

Made-In-Canada Sustainable Investment Framework, Mandatory Climate Disclosures For Large, Private CBCA Corporations And Final CSSB Standards Announced



On October 9, 2024, the Government of Canada announced its intention to:

1. develop a Made-in-Canada voluntary sustainable investment guideline to help investors, lenders, and other stakeholders identify sustainable economic activities (the “**Taxonomy**”), in order to enhance the flow of private funds into sustainable activities across the Canadian economy; and
2. introduce mandatory climate-related disclosure requirements for large, private corporations incorporated under the *Canada Business Corporations Act* (“**CBCA**”).

These measures were introduced on the back of the federal government’s commitments in its [2023 Fall Economic Statement](#) and [Budget 2024](#) to, among other things, develop a sustainable finance taxonomy identifying “green” and “transition” investments and require mandatory climate-related

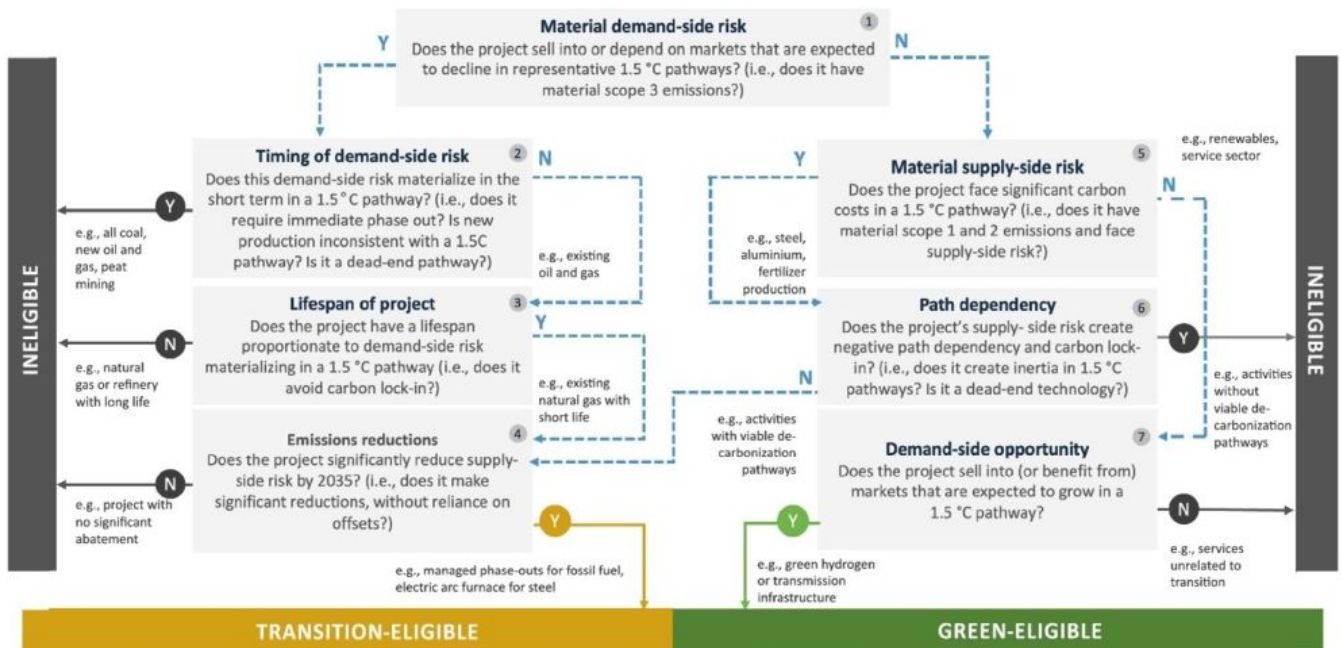
disclosure for private corporations. These plans are aimed at supporting the federal government's climate plan to grow the Canadian economy and its goal to reach net-zero emissions by 2050. It is estimated that the goal of achieving net-zero by 2050 would require up to \$140 billion annually in investments into Canada.

Made-in-Canada Sustainable Investment Guidelines

The purpose of the Taxonomy is to provide clear voluntary guidelines to investors, lenders and other stakeholders to help them credibly identify "green" and "transition" economic activities.

