Autorité
des marchés
financiers

March~~July~~ 2025~~4~~

Climate Risk Management Guideline

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Introduction and scope

Greenhouse gas (GHG) emissions and the related climate change consequences are having visible, significant impacts on all spheres of society. As indicated by the Intergovernmental Panel on Climate Change (IPCC), these impacts particularly affect the financial systems, potentially testing their resilience in times of crisis.[1] These considerations and impacts are included in a broader climate risk framework (the terms "climate risks" and "climate-related risks" are both used in this guideline).

Given their likelihood, unpredictable nature and potential impact, these risks are considered systemic and pose a real threat to global stability, including the stability of the financial industry. These concerns are being addressed by standard-setting bodies such as the Task Force on Climate-related Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB), the International Association of Insurance Supervisors (IAIS) and the Basel Committee on Banking Supervision (BCBS), which publish climate risk guidance.[2] The resulting recommendations insist on the need for regulators worldwide to take concrete action. Many have accordingly implemented measures to strengthen financial system resilience against, and in turn enhance consumer protection from, the effects of climate disruption and the transition to a lower-carbon economy.

In light of these concerns, the Autorité des marchés financiers (the "AMF"), like its peers, is focusing on strengthening the resilience of the financial sector and the financial institutions it regulates. These institutions are now expected to consider climate-related risks in their integrated risk management processes.

Given that climate change consequences may manifest in multiple ways and over varying time horizons, financial institutions are expected to address vulnerabilities in their business model and operations in order to build their resilience against climate-related risks. Regardless of their size, nature, complexity or risk profile, financial institutions are expected to adopt forward-looking approaches that are holistic, integrated and built on reliable empirical data and sound analyses. This guideline is intended to ensure that financial institutions consider these risks and soundly and prudently manage them to maintain a healthy market.

The guideline considers the latest climate risk disclosure recommendations issued by standard-setting bodies, particularly the TCFD and ISSB recommendations. Specifically, for the insurance sector, it considers the IAIS recommendations[3] and the BCBS

[1] INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE, *Climate Change 2022, Mitigation of Climate Change, Working Group III contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*.

[2] The TCFD's mandate was to develop climate-related disclosures in order to promote more informed financial decisions and, in turn, enable stakeholders to better understand the financial sector's exposure to climate-related risks. Concurrent with the completion of its work on October 12, 2023, the TCFD disbanded. The IFRS Foundation has taken over monitoring of the progress of climate-related disclosures by companies.

[3] INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS, *Application Paper on the Supervision of Climate-related Risks in the Insurance Sector*, May 2021.

recommendations[4] contained in the *Principles for the effective management and supervision of climate-related financial risks*.

In addition to the expectations relating to governance, risk management, quantitative risk-related disclosures (climate scenarios and stress testing) and capital and liquidity adequacy, the AMF clarifies its expectations relating to the fair treatment of clients (FTC) and those relating to climate risk-related financial disclosures, for the purpose of supporting financial institutions in disclosing such information (Section 6 – Expectations for climate-related financial ~~risk~~ disclosures).

Climate-related risks and opportunities

Climate change consequences and the extent to which the community takes them into consideration could significantly impact financial institutions operating in Québec. In the face of this reality, resilience depends on the level of preparedness for climate-related risks.

For financial institutions, climate-related risks are generally divided into two categories: "physical risks" and "transition risks."

- Physical risks refer to the direct consequences of increasingly frequent, unpredictable and severe extreme weather events such as floods, forest fires and gradual environmental degradation (e.g., spread of diseases, or extreme and persistent droughts). These extreme events and their consequences could have major impacts on physical capital, generating economic and financial costs, such as the depreciation of buildings and infrastructure and declines in earnings, and affecting financial institutions' operations.

- Transition risks are generated by the transition to a lower-carbon economy. This transition may be characterized by, among other things, new government policies, evolving decisions and behaviours of stakeholders, or emerging new, alternative technologies. Transition risks may disrupt investment and business performance and manifest, for example, in the form of devaluations or fire sales of financial assets. Such disruptions could have repercussions for the entire economy.

In the event of a disorderly transition[5] to a lower-carbon economy, physical and transition risks may give rise to a number of indirect risks. For example, liability and reputation risks may give rise first to climate-related claims under liability insurance policies and then to actions brought directly against financial institutions for failing to manage their climate-related risks. Physical and transition risks may also give rise to financial risks, such as credit risk, insurance risk, liquidity risk, investment risk and market risk. In fact, climate related risks can threaten the long-term viability of a financial institution's operations and business model.

[4] BANK FOR INTERNATIONAL SETTLEMENTS, *Principles for the effective management and supervision of climate-related financial risks*, June 2022.

