2025 ESG Disclosure Study

Benchmark survey of ESG-related disclosure and practices by Canadian public companies

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Executive Summary

The world looks very different today than it did when Fasken's Environmental, Social and Governance (ESG) Disclosure Study was last published. However, ESG considerations and disclosure continued to be very much in the minds of corporate decision makers, investors, regulators and other stakeholders in 2024.

Canadian companies navigated a changing legislative landscape in Canada along with other international developments. Significantly, the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* introduced new mandatory reporting for specified companies including on forced and child labour and human rights-related issues in their supply chain. In addition, Bill C-59[1] was granted Royal Assent in June, 2024. This introduced significant changes to the *Competition Act* requiring companies to substantiate representations as to the environmental or climate benefits of their products or services or business and business activities in accordance with the legislation and included the introduction (from June 20, 2025) of a private right of action with respect to greenwashing claims.

Adding to the complexity for issuers with global operations, the European Commission went beyond reporting requirements and adopted a Directive on Corporate Sustainability Due Diligence (CSDDD) on July 25, 2024. The CSDDD established a corporate due diligence duty on large EU and non-EU companies to identify, prevent, mitigate and account for adverse impacts of companies' operations with respect to human rights and environmental impacts in their supply chains globally. The CSDDD has sparked opposition, but if it proceeds it will be implemented gradually between 2027 and 2029.

South of the border, President Trump and his administration have halted certain U.S. initiatives in the ESG space and have signalled overt hostility to others. More broadly, US tariff threats and other international moves have introduced uncertainty far beyond the realm of ESG.

Canadian companies are facing an increasingly "multi-speed" world with respect to ESG issues. Conflicting regulatory requirements, fast-paced change and intensified sentiments from various stakeholders will require companies to actively monitor these developments and consider how to refine their prioritization and governance of ESG matters. ESG and stakeholder relations – already a minefield for many companies – will demand an even defter touch in the years ahead. Companies will need to adopt a more strategic approach to related disclosure of ESG topics, whether voluntary or mandated by law.

This study (Study) aims to assist companies, their boards and other stakeholders with these considerations by providing a baseline of how a sample of large Canadian issuers addressed selected ESG matters and their related disclosure practices in 2024.

1. Known as the Fall Economic Statement Implementation Act, 2023

Key Findings

Board Oversight

Almost all issuers surveyed in this Study specifically reference an oversight function of ESG considerations by their board and/or a board committee. We have noted that many companies give committees a role regarding ESG considerations, with a vast majority of companies having "committee" oversight over environmental and social matters, as opposed to "full board only" oversight. Multifunctional committees, including corporate governance committees in combination with a specific mandate over environmental or social issues, were relied on by many Surveyed Companies to oversee ESG matters. All Surveyed Companies that reported on its directors' skills in its management information circular have identified at least one director with Environmental (or "E"), Social (or "S"), or combined ESG-related expertise. Further, board compositions are increasingly showing high-levels of board expertise over ESG matters, with TSX60 and CEC41 companies reporting on average over 85% of their board of directors as having "E", "S", or combined ESG-related expertise.

Executive and Employee Compensation

ESG continues to be relevant for short-term compensation decisions. More issuers are noting specific standalone environmental and social metrics that are applicable to these decisions, as opposed to combining E and S topics with other considerations relevant to compensation. We also observed that, although not a majority, a considerable number of Surveyed Companies are reporting on their "wage gap" ratio (i.e., the ratio of compensation or elements of compensation earned by a given equity seeking group as compared to the broader workforce).

Reporting Frameworks

Even though a small number of Surveyed Companies have withdrawn or declined to publish ESG disclosures in response to Bill C-59, we found that most companies continue to reference one or more reporting frameworks in their ESG reporting. To date the incorporation of the International Sustainability Standards Board's (ISSB) reporting standards into sustainability disclosure has been limited, with SASB, GRI and TCFD continuing to be the most referenced frameworks.

Assurance

The growing demand for consistent, transparent, and reliable ESG information from investors and regulators is prompting companies to seek third-party assurance to enhance the credibility of their ESG disclosures and mitigate legal risks. This Study found that around 70% of TSX60 and CEC41 companies obtained external assurance for their ESG disclosures, primarily focusing on environmental metrics like GHG emissions. Most companies opted for "limited" assurance, with accounting firms being the preferred providers, followed by specialized consulting firms.

Forced and/or Child Labour

In the inaugural year of mandatory reporting under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (FCLA), nearly all Surveyed Companies furnished reports under the FCLA, reporting on topics such as forced and child labour or human rights-related issues in their supply chain and steps taken to prevent and reduce such risks.

Targets

The availability of disclosure concerning GHG reduction targets was negatively impacted by the response by some Surveyed Companies to the legislative changes introduced by Bill C-59. However, of the reports available for review, absolute emissions reduction targets and net-zero emissions targets continue to be the most frequently disclosed.

Shareholder Proposals

Certain stakeholders attempt to engage with companies on ESG matters through shareholder proposals that may bring to light a particular issue or concern of importance to such stakeholders. This Study found that approximately a quarter of the Surveyed Companies received ESG-related proposals, with a majority of these proceeding to a vote. Consistent with previous years, the Financial Services industry received the most ESG-related proposals. The subject matter of these proposals was diverse. Environmental proposals, which covered topics like GHG emissions reductions and renewable energy, received varied support levels. Social proposals focused on racial equity, human rights, and employee well-being, garnered moderate support. Governance proposals emphasized transparency, accountability, and a return to in-person meetings, with some of these proposals receiving majority support. Lastly, anti-ESG proposals, which opposed ESG initiatives, received minimal support.

Indigenous Engagement

While most companies highlight Indigenous issues in their disclosure documents, only a minority of Surveyed Companies have disclosed having specific plans or policies focused on Indigenous reconciliation, engagement or economic development. Companies in natural resource sectors and Financial Services are most likely amongst all Surveyed Companies to disclose any such formal policies or plans.

About this Study

The intent of this Study is to provide insights into how companies may approach certain ESG matters by considering the public disclosure of the Canadian issuers comprising the S&P TSX60[2] (TSX60), a stock market index of the 60 largest issuers by market capitalization listed on the Toronto Stock Exchange (TSX), and the public disclosure of the 41 companies that are the subject of the Climate Engagement Canada (CEC) Focus List for 2024[3] (the CEC41), both as comprised as at May 21, 2024. With some overlap between the TSX60 and the CEC41, this Study covers a total of 81 public issuers listed on the TSX (the Surveyed Companies).[4]

The CEC is a Canadian initiative developed by the Responsible Investment Association (RIA), Shareholder Association for Research and Education (SHARE) and Ceres,[5] with support from the United Nations' Principles for Responsible Investment (PRI). The CEC Focus List is similar to the global Climate Action 100+ initiative and aims to focus on engaging with 41 TSX-listed companies "for the alignment of expectations on climate risk governance, disclosure, and the transition to a low-carbon economy in Canada."

The CEC notes that the CEC Focus List companies "have been identified as the top reporting or estimated emitters on the [TSX] and/or with a significant opportunity to contribute to the transition to a low-carbon future and become a sectoral and corporate climate action leader in Canada."[6] Accordingly, because these 41 companies are likely already considering investor engagement as it relates to climate action, they have been included in this Study to provide additional information as to the market approach on ESG considerations and their disclosures.

The industry break down of the Surveyed Companies is set out in the charts on the next page. For certain data points, an analysis has been done on an industry basis with respect to specific industries, which consist of the seven industries with the largest number of companies within the Surveyed Companies that have historically been a significant part of Canadian capital markets (i.e., Financial Services, Metals and Minerals, Oil and Gas, Conglomerates, Merchandising, Utilities, and Transportation and Environmental Services) along with the Technology industry because of its growth in global capital markets. In addition, where other industries provided useful insight, such industries were also included.

2. As maintained by the Canadian S&P Index Committee.
3. There has been variation in the companies surveyed from prior years as the companies comprising the TSX60 and CEC41/CEC40 have changed from year to year. Furthermore, the number of CEC companies has increased from 40 in 2022 to 41 in 2023 and 2024.
4. Note that one issuer that was a member of the TSX60 completed a business combination transaction after May 21, 2024 so did not publish a management information circular with respect to the predecessor corporation. As a result, there was no data available with respect to items derived from a circular such as executive compensation, shareholder proposals, or governance of ESG matters.
5. Ceres is a nonprofit advocacy organization which, among other things, aims to work with capital market participants on sustainability matters.
6. Responsible Investing Association, *Financial Community to Engage 40 Canadian Corporate Issuers for Alignment on Net-Zero Transition*, (June 8, 2022), online: https://www.riacanada.ca/news/financial-community-to-engage-40-canadian-corporate-issuers-for-net-zero/.

FIGURE 1A – Composition of the TSX60 companies by industry (based on the number of companies in each industry) according to the SEDAR industry classifications.[7]

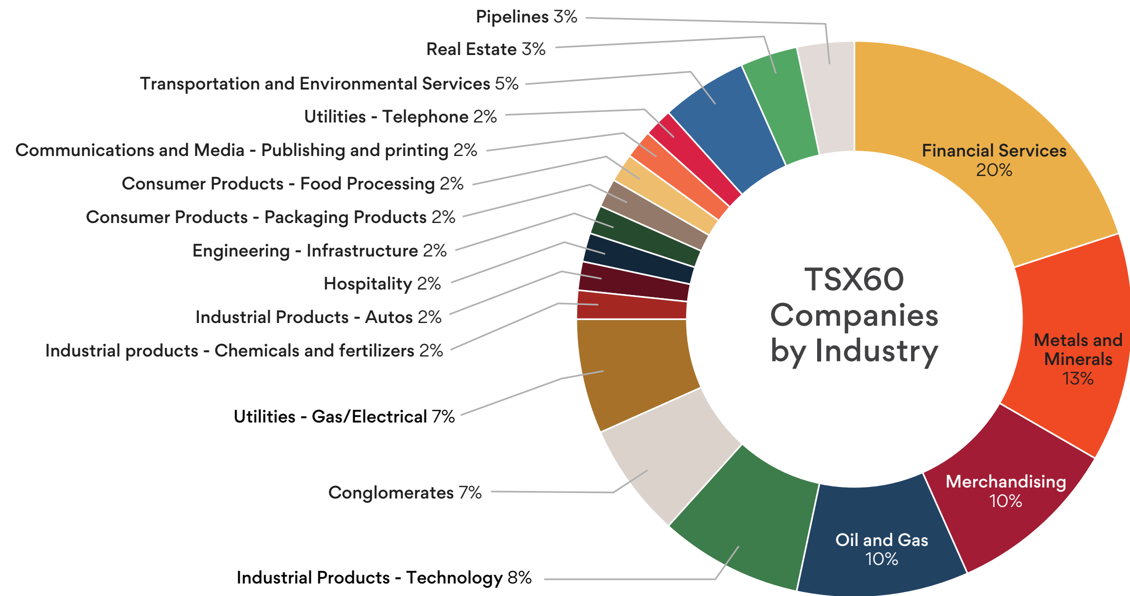
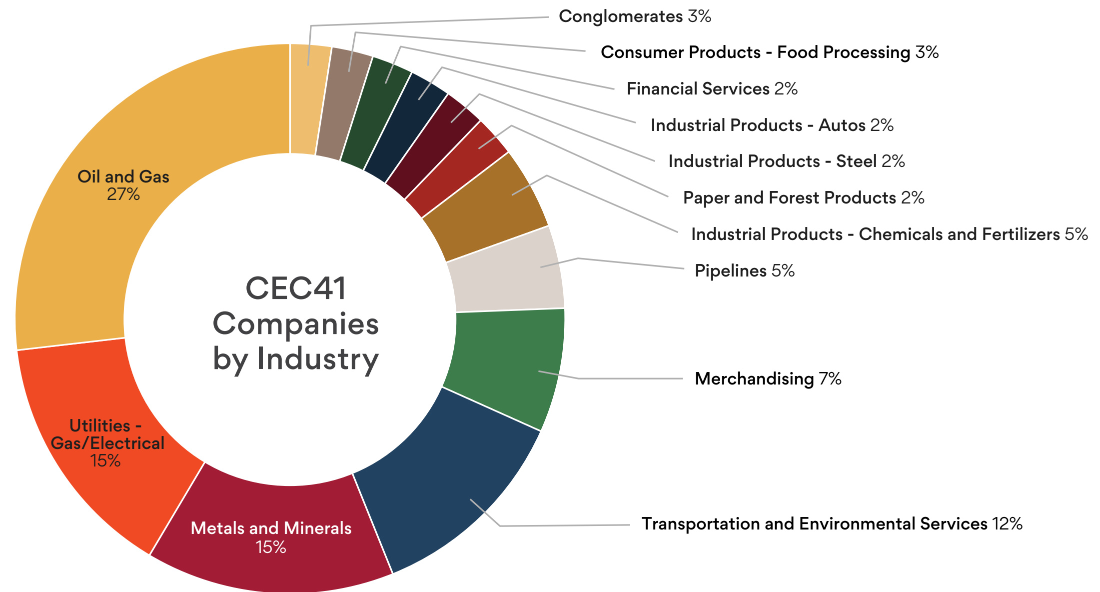


FIGURE 1B – Composition of the CEC41 companies by industry (based on the number of companies in the industry), according to the SEDAR industry classifications.[8]



7. As issuers are not required to report their NAICS code on SEDAR+, we have used the former SEDAR industry classifications as supplemented by Capital IQ information, to determine an appropriate category for each company. In addition, certain SEDAR industry classifications were consolidated to provide more meaningful analysis (e.g., metals and minerals was combined with gold and mining under the category of “Metals and Minerals”).
8. *Ibid.*

Our review of ESG-related disclosure published by the Surveyed Companies included examining:

i. the following continuous disclosure documents filed by the Surveyed Companies prior to August 15, 2024 and in respect of the most recently completed financial year and interim period as required under applicable securities laws: Annual Information Forms (AIFs), Proxy Circulars (Circulars), and annual and interim Financial Statements and related Management Discussion & Analysis (MD&A), which are collectively referred to in this Study as Continuous Disclosure Documents,

ii. stand-alone reports related to sustainability published by the Surveyed Companies as they existed on August 15, 2024 (e.g., Sustainability Reports, ESG reports, and ESG data supplements), which are collectively referred to in this Study as Sustainability Reports. Please see the section titled "A Note About Recent Amendments to the Competition Act, and its Implications on Disclosure by Surveyed Companies", and

iii. annual reports filed by the Surveyed Companies with the Minister of Public Safety prior to August 15, 2024, pursuant to the requirement under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (FCLA), which are collectively referred to in this Study as FCLA Reports.

Accordingly, this Study is based on the review of publicly available information which has not been verified by us. The results of this Study are limited by the extent to which information relevant to the analysis was publicly available on SEDAR+ or on the websites of the Surveyed Companies.

This Study is not a review of the ESG-related public disclosure of all Canadian public companies as this Study is limited to the review of the Continuous Disclosure Documents, the Sustainability Reports and the FCLA Reports of the Surveyed Companies, being 81 public companies listed on the TSX.

This Study aims to provide general information for clients and other readers. The results reflected herein, and our discussion and analysis of those results, are subject to interpretation and should not be taken as advice or guidance, legal or otherwise.

A Note about Diversity, Equity and Inclusion Disclosure

Diversity, Equity and Inclusion (DEI) matters continue to form an important part of the social considerations in ESG and have remained an area of focus among stakeholders.

Similar to the Prior Studies, DEI disclosure has not been reviewed or summarized in this Study. Since many public issuers have been reporting on DEI matters, both under specific requirements [9] and/or on a voluntary basis, for some time, there are several reports that focus specifically on DEI matters, and related disclosure, in a comprehensive manner.

Certain topics that we considered in this Study did touch on DEI related matters (such as shareholder proposals related to racial equity audits) and therefore are mentioned in the relevant section of this report.

9. See National Instrument 58-101 – *Disclosure of Corporate Governance Principles and National Policy 58-201 - Corporate Governance Guidelines and the Canada Business Corporations Act*.

Topics Addressed in this Study

Topic	Description
Governance of ESG Issues	This Study considers the oversight of environmental and social issues, including an assessment of whether and which board committees have been delegated responsibility over environmental and social issues. It also explores whether directors have specific “E”, “S” or combined ESG-related expertise and whether ESG-based metrics are used in connection with executive compensation.
ESG Disclosure	This Study examines the types of ESG-related information disclosed and the reporting frameworks and standards relied on. It also reviews whether public issuers are obtaining assurance for ESG-related disclosure, the nature of the assurance being obtained and who is providing the assurance.
Goals and Targets	This Study explores whether public companies in Canada are setting, and reporting on, environmental goals and targets, and provides an overview of the environmental matters that are the subject of such objectives, particularly noting goals and targets relating to reducing GHG emissions.
Shareholder Proposals	This Study considers the types of ESG-related shareholder proposals that were put forth and the results of such proposals.
Social Issues	This Study explores what social matters public issuers disclose that they are considering, other than DEI matters. It also explores whether issuers have provided voluntary wage gap reporting in their management information circular or their ESG reports (including any supporting documentation).
Forced and Child Labour	Following the inaugural year of the mandatory forced labour and child labour reporting under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* for prescribed issuers, this Study examines the proportion of issuers that have submitted the FCLA reports and the topics disclosed in them.
Indigenous Engagement	This Study examines whether companies are disclosing commitments to advancing Indigenous reconciliation or engagement, and promoting Indigenous economic development.
Forward-Looking Information	This Study provides an overview of the approaches taken by issuers with respect to the use of forward-looking information disclaimers in Sustainability Reports, including with respect to GHG emission targets or targets to reduce GHG emissions by a certain date.

A Note About Recent Amendments to the *Competition Act*, and its Implications on Disclosure by Surveyed Companies

On June 20, 2024, Bill C-59, known as the *Fall Economic Statement Implementation Act*, 2023, was granted Royal Assent. This bill included several significant changes to the *Competition Act*, raising the stakes for companies that make claims to the public regarding the environmental or climate-benefits of a product (which is defined broadly in the *Competition Act* to include products and services), their business or business activities. Specifically, companies must be able to substantiate any representations as to the environmental or climate benefits of their products or services by an "adequate and proper test" or substantiate similar representations about their business or business activities in accordance with an "internationally recognized methodology".[10]

Moreover, the bill expands private rights of action, enabling private parties, among other things, to file "greenwashing claims" with the Competition Tribunal on or after June 20, 2025, subject to leave being granted by the Competition Tribunal if it determines such a claim to be in the public interest. It also introduces updates to public enforcement and remedies, including the imposition of prohibition orders and administrative monetary penalties up to the greater of $10 million and three (3) times the value of the benefit derived from the deceptive conduct, or, if that amount cannot be reasonably determined, 3% of the corporation's annual worldwide gross revenue.

On July 4, 2024, the Competition Bureau announced that it will develop guidance on the interpretation of the new provisions "at an accelerated basis."[11] On July 22, 2024, the Competition Bureau launched its public consultation, seeking input from stakeholders and the public on a number of questions asked by the Bureau to assist with the development of draft enforcement guidance.[12] On December 23, 2024, the Competition Bureau released draft guidance for comment, inviting feedback from stakeholders by February 28, 2025.[13]

In reviewing the disclosure provided by the Surveyed Companies, we found that ten (10) of the 81 Surveyed Companies have published disclaimers noting the recent changes to the *Competition Act*.[14] These disclaimers, which vary in length and substance, are typically located on the companies' webpages hosting sustainability or environmental reports or within independent sustainability-related documents (e.g., Sustainability Reports, Climate Reports, ESG Reports). However, almost all such disclaimers note that (i) there is a considerable degree of uncertainty with respect to how the recent amendments to the *Competition Act* will be applied, and (ii) in light of the uncertainty, the companies are monitoring the development and remain committed to environmental performance and sustainability.

While the majority of Surveyed Companies continued to publish sustainability or environmental content either on the website or within a standalone report, seven (7) of the Surveyed Companies removed some of their environmental or sustainability content after the amendments to the *Competition Act* came into effect, and explained the reason of removal within their disclaimers.

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10. Competition Act s. 74.01(1)
11. Competition Bureau statement regarding guidance on Competition Act's new greenwashing provisions - Canada.ca (July 4, 2024)
12. Public consultation on Competition Act's new greenwashing provisions (July 22, 2024)
13. Competition Bureau seeks feedback on its new guidelines regarding environmental claims (December 23, 2024)
14. As of August 15, 2024

Examples of statements made by companies

> *"Recent amendments to the Competition Act (Canada) within Bill C-59 have created significant uncertainty about how companies can legally communicate about their sustainability efforts. As a result, we have removed some related content from this website."*

> *"On June 20, 2024, the Canadian government passed amendments to the Competition Act that creates uncertainty for companies that wish to publicly communicate their environmental goals, targets and performance... Due to questions regarding how the new law will be interpreted and enforced, and the significant potential penalties associated with non-compliance, we have temporarily removed all environmental content from our website, social media and other public communications."*

As our review consisted of reviewing ESG-related disclosure published by the Surveyed Companies as of August 15, 2024 (Cut-Off Date), we have not examined information that was removed by the companies before the Cut-Off Date.

As a result of these amendments to the *Competition Act*, it is anticipated that public issuers will scrutinize their environmental and sustainability disclosures more closely to ensure compliance with the *Competition Act* and to be better able to substantiate claims relating to the environmental and climate benefits of their products, services and business activities if challenged.

A. Governance of ESG Issues

BOARD OVERSIGHT OF ENVIRONMENTAL AND SOCIAL ISSUES

As part of their fiduciary duties, boards are responsible for overseeing strategy (including risks and opportunities) at their companies. In recent years, there has been increased focus on boards managing ESG-specific strategies, as evidenced by guidance published by various organizations. For example:

- Canadian Coalition for Good Governance (CCGG) published *The Directors' E&S Guidebook* (the Guidebook) in 2018 designed to assist boards in developing "a robust, principles-based approach to the governance and oversight of E&S factors."

- Proxy advisory firm Glass Lewis, in its updated 2025 policy guidelines for Canada, states that it "will generally recommend voting against the governance committee chair of a company in the S&P/TSX Composite index which fails to provide explicit disclosure concerning the board's role in overseeing [environmental and social] issues", because "insufficient oversight of material environmental and social issues can present direct legal, financial, regulatory and reputational risks that could serve to harm shareholder interests."

- Institutional Shareholder Services, in its 2025 voting guidelines, recommends withholding votes for directors, committees, or entire boards under "extraordinary circumstances", due to material failures of risk oversight, including "demonstrably poor risk oversight of environmental and social issues."

- In the *Globe and Mail*'s 2025 "Board Games" series for ranking of corporate governance practices, the following factors were included within its evaluation criteria: whether the company has "[identified] a board committee or committees responsible for assessing material climate risks and opportunities, or [stated] that it is a matter for consideration by the full board" and "[described] how the full board or its committees consider climate-related issues, including as they review strategy, risk management and operating performance."

As is generally the case with the management of the risks and opportunities facing a company, the entire board of directors is ultimately collectively responsible for ESG oversight. However, careful consideration should be given to determine the best structure for such oversight. Certain ESG issues can be complex and require specialized knowledge (e.g., selecting appropriate sustainability standards, understanding cybersecurity risks and mitigating measures, evaluating human rights practices, or determining executive compensation practices). Accordingly, in some instances, oversight of such issues are better dealt with by a specialized committee (e.g., an ESG committee), or by assigning such oversight role to an existing committee (e.g., a risk management committee or a corporate governance committee). In certain instances, a board may determine that oversight should be addressed by the entire board (e.g., if it determines that ESG considerations are so fundamental to the corporation's overall strategic objectives). As CCGG states in its Guidebook: "There is no right or wrong board structure for supporting effective oversight of E&S opportunities and risk. Rather, boards need to carefully consider the nature of the E&S issues when determining the most appropriate committee(s) to assign accountability." Similarly, Glass Lewis states that "[w]hile [they] believe that it is important that these issues are overseen at the board level [...], [they] believe that companies should determine the best structure for this oversight [... and that] this oversight can be effectively conducted by specific directors, the entire board, a separate committee, or combined with the responsibilities of a key committee."

As compared to the 2024 Prior Study, this Study found an increased delegation to committees of ESG matters to support the full board of directors in managing ESG risks. The number of companies with full board only oversight (with no committee delegation) has decreased for both “E” and “S” issues.

Among the Surveyed Companies, committees held an important role in overseeing “E” and “S” issues. This Study found more TSX60 and CEC41 companies mandating its committees to oversee environmental and social matters in 2024 (Figure 2A and Figure 2B). A particular increase as compared to the 2024 Prior Study was seen in CEC41 companies, where the board increased its reliance on committees to oversee and report to the full board on the particular “E” and “S” issues faced by the company.

Given the full board has general oversight responsibilities, where a committee was mandated to oversee “E” or “S” issues, this Study considered the full board as having ultimate responsibility for oversight of such issues.

FIGURE 2A – For the surveyed TSX60 and CEC41 companies, in respect of oversight of “E” issues, illustration of whether the board of directors as a whole had responsibility for the issues or the responsibility was delegated to one or more committees of the board.

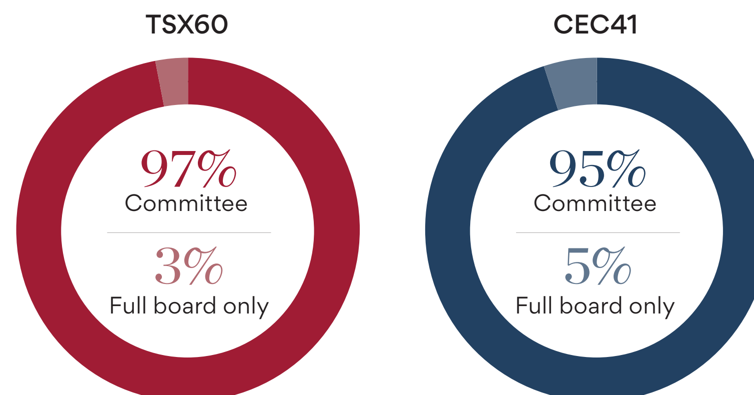
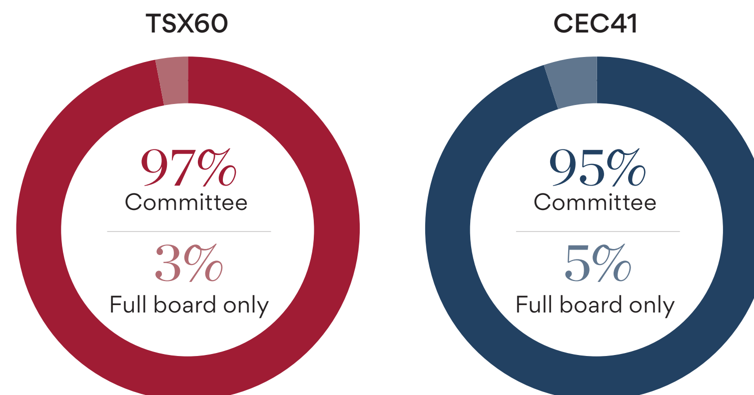


FIGURE 2B – For the surveyed TSX60 and CEC41 companies, in respect of oversight of “S” issues, illustration of whether the board of directors as a whole had responsibility for the issues or the responsibility was delegated to one or more committees of the board.



This Study also found that committee involvement is high across various industries. The level of oversight over "E" issues and "S" issues delegated to one or more committees generally increased in the Oil and Gas industry as compared to the 2024 Prior Study.

The Metals and Minerals industry, Oil and Gas industry, and Technology industry tend to have committees involved in ESG oversight. This Study found that all TSX60 and CEC41 companies surveyed in those three industries delegated responsibility over "E" and "S" issues to one or more committees, with no cases in which the full board alone, without committee delegation, had oversight (Figure 2C and Figure 2D).

In the Financial Services industry, this Study found the same level of committee oversight and full board only oversight over "E" issues and over "S" issues as compared to the 2024 Prior Study.

FIGURE 2C – For the surveyed TSX60 and CEC41 companies, in respect of oversight of "E" issues, illustration of whether the board of directors as a whole had responsibility for the issues or whether the board of directors delegated the responsibility to one or more committees in four selected industries.

