



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

IMPACTS OF CANADA'S FINANCIAL SYSTEM RELATED TO THE ENVIRONMENT AND CLIMATE CHANGE

**Report of the Standing Committee on Environment and
Sustainable Development**

Angelo Iacono, Chair

**JANUARY 2026
45th PARLIAMENT, 1st SESSION**

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Standing Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website
at the following address: www.ourcommons.ca

**IMPACTS OF CANADA'S FINANCIAL SYSTEM
RELATED TO THE ENVIRONMENT AND
CLIMATE CHANGE**

**Report of the Standing Committee on
Environment and Sustainable Development**

**Angelo Iacono
Chair**

JANUARY 2026

45th PARLIAMENT, 1st SESSION

NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

STANDING COMMITTEE ON ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

CHAIR

Angelo Iacono

VICE-CHAIRS

Ellis Ross

Patrick Bonin

MEMBERS

Carol Anstey

David Bexte

Bruce Fanjoy

Wade Grant

Branden Leslie

Shannon Miedema

Eric St-Pierre

CLERK OF THE COMMITTEE

Leif-Erik Aune

LIBRARY OF PARLIAMENT

Research and Education

Alison Clegg, Analyst

Sarah Yakobowski, Analyst

STANDING COMMITTEE ON ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

44TH PARLIAMENT - 1ST SESSION

CHAIR

Francis Scarpaleggia

VICE-CHAIRS

Dan Mazier

Monique Pauzé

MEMBERS

Shafqat Ali

Sophie Chatel

Laurel Collins

Gérard Deltell

Michael Kram

Branden Leslie

Lloyd Longfiled

Leah Taylor Roy

Adam van Koeverden

OTHER MEMBERS OF PARLIAMENT WHO PARTICIPATED

Omar Alghabra

Taylor Bachrach

Terry Duguid

Matthew Green

Lisa Hepfner

Leslyn Lewis

Ron McKinnon

Kyle Seeback

Fraser Tolmie

Ryan Turnbull

Sameer Zuberi

CLERK OF THE COMMITTEE

Natalie Jeanneault

LIBRARY OF PARLIAMENT

Research and Education

Alison Clegg, Analyst

Poonam Jusrut, Analyst

Sarah Yakobowski, Analyst

THE STANDING COMMITTEE ON ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

has the honour to present its

SECOND REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied the environment and climate impacts related to the Canadian financial system and has agreed to report the following:

TABLE OF CONTENTS

LIST OF RECOMMENDATIONS	1
IMPACTS OF CANADA'S FINANCIAL SYSTEM RELATED TO THE ENVIRONMENT AND CLIMATE CHANGE	3
1. Introduction	3
2. Context	4
3. Letters Sent by the Committee to the Government at the Conclusion of Witness Testimony	6
4. The Canadian Financial System	7
5. Climate Change, the Environment, and Connections with the Financial System	8
Canada's Commitments to Protecting Biodiversity	8
Canada's Commitments Related to Climate Change	9
Impacts of Climate Change and the Environment on Canada's Financial System	11
Impacts of Canada's Financial System on Climate Change and the Environment	13
6. Sustainable Finance in Canada: Background	14
Definition of Sustainable Finance	14
Expert Panel on Sustainable Finance	15
Sustainable Finance Action Council	17
Office of the Superintendent of Financial Institutions and Climate Change-related Risk	17
7. Architecture of Sustainable Finance: Building Blocks	19
A. Green and Transition Taxonomies	20
B. Disclosure	24
Climate-related Financial Disclosures	24
Biodiversity and Nature-related Financial Risk Disclosures	29
Divestment	30

C. Transition Plans	31
8. Regulation and Legislation	33
Climate-aligned Finance Act (Bill S-243)	34
9. Canada’s “Big Five” Banks: Net Zero Commitments and Actions	35
10. Conclusion	39
APPENDIX A: LETTERS SENT BY THE COMMITTEE TO THE GOVERNMENT IN 2024	43
APPENDIX B: LIST OF WITNESSES	49
APPENDIX C: LIST OF BRIEFS	55
REQUEST FOR GOVERNMENT RESPONSE	57
DISSENTING OPINION OF THE CONSERVATIVE PARTY OF CANADA	59
SUPPLEMENTARY OPINION OF THE BLOC QUÉBÉCOIS	61

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That Canada's financial system be reformed to align with climate commitments, as set out in Bill S-243, the Climate-Aligned Finance Act (44th Parliament, 1st Session), which would itself provide a robust, science-based regulatory framework for conducting transition plans and annual progress reports and address greenwashing concerns around climate action. 40

Recommendation 2

That the Office of the Superintendent of Financial Institutions reconsider the interpretation of its mandate, as suggested by the Commissioner of the Environment and Sustainable Development, and issue detailed guidance on transition plans. 40

Recommendation 3

That managers of federally regulated public pension funds, in particular the Canada Pension Plan Investment Board and the Public Sector Pension Investment Board, be required to fully disclose their investments in private equity funds. 40

Recommendation 4

That a Sustainable Development Working Group be established within the Competition Bureau and that the rules be strengthened to combat greenwashing in the financial sector and to crack down on greenwashing. 40

Recommendation 5

That the Government of Canada exclude fossil fuels from the development of Canadian sustainable investment guidelines as prescribed in the 2025 Budget. 41



IMPACTS OF CANADA'S FINANCIAL SYSTEM RELATED TO THE ENVIRONMENT AND CLIMATE CHANGE

1. INTRODUCTION

This report provides an overview of information gathered by the House of Commons Standing Committee on Environment and Sustainable Development (the committee) concerning the alignment of Canada's financial system with actions to limit climate change and with environmental goals, such as protecting biodiversity.

On 31 October 2023, the committee agreed to conduct a study based on the following motion:

That, pursuant to Standing Order 108(2), the committee undertake a study on environment and climate impacts related to the Canadian financial system, including banking institutions and pension funds under federal jurisdiction;

That this study [include] 1) current practices in this sector and 2) an analysis of regulatory and legislative mechanisms the government of Canada could implement to ensure its financial regime aligns with the Paris Agreement and thus, promote the reduction of inherent risks, namely physical and transition risks;

That the committee invite the Expert panel on sustainable finance, international organizations like the Organisation for Economic Co-operation and Development (OECD) and the United Nations, the minister of Finance, the minister of Environment and Climate change, the Governor of the Bank of Canada, the Commissioner of the Environment and Sustainable Development, the CEOs of Canada's five major banking institutions (RBC, TD, CIBC, BMO, Scotia Bank), co-operatives, experts and other stakeholders;



That the committee hold a minimum of nine meetings and report its findings and recommendations to the House of Commons.¹

At the time of dissolution of the 44th Parliament, the committee had not tabled a report with its findings from the study.

During the 45th Parliament, on 2 October 2025, the committee agreed to draft a report on this study, according to the following motion:

That the Committee proceed to drafting a report on the Environment and Climate Impacts Related to the Canadian Financial System study undertaken by the committee in the First Session of the 44th Parliament without receiving new testimony, and that the testimony and documents gathered by the Committee during the first session of the 44th Parliament concerning the study be made available to Committee members and taken into consideration by the Committee during the current session.²

The committee received testimony from witnesses during nine meetings held between 9 May 2024 and 18 November 2024. It heard testimony from 61 witnesses and received 7 briefs, hearing from individuals and organizations that represented a range of viewpoints and professional expertise, including from economists, lawyers, accountants, chief executive officers of Canada's big five banks, environmental non-governmental organizations, academics, federal officials, investment portfolio managers, business associations, think tanks, and specialists in sustainable finance. This evidence is summarized below, but readers are encouraged to consult the testimony and briefs to gain a full perspective on the evidence provided. The committee sincerely thanks all who contributed to its study.

2. CONTEXT

Since the committee finished hearing testimony in 2024, a number of changes have taken place in the global political context. Subsequent to the general election in the United States (U.S.) in 2024, that country's domestic and international environmental commitments have weakened: For example, disbursement of funds for environmental

1 House of Commons, Standing Committee on Environment and Sustainable Development (ENVI), [*Minutes of Proceedings*](#), 31 October 2023.

2 ENVI, 45th Parliament, 1st Session, [*Minutes of Proceedings*](#), 2 October 2025.

measures outlined in the *Inflation Reduction Act* of 2022 has been indefinitely paused.³ The country also began the process of withdrawing from the *Paris Agreement* of the United Nations Framework Convention on Climate Change (UNFCCC).⁴ That being said, the climate crisis remains urgent, and financial climate solutions are still necessary.

In another change, the Net Zero Banking Alliance — of which Canada's five largest banks, Toronto-Dominion Bank (TD Bank), Royal Bank of Canada (RBC), Scotiabank, Bank of Montreal (BMO), and Canadian Imperial Bank of Commerce (CIBC), were all members when they appeared before the committee⁵ — was disbanded in 2025, following their departure⁶ and the departure of the several large U.S. banks from the group.⁷ The Net-Zero Banking Alliance had been established under the Glasgow Financial Alliance for Net Zero, an initiative co-chaired by former Bank of Canada and Bank of England governor Mark Carney. In this role, Mr. Carney was involved in promoting the Net-Zero Banking Alliance's objectives and in encouraging financial institutions to participate. His involvement focused on advancing voluntary net-zero commitments within the global financial sector and supporting the development of associated guidance and expectations for member institutions.

The 2025 federal budget, *Canada Strong*, which was tabled on 4 November 2025, contained some measures related to the themes in this study, such as an indication of the government's support for the development of a sustainable finance taxonomy⁸ by the end of 2026, and a commitment to work with provinces and territories to improve climate disclosure⁹ across the economy.¹⁰ Another change in context involves the tariffs

3 The White House, [Unleashing American Energy](#), Executive Orders, 20 January 2025.

4 The White House, [Putting America first in international agreements](#), Executive Order, 20 January 2025.

5 ENVI, [Evidence](#), 30 May 2024, 1540 (Daan Van Acker, Program Manager, InfluenceMap).

6 Naimul Karim, Financial Post, [RBC becomes the last big Canadian bank to quit major global climate alliance](#), 31 January 2025.

7 Damien Gayle, The Guardian, [Banking industry's net zero alliance shuts down amid faltering climate commitments](#), 3 October, 2025.

8 According to the UNEP Finance Initiative, [sustainable finance taxonomies](#) are tools that “help jurisdictions determine what counts as a ‘green’ economic activity.” The topic is discussed in more detail later in this report.

9 According to the European Central Bank, [climate disclosures](#) “are documents that organisations such as companies, banks and institutions ... publish about the carbon footprint of their activities and their exposures to climate risks. They tell us how much an organisation's activities affect, and are affected by, climate change.” The topic is discussed in more detail later in this report.

10 Government of Canada, [Canada Strong: Budget 2025](#), 4 November 2025, pp. 112–113.



and trade uncertainty that have affected business and consumer confidence.¹¹ Budget 2025 explores a sustainable bond framework to issue both green and transition bonds to be aligned with taxonomy.¹²

Although there have been global and domestic shifts since the testimony was heard, the topics discussed in the study remain relevant, particularly given that the impacts of climate change are a serious concern for Canadians.¹³

3. LETTERS SENT BY THE COMMITTEE TO THE GOVERNMENT AT THE CONCLUSION OF WITNESS TESTIMONY

Upon the conclusion of witness testimony for the study, the committee sent identical letters, dated 28 November 2024, to both the Minister of Environment and Climate Change (then the Honourable Steven Guilbeault) and the Minister of Finance (then the Honourable Chrystia Freeland). In the letters, the committee stated that it “felt it important to provide its priority recommendations in advance” of a comprehensive report being tabled in the House of Commons by the committee. The committee recommended to the Minister of Environment and Climate Change and to the Minister of Finance that the Government of Canada:

- Align Canada’s financial system with climate commitments, “as set out in Bill S-243, the Climate-Aligned Finance Act;”¹⁴
- Have the Office of the Superintendent of Financial Institutions issue detailed guidance on transition plans, and ensure that its mandate empowers it to oversee addressing climate-related financial risks among federally regulated financial institutions “as suggested by the Commissioner of the Environment and Sustainable Development;”¹⁵

11 E.g., Bank of Canada, [Tariffs and trade uncertainty are hurting the Canadian economy](#), 20 March 2025.

12 Government of Canada, [Canada Strong: Budget 2025](#), 4 November 2025, pp. 112–113.

13 E.g., ENVI, [Evidence](#), 23 May 2024, 1605 (Jason Clark, National Director, Climate Change Advocacy, Insurance Bureau of Canada).

14 LEGISinfo, 44th Parliament, 1st session, [Bill S-243, An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts](#).

15 This recommendation appears to refer to the findings and recommendations made in a performance audit, Office of the Auditor General of Canada, Reports of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada, [Report 4: Supervision of Climate-Related Financial Risks—Office of the Superintendent of Financial Institutions Canada](#), 2023.

- Require managers of federally regulated public pension funds, “in particular the Canada Pension Plan Investment Board and the Public Sector Pension Investment Board,” to “fully disclose their investments in private equity funds;” and
- Establish a “Sustainable Development Working Group” within the Competition Bureau and strengthen rules that aim to combat and “crack down on” greenwashing.¹⁶

The letters, which are provided in Appendix A to this report, requested responses from the Ministers within 30 days; however, no response was received prior to the prorogation of the 44th Parliament, 1st Session, on 6 January 2025¹⁷ or subsequent dissolution of parliament on 23 March 2025.¹⁸

4. THE CANADIAN FINANCIAL SYSTEM

The Canadian financial system comprises a network of institutions and markets that together facilitate the flow of money and credit throughout the economy and enable businesses and other organizations to engage in financial transactions and other activities. It is interconnected with the global financial system and international trading systems.

The Bank of Canada identifies three key components of the Canadian financial system:

- financial institutions (banks, financial co-operatives, insurance companies and pension funds);
- financial markets; and
- payment systems.¹⁹

16 ENVI, [Letter to the Minister of Environment and Climate Change](#), 28 November 2024; and ENVI, [Letter to the Minister of Finance](#), 28 November 2024.

17 Government of Canada, Canada Gazette, Part II, Volume 159, Extra Number 1, [Proclamation Proroguing Parliament to March 24, 2025: SI/2025-9](#), 6 January 2025.