[5] A disorderly transition assumes that the actions consistent with the Paris Agreement are delayed and not globally coordinated.

However, while this guideline addresses climate-related risks, financial institutions are expected to pay particular attention to the opportunities created by the transition to a lower-carbon economy. This new reality may, among other things, enable financial institutions to expand their operations to new markets, review their investments and financial product offerings or participate in new renewable energy projects.

Building resilience against climate risks requires financial institutions to address vulnerabilities and opportunities in their operations and business model. Moreover, to quantify these risks, financial institutions are expected to use forward-looking approaches based on reliable empirical data and sound analyses.

1. Governance expectations[6]

The AMF expects the roles and responsibilities of the members of the board and senior management to be clearly defined so that they may assume their duties in addressing climate-related risks.

1.1. Roles and responsibilities of the board of directors

As part of its inherent responsibility to establish a corporate culture, governance framework and strategic objectives that are aligned with the institution’s values and long-term interests, the board of directors should act competently and independently when addressing climate-related risks.

In addition to the roles and responsibilities that normally devolve to it, the board should, in particular:

- ensure that issues associated with climate-related risks are addressed when, for example, the main action plans, integrated risk management policies and annual budgets are developed or performance objectives are defined;
- monitor progress in relation to objectives and targets established to address issues associated with climate-related risks;
- ensure that climate risks are considered when developing compensation policies for senior management and other key positions.

1.2. Roles and responsibilities of senior management

In addition to the roles and responsibilities that normally devolve to it, senior management should, in particular:

- clearly define the roles and responsibilities related to climate risk assessment and management;
- integrate climate risks into the risk appetite framework and internal controls;
- establish clear processes for identifying climate change risks and opportunities and conduct appropriate monitoring (through a management committee, for example).

[6] AUTORITÉ DES MARCHÉS FINANCIERS, *Governance Guideline*, April 2021.

1.3. Strategy

The AMF expects the financial institution to address climate change-related impacts and the transition to a lower-carbon economy in its strategy.

It is crucial that the financial institution understand and identify the impacts of climate-related risks on its short- and long-term strategic, financial and capital planning. The institution's strategy should therefore include a description of what it considers to be appropriate for each time horizon while considering the useful lives of its assets and infrastructure. The financial institution should also provide a description of specific issues that might arise over each time horizon that could have significant financial repercussions on its operations.

The financial institution's analysis of potential impacts and opportunities associated with climate-related risks should be based on quantitative information concerning its core businesses, strategy, and products and services at multiple levels (e.g., business divisions, business lines and geographic locations).

The financial institution should implement a transition plan[7] in line with its business plan, strategy and risk appetite. The transition plan should guide the institution's actions to manage physical risks and risks associated with the transition towards a lower-carbon economy. The institution should provide the methodology and measurements used to assess its progress against the initial transition plan (e.g., internal metrics and targets such as GHG emissions).

The institution should use different time horizons and climate-related scenarios to describe the climate-related risks it has identified and the impacts of those risks on its operations, strategy and financial planning.[8]

2. Integrated risk management expectations[9]

The AMF expects the financial institution to identify and assess the potential impacts of climate-related risks and to implement mitigation measures, while stating how its operations are integrated into its overall risk management framework.

Risk-taking is inherent in the conduct of a financial institution's business and can present both opportunities and threats. Since climate-related risks are considered systemic, managing them must be based on the magnitude and frequency of their potential impacts

[7] TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES, *Guidance on Metrics, Targets, and Transition Plans*, October 2021. The TFCD's document provides additional guidance on elements to consider as part of transition planning.

[8] The various climate scenarios should include at least one scenario that limits warming to the level aligned with the latest international agreement on climate change. As at the date of publication of this guideline, that level is 1.5°C above pre-industrial levels, based on the 2015 Paris Agreement.

[9] AUTORITÉ DES MARCHÉS FINANCIERS, *Integrated Risk Management Guideline*, May 2015.

on the financial institution if they were to materialize. It is therefore important for the institution to adopt strategies, policies and procedures enabling it to manage climate-related risks soundly and prudently.

2.1. Identification and assessment

It is the AMF's view that the financial institution should establish strategies, policies and procedures to properly identify and assess its climate-related risks and to manage them in accordance with its integrated risk management framework, transition plan and risk appetite.

