

To:

Angela Mazerolle

Chair, Canadian Association of Pension Supervisory Authorities (CAPSA)

Vice-President, Regulatory Operations

Superintendent of Pensions, Financial and Consumer Services Commission, New Brunswick

Leah Fichter

Vice-Chair, CAPSA

Deputy superintendent of pensions, executive director, pensions division

Financial Consumer Affairs Authority of Saskatchewan

Caroline Blouin

Vice-Chair, CAPSA

Chair, Risk Management Guideline Committee

Financial Services Regulatory Authority of Ontario

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Re: Reinforcing Fiduciary Duties, Prudential Oversight and Mandatory Climate Disclosures in CAPSA's Beyond-2026 Strategic Plan

Dear Ms Mazerolle, Ms Fichter, and Ms Blouin,

On behalf of the [Canada Climate Law Initiative](#) (CCLI), we commend the Canadian Association of Pension Supervisory Authorities (CAPSA) for its steadfast commitment to coordinating and harmonizing pension regulatory principles across Canada “to improve pension plan administration and support pension plan administrators in meeting their fiduciary duty”.¹ As CAPSA finalizes its next strategic plan, we urge the inclusion of a comprehensive framework that places greater emphasis on climate-related considerations, particularly in relation to fiduciary responsibilities, climate governance practices, and mandatory climate-related disclosures for all provincially regulated pension plans.

The escalating climate crisis and the urgent need to mitigate the impacts of global warming demand that pension plans be subject to more robust requirements and standards. In this regard, the International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures provide valuable guidance by outlining detailed requirements for governance, strategy, risk management, and metrics and targets related to climate-related financial risks and

¹ CAPSA/ACOR, “Strategic Plan 2023-2026” (May 2023) at 6, online: <<https://www.capsa-acor.org/Documents/View/2040>> [CAPSA Strategic Plan 2023-2026].

opportunities.² For instance, it requires entities to disclose information enabling users of general purpose financial reports to understand both the current financial effects of climate-related risks and opportunities on an entity's financial position, performance, and cash flows, and the anticipated effects over the short, medium, and long term, including how such risks and opportunities are integrated into financial planning.³

Given the global convergence towards these standards, CAPSA has a critical opportunity to support Canadian pension funds in aligning their governance and investment practices with international best practices. Failure to do so risks leaving Canadian pension plans behind their global peers in managing climate-related financial risks and opportunities.

We acknowledge CAPSA's efforts to address climate governance through its Guideline on Environmental, Social and Governance Considerations in Pension Plan Management and its Risk Management Guideline for Plan Administrators.⁴ However, as detailed in our previous submissions, further action is needed to strengthen climate governance and disclosure requirements for pension plans in Canada.⁵ Accordingly, CCLI reiterates five recommendations for CAPSA's consideration as it develops its strategic plan beyond 2026.

Recommendation 1 – Elevating Fiduciary Duties to Encompass Climate Risks

Under Canadian law, pension plan administrators have a fiduciary duty to act in the best financial interests of plan beneficiaries.⁶ We recommend that CAPSA's strategic plan explicitly recognize that managing financially material climate-related risks, including physical and transition risks, is integral to fulfilling this duty.

² International Sustainability Standards Board, "IFRS S2: IFRS Sustainability Disclosure Standard: Climate-related Disclosures" (June 2023) at para 15 [IFRS S2].

³ IFRS S2, *supra* note 2 at para 15.

⁴ CAPSA/ACOR, "CAPSA Guideline: Environmental, Social and Governance Considerations in Pension Plan Management" (9 June 2022), online: <<https://www.capsa-acor.org/Documents/View/1914>> [CAPSA ESG Guideline]; CAPSA/ACOR, "Guideline No. 10: Guideline for Risk Management for Plan Administrators" (9 September 2024), online: <<https://www.capsa-acor.org/Documents/View/2101>> [CAPSA Guideline No. 10].

⁵ Janis Sarra, "Submission on CAPSA's draft Guideline on Environmental, Social and Governance Considerations in Pension Plan Management" (CCLI, 6 September 2022), online: <<https://ccli.ubc.ca/wp-content/uploads/2022/09/6-September-2022-Submission-to-CAPSA-from-the-Canada-Climate-Law-Initiative.pdf>> [CCLI Submission on CAPSA ESG Guideline]; Janis Sarra, "Submission on CAPSA Guideline for Pension Plan Risk Management for Plan Administrators" (29 September 2022), online: <<https://ccli.ubc.ca/wp-content/uploads/2023/10/CCLI-Submission-to-CAPSA-29-September-2023.pdf>> [CCLI Submission on CAPSA Risk Management Guideline].

