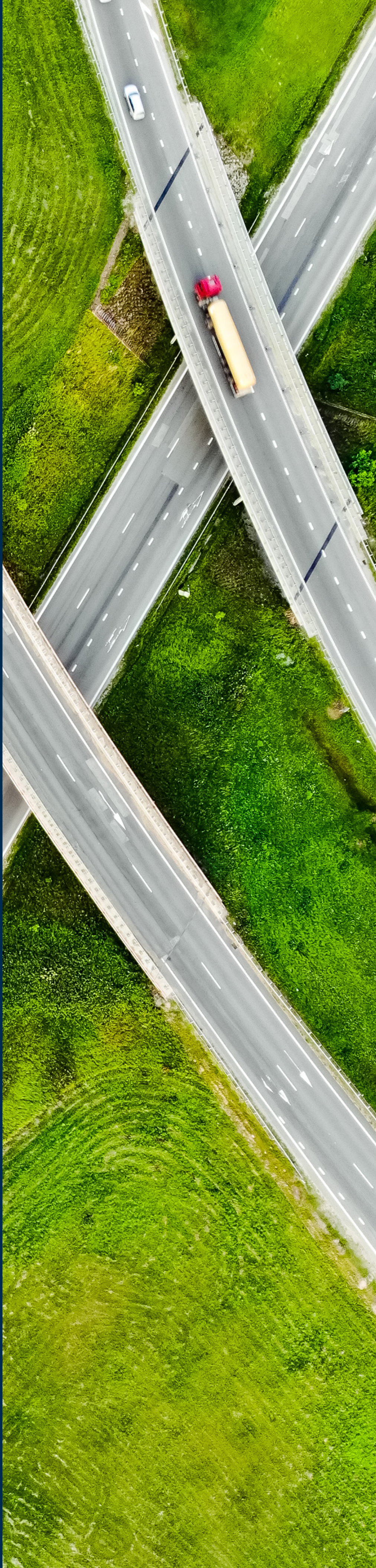
Climate disclosure at a crossroads

2025 climate disclosure report



Introduction

“Climate disclosure on the rise” was the title of our inaugural climate-related disclosure study published last year. Would that trend persist in 2025 following federal elections on both sides of the border, and potentially competing legislative priorities? We set out to answer that question by conducting a year-over-year analysis of the disclosure filings of the S&P/TSX Composite Index constituents, representing Canada’s largest public companies, and approximately 70% of the total market capitalization of the TSX. In general, while major policy changes have undoubtedly impacted reporting practices, the companies we surveyed overwhelmingly continue to publish sustainability reports, including disclosure of greenhouse gas (GHG) emissions and climate-related risks and opportunities. While we did not see an overall rise in climate-related disclosure, we also did not see a groundswell of companies abandoning or significantly watering down their climate disclosures. Instead, we observed incremental changes, including a notable decrease in companies using the highly politicized term “ESG” to describe their disclosure reports and a drop in disclosure of net-zero targets.

Regulatory fragmentation and the absence of mandatory standards for climate-related reporting continue. In early 2025, the Canadian Securities Administrators (CSA) announced that it would pause efforts to finalize mandatory climate-related disclosure rules. This decision followed the U.S. Securities and Exchange Commission’s (SEC) voluntary stay of its climate disclosure rules in the face of pending U.S. federal policy changes and litigation. The pause by Canadian securities regulators similarly reflects a notable shift in regulatory priorities. In its Statement of Priorities for 2026-2027, the Ontario Securities Commission no longer identifies the development of mandatory climate-related disclosure rules as a key priority and instead indicates that it will assess compliance with existing disclosure rules that require disclosure of material climate-related risks. This shift in Canadian regulatory priorities is unsurprising, given broader geopolitical headwinds and mounting pressure to advance policies to bolster the competitiveness of Canadian companies and the Canadian capital markets. While securities regulators may be hitting pause, the Office of the Superintendent of Financial Institutions (OSFI) has not moved away from its climate-related reporting regime—Guideline B-15—under which Canadian federally regulated financial institutions are expected to make prescribed climate-related disclosures. In fact, OSFI updated its guidelines in 2025 to reflect the finalization of the Canadian Sustainability Standards Board (CSSB) standards on climate-related disclosures (i.e., CSDS 2).

Meanwhile, anti-greenwashing amendments to *Canada's Competition Act*, enacted in 2024 and met with widespread concern from companies across the country, received attention in the 2025 Federal Budget. The Government of Canada acknowledged that the amendments were creating investor uncertainty and having the opposite of their desired effect, leading some companies to slow or reverse their environmental protection efforts. Addressing market feedback in the *Budget Implementation Act*, the federal government proposed to amend aspects of these provisions, namely by removing the requirement that environmental claims about business activities be substantiated (in accordance with an internationally recognized methodology) and by removing the ability of private parties to seek enforcement of one branch of the anti-greenwashing provisions. At the time of writing, the proposed amendments are undergoing second reading. While many companies would welcome these amendments, they would not completely repeal the new provisions and, more generally, the risk of regulatory enforcement or litigation alleging greenwashing continues to be a significant factor for companies in their climate-related reporting.

Despite the marked shift in the political and regulatory landscape during 2025, investor appetite for climate-related reporting remains strong. A recent study found that nearly 90% of Canadian institutional investors surveyed, representing $13.3T in assets under management, advised issuers to continue voluntary reporting of material climate information, citing reputational risks, stakeholder expectations and long-term value creation[1]. The move towards the rollout of a baseline of standards in voluntary reporting to meet investor demand was given a boost when the CSSB published its final standards—CSDS 1 and CSDS 2—on December 18, 2024, aligning closely with the International Sustainability Standards Board (ISSB) framework. We caught up with the Chair of the CSSB, Wendy Berman, to find out how the CSSB is continuing to advance its mandate in the current political environment and almost one year following the finalization of the Canadian standards. Ms. Berman notes that success for the CSSB will be achieved when "Canadian companies [are] trusted, competitive and able to access global capital on equal footing with their peers". While climate-related reporting may not have been on the rise in 2025 compared to 2024, it certainly appears that many Canadian companies continue to see the benefit to stay the course.

December 2025

[1] Millani, "A climate of change: Canadian investor perspectives" (September 8, 2025).

Contents

Report highlights

Using the same methodology as last year, we surveyed the disclosures of 217 companies included on the S&P/TSX[i] Composite Index as of May 31, 2025, representing approximately 70% of total market capitalization of the TSX. For more details regarding the surveyed companies and our approach, see "Scope and methodology".

The results were interesting, with several key takeaways:

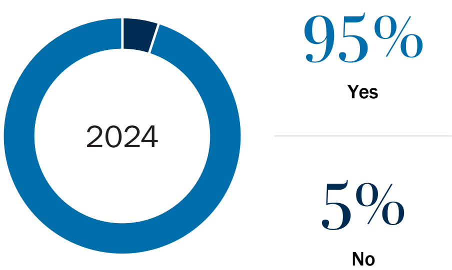
- 91% of companies published a sustainability, ESG, climate action/transition or similar report, a downtick from 95% of companies in last year's study, and materially fewer companies used the term "ESG" to describe their report.
- 39% of companies have publicly set a target to achieve net-zero GHG emissions, a notable decrease from 45% last year.
- 38% of companies mention that disclosure or climate-related political and regulatory changes have influenced their strategy, targets and related disclosure.
- 24% of companies referenced Bill C-59 or recent amendments to the *Competition Act* in their disclosure.
- Notwithstanding these shifts, GHG emissions disclosure remained consistent year-over-year, with 86% of companies disclosing Scope 1 and 2 GHG emissions, compared to 88% last year.
- Board expertise in climate, environmental, ESG or sustainability matters continues to be in high demand, with 83% of companies identifying this in their board skills matrix (up from the previous high of 78%), and a significant majority of board members being identified as having these skills.

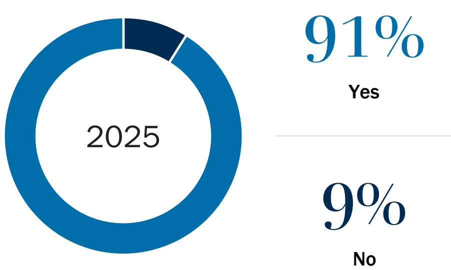
While we did not see an overall rise in climate-related disclosure, notwithstanding significant changes in the political and regulatory landscape over the past year, we also did not see a groundswell of companies abandoning or significantly watering down their climate disclosures.

General disclosure practices

Although the Task Force on Climate-related Financial Disclosures (TCFD) has disbanded, having fulfilled its remit, its recommendations for climate-related financial disclosures remain influential, having been memorialized by the ISSB in the International Financial Reporting Standard on Climate-related Disclosures (IFRS S2) and localized versions of IFRS S2, such as the Canadian Sustainability Disclosure Standard on Climate-related Disclosures (CSDS 2) by the CSSB. Consistent with last year's report, this report is structured to align with the four pillars of the TCFD framework: governance, strategy, risk management, and metrics and targets.

Does the company prepare an annual sustainability, ESG, climate action/ transition or similar report?

