Institute for Sustainable Finance

Canada Climate Law Initiative

Climate Governance Under Pressure

The Anti-ESG movement's impact on Canadian institutional investors

August 2026

Contents

ACKNOWLEDGMENTS

This report was prepared by:

- Julie Bernard, Research Fellow, Institute for Sustainable Finance and Assistant Professor, School of Environment, Enterprise and Development (SEED), University of Waterloo. Julie.bernard@uwaterloo.ca
- Kirthana Singh Khurana, PhD student, Peter A. Allard School of Law, University of British Columbia. ksk@student.ubc.ca

Institute for Sustainable Finance (ISF) and Canada Climate Law Initiative (CCLI) acknowledge the valuable contributions and thoughtful feedback of reviewers. Particular thanks for their valuable input go to:

- Conor Chell, Partner, National Leader, Sustainability, Environment & Regulatory Law, KPMG Law LLP
- Maya Douglas, Senior Manager, Sustainability, Environment, and Regulatory Law, KPMG Law LLP
- Madi Vallani, Senior Associate, KPMG Law LLP
- Sonia Li Trottier, Director, Canada Climate Law Initiative
- Yrjö Koskinen, PhD, ICD.D, Director of Research, Institute for Sustainable Finance

ISF also relied on its program team and the communications team at Smith School of Business, Queen's University, for their work in creating the finished publication, and the team at Canada Climate Law Initiative for translation services.

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CCLI is supported financially by family foundations, and is led by its Principal Co-Investigators who include professors at the University of British Columbia Peter A. Allard School of Law and Osgoode Hall Law School, York University.

EXECUTIVE SUMMARY

Canadian institutional investors have been global leaders in integrating climate-related financial risk into their governance frameworks. That leadership is now being tested by the spillover effects of a politically organized anti-ESG movement in the United States — one that has measurably reshaped how major asset managers exercise their governance responsibilities, with consequences that extend well beyond U.S. borders.

Three channels could transmit these pressures into the Canadian governance environment:

- U.S. asset managers applying revised, politically influenced voting guidelines to Canadian securities;
- Canadian pension funds facing new political risks when exercising climate-based voting on their U.S. holdings;
- and governance gaps arising when Canadian asset owners delegate portfolio management to U.S. managers whose practices have drifted from the Canadian fund's own fiduciary obligations.

Despite these pressures, Canadian institutional investors retain significant structural advantages. Canadian corporate law, under the *Canada Business Corporations Act* and affirmed by the Supreme Court in *Peoples v. Wise* and *BCE v. 1976 Debentureholders*, explicitly permits directors to consider material ESG factors and stakeholder[1] interests, a meaningful contrast with the shareholder primacy model that has left U.S. directors more exposed to anti-ESG legal challenge.

Yet the Canadian framework has not been fully insulated. The Canadian Securities Administrators paused its proposed mandatory climate disclosure rules in April 2025, shortly after the U.S. Securities and Exchange Commission withdrew its own, reflecting cross-border political spillover at the regulatory level. These pauses reduce a key accountability mechanism for climate risk oversight.

Overall, the evidence suggests cautious optimism. Canadian governance frameworks have proven more resilient than their U.S. counterparts, sustained by stronger legal foundations and a financial-materiality framing of climate risk that has so far resisted wholesale politicization. Maintaining that resilience will require continued governance discipline and a clear, consistent articulation of the fiduciary rationale for climate risk oversight.

1 For the purpose of this report, the term "stakeholders" includes both stakeholders and rightsholders. Stakeholders are individuals, groups, or entities with an interest in or affected by an organization's actions; their connection is generally based on influence or impact rather than on inherent rights. Rightsholders are individuals or groups with inherent, legal, or recognized rights that the organization must respect and uphold. For example, Indigenous communities with land rights, workers with labour rights, or local populations with environmental rights.

INTRODUCTION: THE ANTI-ESG MOVEMENT AND CLIMATE GOVERNANCE

Over the past two decades, the way investors think about and manage climate-related risks has fundamentally changed, representing one of the most significant shifts in modern investment practice (Stroebel & Wurgler, 2021; Dasgupta et al., 2021; Kolasa & Sautner, 2025). Beginning in the early 2000s and accelerating through the 2010s, leading institutional investors, particularly large pension funds, sovereign wealth funds and asset managers, developed increasingly sophisticated frameworks for identifying, assessing and managing climate-related financial risks within their portfolios. This was part of a broad movement toward "sustainable finance," which seeks to align financial decision-making with long-term environmental and social goals.

This evolution has been driven not only by policy developments and scientific consensus, but by the escalating material financial impacts of climate change itself. Unprecedented climate catastrophes across, but not limited to, North America have made the financial materiality of climate risk undeniable. In the United States, California wildfires, Texas hailstorms and flooding, and severe storms have caused staggering financial losses (Igini, 2025). Canada has experienced similar devastation through wildfires in British Columbia, Manitoba (Crawford, 2025) and Québec (Crawford, 2025), alongside more frequent flooding in many regions (Watts, 2023). The transboundary nature of these risks was starkly illustrated when smoke from wildfires in Northern Ontario drifted across the border, triggering air quality alerts and health advisories throughout the northeastern United States, underscoring that climate risk does not respect jurisdictional boundaries (Maimann, 2026). These events directly impact corporate balance sheets through destroyed infrastructure, increased insurance costs, disrupted supply chains, forced business closures, diminished asset values, etc. Litigation exposure has also increased, as companies face legal challenges over their due diligence to mitigate climate-related harm. The recent $100 million settlement over Hawaiian Electric's alleged role in the 2023 Maui wildfires (*In re* Hawaiian Electric Industries Inc. Stockholder Derivative Litigation, No. 1:24-cv-00164 (D. Haw. May 28, 2026)) illustrates how physical climate events can translate directly into legal liability for corporations. Physical climate impacts have become material financial risks that prudent investors cannot ignore.

Yet this shift has not gone unchallenged. In the U.S., a vocal and politically organized backlash has emerged, pushing back against the use of environmental, social and governance (ESG) criteria, and diversity, equity and inclusion (DEI) principles in financial decision-making. Backed by state-level legislation and high-profile divestments from responsible investment funds, the anti-ESG movement has made significant headlines. But while the debate has been vocal south of the border, much less attention has been paid to what is happening in Canada; a country with its own distinct financial system, regulatory culture and climate commitments.

Is the anti-ESG movement gaining real ground here too? And if so, what could that mean for Canada's climate governance and its path toward a more sustainable financial system? These questions have real consequences for how we respond to climate change, for the integrity of market mechanisms, and for the legal exposure of companies that are actively taking steps to manage climate-related risk. This report analyzes the governance mechanisms disrupted by anti-ESG pressure in the U.S., explores how these disruptions create cross-border challenges for Canadian investors operating in integrated North American markets, and considers the implications for effective climate risk oversight and management.

The analysis reveals that while Canadian institutional investors benefit from stronger governance frameworks and different political-economic contexts than their U.S. counterparts, they cannot fully insulate themselves from anti-ESG spillover effects. It is important to understand how resilient Canadian governance frameworks will prove to be in managing these new political-economic tensions.

THE ANTI-ESG BACKLASH: ORIGINS, ACTORS AND MECHANISMS

The term “anti-ESG” and its movement encompass a diverse coalition unified more by opposition to existing ESG practices than by a coherent alternative framework. The U.S.-based movement encompasses state legislators, political actors, fossil fuel interests and free-market advocacy organizations. It challenges not merely specific ESG methodologies but the premise that climate constitutes a financially material risk requiring systematic governance attention. It works through legislative action, political pressure and rhetorical campaigns reframing climate risk management as “woke capitalism,” or something that seeks to prioritize progressive, or liberal, goals over investment returns.

