

# OSFI Guideline B-15 on Climate Risk Management

## Guideline Overview and Governance & Risk Management Requirements

### Guideline Overview

Guideline B-15 establishes OSFI’s expectations related to federally regulated financial institutions (FRFIs) management and disclosure of climate-related risks. OSFI’s goals are for FRFIs to build financial and operational resilience against climate-related risks by FRFIs understanding and mitigating against potential impacts of these risks to its business models and by implementing appropriate governance and risk management practices to manage these risks. OSFI states that B-15 should be implemented from a risk-based perspective as 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 applies to all FRFI’s except for Canadian branches of foreign banks.

### Governance and Risk Management Expectations

OSFI provides principal-based expectations for FRFI’s on the governance and risk management for their climate-related risk:

Topics	FRFI Requirements	Key Considerations
Governance	Have the appropriate governance and accountability structure in place to manage climate-related risks;	FRFI to incorporate climate-related risk considerations into Sr. Management compensation policies and related practices.
	Incorporate the implications of the “physical risks” from climate change and “transition risks” to a low GHG economy in its business model & strategy;	FRFI to understand the impact of climate-related risks on its short-term and long-term strategic, capital, and financial plans, and develop a Climate Transition Plan to guide the FRFI’s actions to manage the risks from climate change.
Risk Management	Manage and mitigate climate-related risks in accordance with its Risk Appetite Framework & its Enterprise Risk Management (ERM) Framework;	FRFI to aggregate climate risk data to monitor and internally report on climate-related exposures, using internal limits and targets to assess the effectiveness of its climate risk management. Target Operating Model (TOM) to identify roles & responsibilities for oversight functions and policies & procedures requiring updates.
Climate Scenario Analysis & Stress Testing	Use climate scenario analysis to assess the impact of climate-related risks on its risk profile, business strategy, and business model;	FRFI to have its own internal climate scenario analysis using a range of plausible and relevant models and climate scenarios over various time horizons. In addition, FRFI to complete standardized climate scenario exercises and report its results to OSFI on a periodic basis.
Capital & Liquidity Analysis	Maintain sufficient capital and liquidity buffers for its climate-related risks.	FRFI to incorporate climate-related risks into its Internal Capital Adequacy Assessment Process (ICAAP) or Own Risk and Solvency Assessment (ORSA) process, and integrate a range of climate-related stress events when assessing the adequacy of its liquidity buffers.

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## Climate-Related Disclosure Requirements & Regulatory Roadmap

### Climate-Related Financial Disclosure Expectations

OSFI provides principal-based expectations for FRFI's disclosure of climate-related risks:

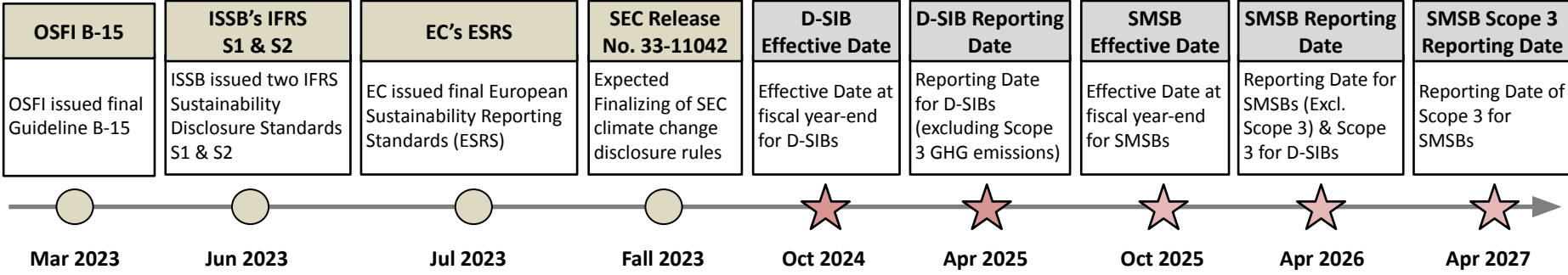
- The FRFI should disclose relevant information.
- The FRFI should disclose specific and comprehensive information.
- The FRFI should disclose clear, balanced, and understandable information.
- The FRFI should disclose reliable and verifiable information.
- The FRFI should disclose information appropriate for its size, nature, and complexity.
- The FRFI should disclose information consistently over time.

