

THE PRICE OF THE PAUSE

How Canada's standstill on climate disclosure puts Canadian companies at a global disadvantage

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SHARE



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Executive summary

Canada paused work on its key mandatory climate disclosure requirements in 2025, shortly after the U.S. federal government signalled a retreat from sustainable investment initiatives. One year later, however, as Canada intensifies efforts to diversify trade ties and attract foreign capital, its pause on mandatory climate disclosures appears to be putting Canadian companies at a competitive disadvantage.



The rest of the world has not paused. A supermajority of Organisation for Economic Co-operation and Development (OECD) countries, plus most G20 economies, now require mandatory climate disclosure or will by 2028 – 44% of global market capitalization, rising to 78% excluding the U.S. — of Canada's 15 largest trading partners, 13 already require climate disclosure data, sitting directly in the path of Canada's target to increase non-U.S. exports by $300 billion by 2035.[1]

Canadian companies are already fielding climate disclosure requests from both domestic and international counterparties, and these demands are set to increase in both volume and detail. Canadian exporters in particular receive climate reporting requests through several channels: financed-emissions reporting, foreign Scope 3 requests, European due diligence laws and carbon border pricing. Each channel defaults to punitive assumptions when verified data is missing, erasing the advantage of Canada's cleanest producers, hydro-powered aluminum chief among them, by charging them average or worse-than-average values unless they can prove otherwise.

Investors – both domestic and international – have voiced strong support for access to reliable, comparable, decision-useful climate data. Without it, we don't just shelter high-risk firms from investor scrutiny; we also obscure high-performing companies that would otherwise attract sustainable investment capital. The effect shows up in the numbers: As of Q1 2026, Canadian companies were underweighted by international sustainable mutual funds and exchange-traded funds by an estimated $44 billion. As Canada's federal government moves forward with a multi-billion-dollar incentive package to stimulate investments in our green economy, our lack of climate disclosure rules may deter precisely the investors we hope to attract.

Consistent national standards with clear regulatory guidelines and well-defined safe harbours can also help allay concerns that environmental disclosures could run afoul of Canada's anti-greenwashing rules, as they would encourage the disclosure of specific, verified data points while avoiding poorly defined buzzwords.