The federal government's announcement stated that the Taxonomy and the activities that it will classify as "green" and "transition" activities will be developed by one or more arm's length, independent, third-party organizations to be selected by the government at a later date. However, the federal government has indicated that the Taxonomy will build upon the work done by the Sustainable Finance Action Council (the "SFAC").¹

The Taxonomy will generally characterize economic activities as "green" or "transition" as follows:



- **Green Activities:** These are expected to include activities that do not have material Scope 1 or Scope 2 emissions, have low or zero downstream Scope 3 emissions, and sell into (or benefit from) markets that are expected to grow in the global net-zero transition. Examples of low- or zero-emitting activities include green hydrogen, solar and wind energy generation, or those that enable them, such as electricity transmission lines and hydrogen pipelines; and
- **Transition Activities:** These are expected to include activities that have material Scope 1 and Scope 2 emissions but make significant emission reductions, have low or zero Scope 3 emissions and do not create carbon lock-in and path dependency. Examples include decarbonizing emission-intensive activities that are critical for sectoral transformation and consistent with a net-zero, 1.5°C transition pathway, such as installing lower-emitting (electric) furnaces to produce steel.

Economic activities are expected to be classified according to a categorization framework to be confirmed and operationalized. The federal government's announcement included an example framework proposed by SFAC, which is set

out below:

In addition to classifying certain economic activities, the Taxonomy may also include company-level requirements to determine eligibility for “green” and “transition” labelling, such as net-zero targets, transition plans and climate disclosure. These requirements would become the eligibility criteria for corporations seeking to rely on the Taxonomy for certain economic activities.

It remains to be seen which independent, third-party organizations will be selected to develop the Taxonomy and how heavily the SFAC’s [Taxonomy Roadmap Report](#) will be relied upon. The third-party organizations that will be tasked with developing the Taxonomy will be expected to engage with a variety of stakeholders, including Canadian financial market participants, industry-based experts, experts in climate science, civil society, governments, regulators and Indigenous partners.

The third-party organizations that are ultimately selected will first focus on the following priority sectors: electricity, transportation, buildings, agriculture and forestry, manufacturing, and extractives, including mineral extraction and processing, and natural gas. The federal government has committed to releasing a Taxonomy for two to three of the priority sectors within twelve months of the third-party organizations beginning their work.

Mandatory Climate-Related Financial Disclosures

In addition to the Taxonomy, the federal government also announced its intention to amend the CBCA to require mandatory climate-related financial disclosures by large, private corporations incorporated under the act.

The substance of the proposed disclosure requirements for CBCA

corporations will be the subject of an upcoming regulatory process and will be aimed at helping “investors better understand how large businesses are thinking about and managing risks related to climate change, ensuring that capital allocation aligns with the realities of a net-zero economy”. Though details on this regulatory process are scarce, the federal government indicated that it intends to work with its provincial and territorial partners to ensure broad climate-related disclosure across Canada. The federal government also indicated that it will seek to harmonize the disclosure requirements with those required by securities regulators for public corporations.

While the Canadian Securities Administrators (the “CSA”) published draft [National Instrument 51-107 – Disclosure of Climate Related Matters](#) (“NI 51-107”) in October 2021, no revisions have been published since. However, on March 13, 2024, the CSA did issue a public [statement](#) signaling support for and a willingness to incorporate the Canadian Sustainability Standards Board’s (the “CSSB”) proposed climate-related disclosure standards into NI 51-107 (our in-depth analysis is [here](#)). Following a stakeholder feedback period, on October 21, 2024 the CSSB [announced](#) that its proposed standards are expected to be finalized by December 2024. In October 2024, the Ontario Securities Commission (“OSC”) also published a document titled “[Insights on the OSC Staff’s Approach to Sustainable Finance](#),” indicating the OSC’s intent to develop “right-sized” climate-related disclosure requirements for Canadian public corporations as part of its short- to medium-term goals.

No additional information has been published to date regarding the timeline for these amendments to the CBCA or the criteria that will determine which private CBCA corporations will be subject to the new climate-related disclosure requirements.

This is the second time this year that proposed amendments to the CBCA have been raised to require federal corporations to

disclose certain climate-related information. On May 23, 2024, Senator Miville-Dechéne introduced Bill S-285, which would enact the *21st-Century Business Act*. The bill, which has not been publicly supported by any of the major federal political parties, would amend the CBCA to require all CBCA corporations to annually report to their shareholders and the public on their social and environmental impacts. For more information on Bill S-285, please refer to our in-depth analysis [here](#).

Footnote

1. The SFAC was a group established by the federal government and composed of leaders from 25 of Canada's top financial entities. The SFAC's mandate, which ended in March 2024, was to guide Canada's financial industry in adopting practices that support environmental sustainability.

To view the original article click [here](#)

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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