18 Government of Canada, Canada Gazette, Part II, Volume 159, Extra Number 3, [Proclamation Dissolving Parliament: SI/2025-57](#), 24 March 2025.

19 Bank of Canada, [Core Functions](#).



This study focused mainly on financial institutions and the markets within which they operate.

5. CLIMATE CHANGE, THE ENVIRONMENT, AND CONNECTIONS WITH THE FINANCIAL SYSTEM

The committee heard from witnesses about the interconnectedness of financial systems and the health of the environment. Climate change and environmental issues influence financial systems—for example, by causing physical risks that have financial consequences; conversely, the structure and operations of financial systems can affect the climate and the environment—for example, by encouraging or discouraging certain activities that affect nature and biodiversity.

This section describes Canada’s commitments to protecting biodiversity and nature; and to reducing greenhouse gas (GHG) emissions in order to limit climate change. It then provides an overview of the impacts of climate change and the environment on the financial system, as well as the impacts of the financial system on climate change and the environment.

Canada’s Commitments to Protecting Biodiversity

The committee heard that more than 50% of the world’s economic activity is directly dependent on nature.²⁰ In its brief, the Canadian Parks and Wilderness Society (CPAWS) explained that the Kunming-Montreal Global Biodiversity Framework, which was adopted in 2022, “established, in its targets 14 and 15, the reciprocal obligation of states and financial institutions to implement a framework for the disclosure of nature-related impacts and dependencies.”²¹ Canada, along with 195 other countries, committed to protecting 30% of lands and waters by 2030 through the signing of the Kunming-Montreal Global Biodiversity Framework.²² CPAWS explains:

If the new Global Biodiversity Framework sets a target of 30% protected areas by 2030, it is because they are an indispensable tool to reverse the biodiversity decline. With 13.7% of Canada’s land currently protected, there is an urgent need to work together to

20 World Economic Forum (2020) | [The New Nature Economy Report](#), in: Canadian Parks and Wilderness Society (CPAWS Quebec), [Written brief submitted to ENVI](#), November 2024, p. 3.

21 Canadian Parks and Wilderness Society (CPAWS Quebec), [Written brief submitted to ENVI](#), November 2024, p. 3.

22 Government of Canada, [Conserving 30% of Canada by 2030: Vision for the future](#); Environmental and Climate Change Canada, [News release, “Canada helps lead the world to agreement on the monumental Kunming-Montreal Global Biodiversity Framework,”](#) 20 December 2022.

meet new international targets and protect ecosystems that make vital contributions to our economy and society.²³

Canada's Commitments Related to Climate Change

Canada is a party to the main international agreements relating to climate change: the *United Nations Framework Convention on Climate Change*²⁴ (UNFCCC); and the 2015 *Paris Agreement*,²⁵ which was negotiated under the UNFCCC. Canada has formal commitments to reduce GHG emissions, adapt to climate change, and provide mitigation²⁶ and adaptation-related financial support to parties to the UNFCCC that are developing countries. The Government of Canada reports regularly on its activities related to these commitments.

There is broad consensus among climate scientists that to reduce the risks and impacts of climate change significantly, the average global temperature must be held near 1.5°C, and well below 2°C, above the pre-industrial average.²⁷ Signatories to the 2015 *Paris Agreement* committed to reducing GHG emissions sufficiently to keep temperature rise to “well below 2°C” above the pre-industrial average global temperature, and to pursuing “efforts to limit the increase to 1.5°C.”²⁸

23 Canadian Parks and Wilderness Society (CPAWS Quebec), [Written brief submitted to ENVI](#), November 2024, p. 6.

24 United Nations, [United Nations Framework Convention on Climate Change](#), 1992.

25 United Nations, United Nations Framework Convention on Climate Change, [Paris Agreement](#), 2015.

26 “Climate change mitigation” refers to preventing further climate change, typically by reducing greenhouse gas emissions. “Climate change adaptation” refers to adjusting to the consequences of climate change, such as rising temperatures, more frequent and severe storms, etc.

27 Intergovernmental Panel on Climate Change (IPCC), [Summary for Policymakers of IPCC Special Report on Global Warming of 1.5°C approved by governments](#), News release, 8 October 2018.

Note: The [Intergovernmental Panel on Climate Change](#), which is the United Nations body for assessing the science related to climate change, describes its work and approach as follows:

Through its assessments, the IPCC determines the state of knowledge on climate change. It identifies where there is agreement in the scientific community on topics related to climate change, and where further research is needed. The reports are drafted and reviewed in several stages, thus guaranteeing objectivity and transparency. The IPCC does not conduct its own research. IPCC reports are neutral, policy-relevant but not policy-prescriptive. The assessment reports are a key input into the international negotiations to tackle climate change. Created by the United Nations Environment Programme (UN Environment) and the World Meteorological Organization (WMO) in 1988, the IPCC has 195 Member countries.

28 Government of Canada, [The Paris Agreement](#).



Under the *Paris Agreement*, Canada initially committed to reduce emissions to 30% below 2005 levels by 2030. Canada has subsequently strengthened its target for emissions reductions, as required under the agreement; in 2021 Canada updated the target to 40–45% below 2005 levels by 2030.²⁹ Most recently, in February 2025, Canada submitted an updated nationally determined contribution “to reduce emissions by 45–50% below 2005 levels by 2035.”³⁰

However, according to the 2025 Report of the Commissioner of the Environment and Sustainable Development, in the first two annual reports under the *Canadian Net-Zero Emissions Accountability Act*, it was found that Canada’s current measures and pace of emission reductions were not enough to meet the target of reducing greenhouse gas emissions by 40% to 45% below the 2005 level by 2030. Since then, the consumer carbon price has been eliminated.³¹

The government will need to strengthen or add measures if it is to meet Canada’s national and international commitments. As of 2023, the most recent year with available data, emissions have only been reduced by 8.5% since 2005, far short of the interim objective of 20% by 2026 and the broader net-zero goal by 2050.³² The Commissioner found that “Canada remains the worst performer among member countries of the Group of Seven since both 1990 and 2005.”³³

The Government of Canada has also committed to achieving net-zero GHG emissions by 2050,³⁴ and the target was enshrined in law in June 2021 through the *Canadian Net-Zero Emissions Accountability Act*.³⁵ The act requires the Government of Canada to set national GHG reduction targets every five years, starting in 2030, and to develop plans for achieving them, with the goal of reaching net-zero emissions by 2050. The preamble

29 Office of the Auditor General of Canada, 2021 Reports 3 to 7 of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada, [Report 5—Lessons learned from Canada’s Record on Climate Change](#), 2021.

30 Government of Canada, [Canada’s 2035 Nationally Determined Contribution](#), p. 1.

31 Department of Finance Canada, [Removing the consumer carbon price, effective April 1, 2025](#).

32 Office of the Auditor General, 2025 Reports of the Commissioner of the Environment and Sustainable Development, [Implementing the Canadian Net-Zero Emissions Accountability Act—Financial Measures](#), “[At a Glance](#),” 6 November 2025.

33 Office of the Auditor General, 2025 Reports of the Commissioner of the Environment and Sustainable Development, [Implementing the Canadian Net-Zero Emissions Accountability Act—Financial Measures](#), 6 November 2025, p. 1.

34 Government of Canada, [Canada’s 2021 Nationally Determined Contribution Under the Paris Agreement](#), p. 1.

35 [Canadian Net-Zero Emissions Accountability Act](#), S.C. 2021, c. 22.

to the act states that “the Government of Canada recognizes that its plan to achieve net-zero emissions by 2050 should contribute to making Canada’s economy more resilient, inclusive and competitive.”³⁶

Impacts of Climate Change and the Environment on Canada’s Financial System

In its *Financial System Review—2023*, the Bank of Canada notes that climate change may threaten the stability of the financial system:

Climate change ... poses significant risks. These risks include disruptions from more frequent and extreme weather events and uncertainty about the transition to a low-carbon economy. The measurement of these risks remains inconsistent globally, and their disclosure, insufficient.³⁷

Some witnesses noted that the Canadian financial system is highly exposed to both physical risks from climate change and transition risks.³⁸ A 2023 report of the Commissioner of the Environment and Sustainable Development illustrates the two types of financial risks that climate change poses to the financial system and the economy (Figure 1).

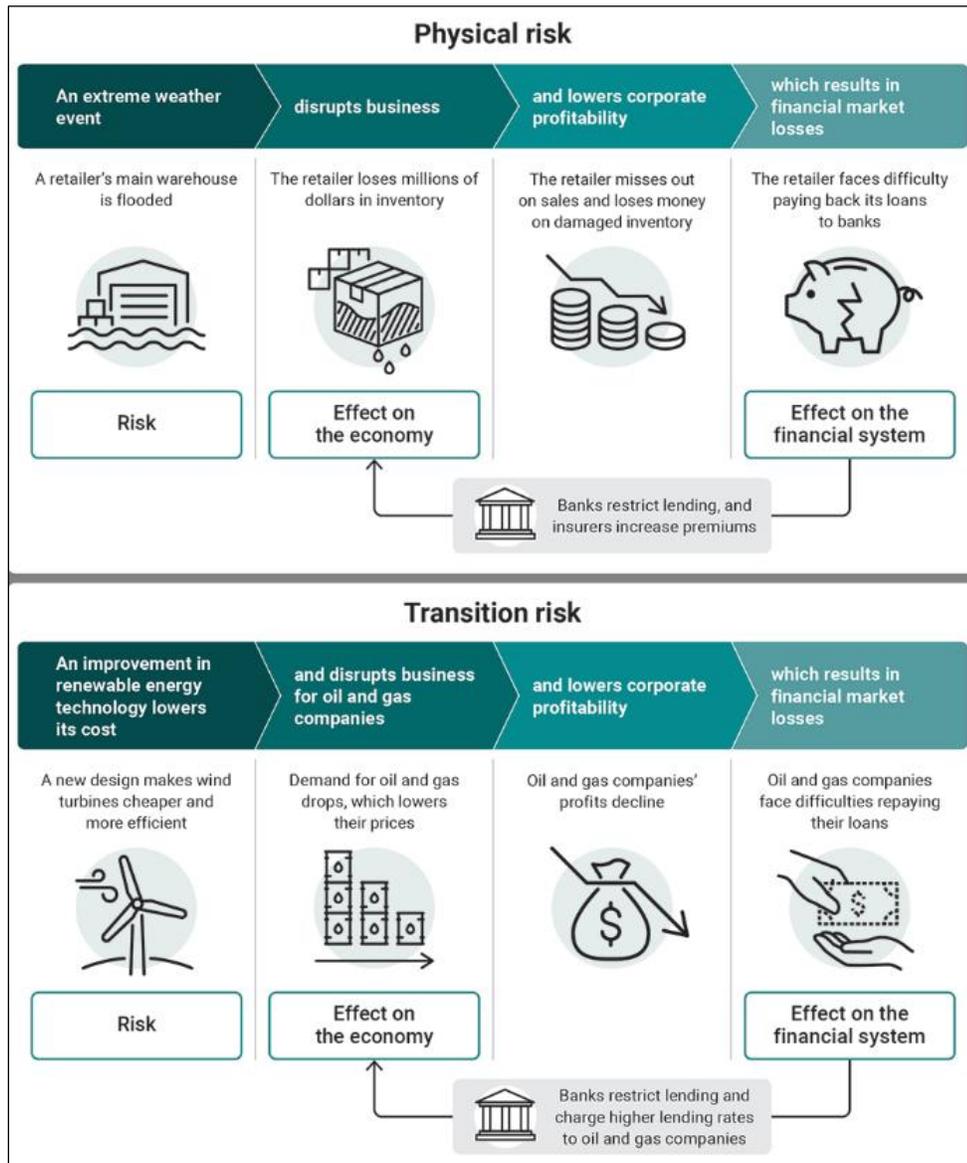
36 Ibid.

37 Bank of Canada, [Financial System Review—2023](#).

38 E.g., ENVI, [Evidence](#), 28 October 2024, 1100 (Nathan de Arriba-Sellier, Director, Erasmus Platform for Sustainable Value Creation, Rotterdam School of Management, Erasmus University); ENVI, [Evidence](#), 23 September 2024, 1120 (Michael Coffin, Head of Oil, Gas and Mining, Carbon Tracker Initiative).



Figure 1—Examples of how the two types of climate-related financial risks can affect the economy and financial system



Source: Office of the Auditor General of Canada, 2023 Reports 1 to 5 of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada, [Report 4—Supervision of Climate-Related Financial Risks—Office of the Superintendent of Financial Institutions Canada](#), 20 April 2023.

Bryan Detchou (Senior Director, Natural Resources, Environment and Sustainability, Canadian Chamber of Commerce) summarized the risk to businesses and the financial system from climate change as follows:

It is broadly acknowledged that climate change poses a significant challenge to business, from the high cost of disruptive events to increased uncertainty for companies in what and how they should invest. Our financial system is, of course, also exposed to these risks.³⁹

Jason Clark (National Director, Climate Change Advocacy, Insurance Bureau of Canada) highlighted the risk to Canada's economy and financial sector from the impacts of climate change, such as more frequent and intense natural disasters in all parts of the country. He noted that the 2016 Fort McMurray wildfire "caused a quarterly contraction in national GDP" and that in 2023, severe weather caused \$3.5 billion in insured damages in Canada.⁴⁰ Mr. Clark felt that transition risks often get more attention than physical risks, but that it should be the other way around.⁴¹

Taking a different angle, Faith Goodman (Chief Executive Officer, Goodman Sustainability Group Inc.) pointed out economic growth opportunities that could exist for Canada from addressing climate change risks and embracing a net zero transformation in the financial sector:

[A]ddressing Canada's net zero climate targets will require an economy-wide systems approach that duly expedites action and impact. There is broad consensus that decarbonization investments can be mobilized more effectively if we can unlock a recalibrated approach, one that is risk-balanced for all sizes of businesses and sectors, enabling access to lower cost of capital. This is the engine for growth and competitiveness.⁴²

Impacts of Canada's Financial System on Climate Change and the Environment

The committee also heard about the impacts that Canada's financial system has on the environment. Several witnesses and authors of briefs spoke about how the financing of oil and gas companies and, therefore, fossil fuel extraction, leads to the GHG emissions

39 ENVI, *Evidence*, 23 May 2024, 1540 (Bryan Detchou, Senior Director, Natural Resources, Environment and Sustainability, Canadian Chamber of Commerce).