In this regard, the financial institution should:

- reflect climate-related risks in its internal control framework and relevant policies and practices, and articulate the roles and responsibilities of different business lines and oversight functions in managing climate-related risks;
- have or establish appropriate management methods and controls to identify, categorize and assess the current and potential impacts of climate-related risks on its activities and portfolio of exposures (e.g., operational risk, credit risk, market risk, liquidity risk, insurance risk, etc.) over appropriate time horizons and at several levels (e.g., the business division, sector and geographic location levels). An important aspect of this identification is how the financial institution determines the relative significance of climate-related risks in relation to the other risks mentioned above;
- use relevant models, including those used for climate scenario analysis, and reliable data on climate-related risks relevant to the institution's activities, particularly concerning risk management and decision making. Where proxies are used, the institution should exercise caution and consider applying a margin of conservatism to address the uncertainty. Where gaps exist in the data collected or used, the financial institution should consider alternative data sources or provide reasonable approximations to bridge or limit the gap.[10] The data pertaining to physical risks (e.g., geophysical location of vulnerable exposures) and transition risks (e.g., GHG emissions data) relevant to its business activities should be timely and accurate to enable sound risk management and appropriate decision making; and
- keep up to date on the progress and developments in integrated climate-related risk management and incorporate any developments relevant to its practices.

2.2. Risk mitigation

The financial institution should establish and regularly update a climate-related risk mitigation plan and describe the actions to be taken to mitigate those risks.

[10] Uncertainties may arise at each step of the measurement, methodology, or modeling process. These uncertainties can result from, but are not limited to, data (relating to quality, representativeness or historical coverage) or model misspecification. The financial institution should consider applying a margin of conservatism to address these uncertainties.

2.3. Risk monitoring and reporting

The financial institution should monitor and report on internal targets to assess its progress in managing its physical and transition risk exposures, consistent with its transition plan. It should also monitor and report on relevant internal metrics, limits and indicators to assess its progress in managing climate-related risks. The internal monitoring of progress should be included in a separate report or incorporated into a report covering all of the financial institution's risks.

This should lead to the establishment of an internal reporting system that can produce reliable, timely and accurate reporting to support strategic planning and overall risk management.

3. Expectations regarding climate scenarios and stress testing

The AMF expects the financial institution to carry out climate scenario analysis to assess the impact of climate risk factors on its risk profile, business strategy and business model.

As a constantly evolving field, climate scenario analysis uses plausible hypothetical future situations to assess the impact of climate-related risks on a financial institution's operations over an appropriate time horizon.

Such analysis helps achieve objectives such as:

- assessing the impact of physical and transition risks on the financial institution's strategy and risk profile and the resilience of its business model;
- identifying relevant climate-related risk factors that can drive the financial institution's many financial and non-financial risks, and estimating exposures and potential losses;
- identifying data quality, assumption and methodology limitations; and
- informing the financial institution on the robustness level of its risk management framework.

The financial institution should include regular climate scenario analyses in its stress testing to guide its strategic planning and risk management. The results should serve as inputs to its financial planning process.

The financial institution should consider a range of plausible climate scenarios[11] over various time horizons (e.g., short-, medium- and long-term). These scenarios should help assess the institution's overall exposure to physical and transition risks, including the potential interplay between these two types of risks, and disclose data, assumption and methodology limitations.

In addition to its own climate scenario analyses, the financial institution should complete standardized climate scenario exercises and, when requested, report the results to the

[11] When selecting relevant climate scenarios, the financial institution should consider recognized sources, such as the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and the Network for Greening the Financial System (NGFS).

AMF. These exercises and related results will enable the AMF, in the course of its supervisory work, to assess the financial institution's aggregate exposures to physical and transition risks and compare financial institution approaches.

4. Expectations regarding capital and liquidity adequacy[12]

The AMF expects the financial institution to maintain sufficient capital and liquidity to cover its climate risk exposures.

The financial institution should incorporate climate-related risks into its internal capital adequacy assessment process or own risk and solvency assessment process.[13]

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

5. Expectations regarding the fair treatment of clients

In addition to the expectations set out in the *Sound Commercial Practices Guideline*,[14] the AMF expects the financial institution, in conducting its business, to:

- consider climate-related risks through the entire product life cycle,[15] and
- inform clients of the effects of physical and transition risks generated by climate change as well as the consequences of extreme weather events[16] that could have an impact on the products it offers.

The intermediaries[17] involved in offering a financial institution’s products have their own set of obligations that are specific to them. Given that such intermediaries are not directly subject to this guideline, the AMF expects the financial institution to (i) establish business relationships with them that will allow it to fulfill its obligation to treat clients fairly and (ii) set clear expectations for intermediaries with respect to FTC.

[12] AUTORITÉ DES MARCHÉS FINANCIERS, *Capital Management Guideline*, May 2015. AUTORITÉ DES MARCHÉS FINANCIERS, *Liquidity Risk Management Guideline*, March 2019.

[13] For insurers, this process is known as the Own Risk and Solvency Assessment (ORSA); for deposit institutions, it is known as the Internal Capital Adequacy Assessment Process (ICAAP).