Recommendation

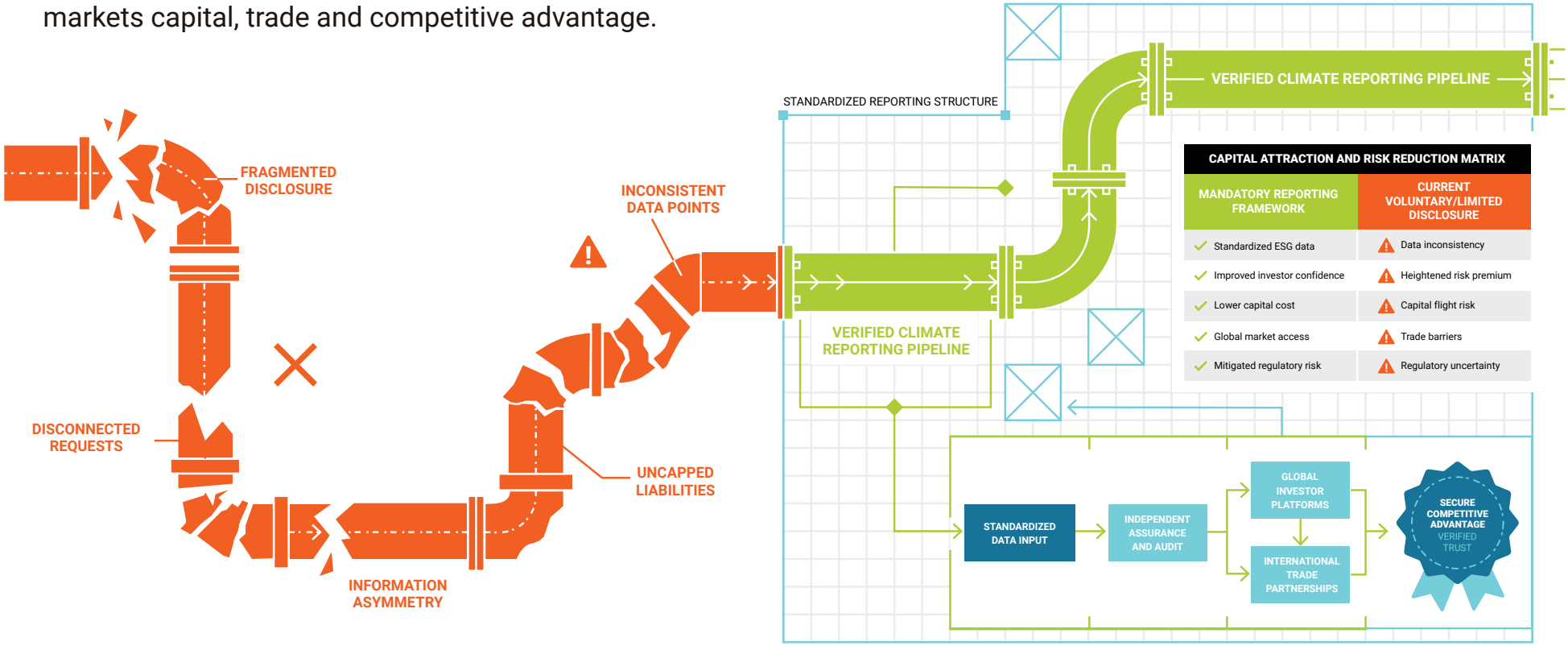
With investor demand, international precedent and Canada's own trade-diversification goals aligned, Canadian lawmakers and regulators should require companies incorporated in Canada or listed on Canadian stock exchanges to report in accordance with the internationally aligned disclosure framework prepared by the Canadian Sustainability Standards Board. The competitive risk is no longer in moving forward; it is in standing still.

1. Department of Finance Canada. (2026, April 28). Canada strong for all: Spring economic update 2026. https://budget.canada.ca/update-miseajour/2026/report-rapport/pdf/update-miseajour2026-eng.pdf

FIGURE 1.

The disclosure deficit: Securing Canada's global economic competitiveness

Why the pause on mandatory climate reporting is costing Canadian markets capital, trade and competitive advantage.





01 Introduction

Until recently, Canada was moving toward implementing mandatory climate disclosures along several tracks:

- **Securities regulation:** In October 2021, the Canadian Securities Administrators (CSA) published a draft rule, National Instrument 51-107,[2] that would require companies listed on Canadian stock exchanges to provide climate reporting in accordance with the Canadian Sustainability Disclosure Standards (CSDS), aligned with international reporting standards set by the International Sustainability Standards Board (ISSB), with certain carve-outs and transition relief.
- **Corporate law:** In October 2024, Canada's federal government announced its intention to amend the *Canada Business Corporations Act* (CBCA) to require climate-related financial disclosures by large, federally incorporated private corporations.[3]
- **Financial services guidelines:** In March 2023, the Office of the Superintendent of Financial Institutions (OSFI) published its Guideline B-15, which requires federally regulated financial institutions (FRFIs) it oversees (including banks, insurers and similar entities) to disclose how they identify, manage and are exposed to climate-related risks with reference to internationally accepted reporting standards (the CSDS), with some transition relief.[4]

2. Canadian Securities Administrators. (2021, October 18). Consultation: Climate-related disclosure update and CSA notice and request for comment: Proposed national instrument 51-107: Disclosure of climate-related matters. Ontario Securities Commission. https://www.osc.ca/en/securities-law/instruments-rules-policies/5/51-107/51-107-consultation-climate-related-disclosure-update-and-csa-notice-and-request-comment-proposed
3. Claire Seaborn, Tyson Dyck, Rima Ramchandani and David Forrester. (2024, October 16). Canada advances sustainable investment taxonomy; plans to mandate climate disclosure for CBCA corporations. Torys LLP. https://www.torys.com/en/our-latest-thinking/publications/2024/10/canada-advances-sustainable-investment-taxonomy
4. Office of the Superintendent of Financial Institutions (OSFI). (2023, March 7). OSFI issues new guideline on climate risk management. https://www.osfi-bsif.gc.ca/en/news/osfi-issues-new-guideline-climate-risk-management