While the U.S. anti-ESG movement’s proximate origins trace to conservative political strategists and fossil fuel industry advocacy, its rapid growth in recent years reflected broader political polarization and the rise of culture-war politics[2] in the U.S. As stated by Standard Chartered CEO Bill Winters, a champion of ESG, the anti-ESG movement has created new constraints on how institutional investors exercise their governance responsibilities in “an attempt to manufacture a culture war and protect corporate special interests” (Meredith, 2024).

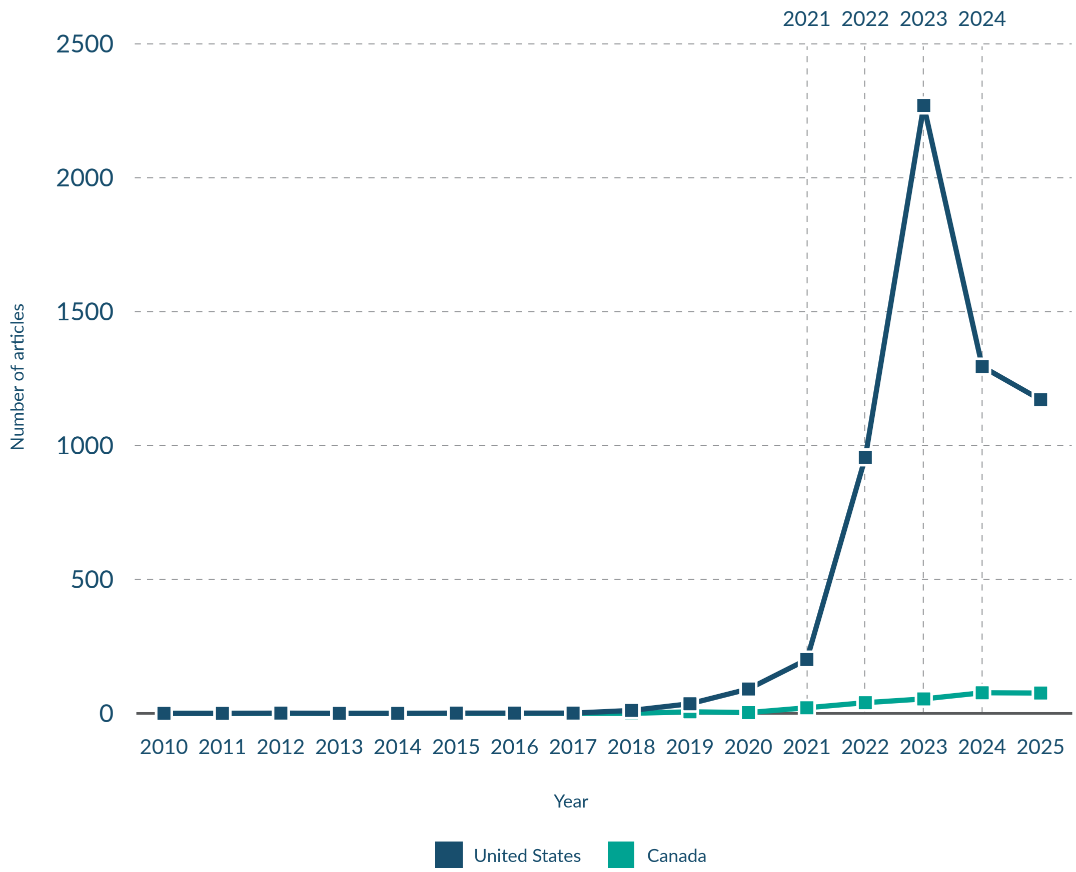
The governance environment in the U.S. changed dramatically beginning in 2021 as the anti-ESG movement gained political momentum (Robarts, 2025). That year, Texas, at the state level, passed a bill banning financial institutions from boycotting fossil fuel companies (see Appendix A. for a Timeline). One way to appreciate the political shift is tracking media coverage (see Figure 1.).

2 Culture war politics refers to political conflict driven by competing values and social identities rather than traditional economic or policy disagreements, typically involving contested issues such as race, gender, religion, and national identity. In the U.S. context, ESG became a target of culture war framing when anti-ESG actors recast climate risk governance as ‘woke capitalism,’ that was imposing a progressive social agenda on corporations and investors. This shifted debate away from financial materiality and toward values-based conflict. For more information, you can see Robert D Priest, Culture War: A Useful Category of Historical Analysis? History Workshop Journal, Volume 100, Issue 1, Autumn 2025, Pages 101–121

FIGURE 1.

Anti-ESG Media Coverage: United States vs. Canada (2010–2025)

Duplicate-adjusted article counts indexed in Factiva. Vertical markers indicate key inflection points in the anti-ESG movement.



2021 – Texas anti-ESG legislation

2022 – Vanguard exits NZAM

2023 – BlackRock proxy voting shift

2024 – CSA pauses climate disclosure rule

Source: Factiva (duplicate-adjusted counts)

Figure 1 tracks the volume of anti-ESG media coverage in the U.S. and Canada between 2021 and 2025, based on a search of news sources indexed in Factiva.

While both countries show a growing volume of coverage over the period, the contrast in scale is striking. U.S. coverage surges dramatically, peaking in 2023. Canadian coverage[3], by contrast, grows more modestly and tells a different story.

3 It should be noted that the volume of Canadian media coverage observed in this analysis may be partially influenced by the smaller number of Canadian media outlets relative to the U.S. media landscape. While this structural difference was not normalized in the present study, it constitutes a methodological limitation to consider when interpreting volume-related findings. Importantly, this limitation does not undermine the substantive findings regarding content and tone: the stories covered in Canadian media were qualitatively different from those in U.S. media, reflecting distinct framings and priorities rather than simply a smaller sample of similar coverage. As such, the analyses of content and tone remain meaningful independent of this limitation.

A closer look at the nature of Canadian reporting reveals that much of it reflects on U.S. developments rather than documenting a domestic anti-ESG movement of equivalent scale or organization. Where Canadian coverage does engage with the topic independently, it tends to focus on regulatory developments such as the Canadian Security Administrators (CSA) pausing its proposed mandatory climate disclosure rules in 2024 rather than on the kind of judicial challenges, state-level legislative campaigns, or political mobilization that characterize the U.S. movement. This distinction is analytically significant: it suggests that in Canada the anti-ESG dynamic operates less through organized domestic opposition and more through the cross-border spillover of U.S. political and market pressures.

For Canadian institutional investors, this difference presents a distinctive challenge. Some of Canada's largest pension funds have been global leaders in climate risk integration, yet they operate within capital markets deeply integrated with the United States. U.S.-based asset managers vote on Canadian company proposals; Canadian funds hold U.S. assets subject to state-level restrictions; and governance best practices developed in one jurisdiction increasingly face political contestation in another. The result is a governance environment where institutional investors must navigate not only climate transition risks and physical risks, but also the political risks associated with managing those climate risks.

The most visible governance impact has been on institutional investor proxy voting behaviour regarding climate-related shareholder proposals. Major U.S. asset managers, including BlackRock, Vanguard and State Street, demonstrated measurably decreased support for climate proposals between 2021 and 2024 (Dohle, 2024; Johnson, 2024; Ceres, 2023). This shift reflects not only changed voting behaviour, and possibly voting guidelines, but also increased abstentions. Asset managers will neither support nor oppose climate proposals rather than take public positions that might attract political scrutiny (Bloomberg News, 2024). The governance implications extend beyond individual vote tallies. Proxy voting guidelines and policies represent formalized processes through which asset managers and asset owners exercise their ownership responsibilities and manage risks associated with portfolio companies. When these guidelines and policies are revised in response to political pressure rather than evolving risk assessments, the governance mechanism's integrity is compromised.