40 ENVI, *Evidence*, 23 May 2024, 1550 (Jason Clark).

41 Ibid.

42 ENVI, *Evidence*, 30 May 2024, 1535 (Faith Goodman, Chief Executive Officer, Goodman Sustainability Group Inc.).



that are accelerating climate change.⁴³ For example, Oxfam-Quebec argued in its brief that Canadian financial institutions should reduce or phase out the financing of the fossil fuel industry, in order to reduce GHG emissions.⁴⁴

The Organisation for Economic Development and Co-operation (OECD) has been working on biodiversity finance⁴⁵ for over a decade, studying economic instruments that provide incentives for the conservation and sustainable use of biodiversity. The 2021 report *Biodiversity, Natural Capital and the Economy: A Policy Guide for Finance, Economic and Environment Ministers* contains a section with recommendations on embedding biodiversity in the financial sector. It emphasizes the bi-directional relationship, in which financial actors depend on nature, yet they may take actions that degrade it, increasing risks to themselves. It states:

Nature-related risks for companies, and their financiers and investors, are pervasive but poorly understood and largely invisible and mispriced. These include the dependency of company profitability on nature as well as the adverse impacts of business activities and financial decisions on nature. Nature-related dependencies, impacts and risks remain almost entirely uncompensated by the financial sector and investee corporations. This leads to capital misallocation, exposure of the financial sector to biodiversity-related risks, and adverse nature-related impacts that undermine societal well-being.⁴⁶

6. SUSTAINABLE FINANCE IN CANADA: BACKGROUND

Definition of Sustainable Finance

“Sustainable Finance” is a component of Canada’s *2030 Emissions Reduction Plan*—Canada’s plan to meet its *Paris Agreement* targets, in accordance with the *Canadian Net-*

43 Oxfam-Quebec, [Written brief submitted to ENVI](#), 21 November 2024; Peter Dietsch, [Written brief submitted to ENVI](#), September 2024; ENVI, [Evidence](#), 4 November 2024, 1145 (Hugues Chenet, Associate Professor, IÉSEG School of Management, As an individual); ENVI, [Evidence](#), 30 October 2024, 1645 (Karine Péloffy, Lawyer and Sustainable Finance Project Lead, Ecojustice); ENVI, [Evidence](#), 28 October 2024, 1105 (Keith Stewart, Senior Energy Strategist, Greenpeace Canada); ENVI, [Evidence](#), 23 September 2024, 1215 (Julie Segal, Senior Manager, Climate Finance, Environmental Defence Canada); ENVI, [Evidence](#), 30 October 2024, 1650 (Richard Brooks); ENVI, [Evidence](#), 23 September 2024, 1215 (Gareth Gransauil, Co-Executive Director, Re•generation).

44 Oxfam-Quebec, [Written brief submitted to ENVI](#), 21 November 2024.

45 Organisation for Economic Development and Co-operation (OECD), [Biodiversity, water and ecosystems](#).

46 OECD, [Biodiversity, Natural Capital and the Economy: A Policy Guide for Finance, Economic and Environment Ministers](#), 2021, p. 40.

Zero Emissions Accountability Act. The *2030 Emissions Reduction Plan* defines sustainable finance, and describes its importance, as follows:

Canada's financial sector will play a key role in raising and guiding the necessary funds to meet Canada's climate objectives. To do so, the financial sector will need to incorporate environmental, social, and governance (ESG) factors throughout financial decision-making. This is generally referred to as sustainable finance.

...

Sustainable finance is also a key cross-cutting policy tool needed to meet Canada's 2030 and 2050 climate objectives. Sustainable finance initiatives can help crowd-in needed private investment and amplify existing climate policy signals in a business-friendly manner. Sustainable finance also enables the mobilization and alignment of private sector investments towards climate and environmental objectives and promotes financial stability related to climate risk.

Climate-related financial disclosure, a key element of sustainable finance, is essential to reflect the risk of climate change in financial markets. Increasing and improving climate-related financial disclosures provides a more robust view of climate resiliency and risks and opportunities, which promotes more informed investment, credit, and insurance underwriting decisions. Markets, lenders, insurers, investors, policy makers, and the public require standardized information about the climate-related risks and opportunities organizations face to ensure assets are correctly priced to reflect those risks.⁴⁷

Expert Panel on Sustainable Finance

In April 2018, the Ministers of Finance and of Environment and Climate Change appointed an Expert Panel on Sustainable Finance (EPSF) with a mandate to prepare a report outlining recommendations to the federal government that could help “bring sustainable finance into the mainstream.”⁴⁸ The panel consisted of Tiff Macklem, Andrew Chisholm, Kim Thomassin, and Barbara Zvan.

In June 2019, the EPSF published its final report, containing the following 15 recommendations (Table 1) “focused on spurring the essential market activities, behaviours and structures needed to bring sustainable finance into the mainstream.”⁴⁹

47 Environment and Climate Change Canada, *2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy*, 2022, p. 75.

48 Government of Canada, Expert Panel on Sustainable Finance, *Final Report of the Expert Panel on Sustainable Finance—Mobilizing Finance for Sustainable Growth*.

49 Ibid., p. iv.



Table 1—Recommendations from the Expert Panel on Sustainable Finance to the Government of Canada

Recommendation #	Recommendation
Recommendation 1	Map Canada’s long-term path to a low-emissions, climate-smart economy, sector by sector, with an associated capital plan.
Recommendation 2	Provide Canadians the opportunity and incentive to connect their savings to climate objectives.
Recommendation 3	Establish a standing Canadian Sustainable Finance Action Council (SFAC), with a cross-departmental secretariat, to advise and assist the federal government in implementing the Panel’s recommendations.
Recommendation 4	Establish the Canadian Centre for Climate Information and Analytics (C3IA) as an authoritative source of climate information and decision analysis.
Recommendation 5	Define and pursue a Canadian approach to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
Recommendation 6	Clarify the scope of fiduciary duty in the context of climate change.
Recommendation 7	Promote a knowledgeable financial support ecosystem.
Recommendation 8	Embed climate-related risk into monitoring, regulation and supervision of Canada’s financial system.
Recommendation 9	Expand Canada’s green fixed income market, and set a global standard for transition-oriented financing.
Recommendation 10	Promote sustainable investment as ‘business as usual’ within Canada’s asset management community.
Recommendation 11	Define Canada’s clean technology market advantage and financing strategy.
Recommendation 12	Support Canada’s oil and natural gas industry in building a low-emissions, globally competitive future.
Recommendation 13	Accelerate the development of a vibrant private building retrofit market.
Recommendation 14	Align Canada’s infrastructure strategy with its long-term sustainable growth objectives and leverage private capital in its delivery.
Recommendation 15	Engage institutional investors in the financing of Canada’s electricity grid of the future.

Source: Table prepared by the Library of Parliament with data from Government of Canada, *The Final Report of the Expert Panel on Sustainable Finance: Mobilizing Finance for Sustainable Growth*, 2019, pp. iv–v.

Sustainable Finance Action Council

In line with the recommendations of the EPSF, the Minister of Finance and the Minister of Environment and Climate Change launched the Sustainable Finance Action Council (SFAC) in May 2021, “to support the growth of a strong, well-functioning, sustainable finance market.”⁵⁰ While its “early emphasis [was] on enhancing climate-related financial disclosures in Canada’s private and public sector, aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures,” its “principal mandate [was] to make recommendations on critical market infrastructure needed to attract and scale sustainable finance in Canada.”⁵¹ In addition, the SFAC “work[ed] in close collaboration with Canada’s independent Net-Zero Advisory Body to ensure climate considerations [were] taken into financial decision-making”⁵² and “help[ed] coordinate Canadian financial sector input on the [International Sustainability Standards Board’s] global baseline standards and their adoption in Canada.”⁵³ The SFAC produced a number of research reports, and its mandate ended on 31 March 2024.⁵⁴

Office of the Superintendent of Financial Institutions and Climate Change-related Risk

The role of the Office of the Superintendent of Financial Institutions (OSFI) is to regulate financial institutions and pension plans “so as to contribute to public confidence in the Canadian financial system.”⁵⁵ OSFI is an independent agency of the Government of Canada,⁵⁶ mandated to supervise all federally regulated financial institutions (FRFIs),

50 Department of Finance Canada, “[Canada launches Sustainable Finance Action Council](#),” *News release*, 12 May 2021.

51 Ibid.

52 Government of Canada, [Sustainable Finance Action Council](#).

53 Ibid.

54 Ibid.; The SFAC’s reports include: Sustainable Finance Action Council, [Summary Report of Private Sector Perspectives on Enhanced Climate Related Financial Disclosures](#), 2021; Sustainable Finance Action Council, [Taxonomy Roadmap Report: Mobilizing Finance for Sustainable Growth by Defining Green and Transition Investments](#), 2022; Sustainable Finance Action Council, [SFAC recommendations to the Government of Canada on removing barriers to increase private capital to net-zero and resilience solutions](#), 2024.

55 [Office of the Superintendent of Financial Institutions Act](#), R.S.C. 1985, c. 18 (3rd Supp.), Part I, Purpose of Act.

56 Office of the Superintendent of Financial Institutions (OSFI), [About OSFI: The OSFI story](#).



which include over 400 financial institutions and 1,200 pension plans.⁵⁷ These FRFIs include:

- all banks in Canada;
- all federally incorporated or registered trust and loan companies;
- insurance companies;
- fraternal benefit societies,⁵⁸ and
- private pension plans.⁵⁹

Peter Routledge (Superintendent, Office of the Superintendent of Financial Institutions) provided an overview of OSFI's operations and guidance related to climate change risk:

OSFI operates a principles-based regulatory model in which we articulate broad prudential principles to which we ask financial institutions to adhere. In contrast to many global peers, we do not impose rules on regulated constituents, preferring instead to issue guidelines that articulate sound principles aimed at protecting the creditors, depositors and policyholders. We believe our principles-based model produces better institutional resilience at a lower cost to our regulated constituents.

At OSFI, we see the risks posed by climate change on our regulated constituents as an emerging financial risk with uncertain and non-linear downside costs. As economies adapt to climate change, we also recognize that financial institutions will have opportunities to fund that adaptation and profit from that activity.⁶⁰

He added:

Because of the long-term threat of climate change to the sound financial conditions of financial institutions, we put in place [Guideline] B-15 [on climate risk management]. We intend to continue to move the progress of financial institutions forward in managing climate risk as a financial risk and a threat to their sound financial conditions.⁶¹

57 OSFI, [Who we regulate](#).

58 According to OSFI, a [fraternal benefit society](#) is a type of non-profit organization that provides insurance.

59 OSFI, [About OSFI: The OSFI story](#).

60 ENVI, [Evidence](#), 30 May 2024, 1655 (Peter Routledge, Superintendent, Office of the Superintendent of Financial Institutions).

61 ENVI, [Evidence](#), 30 May 2024, 1720 (Peter Routledge).

7. ARCHITECTURE OF SUSTAINABLE FINANCE: BUILDING BLOCKS

The committee heard from many witnesses and authors of briefs about the importance of Canada participating in sustainable finance, which is described in Canada's 2030 Emissions Reduction Plan as "raising and guiding the necessary funds to meet Canada's climate objectives" and "incorporat[ing] environmental, social, and governance (ESG) factors throughout financial decision-making."⁶²

For example, in its brief, Ecojustice urged alignment between Canada's financial sector and its emissions reduction goals:

We need a financial sector that supports—rather than works against, as is the case today - Canada's goals to reduce [GHG] emissions. A financial sector that invests in the solutions to climate change, and that reaps financial benefits while doing so. And in this, we are also dangerously lagging behind our more forward-looking trading partners.⁶³

Jonathan Arnold (Acting Director, Clean Growth, Canadian Climate Institute) agreed, advising that Canada should ensure that it does not fall behind emerging global standards in sustainable finance, in order to attract the capital needed to maintain or grow "Canada's market share in the energy transition."⁶⁴

A few witnesses, however, did not think that the aligning the financial system with climate commitments was appropriate.⁶⁵ Questioning the effectiveness of sustainable finance to achieve environmental outcomes, Terrence Keeley (Chairman, Impact Evaluation Lab) advised to "[a]void a great deal of economic and financial sacrifice for no apparent gain."⁶⁶ Mr. Keeley stated:

Financiers and businesses have no special powers nor any innate responsibility to right others' wrongs or turn the carbon clock backwards.⁶⁷

62 Environment and Climate Change Canada, *2030 Emissions Reduction Plan: Canada's Next Steps for Clean Air and a Strong Economy*, 2022, p. 75.

63 Ecojustice, *Written brief submitted to ENVI*, undated document published on ENVI website 29 November 2024, p. 4.

64 ENVI, *Evidence*, 23 September 2024, 1110 (Jonathan Arnold, Acting Director, Clean Growth, Canadian Climate Institute).

65 ENVI, *Evidence*, 23 September 2024, 1205 (Richard Dias, Global Macro Strategist, As an individual); ENVI, *Evidence*, 23 May 2024, 1545 (Terrence Keeley, Chairman, Impact Evaluation Lab); ENVI, *Evidence*, 30 May 2024, 1645 (Bruce Pardy).

66 Ibid.

67 ENVI, *Evidence*, 23 May 2024, 1545 (Terrence Keeley).



Richard Dias (Global Macro Strategist, as an individual) viewed the promotion of investments aligned with any cause as political, and contrary to the fiduciary duty—“the obligation to act in the best interests of clients or employers”—of financial professionals. In his view:

Investment managers, for example, have the solemn duty to maximize financial returns for investors or pensioners. It is not to use their position of incredible power to prioritize one social or environmental goal over another, no matter how noble that goal is.⁶⁸

The committee heard from many witnesses about the elements, or building blocks, of sustainable finance, which can be used to help guide investments into alignment with climate and biodiversity objectives. These included taxonomies, disclosures, and transition plans, which are discussed below. Elements of these three topics were included in Budget 2025.⁶⁹

A. Green and Transition Taxonomies

The committee heard from witnesses that a taxonomy—an agreed-on system for classifying investments according to the extent to which they support climate and environmental objectives—is a key element of sustainable finance. The concept of a “taxonomy” in relation to sustainable finance is explained in the Sustainable Finance Action Council’s 2022 report, *Taxonomy Roadmap Report: Mobilizing Finance for Sustainable Growth by Defining Green and Transition Investments*:

A green and transition finance taxonomy is a tool that is meant to help mobilize the allocation of capital to economic activities that are consistent with national transition pathways and climate mitigation objectives. It can be advanced by government, the private sector, or both, acting jointly.

