



The recent changes in regulatory expectations for disclosure and management of climate-related financial risks impact Canadian companies.

The Canada Climate Law Initiative provides boards with the legal insights to understand their fiduciary responsibilities for climate governance. Our Climate Governance Experts offer free and confidential presentations to provide up to date and timely information.

Seven recent changes in regulation for climate-related disclosure:

- 1** **The federal government-appointed Sustainable Finance Action Council (SFAC) will be issuing a new taxonomy (a translation tool to guide how to label finance) framework on transition finance and green finance by year end**, aligning Canada with international developments. It is a joint federal government-financial sector leadership effort and will include requiring company-level net-zero target setting, evaluation, and assessment against criteria of “do no significant harm”. The taxonomy will form the basis of new bonds and other financial products being issued in the transition to net-zero emissions, and will create consistency in how banks and other financial institutions can benchmark climate performance in making debt and equity investment decisions.
- 2** **The Canadian Securities Administrators have issued a draft national instrument, NI 51-107 Disclosure of Climate-related Matters**, the final rule of which is expected in early 2023. It contains **key disclosure requirements for publicly listed companies** that are aligned with the Financial Stability Board’s Taskforce on Climate-related Disclosures (TCFD), including new disclosures on governance, risk management, strategy, and metrics and targets.
- 3** **The International Sustainability Standards Board of the International Financial Reporting Standards Foundation (IFRS) has issued public two exposure drafts**, IFRS S2 Climate-related Disclosures and IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, expected to be finalized in 2022. They will ensure financial reporting is consistent, comparable, and verifiable, including consistent metrics on carbon emissions both upstream and downstream the value chain, disclosure on climate resilience, and transparency regarding transition plans to net-zero emissions, enabling users to assess a company’s exposure to and management of climate-related risks and opportunities.

4

The Office of the Superintendent of Financial Institutions (OSFI) has issued draft Guideline B-15 Climate Risk Management, which will apply to all federally-regulated bank and insurance companies, helping them to build financial resilience in their business plan against intensifying climate-related risks and help ensure that they have appropriate governance and risk management practices in place. These changes will impact companies that are seeking loans or other investments from these institutions.

5

The Canadian Association of Pension Supervisory Authorities (CAPSA) has issued a draft Guideline on Environmental, Social and Governance Considerations in Pension Plan Management, which will apply to all types of defined contribution, defined benefit, and target benefit pension plans, including single employer, jointly sponsored, and multi-employer pension plans.

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The federal government is implementing its Greening Government Strategy and the Policy on Green Procurement, which means that companies supplying goods and services to the government should be aware of changing expectations regarding governance of climate-related risk management and greening of the value chain.

7

The United States (US) Securities and Exchange Commission (SEC) has issued extensive draft rules on disclosure of climate-related risks and their management for US-registered companies and Canadian companies cross-listed on US exchanges.

We offer free one-hour presentations to directors, officers, and pension fiduciaries on what these developments mean for your company, and how to take the next steps to keep pace with regulatory change and governance best practice.

Connect with Canada's leading climate governance experts for more insights:
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