Several large U.S. asset managers have acknowledged that anti-ESG political dynamics influenced some of their change of behaviour, explicitly citing concerns about state divestment threats and political backlash (Pensions & Investments, 2022; Gelles, 2026). It has affected how institutional investors conduct stewardship activities and engage with portfolio companies on climate risks. Multiple asset managers withdrew from Climate Action 100+ (Table Media, 2024), the collaborative investor engagement initiative focused on high-emitting companies, citing political pressures and concerns about being labelled as members of "climate cartels" or collusive groups. Vanguard withdrew in December 2022 from the Net Zero Asset Managers (NZAM) initiative citing that it could conflict with their independence (Kerber & Hussain, 2022), followed by other institutions facing state-level scrutiny.

This retreat from collective engagement creates governance challenges for effective climate risk management. Transition risks at systemically important high-emitting companies often require co-ordinated investor pressure to catalyze meaningful board-level attention and strategic shifts. When political considerations make collaborative engagement difficult, individual investors face diminished leverage in their governance interactions with portfolio companies. The result is weaker governance mechanisms for addressing material climate risks.

Moreover, many asset managers have adopted quieter engagement approaches, reducing public disclosure about their climate-focused stewardship activities (Gambetta & Webb, 2025; Dohle & Deshmukh, 2023). While engagement may continue privately, the reduced transparency makes it harder for asset owners to assess whether their asset managers are fulfilling their governance responsibilities regarding climate risk. This opacity represents a governance problem, as asset owners' board-level oversight of climate risk management depends on understanding how their delegated investment managers exercise voting and engagement authority.

POLITICAL RISK AS A MATERIAL CONSIDERATION

For U.S. institutional investors, particularly public pension funds in states with anti-ESG legislation, the political risks associated with climate risk management are direct and substantial. Governance processes must address state divestment threats (e.g., Texas and Florida), legislative restrictions and potential legal challenges (Lichtenstein et al., 2024). Some asset managers have experienced measurable asset outflows due to anti-ESG pressure. And state pension systems face compliance costs and potential opportunity costs from mandated divestments.

This creates a perverse governance dynamic. A pension board might determine that transition risk exposure requires portfolio adjustments but also determine that making those adjustments creates unacceptable political risk and then the question becomes which risk is greater, or more material (Morningstar, 2024; Yousofi & Connolly, 2024).

From a risk management perspective, this duality represents governance failure. Political considerations are overriding financial risk assessments in ways that compromise the fundamental purpose of institutional investor governance: protecting beneficiary interests through prudent risk management.

However, the evidence suggests that many pension administrators are not retreating from climate risk analysis — they are embedding it more deeply. Pension administrators are increasingly using ESG indicators as part of a measured investment approach that evaluates the material impact of environmental and demographic factors on long-term financial stability, including identifying and monitoring risks caused by changing environmental conditions (McElhaney, 2024; Yousofi & Connolly, 2024). This is reflected in practice: more than three quarters of asset managers are now using ESG scorecards and multiple data sources as part of their risk management processes, with growing uptake of climate scenario modelling (Isio, 2025). Underneath the surface of public retreats from ESG branding, fund selectors report that asset managers are taking a business-as-usual approach to sustainability, increasingly treating it not as a values commitment but as a core risk-mitigation tool and part of their fiduciary duty (Portfolio Adviser, 2025).

THE CANADIAN FINANCIAL LANDSCAPE: GOVERNANCE CHALLENGES IN AN INTEGRATED MARKET

Canadian institutional investors occupy a distinctive position in the climate risk governance landscape. Canada's largest pension funds, including Ontario Teachers' Pension Plan (OTPP), la Caisse de dépôt et placements du Québec (La Caisse), University Pension Plan (UPP), Investment Management Corporation of Ontario (IMCO), Ontario Municipal Employees Retirement System (OMERS) and others[4] have been global leaders in developing sophisticated climate risk management frameworks. These institutions benefit from governance structures, regulatory environments and political-economic contexts that differ meaningfully from their U.S. counterparts. Yet Canada's deep integration with U.S. capital markets means that Canadian investors cannot fully insulate themselves from anti-ESG spillover effects. This section examines the governance strengths that support Canadian climate risk management, the cross-border pressures that challenge those frameworks and the strategic responses Canadian institutions are deploying.

4 More information is available at the 2025 Canadian Pension Climate Report Card.

INSTITUTIONAL GOVERNANCE ARCHITECTURE

Canadian pension fund governance models provide structural advantages for long-term climate risk management (Bauslaugh, 2021). Many major Canadian funds operate under legal and governance frameworks that emphasize long-term value creation, professional investment management and independence from short-term political interference.

This governance independence supports robust climate risk oversight. When pension fund boards discuss transition risk exposure, physical risk scenario analysis, or engagement strategies with high-emitting portfolio companies, these governance discussions can focus on financial materiality and risk management effectiveness rather than political palatability.

Despite these strengths, Canadian institutional investors face real governance challenges arising from integration with U.S. capital markets and the spillover effects of U.S. anti-ESG dynamics (McKiernan, 2024; McIntyre, 2025).

ASSET MANAGER VOTING ON CANADIAN SECURITIES

A significant governance channel for anti-ESG spillover involves U.S.-based asset managers exercising proxy voting authority over Canadian securities. Many Canadian companies have substantial U.S. institutional ownership, meaning that U.S. asset managers' voting policies directly affect governance outcomes at Canadian firms.

When major U.S. asset managers revised their proxy voting guidelines to reduce support for climate-related proposals in response to anti-ESG pressure, these policy changes affected their voting on Canadian company proposals as well. A climate disclosure proposal or "Say on Climate" vote at a Canadian energy company may receive less support from BlackRock or Vanguard in 2026 than it would have in 2021 (Dohle, 2024; Johnson, 2024). While major asset managers can in principle apply differentiated voting guidelines across jurisdictions, in practice BlackRock and Vanguard have largely revised their global proxy voting policies in response to U.S. political pressure rather than developing jurisdiction-specific approaches[5]. This means that political dynamics in U.S. state legislatures (Pensions & Investments, 2022) have shaped voting behaviour on Canadian securities as well, but not because of changed assessments of climate risk materiality for those specific Canadian companies.

This creates a governance externality: U.S. political pressures affect Canadian corporate governance outcomes through the proxy voting mechanism. Canadian pension funds may support climate-related governance improvements at Canadian portfolio companies, but U.S. asset managers' changed voting behaviour may prevent those governance proposals from succeeding. The result is weaker climate risk governance at Canadian companies despite Canadian institutional investors' support for stronger governance.