FRFI Requirements

- Disclosure should be specific to the current & potential future impact on the FRFI and be in sufficient detail to enable users to assess its exposure and approach to addressing the risks.
- Disclosure should include both physical and transition risks, and include the nature and size of such impacts. For quantitative information (incl. scenario analyses), the FRFI should use data that is consistent with what it is used in its investment and risk management decision-making.
- Disclosure should serve the needs of a range of users, show an appropriate balance between qualitative and quantitative information, and provide straightforward explanations of risks and opportunities
- FRFI should provide high-quality reliable neutral information and in a manner that is verifiable. Independent external assurance is not expected at this time, but may be required in the future.
- The volume and level of detail of disclosure should be greater for FRFIs that are larger, have more varied business lines or geographical locations, or is systemically important, than for other FRFIs.
- The FRFI should explain inter-period variances in amounts disclosed, the underlying reasons for the inter-period variances, and the impact of these reasons in terms of direction and magnitude.

### Climate Disclosure Regulatory Timelines:

Canada, US, and Europe are all issuing climate-related disclosure requirements for which FRFIs can capture efficiency by incorporating all global mandates within its climate-related risk management & disclosure program. The six largest Canadian chartered banks (D-SIBs) and Small & Medium-Sized Deposit Taking Institutions (SMSBs) have differing regulatory deadlines, as outlined below:



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## Minimum Mandatory Disclosure Expectations

### Minimum Mandatory Climate-Related Financial Disclosure Expectations

FRFIs are expected to make their annual climate-related financial disclosures publicly available (i.e., on the FRFI's company website) no later than 180 days after fiscal year-end, and maintain an archive of prior reporting periods.

Disclosure Category	Disclosure Expectation	D-SIBs	SMSBs
Governance	Describe the board of directors' oversight of climate-related risks and opportunities.	2024	2025
	Describe management's role in assessing and managing climate-related risks and opportunities.	2024	2025
Strategy	Describe the climate-related risks and opportunities the FRFI has identified over the short, medium, & long term.	2024	2025
	Describe the impact of climate-related risks and opportunities on the FRFI's businesses, strategy, and financial planning.	2024	2025
	Describe the FRFI's climate transition plan.	TBD	TBD
	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 change, or lower.	TBD	TBD
Risk Management	Describe the FRFI's processes for identifying and assessing climate-related risks.	2024	2025
	Describe the FRFI's processes for managing climate-related risks.	2024	2025
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the FRFI's overall risk management.	2024	2025
Metrics and Targets	Disclose the metrics used by the FRFI to assess climate-related risks and opportunities in line with its strategy and risk management process.	2024	2025
	Disclose the FRFI's Scope 1 and Scope 2 greenhouse gas (GHG) emissions (absolute basis) for the period (including the reporting standard used to calculate the GHG emissions).	2024	2025
	Disclose the FRFI's Scope 3 greenhouse gas (GHG) emissions for the period (absolute basis), and the related risks (including the reporting standard used to calculate the GHG emissions).	2025	2026
	Describe the targets used by the FRFI to manage climate-related risks and opportunities and the FRFI's performance against these targets.	2024	2025
	Disclose any public climate-related commitment(s), if the FRFI has made one or more, whether through an industry-led Net-Zero alliance (e.g., Net-Zero Banking Alliance, Net-Zero Insurance Alliance, other) or otherwise.	2024	2025
	Cross-industry metrics	TBD	TBD
	Industry-specific metrics	TBD	TBD

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**For additional information about this Regulatory brief or Botsford Associates Financial Services Regulatory Practice, and how we can help you, please contact:**

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