- In December 2024, the Canadian Sustainability Standards Board (CSSB) finalized the CSDS, designed to align with the ISSB's International Financial Reporting Standard 2, which has become the gold standard for climate-related reporting internationally, but building in longer adoption timelines, particularly for climate scenario data and Scope 3 greenhouse gas emissions reporting.[5]

OSFI's guidelines came into effect in December 2024 for larger organizations, and for all in-scope institutions by the end of 2025. But that's where progress on climate disclosures effectively stalled.

The Canadian federal government did not introduce amendments to the CBCA, and on April 23, 2025, the CSA announced it would formally pause work on both climate- and diversity-related disclosure requirements,[6] just weeks after the U.S. Securities and Exchange Commission announced it would stop defending challenges to its proposed climate disclosure rules in court.[7] The CSA cited growing uncertainty and the need to maintain market competitiveness, especially *vis-à-vis* the U.S., in its decision to pause.

Just over one year later, times have changed.

It has become clear that the U.S. federal government is an outlier in a world otherwise moving toward greater, more harmonized climate disclosures, a movement that includes some U.S. states, as explained below. Canada is explicitly diversifying its trade relationships and courting international investors. Canadian companies are already fielding demands for climate disclosures from domestic and international sources, and the absence of a single, robust reporting framework more often acts as a barrier to competitiveness than as regulatory relief. At home, there is strong support for mandatory climate disclosures from the investor community.

In short, the time is ripe for Canada to catch up to the rest of the world and move forward with its two remaining climate disclosure frameworks. It will help Canada, and Canadian companies, accomplish exactly what we need: build new trading relationships; access major markets outside the U.S.; attract new foreign investment; and make visible the many sustainability leaders among Canadian resource, manufacturing and service industries.



5. International Financial Reporting Standards (IFRS) Foundation. (n.d.). Introduction to the ISSB and IFRS sustainability disclosure standards. https://www.ifrs.org/sustainability/knowledge-hub/introduction-to-issb-and-ifrs-sustainability-disclosure-standards/; FRAS Sustainability. (2024, December 18). Canadian Sustainability Disclosure Standards (CSDS 1 and CSDS 2): Now available. Financial Reporting and Assurance Standards Canada (FRAS). https://www.frascanada.ca/en/cssb/news-listings/csds1_csds2_launch
6. Canadian Securities Administrators (CSA). (2025, April 23). CSA updates market on approach to climate-related and diversity-related disclosure projects. https://www.securities-administrators.ca/news/csa-updates-market-on-approach-to-climate-related-and-diversity-related-disclosure-projects/
7. U.S. Securities and Exchange Commission (SEC). (2025, March 27). SEC votes to end defense of climate disclosure rules. Press release 2025-58. https://www.sec.gov/newsroom/press-releases/2025-58

02

Do climate disclosure requirements foster or impede competitiveness?

2.1 Investor support for mandatory climate disclosures

Climate disclosure rules are not in themselves environmental measures; they are tools that support the efficient operation of markets. The most effective climate disclosure rules will provide reliable, comprehensive, comparable and decision-useful information for investors. This data can inform investor due diligence on a number of fronts, from assessing and pricing climate-related risks to evaluating efficiency and competitiveness. A patchwork of competing voluntary standards does not deliver on these goals.

International investors both inside and outside the U.S. have been vocal proponents of a common, robust, mandatory climate disclosure framework. In October 2021, 457 global investors with US$41 trillion in assets under management told governments they needed mandatory comprehensive, comparable and decision-useful disclosures[8] about how companies manage climate risk.