Evidence of this dynamic can be observed in voting outcomes on climate-related proposals at Canadian companies. Investors at major Canadian energy companies, including Imperial Oil, Enbridge and Suncor rejected shareholder proposals on climate disclosure and transition planning in recent proxy seasons, even where those proposals received meaningful minority support (Jones & Milstead, 2023). Over the same period, large U.S. asset managers dramatically reduced their support for climate-related shareholder proposals globally, with BlackRock's support falling from nearly 47% in 2021 to 4% in 2024, and Vanguard supporting no environmental or social proposals at all in the 2024 proxy season (Dohle, 2024; Johnson, 2024). Majority Action's (2024) analysis of the 2024 proxy season further documents a stark divergence between asset owners, including pension funds, who continued voting in line with their sustainability commitments, and their U.S.-based asset managers, who voted against climate proposals at carbon-intensive companies. Ceres (2023) explicitly identified U.S. political backlash against ESG as a contributing factor to these voting shifts. While a systematic study directly comparing Canadian and U.S. institutional investor voting on Canadian company proposals has yet to be published, the available evidence is consistent with the hypothesis that U.S. political pressures are creating governance distortions that extend beyond U.S. borders into Canadian capital markets; however, this is a dynamic that warrants further empirical investigation.

5 Whether major U.S. asset managers such as BlackRock and Vanguard apply differentiated (or if they could) proxy voting guidelines across jurisdictions (and if so, to what extent Canadian securities are insulated from policy changes driven by U.S. political pressure) remains an open empirical question. Both firms publish global proxy voting guidelines that are largely uniform across markets, with limited public disclosure of jurisdiction-specific variations. A systematic study directly comparing how these asset managers vote on climate-related proposals at Canadian versus U.S. companies, and whether voting behaviour diverges in ways that reflect jurisdiction-specific risk assessments rather than global policy shifts, has yet to be published. This represents an important gap in the literature and an avenue for future research.

CANADIAN INVESTORS' U.S. HOLDINGS

Canadian institutional investors also face governance challenges regarding their own U.S. portfolio holdings. With substantial allocations to U.S. equities, Canadian pension funds must determine how to exercise their own voting and engagement responsibilities on U.S. securities in an anti-ESG political environment.

If a Canadian pension fund has developed climate risk-based voting guidelines that would normally lead to supporting climate-related proposals at U.S. portfolio companies, should those guidelines be applied consistently when doing so might attract anti-ESG political attention? Canadian investors must weigh governance considerations consistently, applying uniform climate risk management frameworks across all holdings regardless of jurisdiction, against the potential risks of becoming targets of U.S. anti-ESG scrutiny.

Some Canadian institutional investors have maintained their voting approaches on U.S. holdings despite anti-ESG dynamics, viewing climate risk as material regardless of the political environment. Surveys of Canadian institutional investors found that 93% continued integrating ESG considerations into their strategies following the 2024 U.S. election, with observers noting that Canadian investors were not backing off their commitments (Ellmen, 2025; Biback, 2025). Yet the same surveys reveal a growing cautiousness, particularly regarding engagement activities that might be perceived as co-ordinated pressure. This tension was captured directly, with observers noting that investors are "ultra, ultra cautious right now" about how they handle climate and diversity issues, given that many Canadian public firms have business in the U.S. and are mindful of that country's regulatory and political environment (citing Milla Craig from Millani in McIntyre, 2025).

This reflects a concrete legal threat. The U.S. House Judiciary Committee's 2024 interim report framed collaborative investor climate engagement as a form of anti-competitive collusion, coining the term "climate cartel" to describe co-ordinated stewardship activities of the kind that Canadian institutional investors routinely practice (Johnson, 2024). The result is a governance tension that operates across borders: the same climate risk may justify different governance responses depending on whether the portfolio company is Canadian or American (McKiernan, 2024). In principle, Canadian asset owners retain the option to reduce or exit U.S. holdings where they deem climate-related risks to be too significant and engagement avenues are effectively closed — and indeed, divestment remains a legitimate governance tool under Canadian fiduciary frameworks. In practice, however, this option is constrained by portfolio diversification requirements, liquidity considerations and the sheer scale of U.S. equity exposure among major Canadian pension funds. This makes selective divestment a partial rather than complete response to the governance gap created by anti-ESG dynamics.

ASSET MANAGEMENT RELATIONSHIPS

Many Canadian asset owners use U.S.-based asset managers for portions of their portfolios. These asset management relationships create governance dependencies that transmit anti-ESG pressure to Canadian institutions.

When a Canadian pension fund delegates investment management to a U.S. asset manager that has revised its climate voting policies due to anti-ESG pressure, how should the board fulfill its climate risk oversight responsibilities? The asset owner retains ultimate fiduciary duties with respect to overseeing climate-related financial risk management, even when day-to-day investment decisions are delegated (Bauslaugh, 2021). When the asset manager's approach to climate risk has been influenced by political considerations misaligned with the asset owner's risk assessment, it creates a governance gap.

Some Canadian asset owners have addressed this challenge through more explicit voting policy specifications in asset management mandates, essentially requiring their U.S. asset managers to vote in accordance with the Canadian fund's climate risk framework even if that differs from the asset manager's standard policies (Coiteux, Grewal, Grygar & Shaboian, 2026). This preserves governance consistency but requires more active oversight and may create friction with asset managers facing competing pressures.

TABLE 1

Cross-border governance pressures — Summary of anti-ESG spillover channels into Canadian institutional markets

Governance Channel	Mechanism of Spillover	Impact on Canadian Institutions
U.S. Asset Manager Voting on Canadian Securities	U.S. asset managers (e.g., BlackRock, Vanguard) hold significant ownership in Canadian companies and apply their revised, politically influenced proxy voting guidelines to Canadian securities. Support for climate proposals at Canadian firms declined between 2021 and 2024.	Climate-related governance proposals at Canadian energy and other high-emitting companies receive less support even when Canadian institutional investors maintain or increase their backing. This creates a governance externality: U.S. political pressures shape Canadian corporate governance outcomes.
Canadian Investors' Exercise of Voting Rights on U.S. Holdings	Canadian pension funds with substantial U.S. equity allocations must decide whether to apply their climate risk-based voting frameworks consistently across all jurisdictions, or to moderate their approach to avoid anti-ESG political scrutiny. They risk being targeted as participants in co-ordinated 'cartel'-like pressure on U.S. companies.	It creates governance tensions where the same climate risk may justify different management responses depending on whether the portfolio company is Canadian or American — not because the climate risk differs, but because the political risk differs. Some funds have maintained consistent approaches; others have become more cautious.
Delegated Asset Management Relationships with U.S. Managers	Canadian asset owners that delegate portfolio management to U.S.-based asset managers inherit those managers' revised climate voting and engagement policies. Where a U.S. manager has scaled back climate risk governance under political pressure, the Canadian fund's board retains ultimate fiduciary responsibility — creating a gap between the fund's obligations and its delegated manager's behaviour.	A governance gap emerges between the Canadian fund's fiduciary obligations on climate risk and the delegated manager's politically influenced approach. Some Canadian asset owners have addressed this by specifying explicit climate voting requirements in asset management mandates, though this creates friction and requires more active oversight.

This table summarizes the three principal channels through which U.S. anti-ESG dynamics create governance pressures for Canadian institutional investors. It describes the nature of their impact and current status as of August 2026.

TRADITIONAL FIDUCIARY DUTY PRINCIPLES (CANADA)

This section examines the legal foundations and regulatory frameworks that support climate risk oversight in Canada: i) fiduciary duties owed by corporate directors and pension trustees, ii) securities disclosure obligations, iii) sustainability reporting standards, and iv) enforcement mechanisms designed to combat greenwashing. Together, these form an integrated legal architecture that makes climate risk governance increasingly a legal and governance imperative.

This Canadian legal framework differs substantively from the shareholder primacy model that has historically dominated U.S. corporate law. This distinction has become increasingly significant as anti-ESG political pressure threatens governance mechanisms on both sides of the border. Understanding how Canadian fiduciary law, securities regulation and emerging sustainability standards operate together is therefore essential to assessing why Canadian institutional investors and corporate boards have been better positioned to maintain climate risk governance despite anti-ESG spillover effects.