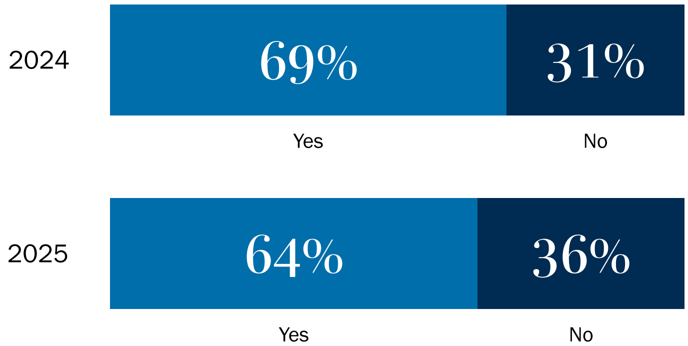




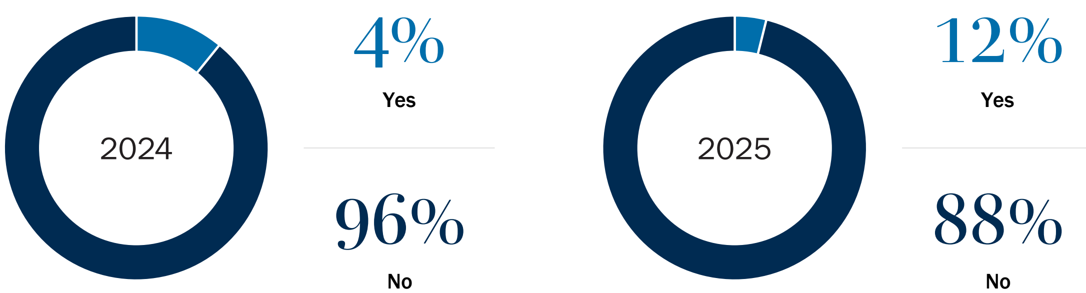
Over 90% of companies continue to publish annual sustainability or similar reports. The year-over-year decline, from 95% to 91%, may reflect some movement in market practice in response to the shift in the political and regulatory landscape. Of the companies we surveyed, 67% have operations (and some are incorporated) in the U.S., and as a result, were more likely to consider trends and risks in both the U.S. and Canada when preparing their disclosure. An additional factor influencing disclosure practices was the introduction of Bill C-59 in Canada, which specifically targets "greenwashing". Several companies in our study explicitly stated in their public disclosure that they had elected to forego the publication of an ESG or similar report in light of concerns associated with the new legislation. Nearly half of the companies that chose not to prepare an annual sustainability or similar report are companies within the energy sector. However, in light of the government's proposed amendments to repeal certain aspects of the Bill C-59 provisions, this may be a temporary dip.

The use of the term ESG when describing a company's report on sustainability and climate matters has decreased significantly: a 12% drop from last year's study. Given the number of companies that published such a report was roughly comparable year-over-year, this change illustrates a marked shift away from the increasingly politicized terminology, with companies electing to instead use terms such as "sustainability" or "climate action".

Does the company disclose that it is reporting in accordance with the TCFD?



Does the company disclose that it is reporting in accordance with IFRS S2 and/or CSDS 2?



Following the disbanding of the TCFD in 2023, it was unclear whether its principles for climate-related disclosure would remain the leading framework for companies around the world. However, reflecting the foundational nature of the TCFD framework and its fundamental integration into the ISSB disclosure standards (and, in turn, the CSSB disclosure standards), there was only a slight year-over-year decline in the number of companies disclosing that they are reporting in accordance with the TCFD, decreasing from 69% to 64%. There was also an increase in the number of companies disclosing reporting in accordance with IFRS S2 and/or CSDS S2, with 12% of companies disclosing reporting in accordance with those standards, an 8% increase from last year's study. Of the companies we surveyed, 11% indicate that they report in accordance with IFRS S2, whereas only three companies (1%) report in accordance with CSDS S2. This may reflect the fact that CSDS S2 has not yet been mandated by any regulatory body and was only published in final form in December 2024, whereas IFRS S2 is the foundation for several foreign regulatory requirements that may be applicable to Canadian companies with operations in those jurisdictions.

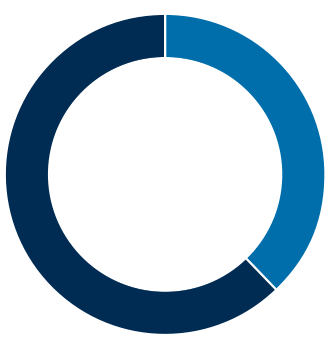
Does the company disclose that it received a climate or environment-related shareholder proposal in connection with its annual meeting of shareholders?

9%
Yes

91%
No

"Say on climate" votes—non-binding advisory shareholder votes conducted by a company on its climate transition plans and policies—continue to be uncommon in the Canadian market, with only 1% of companies conducting such votes, which is flat compared to last year. Although "say on climate" votes have not taken off, environment-related shareholder proposals are being utilized by shareholders to engage with companies on their climate action plans. Approximately 9% of companies received an environment-related shareholder proposal, with 44% of such proposals receiving support of 5% or more. The most common type of environment-related proposals to receive more than 5% support were those requesting the company to hold an advisory vote on its environmental policies, and many of the major Canadian banks saw such proposals receive between 12% and 16% support from shareholders. Notably, there was one proposal to require the company to leave the Net-Zero Banking Alliance found in our sample set this year, although it was eventually withdrawn and not voted on.

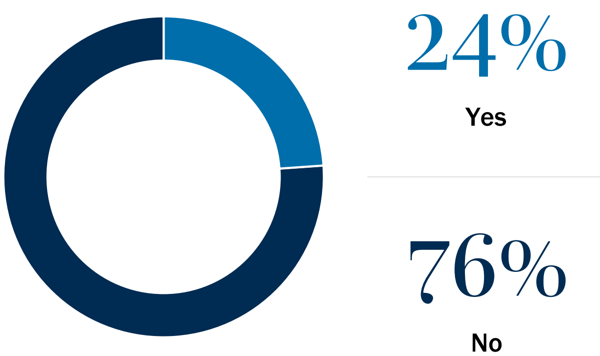
Does the company's sustainability disclosure mention that disclosure or climate-related political and regulatory changes have influenced their strategy, targets and related disclosure?



38%
Yes

62%
No

Does the company's sustainability disclosure specifically mention Bill C-59 and/or recent amendments to the *Competition Act*?



With over a quarter of issuers noting that political and regulatory changes have influenced their strategy and related disclosure, government action or inaction appears to be an essential driver of how climate action will progress in addition to shareholder priorities. With 24% of companies specifically citing Bill C-59 and/or recent amendments to the *Competition Act*, there will be the opportunity to assess whether and how the federal government's proposed amendments to those provisions will influence reporting practices in the future.

Ongoing policy shifts in the U.S. create uncertainty for market participants

Earlier this year, the Trump Administration announced its formal rejection of the United Nation's Sustainable Development Goals. Notably, the statement from the U.S. to the United Nations that accompanied its vote against resolutions promoting climate action called for "a clear and overdue course correction on … climate ideology".

Further illustrating this shift, in March 2025, the SEC voted to abandon its defense of its rules requiring disclosure of climate-related risks and GHG emissions by SEC-reporting companies[2].

These announcements are just a few examples of the ongoing shift in the American legal and political landscape, ushered in by the U.S. federal government, to significantly alter ESG policies, practices and regulations, including with respect to climate change. By contrast, several states are moving in the opposite direction to introduce state-level climate reporting requirements, including California, which will require companies that have annual revenues over $1 billion and do business in California to report third-party verified Scope 1 and 2 emissions starting in 2026 and Scope 3 emissions starting in 2027 (SB 253). Further, companies that have annual revenues over $500 million and do business in California must submit biennial public reports on climate-related financial risks and mitigation and adaptation strategies (SB 261)—though business groups are challenging the validity of SB 253 and SB 261 under the U.S. Constitution. Similar legislation has been tabled in New York, New Jersey, Illinois, Colorado and Washington. However, a recent executive order from the Trump administration ordered the U.S. attorney general to identify and challenge the constitutionality of any such laws based on their "burdening" of domestic energy development[3].

The increasing politicization of climate matters south of the border has been significant and has impacted a wide range of market participants, including the following:

- **Issuers:** A recent survey of executives conducted by The Conference Board found that 85% of 125 large U.S. and multinational companies adjusted their ESG strategies in 2025 (with only 8% of respondents expanding their ESG ambitions in response to policy shifts on climate, energy and ESG)[4]. Nearly 75% of surveyed executives indicated that such shifts would "slow down" corporate decarbonization efforts in the U.S. and 82% indicated that the domestic energy transition would lose momentum. A broad majority of respondents have already experienced backlash on their company's ESG efforts, with 65% reporting their firms had experienced "noticeable" backlash, primarily from conservative advocacy groups and federal policymakers, and 90% of respondents expect the backlash to persist or intensify over the next two years, with climate goals and transition plans expected to be the most controversial topics. According to the study, the most common concern is the widening regulatory and reporting gaps between federal, state and international ESG regulations, which was identified by 49% of surveyed executives.

[2] Torys LLP, "CSA's climate disclosure rule on hold: an update on climate disclosure in Canada and the U.S." (April 30, 2025).

[3] "Protecting American Energy from State Overreach", *Presidential Actions - Executive Orders* (April 8, 2025).

[4] "Sustainability Under Scrutiny: Corporate ESG in an Uncertain Policy Environment", *The Conference Board* (May 29, 2025).

