



Submission to Finance Canada as part of its Pre-budget Consultations in Advance of the upcoming 2025 Fall Federal Budget

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Recommendations

Recommendation 1: Amend Canada Business Corporations Act Regulation SOR/2001-512 to include a new sub-section: “s.72(3). The financial statements shall include a climate transition plan to reach net-zero greenhouse gas (GHG) emissions no later than 2050, with 5-year targets for emissions reductions towards the net-zero target, including disclosure of Scope 1, 2, and 3 emissions and annual reporting of progress towards meeting targets.”¹

Recommendation 2: Approve and implement the third-party organizations required to develop, implement, and maintain the Canadian green and transition finance taxonomy.² The taxonomy is an essential part of Canada’s transition to sustainable finance and should be instituted promptly to set standards for classifying climate-related financial instruments and benchmarking climate risk management.

Recommendation 3: Amend section 7.1 of the Pension Benefits Standards Regulations to require that federally-regulated pension plan (FRPP) administrators, under their current obligations to establish a written statement of investment policies and procedures (SIPP), adopt transition plans and determine how their climate resilience policies (mitigation and adaptation) pertain to the plan’s portfolio of investments and loans.

¹ The definition of material should align with Canadian securities law, specifically: “information is likely material if a reasonable investor’s decision whether to buy, sell or hold securities in an issuer would likely be influenced or changed if the information in question was omitted or misstated”. CSA, “[Proposed NI 51-107 Disclosure of Climate-related Matters](#)” (18 October 2021) [proposed NI 51-107].

² Sustainable Finance Action Council, [Taxonomy Roadmap Report](#) (2022) [Taxonomy Roadmap]; Finance Canada, “[Government advances Made-in-Canada sustainable investment guidelines to accelerate progress to net-zero emissions by 2050](#)” (9 October 2024) [Taxonomy Guidelines].



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Introduction

The [Canada Climate Law Initiative](#) (CCLI) appreciates the opportunity to make recommendations to Finance Canada on the upcoming federal budget. In alignment with Prime Minister (PM) Carney's call to have "a climate policy that is unifying, credible, and predictable; that reduces emissions, drives investment, and builds the economy of the future"³, the following recommendations can amplify federal action in attracting capital towards sustainable economic activities and strengthening Canada's economy by enhancing the management of climate-related financial risks and opportunities and increasing our competitiveness and resiliency.

Recommendation 1:

CCLI supports the federal government's October 2024 commitment to mandatory climate-related financial disclosures for large, federally-incorporated private companies,⁴ and PM Carney's campaign pledge to "[e]stablish broad coverage of climate risk disclosure for companies across Canada [and] prioritize working with provincial, territorial, and international partners to enhance transparency for investors, better assess climate risks and opportunities, enable the development of transition plans, and help align capital towards a sustainable economy".⁵

Demand for corporate transition plans has grown significantly, as they articulate how businesses will generate long-term value in the face of climate change.⁶ Transition plans help "improve the future viability of business models, and, [therefore], manage climate-related risks."⁷ Shareholders, investors, and regulators use them to assess a company's climate strategy and approaches to net-zero transition. Transition plans help address climate-related financial risks and maximize business opportunities by facilitating a firm's strategy setting (contributing to better risk management), helping inform investment decisions, and supporting authorities' macro-monitoring of transition and physical risks in the financial system and real economy.⁸ Importantly, disclosure of transition plans equips investors with information they need to finance the transition at the speed and scale required. Mandatory transition plans are an integral tool for enabling greater transparency by companies, which provides certainty to investors that drive investment into Canadian companies, boosting economic growth and sustainability over the long term. Both the United Kingdom (UK) and Australia, two of our closest trading partners and allies, have launched consultations on transition plan requirements.⁹ By introducing mandatory transition plans in

³ Liberal Party of Canada, "Canada Strong: Mark Carney's Plan" (2025) [Carney's Plan].

⁴ Taxonomy Guidelines, note 2.

⁵ Carney's Plan, note 3 at 47.

⁶ Financial Stability Board, "[The Relevance of Transition Plans for Financial Stability](#)" (14 January 2025) at 1.

⁷ *Ibid* at 11.

⁸ *Ibid* at 11–12.

⁹ UK, Department for Energy, Security & Net Zero, "[Transition plan requirements consultation](#)" (June 2025) [UK Transition plan consultation]; The Australian Treasury, "[Climate-related transition planning guidance](#)" (August 2025).



Canada, we would be aligning with these important global partners and releasing the potential for greater trade and investment through improved comparability on climate-related matters.