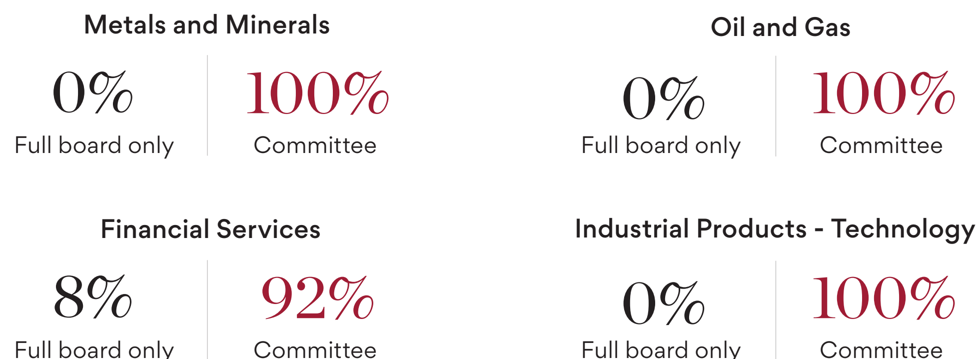
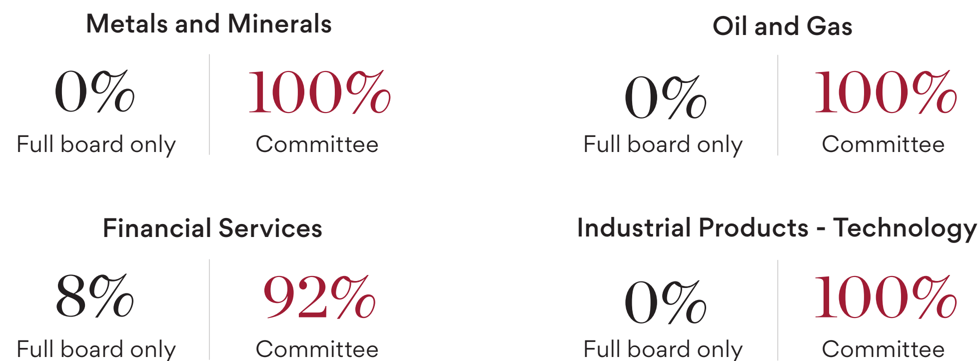
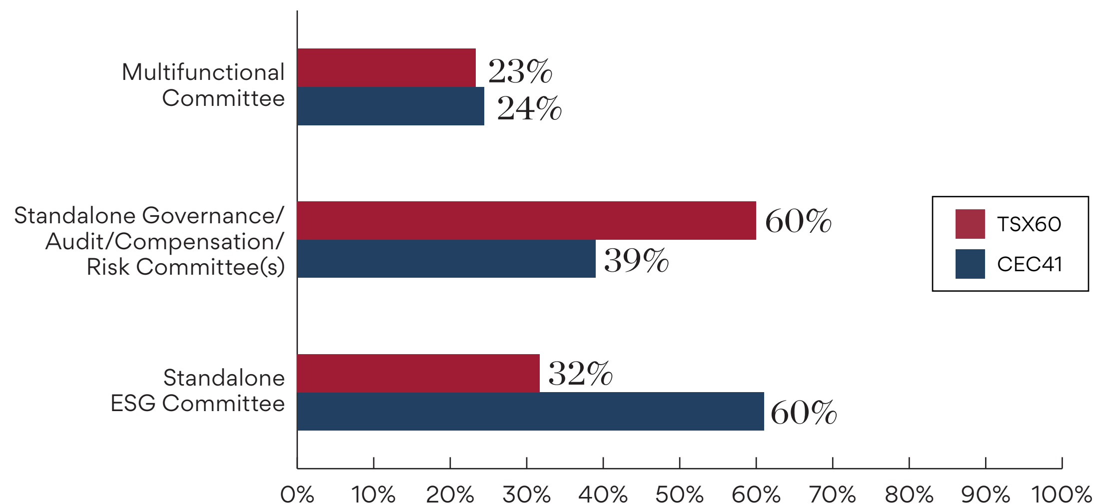


FIGURE 2D – For the surveyed TSX60 and CEC41 companies, in respect of oversight of "S" issues, illustration of whether the board of directors as a whole had responsibility for the issues or whether the board of directors delegated the responsibility to one or more committees in four selected industries.



Generally, when a board committee is tasked with ESG oversight, it is an existing standalone committee, such as a governance, audit, risk, or compensation committee, or a new or existing standalone ESG-related committee that is tasked with such oversight.

FIGURE 2E – For the surveyed TSX60 and CEC41 companies, where one or more committees of the board of directors was identified as having responsibility over "E" issues, illustration of such categories of committee(s). Note: Since more than one category may be applicable for any given company, the totals for the chart do not add to 100%.



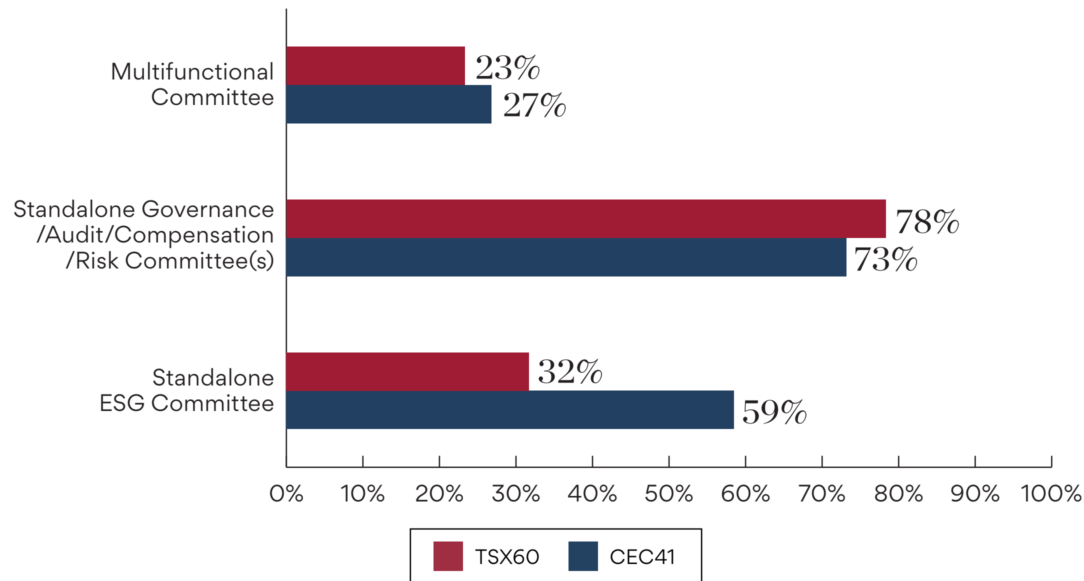
Notes

(1) Multifunctional committee includes corporate governance and/or nominating committees in combination with a sustainability, safety, corporate responsibility, social responsibility, ESG, corporate governance, people and culture function, or any combination thereof (where such combination of functions are described in the committee's name).

(2) Standalone governance/audit/compensation/risk committee(s) refers to the committees described in the notes to Figure 2G and Figure 2H.

(3) Standalone ESG committee includes sustainability, sustainable development, health, safety, environment, and diversity and inclusion committees, or any combination thereof.

FIGURE 2F – For the surveyed TSX60 and CEC41 companies, where one or more committees of the board of directors was identified as having responsibility over "S" issues, illustration of such categories of committee(s). Note: Since more than one category may be applicable for any given company, the totals for the chart do not add to 100%.



Notes

(1) Multifunctional committee includes corporate governance and/or nominating committees in combination with a sustainability, safety, corporate responsibility, social responsibility, ESG, corporate governance, people and culture function, or any combination thereof (where such combination of functions are described in the committee's name).

(2) Standalone governance/audit/compensation/risk committee(s) refers to the committees described in the notes to Figure 2G and Figure 2H.

(3) Standalone ESG committee includes sustainability, sustainable development, health, safety, environment, and diversity and inclusion committees, or any combination thereof.

Multifunctional Committees

This Study found that some companies have begun to rely on multifunctional committees for oversight of ESG issues. These committees combine traditional committee structures with specific mandates over "E" or "S" issues. The Surveyed Companies that relied on multifunctional committees often combined traditional governance committees with a sustainability, social/corporate responsibility, safety, or ESG focus. Examples of committee names included "Governance, Sustainability and Safety Committee," "Governance and Social Responsibility Committee," and "ESG and Nominating Committee."

Standalone ESG Committee(s)

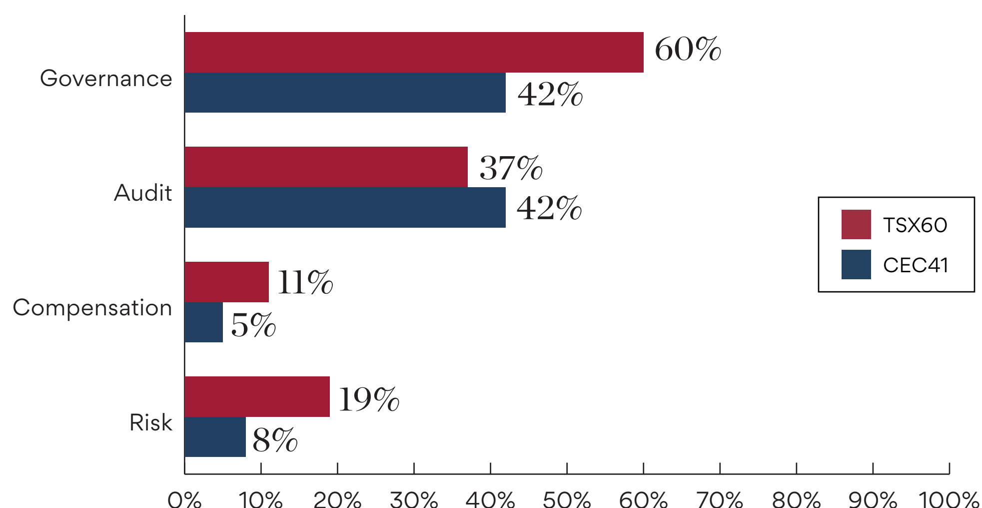
Standalone ESG Committees have significant involvement in oversight of ESG issues. Over 60% of the CEC41, and over 30% of the TSX60 Surveyed Companies reported a standalone ESG committee as having oversight of "E" issues. Similarly, nearly 60% of the CEC41, and over 30% of the TSX60 Surveyed Companies reported a standalone ESG committee as having oversight of "S" issues.

Standalone Governance/Audit/ Compensation/Risk Committee(s)

This Study found that governance committees tend to be involved in oversight of "E" issues, while compensation committees tend to be involved in oversight of "S" issues.

This Study found that compensation committees with oversight over "E" issues involved responsibility for compensation philosophies and policies as they relate to climate and other sustainability matters; oversight over a company's environment and global occupational health and safety policies and practices; and, review of ESG performance with respect to a company's ESG performance objectives.

FIGURE 2G – For the surveyed TSX60 and CEC41 companies, illustration of the standalone committee(s) identified as having responsibility over "E" issues other than standalone ESG–specific committees. Note: Since more than one category may be applicable for any given company, the totals for the chart do not add to 100%.



Notes

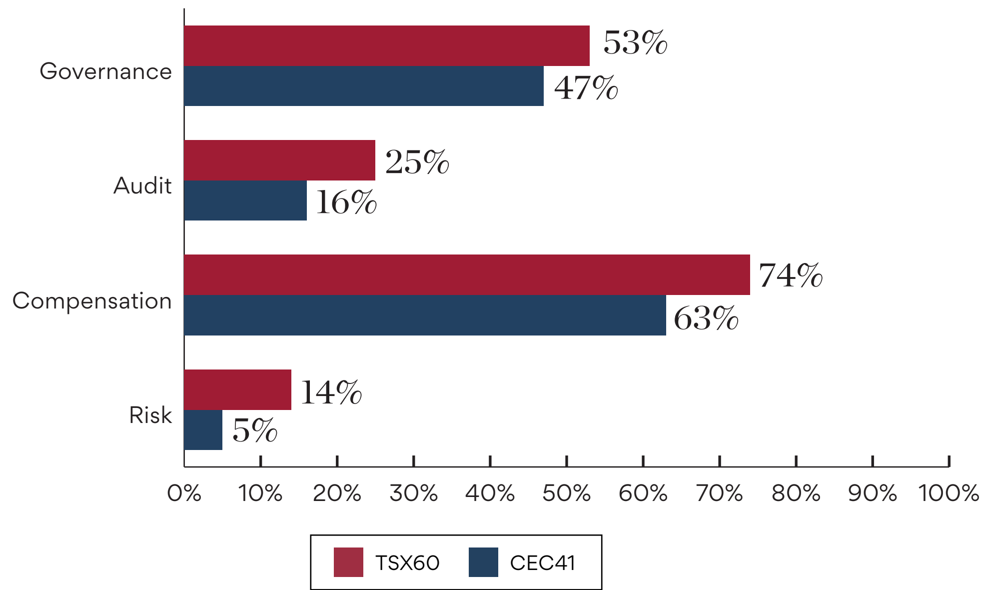
(1) Governance committee includes corporate governance and/or nominating committees, or any combination thereof (including instances where such committees are combined with a human resources function not related to compensation).

(2) Audit committee includes audit, finance and risk (where such committee is combined with audit or finance functions) committees, or any combination thereof.

(3) Compensation committee includes human resources (where such committee is not combined with a governance function), human capital and/or compensation committee, or any combination thereof.

(4) Risk committee includes risk management (where such committee is not combined with an audit or finance function) and/or compliance committees, or any combination thereof.

FIGURE 2H – For the surveyed TSX60 and CEC41 companies, illustration of the standalone committee(s) identified as having responsibility over "S" issues other than standalone ESG-specific committees. Note: Since more than one category may be applicable for any given company, the totals for the chart do not add to 100%.



BOARD EXPERTISE IN ESG

The exercise of building an effective board often includes the use of a skills matrix to ensure that the board collectively possesses the necessary expertise and experience (e.g., legal/regulatory, accounting, strategy development) to effectively govern the company.

Skills matrices are a useful tool to catalog the skills of directors and also to identify potential gaps in their collective skillset.

Expertise among directors in ESG-related matters is increasingly considered an important skill for a well-rounded board. Having the necessary expertise and experience to consider ESG issues relevant to a company helps ensure that a board is managing its oversight role with respect to ESG matters appropriately. Without such board expertise there is a risk that key ESG issues, which may not be readily apparent, are either not considered at all, or if considered, are not actioned in an appropriate manner.

Identifying directors with ESG expertise is not an express legal requirement, though it is important for good governance. In addition, investors and other stakeholders are increasingly looking to directors to obtain relevant expertise. For example, The Globe and Mail's Board Games methodology for 2024 considers whether a company "includes climate expertise as a 'required skill' in the board skills matrix and [if] at least one director is attributed with climate expertise."

Similarly, in its 2024 best practices for proxy circular disclosure publication, CCGG makes the following comment about how a board's skills matrix should highlight "E" and "S" expertise:

> ***"E&S-focused capabilities should be captured in the board skills matrix when such matters are material to the corporation's business and pertinent to the board's role in risk management and strategic planning oversight. Furthermore, issuers should clearly define the skills and experience that this type of expertise entails given the unique context and circumstances of their business to ensure that they are recruiting directors with the relevant knowledge to provide guidance in these areas."***

This Study analyzed the skill matrixes, biographies and descriptions of elected and nominated directors to identify directors of the Surveyed Companies with specific environmental and/or social expertise. Four of the Surveyed Companies did not include skills matrixes or descriptions of the directors' skills in this years' management information circulars; these four companies were excluded from the following analysis and related graphs.

Directors with skills or experiences in climate matters, energy usage, biodiversity, waste management, plastics usage, the environment, or other similar skills were recorded as having expertise in "environmental matters specifically." Directors with skills or experiences in health and safety, employee retention, diversity, human resources, talent development, human rights, community relations, stakeholder engagement, or other similar skills were recorded as having expertise in "social matters specifically." Directors with skills or experiences in sustainability, corporate social responsibility, corporate responsibility or other similar skills, or with skills or experiences in a combination of environmental and social matters, such as health, safety and environment, were recorded as having "ESG combined" expertise. Governance was not measured as a director skill in this Study.

As evidenced in the following charts, this Study found that all Surveyed Companies (i.e., 100% of TSX60 companies and 100% of CEC41 companies) identified at least one director as having "E", "S" or ESG combined expertise (Figure 3A).

FIGURE 3A – For the surveyed TSX60 and CEC41 companies, indication of whether specific directors on the board are identified as having some form of "E", "S" or combined ESG expertise.

Of those companies which disclose the ESG expertise of their directors, the majority (i.e., 95% of TSX60 companies, 100% of CEC41 companies; Figure 3B) describe such expertise as being ESG combined, while the percentage of those companies which further identify some directors with "E" or "S" expertise varies (i.e., 21% and 82%, respectively, for TSX60 companies; 30% and 85%, respectively, for CEC41 companies; Figure 3B).

FIGURE 3B – For the surveyed TSX60 and CEC41 companies which disclose "E", "S" or combined ESG expertise of one or more board members, such identified expertise is presented as a percentage of the number of TSX60 and CEC41 companies surveyed. Note: Since more than one category may be applicable for any given company, the totals do not add to 100%.

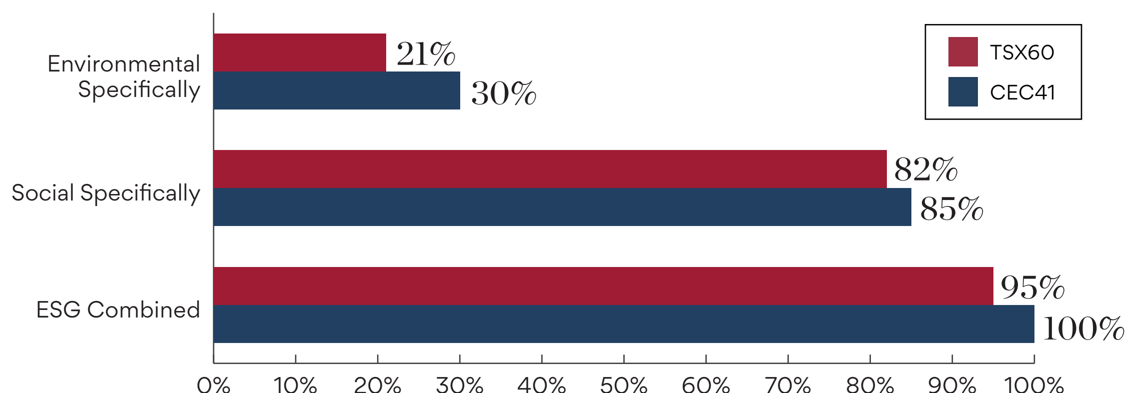
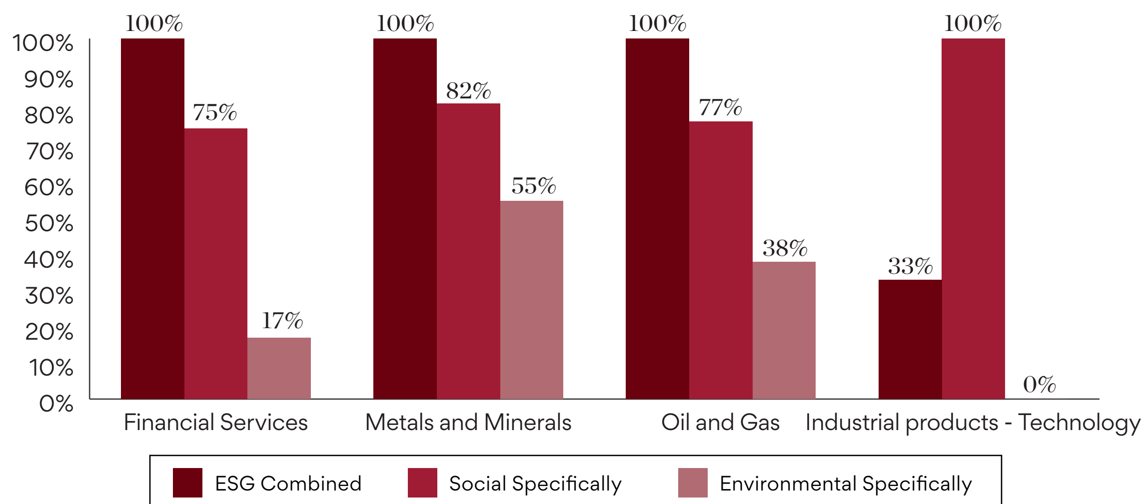
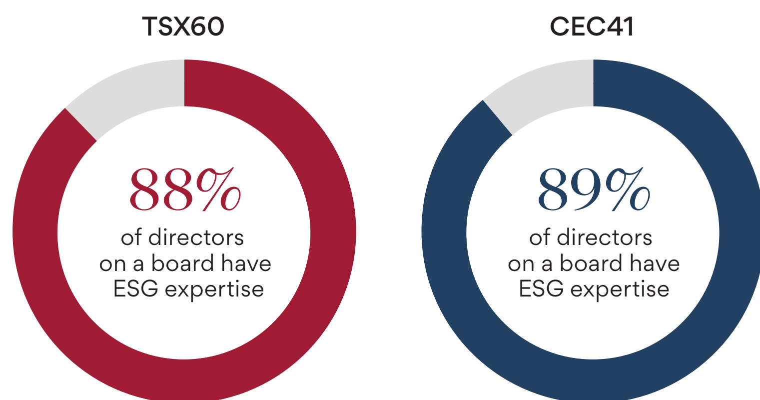


FIGURE 3C – For the Surveyed Companies which disclose "E", "S" or combined ESG expertise of one or more board members, such identified expertise is presented with respect to certain industries. Note: Since more than one category may be applicable for any given company, the totals do not add to 100%.



This Study found that often the majority of the directors on a board have expertise in ESG generally, in "E" issues specifically, in "S" issues specifically, or in some combination thereof.

FIGURE 3D – The percentage of directors on a board with expertise in ESG combined, in "E" issues specifically, in "S" issues specifically, or in some combination thereof, each presented as an average of the TSX60 and CEC41 companies surveyed.



EXECUTIVE COMPENSATION TIED TO ESG METRICS

To incentivize executives and align their interests with those of the company that they serve, executive-based compensation has historically been tied to certain metrics, with varying allocations between base salary, short-term variable compensation, and long-term variable compensation.

For instance, annual bonus payouts are commonly tied to a company's achievement of a specified share price or revenue and income targets. As ESG metrics become more central to companies' corporate strategy, we are seeing a similar increase in the use of ESG metrics to drive executive compensation. We observed that many companies among the Surveyed Companies quantitatively tie elements of short-term executive bonuses to ESG-related metrics, such as the management of biodiversity, reductions in emissions and progress towards Net-Zero, and achievement on health and safety targets. Broader or longer-term goals are also quantitatively factored into short-term compensation, such as the trend we observed of boards incorporating interim evaluations of progress towards multi-year ESG targets into an "ESG multiplier" input on the company's "performance scorecard" when computing executive compensation. In this regard, CCGG states the following in its *Directors' E&S Guidebook*:

> ***"The E&S priorities that are part of the strategic plan should be captured in performance evaluation and management compensation structures. The board should work with management to determine which behaviours and objectives to reinforce through metrics, including any existing behaviours that have unintentionally been reinforced and need redirection."***

The Glass Lewis *2024 Canadian Benchmark Policy Guidelines* similarly believes that the appropriate use of explicit environmental or social metrics in executive compensation can provide both executive and shareholders a "clear line of sight into a company's ESG strategy, ambitions, and targets."

To establish a meaningful connection between executive pay and corporate performance, Glass Lewis explains that:

> ***"...companies should provide shareholders with disclosures that clearly lay out the rationale for selecting specific E&S metrics, the target-setting process, and corresponding payout opportunities. Further, particularly in the case of qualitative metrics [...] shareholders should be provided with a clear understanding of the basis on which the criteria will be assessed. Where quantitative targets have been set [...] shareholders are best served when these are disclosed on an ex-ante basis, or the board should outline why it believes it is unable to do so."***

How a company structures its compensation plans sheds light on its priorities. For example, adopting metrics tied to greenhouse gas reductions signals a focus on the environment. Metrics tied to customer satisfaction highlight the importance of customers as key stakeholders of the company, such as those in the retail sector. Certain topics lend themselves broadly across companies and industries (such as emissions and energy transition goals), whereas others may have specific applicability to particular companies based on the nature of their operations (such as a mining company that may have specific goals regarding engagement with the Indigenous peoples on whose land they operate and job-site safety). Executive compensation plans which do not include non-financial objectives based on social or environmental issues may start to receive more attention from investors, as certain investors are increasingly expecting, and opinionated on, such ESG based metrics.

If ESG metrics are being used by a company in its compensation plans, then certain disclosures may be required. Pursuant to Form 51-102F6 *Statement of Executive Compensation*, a description of the significant elements of compensation awarded to certain individuals, including which elements were chosen and why, is required to be disclosed in the company's annual management information circular.

As illustrated in the following charts, this Study again found that the majority of Surveyed Companies (i.e., 73% of TSX60 companies, 85% of CEC41 companies) disclose the use of one or more ESG metrics in compensation plans for CEOs or other named executive officers (NEOs).

Of those companies that disclose some type of ESG metrics in executive compensation plans, most often (i.e., 82% for TSX60 companies, 89% for CEC41 companies) such ESG metrics are incorporated as either distinct E and/or S targets, or as a standalone ESG metric. This continues the trend observed in the 2024 Prior Study that found 72% of TSX60 and 73% of CEC41 companies incorporated such ESG metrics as either distinct E and/or S targets, or as a standalone ESG metric. In contrast, the 2023 Prior Study found that about half of Surveyed Companies disclosing ESG metrics (i.e., 50% for TSX60 Companies, 55% for CEC41 companies), lumped such metrics in with other types of metrics (e.g., such as customer experience), leaving more room for ESG considerations to be swamped by other priorities.

Data on Executive Compensation Tied to ESG Metrics

FIGURE 4A – For the surveyed TSX60 and CEC41 companies, percentage of companies which tie the compensation of CEOs and/or other NEOs to ESG-based metrics.

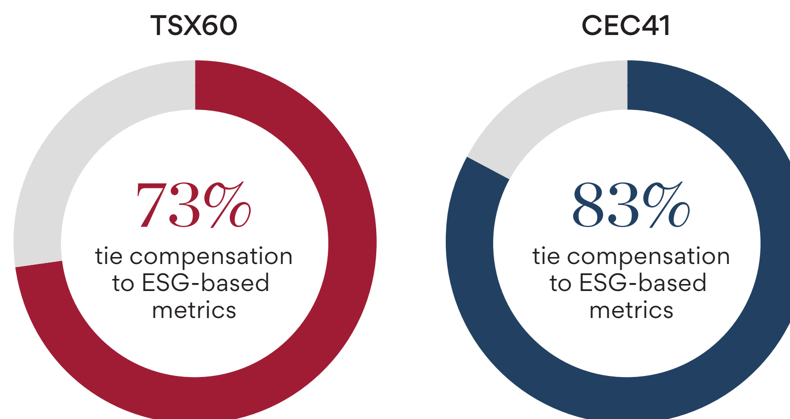
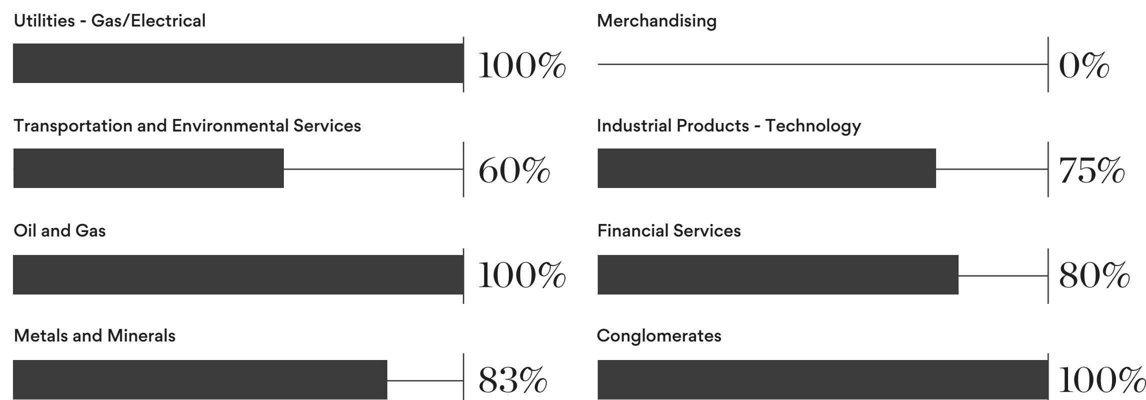


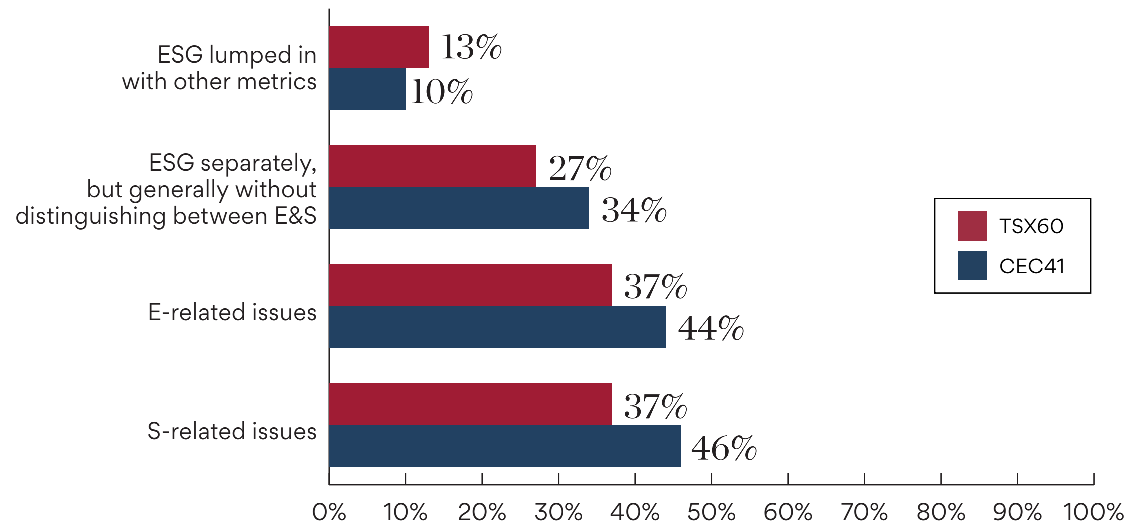
FIGURE 4B – For the surveyed TSX60 and CEC41 companies, percentage of companies, on an industry basis, which tie the compensation of CEOs and/or other NEOs to ESG-based metrics.



Data on How Companies are Disclosing ESG Metrics

This Study shows a similar number of Surveyed Companies that disclose that ESG metrics are tied to executive compensation compared to the 2024 Prior Study. However, it is notable that the quality of disclosure has evolved year over year, with more specific disclosure of how ESG metrics are factored into compensation decisions (e.g. more instances in which the “E” or the “S” are specifically identified). Our 2024 Prior Study found the Surveyed Companies were more likely to disclose the use of ESG metrics separately, but without distinguishing between specific “E” or “S” metrics. However, this year, we note that roughly 45% of the Surveyed Companies measure specific and standalone “E” and “S” metrics, up from approximately 35% in the 2024 Prior Study.