⁶ CAPSA/ACOR, "Guideline No. 4: Pension Plan Governance Guideline" (December 2016), online: <<https://www.capsa-acor.org/Documents/View/52>> [CAPSA Guideline No. 4]; *Pension Benefits Standards Act*, RSC 1985, c 32 (2nd Supp), s 8(3) states, "the administrator shall administer the pension plan and pension fund as a trustee for the employer, the members of the pension plan, former members, and any other persons entitled to pension benefits under the plan"; *Canada Business Corporation Act*, RSC, 1985, c C-44, s 122 requires every officer and director to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; *Burke v Hudson's Bay Co*, 2010 SCC 34 at paras 417–48.

Legal opinions in Canada and internationally consistently affirm that pension fiduciaries have a duty to consider and manage climate-related financial risks and opportunities.⁷ Effective pension governance enables administrators to uphold the pension promise in accordance with plan documents and pension legislation, ensuring that members and beneficiaries receive the benefits to which they are entitled.

To support plan administrators and other pension fiduciaries in meeting their obligations, CAPSA should establish clear baseline standards for climate risk management. These standards should cover the identification, assessment, oversight, and management of climate-related risks and opportunities that materially affect the financial risk-return profile of pension fund investments. CAPSA's work includes developing "regulatory policies and guidelines to improve pension plan administration and support pension plan administrators in meeting their fiduciary duty".⁸ Fulfilling this function includes ensuring that climate-related information is systematically integrated into fiduciary decision-making processes.

Recommendation 2 – Embedding Climate Governance into Supervisory Guidelines

CAPSA should establish specific requirements for plan administrators and other pension fiduciaries to identify and disclose their governance processes, controls, and procedures for monitoring and managing climate-related risks and opportunities. This should include disclosure of how frequently the board and its committees discuss climate-related matters, how climate considerations are incorporated into board mandates and investment policies, and how pension fiduciaries ensure they possess the necessary skills and competencies to oversee strategies addressing climate-related risks and opportunities.

Recommendation 3 – Strengthening Prudential Oversight and Risk Management

CAPSA Guideline No. 10 provides a principles-based framework for risk management; however, clearer expectations are needed regarding the integration of climate scenario analysis, stress testing, and quantitative metrics into enterprise-wide risk registers. This aligns with international best practices. In the United Kingdom (UK), pension schemes are required to disclose in line with the Task Force on Climate-related Financial Disclosures (TCFD),⁹ while

⁷ Randy Bauslaugh, "Climate Change Legal Implications for Canadian Pension Plan Fiduciaries and Policy-Makers" (McCarthy Tétrault LLP, 26 May 2021), online: <<https://ccli.ubc.ca/wp-content/uploads/2021/05/Bauslaugh-Pension-Opinion-1.pdf>>; N C Hutley & J E Mack, "Memorandum of Opinion: Superannuation Trustee Duties and Climate Change" (Equity Generation Lawyers, 16 February 2021) at 5-6, online: <<https://equitygenerationlawyers.com/wp/wp-content/uploads/2021/04/Hutley-SC-Mack-Superannuation-Trustee-Duties-and-Climate-Change-Memo-2021.pdf>>.

⁸ CAPSA Strategic Plan 2023-2026, *supra* note 1 at 6.

⁹ The *Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021* introduced new TCFD-aligned disclosure requirements to "improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk". The *Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021* require trustees of pension schemes to implement climate governance and publicly publish a TCFD report. See also, DWP, "Governance and reporting of climate-related risk: guidance for trustees of occupational schemes" (June

the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR) mandates that asset owners disclose their sustainability risk policies and consider adverse impacts.¹⁰

Material climate-related risks must be directly addressed. Climate change poses systemic risks that can undermine pension fund assets.¹¹ The increasing frequency and severity of climate events are already causing significant financial impacts, making effective climate risk management critical for prudent investment oversight. Moving from voluntary guidance to mandatory standards—consistent with developments in the UK, EU, and under the IFRS S2 framework—will ensure that Canadian pension plans remain aligned with global best practices and adequately protect the financial interests of their members and beneficiaries.

Recommendation 4 – Greater Transparency through Mandatory Climate-Related Disclosures

To ensure consistent, comparable, and decision-useful information, CAPSA should require pension plans to provide annual, mandatory climate-related disclosures. These reports should cover governance, strategy, risk management, transition plans, and targets and metrics, aligned with the Canadian Sustainability Disclosure Standards Climate-related Disclosures (CSDS 2). Ten of Canada's largest pension investors supported the CSDS standards in December 2024 as the standards improve the comparability and comprehensiveness of decision-useful information.¹²

In CCLI's previous submissions to CAPSA's consultations on both guidelines, we expressed our appreciation for CAPSA's encouragement of plan administrators to stay informed about evolving disclosure requirements, including those issued by the International Sustainability Standards Board (ISSB). However, we emphasized the need for regulatory intervention to

2021), online: <<https://assets.publishing.service.gov.uk/media/60ffdd3c8fa8f50431ca8122/statutory-guidance-final-revised.pdf>>.

