSFI's 2023-27 Departmental Sustainable Development Strategy (DSDS).</li> </ul> <p><b>Outcome</b></p> <ul style="list-style-type: none"> <li>OSFI is aligned with the Government of Canada's broader climate goals going beyond greening government operations.</li> <li>OSFI is compliant with the <i>Federal Sustainable Development Act</i>.</li> </ul>	November 2023	<p><b>Q1 - Q2 2023/24:</b> Draft OSFI's 2023-27 DSDS, including alignment to the United Nations' Sustainable Development Goals 12 and 13 as outlined in the Federal Sustainable Development Strategy.</p> <p><b>Q2 2023/24:</b> Submit the Superintendent-approved DSDS to the Minister of Finance for tabling in Parliament.</p> <p><b>Q3 2023/24:</b> Table OSFI's first DSDS in parliament and publish on the OSFI website.</p>	Hélène Halpin, Manager, Corporate Planning and Performance, Corporate Planning Helene.Halpin@osfi-bsif.gc.ca	
4.54	The Office of the Superintendent of Financial Institutions Canada should increase the frequency and breadth of its public outreach to engage more broadly and benefit from the perspectives and expertise of civil society about climate-related financial risks and potential tools to address them.	Agreed. The Office of the Superintendent of Financial Institutions Canada (OSFI) will seek to further enhance the frequency and breadth of engagement and discourse with stakeholders about climate-related financial risks and potential tools to address them. In 2022, OSFI commenced engagements with organizations representing different sectors of the real economy, Indigenous peoples and organizations, and climate change non-governmental organizations. In 2023, OSFI will expand its activities by implementing a Climate Risk Forum as part of its domestic engagement	<ul style="list-style-type: none"> <li>Hold inaugural Climate Risk Forum information session, launch forum website, and grow forum's subscriber base.</li> <li>Complete consultations on draft Climate Risk Returns via forum, and publish related, "What we Heard" report.</li> </ul>	<p>June 2023</p> <p>January 2024</p>	<p><b>Q3 2022/23 – Q1 2023/24:</b> Create strategy and 2023/24 plan for Climate Risk Forum engagements. Implement plan to hold first Climate Risk Forum Information Session. <b>Completed June 2023.</b></p> <p><b>Q3-Q4 2023/24:</b> Issue draft Climate Risk Returns to solicit written feedback, meet with industry and other stakeholders to gather feedback, and publish related, "What we Heard" report. <b>Consultations underway.</b></p>	Anne Marie Markey, Acting Director, Climate Risk Hub AnneMarie.Markey@osfi-bsif.gc.ca	

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		strategy. This multifaceted engagement strategy will ensure that OSFI benefits from a broad range of perspectives and expertise, including those of civil society.	<ul style="list-style-type: none"> <li>Complete consultations on draft 2024 Standardized Climate Scenario Exercise (SCSE) via forum, and publish related, "What we Heard" report.</li> </ul>	March 2024	Issue draft 2024 SCSE methodology paper to solicit written feedback, meet with industry and other stakeholders, and publish related, "What We Heard" report. <b>Consultations to start in October 2023.</b>		
4.59	<p>The Office of the Superintendent of Financial Institutions Canada (OSFI) should clarify how it will address climate-related financial risks in its updated supervisory framework. Specifically, climate-related financial risks should be assessed against clear and detailed criteria to:</p> <ul style="list-style-type: none"> <li>empower OSFI's supervisors to challenge the information provided by the regulated institutions</li> <li>ensure that all regulated institutions are assessed using the same risk-based approach</li> <li>ensure that the information provided by and the actions taken by regulated institutions to address climate-related financial risks are effective and reduce the risk of greenwashing</li> </ul>	<p>Agreed. The Office of the Superintendent of Financial Institutions Canada (OSFI) will clarify how climate-related risks will be addressed in the new supervisory framework. The conceptual design for the new supervisory framework, including measures to integrate climate-related risks, received executive approval on 3 October 2022. The new supervisory framework will continue to afford a degree of flexibility to adapt our supervisory approach to reflect the nature, scale, complexity, and risk profile of individual institutions. This includes empowering supervisors to challenge the information provided by regulated institutions, ensuring a consistent approach to implementation across all regulated institutions, and ensuring that information provided by regulated institutions to address climate-related risks reflects the risk profile of the institution. OSFI expects to complete the detailed design and system development for the new supervisory framework by the fall of 2023, with an effective date of 1 April 2024.</p>	<ul style="list-style-type: none"> <li>Updated and published Supervisory Framework, in advance of April 1/24 effective date.</li> </ul>	February 2024	<p><b>Q4 2023/24:</b> Publish new Supervisory Framework on OSFI's website. <b>Expected in February 2024.</b></p> <p><b>Q1 2024/25:</b> Effective date for new Supervisory Framework is April 1, 2024.</p>	<p>Maria Moutafis, Senior Director, Supervision Methods, Standards, and Controls, 416-616-7331, Maria.Moutafis@osfi-bsif.gc.ca</p>	
4.63	<p>To strengthen regulated institutions' accountability for transition to a net-zero emission economy and to avoid greenwashing, the Office of the Superintendent of Financial Institutions Canada should set clearer guidance about the information reported in the institutions' transition plans.</p>	<p>Agreed. In 2022–23, the Office of the Superintendent of Financial Institutions Canada (OSFI) will issue its final Guideline B-15, which will reflect and communicate OSFI's prudential expectations for regulated institutions to manage climate-related risks, including for transition plans and their disclosure. OSFI will continue to refine its disclosure expectations in future iterations of the</p>	<ul style="list-style-type: none"> <li>Publish updated Chapter 2 of Guideline B-15 to consider final IFRS S2 standards.</li> <li>Complete supervisory expectations on climate risk management and roll</li> </ul>	<p>March 2024</p> <p>June 2024</p>	<p><b>Q4 2023/24:</b> Finalize the Scope 3 disclosure strategy, considering the final IFRS S2 standard. <b>Underway – strategy to be approved by December 2023; anticipate publishing updated guideline by March 2024.</b></p> <p><b>Q2 2024/25:</b></p>	<p>Vivian Yu, Director, Climate Risk Hub 416-902-6032, vivian.yu@osfi-bsif.gc.ca</p>	