This form of taxonomy establishes criteria, frequently organized by major economic sector, about which economic activities (assets, projects or revenue segments) are:

- Green: low-or zero-emitting activities (e.g., green hydrogen, solar and wind energy generation) or those that enable them (e.g., electricity transmission lines, hydrogen pipelines); and
- Transition: decarbonizing emission-intensive activities that are critical for sectoral transformation and consistent with a net-zero, 1.5 °C

68 ENVI, [Evidence](#), 23 September 2024, 1205 (Richard Dias).

69 Government of Canada, [Canada Strong: Budget 2025](#), 4 November 2025, pp. 112–113.

transition pathway (e.g., installing lower-emitting (electric) furnaces to produce steel).⁷⁰

Many witnesses expressed support for the implementation of a green taxonomy in Canada.⁷¹ A national taxonomy could prevent duplicative systems from being developed in its absence, which could create confusion for investors.⁷² Some warned that Canada could miss out on attracting international capital without a green taxonomy.⁷³

“I do know that the taxonomy is one of the most requested in-demand tools that investors around the world have been looking for, in Canada and in other jurisdictions. It is critical in helping investors make evidence-based decisions around where they are putting their money, and it's essential both to building the Canadian economy and to reducing emissions.”⁷⁴

Anthony Schein, Chief Operating Officer,
The Canadian Shareholder Association for Research and Education

Sébastien Rhéaume (Managing Director, AlphaFixe Capital) encouraged the rapid implementation of a transition taxonomy, suggesting that its absence is holding back investments:

70 Sustainable Finance Action Council, [Taxonomy Roadmap Report: Mobilizing Finance for Sustainable Growth by Defining Green and Transition Investments](#), 2022.

71 E.g., ENVI, [Evidence](#), 30 October 2024, 1815 (Dr. Janis Sarra, Professor of Law Emerita, Canada Climate Law Initiative); ENVI, [Evidence](#), 23 May 2024, 1650 (Hugh Miller, Analyst, Organisation for Economic Co-operation and Development); ENVI, [Evidence](#), 18 November 2024, 1240 (Anthony Schein, Chief Operating Officer, The Canadian Shareholder Association for Research and Education); ENVI, [Evidence](#), 9 May 2024, 1540 (Andrew Chisholm, Canada's Expert Panel on Sustainable Finance, As an individual); ENVI, [Evidence](#), 9 May 2024, 1535 (Barbara Zvan, President and Chief Executive Officer, Canada's Expert Panel on Sustainable Finance, As an individual); ENVI, [Evidence](#), 23 May 2024, 1635 (Sébastien Rhéaume, Managing Director, AlphaFixe Capital); ENVI, [Evidence](#), 23 May 2024, 1550 (Jason Clark); ENVI, [Evidence](#), 23 May 2024, 1535 (Simon Senécal, Portfolio Manager, Responsible Investment, Partner, AlphaFixe Capital); ENVI, [Evidence](#), 28 October 2024, 1110 (Julien Beaulieu, Lawyer Researcher, Québec Environmental Law Centre); Oxfam-Quebec, [Written brief submitted to ENVI](#), 21 November 2024.

72 ENVI, [Evidence](#), 18 November 2024, 1245 (Anthony Schein).

73 E.g., ENVI, [Evidence](#), 18 November 2024, 1250 (Lindsey Walton, Director, Americas, Responsible Investment Ecosystems, Principles for Responsible Investment).

74 ENVI, [Evidence](#), 18 November 2024, 1240 (Anthony Schein).



As long as companies do not know the rules of the game or where the goalposts are, it's very difficult for them to allocate capital.⁷⁵

Eric Usher (Head of the United Nations Environment Program (UNEP) Finance Initiative, as an individual) suggested that a Canadian taxonomy could become “a forward-looking tool to accelerate the net-zero transition”⁷⁶ and noted that over 40 countries have developed, or are in the process of developing, sustainability taxonomies.⁷⁷ Mr. Usher added that a transition taxonomy would be critical for a resource-intensive economy like Canada's, as it defines “transitioning” and identifies opportunities for “greening” sectors through transition financing.⁷⁸ Janis Sarra (Professor of Law Emerita, Canada Climate Law Initiative) agreed, adding:

An estimated \$115 billion annually is required for Canada's low-carbon transition, and a science-based taxonomy will create the market integrity, clarity and interoperability, globally, necessary to accelerate global capital to come and invest in Canada's businesses.⁷⁹

However, some witnesses who were generally in favour of tools like taxonomies cautioned that they are not a magic solution. For example, Ecojustice stated that experience from jurisdictions where green taxonomies were implemented—specifically Europe and the UK—showed that “taxonomies alone will not divert capital from fossil fuel extraction.”⁸⁰

Julien Beaulieu (Lawyer and Researcher, Québec Environmental Law Centre) provided recommendations for the characteristics of a taxonomy, in order for it to be most effective:

[F]irst, it must include credible, science-based criteria that would prevent the greenlighting of environmentally harmful projects; second, it must be mandatory that it prevent the emergence of weaker rival taxonomies—to date, only one voluntary taxonomy has been announced, which I don't think is enough; third, it must have a

75 ENVI, [Evidence](#), 23 May 2024, 1635 (Sébastien Rhéaume).

76 ENVI, [Evidence](#), 23 May 2024, 1645 (Eric Usher, Head of the United Nations Environment Program (UNEP) Finance Initiative, As an individual).

77 As of December 2025, at least 47 countries were documented as having a taxonomy in place, according to the [Sustainable Finance Taxonomy Mapper](#) (selecting all taxonomy types) and the Sustainable Banking and Finance Network Data Portal, “[Global Overview](#)” (selecting “Detailed Comparison” and “Financing Sustainability”).

78 ENVI, [Evidence](#), 23 May 2024, 1710 (Eric Usher).

79 ENVI, [Evidence](#), 30 October 2024, 1815 (Dr. Janis Sarra).

80 Ecojustice, [Written brief submitted to ENVI](#), undated document published on ENVI website 29 November 2024, pp. 3–4.

governance structure that guarantees that its criteria remain resistant to future political pressure.⁸¹

On the other hand, a few witnesses opposed the concept of a green taxonomy, due to concerns such as lack of credibility or ineffectiveness, as well as regulatory burden⁸² and cost, which could be borne by bank depositors or pension funds.⁸³ Alex Edmans (Professor, as an individual) commented:

I think it would be extremely difficult to come up with a taxonomy. I'm not sure who is the supreme being to decide which things are material and which are not, and which ones to weight and which ones to not.⁸⁴

Several witnesses and authors of briefs were emphatic that fossil fuels, including natural gas, must not be included in a green or transition taxonomy that could credibly be aligned with the *Paris Agreement* and limiting global warming to 1.5 degrees.⁸⁵ For example, Nathan de Arriba-Sellier (Director, Erasmus Platform for Sustainable Value Creation, Rotterdam School of Management, Erasmus University) stated:

I draw your attention to the fact that it's important to exclude fossil energy activities, whatever they may be. Why? Because a taxonomy sends a signal to investors and businesses regarding economic activities that support the transition to carbon neutrality. Including fossil fuels undermines the credibility of the Canadian taxonomy, as was the case of the European taxonomy with regard to gas. I refer you to the scientific conclusions of the International Panel on Climate Change. Every year counts, and fossil fuels are not part of the solution.⁸⁶

The committee heard that much work on green and transition taxonomies had already been completed for Canada by the Expert Panel on Sustainable Finance and the Sustainable Finance Action Council, culminating in the 2022 report, *Taxonomy Roadmap*

81 ENVI, [Evidence](#), 28 October 2024, 1110 (Julien Beaulieu).

82 ENVI, [Evidence](#), 28 October 2024, 1240 (Alex Edmans, Professor, As an individual); ENVI, [Evidence](#), 23 September 2024, 1225 (Richard Dias); ENVI, [Evidence](#), 28 October 2024, 1125 (Aswath Damodaran, Professor, Stern School of Business, New York University).

83 ENVI, [Evidence](#), 28 October 2024, 1125 (Aswath Damodaran).

84 ENVI, [Evidence](#), 28 October 2024, 1240 (Alex Edmans).

85 Oxfam-Quebec, [Written brief submitted to ENVI](#), 21 November 2024; ENVI, [Evidence](#), 28 October 2024, 1105 (Keith Stewart); ENVI, [Evidence](#), 23 September 2024, 1215 (Gareth Gransauil); ENVI, [Evidence](#), 30 October 2024, 1720 (Karine Péloffy); ENVI, [Evidence](#), 30 October 2024, 1805 (Adam Scott, Executive Director, Shift Action for Pension Wealth and Planet Health); ENVI, [Evidence](#), 28 October 2024, 1105 (Nathan de Arriba-Sellier); ENVI, [Evidence](#), 23 September 2024, 1145 (Michael Coffin); ENVI, [Evidence](#), 23 September 2024, 1145 (Peter Dietsch, Professor, University of Victoria, As an individual).

86 ENVI, [Evidence](#), 28 October 2024, 1105 (Nathan de Arriba-Sellier).



Report: Mobilizing Finance for Sustainable Growth by Defining Green and Transition Investments. The committee observes that finalizing and publishing national green and transition taxonomies would complete this work and provide consistent definitions. Barbara Zvan (President and Chief Executive Officer, Canada’s Expert Panel on Sustainable Finance, as an individual) suggested that OSFI should be made responsible for the oversight of these taxonomies, as equivalent bodies in other countries are responsible for taxonomies.⁸⁷

B. Disclosure

Climate-related Financial Disclosures

Mandatory climate-related financial disclosures “decrease the risk of insufficient, incomplete, and non-comparable information that could mislead investors about the true impact of a company or its products on the climate and the environment.”⁸⁸ Such disclosures are also intended to inform investors, lenders, insurance underwriters and others in order “to help drive net zero-aligned finance and investment decisions.”⁸⁹ Nathan de Arriba-Sellier summarized the rationale behind disclosures as “you can't manage what you haven't measured.”⁹⁰

The committee heard that OSFI finalized its *Guideline B-15: Climate Risk Management*⁹¹ in March 2023;⁹² the guideline sets out “minimum mandatory climate-related financial disclosure expectations”⁹³ for FRFIs. OSFI most recently updated Guideline B-15 on 7 March 2025. The updates are intended to ensure that the expectations for FRFIs align with the final Canadian Sustainability Standards Board standards, which were released on 18 December 2024.⁹⁴

87 ENVI, [Evidence](#), 9 May 2024, 1620 (Barbara Zvan).

88 Office of the Auditor General, Commissioner of the Environment and Sustainable Development, [Research Paper on Climate-related Financial Disclosures](#).

89 ENVI, [Evidence](#), 18 November 2024, 1105 (Clifton Lee-Sing, Director, Markets and Securities, Financial Stability and Capital Markets Division, Department of Finance).

90 ENVI, [Evidence](#), 28 October 2024, 1105 (Nathan de Arriba-Sellier).

91 OFSI, [Guideline B-15: Climate Risk Management](#).

92 ENVI, [Evidence](#), 28 October 2024, 1230 (Bryan Radecky, Director, Financial Stability, Canadian Bankers Association).

93 Ibid.

94 Financial Reporting and Assurance Standards Canada, *News release*, “[Canadian Sustainability Disclosures Standards \(CSDS 1 and CSDS 2\): Now Available](#),” 18 December 2024.

In a 2025 report, the Commissioner of the Environment and Sustainable Development “concluded that the Department of Finance Canada, in cooperation with Environment and Climate Change Canada, had reported publicly on climate-related financial risks and opportunities but had missed opportunities to do so in a manner that aligned with best reporting practices of climate-related financial disclosure.”⁹⁵

A perspective held by a number of witnesses was that disclosures should be mandatory, not voluntary,⁹⁶ and Canada’s Department of Finance shared this perspective, noting:

Climate disclosure ... we see as being mandatory. It's to provide decision-makers with all the information they need to effectively balance the various things they need to consider ... which includes making decisions about how to manage climate risk.⁹⁷

Rosemary McGuire (Vice-President of Member Experience, Chartered Professional Accountants of Canada) explained the history of sustainability-related reporting standards and noted key aspects from a financial auditing perspective:

We are seeing a push toward a global system for sustainability-related reporting. This began with the creation of the International Sustainability Standards Board, or the ISSB, which aims to develop a global baseline of sustainability disclosure standards for capital markets. The ISSB released its inaugural standards last year, covering general sustainability disclosure requirements and climate-related disclosures. The Canadian Sustainability Standards Board was created shortly thereafter and is expected to finalize standards before the end of the year, tailoring them for the Canadian marketplace.

These new standards aim for better disclosure, not just more of it. The climate disclosure standard will require companies to report on their targets and net-zero commitments, along with information on the anticipated financial impacts.

Materiality is a critical concept in these standards. It recognizes that different sustainability issues affect various industries in unique ways.

Another important concept is proportionality, which allows for adjustments based on the capabilities and circumstances of different companies, and this is vital for the Canadian market, given the large proportion of small and medium-sized entities.

95 Office of the Auditor General, 2025 Reports of the Commissioner of the Environment and Sustainable Development, *Implementing the Canadian Net-Zero Emissions Accountability Act—Financial Measures*, 6 November 2025, p. 26.

96 E.g., ENVI, *Evidence*, 18 November 2024, 1220 (Alice Chipot, Chief Executive Officer, Regroupement pour la responsabilité sociale des entreprises); ENVI, *Evidence*, 30 October 2024, 1650 (Richard Brooks); ENVI, *Evidence*, 23 September 2024, 1215 (Julie Segal).