¹⁰ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector [2019] OJ L 317/1, online: <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2088&qid=1751645956763>> [SFDR], requires financial market participants, including pension funds (arts 1, 2(1)), to publicly disclose information, on their websites, in pre-contractual disclosures, and periodic reports (arts 3, 7–11) about their policies on the integration of sustainability risks, the principal adverse impacts of their investment decisions on sustainability factors, how their remuneration policies are consistent with the integration of sustainability risks (arts 3, 4, 5), and additional information on financial products that have sustainable investment as their objective, or promote environmental characteristics, without having sustainable investment as a core aim (arts 8, 9).

¹¹ CAPSA ESG Guideline, *supra* note 4 at 11, “[g]iven the elevation of climate change as a potential systemic risk to markets, the corresponding increase in demand for relevant disclosure, and the growing international shift toward mandatory climate-related disclosure, plan administrators can look to these developments and practices for ways to demonstrate their standard of care in a manner that is consistent with the scale and complexity of their pension plans”.

¹² CPP Investments, Leading Canadian Pension Plan Investment Managers Support CSSB Standards” (18 December 2024), online: <<https://www.cppinvestments.com/newsroom/leading-canadian-pension-plan-investment-managers-support-cssb-standards/>>.

ensure comprehensive adoption.¹³ We reiterate that appreciation and continue to urge CAPSA to make IFRS S2 disclosure standards mandatory for all pension plans in Canada.

Mandatory climate disclosures at the provincial level would enhance transparency and oversight of climate issues, thereby reflecting CAPSA's stated commitment to accountability, openness, accessibility, and transparency.¹⁴ The Autorité des marchés financiers (AMF) has embedded climate change into its strategic plan with the objective of ensuring "that the regulation of issues related to climate change is aligned with the best Canadian and international practices, particularly regarding disclosure standards",¹⁵ and by acknowledging that climate change can "affect all players in the economy to varying degrees".¹⁶

Recommendation 5 - Require Transition Plans as an Important Component of Fulfilling the Duty of Care

Pension funds should be required to adopt net-zero transition plans aligned with Canada's 2050 commitments, including interim targets and considerations for a just transition. Pension fiduciaries should develop and implement these plans to ensure that fund investments transition to net-zero greenhouse gas emissions in line with Canada's domestic and international commitments. Disclosures should set out how portfolio investments contribute to emissions reductions consistent with the transition to net zero.¹⁷

Transition plans are critical because they translate high-level net-zero commitments into actionable strategies. Disclosing such plans enables plan members and beneficiaries to assess how their pension fund is addressing decarbonization-related risks and opportunities that could materially affect the plan's financial outcomes. Transition plan disclosures should include the time horizons over which the fund expects to adjust its investment strategies, cash flows, access to finance, and cost of capital, covering the short, medium, and long term, and linking these to the fund's strategic planning and capital allocation decisions. Pension funds and their asset managers should also disclose the resources allocated to the transition, including research and development investments, capital expenditures, and use of revenues to support mitigation activities.¹⁸

¹³ CCLI Submission on CAPSA ESG Guideline, *supra* note 5, at 2; CCLI Submission on CAPSA Risk Management Guideline, *supra* note 5 at 4.

¹⁴ CAPSA Strategic Plan 2023-2026, *supra* note 1 at 7.

¹⁵ Autorité des marchés financiers, "Strategic Plan 2025-2029" (2025) at 17, online: <https://lautorite.qc.ca/fileadmin/lautorite/grand_public/publications/organisation/codes-politiques-plans-action/plan-strategique-AMF-2025-2029_fr.pdf> [author's translation] [AMF Strategic Plan].

¹⁶ AMF Strategic Plan, *supra* note 15 at 18.

¹⁷ Janis Sarra, "Enhancing Effective ESG and Climate Governance in Pension Fund Oversight" (CCLI, 21 May 2022), online: <<https://ccli.ubc.ca/enhancing-effective-esg-and-climate-governance-in-pension-fund-oversight/>>.

¹⁸ Janis Sarra, "Submission to IFRS ISSB on IFRS S2 Climate-related Disclosures" (CCLI, 8 August 2022), online: <<https://ccli.ubc.ca/resource/submission-to-ifrs-issb-on-ifrs-s2-climate-related-disclosures/>>.

