

Roundtable on the Strategic Value of Globally Aligned Disclosures

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Executive Summary

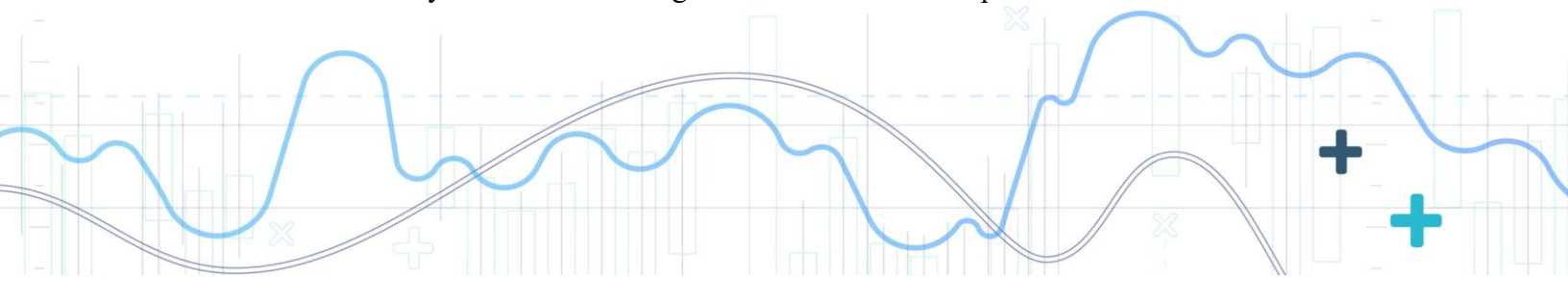
The roundtable brought together parliamentarians, federal officials, regulators, issuers, investors, academics, and standard setters to discuss whether globally aligned climate- and sustainability-related disclosures would strengthen Canada's competitiveness. The central conclusion was that the issue is no longer whether disclosure matters, but how Canada should implement mandatory disclosures in a way that is proportionate, phased, and aligned with global practice.

Participants described disclosure as a strategic market infrastructure rather than a niche reporting exercise. Evidence presented at the roundtable suggested that mandatory disclosure can improve stock liquidity, reduce stock price crash risk, and support better market pricing of risk. New Canadian evidence also suggested that firms that file climate disclosures attract more non-U.S. foreign institutional capital, particularly from Europe.

At the same time, participants emphasized that implementation costs are real. Scenario analysis, Scope 3 emissions, and forward-looking disclosure requirements were identified as the most burdensome elements. The strongest consensus was that Canada should use the ISSB as its reference point, phase implementation over time, begin with large issuers and financially material lower-cost disclosures, and build on Canadian precedents such as OSFI's B-15 experience.

Key Takeaways:

- Canada is increasingly out of step with major markets moving toward ISSB-aligned disclosures; 40 jurisdictions are already using or moving toward the ISSB baseline, representing 60% of global GDP and more than 40% of global market capitalization.
- The market case presented was practical rather than ideological: stronger disclosure was associated with better liquidity, lower crash risk, more efficient pricing of risk, and stronger access to foreign capital.
- Implementation design matters. The evidence that was presented suggested better outcomes where disclosure is mandatory and government-backed, but it also showed that reporting quality does not improve automatically without guidance and standardization.
- Canada's market structure argues for proportionality. With roughly 90% of issuers in small-, micro-, or nano-cap categories, a one-size-fits-all approach would create unnecessary burden and could generate unintended competitiveness risks.



- The most credible path discussed was a phased Canadian model: ISSB baseline, large issuers first, Scope 1 and Scope 2 before Scope 3¹, and delayed introduction of more complex scenario analysis until issuer capability improves.

1. Strategic Context

The discussion took place against a backdrop of economic uncertainty, capital flight concerns, and intensified competition for global capital. Participants argued that Canada has an opportunity to move from an era of capital flight to one of capital attraction, particularly as some investors look to reduce exposure to elevated U.S. risk.

Several statistics were presented to show how quickly the global disclosure landscape is shifting. In less than three years, 40 jurisdictions are using or moving toward ISSB standards. Together, these jurisdictions represent 60% of global GDP and more than 40% of global market capitalization. One participant also noted that 93% of Canada's new trade relationships are with countries already aligning with ISSB standards.

Participants also cited estimates showing that 53 stock exchanges, representing about \$58.85 trillion in market capitalization, are already covered by mandatory climate disclosure requirements globally. This was described as equivalent to 42% of global market capitalization and 84% of global market capitalization excluding the United States. The policy implication raised repeatedly was that Canada risks falling behind not only Europe, but much of the investable world outside the U.S.

2. Global Landscape and Why ISSB Was the Reference Point

Established under the IFRS Foundation, the International Sustainability Standards Board (ISSB) has fully incorporated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). ISSB has become by now the global baseline for financially material sustainability- and climate-related disclosures.