97 ENVI, *Evidence*, 18 November 2024, 1115 (Clifton Lee-Sing).



Assurance plays a vital role in enhancing the reliability of ESG and climate-related information. The processes involved are similar to the audits that professional accountants have been conducting for decades.⁹⁸

Heather Taylor (Partner, Climate Change and Sustainability Services, EY Canada) described her experience working with investors who seek sustainability reporting, and she recommended sustainability standards in order to maintain Canadian competitiveness:

Over the last year, I have been working with some of the world's largest pension funds and asset managers. They are committed to invest in transition projects and seek jurisdictions that are committed to transition investment and sustainability disclosure. They also want the confidence that the investments will drive the intended outcomes. Sustainability standards are already being used by investors and banks to determine access to capital and cost of capital. It's a simple supply-and-demand issue. More capital supply leads to more affordable capital. A smaller access pool means less attractive rates and more expensive costs that put Canadian businesses at a disadvantage.

As jurisdictions around the world adopt sustainability standards more quickly than Canada does, they are demanding transition and risk disclosures. Canadian companies that participate in the disclosures will be more competitive from both a market share and a growth perspective. Companies that do not participate in disclosures run the risk of being unable to participate in supply chains. Canadian companies that export to jurisdictions that are further advanced in the adoption of sustainability disclosures are at risk of becoming ineligible for these business opportunities and losing market share.⁹⁹

Clifton Lee-Sing (Director, Markets and Securities, Financial Stability and Capital Markets Division, Department of Finance) provided an update on the state of mandatory climate-related financial disclosures in Canada:

Next, on climate-related disclosures—building on previous federal efforts to mandate climate-related financial disclosures for federally regulated financial institutions and Crown corporations—the government announced it intends to bring forward amendments to the [*Canada Business Corporations Act*] to enable climate-related financial disclosure requirements for large, federally incorporated private companies. Transparent and robust climate-related financial disclosures can ensure that climate considerations are integrated into an organization's culture and decision-making. It will support investors, lenders, insurance underwriters and other stakeholders in assessing and pricing climate risks and opportunities. This is going to help drive net zero-aligned finance and investment decisions.

98 ENVI, *Evidence*, 4 November 2024, 1110 (Rosemary McGuire, Vice-President, Chartered Professional Accountants of Canada).

99 ENVI, *Evidence*, 30 October 2024, 1800 (Heather Taylor, Partner, Climate Change and Sustainability Services, EY Canada).

Extending climate-related financial disclosures to privately held companies is consistent with approaches being taken in other jurisdictions, including the EU, the U.K., Australia and some U.S. states.

The government intends to launch a regulatory process to determine the substance of these disclosure requirements and the size of the private federal corporations that would be subject to them. The government also intends to work with provincial and territorial partners to harmonize these regulations with those that will be required of publicly traded entities by the securities regulators, in order to avoid fragmentation across the markets and jurisdiction shopping.¹⁰⁰

Céline Bak (Partner, Risk Advisory, Financial Services, ESG & Impact, Deloitte), explained how climate-related financial disclosures can inspire a company to invest in lowering their carbon intensity:

Our research nevertheless gives us a perspective suggesting that companies that publish disclosures have the opportunity to compare themselves to their peers in terms of their carbon intensity and, potentially, the proportion of their capital investments aimed at growing the sustainable qualities of the company.

One of the witnesses talked about the fact that Canadian [small and medium-sized enterprises (SMEs)] are part of global production and value chains. By publishing these disclosures, they can understand how they compare to their peers in terms of carbon intensity. In other words, we're comparing apples to apples. The management teams then decide on the investments they want to make to try to find markets that would be profitable for them. So it's circular: After disclosure, investment decision-making leads to new business and, as a result, it can lead to more investment.¹⁰¹

Dr. Ellen Quigley (Research Professor, University of Cambridge, as an individual) recommended that climate-related financial disclosure be mandatory because: “[W]e see systematic under-reporting when we have voluntary disclosure. ... We can't trust the information we get from voluntary disclosures.”¹⁰² Anthony Schein advocated for consistent disclosure standards, stating “we need a regulatory system that sets and enforces sustainability disclosure standards consistently. This is not an appeal for excessive regulation. In fact, it's quite the contrary. It's an appeal for rules that help investors and investing companies manage data flows so they're focused on what really matters.”¹⁰³

100 ENVI, [Evidence](#), 18 November 2024, 1105 (Clifton Lee-Sing).

101 ENVI, [Evidence](#), 30 May 2024, 1600 (Céline Bak, Partner, Risk Advisory, Financial Services, ESG & Impact, Deloitte).

102 ENVI, [Evidence](#), 30 May 2024, 1715 (Ellen Quigley, Research Professor, University of Cambridge, As an individual).

103 ENVI, [Evidence](#), 18 November 2024, 1210 (Anthony Schein).



Jonathan Arnold noted that countries representing over half of global GDP have adopted or are in the process of adopting the ISSB’s climate-related disclosure standards.¹⁰⁴

Anne-Marie Hubert (Fellow, CIRANO) was in favour of consistent global sustainability disclosure, but also cautioned against an “overload of regulation.”¹⁰⁵ She suggested a model to emulate was that of the United States, where “investors have worked with the federal, state and municipal governments to ask for the same baseline of sustainability disclosure”¹⁰⁶ in order to minimize the administrative burden and cost of sustainability disclosures.¹⁰⁷

Rosemary McGuire cautioned: “Education and capacity building are also essential. Standards and regulations that aren’t well understood or properly applied won’t be very effective.”¹⁰⁸

On the other hand, a few witnesses cautioned that sustainability disclosures were not worthwhile.¹⁰⁹ Richard Dias expressed the opinion that climate disclosures would serve mainly to financially benefit the consultants that prepared the disclosures, not to reduce GHG emissions.¹¹⁰ Aswath Damodaran (Professor, Stern School of Business, New York University) warned that people were being so overwhelmed with the volume of climate disclosure coming from companies and pension funds, that disclosures would “make people even more immune to debate about climate change.”¹¹¹

Bryce Tingle, K.C. (N. Murray Edwards Chair in Business Law, Faculty of Law, University of Calgary, as an individual) stated that, because environmental disclosures are complex for the average investor to process, “investors tend to rely on third parties to produce ESG ratings or rankings.”¹¹² However, he expressed the concern that some studies have

104 ENVI, [Evidence](#), 23 September 2024, 1110 (Jonathan Arnold).

105 ENVI, [Evidence](#), 30 October 2024, 1635 (Anne-Marie Hubert, Fellow, CIRANO).

106 Ibid.

107 Ibid.

108 ENVI, [Evidence](#), 4 November 2024, 1110 (Rosemary McGuire).

109 ENVI, [Evidence](#), 23 September 2024, 1205 (Richard Dias); ENVI, [Evidence](#), 4 November 2024, 1105 (Bryce C. Tingle, K.C., N. Murray Edwards Chair in Business Law, Faculty of Law, University of Calgary, As an individual); ENVI, [Evidence](#), 30 May 2024, 1645 (Bruce Parady); ENVI, [Evidence](#), 28 October 2024, 1120 (Aswath Damodaran); ENVI, [Evidence](#), 30 May 2024, 1630 (Renaud Brossard, Vice-President, Communications, Montreal Economic Institute).

110 ENVI, [Evidence](#), 23 September 2024, 1205 (Richard Dias).

111 ENVI, [Evidence](#), 28 October 2024, 1125 (Aswath Damodaran).

112 ENVI, [Evidence](#), 4 November 2024, 1105 (Bryce C. Tingle).

shown that the ratings on which investors are relying “are invalid.”¹¹³ Bryce Tingle also saw disclosures are a potential disincentive to innovation, explaining:

Studies also show that disclosure discourages innovation, since it provides competitors with the ability to replicate successful initiatives and avoid failures. As a result, companies stop innovating. ... Disclosure requirements also cause companies to behave defensively in an area. ESG activities, if required to be disclosed, can become less ambitious in order to avoid lawsuits or subsequent criticisms for failures.¹¹⁴

Jasmin Guénette (Vice-President, National Affairs, Canada Federation of Independent Business) and Renaud Brossard (Vice-President, Communications, Montreal Economic Institute) expressed concern over the cost and regulatory burden to small and medium-sized enterprises of mandatory disclosures.¹¹⁵ Richard Dias also saw mandatory climate-related disclosures as imposing an onerous regulatory burden that would be “ill-advised” given Canada's productivity issues.¹¹⁶ Aswath Damodaran warned that, if banks were required to produce climate-related disclosures, the costs would be passed on to the bank’s depositors/customers.¹¹⁷

The committee notes that, after the Canadian Sustainability Standards Board disclosure standards were released on 18 December 2024, OSFI updated its Guideline B-15, thereby ensuring that OFSI’s climate-related disclosure guidance is interoperable with the Canadian Sustainability Standards Board requirements.¹¹⁸ The committee is pleased to see coordination and standardization in order to reduce administrative burden and costs to those making disclosures, as well as to avoid unnecessary duplication or confusion.

Biodiversity and Nature-related Financial Risk Disclosures

Some witnesses also emphasized the importance of financial disclosures related to biodiversity and nature; a brief from CPAWS gave the example of the Caisse de dépôt et

113 Ibid.

114 Ibid.

115 ENVI, [Evidence](#), 30 October 2024, 1755 (Jasmin Guénette, Vice-President, National Affairs, Canadian Federation of Independent Business); ENVI, [Evidence](#), 30 May 2024, 1545 (Renaud Brossard, Vice-President, Communications, Montreal Economic Institute).

116 Ibid.

117 ENVI, [Evidence](#), 28 October 2024, 1120 (Aswath Damodaran).

118 Office of the Superintendent of Financial Institutions, [Letter to Industry—We are Updating Guideline B-15 for the Final CSSB Standards](#), 20 February 2025.



placement du Québec, which already incorporates criteria related to biodiversity into the processes that guide its investment decisions.¹¹⁹

Lindsey Walton (Director, Americas, Responsible Investment Ecosystems, Principles for Responsible Investment) told the committee that biodiversity risks are, after climate, the number one concern for investors and corporations.¹²⁰ Eric Usher informed the committee about a United Nations framework for nature-related financial disclosures¹²¹ but cautioned that this area is more complicated than climate-related financial risk disclosures.¹²² Hugh Miller (Analyst, Organisation for Economic Cooperation and Development) explained that: “The global economy—and, by extension, the financial system—is dependent upon the ecosystem services provided by biodiversity and broader natural capital.”¹²³ He shared that nature-related financial disclosures are being explored by “the Dutch, French, Mexican, Brazilian and Malaysian central banks [which all published] initial impact and dependency studies related to nature-related financial risks.”¹²⁴

Julien Beaulieu was supportive of disclosure requirements for biodiversity, among other issues, in Canada. He stated:

Citizens, consumers and investors want to know the environmental impacts of businesses' activities and want that information to be disclosed in a clear and standardized format. General disclosure rules that enable businesses to omit or conceal unfavourable information must absolutely be avoided. Disclosures must also go beyond climate issues and include, for example, biodiversity, pollution, natural resource extraction and so on.¹²⁵

Divestment

Once a company has issued climate-related financial disclosures, investors then have information they can act on, if they wish, such as by engaging the company at shareholders' meetings or by divesting from the company. The committee heard from

119 Canadian Parks and Wilderness Society (CPAWS Quebec), [Written brief submitted to ENVI](#), November 2024, p. 3.

120 ENVI, [Evidence](#), 18 November 2024, 1250 (Lindsey Walton).

121 United Nations Development Programme, [Supporting Nature-Related Financial Disclosures: Putting nature of the balance sheet](#).

122 ENVI, [Evidence](#), 23 May 2024, 1710 (Eric Usher).

123 ENVI, [Evidence](#), 23 May 2024, 1650 (Hugh Miller).

124 Ibid.

125 ENVI, [Evidence](#), 28 October 2024, 1110 (Julien Beaulieu).

multiple witnesses that divestment is rarely the recommended option to bring about change.¹²⁶ Terrence Keeley commented, “[d]ivestiture is not the way to go if you're actually trying to influence a corporation's behaviour or effect an economic outcome.”¹²⁷

According to Barbara Zvan, if investors wish to bring about change at companies in which they have invested, the first step is for investors to engage with companies and to ask for clear outcomes (e.g., a climate strategy). A second step would be for investors to vote at investors’ meetings, such as against directors who oppose their desired change. She advised that the last option for investors would be divestment, which “then increases the cost of capital for a company.”¹²⁸

Alex Edmans raised questions about the impact of divestiture, explaining that net-zero alignment

often refers to a portfolio that divests fossil fuels, but there’s a lot of academic evidence suggesting that divestment, particularly in equity markets, has limited impact. If you sell and somebody else buys, given the fluidity and the liquidity of capital markets, the actual cost of capital impact is pretty small.¹²⁹

C. Transition Plans

Eric Usher explained how a transition plan differs from climate-related financial disclosure:

[D]isclosure doesn't require you to do anything. It just requires you to be transparent about your current business...

A transition plan is the expectation of how you plan to transition to a future state. It's a more explicit business plan for change.¹³⁰

Many witnesses emphasized the importance of standardizing corporate transition plans for businesses and financial institutions.¹³¹ To be useful, transition plans should be regulated and standardized, and Ellen Quigley saw this as a task for the federal

126 ENVI, [Evidence](#), 23 May 2024, 1600 (Terrence Keeley); ENVI, [Evidence](#), 28 October 2024, 1225 (Alex Edmans).

127 ENVI, [Evidence](#), 23 May 2024, 1600 (Terrence Keeley).

128 ENVI, [Evidence](#), 9 May 2024, 1635 (Barbara Zvan).

129 ENVI, [Evidence](#), 28 October 2024, 1225 (Alex Edmans).

130 ENVI, [Evidence](#), 23 May 2024, 1745 (Eric Usher).

131 ENVI, [Evidence](#), 23 September 2024, 1110 (Jonathan Arnold); ENVI, [Evidence](#), 18 November 2024, 1250 (Alice Chipot).



government.¹³² Gareth Gransaul (Co-Executive Director, Re•generation) suggested that transition plans that align with the target of keeping global warming to 1.5°C should be mandatory.¹³³

Representatives of the big five banks noted that their clients are expected to provide climate transition plans, though not all clients necessarily provided such plans.¹³⁴

Adam Scott (Executive Director, Shift Action for Pension Wealth and Planet Health) explained:

According to Oxford University's net-zero tracker, roughly two-thirds of Canada's largest corporations have made a commitment to net zero. ... Unfortunately, even among companies and institutions that have made those commitments, they're rarely followed up with credible climate transition plans for achieving them. Every single day, financial decision-making in Canada largely continues with business as usual, financing climate failure and putting the stability of our entire financial system in danger.¹³⁵

Akshay Dubey (Chief Executive Officer, CVW CleanTech) provided one description of how a transition could look:

I think the proactive approach here, which we should all be thinking about, is that we're not going to be moving off oil and gas tomorrow. I think we all know that's the practical solution. Is it five years, 15 years, 50 years? That remains to be seen. There are a lot of global decisions that will need to be made to get there.