- **Institutional investors:** Earlier this year, Blackrock and Vanguard paused their stewardship meetings with portfolio companies to review new guidance from the SEC that would require institutional investors to make more onerous securities filings when engaging with companies on ESG topics, with certain engagements no longer being considered passive in nature and investors no longer being able to rely on a short form filing. The guidance[5] indicates that a short form filing on Schedule 13G is no longer available to a shareholder who discusses with management its voting policy on a particular topic by implying that it will not support one or more director nominees if changes are not made or makes certain specified recommendations to the issuer about its governance, which may be interpreted to include social interest policies such as climate and other environmental policies. Although the asset managers eventually resumed their engagement meetings and now generally highlight their role as passive investors at the outset of such meetings, critics continue to worry that the new guidance will have a chilling effect on investor input, discouraging them from weighing in on ESG matters.

- **Proxy advisors:** Against the backdrop of intense pressure from Republican officials (who recently urged the Federal Trade Commission to review proxy advisors' approach to ESG engagement on the basis that related voting recommendations can be "ideologically driven" and "untethered from economic analysis") and conservative lobbyist associations (such as the U.S. Business Roundtable, which recently published a white paper taking issue with the proxy process being used to promote public policy agendas instead of strategic priorities and transform proxy statements into "battlegrounds for contentious social debates"[6]), proxy advisors are rethinking and becoming increasingly cautious in their approach to engaging with companies and investors on ESG issues.

  Institutional Shareholder Services (ISS), for example, opposed the overwhelming majority of environmental proposals at companies in the S&P 500 and the Russell 3000 this proxy season after supporting more than half of such proposals in 2024, while Glass Lewis recently updated its proxy voting guidelines[7] to narrow the circumstances in which a board is expected to engage with shareholders on, and provide disclosure addressing, an issue raised in a shareholder proposal, including those related to climate-related matters, shifting the minimum threshold of support in its U.S. benchmark guidelines from 20% to 30%.

  At the state level, a senate bill was recently signed into law in Texas to impose significant disclosure obligations on proxy advisors, requiring proxy advisors to provide a "specific financial analysis" to support any "nonfinancial" advice, such as recommendations related to climate and other ESG factors. It is expected that the bill will significantly increase the cost for proxy advisors to provide this advice, likely resulting in fewer recommendations against companies in respect of nonfinancial matters and potentially silencing perspectives in respect of ESG factors. ISS and Glass Lewis both filed lawsuits challenging the constitutionality of the bill, and on August 29, 2025, the U.S. District Court for the Western District of Texas entered a preliminary injunction temporarily blocking its enforcement.

- **Asset managers:** On July 29, 2025, 26 members of the State Financial Officers Foundation (SFOF) sent letters to the leaders of 25 large asset managers expressing their concern with "the erosion of traditional fiduciary duty in American capital markets", taking issue with the long-term risk mitigation strategies employed by U.S. companies, where "speculative assumptions about the future, like climate change

[5] U.S. SEC Staff Guidance Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting (July 2025).

[6] "The Need for Bold Proxy Process Reforms", *Business Roundtable* (April 23, 2025).

[7] Glass Lewis U.S. Benchmark Policy Guidelines (2025).

catastrophe, are used to justify ideological conclusions today"[8]. The SFOF members requested that asset managers seeking to do business in their states take specific steps to reaffirm and operationalize their commitment to traditional fiduciary duty and shareholder value, including, among other things (i) abandoning the practice of framing future outcomes as long-term risks to justify immediate ideological interventions through corporate engagement or proxy voting; (ii) abstaining from incorporating net-zero climate mandates, natural capital frameworks or sustainability reporting directives into default investment strategies and corporate engagement; and (iii) disclosing all affiliations and collaborative initiatives (e.g., Climate Action 100+, GFANZ, PRI) that could influence investment or engagement priorities.

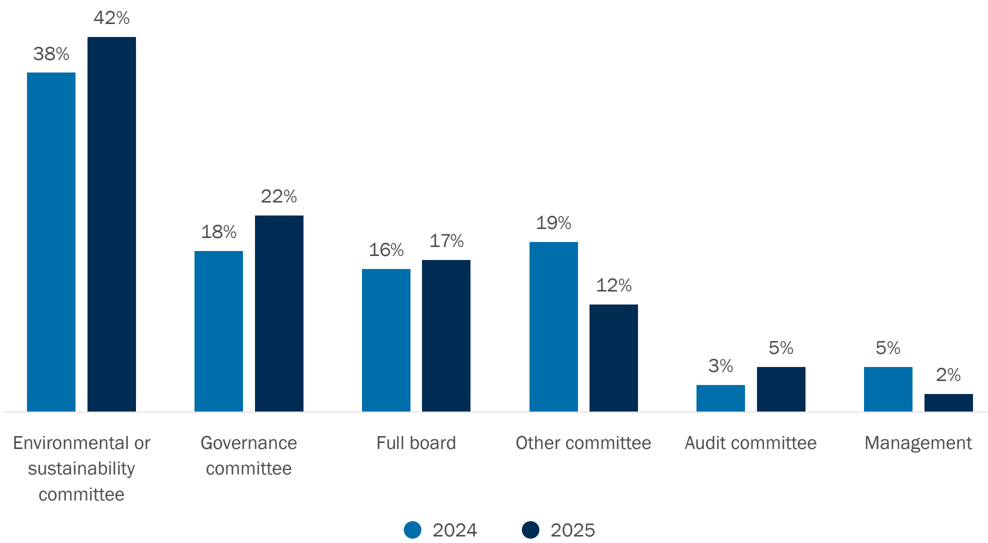
Given the interconnectedness of the U.S. and Canadian markets, these developments and ongoing policy shifts in the U.S. will undoubtedly continue to impact and influence Canadian companies and Canadian capital markets.

[8] "Fiduciary Duty Letter to Asset Managers", *State Financial Officers Foundation* (July 29, 2025).

Governance

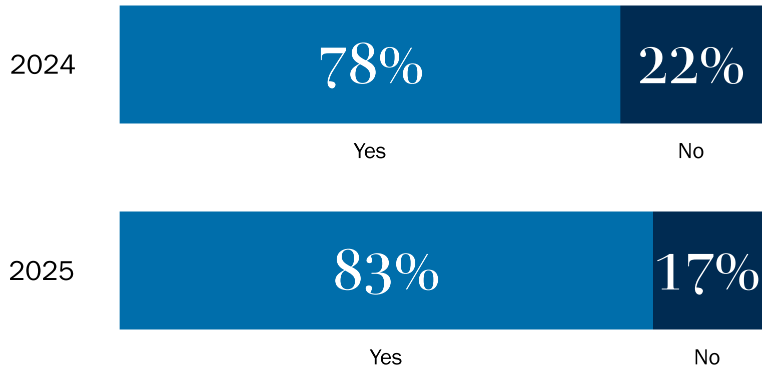
While general oversight responsibility rests with the board, companies take varied approaches in the governance of climate-related risks and opportunities. Year-over-year, we found that there were generally minimal changes to the climate-related governance practices of companies.

Where does primary oversight of climate-related risks and opportunities reside?

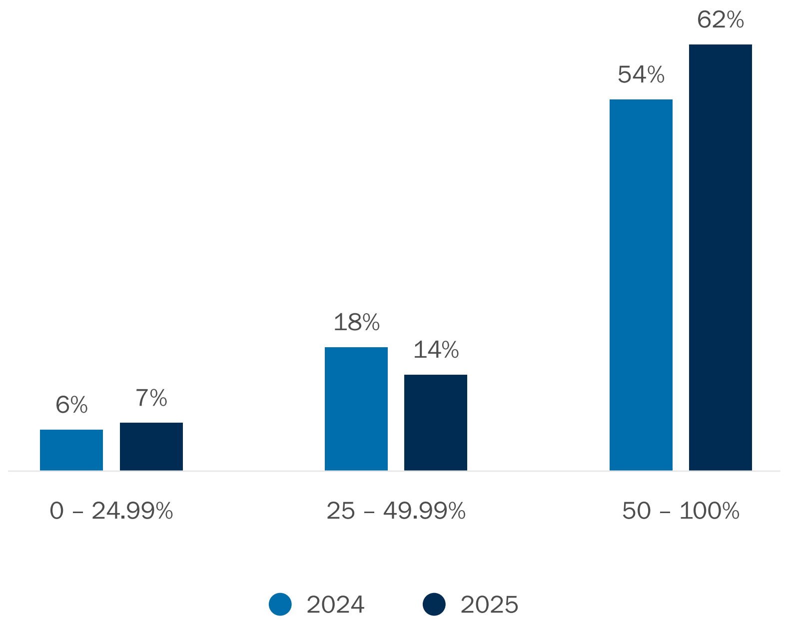


Companies continue to overwhelmingly delegate the responsibility of overseeing climate-related risks and opportunities to dedicated board committees. 42% of companies allocate such oversight responsibility to an environmental or sustainability board committee (a modest increase from 38% of companies in last year's study), and only 2% of companies allocate such oversight responsibility to management (a decrease from 5% of companies last year).

Does the company identify climate, environmental, ESG or sustainability expertise in its board skills matrix?[ii]

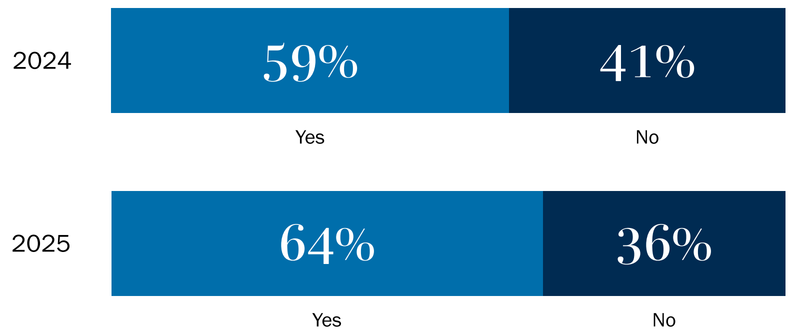


What percentage of the board members have these skills?