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		<p>guideline, including aligning with the final International Sustainability Standards Board standard (International Financial Reporting Standard S2: Climate-Related Disclosures).</p> <p>OSFI expects that transition planning will increasingly become important to regulated institutions identifying, managing, and mitigating climate-related risks. By setting supervisory expectations on transition plans, we expect institutions to embed climate-related risks into their enterprise-wide risk management frameworks, including policies, procedures and controls, and accountability and governance structures. This will also facilitate OSFI's understanding and assessment of regulated institutions' unique strategies to manage climate-related risks and enable OSFI to make supervisory judgments about regulated institutions' effectiveness in managing these risks. Prudential assessment of transition plans can strengthen plan accountability, allowing OSFI to contribute, in a manner consistent with its mandate, to other financial sector authorities' efforts to avoid greenwashing.</p>	<p>out training to OSFI Lead Supervisors.</p>		<p>Finalize supervisory expectations and training to Lead Supervisors. <b>Anticipate completing by June 2024.</b></p>		
4.75	<p>The Office of the Superintendent of Financial Institutions Canada should ensure that its strategy for addressing climate-related financial risks is as consistent as possible among federally regulated pension plans and federally regulated financial institutions, in terms of data, disclosures, vulnerability analyses, and regulatory and supervisory practices.</p>	<p>Agreed. The Office of the Superintendent of Financial Institutions Canada's (OSFI's) strategy for addressing climate-related risks aims to be as consistent as possible across regulated financial institutions and pension plans, while necessarily reflecting and respecting the differences between the statutory frameworks for federally regulated private pension plans and federally regulated financial institutions. For example, OSFI's approach to executing its mandate, including for climate-related risks, must consider the unique application of pension plan administrators' legislated and common</p>	<ul style="list-style-type: none"> <li>OSFI is a member of the Canadian Association of Pension Supervisory Authorities (CAPSA) and has contributed to the development of the CAPSA Guideline on Pension Plan Risk Management, which includes a section on the consideration of Environmental, Social, and Governance factors by pension plan administrators.</li> </ul>	March 2024	<p><b>Q3 – Q4 2023/24:</b>            Consultation period for draft CAPSA Risk Management Guideline concludes September 30, 2023. The finalized CAPSA Guideline on Pension Plan Risk Management is expected to be published in March 2024.</p> <p><b>Q3 – Q4 2024/25:</b></p>	<p>Claire Ezzeddin,            Senior Manager,            Legislative Policy,            Interpretations and Compliance,            613-614-5879,            claire.ezzeddin@osfi-bsif.gc.ca</p>	

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		<p>law fiduciary duties. OSFI will continue to supervise regulated entities, including pension plans, according to the legislative frameworks set out by the Parliament of Canada.</p>	<ul style="list-style-type: none"> <li>• Following the finalization of the CAPSA Guideline on Pension Plan Risk Management, OSFI will decide whether additional guidance on consideration of climate related risks is necessary for federally regulated pension plans and will publish any such guidance.</li> <li>• Following the expected introduction of federal regulations to require disclosure of ESG considerations, including climate related risks, for federally regulated pension plans, OSFI will consider whether to publish any related guidance or to require additional disclosures to OSFI.</li> </ul>	<p>September 2024</p> <p>TBD</p>	<p>Decision regarding whether additional guidance to be published to be made within 6 months of the publication of the final CAPSA Guideline. Finalized additional guidance, <u>if any</u>, to be published by OSFI for consultation within 18 months of the publication of the final CAPSA Guideline</p> <p>Decision regarding whether guidance to be published will be made within 3 months of coming into force of federal disclosure regulations. Finalized guidance on disclosure, <u>if any</u>, to be published by OSFI for consultation within 9 months of coming into force of federal disclosure regulations.</p> <p>Decision regarding whether additional disclosures to OSFI will be required will be made within 6 months of coming into force of federal disclosure regulations. Additional disclosures to OSFI, <u>if any</u>, to be within 24 months of coming into force of federal disclosure regulations.</p>		