A key feature emphasized in the discussion was that ISSB standards are based on financial materiality rather than disclosure of every sustainability topic. Participants regarded this as important because it makes the standards more decision-useful to investors and more feasible

¹ **Scope 1:** Direct emissions from sources a company owns or controls, such as fuel burned on-site, company vehicles, or industrial processes.

Scope 2: Indirect emissions from the energy a company buys and uses, mainly electricity, steam, heating, or cooling.

Scope 3: Other indirect emissions across the value chain, both upstream and downstream, such as emissions from suppliers, transportation, product use, and disposal.

for issuers. The standards were also described as proportionate and adaptable to organizations of different sizes.

The roundtable also noted that the European Union is working to align financially material disclosure requirements more closely with the ISSB baseline while keeping jurisdiction-specific additions. In the United States, no near-term SEC rule is expected, but large firms continue to disclose voluntarily because investors, supply chains, and market expectations still demand comparable information.

3. Dr. Rui Zhong Research: Mandatory Disclosure, Stock Liquidity, and Crash Risk

A central part of the discussion was an academic presentation on the market effects of mandatory ESG disclosure. The research identified 35 countries out of 65 sampled jurisdictions that had adopted some form of mandatory ESG disclosure by 2022. It examined stock liquidity using three measures: bid-ask spreads, Amihud illiquidity, and the number of zero-return trading days.

The reported findings were consistent and material. After adoption of mandatory ESG disclosure, bid-ask spreads decreased by about 8.4%, price impact or illiquidity decreased by about 16%, and zero-return trading days fell by roughly 3 trading days per year. In other words, when companies were required to disclose ESG information, investors had better information, markets worked more smoothly, and shares became more attractive to trade. This research underlined that mandatory disclosure improves liquidity by reducing information asymmetry and supporting more efficient trading.

The research also found stronger effects where rules were implemented by government institutions and where compliance was mandatory rather than based on a comply-or-explain model. Dynamic event-style analysis reportedly showed declining market illiquidity around the adoption period, with even stronger effects when mixed voluntary/mandatory regimes were excluded.

The same research program also examined stock price crash risk using negative skewness, down-to-up volatility, and observed crash events. These indicators were reported to decline significantly after mandatory disclosure adoption, implying a reduced likelihood of severe downside price events. For policymakers, this was important because the case for disclosure was framed not only as better reporting, but as better market functioning.

One caution in the research was that mandatory rules increased the number of ESG reports, but not the quality of reporting to the same degree, using GRI compliance as the quality measure. This was presented as evidence that regulatory design and guidance matter if the objective is higher-quality decision-useful disclosure rather than a larger volume of filings.

4. ISF Preliminary Research Findings: Foreign Ownership and the Value of Climate Disclosure

The roundtable also heard Canadian evidence on the relationship between voluntary climate disclosure and foreign ownership. The ISF preliminary findings covered 206 TSX firms from 2014 to 2024, of which 140 disclosed in line with the TCFD framework. The focus was on non-U.S. foreign institutional investors, described as being predominantly European.

These findings suggested a meaningful ownership gap. Firms disclosing in line with TCFD had approximately 13% to 14% non-U.S. foreign institutional ownership in their investor base, while firms not disclosing in line with TCFD had less than 10%.

The evidence became more striking after the market shock associated with President Trump's Liberation Day tariffs. TCFD-aligned companies experienced a 25% increase in non-U.S. foreign institutional ownership, while TCFD-aligned firms not materially affected by tariffs saw a 43% increase. These results were presented as strong evidence that climate disclosure matters for attracting foreign capital, especially from European investors. ISF noted that the updated brief on this finding will be released in May 2026.

5. ISF Research Presentation and Broader Investor Evidence

The ISF presentation reinforced a broader theme repeated by investors during the roundtable: comparable disclosure improves the ability of markets to price risk and allocate capital efficiently. Participants argued that disclosure improves transparency, reduces information asymmetry, supports better governance, and can strengthen internal transition planning and risk management.

Additional investor analysis presented at the roundtable assessed 13 sustainability disclosures and policies across TSX Composite issuers, normalized by sector and market capitalization. It found that each additional sustainability policy or disclosure adopted by an issuer was associated with a 2% increase in institutional ownership, approximately \$100 million more revenue from Asia Pacific, and approximately \$170 million more revenue from Europe, Middle East and Asia.

Participants did not present this as conclusive proof of causation, but rather as decision-useful evidence that internationally active firms increasingly need sustainability-related disclosure to compete in global markets. This interpretation was reinforced by investor engagement data. Climate Engagement Canada was described as including 63 investors representing approximately \$16 trillion in assets, and investor engagement teams were said in some cases to represent 15% to 20% of a company's ownership.

Another participant referred to a Morningstar survey showing that 40% of asset owners plan to reduce U.S. exposure. This was framed as a possible strategic opening for Canada,

provided it strengthens its attractiveness to non-U.S. capital through more credible and globally comparable disclosure.