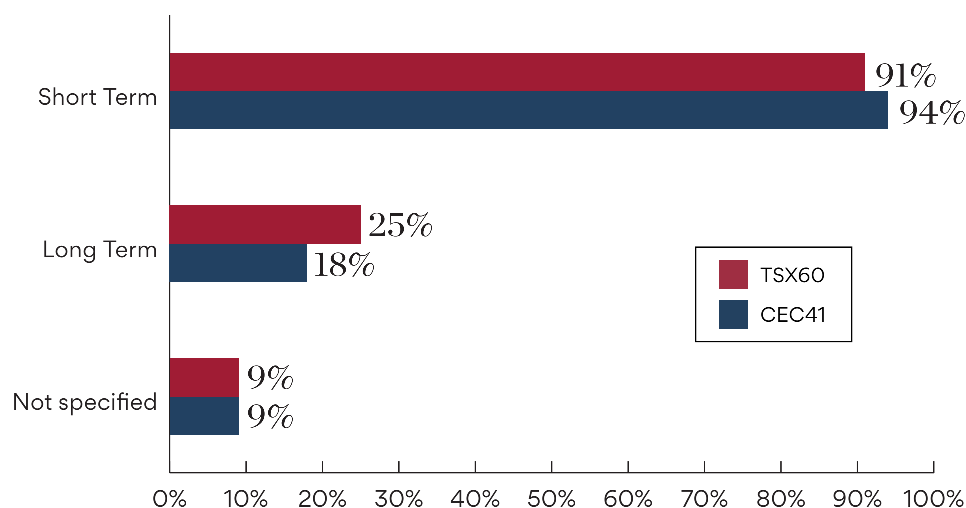
FIGURE 4C – For the surveyed TSX60 and CEC41 companies, of the companies that tie executive compensation to ESG metrics, percentage of such companies that separately consider ESG-related metrics (whether on a stand alone or bundled basis), “E” specific and/or “S” specific metrics in compensation plans. Note: Since more than one category may be applicable for any given company, the totals for the chart do not add to 100%.



Data on ESG Metrics as Part of Short vs Long Term Incentive Compensation

We continue to observe that the majority of the Surveyed Companies who disclose the use of ESG metrics do so as part of their short-term incentive compensation. Data on the Surveyed Companies use of ESG metrics in long-term incentive plans was more sparse, as fewer companies appear to tie ESG metrics to long-term incentive plans, and, even when they do, disclosure regarding the methodology applied is typically less robust due to the long-term nature of such metrics and compensation. For example, 91% of the surveyed TSX60 companies and 94% of the surveyed CEC41 companies use ESG metrics in awarding short-term compensation, whereas 25% of the surveyed TSX60 companies, and 18% of the surveyed CEC41 companies use ESG metrics in awarding long-term compensation.

FIGURE 4D – For the surveyed TSX60 and CEC41 companies, of the companies that tie executive compensation to ESG metrics, percentage of such companies that tie compensation to short-term performance and/or long-term performance. Note: Since a company may tie both short- and long-term compensation to ESG metrics, the totals for the chart do not add to 100%.



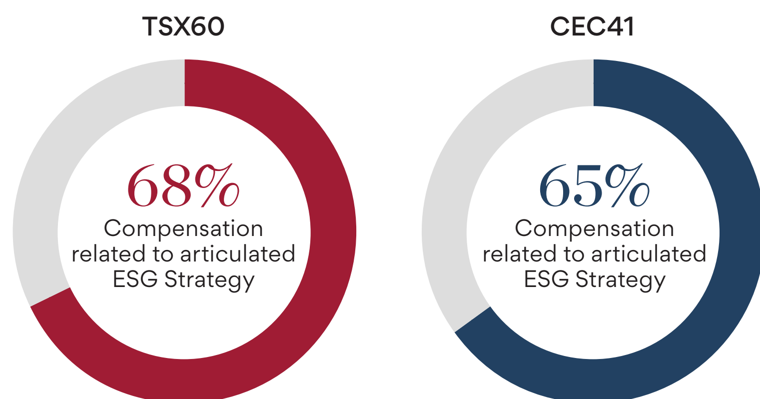
Use of Scorecards

As disclosure related to ESG metrics used in determining executive compensation evolves, more companies have started to develop corporate scorecards to articulate how such metrics impact compensation. Generally, the corporate scorecards measure a given company's progress towards its specific compensation objectives, which form part of its overall pay-for-performance strategy. The ESG metrics included within a scorecard typically are weighted and assessed as part of a broader scorecard of ESG/business priorities. A scorecard allows companies the flexibility to focus on select ESG metrics that are important to business strategy but also leave room for discretion in determining pay outcomes relative to performance against goals for the companies that tie executive compensation to ESG metrics. This Study reviewed the Surveyed Companies' use of corporate scorecards for determining an NEO's short-term incentive compensation and found that 100% of companies included a variation of a "corporate scorecard" in their management information circular to illustrate the ESG metrics used and their respective weighting in awarding an NEO's short-term incentive compensation.

Data on Companies that Tie ESG Metrics as Part of Executive Compensation to Articulated ESG Strategies

Of the Surveyed Companies that tie executive compensation to ESG metrics, we observed that almost two-thirds of companies explicitly connect ESG compensation metrics to their overarching ESG strategies. In this Study, we used the phrase "articulated ESG strategy" to refer to ESG strategies which include specific metrics and measurable progress goals as opposed to more general statements on any given company's philosophy towards ESG and executive compensation. This year, 68% of the surveyed TSX60 companies, and 65% of the surveyed CEC41 companies connected the ESG metrics used for the purposes of determining executive compensation to their overall ESG strategy. This is consistent with the 2024 Prior Study.

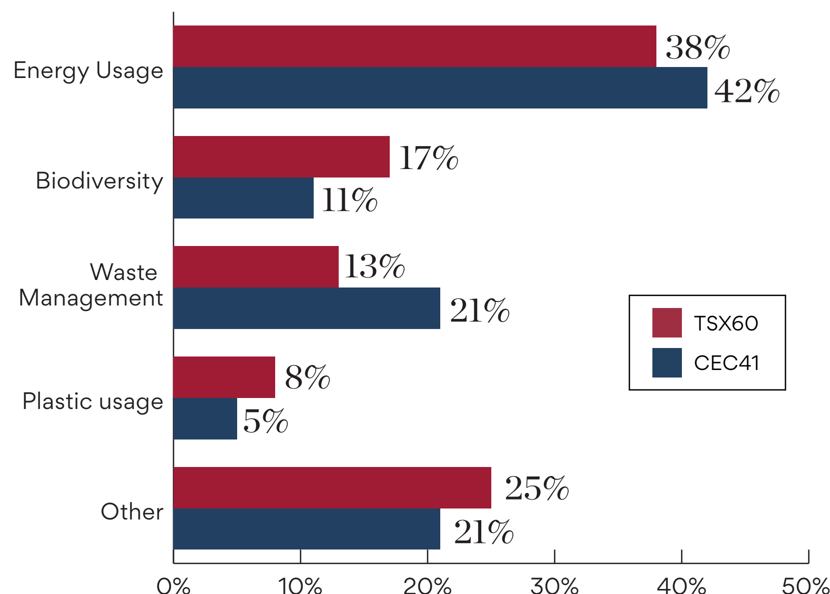
FIGURE 4E – Of the surveyed TSX60 and CEC41 companies that tie executive compensation to ESG metrics, percentage of companies that explicitly connect ESG compensation metrics to their articulated ESG strategy, such as linking progress towards specified targets directly to compensation outcomes.



Data on Specific Environmental and Social Targets

The data demonstrates that metrics pertaining to energy transition and climate change are the most frequently disclosed E metrics factored into executive compensation, which is not unexpected given that these issues are well established in the market. Emerging topics, such as biodiversity and plastic usage, are becoming more frequently tied to executive compensation. This is especially relevant since international conferences such as COP28 (2023) and COP15 (2022) have emphasized such topics in their sessions.

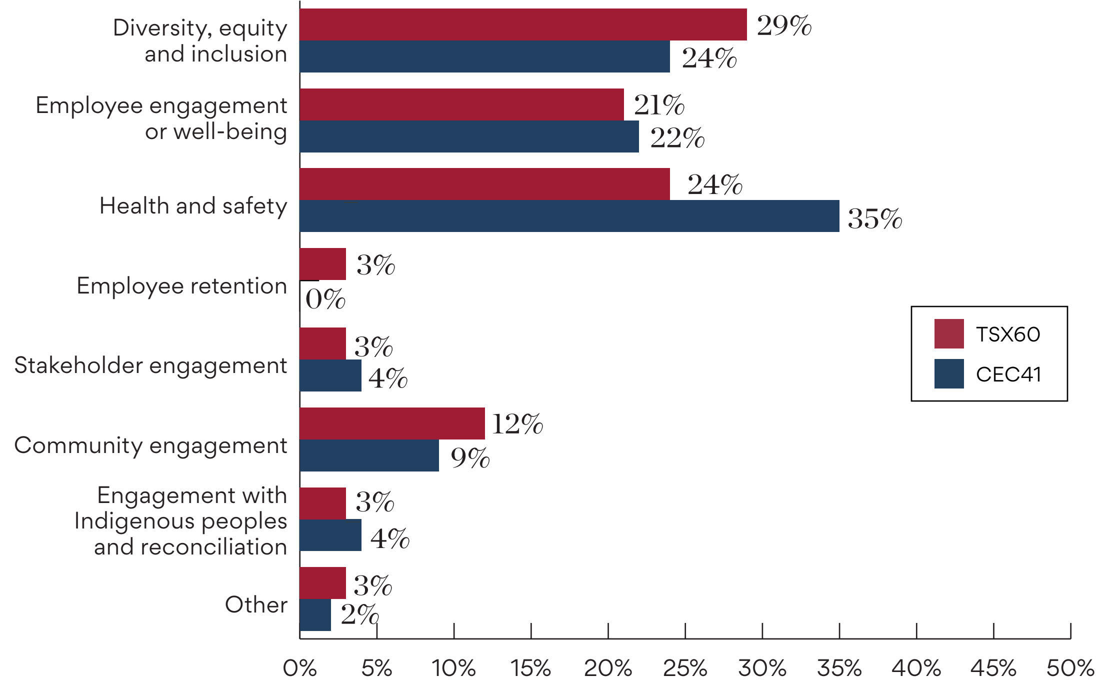
FIGURE 4F – Identification of certain common environmental issues that the Surveyed Companies tied to executive compensation.[15]



15. In Figure 4F, the label "other" is a catch-all label to encompass environmental metrics such as spills and water stewardship, alongside others which are infrequently disclosed, and consequently, which when listed separately do not provide meaningful data.

In addition, the data demonstrates that metrics pertaining to health and safety as well as diversity, equity and inclusion, are the most commonly disclosed S metrics factored into executive compensation. Emerging topics, such as human rights/modern slavery and equitable pay, remain infrequently disclosed factors in companies' management information circulars, but we expect disclosure of these metrics to increase in the future as a result of both heightened awareness and new regulatory requirements in these spaces.

FIGURE 4G – Identification of certain common social issues that the Surveyed Companies tied to executive compensation.[16]



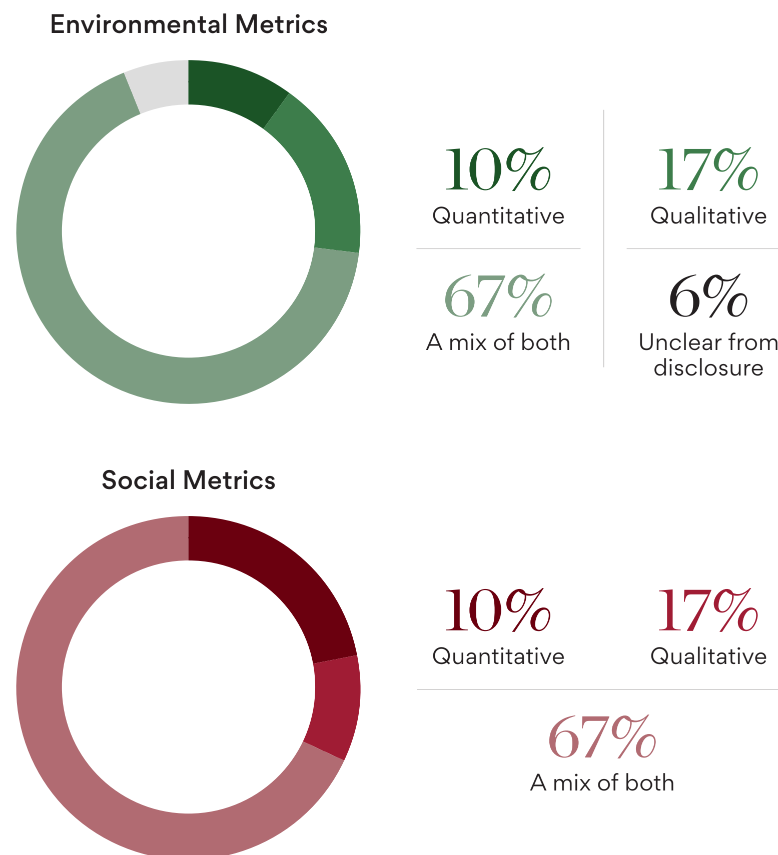
16. In Figure 4G, the label "other" is a catch-all label to encompass metrics such as human rights, modern slavery, equitable pay alongside others which are infrequently disclosed, and consequently, which when listed separately do not provide meaningful data.

Data on Qualitative vs. Quantitative Metrics

This Study reviewed how the Surveyed Companies describe the ESG metrics they consider in executive compensation decisions. Our data indicates that among the Surveyed Companies that disclose their methodology for measuring achievement of environmental metrics, 17% use only qualitative metrics, 10% use only quantitative metrics, and the remaining 67% using a mixed approach. Conversely, of the companies that measure achievement of social metrics, 10% use only qualitative metrics, 22% use only quantitative metrics, and 68% use a mixed approach.[17]

Interestingly, last year we found that companies measuring environmental metrics were slightly more likely to use exclusively quantitative analysis, and this year, we found that companies measuring social metrics were slightly more likely to use exclusively quantitative analysis. This could be related to the fact that metrics such as an organization's progress towards diversity objectives and injury frequency rates are increasingly likely to be measured quantitatively.

FIGURE 4H – Percentage of companies who measure either "E" or "S" related metrics using (a) qualitative data only, (b) quantitative data only, or (c) a mix of both.[18]

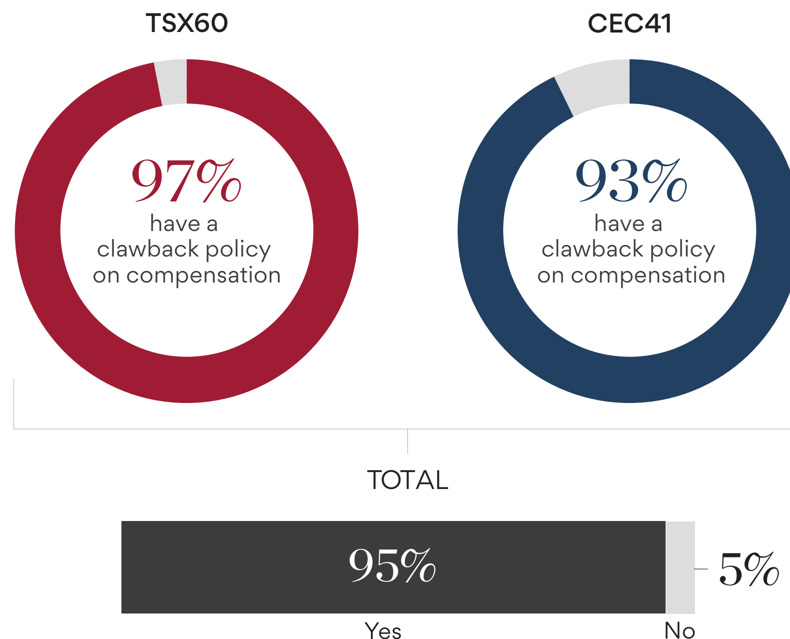


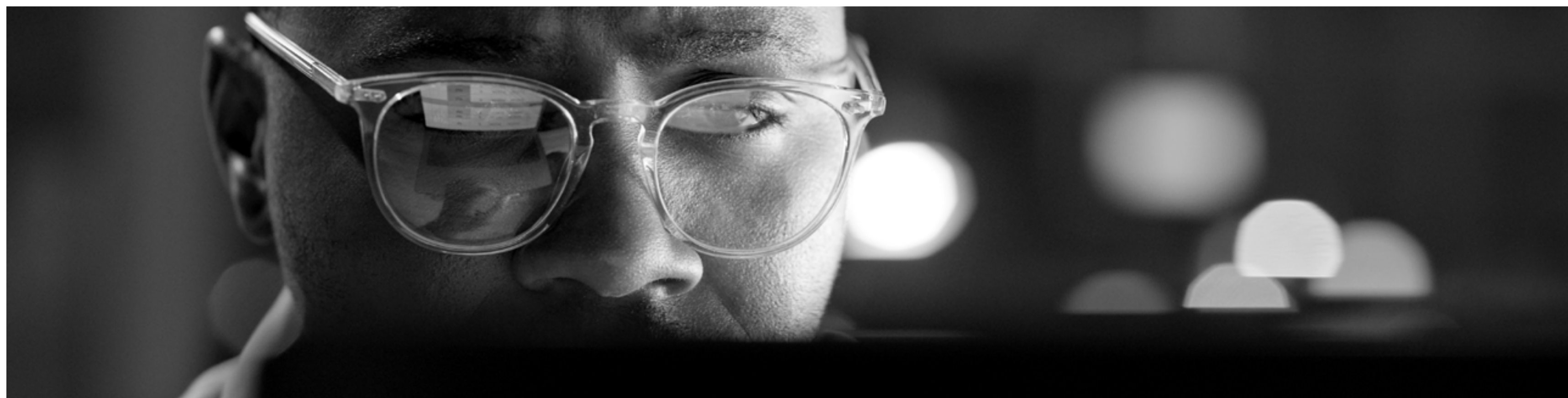
17. In this Study "quantitative" metrics include any disclosure where a company defined mathematically assessable matters such as (a) defined reductions in GHG emissions (e.g. reduction of CO2e emissions measured in tonnes); or (b) defined targets in health in safety metrics (e.g. 50% fewer workplace accidents). In this Study "qualitative" metrics include general disclosures, such as "progress on our Net-Zero pathway" or implementing general policies.
18. There were two Surveyed Companies who included environmental metrics but we were unable to determine the method(s) of measuring environmental metrics from their disclosure.

Data on Clawback Policies

On October 26, 2022, the United States Securities Exchange Commission (SEC), adopted the final version of its rule on Listing Standards for Recovery of Erroneously Awarded Compensation (Clawback Rules). Shortly thereafter, both the New York Stock Exchange and the NASDAQ Stock Market released substantially similar listing standards. The Clawback Rules require all issuers listed on a U.S. stock exchange to adopt a policy providing for the mandatory clawback of compensation received by executives in the event of financial restatement during the preceding three-year period. The clawback is obligatory, even if there was no misconduct or omission by the executive. While Canadian corporate law statutes, such as the *Canadian Business Corporations Act*, are contemplating similar rules, currently, Canadian issuers that are only listed on Canadian stock exchanges do not need to have a recoupment policy in place, meaning only Canadian issuers who are listed on a U.S. Stock exchange are required to adopt a recoupment policy in accordance with the Clawback Rules or revise their existing policies to be in compliance. This year is the first time our Study has reviewed clawback and/or recoupment policies.

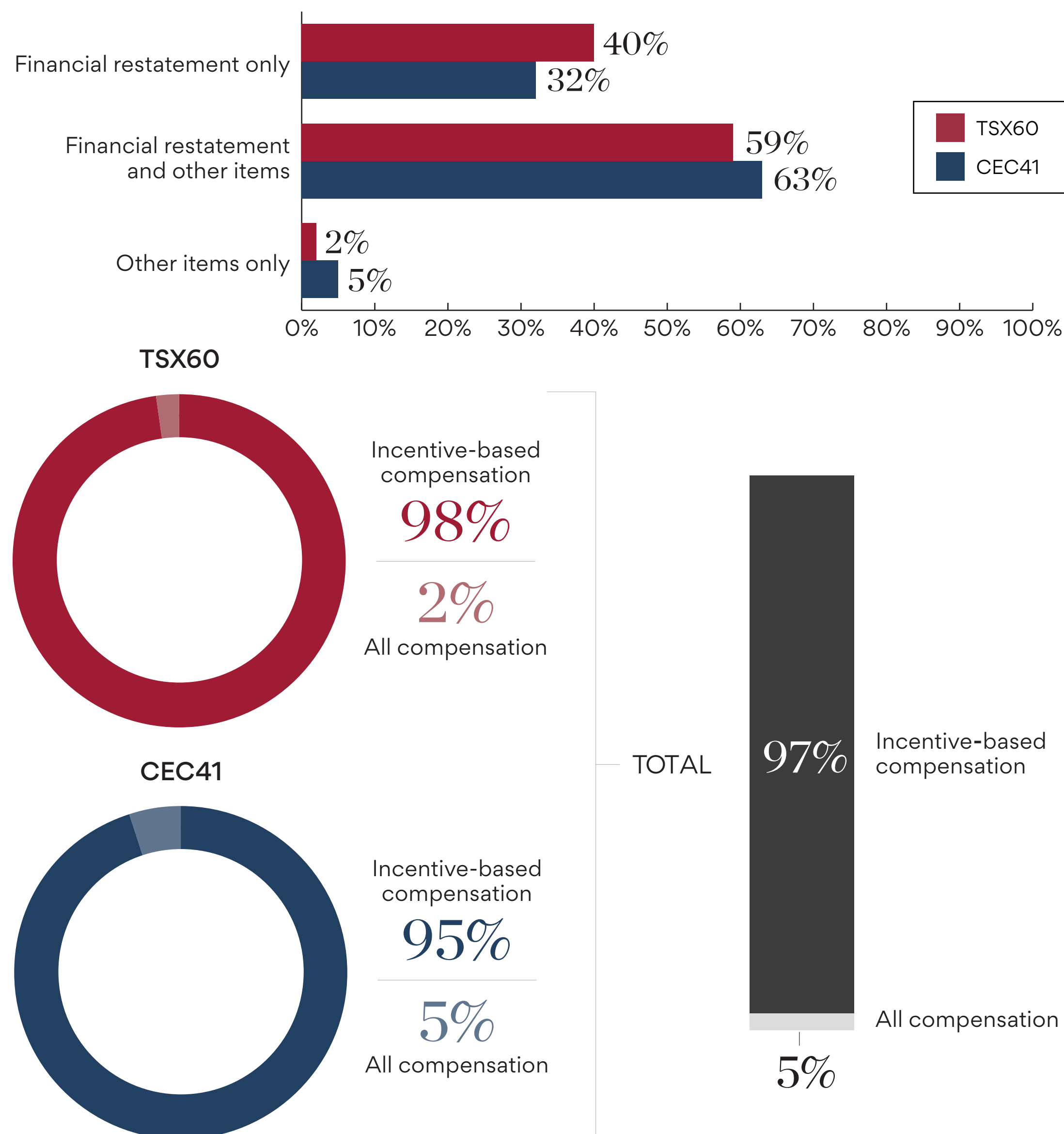
FIGURE 41 – Percentage of the Surveyed Companies that have a clawback policy for executive compensation.





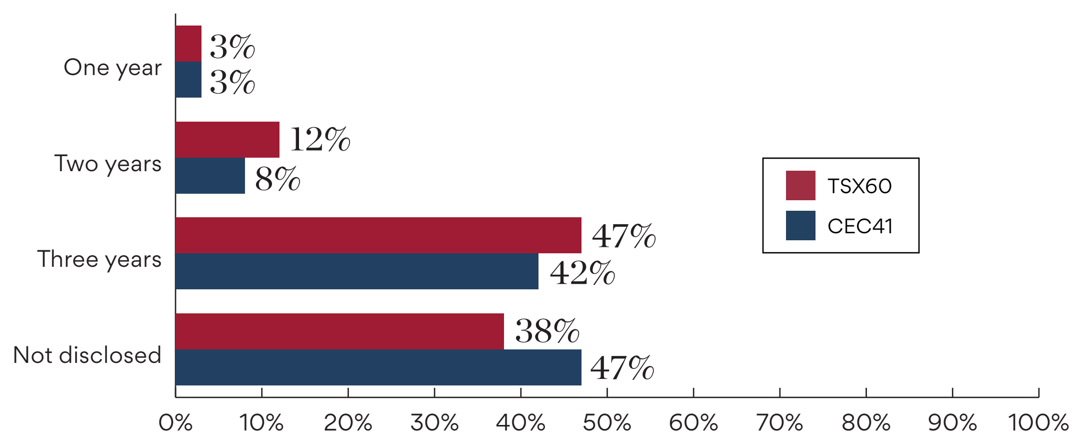
Of the Surveyed Companies that have a clawback policy, 59% of TSX60 companies and 63% of CEC41 companies have recoupment polices, which claw-back executive compensation in the event of financial restatement and other items (e.g. misconduct, fraud, willful blindness, non-compliance with laws and regulations, and even occasionally, conduct detrimental to the company's reputation). Most often the Survived Companies (98% for TSX60 and 95% for CEC41) disclose that executives' "incentive-based compensation" will be recouped in the event of financial restatement or misconduct. Of the Surveyed Companies with clawback policies in place, we noted that only two companies disclosed that "all" executive compensation (e.g., salary, cash bonus, and incentive rewards) are subject to the policy.

FIGURE 4J – Of the Surveyed Companies with a clawback policy, illustration of the situations that the policy ties to and the types of executive compensation that may be recouped.



As there are no clawback rules prescribed by law in Canada, Canadian companies do not have to include a mandatory three year look-back period as part of their clawback policy, unless they are also a listed issuer in the U.S. 44% of the Surveyed Companies do not mandate a specific number of years after a triggering event (i.e. financial restatement or otherwise) for which a clawback applies. However, in reviewing the surveyed TSX60 companies, 47% of such are consistent with the Clawback Rules and have a three-year window for recoupment, 12% have a two-year window, and 3% have a one-year window. In comparison, 42% of the surveyed CEC41 companies have a three-year window, 8% have a two-year window, and 3% have a one-year window for recoupment.

FIGURE 4K – Of the surveyed TSX60 and CEC41 companies that have adopted a clawback policy, illustration of how long after a triggering event the clawback may be applied.



B. ESG Disclosure

Most companies disclose some level of "E" and "S" information to their stakeholders. The location of such "E" and "S" disclosure often depends on the nature of the information, its materiality to investors, and the intended reader.

In Canada, "E" and "S" disclosure (other than that related to DEI) is not specifically mandated, however, under Canadian securities legislation, public companies must disclose in a meaningful way "material" information in their Continuous Disclosure Documents, which includes information that, if omitted or misstated, would likely influence a reasonable investor's decision to buy, sell or hold a security. This requirement applies to "E" and "S" information as it would to any other information. Depending on the nature of the information, "E" and "S" disclosure may need to be disclosed in:

(a) the MD&A if it consists of material information that may not be fully reflected in an issuer's financial statements, or is necessary to help investors understand what the financial statements show and do not show; and

(b) in an AIF if it is necessary to describe a company's operations and prospects, including material risks and other external factors that may impact the company.

Public companies often choose to disclose a broad range of "E" and "S" information in different forms beyond what is required by securities laws, including in Sustainability Reports and websites. Voluntary ESG disclosure can provide valuable information to a company's stakeholders, including consumers, the communities in which they operate, and investors. While not currently mandatory under Canadian securities laws, such information may be subject to applicable securities laws relating to misrepresentations (whether in relation to historical, current or forward-looking information) under the civil liability for secondary market disclosure regime, and potentially also subject to review and action by securities regulators.

In the 2024 Prior Study, we observed a movement away from the disclosure of "E" and "S" information in Continuous Disclosure Documents in favour of increased disclosure in Sustainability Reports. The information provided in Sustainability Reports generally goes beyond what is disclosed in Continuous Disclosure Documents, which is primarily focused on information that is mandated under applicable securities laws. In this year's study we have observed a reduced reliance on standalone Sustainability Reports for the disclosure of "E" and "S" information. While in the 2024 Prior Study, over 95% of the Surveyed Companies published a Sustainability Report, this year that number had decreased to 84%. This reduction is primarily due to the removal of voluntary sustainability disclosures by 7 of the Surveyed Companies in response to the passing of Bill C-59.

Reporting Frameworks and Standards for ESG Disclosure

In recent years, there has been significant momentum in developing globally applicable frameworks and standards to support ESG-related disclosure for public and private companies. To date, the most often relied on ESG standards and frameworks by companies in Canada include the Sustainability Accounting Standards Board Standards (the SASB Standards), the Taskforce on Climate-related Financial Disclosure Recommendations (the TCFD Recommendations), and the Global Reporting Initiative Standards (the GRI Standards). In June 2023, new reporting standards were also released by the International Sustainability Standards Board (the ISSB).