I think what we need to do, in the very short term, is utilize anything that we can from an innovation perspective to make those industries more sustainable. Oil and gas is never going to be a green industry, necessarily. We can minimize the impact of that industry while we go through this decade-long transition so it doesn't have those impacts on the environment that we're all so worried about.¹³⁶

The committee heard a variety of views on transition finance for the fossil fuel sector. As Eric Usher explained:

[M]any actors in the economy, including those who are quite carbon-intensive today, have to be part of the solution and have to drive carbon out of the system within their

132 ENVI, [Evidence](#), 30 May 2024, 1650 (Ellen Quigley).

133 E.g., ENVI, [Evidence](#), 23 September 2024, 1215 (Gareth Gransaul).

134 See, for example, ENVI, [Evidence](#), 13 June 2024, 1545 (David McKay, President and Chief Executive Officer, Royal Bank of Canada).

135 ENVI, [Evidence](#), 30 October 2024, 1805 (Adam Scott).

136 ENVI, [Evidence](#), 30 October 2024, 1730 (Akshay Dubey, Chief Executive Officer, CVW CleanTech).

business models. To do that, they need transition financing. A critical part of the taxonomy will be defining essentially what transitioning is.¹³⁷

8. REGULATION AND LEGISLATION

Some witnesses advocated for strong regulatory or legislative action by the federal government in order to reduce negative effects on climate change and the environment stemming from the financial sector. Witnesses who recommended mandatory sustainability disclosures advocated for a legislative/regulatory tool as opposed to a voluntary one. The committee heard some contrasting views about whether tools and measures should be voluntary. Richard Brooks (Climate Finance Director, Stand.earth) said:

We have lots of initiatives like the net-zero banking alliance, which is purely voluntary. We have other bodies that are purely voluntary as well. There's a lot of urging action: "Let's just get our financial institutions to do more, but let's not regulate them." We've spent a lot of time urging voluntary action, but we're not getting that voluntary action from the titans of business¹³⁸

Alice Chipot (Chief Executive Officer, Regroupement pour la responsabilité sociale des entreprises) added: "Clearly, it will take regulations and the adoption of a mandatory process, because, right now, disclosure by industry stakeholders is insufficient."¹³⁹

François Delorme (Associate Professor, as an Individual) recognized that, in a free market, one company cannot adopt stronger environmental standards than others and maintain its competitiveness. Therefore, he advocated for a legislative approach, so that all companies in Canada would face the same "environmental rules," advising: "The government therefore has to do what it is here to do: secure the common good by legislating."¹⁴⁰

Analysis by Investors for Paris Compliance (I4PC) showed that of 12 large investors analysed, only three—the Canada Pension Plan Investment Board, the Caisse de dépôt et placement du Québec and Brookfield—had Paris-aligned power sector financing and investing. I4PC concluded that disclosure requirements are insufficient to create the necessary change in the investment portfolios of large players in the financial sector,¹⁴¹ and suggested that legislative action is needed to align the financial sector with climate

137 ENVI, [Evidence](#), 23 May 2024, 1710 (Eric Usher).

138 ENVI, [Evidence](#), 30 October 2024, 1730 (Richard Brooks).

139 ENVI, [Evidence](#), 18 November 2024, 1230 (Alice Chipot).

140 ENVI, [Evidence](#), 28 October 2024, 1220 (François Delorme, Associate Professor, As an individual).

141 Investors for Paris Compliance, [Written brief submitted to ENVI](#), 21 November 2024, p. 3.



requirements, commenting: “The market will only move when governments do their job and change the rules and incentives.”¹⁴²

Julie Segal (Senior Manager, Climate Finance, Environmental Defence Canada) pointed out that investors value certainty, and suggested that:

Canada being recognized as a low-regulation jurisdiction on sustainable finance creates a competitive risk. It's not attractive for international investment to have policy waffling or policy being behind where other jurisdictions are.¹⁴³

Climate-aligned Finance Act (Bill S-243)

Bill S-243, An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts (short title: Enacting Climate Commitments Act), was introduced in the Senate by Senator Rosa Galvez on 24 March 2022.¹⁴⁴ It passed second reading on 8 June 2023 and was referred to the Standing Senate Committee on Banking, Commerce and the Economy for study.¹⁴⁵ Bill S-243 aimed to align the activities of the financial sector with Canada’s climate commitments through various measures. These measures included:

- reporting requirements;
- the enforcement of targets with respect to climate commitments;
- additional capital adequacy requirements for banks; and
- the appointment of persons with climate expertise to the boards of reporting entities and establishment of climate alignment as a

142 Ibid., p. 4.

143 ENVI, *Evidence*, 23 September 2024, 1230 (Julie Segal).

144 [Bill S-243, An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts](#), 44th Parliament, 1st Session.

See Jesse Good and Adriane Yong, [Legislative Summary of Bill S-243: An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts](#), Library of Parliament, Publication no. 44-1-S243-E, 13 November 2023.

145 Bill S-243 subsequently died on the Order Paper.

superseding duty for directors, officers, or administrators of reporting entities.¹⁴⁶

Several witnesses praised the intentions and content of the Climate-Aligned Finance Act (Bill S-243).¹⁴⁷ Ellen Quigley said it “would allow us to leapfrog other jurisdictions and become the global leader in climate finance,”¹⁴⁸ partly because “it recognizes climate as a systemic risk that must be attended to at a macro-prudential level.”¹⁴⁹ A joint brief stated that the adoption of the bill “would increase the security of all Canadians by asking financial institutions to make timely and meaningful progress towards safeguarding the stability of both the financial and climate systems.”¹⁵⁰ Alice Chipot suggested that, at the moment, that bill is “the best tool we have available,”¹⁵¹ emphasizing the support it had received from over 120 organizations and 60 academics.

In the 45th Parliament, an updated¹⁵² version of the Bill was presented; Bill S-238, *An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts* completed first reading on 29 October 2025.¹⁵³

9. CANADA'S “BIG FIVE” BANKS: NET ZERO COMMITMENTS AND ACTIONS

The Office of the Superintendent of Financial Institutions (OSFI) considers six banks in Canada to be systemically important, noting: “Domestic systemically important banks

146 See Jesse Good and Adriane Yong, *Legislative Summary of Bill S-243: An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts*, Library of Parliament, Publication no. 44-1-S243-E, 13 November 2023.

147 E.g., Oxfam-Quebec, *Written brief submitted to ENVI*, 21 November 2024, p. 1; ENVI, *Evidence*, 23 September 2024, 1230 (Julie Segal); ENVI, *Evidence*, 30 May 2024, 1650 (Ellen Quigley).

148 ENVI, *Evidence*, 30 May 2024, 1650 (Ellen Quigley).

149 Ibid.

150 Environmental Defence Canada, Ecojustice, Oxfam-Québec, Shift: Action for Pension Wealth & Planet Health (Makeway), Grandmothers Act to Save the Planet, Greenpeace, Coalition Sortons la Caisse du carbone, *Joint written brief submitted to ENVI*, November 2024, p. 4.

151 ENVI, *Evidence*, 18 November 2024, 1235 (Alice Chipot).

152 Senator Rosa Galvez, “*Independent Senator Rosa Galvez reintroduces bill to align Canadian financial sector with climate commitments*,” *News release*, 29 October 2025.

153 LEGISinfo, 45th Parliament, 1st Session, *S-238, An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts*.



are essential to a country's financial system or economy. If one of these banks fails or experiences distress, it could disrupt the country's operation."¹⁵⁴

The two largest banks, Royal Bank of Canada (RBC) and Toronto-Dominion Bank (TD) are considered to be global systemically important banks¹⁵⁵ by the Financial Stability Board¹⁵⁶ and are, therefore, subject to stricter prudential regulation. OSFI explains that: "The failure of a global systemically important bank would have a significant impact on the global economy. These banks are large, complex, and interconnected with other banks around the world."¹⁵⁷

In 2021, the five largest banks, Toronto-Dominion Bank (TD Bank), Royal Bank of Canada (RBC), Scotiabank, Bank of Montreal (BMO), and Canadian Imperial Bank of Commerce (CIBC), accounted for 85% of commercial bank assets in Canada.¹⁵⁸

Representatives of these banks appeared before the committee on 13 June 2024. All five emphasized that they engage and work with their clients in the energy sector or other high-emitting sectors, to support them during the energy transition.¹⁵⁹ The committee heard from Darryl White (Chief Executive Officer, BMO Financial Group) that "the entire banking sector makes a considerable contribution to carbon neutrality,"¹⁶⁰ and he outlined their work with the Net-Zero Banking Alliance, and with domestic regulators, such as OSFI. Victor Dodig (President and Chief Executive Officer, Canadian Imperial Bank of Commerce), stated, of his institution:

We are making progress toward many of the goals we have put in place, including interim targets related to emissions intensity in specific carbon-intensive sectors and mobilizing sustainable finance towards our \$300-billion goal by 2030.¹⁶¹

154 Office of the Superintendent of Financial Institutions (OSFI), *Systemically important banks*.

155 OSFI, *Systemically important banks*.

156 Financial Stability Board, *2023 List of Global Systemically Important Banks (G-SIBs)*.

157 OSFI, *Systemically important banks*.

158 Canadian Bankers Association, Focus: Competition within the Financial Services Sector, 5 April 2024.

159 ENVI, *Evidence*, 13 June 2024, 1545 (David McKay); ENVI, *Evidence*, 13 June 2024, 1555 (Bharat Masrani, Group President and Chief Executive Officer, TD Bank Group); ENVI, *Evidence*, 13 June 2024, 1535 (Darryl White, Chief Executive Officer, BMO Financial Group); ENVI, *Evidence*, 13 June 2024, 1540 (Victor Dodig, President and Chief Executive Officer, Canadian Imperial Bank of Commerce); ENVI, *Evidence*, 13 June 2024, 1550 (Scott Thomson, President and Chief Executive Officer, Scotiabank).

160 ENVI, *Evidence*, 13 June 2024, 1535 (Darryl White).

161 ENVI, *Evidence*, 13 June 2024, 1540 (Victor Dodig).

For his part, Scott Thomson (President and Chief Executive Officer, Scotiabank) mentioned his institution's goal of \$350 billion in climate-related finance by 2030, and mentioned that it is "advancing sectoral targets by enhancing our understanding of our clients' transition-planning activities, especially in industries where we have set 2030 interim targets, including oil and gas."¹⁶²

David McKay (President and Chief Executive Officer, Royal Bank of Canada) noted that "almost 80% of RBC Capital Markets' lending exposure in the energy sector is to clients who have transition plans. While many of these plans are still in the early stages, we're encouraged by the progress we're seeing as clients move forward on this complex, multi-decade journey to net zero."¹⁶³ When asked whether they were committed to funding only those projects in the oil and gas industry that would actually reduce GHG emissions, Victor Dodig, Bharat Masrani (Group President and Chief Executive Officer, TD Bank Group), Scott Thomson, and Darryl White clarified that this was not their approach.¹⁶⁴

Bharat Masrani emphasized the importance of taking a "balanced approach" through the transition to net zero, and emphasized the many beneficiaries of his institution's approach: "We believe TD has an important role to play in supporting our clients in the transition to a low-carbon economy, and that focus on sustainability drives long-term value for our shareholders, the Canadian economy and the many communities we serve."¹⁶⁵

Alice Chipot, Chief Executive Officer of the Regroupement pour la responsabilité sociale des entreprises, which aims to support "more ethical business and investment practices to build a more just society," criticized the transition plans of the big banks, noting that their commitments to projects that develop fossil fuel resources are contradictory to transition plans.¹⁶⁶ Ms. Chipot said that the only Canadian bank with a credible transition plan is, in the opinion of her group, NatWest Bank.¹⁶⁷

The committee heard in other evidence that Canada's big five banks are among the top 21 institutions financing companies in the fossil fuel industry, and that since 2015

162 ENVI, [Evidence](#), 13 June 2024, 1550 (Scott Thomson).

163 ENVI, [Evidence](#), 13 June 2024, 1545 (David McKay).

164 ENVI, [Evidence](#), 13 June 2024, 1725 (Victor Dodig); ENVI, [Evidence](#), 13 June 2024, 1725 (Bharat Masrani); ENVI, [Evidence](#), 13 June 2024, 1725 (Scott Thomson); ENVI, [Evidence](#), 13 June 2024, 1725 (Darryl White).