In Canada, comments submitted regarding the CSA's draft National Instrument 51-107 showed strong support for ISSB-aligned mandatory climate disclosures from investors and market-infrastructure bodies, both domestic and international. Representative comments included the following:



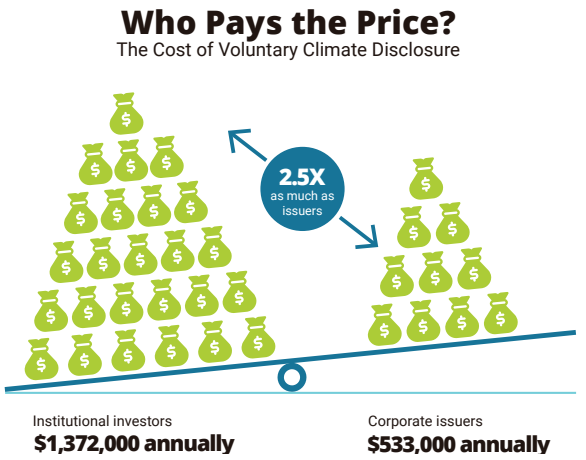
8. United Nations Framework Convention on Climate Change. (2021, June 11). Investors managing USD 41 trillion in assets urge governments to speed up climate policy or lose out. https://unfccc.int/news/investors-managing-usd-41-trillion-in-assets-urge-governments-to-speed-up-climate-policy-or-lose-out



- Norges Bank Investment Management, which manages the world's largest sovereign wealth fund, noted that "there is still significant variation in the quality, consistency, and comparability of companies' disclosures."[9]
- CPP Investments, Canada's largest institutional investor, has warned that recommending disclosure of only Scope 1 emissions "would put Canadian issuers behind what is taking place in other markets" and clearly articulated that it was "not opposed to making climate change disclosures mandatory."[10]
- TSX Inc. and TSX Venture Exchange Inc. expressed that aligning Canadian requirements with international expectations "will improve issuer access to global capital markets" while cutting the cost and fragmentation investors face across multiple frameworks.[11]

Indeed, investors stand to directly benefit from the implementation of a single, mandatory, internationally aligned climate disclosure framework. The costs of due diligence in the absence of such a framework alone are considerable. A study by the ERM Sustainability Institute found that institutional investors spend roughly three times as much as corporate issuers on climate-related disclosure, about $1.37 million per year compared with $533,000, with nearly one-third of investors' spending going to external environmental, social and governance (ESG) data providers and consultants.

In the long term, a well-grounded understanding of climate-related financial risks is of use to issuers. But there is also evidence that this data is good for issuers on a short time horizon. A recent peer-reviewed study of UK non-financial firms found that mandatory disclosure aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) "enhanced the financial performance of non-financial firms," improving both return on assets and return on equity.[12]



9. Carine Smith Ihenacho and Severine Neervoort, Norges Bank Investment Management. (2021, December 16). Canadian Securities Administrators consultation on climate-related disclosures [letter]. https://www.osc.ca/sites/default/files/2021-12/com_20211216_51-107_norges-bank-investment-mgmt.pdf
10. Richard Manley, CPP Investments.(2022, February 16). CPP Investments' response to the CSA's consultation on the proposed NI 51-107 – Disclosure of climate-related matters [letter]. https://www.osc.ca/sites/default/files/2022-02/com_20220216_cpp-investments.pdf
11. Loui Anastasopoulos, TSX Inc. and TSX Venture Exchange Inc. (2022, February 16). CSA notice and request for comment – Proposed National Instrument 51-107 Disclosure of climate-related matters [letter]. https://www.osc.ca/sites/default/files/2022-02/com_20220216_tsx.pdf
12. Gupta, P. (2026). Mandatory TCFD disclosure and corporate financial performance: Evidence from UK non-financial firms. Business Strategy and the Environment, 35(3), 3826–3842. https://doi.org/10.1002/bse.70374

2.2 Existing relief addresses key issuer concerns

Issuers have raised concerns over the regulatory burden created by mandatory climate disclosures (particularly with respect to Scope 3 reporting and climate scenario data), and some have claimed that a voluntary reporting system would be superior, buttressing Canada's competitiveness relative to the U.S.[13]

The CSSB has attempted to address issuer concerns in the rollout of the CSDS – for example, by adopting a phased approach that would provide longer timelines for issuers to begin reporting Scope 3 data and quantitative climate risk data.