Companies are continuing to recognize the expertise required to oversee the risks and opportunities that exist with respect to climate and sustainability matters. As the number of organizations listing climate-related expertise in their board skills matrix has increased, from 78% of companies in last year's study to 83% of companies this year, so too has the number of directors possessing such skills: 62% of companies reported that at least half of their directors possessed climate-related expertise, an increase from 54% in last year's study.

Does the company link executive compensation to climate-related goals or metrics?[iii]



A majority of companies continue to report that they link executive compensation to climate-related goals or metrics, with 64% of companies doing so this year as compared to 59% last year. Almost 90% of those companies do so by way of KPIs; however, the types of KPIs that are applied continues to vary considerably, with less than half using quantitative measures. Companies relying on quantitative KPIs often include goals related to GHG emission intensity reductions, while qualitative KPIs often include assessments regarding progress towards climate goals, such as establishing a framework for climate scenario analysis.

Getting disclosure right: Q&A with Wendy Berman, Chair of the Canadian Sustainability Standards Board

1. **What are the top priorities of the Canadian Sustainability Standards Board (CSSB) over the next 12-24 months?**

   Our strategic priorities reflect extensive consultation and external market developments. While these priorities will guide us over the next three years, our rapidly changing environment requires agility and responsiveness.

   A key priority is ensuring Indigenous Peoples' voices, rights and interests are woven into the fabric of sustainability disclosures in Canada. Advancing reconciliation is fundamental to Canadian standard-setting. We are developing a relationship-building engagement plan and project framework to determine the appropriate path forward for Indigenous rights-related sustainability disclosures.

   Another priority is supporting the implementation of our initial sustainability disclosure standards: CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information, and CSDS 2, Climate-related Disclosures. We believe Canada's companies and economy benefit from using high-quality, internationally aligned standards.

   The strategic, operational and financial impacts of sustainability matters, including climate change, are increasingly material to Canadian businesses across all sectors. Our disclosure framework lays the essential foundations for ensuring confidence in Canadian markets, enhancing the resilience and competitiveness of Canadian companies and stimulating growth. We are committed to assisting companies in implementing our standards and have created an advisory committee of external experts to guide this work.

2. **In April 2025, Canadian securities regulators announced a pause in the advancement of climate-related disclosure reporting rules. OSFI, however, moved forward with the adoption of Guideline B-15, which requires climate-related reporting by federally regulated financial institutions. How is the CSSB advancing its work in light of the evolving regulatory context?**

   There are headwinds in the sustainability reporting landscape from emerging economic, geopolitical, social and regulatory shifts, but sustainability-related risks and opportunities remain material for Canadian companies. Sustainability disclosures are not driven by social or political agendas; they are driven by financial materiality. They are "table stakes" in the global race for capital and make good business sense.

   While mandating disclosure rests with governments and regulators, our role is to set and maintain high-quality, internationally aligned, financial sustainability disclosure standards.

We are encouraged by early support for our standards and OSFI's efforts to align its Guideline B-15 with them. Widespread adoption of CSDS 1 and CSDS 2 is critical, and we will continue to support Canadian companies on their path to full implementation and work with regulators, standard setters, investors, Indigenous Peoples and others to advance these efforts.

3. **Given the interconnectedness of the Canadian and U.S. capital markets, the SEC's abandonment of proposed climate-related disclosure rules and anti-ESG backlash in the U.S. are significant developments. What do you say to those who are concerned that mandatory climate-related reporting will harm the competitiveness of Canadian capital markets?**

The urgency of sustainability matters requires companies to apply rigour in understanding how they affect their business and how they can capture opportunities and manage risks. Our standards provide the necessary framework to do this, ensuring Canadian companies provide decision-useful disclosures, strengthen their business and remain globally competitive.

The growing demand for sustainability disclosures and convergence on the IFRS Sustainability Disclosure Standards as a global baseline means Canadian companies benefit from compliance with our standards. CSDS 1 and CSDS 2 are aligned with this global baseline, which supports competitiveness by reducing the cost and confusion of multiple frameworks. Sustainability-related risks, including those from the transition to a low-carbon economy, continue to shape company performance and investor decisions. Our standards help companies report clearly, consistently and credibly. Better disclosure builds trust and resilience, improves access to capital and can lower financing costs. That advantage matters regardless of developments in the U.S.

4. **In CSDS 2, the CSSB provided a three-year relief period for the disclosure of Scope 3 emissions and quantitative scenario analysis. Do you see companies developing the capacity to complete these disclosures by this time? What steps can they take to develop these disclosures? Relatedly, how can the CSSB ensure that sustainability reporting is not only standardized, but practical and accessible for small and medium-sized enterprises (SMEs)?**

Our standards are designed to be practical, with materiality and proportionality measures, and extended three-year transition relief periods as noted. We listened to the feedback obtained during our extensive consultation, assessed the Canadian public interest (including the unique aspects of Canadian markets), and considered information on current and developing methodologies. We believe that these extended transition periods, as well as the proportionality measures, provide Canadian companies with the necessary flexibility to build capacity and adapt at a manageable pace.

These mechanisms are crucial aspects of our standards and reflect unique aspects of the Canadian market, with a high proportion of SMEs and development-stage extractive resource companies. They aim to ensure all types of companies can implement the standards—not just the largest and most sophisticated. Companies are required to report only on material information and, for certain requirements, by considering all reasonable and supportable information available without undue cost or effort. For requirements on anticipated financial effects and climate scenario analysis, companies are permitted to disclose information in a manner commensurate with their skills, resources and capabilities.

Many companies are already reporting sustainability metrics, including some categories of Scope 3 greenhouse gas emissions. Companies are also building capacity for transition planning and scenario analysis. We are encouraged by the many industry initiatives, developing applications and other support tools for companies of all sizes to enhance disclosure of material information. We will continue to support implementation through engagement, guidance, educational resources and other tools.

5. Greenwashing continues to be a concern. How does the CSSB envision the future of assurance for sustainability disclosures in Canada—will third-party verification become a requirement? How is capacity being built within the accounting and sustainability professions in Canada?

Compliance with our internationally aligned standards demonstrates diligence in disclosing material sustainability-related risks and opportunities. Independent assurance builds trust in financial and sustainability reporting. Many of Canada's largest companies already obtain limited assurance over sustainability data, and audit-level (reasonable) assurance is growing. This reflects a growing pool of professionals with expertise in sustainability assurance.

As expectations for assurance increase, regulators are signaling that companies should prepare now. Canada's Auditing and Assurance Standards Board plans to adopt International Standard on Sustainability Assurance 5000, a new global standard that will align Canada with international practices and strengthen quality and consistency. Canadian professionals will be able to draw on global guidance and best practices, further building capacity.

For companies, the best preparation is to improve data quality, internal controls and governance. Building these foundations now will make future assurance smoother and more reliable.

6. As sustainability standards evolve, what emerging issues—such as biodiversity—do you believe should be prioritized next?

We continually assess where new or revised sustainability disclosure standards could serve the public interest. This includes (1) exploring how to meaningfully include Indigenous Peoples in standard setting, (2) evaluating the need for public-sector sustainability disclosure standards, and (3) considering changes to our climate disclosure emission requirements. Internationally, we are contributing to the International Sustainability Standards Board's research phase on biodiversity and human capital to ensure Canada's perspective is reflected.

7. How do you define success for the CSSB over the next 5-10 years?

Success means broad use of our sustainability disclosure standards to strengthen companies' operational, financial and strategic resilience while keeping them globally competitive. It means investors and other interested or affected parties can trust the information they receive, and companies face less reporting burden through one globally aligned standard. Success also means Indigenous Peoples have a meaningful voice in shaping sustainability disclosure standards.

Ultimately, success is Canadian companies being trusted, competitive and able to access global capital on equal footing with their peers.

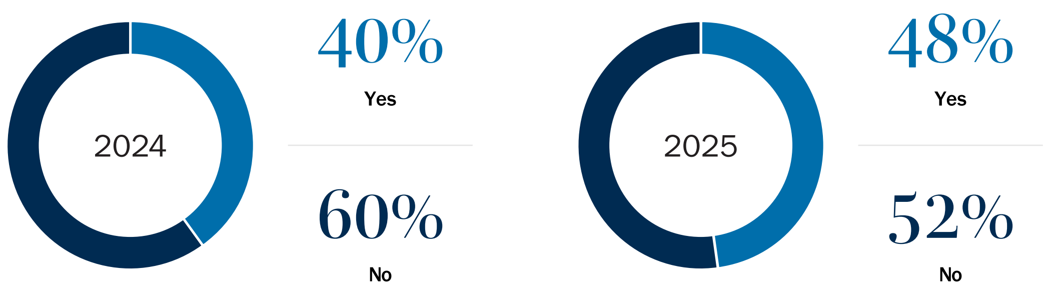
Wendy Berman

Wendy Berman, LLB, is a distinguished legal professional with over 30 years of experience in securities litigation, regulation and corporate governance. Most recently, she was a partner and head of the National Securities Litigation practice at a national law firm in Toronto, where she advised public companies and boards on complex disclosure, regulatory and governance matters. Previously, Wendy was Vice-Chair of the Ontario Securities Commission, where she served on the board, executive team and adjudicative committee. Recognized as one of Canada's leading securities litigators, Wendy has received the highest ranking by Chambers Canada, Lexpert, Benchmark and Best Lawyers, as well as numerous awards.