In Canada, the directors remain subject to duties that both permit and, in many contexts, support consideration of material ESG factors when acting in the best interests of the corporation. This understanding has been affirmed by statutory law and related jurisprudence. In the United States, the prevailing shareholder primacy model under Delaware corporate law has traditionally been interpreted as emphasizing a narrower conception of directors' duties focused predominantly on maximizing shareholder value[6]. This distinction has taken on particular significance in the current anti-ESG political climate.

The fiduciary duty is a binding legal standard imposed on directors and officers in relation to their conduct with the corporation and its various constituents and has been codified in corporate legislation. Under the *Canada Business Corporations Act, 1985* (CBCA), this fiduciary duty takes the form of a duty of loyalty and is accompanied by a separate but equally important duty of care.

The duty of loyalty requires directors and officers to act honestly and in good faith with a view to the best interests of the corporation (*Canada Business Corporations Act*, 1985, s. 122(1)(a)). Under this duty, directors and officers are to act impartially and place the interests of the corporation first, not allowing their decisions to be tainted by self-interest or self-dealing. It also requires directors and officers to avoid conflicts between the interests of the corporation and any opposing interests, including their own (*BCE Inc. v. 1976 Debentureholders*, 2008, paras. 36–40, 66; Waitzer & Jaswal, 2009).

The *CBCA* also imposes a duty of care, which requires each director and officer of a corporation, in exercising their powers and discharging their duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (*Canada Business Corporations Act*, 1985, s. 122(1)(b)). Directors should take active steps to inform themselves about all material information and review such information with care. They should document their decision-making process to be able to demonstrate that they exercised care, diligence and skill in reaching their decisions (*Peoples Department Stores Inc. (Trustee of) v. Wise*, 2004, paras. 63–67; Waitzer & Jaswal, 2009).

While the *CBCA* codified the duties of directors, judicial interpretation has been instrumental in defining their practical scope, resulting in amended legislation. In *Peoples Department Stores Inc. (Trustee of) v. Wise*, the Supreme Court of Canada ruled that directors may consider stakeholder interests while determining the corporation's best interests. This decision was further affirmed and expanded upon in *BCE Inc. v. 1976 Debentureholders*, one of the most significant corporate law decisions rendered by the Supreme Court of Canada since *Peoples* and widely cited for broadening the scope of the directors' obligations to stakeholders. In *BCE*, the Court held that directors were permitted to consider the interests of, among others, "shareholders, employees, creditors, consumers, governments and the environment" (*BCE Inc. v. 1976 Debentureholders*, 2008, para. 40). These decisions leave considerable interpretive latitude to directors rather than imposing affirmative obligations to any particular constituency. The precise scope of stakeholder consideration remains a subject of ongoing scholarly debate (Liao, 2014; MacIntosh, 2009; VanDuzer, 2010).

6 The United States shareholder primacy model traces its origins to Dodge v. Ford Motor Co, 204 Mich 459 (1919), and remains influential in Delaware corporate law. See *eBay Domestic Holdings, Inc. v. Newmark*, 16 A.3d 1 (Del. Ch. 2010); Hansmann, H., & Kraakman, R. (2001). The end of history for corporate law. *Georgetown Law Journal*, 89, 439; For a comparative analysis, see Waitzer, E., & Jaswal, J. (2009). Peoples, BCE, and the good corporate citizen. *Osgoode Hall Law Journal*, 47(3), 439.

Reflecting this jurisprudence, section 122 of the *CBCA* was amended in June 2019 to clarify that when acting with a view to the best interests of the corporation, directors may consider, but are not limited to, factors such as the interests of shareholders, employees, retirees and pensioners, creditors, consumers and the government, as well as the environment and the long-term interests of the corporation (*Canada Business Corporations Act, 1985*, s. 122(1.1)). This amendment confirms that, to the extent ESG factors are material[7] to the corporation and its long-term best interests, directors act within the proper scope of their duties in taking such factors into account in their decision-making.

Beyond internal governance, directors' consideration of material ESG factors also intersects with public disclosure obligations. Under Part IV of the TSX Company Manual (2024), listed issuers are required to immediately disclose material information. Material information is defined as any fact or change that would reasonably be expected to significantly affect the market price or value of their securities (TSX, 2024). While provincial securities legislation similarly mandates disclosure of material changes, the TSX's Timely Disclosure Policy permits issuers to keep such information confidential on a temporary basis in limited circumstances, such as during active merger or acquisition negotiations.

Similar fiduciary obligations apply to pension plan administrators under Canadian pension standards legislation. Federal and provincial pension statutes require administrators to administer the pension plan and pension fund as a "trustee" for members and beneficiaries, acting in good faith and in their best interests. They must also exercise the care, diligence and skill that a person of ordinary prudence would exercise when dealing with the property of another. This standard is elevated where the administrator possesses specialized knowledge or skill and continues to apply when investment functions are delegated[8].

The Canadian corporate and pension law framework provides corporate directors and pension trustees with both the legal authority and the flexibility to treat material ESG factors, including climate-related financial risk, as legitimate inputs to their decision-making, even in the face of anti-ESG political pressure.

SUSTAINABILITY, CLIMATE-RISK AND ESG DISCLOSURE IN CANADA

The governance pressures facing Canadian institutional investors described above operate within a broader and evolving Canadian regulatory and disclosure landscape. Understanding this landscape is essential to assessing how Canadian institutions are positioned to withstand anti-ESG spillover from the United States, and where vulnerabilities remain.

In October 2024, the Government of Canada announced its plan to amend the *CBCA* to implement compulsory climate-related financial disclosures for large, federally incorporated private corporations (Department of Finance Canada, 2024). Additionally, in the recent *Budget 2025*, the Government also indicated its commitment to build a competitive, low-carbon economy and to continue to drive down industrial emissions-intensity (Department of Finance Canada, 2025a). Notably, however, the specific legislative amendments to implement mandatory climate-related financial disclosures under the CBCA were not included in either the 2025 Fall Economic Statement or Budget 2025, leaving the October 2024 commitment without a concrete legislative vehicle to date. In order to support the implementation of this strategy, the government plans to communicate new metrics to show how companies and households are reducing their carbon footprint, how the clean economy

7 Materiality, as in material information, in this context refers to information or factors that a reasonable investor or director would consider significant in making a decision. In the securities law context, the CSA has confirmed that environmental and climate-related risks are material where they would reasonably be expected to have a significant effect on the corporation's financial performance, risk profile or long-term viability: see CSA Staff Notice 51-333 – Environmental Reporting Guidance, CSA (October 27, 2010). In the corporate law context, the Supreme Court of Canada has similarly grounded the duty of care in what directors "knew or ought to have known," an objective standard that requires directors to attend to risks and factors that would be significant to a reasonably prudent person in comparable circumstances: *Peoples Department Stores Inc (Trustee of) v. Wise*, 2004 SCC 68, para 67. Together, these frameworks suggest that ESG factors become legally cognizable inputs to directors' decision-making when they rise to the level of significance that a prudent and informed director could not reasonably disregard.
8 See, e.g., *Pension Benefits Standards Act*, 1985, RSC 1985, c32 (2nd Supp) ss 8(3)-(5). Equivalent provisions appear in provincial pension statutes: see *Ontario Pension Benefits Act*, RSO 1990, c P8, ss 22(1), 22(8); *BC Pension Benefits Standards Act*, SBC 2012, c 30, s 35; *Alberta Employment Pension Plans Act*, SA 2012, c E-8.1, s 35(3). See Bauslaugh, R. (2021). Climate Change: Legal implications for Canadian pension plan fiduciaries and policy-makers.

is growing, and how exports are tracking to achieve world-leading emissions intensity (Department of Finance Canada, 2025a, p. 113). These measures make clear the Government's expectation that corporations serve as essential partners in advancing the energy transition. These expectations are underpinned by a robust legal framework governing corporate disclosure and directors' oversight responsibilities.