SASB Standards	This is an ESG guidance framework that sets standards for the disclosure of financially material ESG information by companies to their investors. The SASB Standards focus on sustainability information that is financially material across 77 industries, and are intended to result in disclosure that is decision-useful for investors and modeled after the processes used to develop financial accounting standards.[19] While the SASB standards are being incorporated into the ISSB reporting framework discussed herein, as sector-specific guidance, many companies continue to refer to the SASB standards in their disclosures.
TCFD Recommendations	This is a set of climate-related financial disclosure recommendations established by the Taskforce on Climate-related Financial Disclosure (TCFD) in 2017. The TCFD Recommendations are structured around four thematic areas and 11 recommended disclosures which assist companies in providing clear, comparable and consistent information about climate-related risks and opportunities affecting the company. The TCFD was disbanded concurrently with the completion of its mandate on October 12, 2023. The TCFD Recommendations are now monitored by the ISSB (as they are now incorporated into the IFRS S2 standard).
GRI Standards	This is a set of interconnected standards that provide a framework and structure for companies when publicly reporting on the impacts of their activities and include both requirements (a set of disclosures that must be made to be compliant with the GRI Standards) and recommendations (disclosure that is encouraged but not mandatory). The GRI Standards are made up of three separate standards, including the GRI Universal Standards, which apply to all companies, the GRI Sector Standards, which have been developed for 40 separate sectors, and the GRI Topic Standards, which cover various material topics for disclosure ranging from waste to occupational health and safety.
ISSB Standards	The ISSB released its initial standards in 2023 for application to reporting periods beginning on January 1, 2024. The IFRS S1 standard addresses general sustainability-related disclosure requirements, while IFRS S2 addresses climate-related disclosure requirements.

19. SASB, *About Us*. Online: https://www.sasb.org/about

In 2024, the SASB Standards, TCFD Recommendations and GRI Standards continued to be the most referenced by the Surveyed Companies, with many referencing multiple frameworks. This outcome was particularly interesting given that the ISSB Standards were available for use beginning on January 1, 2024 and that responsibility for the TCFD Recommendations was moved to the ISSB in 2023.

The relatively low uptake of the ISSB standards by Canadian companies in 2024 is almost certainly due to the activities of the Canadian Sustainability Standards Board (CSSB). The CSSB was established in June 2023 by Financial Reporting and Assurance Standards Canada (FRAS Canada). FRAS Canada is the entity responsible for setting Canada's standards in relation to accounting, auditing and sustainability disclosures.

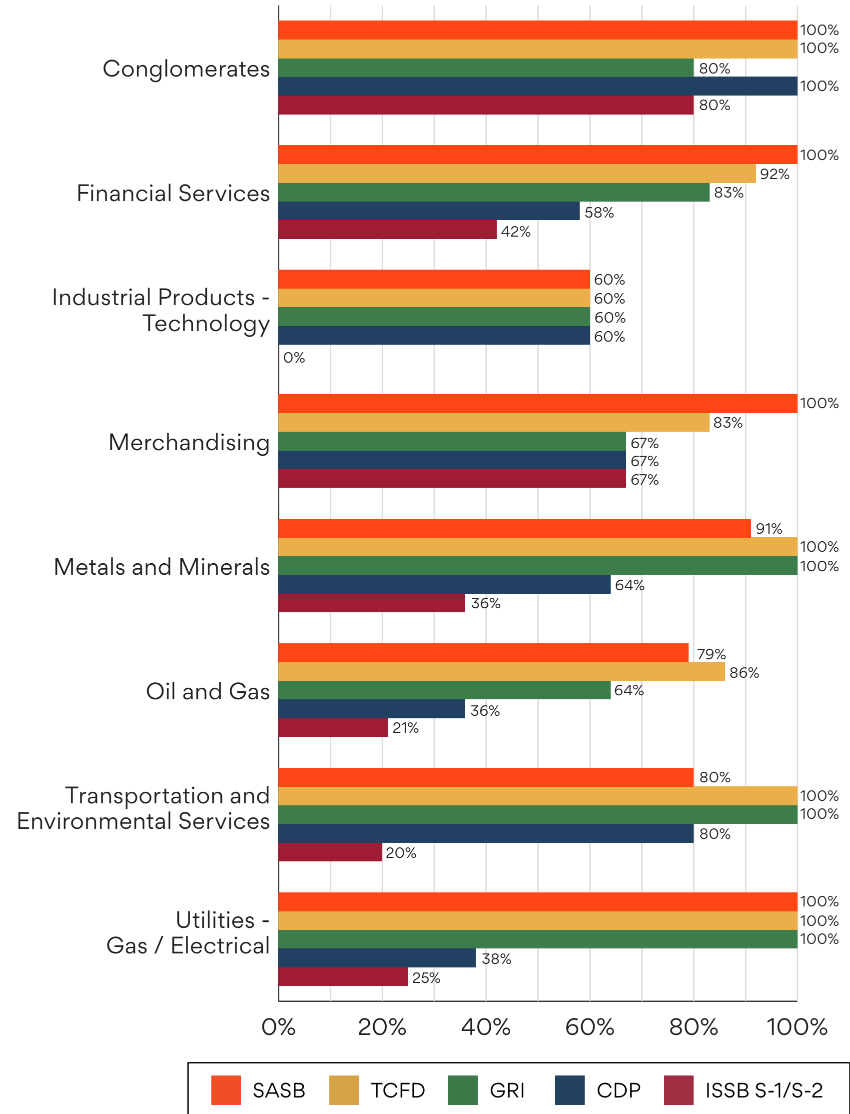
The CSSB's sole mandate since its establishment has been to develop Canadian Sustainability Disclosure Standards (CSDS) that align with the ISSB Standards but incorporate modifications to serve the Canadian public interest. Where companies included in the Study referred to the ISSB Standards, it was generally to indicate they are monitoring the work of the CSSB prior to implementing the ISSB Standards.

CSDS 1 and CSDS 2 (CSSB Standards) were released on December 18, 2024. Although the CSSB Standards are voluntary standards, we anticipate that many companies will begin incorporating the CSSB Standards into their disclosure in 2025.

FIGURE 5A – Combinations we observed of the most prominent reporting frameworks and standards referenced by the Surveyed Companies.

SASB	TCFD	GRI	ISSB	Other	
✓	✓	✓		✓	41%
✓	✓	✓	✓	✓	25%
✓	✓	✓			7%
✓	✓			✓	5%
✓	✓		✓		3%
✓		✓		✓	3%
	✓	✓		✓	3%
✓	✓	✓	✓		2%
✓	✓		✓	✓	1%
	✓				1%
✓			✓	✓	1%
✓	✓				1%
✓				✓	1%
	✓	✓	✓	✓	1%
					5%

FIGURE 5B – Percentage of Surveyed Companies, on an industry basis, that referred to prominent ESG standards or frameworks in their reporting.



In addition to the predominant frameworks referenced by companies, a number of companies also refer to other ESG standards and frameworks, including the Sustainable Development Goals reporting guidance (SDGs), the CDP,[20] GRESB,[21] and the recommendations of the Task-force on Nature-related Financial Disclosures (TNFD Recommendations).

With the final release of the TNFD Recommendations in 2023, we anticipated a number of companies would indicate an intention to incorporate the recommendations into future disclosure. However, of the Surveyed Companies, only 25% indicated such an intention. At 58%, the Financial Services sector had the highest proportion of Surveyed Companies that disclosed an intention to incorporate the TNFD Recommendations into future reporting.

It is also notable that while 38% of Surveyed Companies in the Metal and Minerals sector disclosed an intention to implement the TNFD Recommendations into future sustainability disclosures, only 7% of Surveyed Companies in the Oil and Gas sector disclosed such an intention.

FIGURE 5C – Percentage of Surveyed Companies that indicate an intention to incorporate or otherwise reference the TNFD Recommendations into future sustainability disclosures.

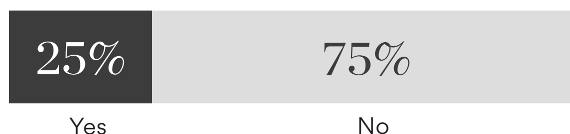
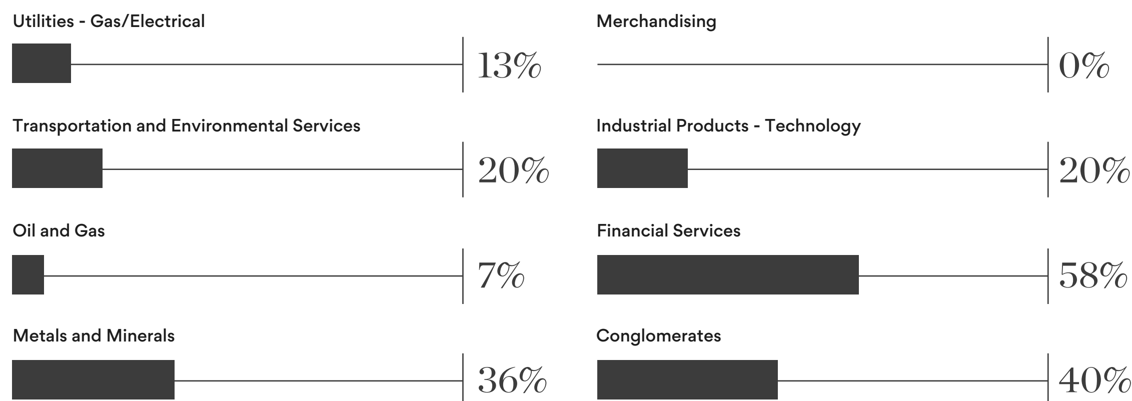


FIGURE 5D – Percentage of Surveyed Companies, divided by industry sector, that indicate an intention to incorporate or otherwise reference the TNFD Recommendations in future sustainability disclosures.



20. The CDP was previously known as the Carbon Disclosure Project.
21. GRESB was previously known as the Global Real Estate Sustainability Benchmark.

GHG EMISSIONS DISCLOSURE

This Study found that 85% of the Surveyed Companies disclosed a GHG emissions inventory.[22] This is a change from the 2024 Prior Study, in which 95% of the Surveyed Companies disclosed a GHG emissions inventory. We believe that this reduction was most likely the result of certain Surveyed Companies removing their disclosures following the implementation of Bill C-59.

Of the companies disclosing a GHG emissions inventory, 17% of these companies disclosed only Scope 1 and Scope 2 emissions and 80% disclosed Scope 1, Scope 2 and Scope 3 emissions.[23]

There is a notable change in the data relative to the 2024 Prior Study with respect to the CEC 41 companies. In the 2024 Prior Study, of the CEC41 companies that disclosed GHG emissions inventories, approximately 48% only disclosed Scope 1 and Scope 2 emissions and the remaining disclosed Scope 1, Scope 2 and Scope 3 emissions. In this Study, 26% of CEC41 companies disclosed only Scope 1 and Scope 2, with 71% disclosing Scope 1, 2 and 3 emissions.

Similar to the 2024 Prior Study, this Study found a marked difference in the scope of GHG emissions disclosed across different sectors. Surveyed Companies operating in sectors that produce high-emitting products (e.g. Oil and Gas) were more likely to limit their GHG emission disclosures to Scope 1 and Scope 2. However, unlike the 2024 Prior Study which indicated that Surveyed Companies in the Metals and Minerals sector were more likely to only disclose Scope 1 and 2 emissions, in this Study the majority of Surveyed Companies in the Metals and Minerals sector that disclosed GHG emissions disclosed Scope 1, 2 and 3 emissions.

Emissions Scopes Breakdown

Scope 1 - Emissions that are directly controlled by the reporting entity (e.g. emissions from fuel used in company vehicles).

Scope 2 - Emissions that are indirectly caused by the reporting entity's activities and are not within the control of the entity (e.g. emissions caused by the generation of electricity used in company premises).

Scope 3 - Indirect emissions not within the control of the reporting entity and that are not included in Scope 1 or Scope 2. These emissions are typically generated by activities in a company's value chain (e.g. emissions resulting from the use of products sold, franchises):[24]

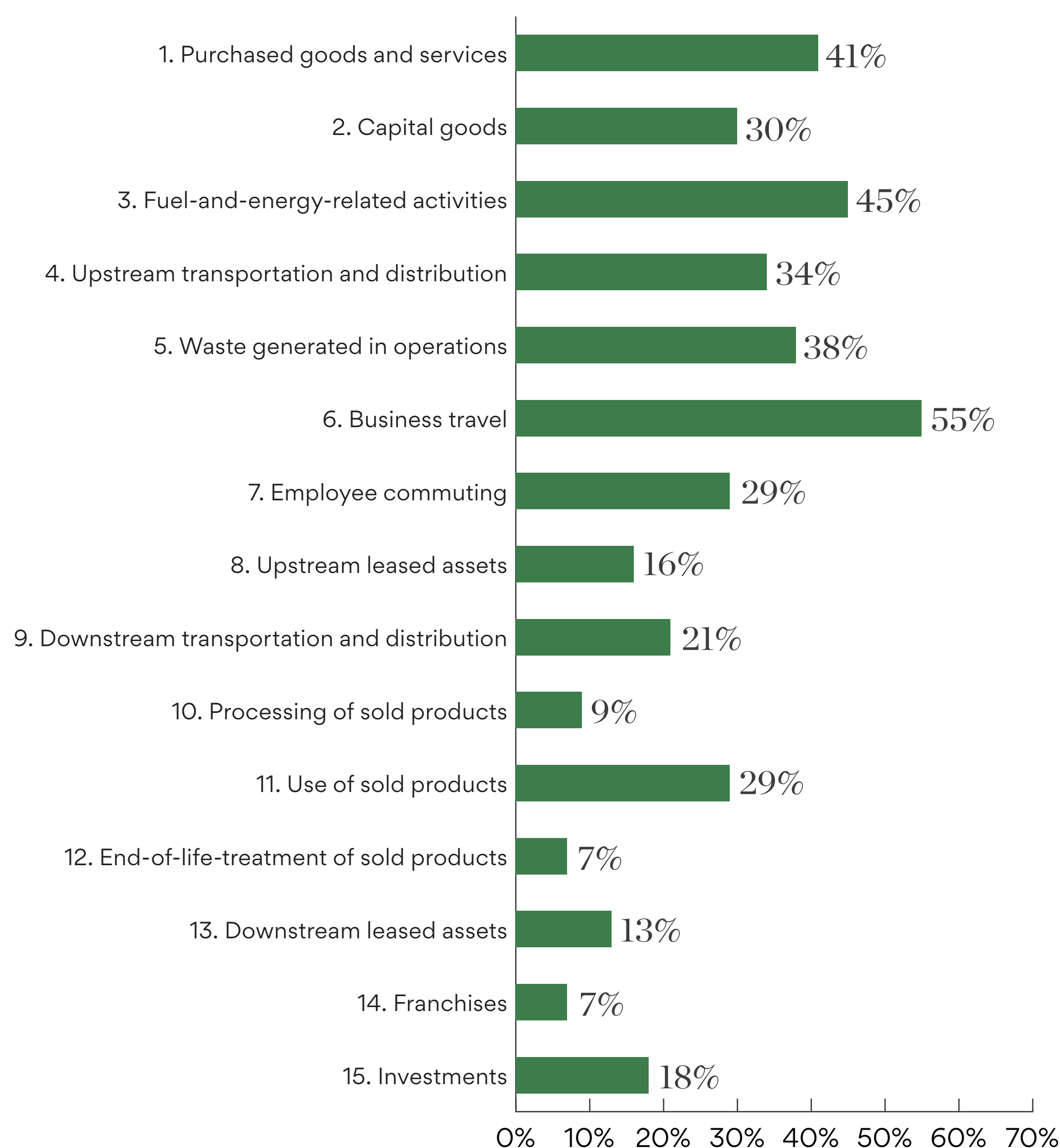
1. Purchased goods and services
2. Capital goods
3. Fuel-and-energy-related activities
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets
9. Downstream transportation and distribution
10. Processing of sold products
11. Use of sold products
12. End-of-life-treatment of sold products
13. Downstream leased assets
14. Franchises
15. Investments

22. GHG emissions inventory is a quantified list of an organization's GHG emissions and emissions sources calculated in accordance with standardized methodologies.
23. One Surveyed Company disclosed Scope 1 and Scope 3 emissions.
24. See Greenhouse Gas Protocol, "Scope 3 Calculation Guidance". Online: https://ghgprotocol.org/scope-3-calculation-guidance-2

In this Study, of the Surveyed Companies that disclosed Scope 3 GHG emissions, 40% or more disclosed Scope 3 emissions in Categories 1 (Purchased goods and services), 3 (Fuel-and-energy-related activities) and 6 (Business travel), whereas fewer than 10% of the Surveyed Companies that disclosed Scope 3 emissions disclosed emissions in Categories 10 (Processing of sold products), 12 (End-of-life-treatment of sold products) and 14 (Franchises). The least reported categories of Scope 3 emissions are not surprising given that they are either applicable to a limited sub-set of companies (i.e. Category 14), or they relate to a scope of activities for which the company producing the product is unlikely to have access to the necessary data (i.e. Category 10 and 12).

As public and market expectations for Scope 3 emissions disclosures continue to increase, it is reasonable to expect that availability of data will continue to play a critical factor in determining which categories are included in disclosures. For this reason, we anticipate that the proportion of companies reporting Scope 3 emissions that include information on their Categories 2, 5 and 7 emissions will continue to increase.

FIGURE 6 – For the Surveyed Companies that disclosed Scope 3 emissions, illustration of the category of Scope 3 emissions that were disclosed.



ASSURANCE

The demand for consistent, comparable, transparent and reliable ESG information from investors and regulators continues to grow. Furthermore, organizations are increasingly looking to mitigate exposure to risk from civil or regulatory proceedings alleging that disclosed ESG information is misleading or constitutes a misrepresentation.

To meet these demands and pressures, some companies are taking proactive measures to enhance the reliability of their publicly disclosed ESG-related information by obtaining third party assurance on it.

Proposed amendments to the regulatory framework in Canada and globally, including the United Kingdom and the European Union, continue to serve as catalysts for companies to seek out ESG-related assurance.

For instance, the European Union's Corporate Sustainability Reporting Directive (CSRD), which came into effect in January 2023 but as of September 2024 still has not been transposed into national law by 17 of the 27 EU member states, mandates that certain companies report sustainability information and also obtain limited assurance on that reported information and in the future potentially obtain reasonable assurance.

In Canada, the Canadian Securities Administrators (CSA) proposed National Instrument 51-107, titled "Disclosure of Climate-related Matters," in October 2021. What the final rule might require in respect of this type of assurance is still uncertain, as the finalization of proposed NI 51-107 has been on hold since the comment period ended in 2022.

Irrespective of the catalyst for why such assurance is being obtained, this Study sheds some interesting insights regarding how many companies are seeking out third party assurance, the subject matter being assured, whether the opinion sought is reasonable or limited in scope, and who the assurance service providers are.

Was Some Form of External Assurance Obtained?

Approximately 70% of each of the TSX60 and CEC41 companies (72% and 70%, respectively; Figure 7A), obtained one or more forms of external assurance relating to their ESG or sustainability-related disclosures. This represents a small increase from our 2024 Prior Study.

Upon analyzing industry trends, certain discernible patterns have emerged when compared to our 2024 Prior Study.

Notably, Surveyed Companies in the Metals and Minerals sector experienced a positive shift, with the percentage of companies obtaining external assurance on ESG disclosures rising from 73% to 82%. Similarly, Surveyed Companies in the Industrial Products – Technology sector are beginning to obtain external assurance on ESG disclosures, with the figure jumping from 0% to 40%. Conversely, a marginal decline was observed in Surveyed Companies in the Oil and Gas industry with fewer companies reporting pursuing external assurance for their ESG-disclosures compared to our 2024 Prior Study (approximately 71% versus 100% in the 2024 Prior Study; Figure 7B). This decrease may be in part attributed to a decline in the issuance of ESG reports.

Stability marked the approach of the Surveyed Companies in the Financial Services, Transportation & Environmental Services, and Utilities – Gas & Electric sectors, with no change reported in the percentage of companies engaging in external ESG assurance relative to our 2024 Prior Study (approximately 58%, 80%, and 75% respectively, Figure 7B).

FIGURE 7A – For the surveyed TSX60 and CEC41 companies, illustration of whether or not the companies obtained some form of external assurance or verification relating to ESG or sustainability disclosures.

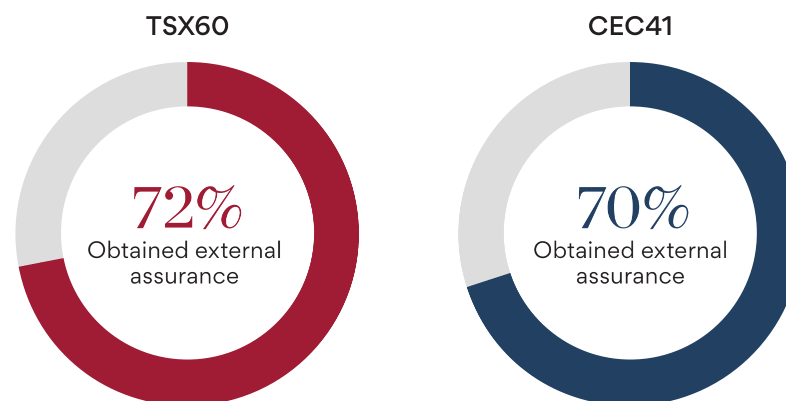
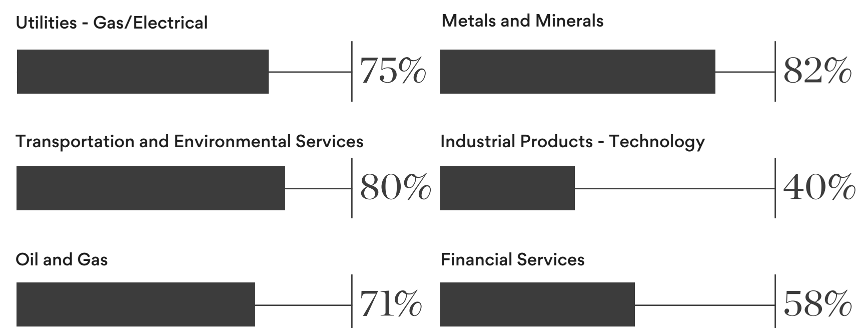


FIGURE 7B – For the Surveyed Companies, percentage of companies, on an industry basis, that have received some form of assurance on ESG–related matters.



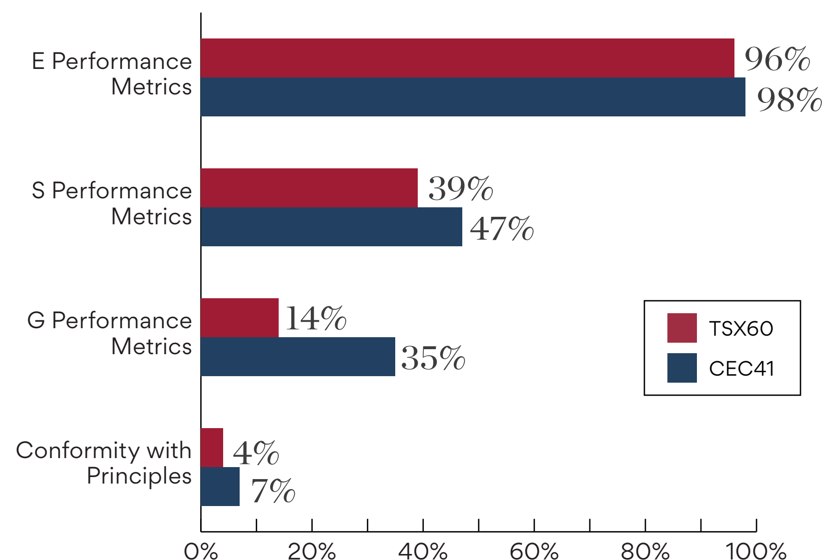
What is the Subject Matter of the Assurance?

Although the majority of the Surveyed Companies are obtaining some form of external assurance in respect of their ESG-related disclosures, the types of topics covered in the scope of such assurance engagement vary. The leading metrics for which companies most often seek assurance are environmental metrics. Approximately 98% and 96% of the TSX60 and CEC41 Surveyed Companies that obtained external ESG-related assurance obtained some form of assurance in relation to one or more environmental metric (Figure 7C). This represents a small increase in the TSX60 companies compared to our 2024 Prior Study. Of the vast scope of environmental metrics covered, GHG emissions is a primary focus, but other matters covered include water, electricity and energy consumption.

In contrast, approximately half of the TSX60 Surveyed Companies and approximately 40% of the CEC41 companies obtained ESG-related assurance pertaining to social performance metrics. On the other hand, only 35% of TSX60 and 14% of CEC41 companies that received ESG-related assurance obtained assurance related to governance performance metrics. (Figure 7C). On the social side, this included metrics such as health and safety, human rights, executive management or workforce diversity, community investment or community impact, and employee engagement. As to governance, it includes code of conduct or anticorruption training, board diversity, and data security.

Consistent with our 2024 Prior Study, a small handful of companies (typically mining companies) have also obtained some form of assurance regarding their conformity with certain principles (Figure 7C). In this Study, 'Conformity with Principles' refers to assurance being obtained in respect of a company's adherence or conformance to specific guidelines and standards as established or outlined by well-known organizations within the ESG space. Examples of such principles include the International Council on Mining and Metals Mining Principles (ICCM Principles), the Responsible Gold Mining Principles (RGMP), and the Conflict-Free Gold Standard. These guidelines encompass a wide array of criteria, ranging from environmental conservation and community engagement to human rights protection and supply chain transparency. By aligning their operations with these principles, mining companies demonstrate their dedication to minimizing environmental impacts, upholding human rights, promoting fair labour practices, and contributing positively to the communities in which they operate.

FIGURE 7C – For the surveyed TSX60 and CEC41 companies, with respect to all companies receiving some form of ESG-related assurance, percentage of such companies that disclose assurance with respect to specific types of ESG-related subjects. Note: Since more than one category may be applicable for any given company, the totals do not add to 100%.



Assurance Regarding Environmental Metrics

In respect of the types of environmental metrics being assured, GHG emissions is the leading metric.

More specifically, of those companies obtaining some form of assurance regarding environmental performance metrics, approximately 96% of TSX60 and 88% of CEC41 companies sought assurance for GHG emissions (Figure 8A). This is a significant increase compared to our 2024 Prior Study. This marked uptick could be explained by a heightened awareness of climate-related risks and the importance of credible GHG reporting due to investor pressures, regulatory developments, possible litigation, and a global push towards sustainability.

As to what type of GHG emissions were covered, a split emerges between companies that provided assurance with respect to their Scope 1, Scope 2 and Scope 3 GHG emissions and companies that provided assurance with respect to only their Scope 1 and Scope 2 GHG emissions (approximately 41% and 55%, respectively; Figure 8B). It is worth noting, however, that the percentage of Surveyed Companies obtaining some form of assurance for environmental performance metrics across all Scope 1, Scope 2 and Scope 3 GHG emissions has increased by approximately 8% compared to our 2024 Prior Study.

Although some companies are providing assurance with respect to Scope 3 GHG emissions, two points are important to note. First, many companies only provide limited Scope 3 GHG emission disclosure. Business travel accounted for a large portion of assured Scope 3 GHG emissions followed by emissions from end use of sold products. Second, whether or not a company provided broader Scope 3 GHG emission disclosure (for example in relation to grid loss, customers' natural gas usage, and upstream and downstream leased assets), the assurance provided by companies was generally limited to only certain types of Scope 3 GHG emissions.

FIGURE 8A – For the Surveyed Companies which obtained some form of external assurance, breakdown of assurance with respect to specific types of environmental performance metrics. Note: Since more than one category may be applicable for any given company, the totals do not add to 100%.

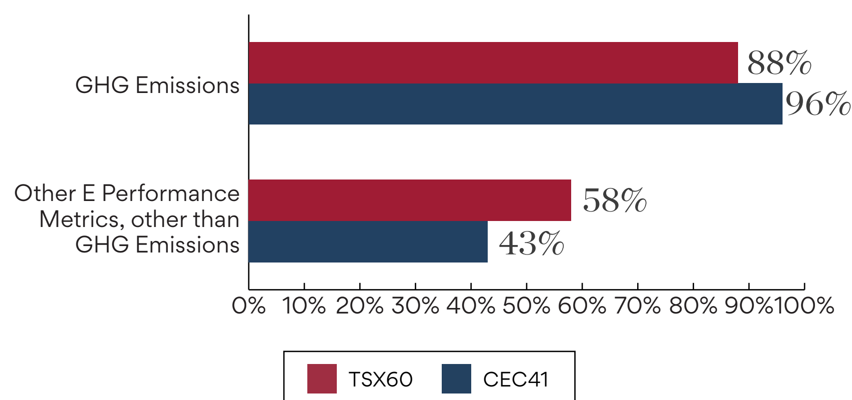
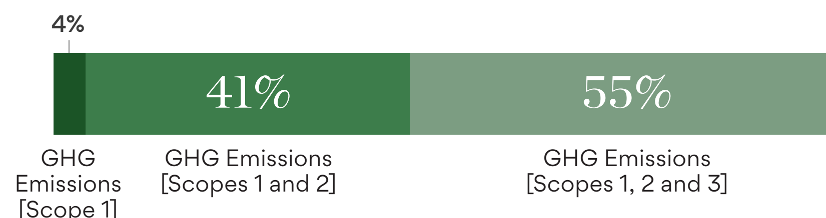


FIGURE 8B – For the Surveyed Companies which obtained some form of external assurance on GHG emissions, breakdown of GHG emission type.



What Type of Assurance Opinion is Obtained?

Since there are no prescribed requirements to obtain assurance of ESG-related matters in Canada, a company seeking assurance selects the level of assurance it desires to obtain from the assurance service provider.

Companies may choose to obtain a high level of assurance, in the form of a "reasonable" assurance opinion which provides a positive statement that the information is prepared, in all material respects, in accordance with certain criteria (e.g. as defined by GRI standards, SASB standards, internally developed criteria or definitions, and/or the methodology for determining GHG emissions).