Strategy

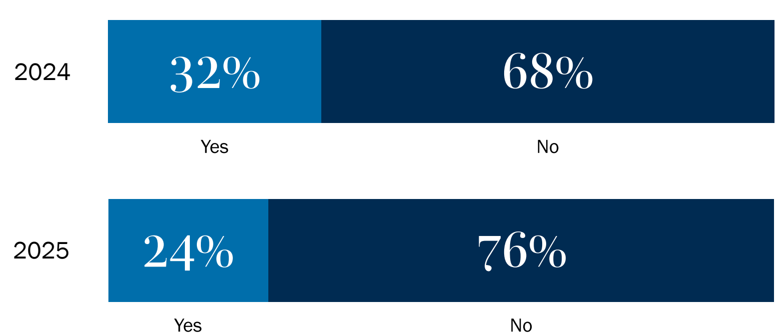
Expectations for climate strategy disclosures continue to evolve as companies navigate a changing regulatory and political environment. The TCFD, ISSB and CSSB all recommend that companies disclose, where material, certain information about their strategy for managing climate-related risks and opportunities, including the use of scenario analysis.

Does the company use the word "sustainability", "resilience" or a similar term when it describes its mission or purpose?

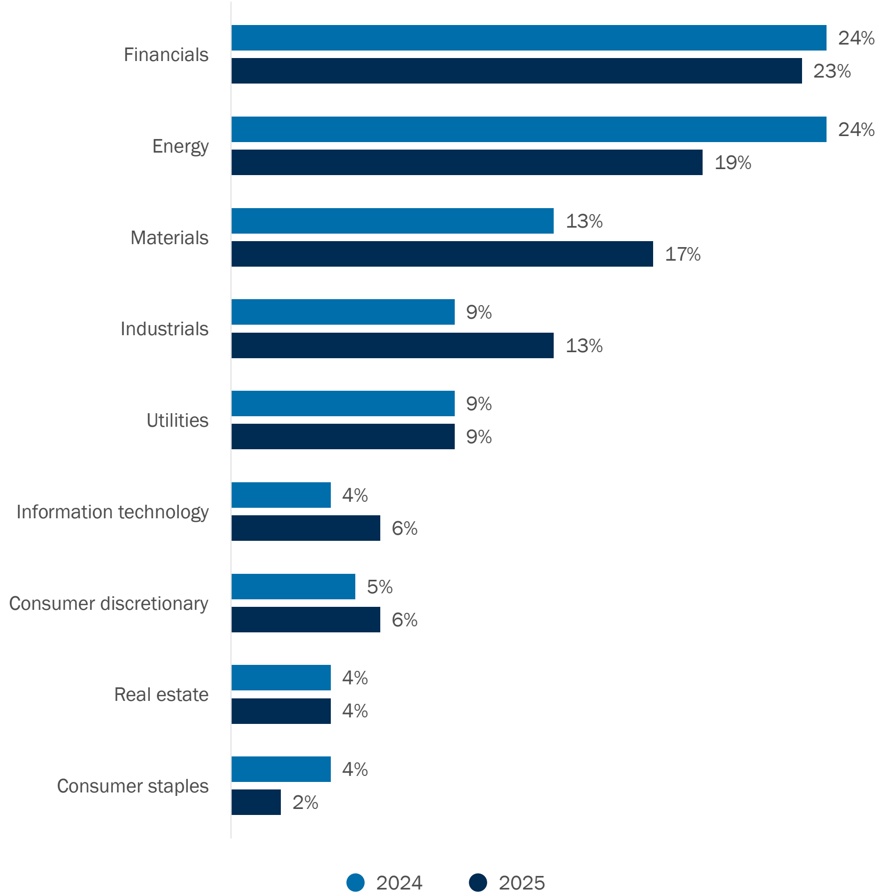


Despite the increasing politicization of the term "ESG", companies continue to lean into long-term value creation that is often a core driver of corporate climate strategy, with almost half of companies surveyed using the words "sustainability" and/or "resilience" when describing their mission or purpose.

Does the company disclose information about its *strategy* to use emissions credits to meet its emissions reduction commitments?[iv]



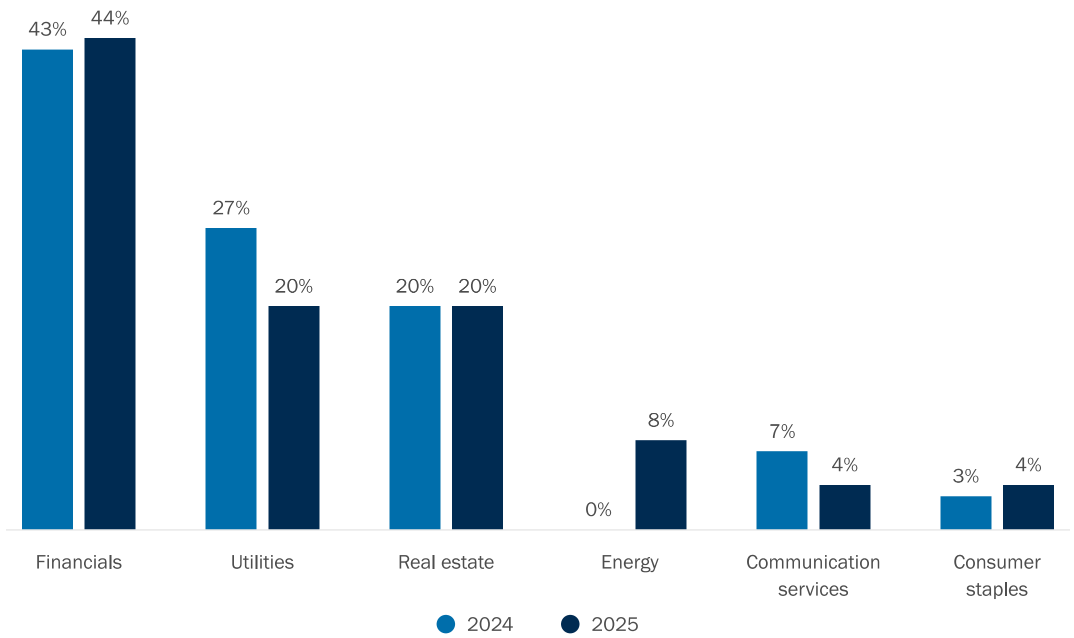
Sector breakdown of companies that disclose their use of emissions credits to support emissions reduction commitment



The 8% year-over-year drop in companies disclosing information about their *strategy* to use emissions credits to meet their emissions reduction commitments may be a signal of companies re-thinking whether and how carbon credits should be relied upon when striving to meet regulatory requirements or achieve climate goals, including in light of Bill C-59's anti-greenwashing provisions. It could also be a reaction to guidance that recommends businesses make emissions reductions directly before using emissions credits to address residual or hard-to-abate emissions.

The number of companies choosing to disclose their use of emissions credits to support their emissions reduction commitments remained roughly comparable year-over-year (a 3% decline). The industries including such information in their disclosure also remained relatively consistent.

Sector breakdown of companies that disclose they issue green or sustainability bonds[v, vi, vii]



Although the aggregate number of companies disclosing the issuance of green and sustainability bonds remained fairly consistent year-over-year, certain industries appear to have experienced a shift in approach, including an 8% increase in companies in the energy sector issuing green or sustainability-linked bonds year-over-year and a 7% decrease in companies in the utilities sector issuing such bonds year-over-year.

We also looked at the prevalence of sustainability-linked loans—loans with financial terms (such as interest rates) that are linked to the borrower's achievement of certain pre-determined sustainability targets—this year and found that 13% of companies borrowed using such loans.

The rising use of environmental and other climate-related claims in litigation

Litigation is widely used as a strategy to drive climate action by both public agencies and private actors, taking a range of forms. A recent study published by Columbia University's Sabin Center for Climate Change Law calculated that there were over 3,000 active climate change-related litigation claims worldwide as of mid-2025. As the report further shares, "Climate change litigation has continued to grow both in volume and in geographical scope, while the range of legal theories and actors involved has also expanded"[9].

Climate-related litigation is often deployed by private actors to drive company-specific climate action, whether through derivative action litigation focused on the adoption and implementation of transition planning[10] or litigation about shareholder proposals on the same issues[11]. These strategies can also be used by public agencies, for example, to scrutinize the accuracy of climate-change-related shareholder disclosures[12]. There are some limitations on the effectiveness of these corporate litigation strategies, given the focus of corporate and securities law on internal decision-making in the former and investor interests in the latter.

In 2025, shareholder activism continues to reflect the deepening divide over environmental policy and its role in corporate governance. The current U.S. administration's resistance to ESG considerations has prompted many companies to scale back public commitments to sustainability. At the same time, litigation has become a strategic tool for both challenging corporate inertia and resisting political efforts to suppress ESG-related initiatives. Corporations now operate in a volatile environment where ESG factors are increasingly politicized, with stakeholders on both sides leveraging legal mechanisms to assert influence.