Directors' duties of care and loyalty under the *CBCA* operate alongside Canadian securities laws, reinforcing directors' responsibilities to oversee, approve and ensure the accuracy of material corporate disclosures – responsibilities that, as the following discussion shows, now extend squarely to sustainability and climate-related reporting.

Securities regulation in Canada falls within provincial and territorial jurisdiction and is co-ordinated through the Canadian Securities Administrators (CSA). Public corporations are subject to specific reporting requirements in mandatory periodic disclosure documents, which are required to be filed under applicable Canadian securities laws. These include Financial Statements (IFRS, 2025), Management's Discussion and Analysis (Canadian Securities Administrators, 2004a), Annual Information Forms (Canadian Securities Administrators, 2004b), and Information Circulars (Canadian Securities Administrators, 2004d), which include Executive Compensation (Canadian Securities Administrators, 2004e), and Disclosure of Corporate Governance Practices. (Canadian Securities Administrators, 2004g, 2004h). Additionally, reporting issuers are also required to make timely disclosure of material changes (Canadian Securities Administrators, 2004c) and, under applicable Toronto Stock Exchange (TSX) Rules, timely and accurate disclosure of material information (Toronto Stock Exchange, 2024). These disclosure requirements extend to ESG-related information, capturing environmental, social and governance matters that are material under the Canadian securities' regulatory framework.

These obligations have been further supplemented by the development of national sustainability disclosure standards designed to provide greater consistency and comparability in climate-related reporting. In December 2024, the Canadian Sustainability Standards Board (CSSB) issued its inaugural sustainability disclosure standards – the Canadian Sustainability Disclosure Standards (CSDS) (Financial Reporting & Assurance Standards Canada, n.d.), aligned with the International Sustainability Standards Board under the International Financial Reporting Standards (IFRS) Foundation[9]:

- CSDS 1: General Requirements for Disclosure of Sustainability-related Financial Information
- CSDS 2: Climate-related Disclosures

Although voluntary and non-binding, the CSSB standards provide entities with an ESG-related disclosure framework designed to promote consistency, comparability and transparency in sustainability and climate-related reporting, enabling investors and other stakeholders to access timely, decision-useful information (Canadian Sustainability Standards Board, 2024a, 2024b). However, their practical impact has so far been limited by their voluntary status and uneven adoption — a pattern partly attributable to the standards' relatively recent finalization and extended transition timelines. Notably, CSDS 1 and CSDS 2 permit voluntary adoption as of January 1, 2025, with transition relief for broader sustainability-related disclosures and Scope 3 GHG emissions reporting extending until reporting periods beginning on or after January 1, 2027 (Canadian Sustainability Standards Board, 2024a, 2024b). Nonetheless, for Canadian institutional investors navigating anti-ESG headwinds, these standards provide a principled, internationally coherent basis for climate risk and opportunity disclosure grounded in financial materiality. This is precisely the framing that distinguishes the Canadian approach from the contested ESG landscape in the United States.

However, the Canadian disclosure landscape has not been immune to the same political-economic forces reshaping governance in the United States. The CSA recently pulled back on one significant reform initiative, reflecting the cross-border spillover dynamic identified throughout this report. In October 2021, the CSA issued a Notice and Request for Comment on proposed National Instrument 51-107 *Disclosure of Climate-related Matters* and its companion policy (Canadian Securities Administrators, 2021) (for more background see Appendix B.). However, in April 2025, the CSA announced the pause on its efforts to develop a new mandatory climate-related disclosure rule for Canadian issuers (Canadian Securities Administrators, 2025). CSA's decision came shortly after the U.S. SEC withdrew its defense of its own climate disclosure rules, (Securities and Exchange Commission, 2025) adding further uncertainty to the sustainability disclosure landscape across

9 The IFRS Foundation is an independent, not-for-profit organization established in 2001, whose mandate is to develop globally accepted accounting and sustainability disclosure standards in the public interest. It oversees the International Sustainability Standards Board (ISSB), established in 2021, which develops a global baseline of sustainability-related financial disclosure standards for investors and capital markets, including IFRS S1 (General Requirements) and IFRS S2 (Climate-related Disclosures), issued in June 2023. See IFRS Foundation. (n.d.). Who we are.

North America. Against this backdrop, the CSA has decided to monitor developments both domestically and internationally before finalizing its diversity and climate-related disclosure requirements (Canadian Securities Administrators, 2025). This pause is particularly consequential for Canadian institutional investors, as mandatory disclosure requirements are a key tool through which asset owners can assess climate risk management of their portfolio companies and hold boards accountable for that management.

While there remain uncertainties on mandatory climate disclosure for reporting issuers, prudential regulators have continued to advance climate risk expectations for federally regulated financial institutions (FRFIs). The Office of the Superintendent of Financial Institutions (OSFI) has articulated climate risk expectations through Guideline B-15: *Climate Risk Management*, which was finalized in March 2025, and are now driving annual reporting for regulated entities (Office of the Superintendent of Financial Institutions, 2024). The guidelines align OSFI guidance with corresponding requirements of the CSSB standards to ensure interoperability. It outlines OSFI's expectations for FRFIs in managing climate-related risks (Office of the Superintendent of Financial Institutions, 2024).

This development is significant: even as mandatory disclosure for capital market issuers stalls, OSFI's continued advancement of climate risk expectations reinforces that climate risk is a material financial risk requiring governance attention. It also creates a ripple effect to companies as FRFIs need emissions data for the financed emissions disclosure requirement. This directly supports the position of Canadian institutional investors who have maintained their climate risk frameworks in the face of anti-ESG pressure.

GREENWASHING

In parallel with these disclosure developments, regulatory attention has also shifted to the accuracy and substantiation of ESG-related claims. Amendments to the *Competition Act*, 1985, enacted in June 2024, introduced two new provisions to section 74.01 to combat greenwashing in the marketplace[10] (an Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024, SC 2024, c 15, amending *Competition Act*, RSC 1985, c C-34, s 74.01):

1. Product Claims: The first additional provision applies to product-specific claims (which include claims about services). It prohibits representations to the public in the form of statements, warranties or guarantees for a product or service's benefits for protecting or restoring the environment or mitigating the environmental, social and economic causes or effects of climate change that are not based on an "adequate and proper test."
2. Business Claims: The second additional provision applies to claims about businesses and their business activities more broadly. It prohibits representations to the public relating to the benefits of a business or business activity for protecting or restoring the environment or mitigating the environmental and ecological causes or effects of climate change, unless such representations are based on "adequate and proper substantiation" (Competition Bureau Canada, 2025).

10 The "internationally recognized methodology" standard applicable to business-level claims has generated significant compliance uncertainty, particularly given the absence of clear regulatory guidance on which methodologies satisfy the statutory threshold. As a result, a number of companies scaled back or removed climate-related disclosures from the public domain in order to limit their exposure to private enforcement actions under the new provisions, See Institute for Sustainable Finance. (2025). Bill C-59: Government intentions vs. market reactions (Briefing note). Queen's University, Smith School of Business.; Chell, C. (2026, January 1). Changes to Canada's anti-greenwashing law will increase risk for companies. KPMG Canada.