CCLI proposes a new subsection under s.72 of the *Canada Business Corporations Act (CBCA)* Regulations¹⁰ to require large to mid-size-cap *CBCA* companies to develop transition plans to address climate-related risks and opportunities. As mandatory financial disclosures fall under the remit of the *CBCA*, it is the proper vehicle through which to make these changes.

Many *CBCA*-registered private companies do not fall within current federal or provincial legislation initiatives, such as the proposed National Instrument 51-107 Disclosure of Climate-related Matters,¹¹ and the Office of the Superintendent of Financial Institutions (OSFI) Guideline B-15 Climate Risk Management.¹² CCLI's proposal would be implemented over two years, initially applying to 1,102 companies with 500 or more employees, annual revenue of \$389 million, and average assets of \$1.47 trillion. One year later, the proposal would apply to 6,775 companies with 100 to 500 employees, annual revenue of \$52.4 million, and average assets of \$89.6 million.¹³ These corporations have the resources to develop and implement transition plans, whereas the 542,925 (98%) micro and small *CBCA*-regulated companies will be unaffected by this proposal.¹⁴

Amending the *CBCA* regulations will align Canada with the “whole economy” approach used in jurisdictions such as the European Union (EU) and the UK.¹⁵ Mandatory climate-related disclosures will integrate Canada into global sustainable financial markets alongside trading partners that require mandatory disclosures, such as the EU, UK, Japan, China, Switzerland, Brazil, Nigeria, Turkey, New Zealand, California, Hong Kong, Australia, Indonesia, and Singapore,¹⁶ strengthening collaboration with “trading partners and allies around the world”,¹⁷ and opening up Canadian markets to greater foreign investment opportunities. Moreover, numerous Canadian companies report climate-related financial risks to meet requirements in jurisdictions such as the EU, UK, and California. For example, approximately 1,300 Canadian companies operating in the EU must make independently verified sustainability disclosures.¹⁸

The government can adopt key provisions of OSFI's B-15 Guideline and align with the Canadian Sustainability Standards Board's (CSSB) Canadian Sustainability Disclosure Standards 2 on Climate-related Disclosures standards.¹⁹ Reporting in alignment with an agreed-upon framework produces relevant, comparable, and useful climate-related financial data, which is critical to assess risk and value, make informed investment decisions, drive capital towards resilient and climate-ready businesses, boost economic growth through increased Canadian, and comply with other global and domestic reporting

¹⁰ [Canada Business Corporations Regulations, 2001](#) (SOR/2001-512), as amended 2022, Part 8 Financial Disclosure.

¹¹ Proposed NI 51-107, note 1.

¹² OSFI, “[OSFI Guideline B-15 Climate Risk Management](#)” (March 2023) [OSFI Guideline B-15].

¹³ ISED, Excel spreadsheet on *CBCA* corporations by number of employees, income and assets (31 October 2022), on file with CCLI.

¹⁴ *Ibid.*

¹⁵ EU, [Corporate Sustainability Reporting Directive](#) (2022) [CSRD]; UK Financial Conduct Authority, “[FCA welcomes the launch of the Transition Plan Taskforce Disclosure Framework](#)” (October 2023).

¹⁶ Institute for Agriculture & Trade Policy, “[Corporate Climate Disclosure Rules: A Global Overview](#)” (18 November 2024); Norton Rose Fulbright, “[Review of climate-related financial disclosure regimes around the world](#)” (June 2024).

¹⁷ Prime Minister of Canada, “[Mandate Letter](#)” (21 May 2025) [Mandate Letter].

¹⁸ Dieter Holger, “At Least 10,000 Foreign Companies to Be Hit by EU Sustainability Rules”, *The Wall Street Journal* (5 April 2023). This figure is likely to change with the introduction of the EU Omnibus regulation, as it reduces the number of in-scope companies by 80%. See Mark Segal, “[EU to Exempt 80% of Companies from CSRD Sustainability Reporting Requirements](#)”, *ESG Today* (26 February 2025).

¹⁹ OSFI Guideline B-15, note 6; Canadian Sustainability Standards Board, “Canadian Sustainability Disclosure Standards: Climate-related Disclosures” (December 2024).



obligations. Amending the CBCA Regulations will ensure the continued global competitiveness of Canadian companies in markets in which they are doing, or would like to be doing, business.

Recommendation 2:

CCLI urges the government to deliver on its 2023 Fall Economic Statement, its 2024 budget announcements to develop a taxonomy aligned with Canada's 2050 climate targets,²⁰ and its October 2024 Made-in-Canada sustainable investment guidelines commitment.²¹ PM Carney has committed to "rapidly finalize and implement Canada's transition taxonomy for financial institutions"²² and implement "a taxonomy for every priority sector by fall 2026".²³ We recommend that the government fulfill these announced promises by approving and implementing the third-party organization(s) required to bring the green and transition finance taxonomy to fruition.