[14] AUTORITÉ DES MARCHÉS FINANCIERS, *Sound Commercial Practices Guideline*, November 2022.

[15] As used in this guideline, the term “product” also includes, where appropriate, a “service”.

[16] Extreme weather events are considered to be implicit in climate change. For more information on what may be considered an extreme weather event, the financial institution can refer to Chapter 11 of the IPCC’s Sixth Assessment Report, published on February 28, 2022.

[17] Intermediaries are persons authorized to offer financial products and services pursuant to the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2.

5.1. Product design

The AMF expects the financial institution to design, consistent with its risk appetite, products adapted to incorporate climate-related risks while relying, among other things, on:

- **the use of adequate information enabling the identification of the common needs and interests of the various target client groups; and**
- **an adequate process for withdrawing or altering a product.**

When designing products adapted to address climate-related risks, the financial institution should:

- use adequate information enabling the identification of common client needs and interests;
- consider the evolving nature of the common needs and interests of the various target client groups, particularly with respect to extreme weather events resulting from climate change, and maintain and update the information enabling the identification of such common needs and interests;
- review, when needed, the appropriateness of certain financial products for the target client groups;
- ensure that the product design team has the necessary competence to consider climate-related risks and the characteristics of such risks during the various stages of product design. The team may retain the services of specialized external resources when needed (e.g., for analysis by experts in the field) to, among other things, assess a product's main features; and
- ensure that the products deliver benefits and features that are reasonably expected by the target client groups. This may involve such things as ensuring that coverage for extreme weather events (e.g., floods, forest fires, etc.) is adapted to reflect the common needs and interests of the target client groups.

When a financial institution considers altering a product or withdrawing it from the market, it should:

- assess the impacts of such changes for the clients involved, or for a specific client group, and mitigate such impacts whenever possible or necessary; and
- inform clients of the changes to the contract or related to contract performance, the impact of the changes, and their rights and obligations, and, when needed, obtain their consent.

5.2. Underwriting process

The underwriting process should be regularly reviewed and updated to:

- formalize and support climate change-related risk factors and the criteria used to assess them; and
- consider the specific needs of certain client groups (e.g., clients residing in areas where the impacts of climate change are more significant) compared with the majority of clients who meet the standard underwriting criteria.

5.3. Disclosure to clients before or when a product is offered

The AMF expects the financial institution to ensure that disclosure to clients before or when a product is offered clearly sets out product information relating to climate-related risks.

Clients may underestimate their exposure and tolerance to climate-related risks, including their vulnerability to extreme weather events.

Therefore, the financial institution should ensure that clients have access to relevant and adequate information enabling them to determine whether the product is suited to their needs and interests with respect to climate change (e.g., what is covered if they are located in a flood- or wildfire-prone area, the features of a savings and investment product, or the impacts of climate change on the product they are interested in).

To this end, the financial institution should:

- provide clients with timely, clear and adequate precontractual and contractual disclosure; and
- ensure that materials related to the product being offered:
  - are drafted in clear and plain language and presented in a format that facilitates reading and comprehension, including disclosure about extreme weather events or the climate-related risks of the target client group or affecting the product;
  - is sufficient to enable clients to understand the features of the product and help them determine whether and how the product is suited to their needs and interests;
  - is drafted in a manner that is not misleading. For example, the information should not be based on potential behavioural biases that could be present among the target client group with respect to extreme weather events or climate change (e.g., imitation bias, cognitive bias, anchoring bias, representativeness bias, ambiguity effect bias, confirmation bias) in order to, among other things, induce clients to obtain a product not suited to their needs; and
  - considers the nature and complexity of the product. Depending on the complexity of the product, a higher level of detail may be necessary in order to help clients understand the product and not cause them to believe they are adequately covered against climate-related risks or extreme weather events if such is not the case.

- ensure staff, intermediaries and any other persons acting on the institution's behalf who are involved in offering its products are provided with relevant information on these aspects, appropriate tools to assist clients and appropriate training.

6. Expectations for climate-related financial ~~risk~~ disclosures

The AMF expects the financial institution, in its disclosures, to publicly disclose, on a consolidated basis, its main elements of governance and integrated risk management, and its climate scenarios and climate-related stress testing, in accordance with the five principles for disclosure.

The AMF wishes to strengthen the sound management of climate-related risks by setting specific climate-related financial disclosure expectations. Climate-related financial disclosures contribute to public confidence in the Québec financial system and ensure that relevant information is publicly available to enable understanding of financial institutions' financial condition and the risks to which they are exposed. Annex 1 summarizes the minimum expectations for climate-related financial information that should be publicly disclosed, on a consolidated basis, by the financial institution.