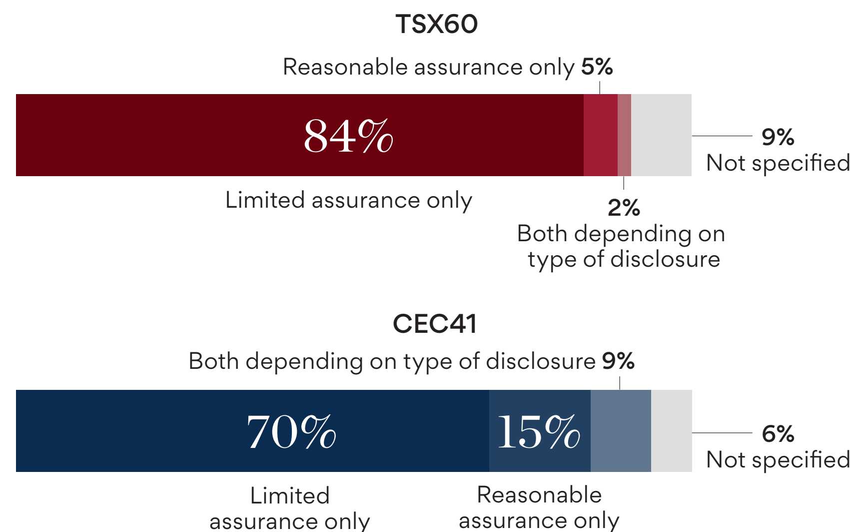
Alternatively, and more commonly, companies may choose to only obtain a "limited" form of assurance which typically includes a negative form of assurance, stating for example that no matters have come to the provider's attention that cause the provider to believe that the information is not prepared, in all material respects, in accordance with certain criteria.[25]

For those TSX60 and CEC41 companies which did obtain one or more forms of external assurance opinions, in the majority of cases, "limited" assurance was obtained (approximately 84% of TSX60 and 70% of CEC41 companies; Figure 9). This is consistent with our 2024 Prior Study.

In a handful of cases, "reasonable" assurance was obtained (approximately 5% of TSX60 and 15% of CEC41 companies; Figure 9). This was a slight increase compared to our 2024 Prior Study.

The number of Surveyed Companies that obtained both "reasonable" assurance and "limited" assurance for different subject matters slightly decreased compared to our 2024 Prior Study. In such cases, it may be that the company obtained a different level of assurance for different properties that it owned or opted to obtain one form of assurance for a category of metrics (e.g., community investment) and another level of assurance for another category (e.g., environmental). Alternatively, in some instances, "reasonable" assurance was obtained for Scope 1 and Scope 2 GHG emissions, while all other ESG indicators, including Scope 3 GHG emissions, was subject to "limited" assurance.

FIGURE 9 – For the surveyed TSX60 and CEC41 companies which obtained some form of external assurance, illustration of the scope of such assurance, whether a reasonable or limited assurance opinion is provided.



25. Note to Reader: There were also instances where issuers obtained a verification statement from an assurance provider which noted that such document was "not an assurance opinion" and did not state what level of assurance was being provided. For purposes of this Study, these were included in the category of a limited assurance opinion.

Who is the Assurance Service Provider?

There are a variety of providers offering assurance and verification services in relation to sustainability-related data and processes.

The results indicate a clear preference for assurance providers among Surveyed Companies both in the TSX60 and CEC41. A significant majority of these companies favour accounting firms for obtaining assurance opinions or verification statements on their ESG disclosures. Specifically, approximately 74% of TSX60 and 50% of CEC41 companies opted for the services of accounting firms (Figure 10).

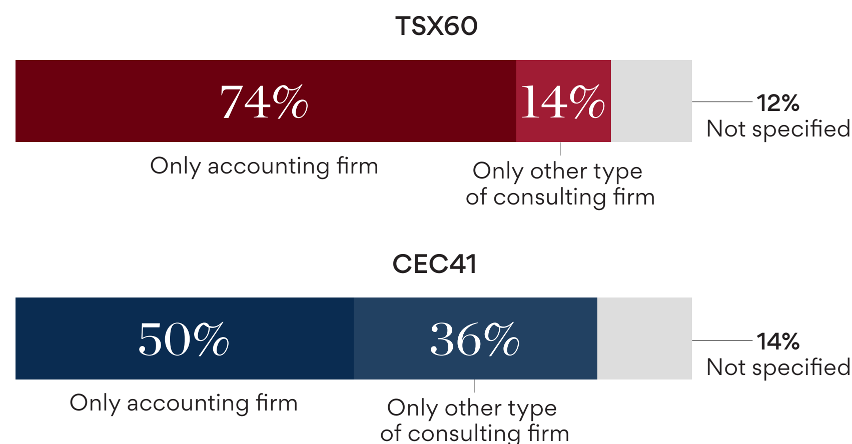
Consulting firms with specialized expertise in sustainability, including dedicated environmental consultancies and engineering firms with a focus on sustainability services, are the next preferred option. These firms' market share in providing ESG assurance is growing, as evidenced by an increase in the number of Surveyed Companies turning to them.

The trend toward choosing specialized consulting firms for ESG assurance may result from their ability to offer deep specialization in sustainability, which delivers tailored insights for complex ESG issues. As the demand for innovation within the ESG assurance landscape grows, these firms are well-placed to introduce new approaches and methodologies. Moreover, they can likely provide diverse perspectives that differ from traditional financial audit practices, meeting unique industry-specific needs. Interestingly, no Surveyed Companies chose to obtain assurance from both an accounting firm and a sustainability data consulting firm.

Note that in some instances, the disclosure of a Surveyed Company referred to assurance obtained by a third party but did not specify who the provider was, nor was the assurance opinion made available.

Of note, in November 2024, the International Auditing and Assurance Standards Board published its International Standard on Sustainability Assurance, scheduled to take effect in December 2026. This profession-agnostic standard could significantly influence issuers' choices regarding the assurance service providers they engage, as it sets a global benchmark for sustainability assurance practices that transcends the boundaries of traditional audit professions. It will be interesting to observe how this development impacts the decision-making process for issuers in their selection of assurance providers in the context of the evolving landscape.

FIGURE 10 – For the surveyed TSX60 and CEC41 companies that obtained some form of external assurance, illustration of the type of organization providing such assurance, whether an accounting firm or another type of consulting firm.



C. Goals and Targets

GHG EMISSIONS REDUCTION TARGETS

This Study shows that of all "E" related matters surveyed, GHG emissions were the most widely considered topic by the Surveyed Companies when setting goals and targets. Of the Surveyed Companies, 86% had one or more targets related to reducing GHG emissions.

FIGURE 11A – Percentage of Surveyed Companies that disclosed having one or more targets related to reducing its GHG emissions.

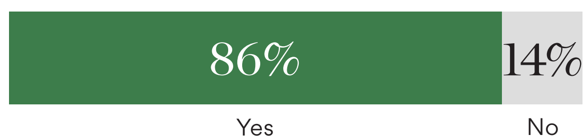
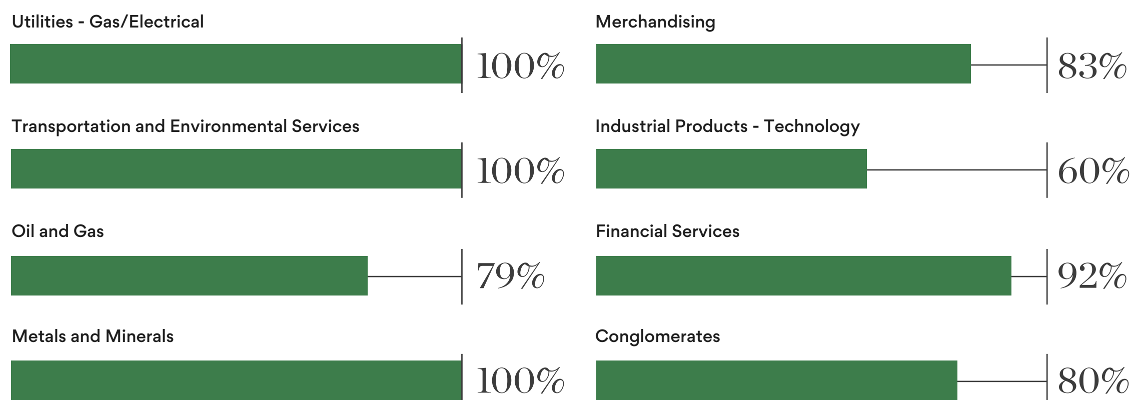


FIGURE 11B – Percentage of Surveyed Companies, on an industry basis, that disclosed having one or more targets related to reducing its GHG emissions.



For this Study, we considered whether the Surveyed Companies disclosed a commitment to any of the following types of GHG emission reduction targets:

Net-Zero Target	Usually expressed as a plan or commitment to reduce corporate emissions to zero, to the greatest extent possible, by a fixed date and frequently anticipate using carbon offsets to address operational emissions that are not technologically feasible to eliminate.
Reduction in Absolute GHG Emissions	Usually expressed as a reduction in metric tonnes of CO_2 equivalent (CO_2e) GHG emissions as compared to a base year (and may include the use of carbon offsets to achieve the reduction).
Carbon Intensity Improvement Targets	Usually expressed as a reduction in metric tonnes of CO_2 equivalent (CO_2e) GHG emissions per unit or revenue or volume of product as compared to a base year (and may include the use of carbon offsets to achieve the reduction).
Carbon Neutral Target	Usually expressed as the use of carbon offsets to net GHG emissions to zero in an annual period and frequently limited to CO_2.[26]

26. Definitions from: United Nations Environment Programme, Emissions Gap Report 2023. Online: <https://wedocs.unep.org/bitstream/handle/20.500.11822/43922/EGR2023.pdf?sequence=3&isAllowed=y>.

Greenhouse Gas (GHG): The atmospheric gases responsible for causing global warming and climatic change. The major GHGs are carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Less prevalent, but very powerful, GHGs include hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).

Carbon dioxide equivalent (CO_2e): A way to place emissions of various radiative forcing agents on a common footing by accounting for their effect on the climate. It describes, for a given mixture and amount of GHGs, the amount of CO_2 that would have the same global warming ability, when measured over a specified time period.

Many of the Surveyed Companies referenced more than one target.

This Study shows that 71% of the Surveyed Companies that disclosed having GHG emissions targets disclosed an absolute reduction target. 66% of the Surveyed Companies disclosing GHG emissions targets disclosed a net-zero target (Figure 11C).

Despite the fact that 7 Surveyed Companies removed their sustainability disclosure following the passing of Bill C-59, the proportion of Surveyed Companies that utilize each of the four types of GHG emissions reduction targets remained consistent with the 2024 Prior Study.

FIGURE 11C – Types of GHG emissions reduction targets that have been established by Surveyed Companies that have adopted some form of reduction target.

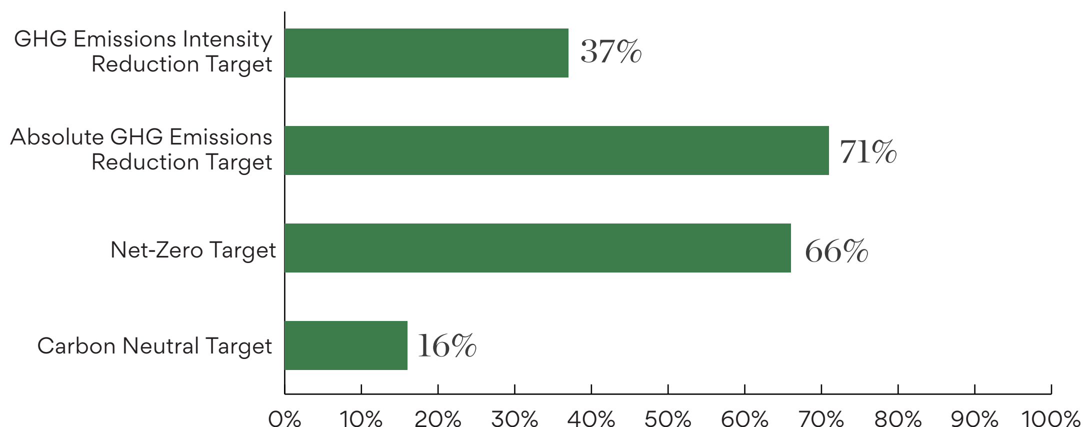
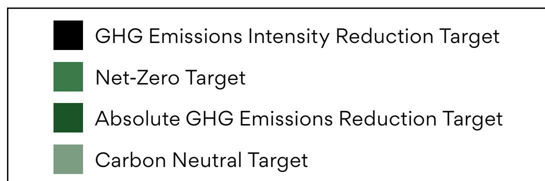
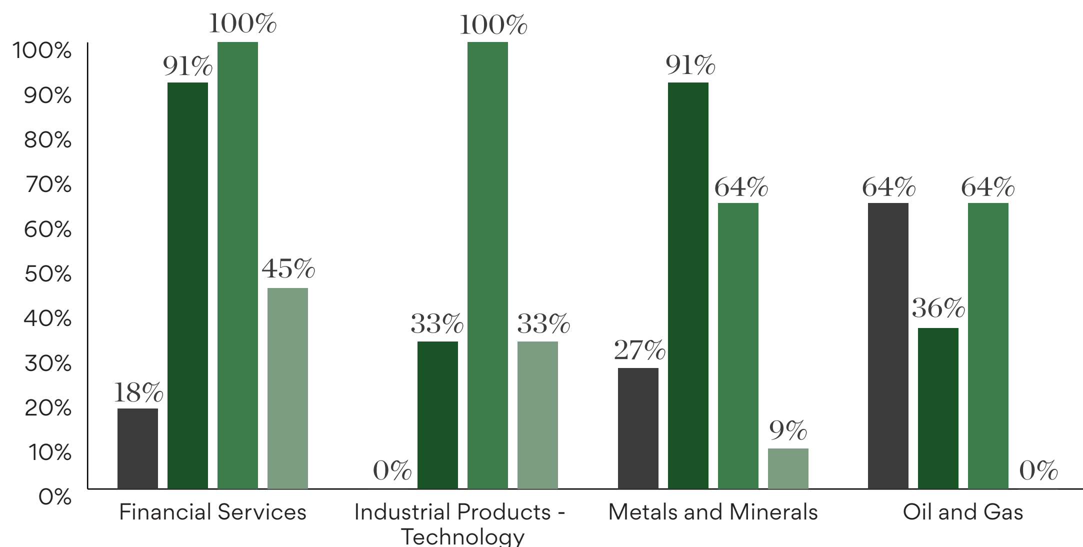


FIGURE 11D – Types of GHG emissions reduction targets that have been established by Surveyed Companies that have adopted some form of reduction target.





Continued Role for Voluntary Carbon Offsets

Despite enhanced scrutiny of the voluntary carbon market by media and other stakeholders, 31% of all Surveyed Companies disclosed they purchase carbon offsets or carbon removal credits. Of the 86% of Surveyed Companies that disclosed having a GHG emissions reduction target, 44% indicated an intention to use carbon offsets to help meet their targets, whereas 30% indicated an intention to use renewable energy certificates to help meet their targets.

FIGURE 12A – Percentage of Surveyed Companies that disclose having one or more GHG emissions reduction targets that also disclose an intention to utilize "carbon offsets" or "carbon removal credits" to achieve the GHG reduction targets.

FIGURE 12B – Percentage of Surveyed Companies by industry that disclose having one or more GHG emissions reduction targets that also disclose an intention to utilize "carbon offsets" or "carbon removal credits" to achieve the GHG reduction targets.

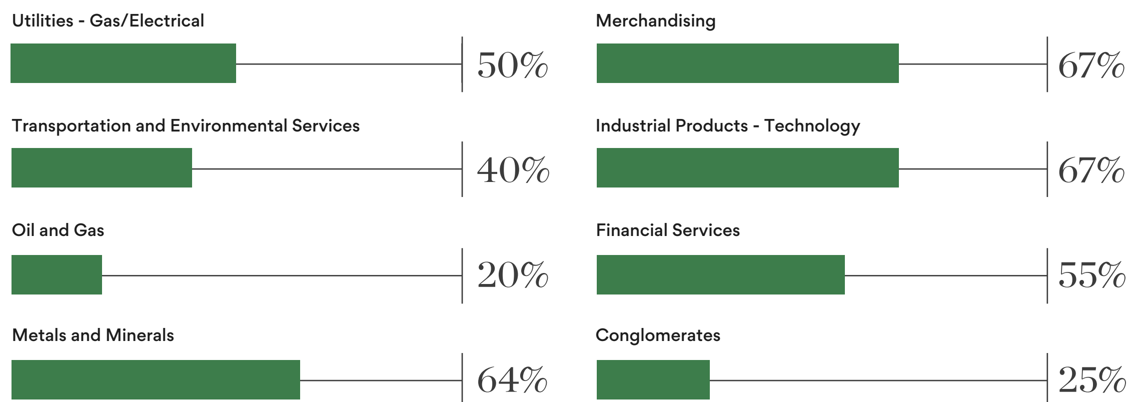


FIGURE 12C – Percentage of Surveyed Companies that disclose having one or more GHG emissions reduction targets that also disclose an intention to utilize "renewable energy certificates" to achieve the GHG reduction targets.

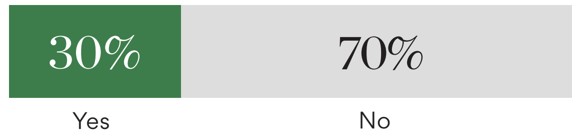


FIGURE 12D – Percentage of Surveyed Companies by industry that disclose having one or more GHG emissions reduction targets that also disclose an intention to utilize "renewable energy certificates" to achieve the GHG reduction targets.

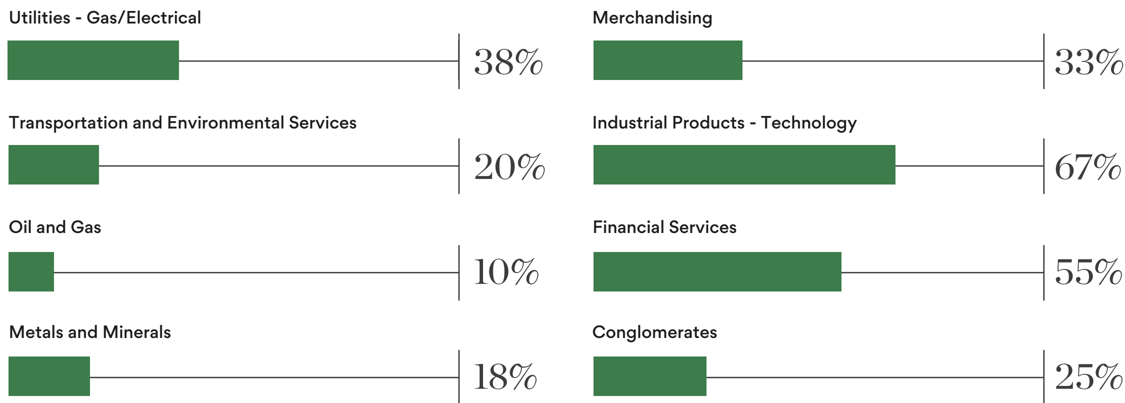


FIGURE 12E – Percentage of Surveyed Companies that disclose an intention to use carbon offsets that also disclose any policies or limits related to their future use.

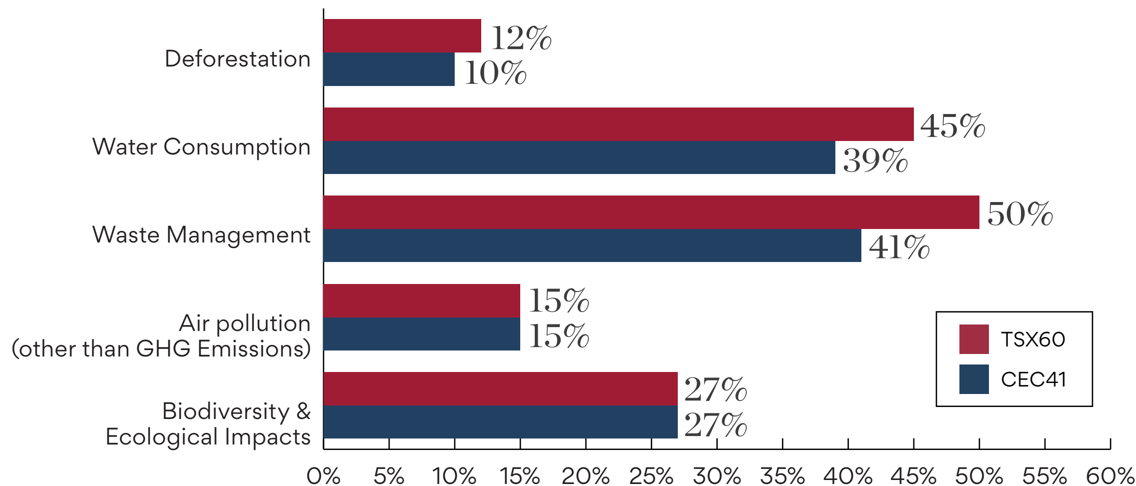
Companies appear to be responding to concerns over the voluntary carbon market by developing guidelines and policies around the use of carbon offsets – 47% of the Surveyed Companies that expressed an intention to use carbon offsets also disclosed policies or other limits related to this future use of carbon offsets. These policies or limits ranged from commitments to limit the use of carbon offsets to residual emissions that were not technologically feasible to eliminate for the purpose of achieving net-zero, to commitments to only use carbon offsets generated by the company or its affiliates.

OTHER "E" GOALS AND TARGETS

Apart from targets related to GHG emissions, many Surveyed Companies disclosed other "E" goals and targets in their publicly available disclosures. Following targets related to GHG emissions, the next most frequently disclosed environmental targets disclosed by the Surveyed Companies relate to waste management and water consumption. This result is consistent with increased focus on reducing water usage and waste reduction in Canada and elsewhere.

Targets related to deforestation were disclosed by only 7 of the Surveyed Companies. This is not surprising as, globally, the primary driver of deforestation is land clearing to facilitate agricultural operations such as plantation agriculture or cattle ranching.[27] As this type of activity is relatively rare in Canada, causes of deforestation in Canada are generally limited to urban expansion and infrastructure or natural resource development.

FIGURE 13 – Illustration of the subject matters of "E" goals and targets referenced by the Surveyed Companies.



27. Forest Stewardship Council, "9 deforestation facts to know in 2024 (plus solutions). Online: https://fsc.org/en/blog/deforestation-facts

D. Shareholder Proposals

Shareholder proposals, which is one form of shareholder activism, continue to gain popularity in Canada. Canadian corporate statutes allow shareholders to submit proposals (subject to meeting certain conditions) to be voted on at annual meetings of shareholders.

Most often these proposals are "advisory" in nature because the subject matter of the proposal is not something that shareholders have the authority, under corporate law, to require a corporation to undertake. Under corporate law, the authority to manage the business and affairs of a corporation (which is a broad power) rests with the board of directors.

Accordingly, although shareholders cannot direct a corporation to take specific action, an advisory proposal is still a powerful mechanism that shareholders can use to highlight issues which are important to shareholders as well as signal to the corporation's board the shareholders' sentiments towards such issues.

This Study analyzes both ESG-related shareholder proposals which were submitted and went forward to a vote at an annual meeting, and those proposals which were withdrawn prior to such meeting.

How Many Companies Received an ESG-Related Shareholder Proposal

Consistent with previous years, we found that approximately 26% of the Surveyed Companies received one or more ESG-related shareholder proposals (Figure 14A). Of those companies, all of them had at least one ESG-related shareholder proposal that went to a vote.

Of note, approximately 64% (Figure 14B) of the total number of ESG-related shareholder proposals received by all of the Surveyed Companies proceeded to a vote.

FIGURE 14A – Comparison of the proportion of Surveyed Companies that received one or more ESG–related shareholder proposals.

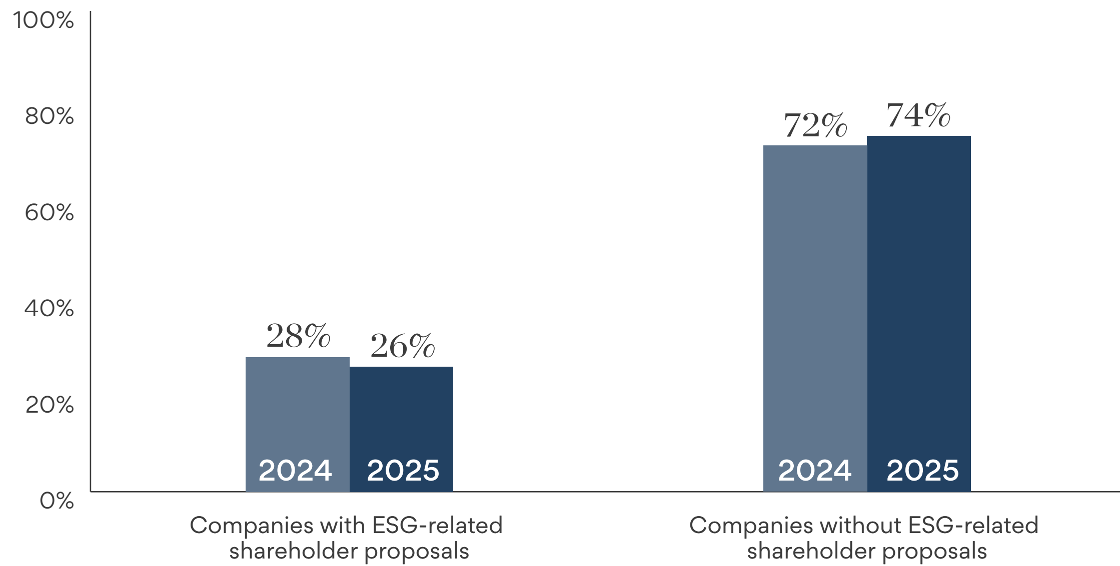
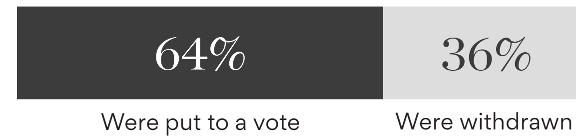


FIGURE 14B – Proportion of the total number of ESG–related shareholder proposals received by all the Surveyed Companies that went to a vote.



Were put to a vote Were withdrawn

What Is the Subject Matter of the ESG-Related Shareholder Proposals

Of the ESG-related shareholder proposals received by the Surveyed Companies, approximately 28% were environmental-related, 33% were social-related, 39% were governance-related and 5% were anti-ESG shareholder proposals (Figure 15A). Note that more than one category may be applicable for certain of the shareholder proposals.

Of these proposals, approximately 68% of the environmental-related proposals were put to a vote, reflecting a strong interest in environmental issues among shareholders. Similarly, approximately 55% of social-related proposals and approximately 53% of governance-related proposals were also put to a vote. Notably, anti-ESG proposals had the highest percentage, with 83% being put to a vote, suggesting a noteworthy level of contention or opposition towards ESG initiatives among certain shareholder groups (Figure 15B).

FIGURE 15A - Categories of ESG-related shareholder proposals received by Surveyed Companies.

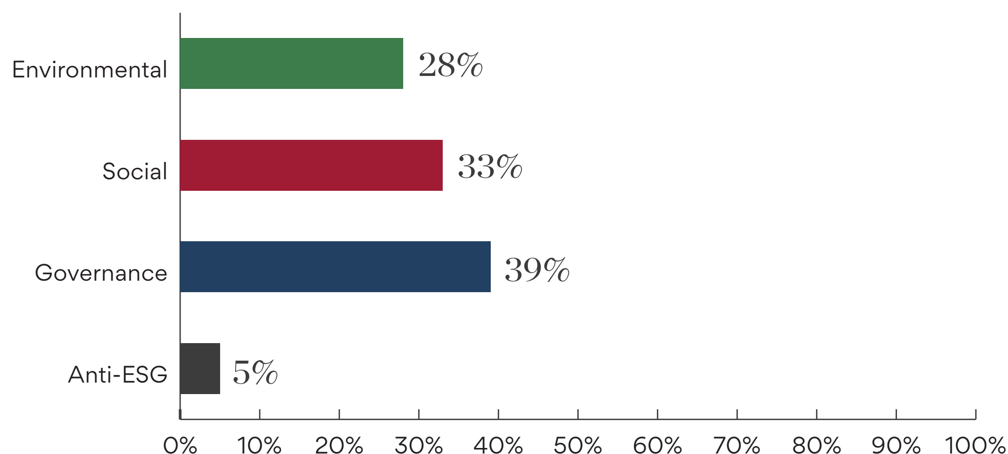
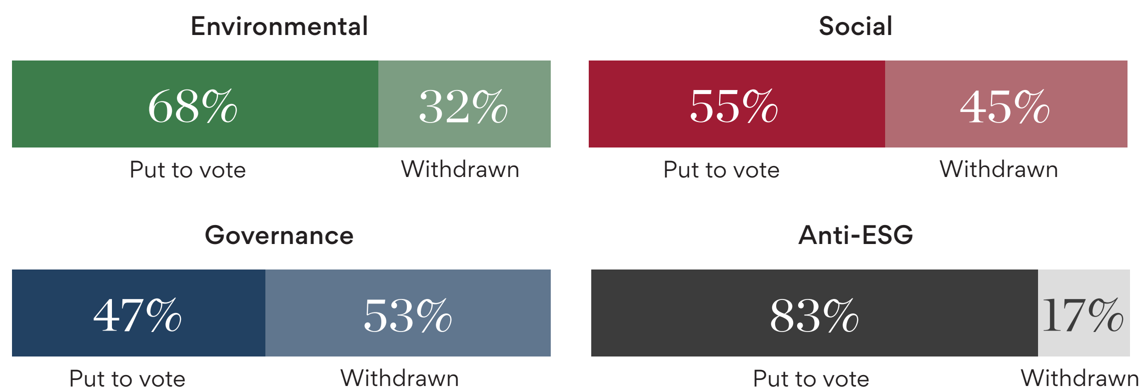


FIGURE 15B – For each category of ESG-related shareholder proposals received by Surveyed Companies, percentage of such proposals that went to vote.