A green and transition finance taxonomy is critical to Canada's sustainable finance transition and will set standards for classifying climate-related financial instruments and benchmarking climate risk management. As stated in PM Carney's plan, "[i]nvestments made today can drive emissions down, drive new economic growth across Canada, and open new export markets with like-minded countries".²⁴ A taxonomy is a critical tool for solving two urgent and interrelated challenges within Canada's financial system: attracting global capital to invest in Canada's low-carbon transition and reducing the possibility of greenwashing.²⁵

A science-based taxonomy provides the integrity, clarity, and interoperability necessary to accelerate global capital investment in Canada's low-carbon transition without dictating investment or capital expenditure choices. The Department of Finance notes that well-defined sustainable investment guidelines "provide the certainty needed to accelerate the flow of private capital into sustainable activities across the Canadian economy".²⁶

The Sustainable Finance Action Council (SFAC) recommendations must be implemented to facilitate company-level climate target setting, transition planning, and effective climate disclosure; to evaluate projects against framework criteria to determine whether they are "green" or "transition"; and to assess projects against "do no significant harm" criteria. Several financial institutions, such as the Ontario Teachers' Pension Plan, Royal Bank of Canada, and Manulife, participated in the SFAC and its working groups to develop the taxonomy principles. Their input helped make the roadmap practical and feasible whilst protecting the safety and soundness of the financial system.

²⁰ "[2023 Fall Economic Statement](#)" (21 November 2023) at 63; Canada, "[Budget 2024](#)" at 198.

²¹ Taxonomy Guidelines, note 2.

²² Nanaki Vij, "[Key Takeaways from Mark Carney's Climate Plan - More Carrot Less Stick](#)" *Clear Bule Markets* (4 February 2025).

²³ Halifax Speech, note 6.

²⁴ Carney's Plan, note 3 at 43.

²⁵ Taxonomy Roadmap, note 2.

²⁶ Taxonomy Guidelines, note 2.



The addition of a Canadian taxonomy would help to align Canada with significant trading partners such as the EU,²⁷ Mexico,²⁸ China,²⁹ Singapore,³⁰ Australia,³¹ and Malaysia,³² which have already implemented taxonomies. Whilst, in line with the PM's mandate to create "new careers in the skilled trades" and attract "the best talent in the world to help build our economy",³³ a taxonomy, by channelling investments into green infrastructure and technologies, would stimulate economic activity, create employment opportunities and new skilled occupations in emerging sectors, and encourage new innovative talent to Canada.³⁴

Recommendation 3:

CCLI recommends amending section 7.1 of the Pension Benefits Standards Regulations to require federally-regulated pension plans to reconcile their climate-related policies with their investment portfolio and adopt transition plans. A pension plan should expect its investment manager to report on the fund's carbon footprint, climate value at risk assessment under different scenarios, and their strategy to address climate risk and opportunity.

Pension standards legislation requires administrators to invest the assets of the pension fund with the degree of care that a person of ordinary prudence would exercise in dealing with the property of another person, and they must act per their fiduciary duty to provide lifetime retirement income to plan beneficiaries.³⁵ That duty includes conducting effective risk management to advance plan objectives and protect plan assets from adverse risks. The duty of impartiality requires trustees and fund managers, per the principles of intergenerational equity, to balance intergenerational interests in determining short and long-term investments.

For pension fiduciaries to fulfill their fiduciary duty to act prudently, clear baseline standards with respect to climate governance and risk management are required, including identification, oversight, and management of climate-related risks and opportunities material to the financial risk-return profile of the pension fund's investments, as well as a plan to transition to a decarbonized investment policy. Amending the Pension Benefits Standards Regulations would both align pension fund investment policies with OSFI's Guideline B-15 and enhance OSFI's supervisory processes to better support the priority of effective regulation of 1,200 FRPP with 725,300 members³⁶ by developing a Risk Management Guideline that includes environmental considerations.³⁷

²⁷ European Commission, *Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088* (2020) OJ L 198/13.

²⁸ Ministry of Finance and Public Credit, "[Sustainable Taxonomy of Mexico](#)" (March 2023).

²⁹ People's Bank of China, State Administration of Financial Regulation, & China Securities Regulatory Commission, "[Catalogue of Green Finance Support Projects \(2025 Edition\)](#)" (June 2025).