A recent flashpoint in this debate is the lawsuit filed by proxy advisory firms Glass, Lewis & Co., LLC and Institutional Shareholder Services (ISS) against Texas Attorney General Ken Paxton. The firms are challenging the constitutionality of Texas Senate Bill 2337, which came into force on September 1, 2025. The law requires proxy advisors to disclose when their recommendations are influenced by ESG or diversity, equity and inclusion (DEI) considerations, branding such advice as a "deceptive trade practice" unless accompanied by disclaimers. Glass Lewis and ISS argue that by forcing them to make these disclaimers, the law violates their First and Fourteenth Amendment rights. On August 29, 2025, U.S. District Judge Alan Albright issued preliminary injunctions blocking enforcement of the law against both firms, pending a trial in February 2026. The case underscores the growing tension between state-level anti-ESG measures and U.S. constitutionally-protected speech, with significant implications for proxy advisory practices.

[9] See Sabin Center for Climate Change Law's *Climate Litigation Report 2025*, "Climate Change in the Courtroom". For a similar survey, see the report published by the London School of Economics, "Global trends in climate change litigation: 2025 snapshot".

[10] Torys LLP, "Shareholder litigation and corporate ESG policy: ClientEarth v. the directors of Shell plc" (March 2023); "Navigating climate change risk through corporate governance" (March 2024).

[11] Torys LLP, "ExxonMobil Corporation v. activist shareholders: the corporate governance of climate change strategy" (October 7, 2024).

[12] Torys LLP, "Greenwashing" and disclosure liability under securities law: two views" (September 27, 2024).

In Canada, class action proceedings in respect of alleged misleading statements relating to environmental impacts are increasing[13]. For example, in Québec, a proposed class proceeding was commenced in January 2025 against a leading consumer products manufacturer. In that case, the plaintiff alleges that the company misled consumers by marketing certain paper products as environmentally friendly, despite sourcing materials through practices that allegedly contribute to deforestation and ecological harm. Though the case has yet to be certified, it signals a growing willingness to use litigation to scrutinize corporate sustainability claims.

Regulators are also stepping up enforcement on administrative matters where no investor loss has been alleged. In September 2025, the Ontario Securities Commission (OSC) commenced proceedings against Purpose Investments and its founder, Som Seif, alleging that the firm misrepresented the role of ESG factors in its investment processes. The OSC claims that Purpose portrayed ESG as central to its strategy without having formal policies or consistent practices to support those assertions. The OSC has not made any allegations of investor loss or prospectus misrepresented against Purpose. While no determinations have been made with respect to the OSC's claims yet, Purpose has publicly denied wrongdoing and will be defending itself against the OSC's allegations at the Capital Markets Tribunal.

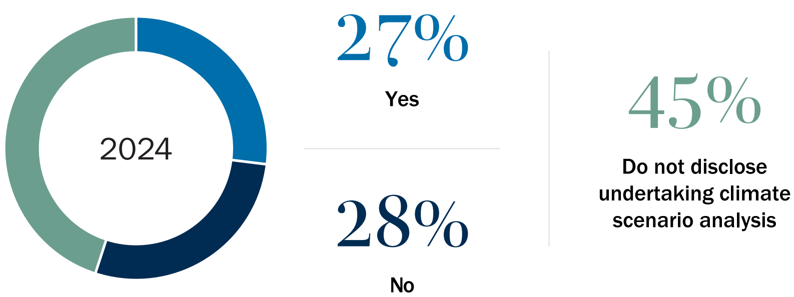
As climate litigation continues to gain momentum across jurisdictions, companies must prepare for heightened scrutiny of their environmental disclosures and governance practices. The convergence of shareholder activism, statutory duties and judicial willingness to engage with climate issues suggests that the current uncertain landscape is likely to continue.

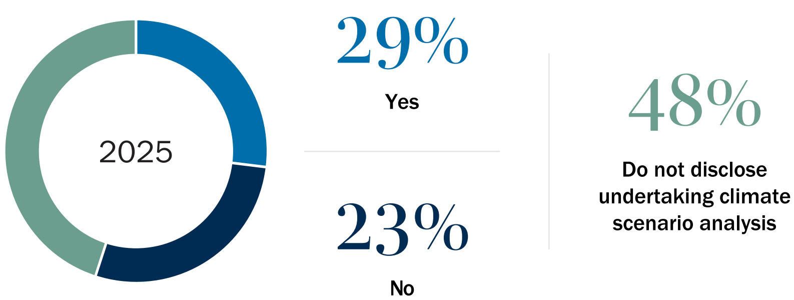
[13] Torys LLP, "Securities class action risk arising from environmental and climate-related disclosures" (December 2024).

Risk management

Identifying, monitoring and developing mitigation strategies to address climate-related risks remains central to corporate climate strategies, but the context in which companies approach this is shifting. In a landscape marked by a charged political climate and competitive market pressures—as well as emerging standards and foreign requirements that may be applicable to, or influential on, Canadian companies—organizations face uncertainty and tension over what meaningful, decision-useful data should be provided.

If the company discloses that it is undertaking climate scenario analysis, does it use standardized scenarios published by a governmental or intergovernmental agency?





With very little change in the number of companies conducting scenario analysis, companies already committed to scenario analysis appear to have stayed on the path. Those companies tend to use standardized scenarios from governmental agencies in undertaking and reporting the results of their scenario analysis. Of note, several companies whose disclosure did not include scenario analysis included a statement indicating their intention to consider how they can best rely on scenario analysis in the future.

Bill C-59 and evolving standards for environmental claims

With the passage of Bill C-59, the *Competition Act* (the Act) now imposes specific standards for environmental and climate-related claims. In addition to these substantive changes, the amendments introduced a private right of action, allowing applicants to bring cases directly rather than through the mechanism of a complaint to the Competition Bureau (the Bureau). These changes were met with significant criticism, leading the Government of Canada, in Budget 2025, to acknowledge that the provisions "are creating investment uncertainty and having the opposite of the desired effect with some parties slowing or reversing efforts to protect the environment". Subsequently, in the budget implementation bill, the federal government has proposed repealing certain aspects of the new provisions[14]. Nonetheless, they continue to influence corporate disclosure, target setting and governance practices.

Evolving standards for environmental claims

Historically, environmental and climate-related claims were assessed under the general deceptive marketing provisions of the Act. Although these general provisions remain, Bill C-59 established a more specific, though uncertain, evidentiary threshold for environmental-related claims.

Any representation to the public about the environmental performance of a product must now be based on "adequate and proper testing", while environmental claims about a business must be substantiated, at least at the time of publication of this study, in accordance with internationally recognized methodologies (IRMs). These provisions can capture a wide range of claims, from general phrases like "eco-friendly" or "sustainable" to specific claims of "carbon neutrality" or "net-zero alignment".

In June 2025, the Bureau issued guidance clarifying how it will interpret and enforce these provisions. The guidelines confirm that the Bureau is focused on marketing and other promotional representations. According to the guidelines, the Bureau is not concerned with "representations made solely for other purposes or that are regulated by other government agencies". As an example, the guidelines indicate the Bureau will not be concerned with the communication of environmental information to current and prospective investors where such communications are regulated by securities laws. This strongly suggests that sustainability disclosure, which is regulated by other agencies, will not be the focus of Bureau enforcement considerations. Nonetheless, the Bureau could still take an interest in environmental claims that are regulated by another government agency if they are also used in marketing and promotional activities.

Despite the Bureau's guidance, Bill C-59 continued to face criticism, especially its requirement to substantiate environmental claims about a business in accordance with an IRM. As indicated above, the Government of Canada acknowledged these concerns in Budget 2025. Subsequently, in the budget implementation bill (Bill

[14] At the time of writing, these proposed amendments (which are part of Bill C-15) were undergoing second reading in the House of Commons.

C-15), the federal government proposed to amend the relevant provision by striking the reference to IRM. If this amendment is passed as proposed, environmental claims about a business would still have to be substantiated, just not necessarily in accordance with IRM.

Private right of action

As of June 2025, private litigants have had the ability to seek leave to bring an application to the Competition Tribunal (the Tribunal) if it is in the public interest. No applications have been commenced as of the date of this article. Furthermore, in the budget implementation bill, the federal government proposed to repeal the ability of private parties to bring such an application in connection with the provision requiring the substantiation of environmental claims about a business. However, the proposed amendments would not affect the private right of action in respect of environmental claims about products. It remains to be seen whether environmental activist groups will be successful in obtaining leave from the Tribunal to pursue enforcement actions against businesses for such claims. Because the Bureau's guidelines do not constrain private litigants or bind the Tribunal or courts, it also remains to be seen whether such private actions will be successful in challenging representations that were not intended for promotional purposes. As interpretive jurisprudence around the new greenwashing provisions develops, it will be prudent for businesses to be informed by, but not rely exclusively on, the Bureau guidelines when considering how to substantiate their environmental claims.

Strategic considerations

These reforms intersect with evolving climate disclosure standards in Canada and abroad. As identified in our study, a growing number of issuers are aligning their disclosures with the International Sustainability Standards Board's IFRS S1 and S2, which can help organizations substantiate certain sustainability and climate-related disclosures. Unsupported or overly optimistic targets, especially those without a credible implementation plan, could be perceived as contravening the Act, especially if used in connection with promotional or marketing material.