Investors, analysts and the public at large may be interested in financial institutions' climate-related financial risk information. By providing interested parties with key climate-related risk and risk management information, these disclosures can build confidence in financial institutions and enable them to attract, or maintain their access to, capital and liquidity channels.

The AMF is advancing five principles for effective disclosure of climate risks:

1. The financial institution should provide relevant, specific and comprehensive information regarding the impacts of climate-related risks and opportunities on such things as its markets, businesses, strategy and financial statements. The disclosure should be presented in sufficient detail to enable stakeholders to assess the institution's exposure and approach to addressing climate-related risks. The financial institution should avoid providing generic information or information that does not add to stakeholders' general understanding of climate-related risks, while explaining why a specific risk or issue is not material for the institution.

   The financial institution should, however, exercise discretion to avoid disclosing commercially sensitive information about climate-related opportunities that could seriously compromise or prejudice future economic benefits. It the financial institution omits financial information expected by this guideline, it should specify the items that it has not disclosed and explain the corresponding rationale.

~~1.~~2. The financial institution should provide information that is clear, balanced and understandable for the general public and that is sufficiently granular to inform more sophisticated stakeholders. Moreover, the financial institution should show an appropriate balance between qualitative and quantitative information and use text, numbers, and graphical presentations in its disclosures as appropriate.

~~2.~~3. The financial institution should maintain a neutral stance in its disclosures, disclosing, in particular, reliable, verifiable and objective information. The information and the financial institution's disclosures should be recorded to ensure they are high quality.

~~3.~~4. The financial institution should disclose information appropriate for its size, nature and complexity. The volume and level of detail of disclosure must be proportional to the financial institution's size compared to other participants in its market, but also to the complexity of its operations, its systemic importance and the number of geographic locations it has.

~~4.~~5. The financial institution should disclose information consistently across publications to enable interested parties to track and understand the progress of actions taken by, and the effect of climate-related risks on, the financial institution.

The financial institution can determine the type of report used to disclose the information on a consolidated basis. Possible locations of disclosure include, but are not limited to, a report to shareholders (if disclosed to the public) or a stand-alone report (if not disclosed to the public). The financial institution is expected to make its climate-related financial disclosures publicly available, including on its website, no later than 180 days after fiscal year-end and maintain an ongoing archive of all disclosures relating to prior reporting periods.

The frequency of climate-related financial disclosures is expected to be annual, although the financial institution may voluntarily present the expected disclosures on a more frequent basis.

The AMF expects the financial institution to disclose its greenhouse gas emissions and its targets used to manage climate-related risks and expects it to assess its performance against its targets.

Regarding calculation of GHG emissions[18][19] (in Annex 1 "Metrics and Targets Disclosure Elements b) i and b) ii), the financial institution 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.

Regarding calculation of the portions of Scope 3 GHG emissions (in Annex 2 "Metrics and Targets" Disclosure Element b) ii) pertaining to the financial institution's financed and/or insurance-associated GHG emissions, the institution is expected to use the latest Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and

[18] To help distinguish between direct and indirect sources of emissions, enhance transparency and give meaning to the different internal and external uses, "scopes" have been defined to account for and report GHG emissions. Under the GHG Protocol Corporate Accounting and Reporting Standard, Scope 1 refers to direct GHG emissions, i.e., arising from sources that are owned or controlled by the reporting company. Scope 2 refers to GHG emissions from the import or export of electricity, heat or steam.

[19] Scope 3 refers to all other indirect GHG emissions arising from the operations of the reporting company, but from sources belonging to another company or a company controlled by the reporting company.

Reporting Standard for the Financial Industry (PCAF Standard), including any applicable phase-in of sectors/industries, or a comparable industry-accepted approach.

GHG emissions and associated metrics are expected to be provided for historical periods to allow for trend and progress analysis, if applicable. In its publications, the financial institution is expected to describe the methodologies applied to calculate or estimate emissions and the metrics.

The financial institution is expected to disclose its key climate-related targets such as those related to GHG emissions or to water and energy usage. The financial institution is also expected to disclose any other goals, including, but not limited to, efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy.

In describing their targets, financial institutions should consider including the following:

- whether the target is absolute or intensity-based;
- time frames over which the targets apply;
- base year from which progress is measured; and
- key performance indicators used to assess progress against targets.