165 ENVI, [Evidence](#), 13 June 2024, 1555 (Bharat Masrani)

166 ENVI, [Evidence](#), 18 November 2024, 1235 (Alice Chipot).

167 Ibid.



they have lent over US\$911 billion to companies in that sector.¹⁶⁸ They also “are some of the largest investors in fossil fuel expansion.”¹⁶⁹

In March 2024, InfluenceMap published a report, *Canada’s Big Five Banks: Heading to Net Zero?*, which examined the extent to which Canada’s five largest banks’ policies align with their respective net zero emissions commitments.¹⁷⁰ The report found that none of the banks’ fossil fuel financing was aligned with the pathways to net zero emissions that have been laid out by the Intergovernmental Panel on Climate Change and the International Energy Agency, or with their own net zero commitments.¹⁷¹ The report also found that:

Between 2020 and 2022, the Big Five steadily increased their fossil fuel financing exposure from an average of 15.5% in 2020 to 18.4% in 2022, facilitating a total of \$275 billion (USD) in financing to fossil fuel value chain companies over this period.¹⁷²

InfluenceMap’s report reached the following conclusion:

While the Big Five banks are all members of the Net Zero Banking Alliance [NZBA], none of them have publicly advocated for ambitious climate-related policy in Canada. In fact, the banks belong to industry associations that are working to block or dilute climate-related policies in Canada and globally. This is despite the NZBA commitment statement outlining that signatories will “engage on public policies to help support a net-zero transition of economic sectors in line with science.”¹⁷³

The financing of fossil fuel development by Canadian banks and financial institutions was criticized by a number of witnesses.¹⁷⁴ Some witnesses noted that funding an industry

168 Peter Dietsch, [Written brief submitted to ENVI](#), September 2024, p. 6; ENVI, [Evidence](#), 23 September 2024, 1105 (Peter Dietsch, Professor, University of Victoria, As an individual).

169 Ecojustice, [Written brief submitted to ENVI](#), undated document published on ENVI website 29 November 2024, p. 1; ENVI, [Evidence](#), 30 October 2024, 1645 (Karine Péloffy).

170 InfluenceMap, [Canada’s Big Five Banks: Heading to Net Zero?](#), March 2024.

171 Ibid.

172 Ibid.

173 Ibid.

174 E.g., Peter Dietsch, [Written brief submitted to ENVI](#), September 2024; Oxfam-Quebec, [Written brief submitted to ENVI](#), 21 November 2024; ENVI, [Evidence](#), 30 May 2024, 1650 (Ellen Quigley); ENVI, [Evidence](#), 30 May 2024, 1640 (Hon. Rosa Galvez, Senator); ENVI, [Evidence](#), 30 May 2024, 1540 (Daan Van Acker); ENVI, [Evidence](#), 23 September 2024, 1215 (Julie Segal); ENVI, [Evidence](#), 28 October 2024, 1105 (Keith Stewart); ENVI, [Evidence](#), 30 October 2024, 1650 (Richard Brooks).

largely responsible for GHG emissions (“the very cause of the climate crisis”¹⁷⁵) was not sustainable.

Daan Van Acker noted that Canadian banks had almost three times the proportion of fossil fuel companies in their financing portfolios than leading U.S. or European banks., increasing their funding to this sector at a time when U.S. and European banks were decreasing theirs. Mr. Van Acker also noted that:

The big five also provided 3.9 times less deal flow to green companies than to fossil fuel companies over this 2020 to 2022 period. This ratio is again significantly higher than the largest U.S. and European banks, which on average respectively financed 2.8 and 2.0 times less to green companies than fossil fuels.¹⁷⁶

On the other hand, Bryan Radecky pointed out that the six largest banks participated on the federal government’s Sustainable Finance Action Council, and were members of the Net-Zero Banking Alliance, and noted:

By financing the climate transition, banks are helping Canada meet its net-zero ambitions while also helping society meet interim energy demands in a volatile global context.¹⁷⁷

Oxfam-Quebec noted that in 2022, the five major Canadian banks “allocated more than \$165 billion to fossil fuel projects.”¹⁷⁸ The organization further argued that the banks’ actions are worsening inequality, suggesting that:

[B]y financing the oil and gas industry, major financial institutions are disproportionately contributing to a crisis whose impacts are felt most severely by the most vulnerable populations. The richest 10% of the world’s population, including the major banks and their corporate clients, generate almost 50% of global CO₂ emissions, compared with just 7% for the poorest 50%.¹⁷⁹

10. CONCLUSION

The committee acknowledges that global political and economic realities at the end of 2025 differ considerably from what they were when the committee decided to study this topic in 2023, and when witness testimony was heard in 2024. Nonetheless, this

175 ENVI, [Evidence](#), 30 October 2024, 1645 (Karine Péloffy).

176 ENVI, [Evidence](#), 30 May 2024, 1540 (Daan Van Acker).

177 ENVI, [Evidence](#), 28 October 2024, 1230 (Bryan Radecky).

178 Oxfam-Quebec, [Written brief submitted to ENVI](#), 21 November 2024, p. 1.

179 Ibid.



report has attempted to reflect the views of the many experienced and knowledgeable people who contributed to the study. Sustainable finance continues to be an issue of the day: it was included in Canada's Budget 2025. The committee acknowledges the challenges of encouraging a strong Canadian economy while, at the same time, taking timely action to address climate change. Businesses require regulatory certainty and predictability in order to make investment decisions, and individuals are increasingly seeking transparency and choice when deciding where to invest their savings. The committee hopes that its report will contribute to ongoing discussions aimed at advancing Canada's sustainable finance framework.

Considering the content of this report, the committee makes the following recommendations to the Minister of Environment and Climate Change and to the Minister of Finance:

Recommendation 1

That Canada's financial system be reformed to align with climate commitments, as set out in Bill S-243, the Climate-Aligned Finance Act (44th Parliament, 1st Session), which would itself provide a robust, science-based regulatory framework for conducting transition plans and annual progress reports and address greenwashing concerns around climate action.

Recommendation 2

That the Office of the Superintendent of Financial Institutions reconsider the interpretation of its mandate, as suggested by the Commissioner of the Environment and Sustainable Development, and issue detailed guidance on transition plans.

Recommendation 3

That managers of federally regulated public pension funds, in particular the Canada Pension Plan Investment Board and the Public Sector Pension Investment Board, be required to fully disclose their investments in private equity funds.

Recommendation 4

That a Sustainable Development Working Group be established within the Competition Bureau and that the rules be strengthened to combat greenwashing in the financial sector and to crack down on greenwashing.

The committee also recommends:

Recommendation 5

That the Government of Canada exclude fossil fuels from the development of Canadian sustainable investment guidelines as prescribed in the 2025 Budget.

**APPENDIX A: LETTERS SENT BY THE
COMMITTEE TO THE GOVERNMENT IN 2024**

**STANDING COMMITTEE ON
ENVIRONMENT AND SUSTAINABLE
DEVELOPMENT**



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

**COMITÉ PERMANENT DE
L'ENVIRONNEMENT ET DU
DÉVELOPPEMENT DURABLE**

Thursday, November 28, 2024

The Honourable Steven Guilbeault, P.C., M.P.
Minister of Environment and Climate Change

Dear Minister Guilbeault,

The House of Commons Standing Committee on Environment and Sustainable Development held ten meetings between Thursday, May 9, 2024, and Monday, November 25, 2024, to study environment and climate impacts related to the Canadian financial system. The committee intends to table a comprehensive report to the House of Commons in early 2025. However, the committee felt it important to provide its priority recommendations in advance. These recommendations are as follows:

1. Reforming Canada's financial system to align with climate commitments, as set out in Bill S-243, the Climate-Aligned Finance Act, which would itself provide a robust, science-based regulatory framework for conducting transition plans and annual progress reports and address greenwashing concerns around climate action;
2. The Office of the Superintendent of Financial Institutions is reconsidering the interpretation of its mandate, as suggested by the Commissioner of the Environment and Sustainable Development, and is issuing detailed guidance on transition plans;
3. Managers of federally regulated public pension funds, in particular the Canada Pension Plan Investment Board and the Public Sector Pension Investment Board, be required to fully disclose their investments in private equity funds; and
4. That a Sustainable Development Working Group be established within the Competition Bureau and that the rules be strengthened to combat greenwashing in the financial sector and to crack down on greenwashing.

On behalf of the committee, I would like to thank you for considering these recommendations. The committee looks forward to your detailed response within 30 days of receipt, outlining what your ministry has already undertaken and what it intends to implement regarding each of the above recommendations.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Francis Scarpaleggia", with a long horizontal flourish extending to the right.

Francis Scarpaleggia, Member of Parliament
Chair, House of Commons Standing Committee on Environment and Sustainable
Development

CC:

– The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of
Finance

**STANDING COMMITTEE ON
ENVIRONMENT AND SUSTAINABLE
DEVELOPMENT**



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

**COMITÉ PERMANENT DE
L'ENVIRONNEMENT ET DU
DÉVELOPPEMENT DURABLE**

Thursday, November 28, 2024

The Honourable Chrystia Freeland, P.C., M.P.
Minister of Finance

Dear Minister Freeland,

The House of Commons Standing Committee on Environment and Sustainable Development held ten meetings between Thursday, May 9, 2024, and Monday, November 25, 2024, to study environment and climate impacts related to the Canadian financial system. The committee intends to table a comprehensive report to the House of Commons in early 2025. However, the committee felt it important to provide its priority recommendations in advance. These recommendations are as follows:

1. Reforming Canada's financial system to align with climate commitments, as set out in Bill S-243, the Climate-Aligned Finance Act, which would itself provide a robust, science-based regulatory framework for conducting transition plans and annual progress reports and address greenwashing concerns around climate action;
2. The Office of the Superintendent of Financial Institutions is reconsidering the interpretation of its mandate, as suggested by the Commissioner of the Environment and Sustainable Development, and is issuing detailed guidance on transition plans;
3. Managers of federally regulated public pension funds, in particular the Canada Pension Plan Investment Board and the Public Sector Pension Investment Board, be required to fully disclose their investments in private equity funds; and
4. That a Sustainable Development Working Group be established within the Competition Bureau and that the rules be strengthened to combat greenwashing in the financial sector and to crack down on greenwashing.

On behalf of the committee, I would like to thank you for considering these recommendations. The committee looks forward to your detailed response within 30 days of receipt, outlining what your ministry has already undertaken and what it intends to implement regarding each of the above recommendations.

Yours sincerely,

A handwritten signature in blue ink that reads "Francis Scarpaleggia". The signature is written in a cursive style and is followed by a long horizontal line.

Francis Scarpaleggia, Member of Parliament
Chair, House of Commons Standing Committee on Environment and Sustainable
Development

CC:

– The Honourable Steven Guilbeault, Minister of Environment and Climate
Change

APPENDIX B: LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee’s [webpage for this study](#).

44th Parliament – 1st Session

Organizations and Individuals	Date	Meeting
<p>As an individual</p> <p>Andrew Chisholm, Member, Canada’s Expert Panel on Sustainable Finance</p> <p>Barbara Zvan, President and Chief Executive Officer, Canada’s Expert Panel on Sustainable Finance</p>	2024/05/09	107
<p>Office of the Auditor General</p> <p>Jerry V. DeMarco, Commissioner of the Environment and Sustainable Development</p> <p>Mathieu Lequain, Principal</p> <p>Jean-François Nadeau, Director</p>	2024/05/09	107
<p>AlphaFixe Capital</p> <p>Sébastien Rhéaume, Managing Director</p> <p>Simon Sénécal, Portfolio Manager, Responsible Investment, Partner</p>	2024/05/23	109
<p>As an individual</p> <p>Eric Usher, Head of UNEP Finance Initiative</p>	2024/05/23	109
<p>Canadian Chamber of Commerce</p> <p>Jessica Brandon-Jepp, Senior Director, Fiscal and Financial Services Policy</p> <p>Bryan Detchou, Senior Director, Natural Resources, Environment and Sustainability</p>	2024/05/23	109
<p>Impact Evaluation Lab</p> <p>Terrence Keeley, Chairman</p>	2024/05/23	109

Organizations and Individuals	Date	Meeting
Insurance Bureau of Canada Rachel Barry, Manager, Government Relations Jason Clark, National Director, Climate Change Advocacy	2024/05/23	109
Organisation for Economic Co-operation and Development Hugh Miller, Analyst	2024/05/23	109
As an individual Bruce Parry, Professor of Law, Queen's University Ellen Quigley, Research Professor, University of Cambridge	2024/05/30	110
Deloitte Céline Bak, Partner, Risk Advisory, Financial Services, ESG & Impact	2024/05/30	110
Goodman Sustainability Group Inc. Faith Goodman, Chief Executive Officer	2024/05/30	110
InfluenceMap Daan Van Acker, Program Manager	2024/05/30	110
Montreal Economic Institute Renaud Brossard, Vice-President, Communications Krystle Wittevrongel, Senior Policy Analyst and Alberta Project Lead	2024/05/30	110
Office of the Superintendent of Financial Institutions Peter Routledge, Superintendent Stéphane Tardif, Managing Director, Climate Risk Division	2024/05/30	110
Senate Rosa Galvez, Senator	2024/05/30	110
BMO Financial Group Darryl White, Chief Executive Officer	2024/06/13	114
Canadian Imperial Bank of Commerce Victor Dodig, President and Chief Executive Officer	2024/06/13	114
Royal Bank of Canada David McKay, President and Chief Executive Officer	2024/06/13	114

Organizations and Individuals	Date	Meeting
Scotiabank Scott Thomson, President and Chief Executive Officer	2024/06/13	114
TD Bank Group Bharat Masrani, Group President and Chief Executive Officer	2024/06/13	114
As an individual Richard Dias, Global Macro Strategist Peter Dietsch, Professor, University of Victoria	2024/09/23	121
Canadian Climate Institute Jonathan Arnold, Acting Director, Clean Growth	2024/09/23	121
Carbon Tracker Initiative Michael Coffin, Head of Oil, Gas and Mining	2024/09/23	121
Environmental Defence Canada Julie Segal, Senior Manager, Climate Finance	2024/09/23	121
Re•generation Gareth Gransauill, Co-Executive Director	2024/09/23	121
As an individual Aswath Damodaran, Professor, Stern School of Business, New York University Nathan de Arriba-Sellier, Director, Erasmus Platform for Sustainable Value Creation, Rotterdam School of Management, Erasmus University François Delorme, Associate Professor Alex Edmans, Professor	2024/10/28	128
Canadian Bankers Association Darren Hannah, Senior Vice President, Financial Stability & Banking Policy Bryan Radecky, Director, Financial Stability	2024/10/28	128
Greenpeace Canada Keith Stewart, Senior Energy Strategist	2024/10/28	128
Québec Environmental Law Centre Julien Beaulieu, Lawyer and Researcher	2024/10/28	128

Organizations and Individuals	Date	Meeting
Canada Climate Law Initiative Janis Sarra, Professor of Law Emerita	2024/10/30	129
Canadian Federation of Independent Business Jasmin Guénette, Vice-President, National Affairs	2024/10/30	129
CIRANO Anne-Marie Hubert, Fellow	2024/10/30	129
CVW CleanTech Akshay Dubey, Chief Executive Officer	2024/10/30	129
Ecojustice Karine Péloffy, Lawyer and Sustainable Finance Project Lead	2024/10/30	129
EY Canada Heather Taylor, Partner, Climate Change and Sustainability Services	2024/10/30	129
Shift Action for Pension Wealth and Planet Health Adam Scott, Executive Director	2024/10/30	129
Stand.earth Richard Brooks, Climate Finance Director	2024/10/30	129
As an individual Hugues Chenet, Associate Professor, IESEG School of Management Bryce C. Tingle, N. Murray Edwards Chair in Business Law, Faculty of Law, University of Calgary	2024/11/04	130
Chartered Professional Accountants of Canada Rosemary McGuire, Vice-President, Member Experience	2024/11/04	130
Department of Finance Clifton Lee-Sing, Director, Markets and Securities, Financial Stability and Capital Markets Division Kathleen Wrye, Director, Pensions Policy, Financial Crimes and Security Division	2024/11/18	132
Department of the Environment Nicolas Barbe, Director, Economic Policy, Sustainable Finance	2024/11/18	132

Organizations and Individuals	Date	Meeting
Investors for Paris Compliance Renaud Gignac, Senior Adviser	2024/11/18	132
Principles for Responsible Investment Lindsey Walton, Director, Americas, Responsible Investment Ecosystems	2024/11/18	132
Regroupement pour la responsabilité sociale des entreprises Alice Chipot, Chief Executive Officer	2024/11/18	132
Shareholder Association for Research and Education Anthony Schein, Chief Operating Officer	2024/11/18	132

APPENDIX C: LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's [webpage for this study](#).