The types of environment-related proposals received by the Surveyed Companies included a range of matters, including proposals regarding advisory votes on environmental policies (say-on-climate), commitments regarding GHG emissions reductions, environmental policies, reduction of fossil fuel financing, and renewable energy efforts. These environmental proposals received low to medium support from shareholders ranging from approximately 3% to 27%.

As for social-related proposals, a considerable proportion of proposals focused on issues regarding racial equity, human rights, and employee well-being. Notably, there were only two proposals regarding Indigenous engagement and reconciliation. Most of the social proposals received moderate levels of support ranging from 5% to 18%.

The governance-related proposals included issues such as the language skills of directors and executives and obtaining assurance for ESG reports. Interestingly, several banks received shareholder proposals requesting the disclosure of non-confidential information in country-by-country reporting regarding pay ratio calculations, aimed at enhancing transparency and combating tax avoidance, tax evasion, tax havens, and lenient legislation. The governance proposals received support ranging from 1% to 12%. In addition, there were several proposals related to returning to in-person annual shareholder meetings, with an option to attend virtually, that received majority support, with the highest levels of support reaching approximately 82%.

Five anti-ESG proposals were received by financial services institutions, urging them to explicitly reaffirm their commitment to continue investing in and financing the Canadian oil and gas sector. Similarly, one company in the oil and gas sector received a proposal asking it to abandon its pledge to achieve net zero by 2050. These proposals received exceptionally low support, ranging from 0.65% to 1.2%.

Which Industries Received ESG-Related Shareholder Proposals

Approximately 57% of all shareholder proposals that were received by Surveyed Companies were received by companies in the Financial Services industry. (Figure 16A). The Financial Services sector also demonstrated the highest levels of focus on ESG considerations, with 14% of proposals addressing environmental concerns, 19% related to social issues, and 20% focusing on governance (Figure 16A).

Of all the ESG-related shareholder proposals that went to a vote, approximately 47% were received by companies in the Financial Services industry. Of note, all the ESG-related shareholder proposals received by companies in the Pipeline, Metals and Minerals, and Oil and Gas industries went to a vote. (Figure 16B).

FIGURE 16A – For the Surveyed Companies which received one or more ESG-related shareholder proposals, industry of the company that received an ESG-related proposal and categories of the proposals. Note: More than one category may be applicable for any given shareholder proposal.

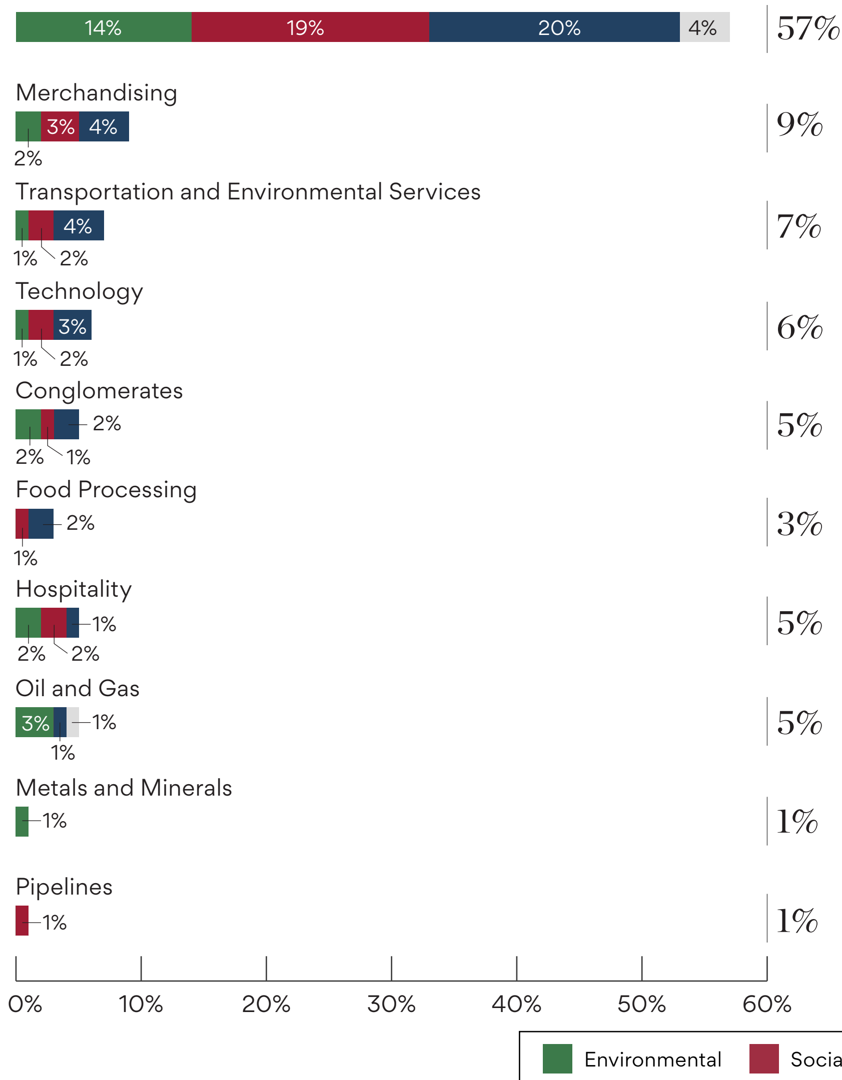
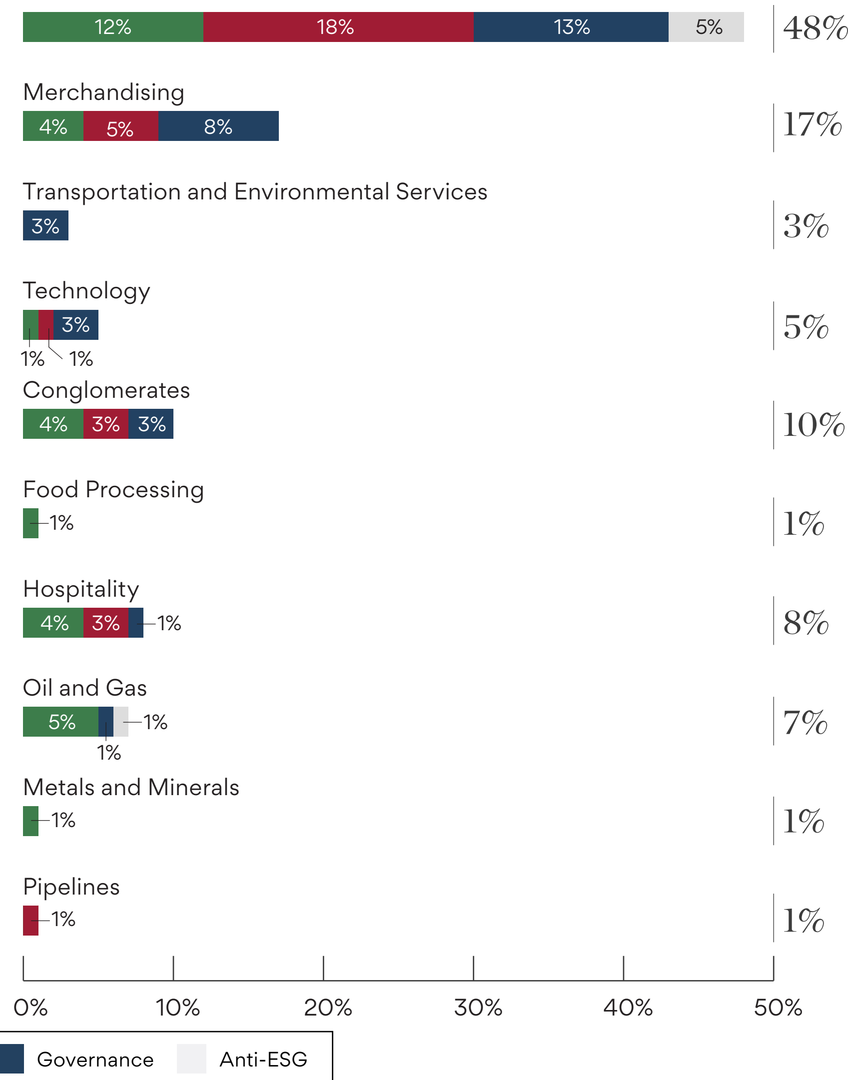


FIGURE 16B – For the Surveyed Companies which received one or more ESG-related shareholder proposals that went to a vote, industry of the company that received an ESG-related proposal and categories of the proposals. Note: More than one category may be applicable for any given shareholder proposal.



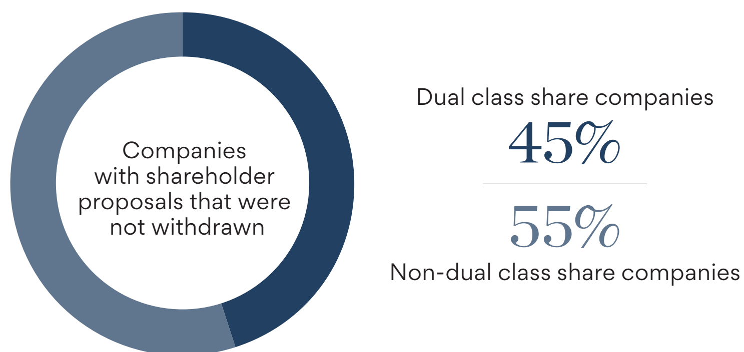
A Note on Dual Class Share Companies and ESG-Related Shareholder Proposals

A dual-class share company is a company with at least two types of share classes with different voting rights. This is typically where founders or a controlling family retain a small proportion of the total outstanding number of shares of the company, but retain significant control due to the voting power associated with such shares.

This Study found that almost half of the companies that received an ESG-related shareholder proposal that went to a vote have a dual-class share structure in place (Figure 17).

It appears that although it is generally exceedingly difficult to get majority approval of a shareholder proposal at a dual-class company, shareholders are still using the shareholder proposal mechanism to bring issues of concern to the forefront.

FIGURE 17 – For the Surveyed Companies that had one or more ESG-related shareholder proposals that were not withdrawn, percentage of those Surveyed Companies that have a dual class share structure.



E. Social Issues

The "S" category within ESG relates to a company's social and human capital and the way in which it interacts with its stakeholders. Examples of a company's interactions with its stakeholders can include the treatment of its employees with respect to health, safety and labour practices, supply chain management and human rights policies, privacy and data security practices, and product quality and safety.

Another important element of the "social" category includes the impact on, and relations with, the communities in which a company carries on operations or business activities, and, in particular, a company's engagement with Indigenous peoples.

Diversity, Equity and Inclusion (DEI) is another area within the "S" category that has received a considerable amount of attention over the past number of years. As discussed above in About This Study - A Note about Diversity, Equity and Inclusion Disclosure, DEI has been purposely excluded from this Study.

This Study found that 95% of Surveyed Companies highlight social issues beyond DEI in their Continuous Disclosure Documents, Sustainability Reports and FCLA Reports. The percentage is consistent with the results in our 2024 Prior Study (which was 94%), and represents a slight decrease from the results in our 2023 Prior Study (which was 98%) (Figure 18A). Within the Surveyed Companies that highlight "S" initiatives, 95% of such companies have disclosed community development and relations initiatives and identified employees as key "S" stakeholders. This result represents a slight decrease from the findings from our 2024 Prior Study (i.e. from 100% to 95%). On the other hand, the proportion of such Surveyed Companies highlighting Indigenous engagement and reconciliation has increased since our 2023 Prior Study and 2024 Prior Study (i.e. from 81% and 82%, respectively, to 84% in this Study) (Figure 18B).

FIGURE 18A – Percentage of companies reviewed in this Study, the 2024 Prior Study and the 2023 Prior Study that highlight social issues other than DEI. Note: Since more than one category may be applicable for any given company, the totals for the chart do not add to 100%. Additionally, the Prior Studies have not examined FCLA Reports, while this Study examines such reports.

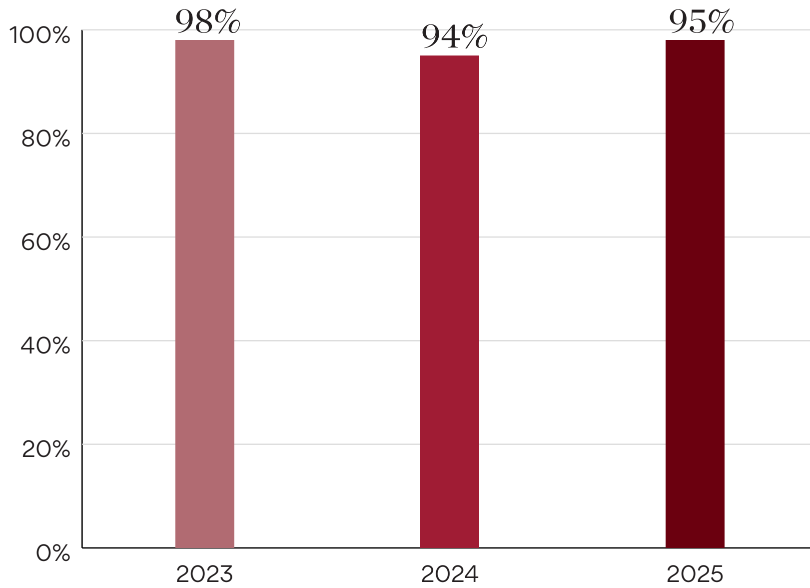
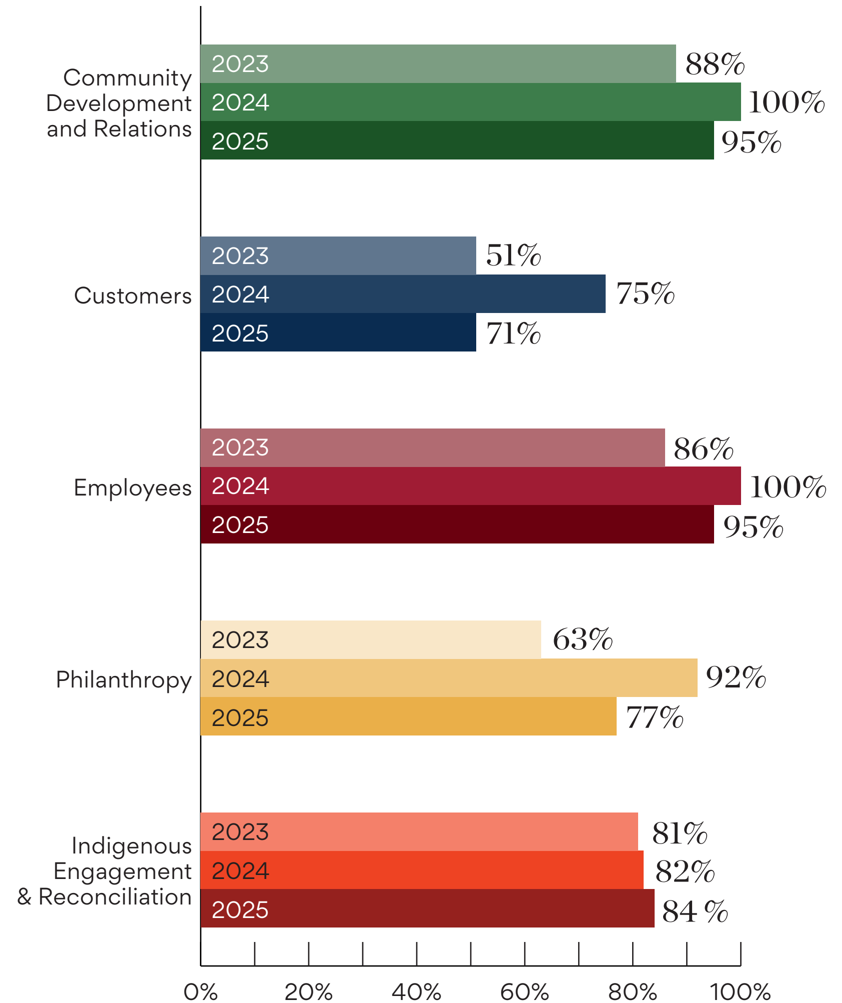


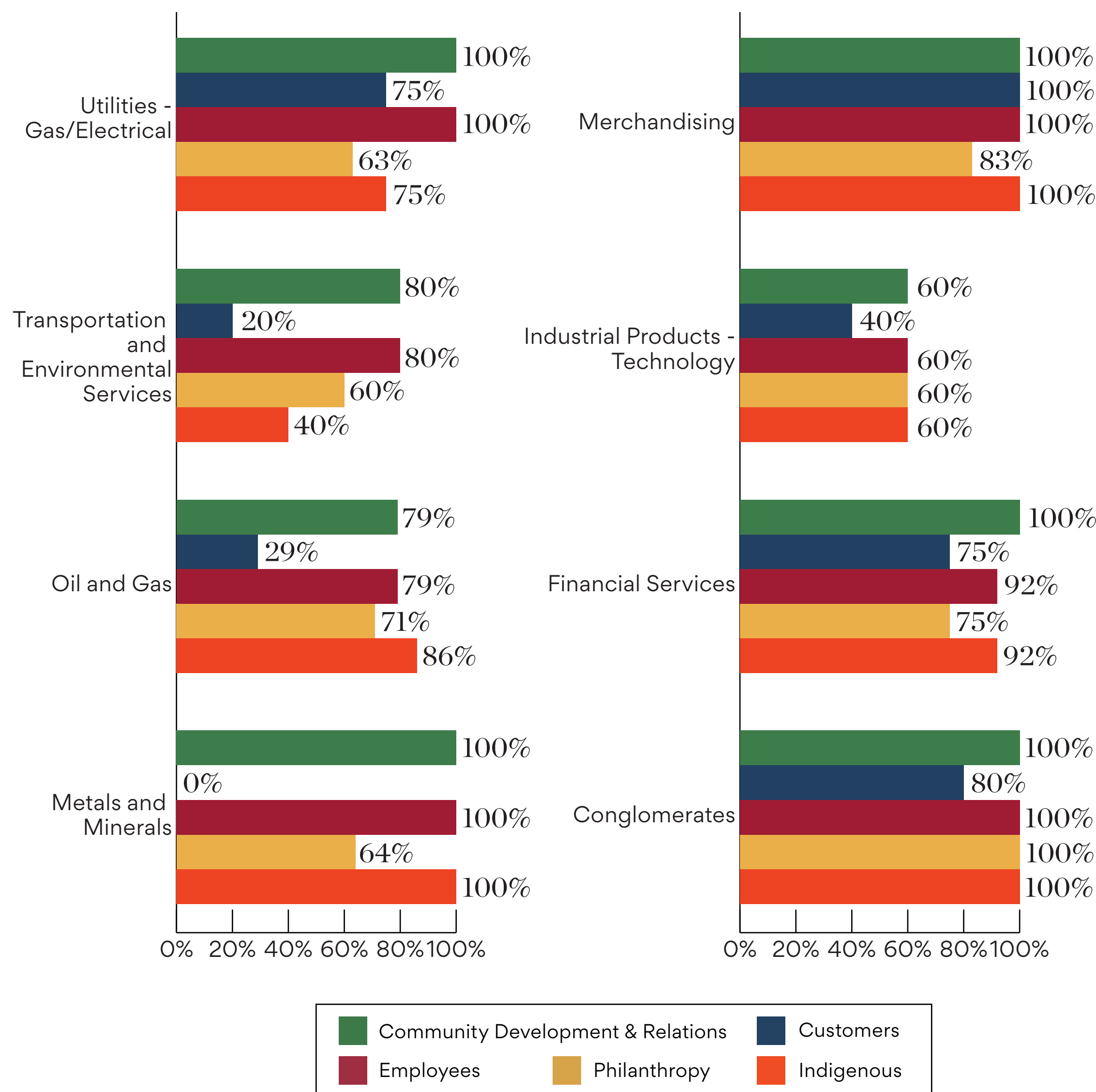
FIGURE 18B – For the companies surveyed in this Study, the 2024 Prior Study and the 2023 Prior Study, of those that identified "S" initiatives other than DEI, percentage of such companies identifying certain specific "S" stakeholders or initiatives. Note: Since more than one category may be applicable for any given company, the totals for the chart do not add to 100%.



This Study also found that more than 90% of Surveyed Companies in Financial Services and Metals and Minerals industries disclose "S"-related initiatives with respect to community development and relations (which include human rights) and employees (Figure 18C). Additionally, the percentage of Surveyed Companies in the Oil and Gas industries highlighting community development and relations, employees, and philanthropy has decreased from the 2024 Prior Study (i.e. the percentage decreased from 100% to 79%, for community development and relations, from 93% to 79% for employees, and from 93% to 71% for philanthropy) (Figure 18C). The decrease can be attributed to the removal of Sustainability Reports by some of the Surveyed Companies in the Oil and Gas industry, who often highlight social initiatives in such reports.

For more details, please see A Note About Recent Amendments to the *Competition Act*, and its Implications on Disclosure by Surveyed Companies on page 10.

FIGURE 18C – For the Surveyed Companies, "S" stakeholders or initiatives reported per industry.



WAGE GAP REPORTING

The Canadian legal landscape in relation to compensation has evolved significantly in recent years, at least partially in response to growing public awareness of the impact of systemic discrimination on women and other equity seeking groups.

While most jurisdictions have long required "equal pay for equal work" by prohibiting an employer from paying employees differently on the basis of their sex, Ontario, Quebec, and the Canadian federal sector now all have pay equity laws that mandate "equal pay for work of equal value." These laws require employers to proactively analyze their pay practices to identify and, if applicable, correct wage gaps for predominantly female job classes.

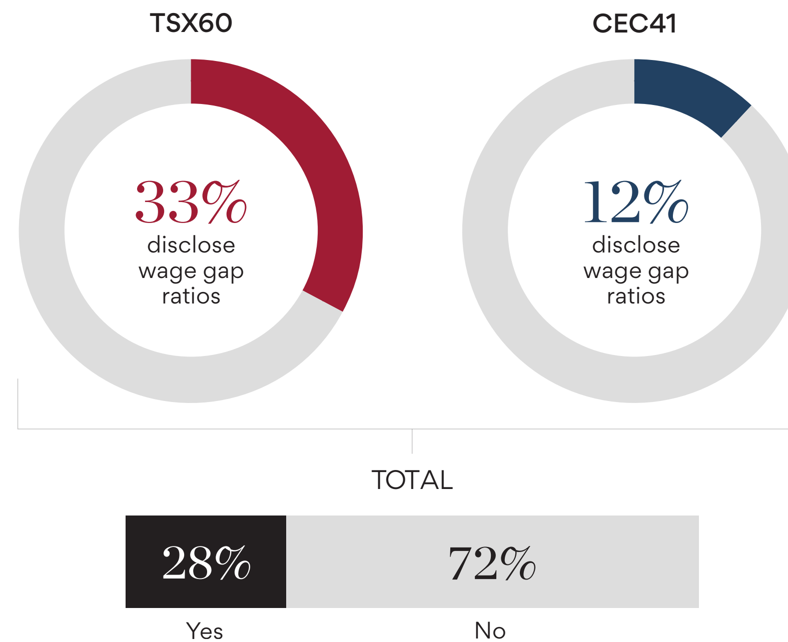
Certain jurisdictions also mandate forms of wage gap reporting to regulators, often referred to as "employment equity" or "pay transparency." This wage gap reporting generally involves reporting the ratio of compensation or elements of compensation (e.g., bonus or other incentive compensation) earned by a given equity seeking group as compared to the broader workforce. For example, large employers in the federal sector must report on salary, bonus, and overtime wage gaps for women, Indigenous peoples, persons with disabilities and members of visible minorities (defined in the legislation to refer to persons, other than Indigenous peoples, who are non-Caucasian in race or non-white in colour). These wage gaps are in turn published by Employment and Social Development Canada. Similarly, certain large employers in British Columbia are now required to prepare annual pay transparency reports in respect of differences among prescribed groups of individuals in relation to pay, including employees' self-identified gender.

The vast majority of corporations in Canada do not have a legal obligation to disclose and publicly report on wage gaps within their workplaces and none currently have a legal obligation to include this information in their Continuous Disclosure Documents under Canadian securities law; however, many have begun to voluntarily do so.

In this Study, we found that slightly less than one-third of the Surveyed Companies have chosen to report on certain wage gaps with quantitative ratios, while the rate is slightly higher among TSX60 companies and lower among CEC41 companies (see Figure 19A).[28]

These percentages are significant given that wage gap ratios are an emerging type of ESG disclosure without a long track record. That said, our Study noted a slight decrease in reporting of wage gap ratios as compared to last year, suggesting that such reporting is still far from accepted practice. The one exception appears to be the Financial Services sector, where a resounding 75% of companies reported on wage gap ratios.

FIGURE 19A – For the Surveyed Companies, percentage of companies that disclose wage gap ratios.

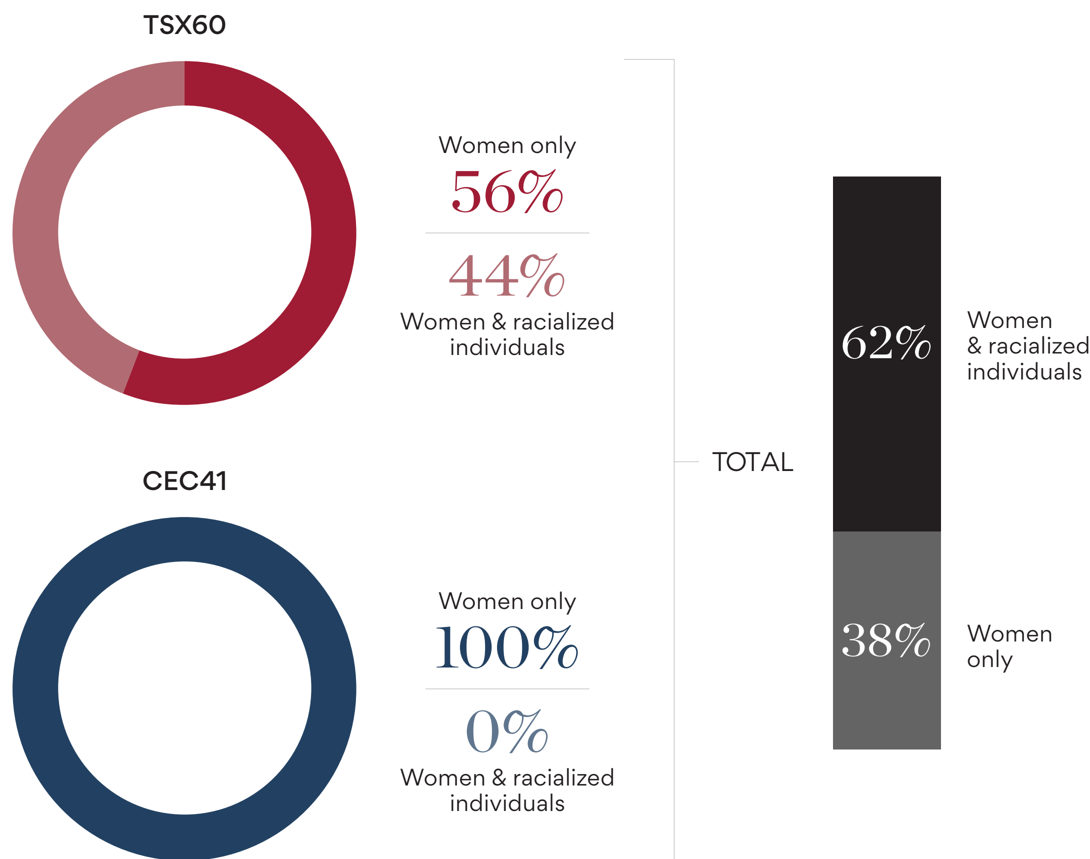


28. In this Study, wage gap information was considered to be disclosed only when companies provided actual figures and ratios, and we excluded those that stated only qualitative statements regarding equitable pay practices.

Of the Surveyed Companies that provide disclosures in respect of wage gaps, all except one company disclose gender-based wage gap data in their reports. Of those same companies, 62% disclose wage gap data in respect of employees who identify as members of a racial or visible minority(ies). Two of the Surveyed Companies also disclosed wage gap data in respect of employees who identify as individuals with a disability(ies). Notably, all of the CEC41 companies that provide wage gap disclosure report only on gender wage gaps and do not report wage gaps in respect of racialized individuals or individuals with a disability(ies).

For the Surveyed Companies that disclose wage gap data for racialized groups, our scope of review further examined if such companies identify specific racialized groups in their reporting. We found that none of the Surveyed Companies report on wage gaps specific to discrete racialized groups, such as "Black" or "Indigenous" workers within their organization. Instead, the applicable companies disclosed wage gap data in respect of racialized groups generally, by using acronyms such as "BIPOC" (Black, Indigenous, and People of Colour), or referring to "people of colour."