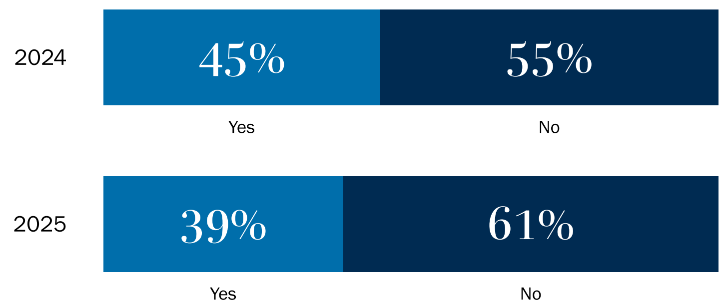
To manage compliance risks and meet emerging regulatory expectations, organizations are increasingly taking a coordinated proactive approach to governance, documentation, verification and disclosure, with legal, compliance and sustainability teams working together to review and approve all environmental and climate-related claims before publication to meet the "testing" or "substantiation" standard, as applicable. Organizations and their teams are also ensuring all such claims are supported by robust evidence and consistent with applicable standards.

In addition, companies are increasingly maintaining contemporaneous records of the basis for each claim, including underlying data, methodologies and verification sources. Where feasible, external assurance can further strengthen credibility—particularly for emissions inventories, offset purchases and carbon-neutral or net-zero representations.

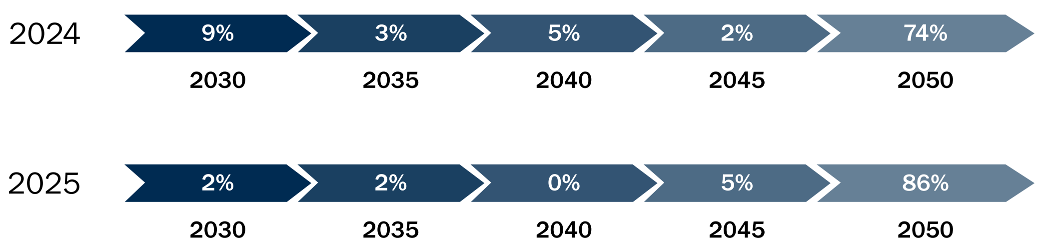
Metrics and targets

Disclosure of a company's GHG emissions footprint is a central component of climate-related disclosure, helping provide investors with comparable information with which to evaluate a company's emissions and exposure to transition risks. Consistent with last year, disclosure of Scope 3 GHG emissions continues to lag, and there has been a notable drop in the number of surveyed companies that disclose having net-zero targets.

Does the company disclose a net-zero target?

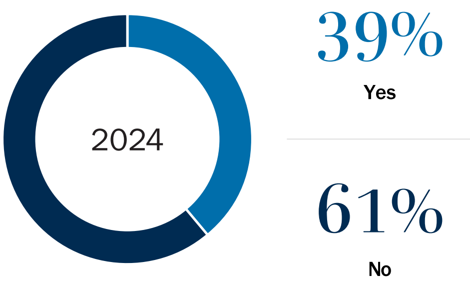


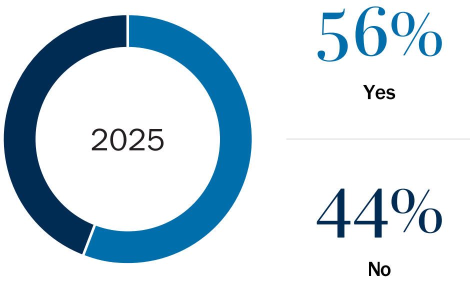
For companies that have set net-zero targets, what is the target year for achieving net zero?[viii]



Fewer companies disclosed a net-zero target this year compared to last year. For those companies that have disclosed a net-zero target, 2050 remains the most common year set for achieving the target. Of companies with a net-zero target, there was a 12% increase in companies that have selected 2050 as their target date, as compared to last year's study, in general alignment with the global objective established in the Paris Agreement. Failing to disclose a net-zero target, however, does not necessarily mean that a company has moved away from such targets and could simply reflect a change in the company's communications strategy, including because of concerns regarding compliance with Bill C-59.

Has the company set interim GHG emissions reductions targets?

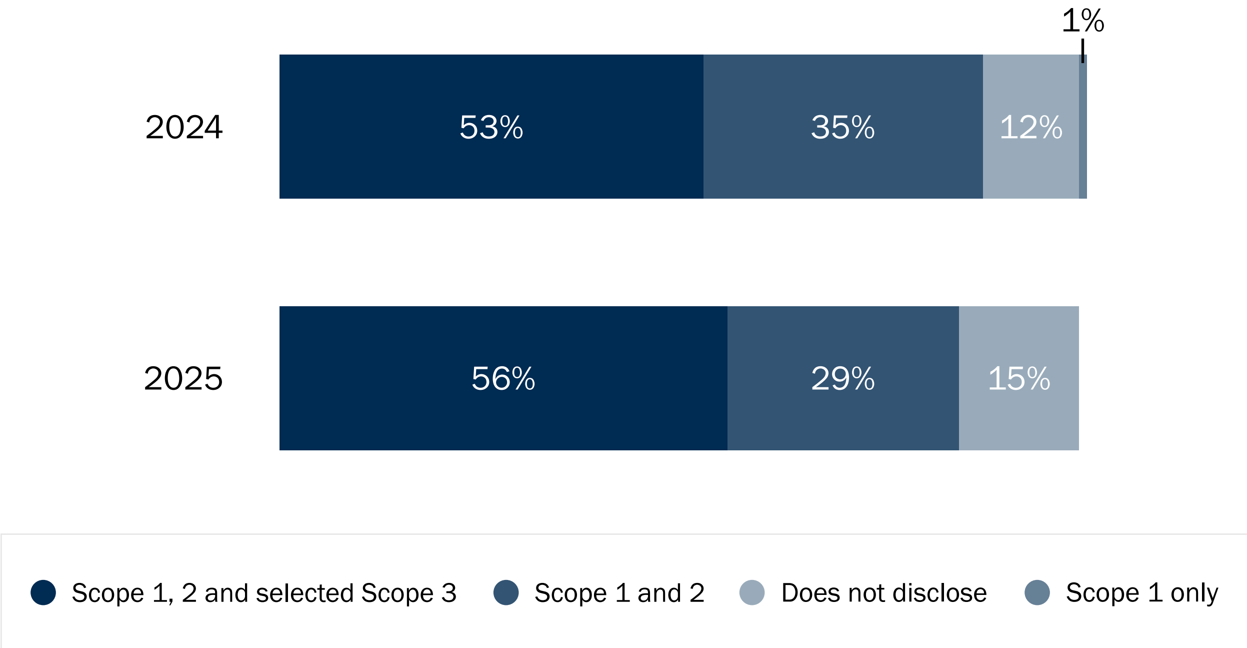




In light of the decline in the number of companies disclosing net-zero targets, this year we also tracked how many companies have disclosed interim GHG emissions reductions targets without publicly committing to a net-zero target. Approximately 20% of companies who disclosed an interim target this year have done so without concurrently disclosing a net-zero target, evidencing their objective to reduce emissions even if not tied to a public commitment to achieve net zero. This suggests that there are a meaningful number of companies that continue to be focused on reducing GHG emissions, even if they have moved away from disclosing longer-term net-zero targets which may be more challenging to forecast.

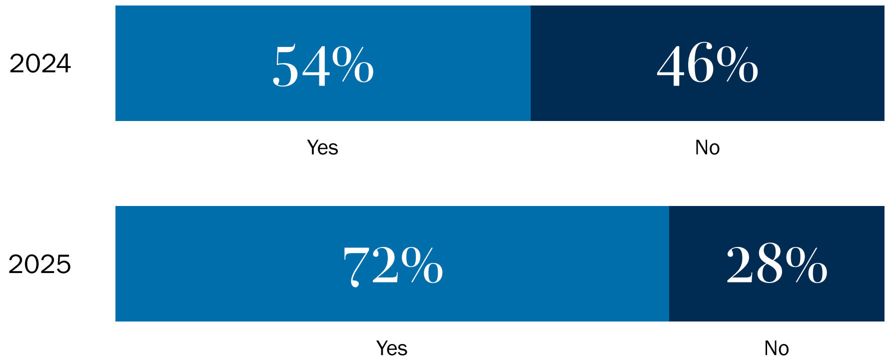
26% of companies surveyed with GHG reduction targets reported receiving third-party verification that their targets are on a scientifically credible path toward net zero, remaining consistent year-over-year.

Does the company disclose GHG emissions, and if so, which of Scopes 1, 2 and 3 does it disclose?



Companies providing some level of emissions disclosure only fell by 3% compared to last year's study. Given emissions data remains one of the central components of climate-related disclosure, this is not unexpected. However, the absence of an overall increase in emissions reporting is notable and suggests that the market may not be moving as quickly to adopt, or expand, emissions disclosure.