44th Parliament – 1st Session

Canadian Parks and Wilderness Society

Dietsch, Peter

Ecojustice

Environmental Defence Canada

Grandmothers Act to Save the Planet

Greenpeace Canada

Investors for Paris Compliance

Oxfam-Québec

Shift Action for Pension Wealth and Planet Health

Sortons la Caisse du carbone

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* (Meetings No. [19](#)) from the 45th Parliament, 1st Session and (Meetings Nos. [107](#), [109](#), [110](#), [114](#), [121](#), [128](#), [129](#), [130](#), [132](#), and [134](#)) from the 44th Parliament, 1st Session is tabled.

Respectfully submitted,

Angelo Iacono
Chair

As Conservative Members of Parliament on the Standing Committee on Environment and Sustainable Development, we fundamentally disagree with imposing new taxonomy net zero disclosures on Canada's banks, pension plans, and other financial institutions, let alone the costs to businesses to comply.

This report, born amid global and domestic upheavals, threatens to shackle Canadian companies with expensive regulations that shove ideology down the throat of reality. It's yet another top-down decree from the ivory towers, fattening consultants' wallets while choking off capital to those who have built this nation's prosperity. These are the engines of untold wealth and jobs, whose success underpins millions of pensions and everyday investments.

While the Liberal Members of Parliament on the committee will not publicly admit that their aim is to make it more expensive for companies to access capital, particularly those in the energy sector, we are not afraid to call a spade a spade. The reality is that their other climate change policies have failed, such as the consumer carbon tax and the emissions cap, and now they have put their EV mandate on ice. They are struggling to come up with a way to bolster their climate credentials in a policy area that most Canadians won't see but that will have an impact on the economy.

We reject these new taxonomy measures as they represent an overreach that would harm Canada's economy, people's pensions and their financial security. Instead of layering on more red tape, Canada should unleash its vast energy resources to drive prosperity, create jobs, and secure our place as a global energy leader. We trust Canadian financial lenders and investors to navigate the evolving energy transition and at the same time maximize returns through legitimate and lawful companies and projects.

The report itself acknowledges profound changes since the committee's hearings concluded in 2024, yet it fails to grapple with their full implications and costs. Meanwhile, the Net-Zero Banking Alliance (NZBA), a key pillar of the broader Glasgow Financial Alliance for Net Zero (GFANZ), which was launched in 2021 by none other than Mark Carney in his role as UN Special Envoy on Climate Action and Finance, was disbanded in 2025 after a cascade of exits. High-profile departures hollowed out the NZBA, underscoring the impracticality of forcing financial institutions into rigid climate commitments that expose them to lawsuits and regulatory scrutiny without delivering meaningful environmental gains.

At its core, the proposed taxonomy, defined in the report as a tool to help jurisdictions determine what counts as a "green" economic activity is a bureaucratic straitjacket. It would require banks, pension funds like the Canada Pension Plan Investment Board, and others to classify investments based on climate and biodiversity criteria, leading to mandatory disclosures on everything from GHG emissions to nature-related risks. This approach ignores critical conflicts of interest highlighted by witnesses, such as Richard Dias, a global macro strategist with over 18 years of experience.

Dias pointed out that many proponents of these measures are tied to firms that stand to profit directly from the resulting regulations, not through reducing global emissions or meeting Paris Agreement goals, but via billable hours and fees generated by navigating the increased regulatory burden. As he noted, these entities have a fiduciary duty to their clients and shareholders, but the taxonomy would coerce financial institutions to subordinate those interests in favour of political aims, which is unethical on its face. Investment managers have a legal obligation to maximize returns for investors and pensioners, not being mandated by the government to wield their power for social or environmental priorities, no matter how noble. Forcing such a shift could result in net losses for clients while enriching consultants, effectively amounting to legislation through the back door at a time when Canada faces a productivity crisis.

But who pays the price? Everyday Canadians. These requirements would inflate compliance costs, passed on through higher fees for mortgages, loans, and retirement savings. Pension funds, already managing billions in assets, would face demands to fully disclose their investments in private equity funds, potentially diverting resources from maximizing returns to navigating endless paperwork. We also recognize there will be costs being borne by businesses in order to provide the necessary information.

Small and medium-sized enterprises in Canada are increasingly impacted by environmental, social, and governance (ESG) reporting requirements, particularly those related to climate disclosures. While direct mandatory rules from bodies like the Canadian Securities Administrators and the Office of the Superintendent of Financial Institutions primarily target public companies and federally regulated financial institutions, smaller businesses will be caught in the crossfire through supply chain demands. Larger firms require ESG data from suppliers to fulfill their own Scope 3 emissions reporting (value chain emissions), creating indirect compliance pressures.

ESG compliance, especially for climate-related disclosures, involves several layers:

- **Data Collection and Calculation:** Tracking greenhouse gas (GHG) emissions across Scopes 1 (direct), 2 (indirect from energy), and 3 (supply chain). This requires software, audits, and expertise.
- **Reporting and Assurance:** Preparing disclosures, verifying data, and integrating into annual reports or filings.
- **Training and Consulting:** Building internal skills or hiring experts for emissions accounting, risk assessments, and standards alignment.
- **Ongoing Maintenance:** Annual updates, scenario analyses, and adaptations to evolving regulations.

The Canadian Federation of Independent Business (CFIB) has voiced strong concerns about the proposed taxonomy system, highlighting its potential indirect negative impacts on small and medium-sized enterprises (SMEs), particularly through increased barriers to accessing financing in sectors like agriculture due to additional environmental reporting

requirements that amplify red tape and accounting costs. CFIB members overwhelmingly oppose extra paperwork, disclosure forms, and compliance burdens when applying for loans, as surveys indicate that high levels of red tape and taxes already severely limit sales and growth, making it challenging for businesses to stay afloat in the current economic environment.

They reject the notion that SMEs are not doing enough to reduce environmental impacts, emphasizing that many owners care deeply about sustainability and are proactively implementing measures such as increasing recycling and reuse, renovating facilities to lower energy consumption, reducing plastic usage, and adopting greener equipment.

Above and beyond those costs, worse, this taxonomy clashes with Canada's path to becoming an energy superpower. Our nation sits on vast reserves of oil, natural gas, and critical minerals essential for global energy security. Yet the majority report's focus on "impacts of Canada's financial system on climate change and the environment" implicitly discourages investment in these areas. This is shortsighted, especially considering the law of unintended consequences outlined by Dias: Green energy policies, as currently structured, have been the greatest boon to fossil fuel companies since the advent of transatlantic flight. By starving public oil companies of capital to constrain supply, while doing nothing to curb rising demand (humans consume 101 million barrels of oil daily, a figure that's increasing), these policies have lifted oil prices, leading to record cash flows, exploding free cash flow yields, and unprecedented profits.

As Conservatives, we believe Canada should export clean, reliable energy to allies, reducing global emissions by displacing dirtier sources from authoritarian regimes. Forcing disclosures could label energy investments as "high-risk" starving them of capital and killing jobs in Alberta, Saskatchewan, Newfoundland and Labrador and beyond. Instead of taxonomy traps, let's prioritize pipelines, LNG terminals, and innovation to make Canada the world's go-to energy provider, creating wealth that could fund environmental stewardship on our terms.

In dissenting from this report, we urge the government to reject the taxonomy and disclosure mandates. Canada has the resources, ingenuity, and workforce to become an energy superpower, powering global growth while responsibly managing our environment. Let's focus on cutting red tape, approving projects, and attracting investment, not erecting more bureaucratic barriers that puts all of that at risk.

The report warns that the impacts of climate change are a serious concern for Canadians. We agree. The solution, however, lies in economic strength, not financial handcuffs. By unleashing our world-class energy sector, we can generate the wealth needed to fund adaptation, innovation, and conservation without destroying livelihoods.

At the same time, forcing net zero agendas through pension and investment funds poses a severe threat to Canadians' retirement savings. As the Committee heard, ESG strategies have lagged broader markets by roughly 250 basis points a year, putting hundreds of billions of dollars in hard-earned nest eggs at risk. We urge the government to focus on the

real world instead of chasing utopian visions. Divestment from Canadian resources achieves nothing for the environment and should alarm every Canadian. It simply ships jobs and emissions to dirtier jurisdictions while shrinking the pensions of teachers, nurses, and tradespeople.

Canada can lead on both climate action and prosperity, but only if we stop punishing the very industries that can pay for both.

COMPLEMENTARY REPORT BY THE BLOC QUÉBÉCOIS

REPORT ON THE STUDY OF CLIMATE-ALIGNED FINANCE IN THE 44TH LEGISLATURE

December 12, 2025

The Bloc Québécois wishes to enhance the recommendations in the current report with the following recommendations:

1.	That the full implementation of the final recommendations of Canada's Expert Panel on Sustainable Finance be accelerated, and that Federal Bill S-243 of the 44th Parliament (An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts) be passed and implemented as quickly as possible.
2.	That a legal obligation to compile and disclose all of their operational and financed emissions (Levels 1, 2, and 3 for all sectors, all asset classes, and with complete geographic coverage) be imposed on Canadian depository institutions.
3.	That the definition and scope of the fiduciary duty of Canadian depository institutions be clarified and, where necessary, amended to establish and/or increase the relative importance given to climate risks, as also proposed by Canada's Expert Panel on Sustainable Finance.
4.	That each Canadian depository institution have the obligation to develop, adopt, and publish by 2025 an action plan to realign all of its portfolios with the Paris Agreement (carbon neutrality by 2050) and detailing precisely how this will be achieved, as well as the five-year interim targets to be met in order to do so.
5.	That financial institutions, pension plans, and large companies under federal jurisdiction be required to develop, adopt, and publish by 2027 an action plan to realign all of their portfolios with the Paris Agreement, detailing precisely how they will achieve this, as well as five-year interim targets to be met in order to do so. That the action plan also includes disclosure of climate risks, opportunities, and impacts. That credible climate plans be reviewed by the appropriate regulatory bodies.
6.	That the federal government, along with its Crown corporations and other financial state-owned enterprises, divest completely from the fossil fuel sector by 2026 and develop, publish, and report on credible climate plans, subject to review and approval by the Minister of Finance with the participation of the Net-Zero Advisory Body.
7.	That the federal government adopt regulations under the Competition Act to define which methods and indicators should be used by companies and financial institutions to substantiate their environmental claims and require that evidence supporting these claims be proactively disclosed to the public.
8.	That the federal government commits to protecting and restoring biodiversity in all financial activities under its jurisdiction. These strategies should be developed in close

	partnership with Indigenous peoples, whose rights and knowledge contribute to the regeneration and responsible management of the land.
9.	That the Financial Consumer Agency of Canada incorporate environmental issues into its awareness activities.
10.	That the governance of the third-party organization selected to lead the development of Canadian sustainable investment guidelines, as prescribed in the 2025 Budget, be transparent, science-based, results-oriented, and adequately resourced to ensure that the Canadian taxonomy is credible and usable. It must be structured in such a way that no single group can obstruct timely, objective, and science-based decisions during the development of the taxonomy. It must therefore be independent of the financial sector and include one or more climate-focused non-profit organizations.
11.	That nuclear power, in addition to fossil fuels, be excluded from the development of Canadian guidelines on sustainable investment as prescribed in the 2025 Budget.
12.	That resources used to reduce emissions in the development of fossil fuels, such as liquefied natural gas, nuclear power, and carbon capture, utilization, and storage (CCUS), should not be included in the taxonomy, for the green investments, and the transition.
13.	That the government use tax incentives to phase out investments in fossil fuels: By offering a larger tax deduction (rather than 100%) for contributions to certified sustainable RRSPs and reducing the tax deduction to 80% for contributions to RRSPs whose investments include fossil fuel-related activities. After a period allowing managers to adjust, extend this rule to contributions to pension funds.
14.	That the mandate of the Canada Pension Plan Investment Board be amended to include sustainable development objectives and the gradual divestment of investments in fossil fuels.
15.	That the federal government instruct the Competition Bureau to engage in dialogue with the Canadian Securities Administrators on ways to combat greenwashing practices.
16.	That the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada lead an expanded program of crisis simulations and scenario analysis for global warming trajectories.
17.	That the government specifies its commitments and investments in climate resilience, particularly regarding the national insurance program for properties at high risk of flooding and housing.
18.	That an annual review of investments stimulated by government policies, according to company size, be published.