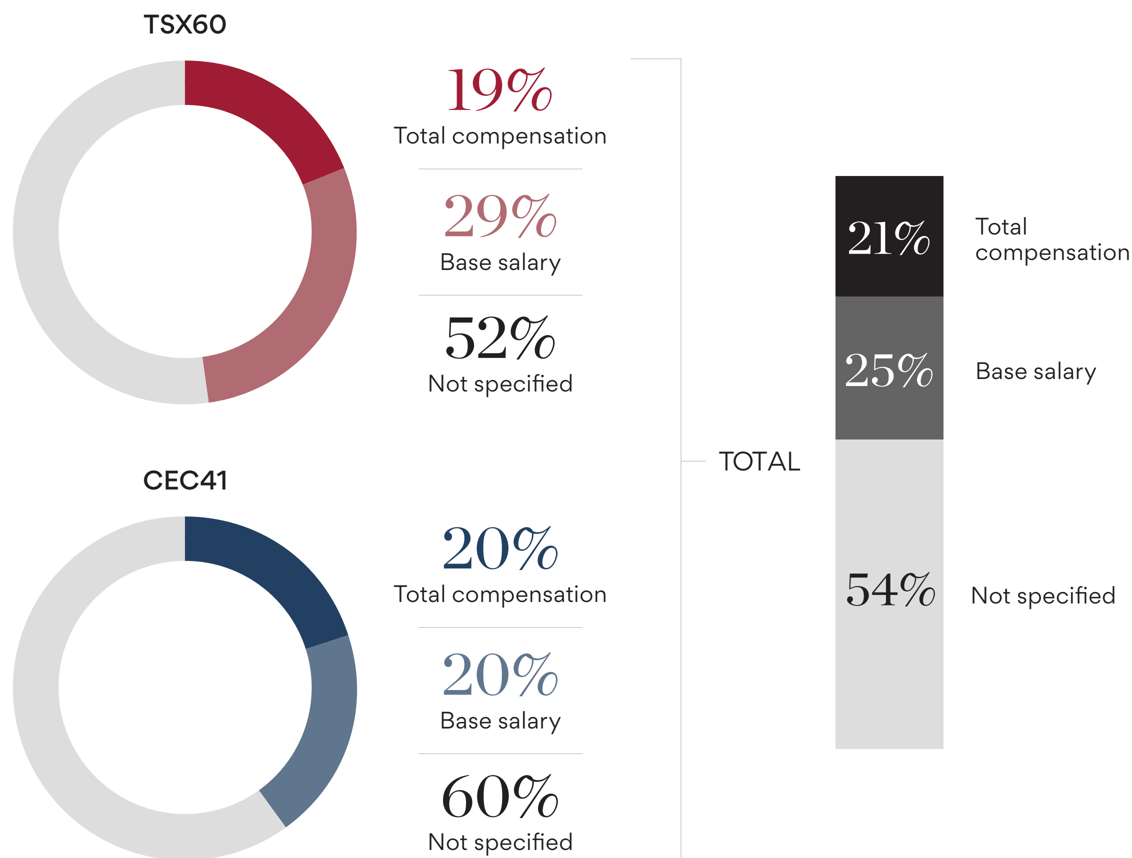
FIGURE 19B – For the Surveyed Companies that have disclosed wage gap data, percentage that disclose gender and racial or visible wage gap.



While most of the Surveyed Companies that reported on wage gaps included their disclosure in ESG or Sustainability Reports, one company opted to instead include these disclosures in the Management Proxy Circular and the Annual Report.

This year, to enhance our review of the Surveyed Companies' disclosure of wage gaps, we also considered the amount of detail included by these companies. Specifically, for the Surveyed Companies that report on wage gaps, we examined if such companies report on more specific element(s) of compensation. Of the Surveyed Companies that report on wage gaps, 25% specifically identify that they calculate gaps based on base salary only, 21% report that the calculation is based on total compensation, and the remaining 54% do not specify the element(s) of compensation captured in their wage gap analysis.

FIGURE 19C – For the Surveyed Companies that report on wage gaps, percentage breakdown of companies that specify which elements of compensation are captured in their wage gap analysis.



FORCED AND/OR CHILD LABOUR REPORTING

The federal *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the FCLA) came into force on January 1, 2024. The FCLA requires specified entities (generally, larger businesses) and government institutions to file an annual report with the Minister of Public Safety by May 31 of each year (each an "FCLA Report").

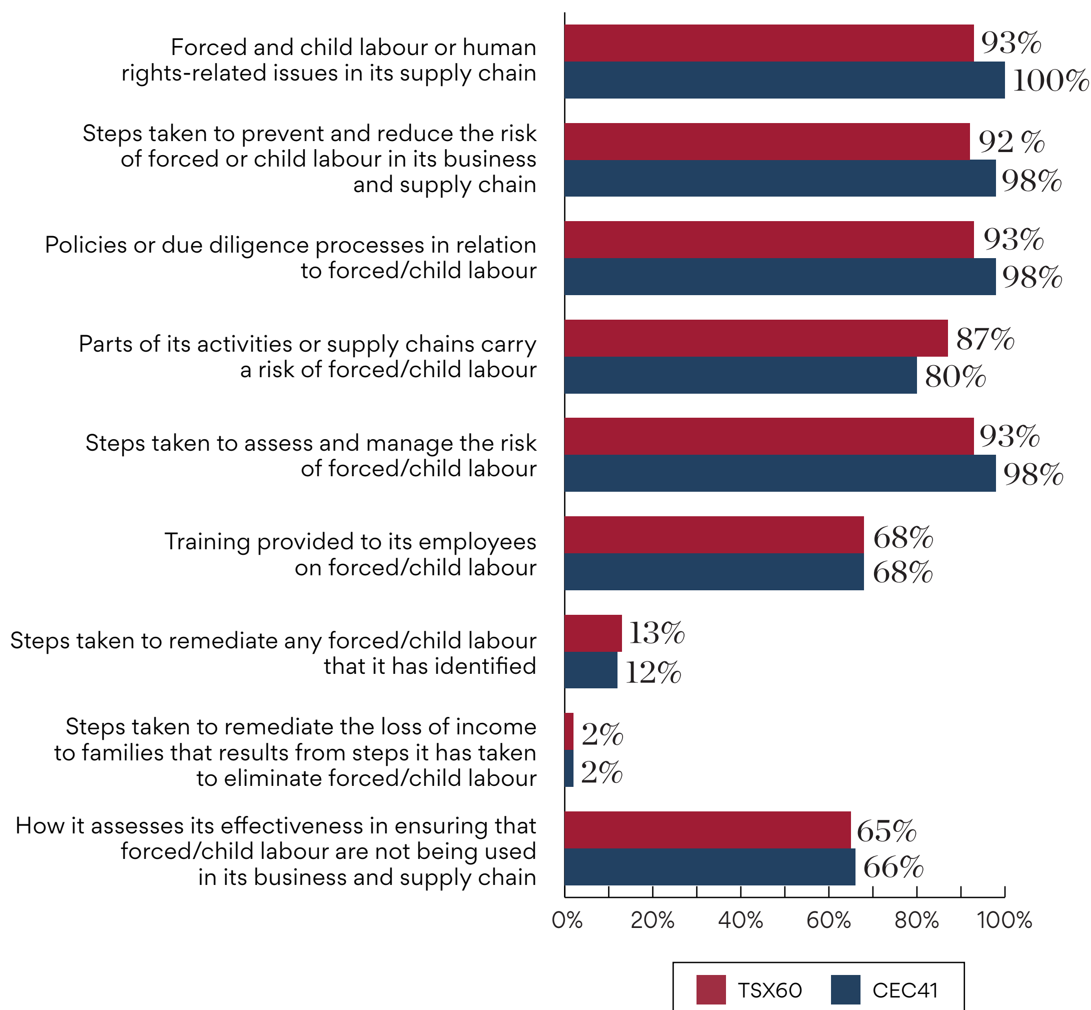
Each FCLA Report must identify, among other things, areas of risk for forced labour or child labour in their supply chains, measures taken to remediate such risks and training provided to employees regarding forced labour and child labour. On November 15, 2024, Public Safety Canada released its updated guidance for entities and government institutions, that further clarifies their expectation regarding the scope and application of the FCLA.[29]

In its Annual Report to Parliament on the FCLA issued in October 2024,[30] Public Safety Canada announced that it had received a total of 5,795 FCLA Reports on or before the May 31 reporting deadline (with an additional 508 FCLA Reports submitted after the reporting deadline and before July 31, 2024). Of the 5,795 FCLA Reports submitted on or before the May 31 reporting deadline, 145 were submitted on behalf of government institutions and 5,650 were submitted on behalf of entities. The Annual Report disclosed that, in the first year of reporting, recognizing that the goal of the FCLA is to increase industry awareness and transparency about risks of forced labour and child labour, Public Safety Canada prioritized raising awareness of the reporting requirements to encourage meaningful action. Consequently, no compliance orders were made pursuant to section 18 of the FCLA and no charges were laid against any person or entity under section 19 of the FCLA in respect of the first year of reporting.

29. Public Safety Canada, "Updates to guidance on forced labour reporting". Online: https://www.publicsafety.gc.ca/cnt/cntrng-crm/frcd-lbr-cndn-spply-chns/gdnc-udts-en.aspx
30. Public Safety Canada, "2024 Annual Report to Parliament on the Fighting Against Forced Labour and Child Labour in Supply Chains Act". Online: https://www.publicsafety.gc.ca/cnt/rsrcs/pblctns/2024-frcd-lbr-spply-chns-prlmnt/index-en.aspx

The results of our Study include reviews of the FCLA Reports published by the Surveyed Companies. All but three of the Surveyed Companies produced an FCLA Report. With the new FCLA reporting requirements, significantly more of the Surveyed Companies (over 60% in all categories) are reporting on the forced labour and child labour matters reviewed for this Study (Figure 20) than in the 2024 Prior Study (over 60% in only one category), and over 90% reported on forced and child labour or human rights-related issues in its supply chain, steps taken to assess and manage the risks of forced or child labour, policies or due diligence processes in relation to forced or child labour, and steps taken to prevent and reduce the risk of forced labour or child labour in the issuer's business and supply chain. The lowest category of reporting continued to be regarding training provided to employees of an issuer on forced and child labour, although it increased from last year's reporting.

FIGURE 20 – For the Surveyed Companies, percentage of such companies reporting on their internal risk assessment and management related to forced and/or child labour in their supply chains.



What's next for human rights due diligence in Canada?

In its 2024 Budget, the federal government re-affirmed its intention to introduce legislation in 2024 to "eradicate forced labour from Canadian supply chains and to strengthen the import ban on goods produced using forced labour".[31] That was followed up by a December 2024 statement by the responsible minister stating that this would involve "[introducing] legislation to create a new regime for supply chain due diligence" and that "a new oversight agency will be created to ensure ongoing compliance".[32] The Minister's statement further explained that to strengthen the ban on imports of goods produced using forced labour, the government intends to "[introduce] legislative amendments that increase onus on importers to demonstrate their supply chains are free of forced labour". Finally, the statement previewed that funding would be allocated to Global Affairs Canada and the Canada Border Services Agency to implement the new measures. Notably, on January 6, 2025, the Governor General prorogued the 44th Canadian Parliament, bringing the Parliament into suspension until it reconvenes on March 24, 2025. The practical effect is that the legislative measures referred to by the Minister would be postponed until at least after Parliament reconvenes in March 2025 , if not longer.

Elsewhere, the European Commission has gone beyond reporting requirements and adopted a Directive on Corporate Sustainability Due Diligence (CSDDD) on July 25, 2024.[33] The CSDDD established a corporate due diligence duty on large EU and non-EU companies to identify, prevent, mitigate and account for adverse impacts of companies' operations with respect to human rights and environmental impacts in their supply chains globally. The CSDDD is expected to be implemented gradually between 2027 and 2029, and is an extension of the EU's 'European Green Deal', which aims to incorporate sustainability into corporate governance. Before the adoption of the CSDDD, some EU countries, such as France, Norway, and Germany, have adopted human rights due diligence legislations. The adoption of the CSDDD will harmonize the legal framework in the EU.

With the increasing adoption of measures to curb the use of forced and/or child labour, including in Canada, we anticipate a continued focus on this issue by Canadian government and Canadian companies, alike.

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31. Department of Finance Canada, "Budget 2024: Chapter 7 - Advancing Economic Reconciliation". Online: https://www.budget.canada.ca/2024/report-rapport/chap7-en.html#a19
32. Global Affairs Canada, "Statement by Minister Ng on forced labour measures in 2024 Fall Economic Statement". https://www.canada.ca/en/global-affairs/news/2024/12/statement-by-minister-ng-on-forced-labour-measures-in-2024-fall-economic-statement.html
33. European Commission, "Corporate sustainability due diligence". Online: https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en

INDIGENOUS RECONCILIATION AND ENGAGEMENT

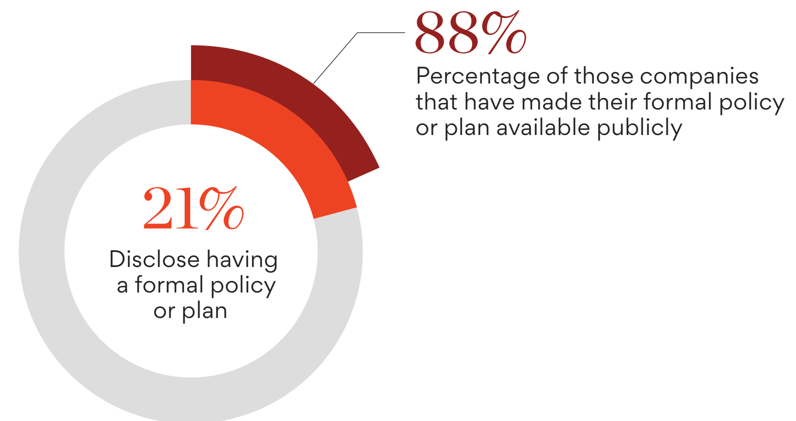
The vast majority of Surveyed Companies highlight Indigenous issues in their disclosure documents, with 80% of Surveyed Companies discussing Indigenous-related issues in some way. Despite this, only a minority of Surveyed Companies disclosed having a formal plan or policy with respect to Indigenous reconciliation such as a Reconciliation Action Plan (Figure 21B).

FIGURE 21A – Percentage of the Surveyed Companies that highlight Indigenous issues generally.

This suggests that while most Surveyed Companies are alive to Indigenous issues generally, this has yet to translate into the creation of formal plans or policies that formally commit a company to Indigenous reconciliation principles. Note that such formal plans or policies extend beyond commitments limited to engagement with Indigenous communities (further discussed below). Formalized reconciliation plans are aimed more broadly at improving relations with Indigenous peoples through commitments such as internal education initiatives, hiring and procurement practices, and philanthropic initiatives.

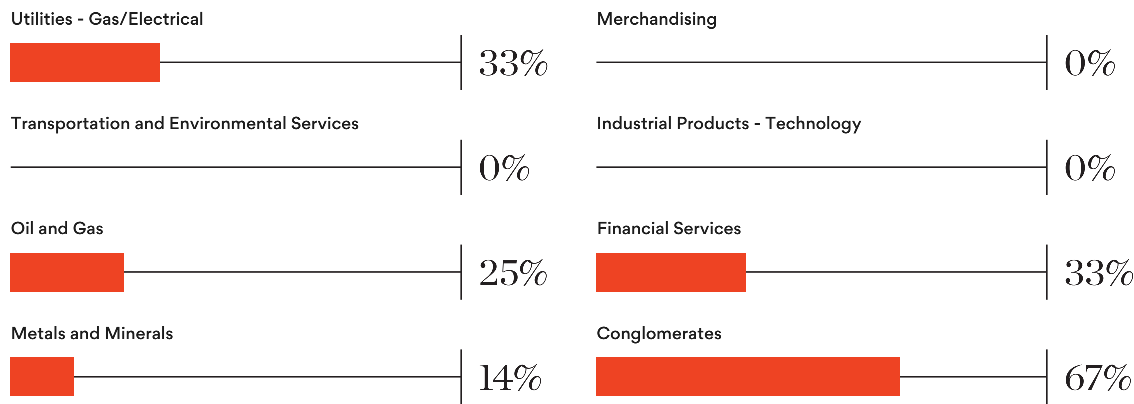
Additionally, the majority of Surveyed Companies that disclosed having a formal plan or policy on Indigenous reconciliation have made their plan or policy available publicly; approximately 88% shared their plan publicly (Figure 21B). This finding is in alignment with increased calls for transparency and accountability from the public for all ESG disclosures.

FIGURE 21B – Percentage of the Surveyed Companies that disclosed having a formal policy or plan with respect to Indigenous reconciliation (such as a Reconciliation Action Plan) and proportion of which that have made their plan or policy available publicly.



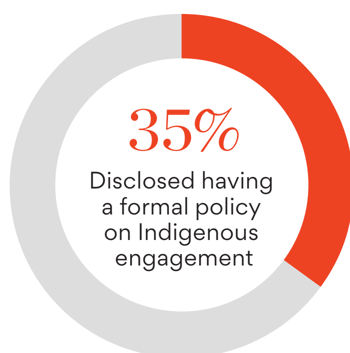
Surveyed Companies in industries that are typically required to engage with Indigenous peoples as part of permitting and regulatory processes (Utilities - Gas/Electrical, Oil and Gas, and Metals and Minerals) were more likely to have a formal plan or policy related to Indigenous reconciliation that commits the company to reconciliation principles and initiatives. This finding is consistent with the fact that companies in these industries typically operate and undertake projects within Indigenous communities and traditional territories such that the Constitutional Duty to Consult is triggered in respect of governmental approvals. As a result, it has become a necessary business practice for companies in these industries to make greater efforts at relationship building and reconciliation with Indigenous peoples, including through commitments identified in a reconciliation action plan. Conglomerates and Financial Services companies were also more likely to have a formal plan or policy related to Indigenous reconciliation than companies in other industries. This is a trend that has emerged in recent years that we attribute to an increased growth in Indigenous economic development and Indigenous economic reconciliation. Financial Services companies, in particular, are providing increasingly more complex financial services to Indigenous governments and businesses to support their increased economic participation. It is therefore not unexpected for such companies to create a formal plan or policy to ensure that reconciliation principles help guide these emerging business relationships.

FIGURE 21C – Percentage of the Surveyed Companies that disclosed having a formal policy or plan with respect to Indigenous reconciliation (such as a Reconciliation Action Plan) within eight industries.



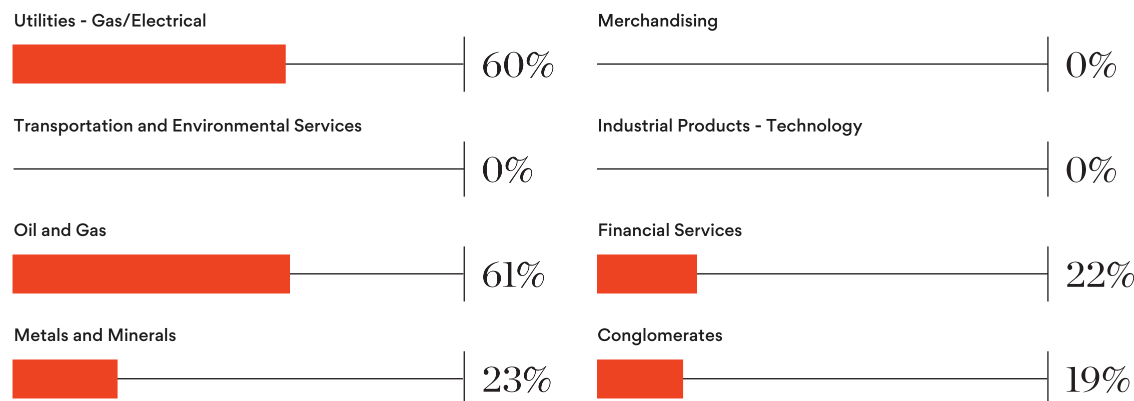
A minority of Surveyed Companies (approximately 35%) have disclosed having a formal policy with respect to engagement with Indigenous peoples or communities regarding the business or operations of the Surveyed Company that may be occurring on the traditional territory of an Indigenous community or may impact or involve an Indigenous community in some way. In some cases, a formal plan or policy with respect to Indigenous engagement formed part of a Surveyed Company's Reconciliation plan or policy discussed above. This is expected as engagement with potentially impacted Indigenous communities is typically one of the pillars of reconciliation action commitments.

FIGURE 21D – Percentage of the Surveyed Companies that have disclosed having a formal policy on Indigenous engagement.



Again, Surveyed Companies operating in the Oil and Gas, Utilities - Gas/Electrical, Metals and Minerals, and Financial Services industries are more likely to have a plan or policy with respect to Indigenous engagement. These outcomes are expected. As noted earlier, companies operating in natural resource industries are typically required to engage with Indigenous peoples as part of permitting and regulatory processes. In turn, the growth in Indigenous economic development and Indigenous economic reconciliation has resulted in an increased focus on providing banking services to Indigenous governments and businesses.

FIGURE 21E – Percentage of the Surveyed Companies that have disclosed having a formal policy on Indigenous engagement within eight industries.



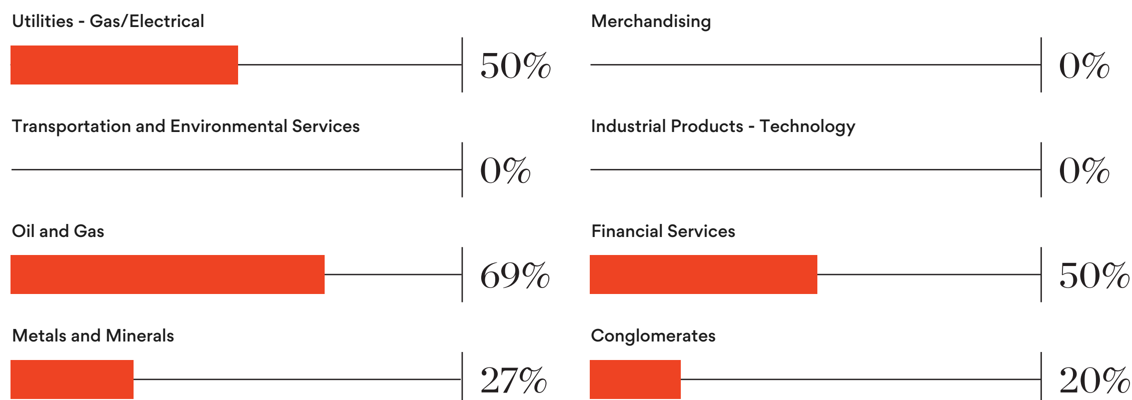
None of the Surveyed Companies within those industries that are not typically required by law to engage with Indigenous peoples (Industrial Products - Technology, Transportation and Environmental Services, and Merchandising) disclosed plans or policies in relation to Indigenous engagement. This suggests there is much work to be done for companies that do not have legal requirements to engage with Indigenous peoples in order to implement the Truth and Reconciliation Commission of Canada's Call to Action #92. Call to Action #92 specifically calls on Canada's corporate sector to apply principles, norms, and standards in the *United Nations Declaration on the Rights of Indigenous Peoples* to corporate policy and core operational activities involving Indigenous peoples and their lands and resources.

A minority of Surveyed Companies disclosed having a formal policy, plan or program to promote Indigenous economic development. Surveyed Companies in the Industrial Products – Technology, Transportation and Environmental Services and Merchandising industries are least likely to have a formal policy, plan or program to promote Indigenous Economic Development (Figure 21G). Again, such plans, policies or programs may have formed part of a Surveyed Company's reconciliation plan or policy. This is expected as promoting Indigenous economic participation can often form a pillar of such reconciliation plans or policies.

FIGURE 21F – Percentage of the Surveyed Companies that have disclosed having a formal policy, plan or program to promote Indigenous economic development.

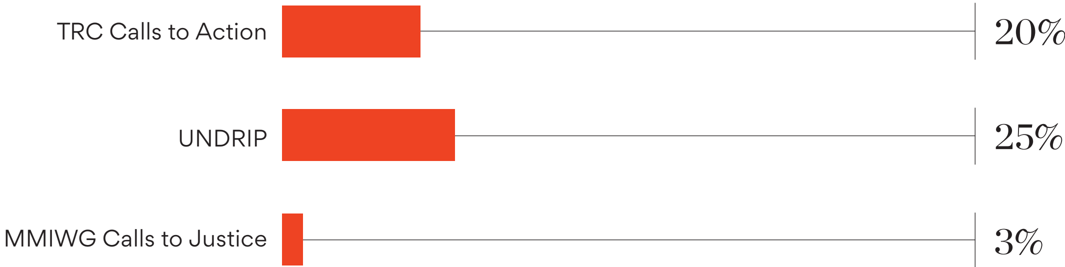
Increased economic participation by Indigenous government entities and businesses, and the opportunity to provide banking services to those entities and businesses, has likely encouraged Financial Services entities to establish formal plans. Companies operating in those industries typically required by law to engage with Indigenous peoples (Utilities - Gas/Electrical, Oil and Gas, and Metals and Minerals) are more likely to enter into agreements with Indigenous communities whose rights may be effected by projects. Often, such agreements include benefits with respect to employment, contracting and other business opportunities. This has most certainly contributed to companies operating in these industries creating formal plans or programs related to Indigenous economic development, as the initiatives of these companies are often spread across multiple Indigenous communities and require significant oversight to implement.

FIGURE 21G – Percentage of the Surveyed Companies that have disclosed having a formal policy, plan or program to promote Indigenous economic development within eight industries.



A majority of Surveyed Companies have not made a formal commitment to implement or respect the Truth and Reconciliation Commission of Canada's Calls to Action, the *United Nations Declaration on the Rights of Indigenous Peoples* and/or the National Inquiry into Missing and Murdered Indigenous Women and Girls Calls to Justice. Surveyed Companies were more likely to make a formal commitment to implement or respect the *United Nations Declaration on the Rights of Indigenous Peoples*; approximately 25% of Surveyed Companies made this commitment.

FIGURE 21H– Percentage of the Surveyed Companies that have made a formal commitment to implement or respect the Truth and Reconciliation Commission of Canada's Calls to Action, the United Nations Declaration on the Rights of Indigenous Peoples and/or the National Inquiry into Missing and Murdered Indigenous Women and Girls' Calls to Justice.



F. Forward-Looking Information

Under Canadian securities laws, forward-looking information (FLI) encompasses disclosure regarding "possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action".

FLI, as with other public disclosure, that contains a misrepresentation could result in potential liability under the civil liability for secondary market disclosure regime of applicable securities laws. This regime also provides a safe harbour for issuers with respect to FLI if, in general terms, an issuer had a reasonable basis for making the statement contained in the FLI, and the document that contains the FLI (i) contains reasonable cautionary language identifying the FLI and identifying the material factors that could cause actual results to differ materially from the statement in the FLI; and (ii) provides a statement of material factors or assumptions that were applied in making the applicable statement set out in the FLI.

This Study considered the approach taken by Surveyed Companies in disclaiming FLI in their Sustainability Reports, including the specificity of their references to GHG emission targets or targets to reduce GHG emissions by a certain date (GHG targets) and factors, assumptions and risks related to them.

The CSA has provided only limited guidance with respect to this issue to date. Under CSA Staff Notice 51-365 - Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2024 and March 31, 2023 (Staff Notice 51-365), the CSA staff included among common deficiencies that have been observed in their reviews of market continuous disclosure: "compliance with general disclosure requirements regarding overly promotional disclosure pertaining to [...] environmental, social and governance (ESG) matters." They go on to say that "ESG related disclosures may [...] constitute FLI", giving the example of "disclosure about future plans to improve operational performance in the context of ESG standards, or to reduce greenhouse gas emissions or to obtain a carbon neutral position". Staff Notice 51-365 is clear that, ultimately, ESG-related FLI is subject to the same principles that inform good disclosure on other topics: that statements included in disclosure have a reasonable factual basis, that material factors or assumptions that inform targets are disclosed, and that material risks are stated. The proposed NI 51-107 – Disclosure of Climate-related Matters may add some clarity on this issue when and if it is adopted, as the CSA indicated in the proposed companion policy that disclosure provided pursuant to the proposed rule "may" constitute FLI. Since the Prior Studies, the CSA has not yet clarified when, or if, a Canadian rule concerning climate-related disclosures will be finalized. However, on December 18, 2024, the CSA said in a market update that they "will continue to monitor international developments related to climate-related disclosure", especially "considering developments in the United States". In the same publication the CSA notes that they will publish a revised rule for public comment, although no timeline was given.

In reviewing the disclosure provided by the Surveyed Companies in their Sustainability Reports, we found that nearly all of the Surveyed Companies included FLI disclaimers (i.e., 88% of TSX60 companies and 97% of CEC41 companies) in these reports. This consistent approach in the market indicates that the vast majority of issuers already regard discussion of ESG targets and goals as being forward looking information akin to the financial and operational topics that have traditionally been covered. This finding is consistent with the findings of the 2024 Prior Study. The approach that has been adopted as standard practice may be an implicit acknowledgement that Sustainability Reports could be seen as documents to which the civil liability regime for secondary market disclosure applies (and thus an attempt to benefit from the safe harbour provisions with respect to FLI disclaimers). However, despite the consistent inclusion of FLI disclaimers, this Study did not find a universal approach to the level of detail that the Surveyed Companies included in their FLI statements. Our review uncovered everything from very general boilerplate disclaimers that did not mention any ESG topics to highly nuanced disclosure that particularized specific goals and targets while enumerating the linked assumptions and risks.

Identification of GHG targets as FLI

While many issuers specifically identified GHG emissions targets as FLI, a number of companies did not. Some of the issuers that did not identify GHG emissions targets as FLI may not have targets or may be envisioning them as aspirational, encompassed within a statement of vision or a commitment rather than a specific target. Other issuers that did not identify GHG emissions matters as FLI appear to be relying on the more general language contained in FLI disclosure that states that FLI includes information that can be identified through the use of words such as “target”, “goal”, etc.