³⁰ The Monetary Authority of Singapore & Green Finance Industry Taskforce, "[Singapore-Asia Taxonomy for Sustainable Finance: 2023 Edition](#)" (December 2023).

³¹ Australian Sustainable Finance Institute, "[Australian Sustainable Finance Taxonomy](#)" (2025).

³² Securities Commission Malaysia, "[Principles-based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Markets](#)" (December 2022).

³³ Mandate Letter, note 16.

³⁴ E2, "[Clean Economy Works | IRA Two-Year Review](#)" (14 August 2024).

³⁵ *Income Tax Regulations*, CRC, c 945, s 8502, "the primary purpose of the plan is to provide periodic payments to individuals after retirement and until death in respect of their service as employees".

³⁶ As of 31 March 2024, OSFI, "[Office of the Superintendent of Financial Institutions Annual Report 2023-2024](#)" (2024) at 19, 28.

³⁷ Chrystia Freeland, "[Office of the Superintendent of Financial Institutions 2023-24 Departmental Plan](#)" (2023).



Implementing mandatory climate transition plans for pension funds would also reduce market uncertainty and mobilize investment in Canada's low-carbon future. Analysts emphasize that clear, binding climate frameworks give investors confidence to allocate capital, since "[i]nformation from transition plans has the potential to be transformative for pension funds [...] particularly in supporting governance bodies, trustees and managers (as well as their investment service providers), to integrate financially material risks and opportunities into investment considerations, thereby enabling better informed decisions."³⁸

For example, the UK's transition planning guidance observes that robust transition plans help investors "to manage and properly price risks [...] thereby helping to stimulate investment".³⁹ Well-designed transition plans offer a competitive lead as "the better your transition plan, the more likely you are to secure inward investment, and therefore to be able to grow your economy and look after your citizens".⁴⁰ In addition to the UK,⁴¹ New Zealand and Oregon have also implemented mandatory climate reporting for pension funds.⁴² Canada's alignment with these important trading partners and allies allows for greater interoperability, enhancing investor confidence through improved transparency, resulting in greater investment in Canada.

About the Canada Climate Law Initiative

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.⁴³ CCLI is also the Canadian partner of the global Commonwealth Climate and Law Initiative, founded at Oxford University.

³⁸ UK Transition plan consultation, note 9 at 16.

³⁹ UK Transition plan consultation, note 9 at 12.

⁴⁰ Aviva Investors, "[Blueprints for a greener economy](#)" (25 June 2024).

⁴¹ UK, *Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (as amended)* and the *Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021*.

⁴² NZ, *Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021*; Oregon (US), *Climate Resilience Investment Act 2025*.

⁴³ *Cultivating effective climate governance: A guide for small farm corporations in Canada*, by Margot Hurlbert (CCLI, 23 July 2024) online: <<https://ccli.ubc.ca/resource/cultivating-effective-climate-governance-a-guide-for-small-farm-corporations-in-canada/>> [*Cultivating effective climate governance*]; *Unearthing a Greener Future: Digging Deeper into Effective Climate Governance in the Canadian Mining Sector*, by Helen Tooze (CCLI) online: <<https://ccli.ubc.ca/resource/unearthing-a-greener-future-digging-deeper-into-effective-climate-governance-in-the-canadian-mining-sector/>> [*Unearthing a Greener Future*]; *Canadian Credit Unions and Effective Climate Governance: Cooperating for a Sustainable Future*, by Helen Tooze (CCLI, 14 June 2023) online: <<https://ccli.ubc.ca/resource/canadian-credit-unions-and-effective-climate-governance-cooperating-for-a-sustainable-future/>> [*Canadian Credit Unions and Effective Climate Governance*]; *Banking on a Net-Zero Future: Effective Climate Governance for Canadian Banks*, by Janis Sarra (CCLI) online: <<https://ccli.ubc.ca/resource/banking-on-a-net-zero-future-effective-climate-governance-for-canadian-banks/>> [*Banking on a Net-Zero Future*]; *Life, Health, Property, Casualty: Canadian Insurance Company Directors and Effective Climate Governance*, by Janis Sarra (CCLI) online: <<https://ccli.ubc.ca/resource/life-health-property-casualty-canadian-insurance-company-directors-and-effective-climate-governance/>> [*Life, Health, Property, Casualty*]; *Audit Committees and Effective Climate Governance, A Guide for Boards of Directors*, by Janis Sarra, Meghan Harris-Ngae, & Roopa Davé (CCLI, 1 December 2020) online: <<https://ccli.ubc.ca/resource/audit-committees-and-effective-climate-governance-a-guide-for-boards-of-directors/>>.