



Pre-Budget Consultations for the 2023 Federal Budget

October 2022



RECOMMENDATIONS

Recommendation 1: That the federal government mitigate the impacts of inflation, particularly through investment incentives for businesses. When conditions are appropriate, the government should consider implementing economic stimulus plans to launch a new, fairer and more sustainable economic cycle, focused on increased productivity, increased housing supply and acceleration of the energy transition.

Recommendation 2: That the federal government work with the provinces and public and private sectors to adopt innovative initiatives to meet the needs of the housing sector, particularly in the context of a sharp increase in inflation and interest rates.

Recommendation 3: That the government include the recommendations from the Climate Proof Canada coalition in Canada's National Adaptation Strategy.

Recommendation 4: That the appropriate measures be put in place to require full disclosure in the financial reports of Canadian businesses and organizations that meet the established criteria for all climate and environmental, social and governance (ESG) risks, as recommended by the TCFD.

Recommendation 5: That the government explore how the framework of the [Taskforce on Nature-Related Financial Disclosures](#) (TNFD) could be applied to issues related to the loss of biodiversity.

Recommendation 6: That the government prioritize the adoption of a Canada-wide governance framework by businesses and governments for secure digital identification and authentication and provide leadership to ensure alignment and consistency between current and future initiatives in the Canadian ecosystem.

Recommendation 7: That the government, in cooperation with the private sector, encourage the universal adoption of a Canada-wide network to ensure secure digital identification and authentication interoperability across Canada and its various areas of activity to avoid exclusion of use cases of and thus maximize the benefits to Canadians.

INTRODUCTION

The Desjardins Group is the largest financial cooperative group in America and the fifth largest in the world. We serve over 7.5 million members and customers across Canada. Our distinct position among Canada's major financial institutions and our role as a leading socioeconomic actor make it possible for us to bring a different perspective to many aspects of financial sector governance and public policies.

COMMENTS

Inflation

In early 2022, we saw the combination of various factors that led to the greatest increase in inflation in 40 years, which led to an increase in interest rates. This is particularly difficult for the average Canadian consumer, who will spend more for basic consumer goods and to repay their loans. Low-income households are the hardest hit by rising prices for gas, groceries, rent and public utilities. The fact that Canadians are among the most indebted in the world¹ only aggravates the situation.

Although forecasts remain highly uncertain, high inflation and its impact suggest that a “soft landing” scenario is unlikely. Like many others, the Canadian economy should fall into a slight recession in the first quarter of 2023.² This is a necessary period to reduce some of the imbalances that are currently fuelling inflation. A recession in 2023 is not good news, but it should help avoid an even more painful scenario while potentially laying the groundwork for stronger growth in 2024, combined with lower and more stable inflation.

If a recession is confirmed and inflation declines, an increase in public expenditures would be conceivable and justified. The spectacular improvements in budget balances since 2020 would give the government the flexibility to implement economic stimulus measures, which should focus on increased productivity, increased housing supply and acceleration of the energy transition, to lay the groundwork for a new, fairer and more sustainable economic cycle.

Housing

Inflation is combined with an already unfavourable context for home ownership and affordable quality housing for many Canadians. It should be noted that significant price increases in recent years, caused in particular by high bids and low interest rates, have severely compromised affordability for people on low and moderate incomes. The significant increase in financing costs

¹ <https://data.oecd.org/hha/household-debt.htm>

² <https://www.desjardins.com/ressources/pdf/pv220825-e.pdf>

caused by recent increases in interest rates also hinders access to ownership and housing, although prices are expected to fall over the short term and the high bidding is expected to decline.

Indeed, forecasts by economists at Desjardins indicate a drop in prices of about 15% by the end of 2023, but they are expected to still be 30% higher than they were in 2019. In addition, the improvement in affordability will be limited by the low supply of housing, exacerbated by population growth in Canada, the fastest in the G7.

The federal government has already demonstrated innovation and cooperation with the provinces and the public and private sectors.³ We encourage them to continue thinking outside the box and to continue the collaboration and partnerships with the provinces and public and private sectors to meet the needs of the housing sector.

National Adaptation Strategy

Across Canada and around the world, climate change is contributing to the increase in violent weather phenomena and natural disasters. To address these challenges, we are pleased that the federal government has committed to developing Canada's first National Adaptation strategy and we look forward to its release in the fall of 2022.