Annex 1 – Minimum climate-related financial disclosure expectations

			Fiscal year-end for which implementation is expected (Reporting date is 180 days post fiscal year-end, at the latest)			
			Deposit institutions		Insurers	
Disclosure category	**Disclosure element**	**Disclosure expectation**	**Group A[20]**	**Group B[20]~~[21]~~**	**Group A~~[21]~~[20]**	**Group B[20]~~[21]~~**
Governance	a)	The financial institution should describe the governance body(ies) (e.g., board of directors, board committees, other) or individual(s) responsible for oversight of climate-related opportunities and risks, 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 how climate-related considerations are factored into their remuneration.	2024	2025	2024	2025
	b)	The financial institution should describe management's role in monitoring, managing and overseeing climate-related opportunities and risks, including the identity of the management-level position or committee as applicable, its governance processes, controls and procedures, and how oversight should	2024	2025	2024	2025

[20] Groups A and B have been determined using several indicators, including size, complexity and net assets of the financial institution. The AMF will indicate to the financial institution which group it belongs to.

		be exercised over that position or committee.				
Strategy	a)	The financial institution should describe the climate-related opportunities and risks it has identified that could reasonably be expected to affect its cash flows, access to finance or cost of capital,[21] including: - the classification of each climate-related risk as either “physical risk” or “transition risk”; - the expected timeframe for the occurrence of effects associated with each risk and opportunity (short, medium, or long term); - the financial institution's definitions of "short term," "medium term," and "long term" in relation to strategic decision-making planning horizons.	2024	2025	2024	2025
	b) i[22]	**Business model and value chain** The financial institution should describe:	2024	2025	2024	2025

[21] In preparing this disclosure, the financial institution should use all reasonable and supportable information that is available to it at the reporting date, without undue cost or effort.

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

- financial institutions that are not "Deposit institutions – Group A" or "Insurers – Group A" need not disclose quantitative information on cash flows;
- financial institutions 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;
- financial institutions need not disclose quantitative information on anticipated effects of climate-related opportunities or risks if the institutions do not have the skills, capabilities, or resources to do so.

Financial institutions should disclose instances where such an exception applies and why.

		- the current and anticipated effects[23][24] of climate-related opportunities and risks on its business model and value chain; - where in its business model and value chain the climate-related opportunities and risks are concentrated. **Strategy and decision-making** The financial institution should disclose information about current and anticipated: - changes to its business model, including its resource allocation, to address climate-related opportunities and risk; - direct mitigation and adaptation efforts; - indirect mitigation and adaptation efforts. **Financial position, financial performance, and cash flows** The financial institution should describe: - how climate-related opportunities and risks have affected its financial position, financial performance, and cash flows for the reporting period; - how it expects its financial position, financial performance, and cash flows to change over the short, medium, and				

[23] In preparing this disclosure, the financial institution should use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort.

[24] In preparing this disclosure, the financial institution should use an approach commensurate with its available skills, capabilities, and resources.

		long term, given its strategy to manage climate-related opportunities and risks.[25][26]				
	b) ii	The financial institution should describe its climate transition plan (see the climate transition plan risk management expectations in section 1.3).[27]	TBD	TBD	TBD	TBD
	c)	The financial institution should describe the resilience of its 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 change[28], or lower.[29]	TBD	TBD	TBD	TBD
Risk management	a)	The financial institution should disclose information about its processes and related policies for identifying, assessing, prioritizing, and monitoring climate-related risks. In meeting this disclosure expectation, the financial institution should explain how it has applied the expectation in the text box of section 2.	2024	2025	2024	2025
	b)	The financial institution should disclose information about its processes for identifying, assessing, prioritizing, and monitoring climate-related opportunities including information	2024	2025	2024	2025

[25] In preparing this disclosure, the financial institution should use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort.
[26] In preparing this disclosure, the financial institution should use an approach commensurate with its available skills, capabilities, and resources.
[27] Final disclosure expectation and timing of implementation to be determined later.
[28] As at the date of publication of this guideline, 1.5°C above pre-industrial levels, based on the 2015 Paris Agreement.
[29] Final disclosure expectation and timing of implementation to be determined later.

		about whether and how it uses climate-related scenario analysis to inform its identification of climate-related opportunities.				
	c)	The financial institution should disclose information about the extent to which, and how its processes for identifying, assessing, prioritizing, and monitoring climate-related opportunities and risks are integrated into and inform the financial institution's overall risk management process.	2024	2025	2024	2025
Metrics and targets	a)	The financial institution should disclose the metrics it uses to assess climate-related risks and opportunities in line with its strategy and risk management process.	2024	2025	2024	2025
	b) i	The financial institution should disclose its Scope 1 and location-based Scope 2 absolute gross GHG emissions separately for the period. The financial institution should disclose the measurement approach, inputs, and assumptions it uses to measure its Scope 1 and Scope 2 GHG emissions, and the underlying reasons for these decisions. The financial institution should disclose the reporting standard it uses to calculate and disclose GHG emissions. If the reporting standard used by the financial institution is not the GHG Protocol Corporate Standard, disclose	2024	2025	2024	2025