These provisions are notable for their breadth: they apply not only to misleading marketing claims but also potentially to corporate sustainability reports, climate transition plans and public investor communications. In doing so, they underscore the longstanding governance responsibility of boards, highlighting the legal exposure that can arise where environmental claims in corporate disclosures are inaccurate or insufficiently substantiated.

However, in response to the concerns that the greenwashing regulations were generating investment uncertainty, the Federal Minister of Finance introduced Bill C-15 in November 2025 (Government of Canada, 2025) and it received Royal Assent on March 26, 2026 (Government of Canada, 2026). These concerns were informed by real or perceived litigation risk associated with the greenwashing provisions[11], which has already led some companies to scale back or remove climate and sustainability-related disclosures from the public domain. Among other changes, Bill C-15 enacted two key amendments to the *Competition Act*'s greenwashing provisions. First, it amended paragraph 74.01(1) (b.2) to remove the requirement that substantiation of business or business activity environmental claims be performed in accordance with internationally recognized methodology, replacing it with a standard of "adequate and proper substantiation." The amended provision also retains the explicit reverse onus, under which the burden of proving substantiation lies on the person making the representation (*Competition Act*, 1985, s. 74.01(1)(b.2); Budget 2025 Implementation Act, No. 1, 2026, s. 597(1)(b.2)) Second, it narrowed private enforcement by precluding private parties from obtaining leave before the Competition Tribunal in respect of business or business activity environmental claims, while preserving private applications under the product-specific environmental claims provision and the general deceptive marketing provision (*Competition Act*, 1985, ss. 74.01(1.01), 103.1(6.2); *Budget 2025 Implementation Act*, No. 1, 2026, ss. 597(2), 598).

REGULATORY FRAMEWORK SUPPORT

Canada has developed over the years a multi-layered regulatory framework that continues to support, and in many respects require, the integration of ESG considerations into corporate and institutional decision-making. Far from being a passing trend, ESG-related governance in Canada is grounded in longstanding fiduciary duties, evolving securities disclosure obligations and an emerging sustainability reporting architecture aligned with international standards. This framework spans multiple levels and actors: from the duties owed by corporate directors and pension trustees under federal and provincial law, to the disclosure expectations set by securities regulators and prudential supervisors, to the legal accountability mechanisms introduced to combat greenwashing. While some of these might be debated by some, such as the anti-greenwashing legislation, taken together these regulatory developments signal that ESG is increasingly a legal and governance imperative.

At the same time, the Canadian framework has not been entirely insulated from anti-ESG spillover, with some reform initiatives recently stalled or scaled back in ways that mirror broader political trends across North America. Understanding this regulatory landscape is therefore essential to assessing both the resilience of Canada's climate governance infrastructure and its points of vulnerability. These regulatory changes show that Canadian corporations face heightened legal risk associated with ESG communications, reinforcing the importance of robust internal governance and board oversight of sustainability-related disclosures. For boards, this does not mean retreating from ESG disclosure, but rather ensuring that public environmental claims are adequately substantiated. This is a governance responsibility grounded in securities and competition law obligations, operating alongside directors' duties of care and loyalty. These developments emphasize that ESG considerations are no longer tangential. They are legally relevant factors demanding informed oversight, disciplined disclosure and robust risk management by corporations.

11 Bill C-15's amendments have drawn critique for potentially undermining, rather than resolving, the objectives of the greenwashing regime. Chell (2026) has noted that removing the "internationally recognized methodology" requirement may decrease clarity and, counterintuitively, increase risk exposure for businesses rather than reduce it, since the vaguer "adequate and proper substantiation" standard leaves greater interpretive uncertainty. Similarly, Freeman (2026) has cautioned that removing private parties' right to bring claims directly to the Competition Tribunal is unlikely to meaningfully reduce enforcement risk, given that no private complaints regarding sustainability claims were filed with the Tribunal between Bill C-59 and Bill C-15, suggesting that private litigation was not, in practice, the primary source of the uncertainty the amendments were designed to address. Agioritis and Toth (2026) have also cautioned that the amendments should not be read as a wholesale repeal of the anti-greenwashing provisions, as the Competition Bureau retains full authority to investigate and bring enforcement applications regardless of the changes.

TABLE 2

A Summary of the Canadian regulatory framework supporting ESG integration

This table summarizes the key regulatory pillars underpinning ESG and climate governance in Canada, their relevance to institutional investors, and their current status as of August 2026.

Area	Key Regulatory Elements	ESG / Climate Relevance	Status
Fiduciary Duties (Corporate Directors)	*Canada Business Corporations Act* ss. 122: duty of loyalty (act honestly and in good faith in the best interests of the corporation) and duty of care (care, diligence, and skill of a reasonably prudent person). *Peoples v. Wise* and *BCE v. 1976 Debentureholders:* directors may consider stakeholder interests including the environment.	Directors are legally permitted — and in many cases expected — to consider material ESG factors, including climate-related financial risk, in decision-making. ESG integration is consistent with, not contrary to, fiduciary duty.	Active
Fiduciary Duties (Pension Trustees)	Federal and provincial pension statutes require plan administrators to act as trustees in the best interests of members and beneficiaries, exercising the care, diligence, and skill of a prudent person. The standard of care is elevated for plan administrator who has special skill or expertise.	Pension trustees have the legal obligation to consider material climate-related risks into investment and governance decisions. While the investment and day-to-day functions can be delegated, the duties cannot be delegated.	Active
Securities Disclosure (CSA Framework)	NI 51-102 (continuous disclosure of material risks), NI 58-101 / NP 58-201 (corporate governance), CSA Staff Notices 51-333, 51-358, and 51-354 on environmental and climate-related reporting. TSX rules on material information disclosure.	Existing disclosure obligations already extend to material ESG and climate risks. Directors are responsible for overseeing and approving accurate sustainability-related disclosures under securities law.	Active
Prudential Regulation (OSFI Guideline B-15)	OSFI Guideline B-15: Climate Risk Management, finalized March 2025. Sets out expectations for federally regulated financial institutions (FRFIs) on managing physical and transition climate risks. Aligned with CSSB standards CSDS 2.	Confirms climate risk as a material financial risk requiring active governance and transparency on risk assessment and mitigation by FRFIs. This offers Canadian institutional investors a principled basis for climate reporting that is distinct from the contested U.S. ESG debate.	Active

Area	Key Regulatory Elements	ESG / Climate Relevance	Status
Greenwashing Provisions (*Competition Act*, 2024)	*Competition Act* s. 74.01: (1) Product claims must be based on "adequate and proper test"; (2) Business claims must be based on "adequate and proper substantiation." Originally enacted in June 2024 with an additional requirement that business claims be substantiated in accordance with internationally recognized methodology. Bill C-15 (Royal Assent March 26, 2026) removed the requirement and narrowed private enforcement for environmental business claims.	Boards face legal exposure where environmental claims in corporate promotional materials are unsubstantiated. The reverse onus means the burden of proving substantiation lies on the corporation, reinforcing the governance obligation to verify and document ESG claims before publication.	Active
CSSB Sustainability Standards (Dec. 2024)	Canadian Sustainability Disclosure Standards (CSDS): CSDS 1 (General Requirements for Sustainability-related Financial Information) and CSDS 2 (Climate-related Disclosures) aligned with IFRS/ISSB international standards.	Provide a voluntary but internationally coherent framework for climate risk disclosure grounded in financial materiality. Offer Canadian institutional investors a principled basis for climate reporting that is distinct from the contested U.S. ESG debate.	Voluntary
Securities Regulation (Cross-border Spillover)	(1) Proposed NI 51-107 on mandatory climate-related disclosure — paused by CSA in April 2025, shortly after the U.S. SEC withdrew its own climate disclosure rules.	Key tools for holding boards accountable on climate have stalled, reflecting cross-border spillover of U.S. anti-ESG political and market pressures. Reduces transparency and limits asset owners' ability to assess climate risk management.	Paused

