SUSTAINABILITY REPORTING

Fueling Canada's Competitiveness with Credible Sustainability Data

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Summary

What role does credible sustainability reporting play in driving Canada's economic growth? A Global Accounting Alliance (GAA) event was held in Canada in November 2025, co-hosted by Chartered Professional Accountants of Canada, Institute of Corporate Directors (ICD) and Responsible Investment Association (RIA), titled **Fueling Canada's Competitiveness with Credible Sustainability Data,** to discuss that question. The event brought together a panel and roundtable discussion amongst a wide range of interested and affected parties – investors, preparers, and board directors.

The event was a follow-up to a GAA event hosted in London in March of 2025: Sustainability assurance: the role of the profession in a changing world, which highlighted the needs of investors and the importance of boards in driving companies to report and assure material sustainability-related risks and opportunities, regardless of regulatory requirements.

The state of sustainability reporting globally

Forty countries are now advancing International Sustainability Standards Board (ISSB)-aligned disclosure frameworks. This is significant because these jurisdictions account for 60% of global GDP, 40% of capital markets, and 60% of greenhouse gas emissions. The global movement towards ISSB-aligned standards continues to grow as a baseline for sustainability disclosure for a specific reason: the disclosures help provide investors with high-quality, reliable sustainability information that is consistent and comparable between jurisdictions.

The Canadian landscape

The discussion took place at a shifting time in Canada's sustainability journey. In June 2024, new stringent greenwashing provisions were introduced to Canada's Competition Act. In April 2025, the Canadian Securities Administrators (CSA) paused its work on mandatory climate and diversity disclosure rules for Canadian reporting issuers. Adding to the mix, the Federal Government's latest budget released late 2025 highlights intentions to support the development of a "made-in-Canada" taxonomy as well as scaling back on the greenwashing provisions in the Competition Act. These developments are outlined in further detail below.

CSA pause on climate-related disclosure rule

The pause of the CSA rule followed the U.S. Securities and Exchange Commission's withdrawal of its support for mandatory disclosure of climate-related risks and greenhouse gas emissions by U.S. issuers. The CSA pause however is expected to be temporary – likely a strategic decision aimed to support Canadian markets as they face increasing tariff threats from the U.S. and global economic uncertainty. Despite the pause, the CSA has stated that it is monitoring global developments and encourages issuers to refer to the Canadian Sustainability Standards Board's (CSSB) inaugural disclosure standards, Canadian Sustainability Disclosure Standard (CSDS) 1 and CSDS 2, when preparing their disclosures. The Canadian Sustainability Disclosure Standards are based on the IFRS Sustainability Disclosure Standards issued by the ISSB (IFRS S1 and IFRS S2), with additional transition reliefs that are meant to address the unique needs of the Canadian market.

While the CSA has given no indication of when the pause will be lifted, investor demand for climate disclosures continues to grow. They rely on this data to assess risk, opportunity and long-term value of companies.

The message for Canadian companies from the roundtable discussion is clear: *regardless of the CSA's pause on mandatory climate disclosures, Canadian businesses should be building capacity now for disclosure – and reporting to the best of their ability as soon as possible. This is what will open the door to opportunities and investment with top trading partners outside the U.S. – it was mentioned during the discussion that 8 out of 10 of Canada's largest trading partners have mandatory disclosure regimes. The message is clear that investors care about sustainability performance and so if companies are not reporting, or under reporting, investors will be forced to use proxies, which will generally not be to the benefit of the companies.*

New greenwashing provisions in Canada's Competition Act

The introduction of the anti-greenwashing legislation in 2024 has resulted in a pull back of sustainability reporting in Canada. Bill C-59 amended the Competition Act to include strict rules around companies making environmental claims that are not adequately substantiated. While imposing hefty fines and penalties for non-compliance, the amendments were considered by many to be vague and difficult to understand, creating considerable uncertainty for businesses who were concerned about their legal risk around their environmental claims. Hearing stakeholder concerns, in its 2025 budget, the Government of Canada stated that it intends to propose amending the greenwashing provisions in the Competition Act by removing the requirement for businesses to substantiate their environmental benefit claims based specifically on an internationally recognized methodology and removing the ability for third parties to bring cases directly to the Competition Tribunal for greenwashing complaints – two key aspects of the provision that were causing considerable unrest for issuers and their advisors. While revisiting the provisions is a positive step forward, it remains to be seen whether the further amendments will help Canadian issuers navigate the rules or create more uncertainty.

A "made-in-Canada" taxonomy on the horizon

The latest budget also reconfirmed the Government of Canada's support for the arm's length development of made-in-Canada sustainable investment guidelines (also known as a taxonomy) by the end of 2026. The budget highlights that these investment guidelines will become an important, voluntary tool for investors, lenders, and other stakeholders navigating the global race to net-zero, by credibly identifying "green" and "transition" investments.