		how the reporting standard used by the institution is comparable.				
	b) ii	The financial institution should disclose its Scope 3 absolute gross GHG emissions for the period.[30] In preparing its Scope 3 GHG emissions disclosure, the financial institution should consider its entire value chain[31] and all 15 categories[32] 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. • For all in-scope financial institutions, Category 15 entails emissions from loans and investments (financed emissions). • For in-scope financial institutions that participate in asset management activities, Category 15 entails emissions from assets under management (AUM). • For in-scope financial institutions that participate in financial activities associated with property and casualty insurance (excluding mortgage insurance), Category 15	2028~~5~~	2028~~6~~	2028~~5~~	2028~~6~~

[30] In preparing this disclosure, the financial institution should use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort.

[31] 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 financial institution should use all reasonable and supportable information available to it at the reporting date without undue cost or effort.

[32] These are the 15 categories of Scope 3 GHG emissions, as described in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

		• entails emissions from insurance and reinsurance underwriting portfolios (insurance-associated emissions). Financial institutions should not combine but should present financed emissions, emissions from AUM, and insurance-associated emissions separately. The financial institution should disclose the measurement approach, inputs, and assumptions it uses to measure its Scope 3 GHG emissions, and the underlying reasons for these decisions.[33][34] The financial institution should disclose the reporting standard it uses to calculate and disclose GHG emissions. • If the reporting standard it uses for Scope 3 GHG emissions is not the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, the financial institution should disclose how the reporting standard used is comparable.				

[33] 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 financial institution should use all reasonable and supportable information available to it at the reporting date without undue cost or effort.

[34] For Category 15 (investments) emissions, the financial institution should use the most recently available emissions-related data from entities within its value chain alongside the institution's own current year financial data. For example, when disclosing for fiscal year 20274, the financial institution should use financial data for fiscal year 20274 and GHG emissions data for fiscal year 2026~~3~~.

		• If the reporting standard it uses for Category 15 is not the PCAF Global GHG Accounting and Reporting Standard, the financial institution should disclose how the reporting standard used is comparable. The financial institution should disclose additional and specific information about its Category 15 (investments) emissions. **Additional and specific information about the financial institution's Category 15 (investments) emissions** The financial institution should disclose the following, as applicable: **All in-scope financial institutions should disclose:** 1. The financial institution's absolute gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 GHG emissions by asset class and for any corporate investments or loans (i.e., the following asset classes under PCAF A: listed equity, corporate bonds, business loans, and unlisted equity), by sector. When disaggregating by:				

		i. Asset class – the disclosure should include, at a minimum, investments, and loans. **ii.** Sector – the financial institution should use the AMF designated sectors[35] for classifying counterparties, reflecting the latest version of the classification system available at the reporting date. 2. The financial institution's gross exposure to each asset class as the carrying amounts (before subtracting the loss allowance, when applicable), expressed in Canadian dollars. 3. The percentage of the financial institution's gross exposure included in the financed emission calculation. The institution should: **i.** If the percentage of its gross exposure included in the financed emission calculation is less than 100%, explain the exclusions (e.g., due to lack of methodology or lack of data), including the type of assets excluded. 4. The methodology the financial institution uses to calculate its financed emissions, including the				

[35] Users may refer to the Standardized Climate Scenario Exercise (SCSE) to find the complete list of industry sectors.

		method of allocation the institution uses to attribute its share of emissions in relation to the size of the gross exposure. ~~**In-scope financial institutions that participate in asset management activities should disclose:**~~ ~~1. The financial institution's absolute gross financed emissions pertaining to Assets Under Management (AUM), disaggregated by Scope 1, Scope 2, and Scope 3 GHG emissions.~~ ~~2. For each of the disaggregated items in (1), above, the total amount of AUM that is included in the financed emissions disclosure, expressed in Canadian dollars.~~ ~~3. The percentage of the financial institution's total AUM included in the financed emissions calculation:~~ ~~i. If the percentage is less than 100%, the financial institution should explain the exclusions (i.e., due to lack of methodology or lack of data), including types of assets and the associated amount of AUM.~~ ~~4. The methodology used to calculate the financed emissions from AUM, including the method of allocation~~				

		~~the institution uses to attribute its share of emissions in relation to the size of the AUM balance.~~ **In-scope financial institutions that participate in financial activities associated with property and casualty insurance (excluding mortgage insurance) should disclose:** 1. The financial institution's absolute gross insurance-associated emissions, disaggregated by Scope 1, Scope 2 and Scope 3 GHG emissions by line of business and, for commercial lines (i.e., the following lines of business under PCAF Standard C: commercial lines portfolios), by sub-sector. When disaggregating by: **i.** Line of business – the disclosure should include, at a minimum, commercial lines portfolios and personal motor portfolios. **ii.** Sector – the financial institution should use the AMF designated sectors[36] for classifying insureds, reflecting the latest version of the classification system available at the reporting date.				

