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# Disclosure Interrupted: CSA Pauses Climate and Diversity Disclosure Rules

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## ***Traduction en cours.***

The Canadian Securities Administrators (CSA) is pausing its work on climate-related and diversity-related disclosure rules in order “to support Canadian markets and issuers as they adapt to the recent developments in the U.S. and globally.”

Consistent with the CSA's recent regulatory shift to reduce friction for capital raising in Canada, the CSA is, for the moment, leaving the broad-based disclosure requirements of securities laws and the suasion of proxy advisory firms and interested institutional investors to shape issuers' climate and diversity disclosure, rather than mandating enhanced disclosure rules.

## **Climate Disclosure in Canada**

### **CSA Pauses Draft Mandatory Climate Disclosure Rule**

In October 2021, the CSA released for public comment proposed National Instrument 51-107 *Disclosure of Climate-related Matters*, a draft mandatory climate disclosure rule aimed at improving the consistency and comparability of Canadian climate disclosure, and aligning Canadian climate disclosure standards with the expectations of international investors and, more generally, assisting investors in making informed investment decisions. The CSA's draft climate disclosure rule was placed on hold to allow the CSA to study the climate disclosure proposals published by the U.S. Securities and Exchange Commission (SEC) and the International Sustainability Standards Board in 2022 and 2023, respectively.

When the SEC adopted its mandatory climate disclosure rule in March 2024, it was immediately subject to numerous legal challenges that alleged, among other things, that the SEC lacked the jurisdiction to enact the rule. Shifting political winds in the United States following the election of President Trump led to the SEC's announcement on March 27, 2025 that it voted to end its legal defence of its mandatory climate disclosure rule, effectively staying the rule.

The European Parliament also recently voted to delay the latest implementation of its Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive until 2028.

Although the CSA had confirmed in December 2024 that it was continuing to work toward updating its draft mandatory climate disclosure rule for Canadian public companies, it also noted then that, in light of the interconnectedness of the markets, it would be carefully considering developments in the United States. The SEC's March 2025 announcement was significant in this respect. The CSA's decision to pause its mandatory climate disclosure project aligns with the concerns of market participants that the Canadian climate disclosure regime not depart significantly from the U.S. approach.

### **Existing Disclosure Rules Remain Relevant**

#### *Continuous Disclosure Requirements*

Despite the CSA's pause on its draft mandatory climate disclosure rule, issuers continue to be subject to Canadian continuous disclosure requirements, which operate in the ordinary course to require issuers to disclose material climate-related information, including climate-related risk factors, that would be expected to have a significant effect on the market price or value of issuers' securities. In this vein, the CSA reminds issuers that "[c]limate-related risks are a mainstream business issue and securities legislation already requires issuers to disclose material climate-related risks affecting their business in the same way issuers are required to disclose other types of material information."

Issuers looking for further guidance may refer to the CSA's resources on climate-related disclosure: [CSA Staff Notice 51-333 \*Environmental Reporting Guidance\*](#) provides guidance to issuers on existing continuous disclosure requirements relating to a broad range of environmental matters, including climate change; and [CSA Staff Notice 51-358 \*Reporting of Climate Change-related Risks\*](#) is intended to assist companies in identifying and improving their disclosure of material risks posed by climate change. In this latest announcement, the CSA also notes that the Canadian Sustainability Standards Board "standards provide a useful voluntary disclosure framework for sustainability and climate-related disclosure that issuers are encouraged to refer to when preparing their disclosures."

### *CSA Monitoring of Greenwashing*

The CSA's pause does not affect issuers' obligations to avoid greenwashing and other misleading climate-related disclosure. The CSA recently raised concerns about issuers making unbalanced or embellished environmental and ecological claims to promote interest in their securities, cautioning issuers to ensure that their environmental-related disclosure is specific, factual, balanced and, where applicable, hews to the requirements for making future-oriented statements. We discuss the CSA's guidance in respect of greenwashing in our *Governance Insights* article [A Preview of 2025: 10 Legal Updates GCs, Boards and Investors Need to Know](#).

### *Greenwashing under the Competition Act*

The pause does not affect issuers' obligations to comply with the greenwashing provisions added to the *Competition Act* (Act) in 2024. These amendments allow the Competition Bureau in certain circumstances to challenge environmental or climate-related representations made to the public in marketing and promotional representations. The Bureau's [draft guidance](#) regarding the application of these provisions helpfully provides that its enforcement focus will not be on environmental representations that appear solely in securities disclosure.

Separately, beginning on June 20, 2025, private parties will be able to seek leave from the Competition Tribunal to commence actions under the Act's greenwashing provisions. These private parties will also be able to ask the Tribunal to impose significant monetary penalties as well as other remedies. With the forthcoming extension of private rights of action to the Act's greenwashing provisions, we expect to see continued scrutiny of environmental claims in the future.

### *Proxy Voting Guidelines*

Lastly, the voting guidelines of proxy advisory firms Institutional Shareholder Services and Glass Lewis both speak to board accountability for climate-related risks. The influence of these firms and interested institutional investors means that issuers may continue to have regard to these guidelines and the expectations of their shareholders.

## **CSA Pauses Enhanced Diversity Disclosure Project**

With the CSA's recent announcement, its 2023 [proposal](#) to amend its diversity disclosure requirements has also been officially paused. The announcement follows the CSA's recently released 10-year review of disclosure regarding women on boards and in executive positions, which we discuss in more detail in [A Preview of 2025: 10 Legal Updates GCs, Boards and Investors Need to Know](#). The CSA reminds non-venture issuers that they "will continue to be required to provide disclosure regarding the representation of women on their boards and in executive officer positions based on the existing requirements under National Instrument 58-101 *Disclosure of Corporate Governance Practices*." Issuers should also continue to review the voting guidelines of proxy advisory firms and institutional shareholders for relevant diversity-related criteria.

## **An Indefinite Pause?**

The CSA squarely pointed to the changing economic and geopolitical climate as the context in which to view its announcement. Stan Magidson, Chair of the CSA and Chair and CEO of the Alberta Securities Commission, is quoted in the news release:

In recent months, the global economic and geopolitical landscape has rapidly and significantly changed, resulting in increased uncertainty and rising competitiveness concerns for Canadian issuers. In response, the CSA is focusing on initiatives to make Canadian markets more competitive, efficient and resilient.

These initiatives include the CSA's recent announcement to reduce regulatory burden relating to capital raising, which we discuss in our recent [bulletin](#).

In being responsive to the moment, the CSA has left the door open to revisit climate and diversity disclosure if and when market practices and demands shift in the future:

The CSA will monitor domestic and international regulatory developments with respect to climate-related and diversity-related disclosures and expects to revisit both projects in future years to finalize requirements for issuers. Issuers will be provided with appropriate notice ahead of any changes to the status of these projects.

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