Sidebar: Fast facts from the Institute of Sustainable Finance's report on Canadian Corporate Performance on GHG Emissions, Disclosures and Target Setting (September 2025)

- *Number of companies reporting of Scope 1 and 2 GHG Emissions has increased from 72% in 2021 to 79% in 2023.*
- *Firms that report at least partial Scope 3 GHG emissions increased from 38% in 2021 to 49% in 2023.*

Sustainability data informs business resilience

Larger Canadian issuers are using the delay in mandatory climate reporting to be more strategic with their sustainability reporting journey. They are no longer rushing to gather data to meet a particular deadline and instead are focusing on putting more rigor around internal controls, processes and data quality to make their reporting more meaningful. Ultimately, there is value for companies in understanding and managing climate-related risks and opportunities and integrating climate-related strategy in broader enterprise risk management and planning.

One director at the roundtable serves on the boards of two distinct, large organizations, one a utility, the other a construction company, both on the vanguard of reorienting strategy to make climate and nature an engine for future growth and prosperity. Key messages shared regarding their respective journeys included:

- **Momentum remains strong.** Stakeholders of both organizations continue to have a high interest in climate disclosures and climate action despite the pause in new climate rules in Canada.
- **Integration is key.** Both organizations' boards approach sustainability through a broad lens. This includes governance, risk, social impact, employee point-of-view, net performance across a range of ESG measures. They have each integrated sustainability into business strategy.
- **Approaching sustainability through an Indigenous lens is important.** The utility company in particular has focused on strengthening relationships with Indigenous Peoples. Today the company has a new framework for doing business in which Indigenous communities are equal equity partners. It has created a necessary and mutually beneficial reset. Issues are dealt with early and the utility company benefits from Indigenous knowledge and experience.
- **Climate and nature represent a strong business opportunity.** The construction company started its sustainability journey as a result of the collective experience of board members and from the perspective of a business opportunity – not as a risk to mitigate. This led to changes in the business model, where it does business, who it partners with and how it builds – all to leverage strengths and opportunities in the space.
- **Quality trumps quantity when it comes to climate disclosures.** Reports are shorter and more meaningful. Third-party validation, standardization, efforts to adapt and align with Canadian standards are growing.

Challenges in reporting high-quality sustainability information

Several key challenges for sustainability reporting were highlighted by a Director of Sustainability Accounting at a large financial services company which reports sustainability information for regulatory purposes as well as providing additional voluntary disclosures:

- Unlike financial data, which is measured in dollars and cents, sustainability data has no consistent unit of measure. It ranges from carbon emissions to the percentage of underrepresented ethnicities in the senior management team. Given the wide range of measurement units, it's difficult to assess the materiality of this information.

- Internal controls for sustainability reporting are in their infancy and standardized guidance is evolving.
- Sustainability data, such as GHG emissions, takes time to calculate and develop into high-quality information. While accruals are accepted for financial data, there is often hesitation about providing estimates for sustainability data.
- Sustainability data comes from across the organization and value chain, and often this data is siloed. In the case of this organization, there are some 200 different metrics and 60 providers who are at different levels of maturity when it comes to sustainability reporting.

In 2023, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published supplemental guidance to help organizations achieve effective internal control over sustainability reporting (ICSR). This guidance prescribes applying the same systematic rigour to measuring, validating, managing and reporting material sustainability information, leading to greater corporate and stakeholder effectiveness that is similar to COSO's Internal Controls over Financial Reporting (ICFR) Framework

To address these challenges, the organization has created a sustainability accounting team that includes experts in controls and experts in sustainability. This helps ensure they are sharing internal knowledge and helping build better understanding and capacity. The team, with the help of more mature control functions, such as internal audit, has created a set of guidelines for sustainability data risk and controls to help identify high-, medium- and low-risk metrics. The guidelines also delineate clear ownership of the data, including who does what and when, which helps the owners of the data understand how it is being used.

When it comes to calculating sustainability data, the organization applies appropriate protocols and methodologies to provide reasonable estimates. The Director of Sustainability Accounting highlighted that sustainability reporting does not have to be perfect, but the process to arrive at the estimates has to be robust and high-quality data takes time to develop.

Key Takeaways – How the conversation is evolving

Key takeaways on how the conversation has evolved from the March 2025 GAA-hosted roundtable are highlighted below.

1. **From standards and regulation to implementation and execution**
   In the first roundtable, the conversation emphasized the importance of global standards and regulation. In the second roundtable, organizations demonstrated they are now building the systems, controls and governance needed to operationalize high-quality sustainability information.
2. **From materiality as a concept to materiality as a management tool**
   In the first roundtable, materiality – particularly double materiality – was seen as a challenging and evolving concept. In the second roundtable, organizations discussed using materiality to prioritize metrics, allocate ownership, design controls and inform board discussions.
3. **From assurance to data readiness and control maturity**
   In the first roundtable, panelists described the role of assurance in building trust. In the second roundtable, panelists described how data quality, internal controls and clear accountability are the primary bottlenecks to assurance.
4. **From shared understanding to shared accountability**
   In the first roundtable, the focus was on building a shared understanding of the value of sustainability assurance across stakeholders. In the second roundtable, the conversation reflected a shift toward defined roles and executive and board-level accountability for sustainability data, controls and performance – signalling maturation of governance practices.