6. Costs, Burdens, and Cost-Benefit Evidence

Corporate participants stressed that disclosure is not costless and that implementation needs to be realistic. One issuer example highlighted the scale of effort involved: three rounds of climate scenario analysis, millions of dollars in consulting costs, and 14,500 internal hours devoted to vulnerability assessments and climate resilience reporting. This was described as equivalent to 362 weeks, or roughly seven years of one person's time.

Another issuer reported that its team dedicated to climate-related reporting consisted of only two people, illustrating how limited internal capacity can become a bottleneck even for large firms. These examples were used to argue that scenario analysis and Scope 3 emissions are among the heaviest compliance lifts and should not be treated as day-one requirements.

Participants also raised legal and greenwashing concerns associated with forward-looking information. Some firms said legal departments are highly cautious about publishing assumptions extending to 2030 or 2050, and in some cases, even five-year forward-looking analysis was considered sensitive. For policymakers, the implication was that sequencing, transition support, and legal clarity are likely to be essential if disclosure is to be both credible and feasible.

The roundtable's cost-benefit balance was therefore nuanced. The benefits cited included stronger liquidity, lower crash risk, improved market access, more informative pricing, better access to foreign capital and better governance. The costs cited were front-loaded and unevenly distributed, especially for firms facing complex scenario analysis and Scope 3 requirements. The dominant view was not to delay indefinitely, but to sequence implementation so that benefits can be captured without imposing unnecessary early burden.

7. OSFI Experience and What It Suggests for Federal Implementation

OSFI Guideline B-15 was repeatedly cited as an important domestic precedent. Participants said that federally regulated financial institutions have now begun disclosing under B-15, that the first round of reporting was strong and aligned with expectations, and that another 150 small and medium-sized institutions are expected to begin disclosure this year.

The key lesson drawn from B-15 was that phased implementation can work. Participants stressed that B-15 was not designed as an all-at-once model, but as a journey in which firms build capability over time. This was presented as one of the strongest practical arguments for a Canadian disclosure pathway that begins with achievable requirements and becomes more comprehensive as institutions gain experience.

8. Market Coverage and Canadian Market Structure Implications

A securities-regulator perspective highlighted that Canada's market structure is unusually weighted toward smaller issuers. Canada has just under 3,000 reporting issuers, of which 2,400, or 80%, have a market capitalization below US\$250 million. Fifteen percent of the total market falls between US\$50 million and US\$250 million, and 65% are below US\$50 million. Overall, about 90% of Canadian reporting issuers fall into the small-, micro-, or nano-cap categories.

The discussion also noted that roughly 40% of Canada's junior market consists of mining companies, and about 60% of larger Canadian firms are listed in both Canada and the United States. For the S&P/TSX Composite, where data were available, about 45% of investors are U.S.-based, just under 40% are Canada-based, and the remaining 15% to 16% are international, with no single non-U.S. foreign jurisdiction accounting for more than 2%.

These data were used to argue that mandatory disclosure design must be proportionate and fit for purpose. Several participants warned that if Canadian burdens diverge too far from the U.S. environment, some firms could choose to remain private, de-list, or re-domicile. Others argued that this competitiveness concern can be overstated, since U.S. firms still face substantial market pressure to disclose.

Participants also noted that California is expected to require disclosures beginning in August and that six other U.S. states are developing or considering similar rules: New York, Illinois, New Jersey, Washington, Minnesota, and Colorado. Together, these seven states were said to account for 35% of Canadian exports, reinforcing the argument that disclosure requirements are becoming increasingly relevant even in North America.

9. Implications for Policymakers

The discussion suggested several practical implications. First, Canada's disclosure regime should be anchored to the ISSB baseline to preserve comparability with global markets and reduce fragmentation costs. Second, implementation should be phased, with large issuers going first and with early emphasis on financially material lower-cost disclosures.

Third, Scope 1 and Scope 2 emissions should precede Scope 3, and more complex scenario analysis should be introduced only as reporting capability improves. Fourth, the federal government should coordinate closely with provinces, territories, and securities regulators, because political alignment will be required in addition to regulatory support. Fifth, Canada should build on existing market infrastructure efforts, including the Green and Transition Taxonomy and OSFI's B-15 experience.

Finally, several participants argued that standardized disclosure will become even more strategically important as AI increasingly shapes investment analysis. In that environment,

weak, inconsistent, or fragmented Canadian disclosure could place Canadian issuers at a growing disadvantage in AI-assisted capital markets.

Main Themes of Consensus:

- The ISSB should be the reference point for Canada's approach.
- Canada should pursue a phased implementation model rather than full immediate adoption.
- Early implementation should focus on large issuers.
- Initial requirements should prioritize financially material, lower-cost disclosures.
- Scope 1 and Scope 2 should come before Scope 3.
- More complex scenario analysis should be delayed until issuer capability improves.
- Disclosure design should preserve as much consistency as possible between public and private company expectations.
- Fragmentation increases cost and complexity rather than reducing burden.
- The policy challenge has shifted from debating the rationale for disclosure to designing the implementation pathway.

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