Sources: *Canada Business Corporations Act, 1985; Peoples Department Stores Inc. v. Wise [2004] SCC 68; BCE Inc. v. 1976 Debentureholders [2008] SCC 69; Canadian Securities Administrators; CSSB; OSFI Guideline B-15; Competition Act, 1985 (as amended 2024); Bill C-15 (2025).*

The cross-border governance pressures and regulatory vulnerabilities described above, stalled disclosure reforms, asset manager retreats, political scrutiny of collaborative engagement, create genuine challenges for Canadian institutional investors. Yet these pressures operate within a distinct legal and regulatory context that has, so far, provided sufficient resilience to maintain effective climate risk governance.

CONCLUSION: THE FUTURE OF CLIMATE RISK GOVERNANCE IN CANADA

The anti-ESG movement's challenge to climate risk governance represents a test of institutional investor governance resilience in Canada. Cross-border market integration ensures some spillover, but can Canadian-specific governance structures, regulatory environments and institutional cultures provide sufficient resilience for institutional investors to maintain effective climate risk oversight despite those pressures?

Early evidence suggests cautious optimism. Canadian pension funds have maintained climate risk governance practices even as some U.S. institutions retreated. Canadian regulatory frameworks continue supporting climate disclosure. And Canadian institutional investors' emphasis on financial materiality and risk-based governance provides conceptual clarity that helps resist politicization.

However, governance vigilance remains essential. Anti-ESG pressure may evolve in ways that create new challenges for Canadian investors. Cross-border governance dependencies could deepen as markets integrate further. And the underlying climate risks that justify governance attention continue to intensify, making effective governance more important even as it becomes more contested.

The ultimate governance question is whether institutional investor boards can maintain their focus on their core responsibility, protecting beneficiary interests through prudent long-term risk management, in an environment where fulfilling that responsibility regarding climate risks has become politically controversial. For Canadian institutional investors, the answer appears to be yes. But continued resilience will require governance discipline, substantive expertise and clear articulation of fiduciary rationale for climate risk oversight.

APPENDIX A.

Timeline of key Anti-ESG events in the United States (2021–2025)

2021

Legislative

Texas passes anti-ESG legislation
Texas enacts Senate Bill 13, banning state pension funds from investing in financial institutions that restrict business with fossil fuel companies, the first major state-level anti-ESG law.

Legislative

Anti-ESG bills proliferate across states
Republican-led state legislatures begin introducing bills targeting ESG investing in pension funds. Over 370 bills would be introduced across 40 states between 2021 and 2024.

2022

Asset Manager

Vanguard exits Net Zero Asset Managers initiative
Vanguard withdraws from NZAM in December 2022, citing concerns about conflicts with its independence and fiduciary duties, signalling the beginning of a broader retreat from climate coalitions.

Political

State divestment campaigns target BlackRock
Texas, Florida, and other Republican-led states begin pulling public pension funds from BlackRock, citing its ESG and climate commitments as contrary to financial interests.

Legislative

Florida passes anti-ESG legislation
Florida enacts legislation prohibiting state fund managers from considering ESG factors in investment decisions, one of the most sweeping state-level anti-ESG laws passed to that point.

2023

Proxy Voting

Big Three asset managers cut support across the board
State Street, Vanguard and BlackRock all report significantly reduced support for environmental and social shareholder proposals, collectively signalling a major shift in institutional investor behaviour.

Political

U.S. Congress targets ESG in federal legislation
Republican members of Congress introduce the RETIRE Act and other federal bills aiming to restrict ESG consideration in ERISA-governed pension funds.

2024

Asset Manager	**BlackRock sharply reduces support for climate proposals** BlackRock votes in favour of only 4% of environmental and social shareholder proposals in 2024, down from 47% in 2021, a stark reversal attributed in part to political pressure.
Asset Manager	**JPMorgan and State Street exit Climate Action 100+** Two of the world's largest asset managers withdraw from the CA100+ collaborative engagement initiative in February, citing political pressure and concerns about anti-trust scrutiny.
Asset Manager	**Vanguard backs zero climate proposals** Vanguard reports supporting no environmental or social shareholder resolutions during the 2024 proxy season, an unprecedented retreat from climate stewardship.
Political	**Trump re-elected, anti-ESG movement escalates** Donald Trump's re-election in November 2024 marks a major inflection point. The movement's scope broadens beyond financial institutions to target all corporations, with federal anti-ESG policy now a governing priority.
Legislative	**Anti-ESG bills show higher success rate despite lower volume** While fewer anti-ESG bills are filed in 2024 compared to 2023, those that are filed succeed at a significantly higher rate, reflecting a more focused and effective legislative strategy.

2025

Executive Action	**Trump signs executive orders targeting DEI and ESG** On January 20, 2025, Trump signs Executive Order 14173, eliminating DEI programs across all federal agencies. A series of additional executive orders follow, targeting ESG considerations in federal contracting and pension management.
Asset Manager	**BlackRock withdraws from NZAM** BlackRock announces its withdrawal from the Net Zero Asset Managers initiative on January 10, 2025, following Goldman Sachs, Wells Fargo, and other major financial institutions exiting climate finance coalitions.
Asset Manager	**BlackRock scraps DEI goals** BlackRock dismantles its diversity hiring targets and merges DEI staff into a renamed "Talent and Culture" team, citing the changed U.S. legal and policy environment.
Regulatory	**SEC withdraws defense of climate disclosure rules** The Securities and Exchange Commission under Trump drops its defense of the Biden-era climate disclosure rules, removing the principal federal mechanism for mandatory climate-related corporate reporting.
Executive Action	**Trump signs proxy advisor executive order** In December 2025, Trump signs Executive Order 14366, directing the SEC to strip ESG and DEI mandates from proxy voting, and requiring the Department of Labor to revise ERISA fiduciary rules to exclude non-financial considerations.

Sources: *Pleiades Strategy Anti-ESG Bill Tracker; Ropes & Gray; Morningstar; Veelaw; CNBC; Reuters; Fortune; Factiva.*

APPENDIX B.

ESG and Securities Law

Securities laws concerning ESG-related obligations, disclosure and best practices have been harmonized through national instruments and policies implemented by all Canadian Securities Commissions. Corporate governance disclosure and best practices are governed by the National Instrument (NI) 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines*. These regulations emphasize transparency, ethical conduct, and board oversight. *Continuous disclosure obligations* under NI 51-102 require public corporations to disclose material risks, trends, and uncertainties, including environmental and climate-related risks. In October 2010, the CSA published Staff Notice 51-333 – *Environmental Reporting Guidance*, which provided detailed guidance to reporting issuers on how existing continuous disclosure requirements apply to environmental matters, including climate-related risks. This was subsequently supplemented by the CSA Staff Notice 51-358, which expanded on the framework set out in Notice 51-333. In 2018, the CSA published Staff Notice 51-354 – *Report on the Project Concerning Disclosure on Climate Change*, documenting the results of a targeted review of climate change disclosure practices among reporting issuers and setting out further expectations for improved practice.

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