[36] Users may refer to the Standardized Climate Scenario Exercise (SCSE) to find the complete list of industry sectors.

		2. The financial institution's insurance revenue[37] from each line of business, expressed in Canadian dollars. 3. The percentage of the financial institution's insurance revenue[38] included in the insurance-associated emissions calculation. The institution should: **i.** If the percentage of its insurance revenue[39]~~[39]~~ included in the insurance-associated emission calculation is less than 100%, explain the exclusions (e.g., due to lack of methodology or lack of data), including the lines of business excluded. 4. The methodology the financial institution uses to calculate its insurance-associated emissions, including the method of allocation the institution uses to attribute its share of emissions in relation to the size of its insurance revenue.				
	b) iii	**In-scope financial institutions that participate in asset management activities should disclose:**				

[37] If insurance revenue is not appropriate for the purpose of disclosing insurance-associated emissions, then in-scope financial institutions may alternatively use gross written premium and disclose the approach used.

[38] If insurance revenue is not appropriate for the purpose of disclosing insurance-associated emissions, then in-scope financial institutions may alternatively use gross written premium and disclose the approach used.

[39] If insurance revenue is not appropriate for the purpose of disclosing insurance-associated emissions, then in-scope financial institutions may alternatively use gross written premium and disclose the approach used.

		1. The financial institution's absolute gross financed emissions pertaining to Assets Under Management (AUM),[40] disaggregated by Scope 1, Scope 2, and Scope 3 GHG emissions. 2. For each of the disaggregated items in (1), above, the total amount of AUM that is included in the financed emissions disclosure, expressed in Canadian dollars. 3. The percentage of the financial institution's total AUM included in the financed emissions calculation: **i.** If the percentage is less than 100%, the financial institution should explain the exclusions (i.e., due to lack of methodology or lack of data), including types of assets and the associated amount of AUM. 4. The methodology used to calculate the financed emissions from AUM, including the method of allocation the institution uses to attribute its share of emissions in relation to the size of the AUM balance.	2029	2029	2029	2029
	c)	1. The financial institution should disclose any quantitative and qualitative climate-related targets it has	2024	2025	2024	2025

[40] Assets Under Management (AUM) refers to off-balance sheet Investments pertaining to asset management activities.

		set to monitor progress towards achieving its strategic goals, including: • the objective of the target; • the period over which the target applies; • the base period from which progress is measured; • any revisions to the target and an explanation of those revisions. 2. The financial institution should disclose information about its approach to setting and reviewing each target and how it monitors progress against each target. 3. The financial institution should disclose information about its performance against each climate-related target and an analysis of trends or changes in the institution's performance. For any GHG emissions target disclosed (and the corresponding metrics, if applicable), the financial institution should disclose it both gross of, and net of, carbon offsets, if applicable, and explain the type of offset (e.g., carbon credit, nature-based, other.)				
	d)	The financial institution should disclose the following cross-industry metrics: 1. climate-related transition risks: the amount and percentage of assets	2025	2026	2025	2026

		or business activities vulnerable to climate-related transition risks;[41] 2. climate-related physical risks: the amount and percentage of assets or business activities vulnerable to climate-related physical risks;~~[40]~~[41] 3. climate-related opportunities: the amount and percentage of assets or business activities aligned with climate-related opportunities;[41][41] 4. capital deployment: the amount of capital expenditure, financing or investment deployed towards climate-related opportunities or risks; 5. internal carbon price: **i.** an explanation of whether and how the financial institution is applying a carbon price in decision-making (e.g., investment decisions, transfer pricing and scenario analysis); and; **ii.** the price for each metric tonne of GHG emissions the entity uses to assess the costs of its GHG emissions; 6. remuneration: **i.** the percentage of senior management and other material risk-takers' remuneration recognized in the current period that is linked to				

[41] In preparing this disclosure, the financial institution should use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort.

		climate-related considerations. (**Mandatory for Group A~~1~~ financial institutions only**)				
	e)	The financial institution should disclose industry-based metrics. In determining the industry-based metrics that it discloses, the financial institution should consider the applicability of the industry-based metrics associated with disclosure topics described in *Canadian Sustainability Disclosure Standard 2*~~the Industry-based Guidance on Implementing IFRS S2,~~ (Financials Sector, as applicable to the financial institution's business model/activities).	2028~~5~~	2028~~6~~	2028~~5~~	2028~~6~~