With respect to companies that did identify GHG emissions targets as FLI in their Sustainability Reports, the following are examples of how specific they were in their disclosure:

> *“[F]orward looking information … includes, without limitation: the 2030 GHG emissions reduction target; the 2035 GHG emissions reduction target; the 2050 net-zero GHG emissions target; how GHG emissions targets are expected to be achieved …”.*

> *“All statements in this document … are forward-looking statements, including … our commitment to invest in new technologies to support a transition to low- and zero-carbon fertilizers, including low-carbon and clean ammonia as well as the use of CCUS infrastructure …”.*

> *“Our forward-looking information in this document includes … targets related to GHG emissions intensity and absolute reduction, biodiversity and land impacts …”.*

> *“[F]orward-looking information includes … our Climate Commitment goals, our carbon dioxide reduction goals, decarbonization plans, net-zero by 2050 vision, climate adaptation framework, climate adaptation planning, measures and investment, scenario analysis and climate change impact mitigation.”.*

> *“Examples of forward-looking information in this Sustainability Report include: … our target of a 30% absolute reduction in Scope 1 and 2 GHG emission levels by 2030 from a 2015 baseline…”.*

Statement of Material Factors and Assumptions

Among the Surveyed Companies, a majority identified specific factors, assumptions and risks related to the FLI in connection with GHG emissions targets in their Sustainability Reports. Many issuers continue to rely on general statements of factors, assumptions, and risks relating to all FLI such as climate change generally or government regulation.

Examples of such general statements identifying factors, assumptions, and risks related to FLI are as follows:

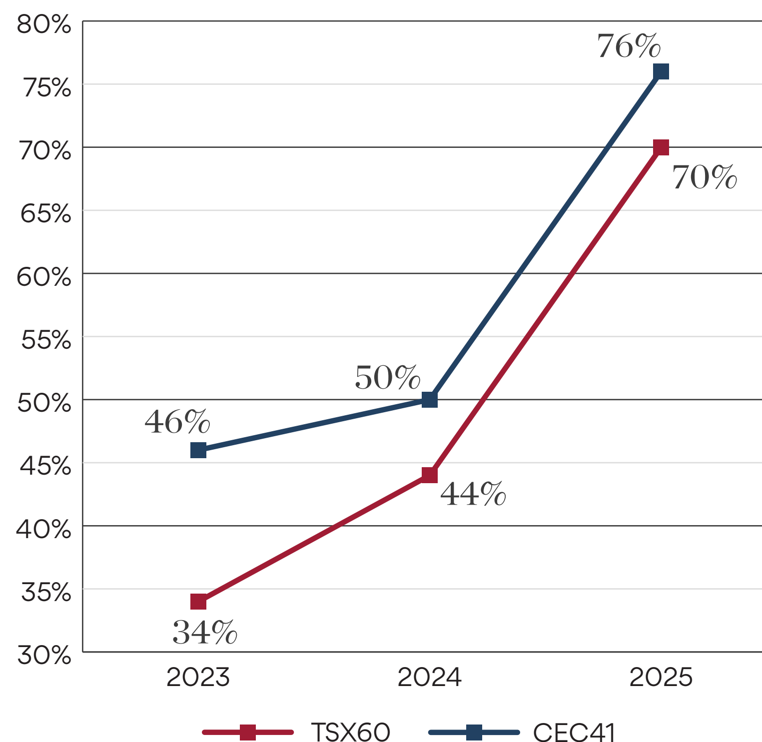
> *"... the availability of comprehensive and high-quality GHG emissions data and standardization of climate-related measurement methodologies, climate-related conditions and weather events ...".*

> *"...the need for active and continued participation of stakeholders (including enterprises, financial institutions and governmental and non-governmental organizations) ..."“...no significant unanticipated changes to our water usage, emissions intensity or energy intensity ...".*

> *"... no changes in standards or methodologies used (including with respect to the ongoing quantification of relevant Scope 3 GHG emission categories)...".*

As regulators move towards adopting rules regarding emissions disclosure, it is expected that public issuers may focus more attention on their disclosure regarding ESG in FLI, regardless of whether such disclosure is contained in documents filed under applicable securities laws or furnished voluntarily in stand alone Sustainability Reports. We also expect to see further attention paid to the quality of FLI disclaimers, including a continued more tailored approach to dealing with ESG topics.

FIGURE 22A – Among the companies surveyed for this Study and our Prior Studies that included an FLI disclaimer in their Sustainability Reports,[34] three year comparison of the proportion that refer to specific, quantitative ESG-related targets or quotas (such as emissions reduction targets or specified ratios concerning diversity, equity, and inclusion issues) in their FLI disclaimer.

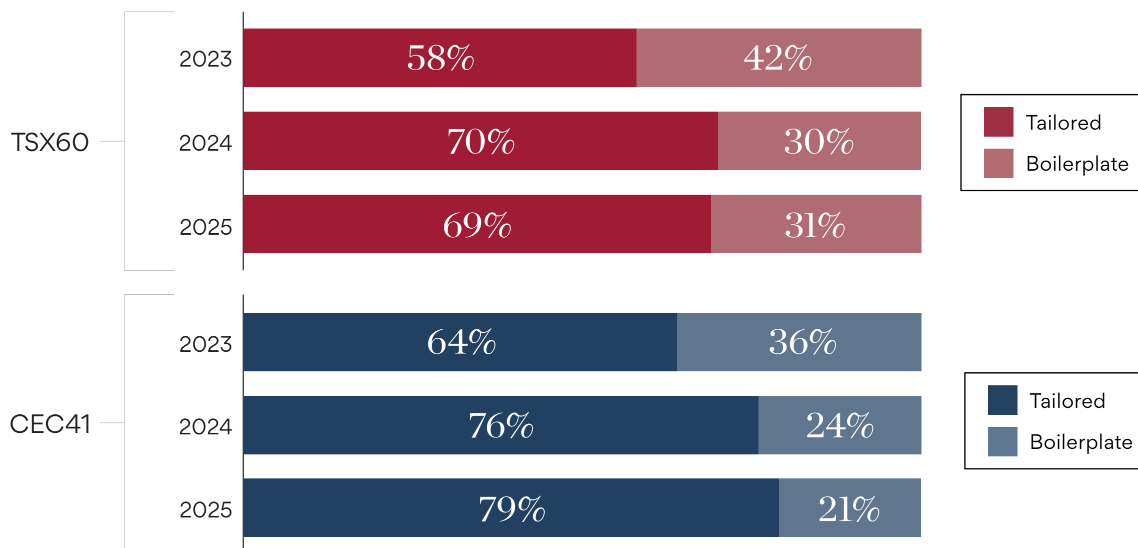


34. At the time of the 2023 Prior Study, there were 40 companies in the CEC Focus List. This number has since increased to 41.

Among those companies that addressed specific ESG targets and quotas in their 2024 disclosure, GHG emissions targets were by far the most common as they appeared in 95% of such disclosures among the Surveyed Companies in this Study. Other “E” and “S” topics were addressed less often, with about half of FLI statements referring to other environmental targets and about half referencing social topics (these three categories often overlapping and being contained within a single company’s FLI).

We considered FLI disclaimers to be tailored if they responded directly to particular disclosures and strategies discussed in the Sustainability Report (which may or may not include specific reference to quantitative targets). We considered FLI disclaimers to be boilerplate if they did not respond to particular disclosures in the Sustainability Report itself, but spoke more broadly to corporate strategy (which may include a general reference to ESG topics).

FIGURE 22B – Among the companies surveyed for this Study and our Prior Studies that included an FLI disclaimer in their Sustainability Reports, three year comparison of whether the FLI disclaimer was boilerplate or tailored.



Looking Ahead to 2025

The future of regulation of ESG disclosure, and climate-related disclosure in particular, is entering a period of uncertainty.

Moving into 2025, disclosure related to climate change, environmental claims and other ESG matters will likely be significantly impacted by increased political polarization, both domestically and internationally. This polarization is expected to result in Canadian companies navigating pressures to continue to do more to address climate change and, at the same time, to prioritize economic interests, including potentially through the increased production of fossil fuels.

Under President Trump, many regulatory measures promoting climate change action will be eliminated in the United States, and support for anti-ESG regulations and policies of a type that have already been implemented in many states will rise. These developments will create significant pressures for Canadian companies operating in the United States to moderate the scope of their ESG disclosures and activities.

Meanwhile in Canada, many expect that the current prorogation of Parliament and the possibility of a federal election in 2025 could slow the momentum towards implementing mandatory climate-related disclosures and other legislative changes related to ESG matters. In contrast, ESG-related expectations in Europe are likely to remain high. Canadian companies operating in Europe are likely to continue to face high levels of scrutiny in relation to their ESG activities and disclosures.

The emergence of a “multi-speed” world in respect of ESG expectations and disclosure obligations will result in challenges, and potentially frustrations, for many Canadian companies and their stakeholders.

Climate Related Disclosure Requirements and Related Standards

The timeframe for development of climate-related disclosure legislation in Canada remains unclear.

In 2024, the SEC officially adopted its proposed climate disclosure rule, which mandates public companies to disclose climate-related risks and their impacts on business operations, but the rule was quickly stayed following lawsuits from 25 states and other entities arguing that the SEC overstepped its statutory authority. While the SEC initially appealed the court's ruling, the agency's acting Chairman has since requested that the appeals court delay scheduling arguments as he believes that the SEC lacks statutory authority to promulgate the proposed rule, while also expressing concern that the rule is "deeply flawed and could inflict significant harm on the capital markets and [the United States'] economy".

Regulation of climate-related disclosure in Canada was expected to follow the American lead, based on past comments from the CSA after the draft of the CSA's proposed NI 51-107 "Disclosure of Climate-related Matters", first published for comment in October 2021, was paused. If the SEC fails to move its rule forward, the CSA will face calls to pause its own efforts to adopt a climate-related disclosure rule. Climate disclosures are expected to continue to be driven by a mix of general legal requirements and voluntary responses to market, stakeholder and investor pressures for more disclosure.

The creation of the CSSB could support progress towards the wider adoption of climate-related disclosure in Canada. CSSB published two Canadian sustainability standard exposure drafts – CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2, Climate-related Disclosures (Draft Canadian Standards) – in March 2024. The final CSSB standards were published on December 18, 2024. This kind of standardized approach is an important step in regularizing the nature of disclosure on these topics in Canada, whether or not the CSA does in fact go forward with a climate-related disclosure rule.

In this regard, in 2024 Quebec's securities and financial regulator, the Autorité des marchés financiers (AMF) published its Climate Risk Management Guidelines, which is the first time that a Canadian regulator has officially adopted the ISSB standards. While the AMF's guideline, which incorporates IFRS S1 and IFRS S2, applies to licensed insurers, financial services cooperatives, licensed trust companies and other licensed deposit-taking institutions under the AMF's jurisdiction, this development provides one example of a path Canadian securities regulators could take as they consider finalizing climate disclosure rules for publicly listed companies.

The potential slackening of momentum towards mandatory climate-related disclosures will not necessarily reduce pressures on Canadian companies. With a retrenchment of climate-related regulation and disclosure requirements, we expect environmental organizations and institutional investors with ESG-related concerns to undertake enhanced engagement efforts to encourage Canadian companies to maintain – or even increase – voluntary climate-related disclosures. We expect to see anti-greenwashing and other consumer protection legislation become increasingly important tools in these efforts, alongside more traditional tactics, if there is a substantial rollback of climate-related regulation or voluntary disclosures by Canadian companies.

In short, despite the anticipated slowdown on the momentum toward mandatory climate-related disclosures in Canada, we expect that many companies will continue to implement the reporting frameworks released by the CSSB and others, albeit at a slower pace.

Anti-Greenwashing Legislation

The *Competition Act* amendments introduced by Bill C-59 will continue to shape corporate ESG disclosures in 2025, particularly in respect of disclosures relating to environmental and climate-related benefits of a company's products, services and business activities. Much uncertainty is likely to remain in 2025 in respect of the new, standalone "anti-greenwashing" provisions in the *Competition Act*. The Competition Bureau released draft enforcement guidelines on December 23, 2024 (the Guidelines) that answered in a preliminary way some of the outstanding questions relating to how the Competition Bureau is expected to interpret the new "anti-greenwashing" provisions in certain circumstances. However, the Guidelines left many other important questions unanswered. Moreover, the Guidelines are not binding on the Competition Tribunal or the Courts (or even the Competition Bureau). It remains to be seen how the Competition Tribunal and the Courts will actually interpret and apply the provisions in respect of specific representations. We also expect the uncertainty created by the Bill C-59 amendments to the *Competition Act* to increase as enhanced private rights of action under the *Competition Act* come into force June 20, 2025, including in respect of the new provisions.

Many have argued that Bill C-59 will have a "chilling" effect on corporate disclosures relating to environmental and climate performance. If the mere quantity of corporate disclosure is the measure of "chilling" then this may well be the case. We have already seen some companies discontinue past disclosure practices, a trend that we expect to continue into 2025 for a limited number of companies. Other companies will simply adopt a more sober attitude toward their environmental- and climate-related claims and disclosures. We expect the number of pages in annual voluntary ESG disclosures devoted to environmental claims to shrink, as broad and sweeping claims are replaced with more prosaic, fact-based disclosures and a smaller number of better-substantiated data points. We do not necessarily consider this to be a "chilling" of corporate speech because we do not expect Bill C-59 to cause a wholesale retrenchment in ESG disclosures. Too many stakeholders have too much interest in the environmental and climate-related performance of the companies that they buy from, work for, and invest in, for silence to be the expected outcome.

Executive Compensation

We anticipate continued emphasis on, and potentially, political push-back against, mandatory disclosure of certain elements of executive compensation in 2025. In recent years, the SEC has implemented rules mandating disclosure by certain companies of the ratio of the median annual total compensation of all employees to the annual total compensation of the chief executive officer as well as rules requiring clawback of executive compensation in certain circumstances. At present, under Canadian securities laws there is no requirement for disclosure of pay ratios nor any requirement for executive compensation clawbacks. For many years, however, the Canadian Coalition for Good Governance and institutional investors in Canada have sought to have Canadian companies adopt clawback policies. Following the inauguration of President Trump, the new SEC chair who is appointed by the incoming President may seek to roll back the foregoing SEC compensation related rules. If such a rollback takes place in the U.S., we anticipate that Canadian securities regulators will continue to sit on the sidelines and not consider implementing pay ratio disclosure or executive compensation clawbacks.

Social Issues

U.S. President Trump imposed on February 1, 2025 a 25% tariff on all products entering the US from Canada and Mexico, other than energy goods from Canada, which he subjected to a lesser 10% tariff (though the President has suspended the tariffs for Canada and Mexico for at least 30 days). This brings the upcoming CUSMA review in 2026 into the spotlight. Though most of the "S" issues at play in the upcoming CUSMA review are expected to resolve into specific bilateral issues between the US and Mexico and between Canada and Mexico, nevertheless all three countries are expected to address several key labour related (i.e., "S") issues through the specific chapters noted below:

Labour Rights and Standards	Ensuring that all three countries (the U.S., Mexico, and Canada) adhere to agreed-upon labour standards, including fair wages, safe working conditions, and the right to unionize.
Enforcement Mechanisms	Strengthening the mechanisms for enforcing labour rights, particularly in Mexico, where there have been concerns about compliance with labour reforms.
Forced Labour	Addressing the prohibition of goods produced with forced labour, which is a significant concern for all three countries and clarification that this also include child labour.
Worker Mobility	Discussing the movement of workers across borders, including temporary work visas and protections for migrant workers.
Impact of Automation	Considering the impact of automation and technological advancements on labour markets and how to support workers affected by these changes.

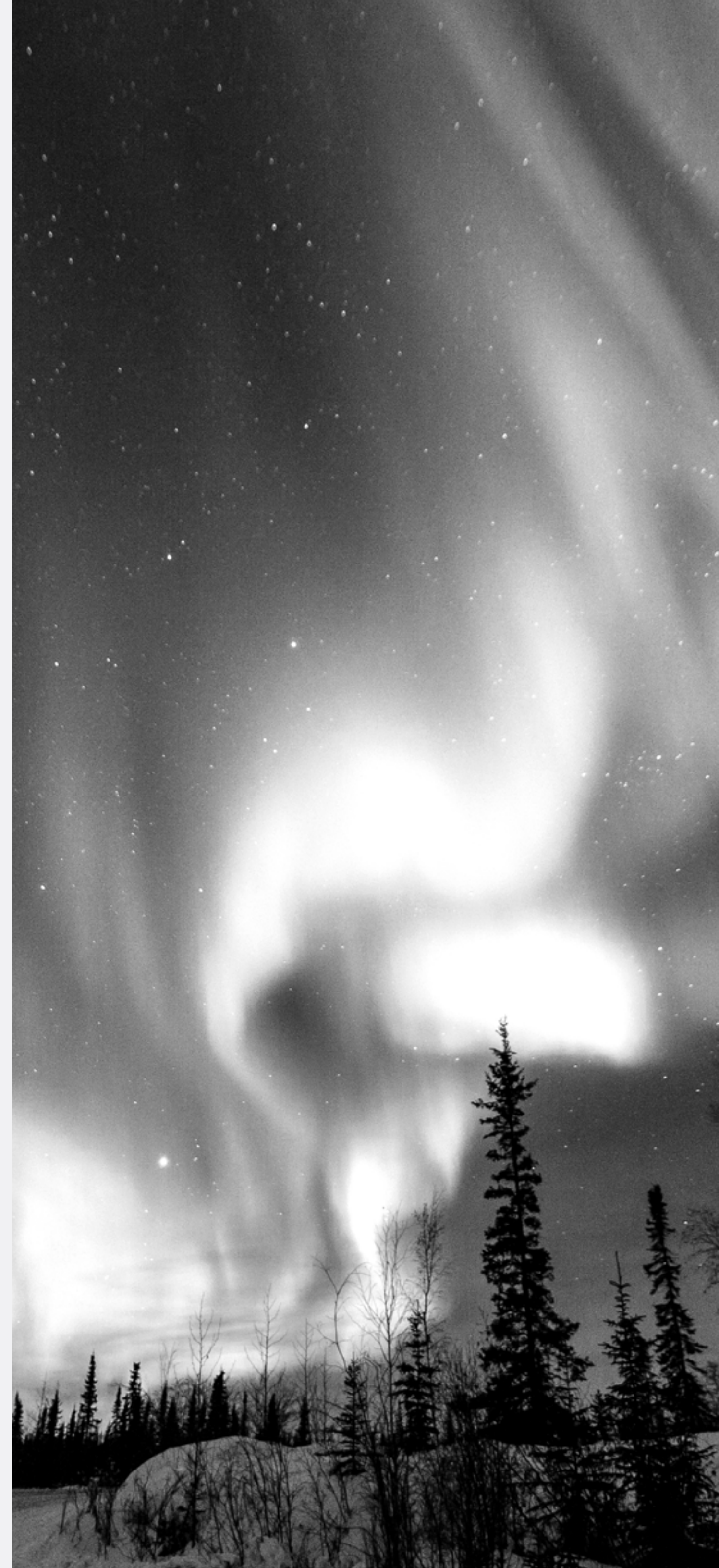
Additionally, we expect updated guidance from Public Safety Canada to provide further clarity for companies in their second year of reporting on forced labor and child labor, ensuring more consistent application of reporting obligations under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*.

Indigenous Reconciliation and Related Plans and Policies

We expect to see further development of formal plans or policies related to Indigenous reconciliation, Indigenous engagement and Indigenous economic development by companies across all industries in the coming years. The Truth and Reconciliation Commission of Canada's Call to Action #92 specifically calls on Canada's corporate sector to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities. In line with this call to action, as well as federal and provincial legislation which implements the United Nations Declaration on the Rights of Indigenous Peoples, we expect that additional companies will undertake efforts to expand on the general discussion of Indigenous issues contained in their disclosure documents and establish formal commitments and plans with respect to Indigenous reconciliation and engagement.

We also anticipate further growth in the percentage of companies that have a formal policy or program to promote Indigenous economic development. With the promised federal Indigenous Loan Guarantee Program now rolling out, the trend towards increased economic participation by Indigenous communities continues. The Financial Services sector may increasingly see opportunities to fill the capital funding gap for Indigenous communities seeking equity participation in natural resource projects. Accordingly, we expect additional companies in this industry to develop formal policies with respect to Indigenous reconciliation, engagement and economic development.

The various considerations set out above may create a complex and challenging environment for business decision-makers in the coming years. With the ESG landscape rapidly evolving, we encourage you to contact the Study's authors for the latest information, insights, and guidance.



Glossary

2023 Prior Study	The Fasken *2023 ESG Disclosure Study - Benchmark survey of ESG-related disclosure and practices by Canadian public companies*, as published in January 2023, and which can be accessed here.
2024 Prior Study	The Fasken *2024 ESG Disclosure Study - Benchmark survey of ESG-related disclosure and practices by Canadian public companies*, as published in January 2024, and which can be accessed here.
Bill C-59	Known as the *Fall Economic Statement Implementation Act*, 2023, includes changes to the *Competition Act*, such as raising stakes for companies that make claims to the public regarding the environmental or climate-benefits of a product (as defined in the *Competition Act*), their business or business activities, and expanding private rights of action enabling private parties, among other things, to file "greenwashing claims" with the Competition Tribunal on or after June 20, 2025. For further information, please see A Note About Recent Amendments to the *Competition Act*, and its Implications on Disclosure by Surveyed Companies.
CEC41	A list of 41 TSX-listed companies as of May 21, 2024, selected by Climate Engagement Canada that are strategically engaged for the alignment of expectations on climate risk governance, disclosure, and the transition to a low-carbon economy in Canada.
Continuous Disclosure Documents	Annual Information Forms (AIFs), Proxy Circulars (Circulars), and annual and interim Financial Statements and related Management Discussion & Analysis (MD&A) as described in the "About this Study" section.
CSA	Canadian Securities Administrators, an umbrella organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets.
CSSB	The Canadian Sustainability Standards Board, which develops the Canadian Sustainability Disclosure Standards (CSDS) that align with the ISSB Standards but incorporate modifications to serve the Canadian public interest. On December 18, 2024, the CSSB released the final version of its voluntary standards. For further information, please see the "ESG Disclosure" section.
ESG	Environmental, Social and Corporate Governance.
FCLA Report	The annual report that is required to be filed by specified companies under *The Fighting Against Forced Labour and Child Labour in Supply Chains Act* with the Minister of Public Safety by May 31 of each year.
FLI	Forward Looking Information, which encompasses disclosure about possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action.
GHG	Greenhouse gasses (e.g. carbon dioxide, methane, nitrous oxide).

GRI	Global Reporting Initiative, an independent, international organization that helps businesses and other organizations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. GRI provides the most widely used standards for sustainability reporting, i.e. the GRI Standards. For further information, please see the "ESG Disclosure" section.
ISSB	International Sustainability Standards Board, as established by the IFRS Foundation to develop standards that will result in a comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets. For further information, please see the "ESG Disclosure" section.
Prior Studies	The 2023 Prior Study and the 2024 Prior Study.
SASB	Sustainability Accounting Standards Board, an ESG guidance framework, for 77 industries, that sets standards for the disclosure of financially material ESG information by companies to their investors. For further information, please see the "ESG Disclosure" section.
Surveyed Companies	Consists of the 81 public issuers listed on the TSX that are covered in this Study, as described in the "About this Study" section.
TCFD	Task Force on Climate-related Financial Disclosures, as established by the Financial Stability Board to develop recommendations for more effective climate-related disclosures. The Taskforce on Climate-related Financial Disclosures was disbanded concurrently with the completion of its mandate on October 12, 2023. The TCFD Recommendations are now monitored by the ISSB (and are incorporated into the IFRS S2 standard). For further information, please see the "ESG Disclosure" section.
TSX60	A stock market index of the 60 largest companies by market capitalization listed on the Toronto Stock Exchange as of May 21, 2024.

Our ESG & Sustainability Practice

In today's economy, companies are facing increasingly complex questions about how to integrate environmental, social and governance (ESG) considerations into their business strategy and operations. We help clients evaluate legal and regulatory ESG risks, capitalize on emerging opportunities, create oversight structures to better manage such risks and opportunities and identify and engage with relevant stakeholders. We partner with clients to design a path forward in a changing world.

Our webpage also provides more information about our ESG & Sustainability practice.

Authors

For members of our Firm practicing in the ESG area, please see the Authors and Key Contacts noted below as well as others found on our ESG & Sustainability webpage.

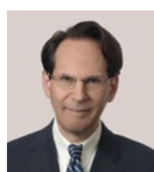
Tracy L. Hooey
Partner | Toronto
CORPORATE GOVERNANCE, CAPITAL MARKETS AND M&A
+1 416 868 3439
thooey@fasken.com

Kai Alderson
Partner | Vancouver
Co-Leader, ESG & Sustainability
ENERGY, CLIMATE CHANGE AND NATURAL RESOURCES
+1 604 631 4956
kalderson@fasken.com

Brian Burkett
Counsel | Toronto
LABOUR, EMPLOYMENT AND BUSINESS AND HUMAN RIGHTS (BHR)
+1 416 865 4466
bburkett@fasken.com

Stephen Erlichman
Partner | Toronto
CORPORATE GOVERNANCE, CAPITAL MARKETS AND M&A
+1 416 865 4552
serlichman@fasken.com

Peter Villani
Partner | Montreal
CAPITAL MARKETS AND M&A
+1 514 397 4316
pvillani@fasken.com



Clifford Sosnow
Partner | Ottawa
INTERNATIONAL TRADE AND INVESTMENT LAW
+1 613 696 6876
csosnow@fasken.com

Antonio Di Domenico
Partner | Toronto
COMPETITION, MARKETING & FOREIGN INVESTMENT
+1 416 868 3410
adidomenico@fasken.com

Jackie VanDerMeulen
Partner | Toronto
LABOUR, EMPLOYMENT AND HUMAN RIGHTS
+1 416 865 5402
jvandermeulen@fasken.com

Christopher Pigott
Partner | Toronto
LABOUR, EMPLOYMENT AND HUMAN RIGHTS
+1 416 865 5475
cpigott@fasken.com

Dana Gregoire
Associate | Toronto
GOVERNMENT RELATIONS AND ETHICS
+1 416 868 3459
dgregoire@fasken.com

Taylor West
Associate | Toronto
CAPITAL MARKETS AND M&A
+1 416 865 5466
twest@fasken.com

Heather Sorenson
Associate | Vancouver
INDIGENOUS LAW, ENERGY AND ENVIRONMENTAL
+1 604 631 4879
hsorenson@fasken.com

Aniket Bhatt
Associate | Toronto
GOVERNMENT RELATIONS, POLITICAL LAW, NATIONAL SECURITY AND PROCUREMENT
+1 416 868 7871
abhatt@fasken.com

Teresa Li
Associate | Toronto
CAPITAL MARKETS AND M&A
+1 416 868 7839
tli@fasken.com

Barbara Clark
Associate | Toronto
CAPITAL MARKETS AND M&A
+1 416 868 3412
bclark@fasken.com

Kathryn McCoy
Associate | Toronto
CAPITAL MARKETS AND M&A
+1 416 868 7808
kmccoy@fasken.com

Additional Key Contacts

Kimberly Potter
Partner | Toronto
Co-Leader, ESG & Sustainability
LITIGATION AND DISPUTE RESOLUTION
+1 416 865 4544
kpotter@fasken.com

Pierre-Olivier Charlebois
Partner | Montreal
Leader, CSR
CSR, ENVIRONMENTAL, ENERGY AND MINING
+1 514 865 4663
pcharlebois@fasken.com

Sarah Gingrich
Partner | Calgary
CAPITAL MARKETS AND M&A
+1 587 233 4103
sgingrich@fasken.com

Francois Joubert
Partner | Johannesburg
MINING AND ENVIRONMENTAL
+27 11 586 6089
fjoubert@fasken.com

Allison Sears
Partner | Calgary
ENERGY AND ENVIRONMENTAL
+1 587 233 4106
asears@fasken.com

Guy Winter
Partner | London, UK
ENERGY, MINING, CAPITAL MARKETS AND M&A
+44 20 7917 8535
gwinter@fasken.com

The authors wish to acknowledge the tireless contribution of our Articling Students

Cara Arsenault | Spencer Atin | Peter Garrett | Amanda Samuels | Nicky Young

Additional contributors to this Study

Emilie Bundock | Sophie Langlois | Sabrina Spencer

Articling Students:
Tara Christensen | Chantelle deMontmorency | Natalia Bernal Garcia
Madeline Maclean | Tyler Murphy | Jenaea Reimann

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For more information, visit fasken.com.

VANCOUVER	550 Burrard Street, Suite 2900	+1 604 631 3131	vancouver@fasken.com
SURREY	13401 - 108th Avenue, Suite 1800	+1 604 631 3131	surrey@fasken.com
TSUUT'INA	11501 Buffalo Run Boulevard, Suite 211	+1 587 233 4113	tsuutina@fasken.com
CALGARY	350 7th Avenue SW, Suite 3400	+1 403 261 5350	calgary@fasken.com
TORONTO	333 Bay Street, Suite 2400	+1 416 366 8381	toronto@fasken.com
OTTAWA	55 Metcalfe Street, Suite 1300	+1 613 236 3882	ottawa@fasken.com
MONTRÉAL	800 Victoria Square, Suite 3500	+1 514 397 7400	montreal@fasken.com
QUÉBEC	365 Abraham-Martin Street, Suite 600	+1 418 640 2000	quebec@fasken.com
LONDON	6th Floor, 100 Liverpool Street	+44 20 7917 8500	london@fasken.com
JOHANNESBURG	Inanda Greens, 54 Wierda Road West, Sandton 2196	+27 11 586 6000	johannesburg@fasken.com

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