Requiring transition plans would align CAPSA's guidance with the Office of the Superintendent of Financial Institutions' (OSFI) Guideline B-15: Climate Risk Management, which directs federally regulated financial institutions to develop and implement climate transition plans and integrate climate change considerations into their business models and strategies.¹⁹ OSFI has emphasized that building resilience to climate-related risks requires "forward-looking approaches that are holistic, integrated, and built on reliable empirical data and sound analyses".²⁰ This includes assessing the viability of transition plans under different climate scenarios and measuring progress using appropriate metrics and targets.²¹

Benefits for Pension Plans and Plan Members

For pension plans, implementing mandatory climate-related disclosures will directly strengthen pension plans' ability to identify and manage climate-related risks. Access to transparent climate data enables plans to better understand, anticipate, and mitigate the financial impacts of extreme weather events, transition risks, and evolving regulatory requirements. Standardized disclosures also facilitate benchmarking and peer comparisons, driving improvements in portfolio resilience and supporting stronger long-term returns.

For plan members and beneficiaries, mandatory disclosures build trust and confidence. CAPSA has committed to "enhancing the protection provided to pension plan members across Canada",²² and requiring transparent climate reporting aligns with this goal. Members gain a clearer understanding of the climate-related risks inherent in pension plans and how their retirement savings are supporting the transition to a net-zero economy. This transparency empowers informed decision-making, enhancing satisfaction and engagement, while upholding the retirement security of millions of Canadians.

Conclusion

We respectfully request that CAPSA's next strategic plan explicitly integrate climate considerations into fiduciary duties, elevate risk management expectations, embed robust climate governance standards, and commit to mandatory climate-related disclosure requirements aligned with IFRS S2 and OSFI Guideline B-15. This approach will advance CAPSA's vision of regulatory harmonization and reinforce its values of accountability and transparency across its membership. It will provide pension administrators with clear expectations, strengthen the long-term resilience of pension funds, and protect the retirement security of millions of Canadians.

¹⁹ OSFI, "Guideline B-15: Climate Risk Management" (7 March 2025) at 5, online: <<https://www.osfi-bsif.gc.ca/en/print/pdf/node/571>> [OSFI B-15].

²⁰ OSFI B-15, *supra* note 19 at 3.

²¹ OSFI B-15, *supra* note 19 at 5.

²² CAPSA Strategic Plan 2023-2026, *supra* note 1 at 6.

Thank you for considering these recommendations. We appreciate CAPSA's ongoing leadership and collaboration and stand ready to support the implementation of these important enhancements.

Yours sincerely,



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About Canada Climate Law Initiative

CCLI is a collaboration between the faculties of law at the University of British Columbia and York University, providing businesses and regulators with climate governance guidance so that they can make informed decisions in the transition to a net-zero economy. Powered by the nation's top experts, we engage with boards of directors and trustees to ensure businesses, pension funds, and asset managers understand their legal duties with respect to climate change. Our legal research offers important insights into a rapidly transforming policy landscape.²³ CCLI is also the Canadian partner of the global Commonwealth Climate and Law Initiative, founded at Oxford University.

²³ See for example, Margot Hurlbert, "Cultivating Effective Climate Governance: A Guide for Small Farm Corporations in Canada" (CCLI, 2024), online: <https://ccli.ubc.ca/wp-content/uploads/2024/07/AgricultureGuide_Hurlbert_2024_July2024.pdf>; Helen Tooze, "Unearthing a Greener Future: Digging Deeper into Effective Climate Governance in the Canadian Mining Sector" (CCLI, 2024), online: <<https://ccli.ubc.ca/wp-content/uploads/2024/05/Unearthing-a-Greener-Future.pdf>>; Helen Tooze, "Canadian Credit Unions and Effective Climate Governance Cooperating for a Sustainable Future" (CCLI and Canadian Credit Union Association, 2023), online: <<https://ccli.ubc.ca/wp-content/uploads/2023/06/Canadian-Credit-Unions-and-Effective-Climate-Governance.pdf>>; Janis Sarra and Norie Campbell, "Banking on a Net-Zero Future: Effective Climate Governance for Canadian Banks" (CCLI 2022), online: <<https://ccli.ubc.ca/resource/life-health-property-casualty-canadian-insurance-company-directors-and-effective-climate-governance/>>; Janis Sarra, "Life, Health, Property, Casualty: Canadian Insurance Company Directors and Effective Climate Governance" (CCLI 2021), online <<https://ccli.ubc.ca/resource/life-health-property-casualty-canadian-insurance-company-directors-and-effective-climate-governance/>>; Janis Sarra, Roopa Davé, Meghan Harris-Ngae, and Ravipal Bains, "Audit Committees and Effective Climate Governance: A Guide for Boards of Directors" (CCLI, 2020), online: <<http://ccli.ubc.ca/wp-content/uploads/2021/04/Guide-for-Audit-Committees-on-Effective-Climate-Governance.pdf>>.