Desjardins supports [Climate Proof Canada](#)'s development of a framework for recommendations for the National Adaptation Strategy and comprehensive implementation plans to address the risk of acute climate disasters. In short, the strategy must focus on disaster recovery and risks (identification, communication and reduction) and encourage individuals to act. It must set clear objectives, results and targets that galvanize and focus action in the public and private sectors and in civil society.

Sustainable finance and ESG disclosure

The adoption of a holistic approach to our financial, economic and regulatory system is critical to ensuring the stability and reliability of a sustainable and effective financial marketplace in Canada. This will strengthen investor confidence, contribute to the resilience of Canada's financial sector and protect Canada's long-term economic strength.

Financial markets need clear, comprehensive and quality information on the impacts of climate change. This includes the risks and opportunities presented by rising temperatures, climate

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http://www.habitation.gouv.qc.ca/medias/communiqués_de_presse/communiqué_de_presse/article/detail/detail/1_500_logements_abordables_seront_construits_ou_acquis_et_renovés_au_quebec_grâce_à_un_regroupement.htm
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policies and emerging technologies. Canada can position itself as a world leader in ESG and climate disclosure with a universal approach that considers climate risk with credible rigour.

The Desjardins Group supports the full and mandatory disclosure in financial reports of all climate and environmental, social and governance risks of Canadian businesses and organizations that meet clear and appropriate criteria. To that end, a sequential approach is recommended with an adequate transition period. We suggest that the government consider targeting publicly traded entities with significant corporate values that typically have greater expertise and capacity for climate disclosure to report first, followed by private and/or small entities.

It is also essential that SMEs be educated and supported as soon as possible so they can include risks and business opportunities arising from the integration of ESG and climate risk factors.

The Financial Stability Board created the Task Force on Climate-Related Financial Disclosures (TCFD) to improve and increase the sharing of climate-related financial information. We encourage the Government of Canada to recognize that work and implement their recommendations.

Biodiversity protection and COP 15

The United Nations Biodiversity Conference (COP 15), to take place in Montréal in December 2022, is an excellent opportunity for Canada to show leadership in biodiversity protection and its consideration in economic and financial decision-making.

We rely on complex ecosystems to ensure access to food, water and a roof, and to regulate climate and oxygen production. However, biodiversity has long been a neglected factor in the ESG discussion.

The loss of biodiversity can affect the entire economy. Over 50% of the global GDP is influenced by or dependent on biodiversity, and businesses in various industries depend on all aspects of nature to produce goods and services and prosper. This is particularly vital, since the Global Risks Report 2022 from the World Economic Forum indicates that the loss of biodiversity is one of the three main threats facing humanity over the next 10 years.⁴ Moody's found that nearly 40% of large publicly traded companies are directly responsible for habitat loss.⁵

As the country where this conference will be held and as a nation proud of its vast natural resources, Canada must lead by example. Just as portfolios are now referred to as "Paris-aligned" when they are aligned with the science of climate change and the historic Paris Agreement, we

⁴ <https://unfccc.int/news/climate-tops-2022-wef-global-risks-report>

⁵ <https://www.businesswire.com/news/home/20210526005623/en/Moody%E2%80%99s-ESG-Solutions-Over-One-Third-of-Companies-Are-Associated-With-Habitat-Loss>

hope to be able to proudly refer to “Montréal-aligned portfolios” in the future for portfolios that are aligned with an ambitious objective and a global biodiversity framework based on science.

Similar to what disclosure under the TCFD framework could provide us in terms of climate information, we encourage the Government of Canada to explore how the Taskforce on [Nature-related Financial Disclosures](#) (TNFD) could eventually be applied to issues related to the loss of biodiversity.

Secure digital identification and authentication for Canadians

The Desjardins Group is a member of the [CIO Strategy Council](#) and the [Digital Identification and Authentication Council of Canada](#), known as the DIACC. These organizations work together to develop a Canadian governance framework with recognized rules and standards for digital identity that will allow Canadians to fully and safely participate in the global digital economy. The goal is to build a robust, secure, evolving, inclusive system that respects privacy and focuses on the individual to put them in control of their personal data.

There are many benefits: Improved security and confidentiality of personal information, reduced costs to consumers, businesses and governments, improved service delivery and greater GDP growth. To achieve the anticipated benefits and savings, it is essential that collaboration take precedence over competition and result in interoperability between jurisdictions, and between public and private sectors, including various industries.

We would be pleased to discuss the themes presented in this submission in greater detail and will continue to actively take part in consultations on topics and areas of interest to the Desjardins Group and its 7.5 million members and customers across Canada.