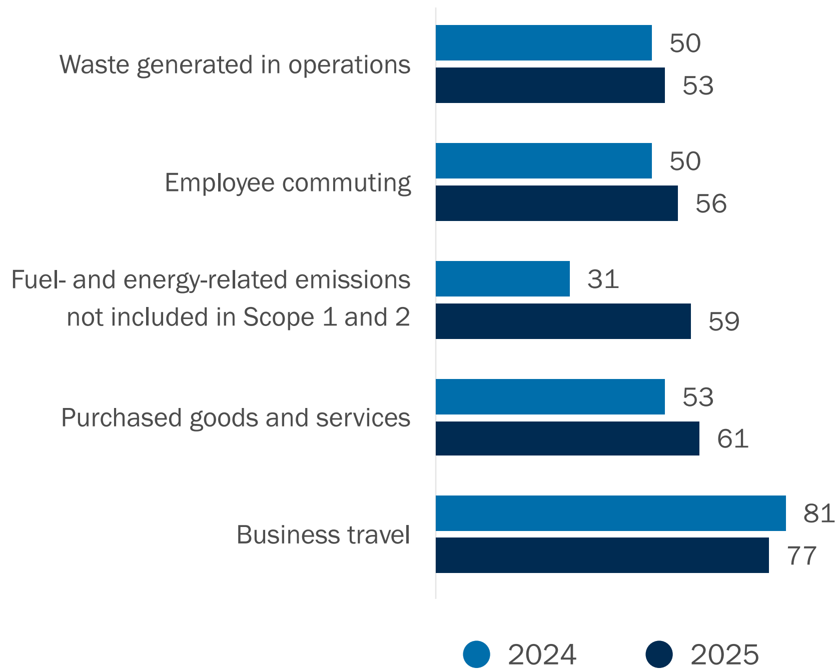
Does the company state that it discloses its GHG emissions in accordance with the GHG Protocol?



As compared to last year, there was a significant 18% increase in companies that explicitly stated that their GHG emissions are disclosed in accordance with the GHG Protocol. This increase may be the result of companies making a concerted effort to be as explicit as possible regarding their use of internationally recognized methodologies in light of Bill C-59.

Scope 2 emissions can be calculated using either a market-based or location-based approach. Of those companies that disclose their approach to Scope 2 reporting, the location-based approach, where emissions are calculated based on the average emissions intensity of the local power grid, continues to be the most common. In contrast, the market-based approach, which allows location-based emissions to be offset by the purchase of renewable energy certificates and similar instruments, continues to be less widely used. Of the companies that disclosed their Scope 2 methodology, 18% used a location-based approach, 7% used a market-based approach and 32% used both approaches, although there does not appear to be a preferred form of disclosure.

If the company disclosed Scope 3 emissions, which categories of Scope 3 emissions does it disclose (with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Standard)?



While "business travel" remains the leading category with respect to Scope 3 emissions disclosure, and despite a year-over-year increase in the number of companies disclosing Scope 3 data, slightly fewer companies have elected to disclose their business travel data as compared to last year's study. In all other categories of Scope 3 emissions, however, there has been a year-over-year increase, with a 28% increase in companies disclosing "fuel and energy-related emissions not included in Scope 1 and 2" being the most significant increase out of the five most common categories.

Evolving climate disclosure standards are reshaping the voluntary carbon market

Over the past 12 months, new climate-related disclosure standards and anti-greenwashing rules have begun to reshape the landscape for corporate participation in the voluntary carbon market (VCM). As climate disclosure frameworks evolve, companies are being asked to substantiate the role of carbon credits within their broader decarbonization strategies. The result is a more cautious, evidence-driven market, with buyers focusing on higher-integrity credits and defensible claims.

Regulatory context in Canada and the U.S.

When the Canadian federal government amended the *Competition Act* in June 2024, it introduced specific standards for environmental and climate-related claims. The Competition Bureau's June 2025 guidance confirms that these standards apply to a wide variety of promotional representations, including claims of "carbon neutrality" or "net zero" when made to the public to promote a product or business interest. This has put the spotlight on the quality and permanence of any carbon credits that are used, at least in part, to support such claims.

In the U.S., even though the Securities and Exchange Commission has stepped back from the climate disclosure rule it proposed in March 2024, California's Climate Accountability Package—notably SB-253 and SB-261 which are each facing legal challenges—will require large companies doing business in the state (including many Canadian multinationals) to report Scope 1, 2 and, later, Scope 3 emissions, while AB 1305 will require companies to disclose information on climate claims, especially those involving the use of carbon offsets.

Implications for VCM activity

The convergence of these frameworks corresponds with heightened scrutiny of corporate offset use. Companies are increasingly asked to distinguish between their emissions reductions (e.g., their operational or value chain decarbonization) and their emissions offsetting (i.e., their carbon credit purchases).

In response, corporate buyers are increasingly taking steps to ensure that any environmental claims relying on carbon credit use demonstrate both the environmental integrity of the credits and their alignment with recognized standards. In some cases, companies are realigning their procurement strategies to favor crediting methodologies under the Core Carbon Principles (CCPs) established by the Integrity Council for the Voluntary Carbon Market (ICVCM), which provide an emerging benchmark for quality and additionality (i.e., the greenhouse gas emission reductions or removals would not have occurred in the absence of the incentive created by carbon credit revenues). Purchasers are also placing greater emphasis on the type and vintage of projects, favouring those that align with updated integrity criteria—particularly within nature-based and avoidance methodologies.

In parallel, the Voluntary Carbon Markets Integrity Initiative (VCMI) Claims Code offers a framework for making evidence-based claims about offset use, although one that is not widely used and that is subject to competing views about its efficacy. This code sets out defined tiers of allowable claims and requires that credits complement, rather than substitute for, measurable emission reductions within a company's own operations.

Collectively, these developments may have moderated transaction volumes and contributed to the differentiation of credit types. Demand is increasingly concentrated on higher-quality credits capable of withstanding regulatory and investor scrutiny; over time, lower-integrity supply is likely to face diminished liquidity and declining value.

Strategic considerations

As a result of these trends, companies incorporating voluntary credits into their transition plans are increasingly focused on establishing a credible reduction pathway that clearly explains the role of offsets. Moreover, organizations have taken steps to demonstrate that offset purchases are designed to supplement, not replace, efforts to decarbonize operations and supply chains.

In practice, these shifts reflect growing rigor in the VCM. Corporate buyers who treat offsets as part of a verifiable, evidence-based decarbonization strategy will be best positioned to navigate this new environment.

Scope and methodology

This report's findings are based on a review of certain corporate disclosures of the constituents of the S&P/TSX Composite Index[ix], as at the close of trading on May 31, 2025. As of that date, the S&P/TSX Composite Index was comprised of 217 companies listed on the TSX (compared to 220 companies surveyed in our 2024 report), representing approximately 70% of the total market capitalization of the TSX between the close of trading on May 31, 2024 and the close of trading on May 31, 2025. The companies included in the S&P/TSX Composite are also not static and, compared to our dataset from last year's report, there were 16 new companies included in the index: a 7% year-over-year variation. The documents we reviewed consisted of (i) the most recent annual financial statements, related management's discussion and analysis, and management information circular filed on SEDAR+; and (ii) any sustainability, ESG or similar report(s) posted on the company's website, in each case made publicly available on or before May 31, 2025 and covering the most recent of the 2024 or 2023 fiscal years available as of that date.

The overall breakdown of the market capitalizations of the companies surveyed is as follows:

- **37%** Large cap - >C$10B (30% in 2024)
- **45%** Mid cap - C$2B-C$10B (50% in 2024)
- **18%** Small cap - <C$2B (20% in 2024)

The primary sector breakdown, as defined and categorized by S&P Capital and determined by the number of companies in each sector (not by market capitalization), of the companies surveyed is as follows:

23% Materials

19% Energy

12% Financials

13% Industrials

9% Real estate

7% Utilities

5% Consumer discretionary

5% Consumer staples

5% Information technology

2% Communication services

2% Health care

Endnotes

[i] As of close of trading on May 31, 2025. See “Scope and methodology” for more details on our compilation of data for this report.

[ii] Given the breadth of the terms “sustainability” and “ESG”, these figures may include directors who are identified as having non-climate-related sustainability or ESG skills (e.g., expertise in a different environmental, social or governance matter).

[iii] Companies were required to disclose a clear and specific climate-related quantitative metric as a component used in determining executive compensation in order to be included in the “Yes” category. For example, a metric could include a percentage reduction in GHG emissions per year.

[iv] In order to be included in the “Yes” category, companies were required to disclose a specific strategy as to how emissions credits are or will be used to meet their targets. Companies that made general statements about purchasing (or intending to purchase) credits or offsets without describing a specific strategy were included in the “No” category.

[v] Given the breadth of the term “sustainability”, these figures may include companies that disclosed issuing bonds or entering into sustainability-linked loans that serve a non-climate-related sustainability or ESG purpose (i.e., social purposes).

[vii] Our study compares the top five sectors issuing green or sustainability bonds. In 2024, the top five sectors were Financials, Utilities, Real Estate, Communication Services and Consumer Staples, which is why Energy is not represented.

[viii] The IPCC defines net-zero emission as when, over a specified time period, human-caused GHG emissions to the atmosphere are balanced by equivalent GHG emissions withdrawals from the atmosphere resulting from deliberate human activity.

[ix] For a description of the S&P/TSX Composite Index, please see the S&P Global website.

About our sustainability practice

Torys is a full-service business law firm with offices in Toronto, New York, Calgary and Montréal. Our multidisciplinary strength across regions and practices allows us to provide organizations with tailored counsel as the legal, regulatory and business landscape continues to evolve. We support clients as they integrate sustainability into their strategy and operations, and work closely with boards and management on corporate governance, disclosure, liability and transactional considerations—always with a view to the latest industry practices, standards and legal requirements.

We help businesses define and advance their sustainability goals with sophisticated interdisciplinary counsel that draws on our leadership in corporate governance, capital markets, environmental and climate change law, Indigenous matters, energy project development, financial services, fund formation and investment, lending and project finance, pensions and employment, and litigation and disputes.

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Acknowledgment

We would like to thank Adam Ibrahim, Max Ledger and Caroline Marful, as well as the Torys summer student class of 2025, for their significant contributions to this report.

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