The standards acknowledge that larger issuers have access to more resources and longer histories with more experience. Whether the issue is cost or capacity, smaller companies are subject to less scrutiny, and provisions are built into the CSDS to limit "undue cost or effort."[14]

> *Given these allowances for small firms, IPO firms would not be affected until they became large enough to fall in scope of the requirements.*

As noted above, the ERM Sustainability Institute estimates that, on average, issuers spend $533,000 annually on climate-related corporate disclosures in the U.S. – less than half of what institutional investors are spending on average annually to collect, analyze and report climate data to inform their investment decisions.[15] A standardized and consistent regime that makes Canadian firm data interoperable with global markets may indeed *save* issuers time and money.

2.3 Existing securities legislation is not delivering

When the CSA paused work on mandatory climate disclosures in April 2025, the rationale was to focus on "initiatives to make Canadian markets more competitive, efficient and resilient," implying that mandatory disclosures for issuers might not serve that goal. Securities legislation, it was argued, already requires issuers to disclose material climate-related risks "in the same way that issuers are required to disclose other types of material information." [16]



13. SHARE and Institute for Sustainable Finance. (2026, June). Canadian climate disclosures: Myth/fact [Report]. SHARE. https://share.ca/wp-content/uploads/2026/06/SHARE-ISF-Myths-Facts-ClimateDisclosures.pdf
14. CSDS 2, Sec. 11, SHARE (Shareholder Association for Research and Education), & Institute for Sustainable Finance. (2026, June). Canadian climate disclosures myths/facts: Mandatory climate disclosures for Canada. https://share.ca/wp-content/uploads/2026/06/SHARE-ISF-Myths-Facts-ClimateDisclosures.pdf
15. Mark Lee, Emily K. Brock and Doug MacNair (2022, May 17). Costs and benefits of climate-related disclosure activities by corporate issuers and institutional investors. ERM Sustainability Institute. https://www.erm.com/insights/costs-and-benefits-of-climate-related-disclosure-activities-by-corporate-issuers-and-institutional-investors/
16. Canadian Securities Administrators. (2025, April 23). CSA updates market on approach to climate-related and diversity-related disclosure projects. https://www.securities-administrators.ca/news/csa-updates-market-on-approach-to-climate-related-and-diversity-related-disclosure-projects/

There is evidence that current securities legislation is not working well as a stand-in for a climate disclosure framework. Currently, issuers themselves judge what counts as material, and many conclude that their climate-related risks don't meet that bar – or don't clearly spell out these risks when they do. CSA Staff Notices 51-333 (2010) and 51-358 (2019) set out guidance for the disclosure of material environmental and climate-related risks, but this guidance has produced inconsistent and often poor-quality results. In fiscal year 2024, the CSA's continuous disclosure review flagged several qualitative deficiencies specific to climate reporting, including vagueness in terminology, lack of methodological transparency and unsubstantiated ESG claims – all deficiencies that the CSDS are designed to address.[17]

The earlier Climate Change-Related Disclosure Project found the same pattern. Users, including institutional investors, advocates, rating agencies and analysts, reported that climate disclosures were often "boilerplate, vague or viewed as incomplete." Many concluded that existing securities guidance was inadequate, recommending that issuers needed to be compelled by specific and clear requirements to provide decision-useful information.[18] The CSA itself concluded that new disclosure requirements should be considered:

> *Based on our work in connection with the Project, we believe that new disclosure requirements should be considered in respect of issuers' governance practices in relation to material business risks and opportunities in general, and their processes for the identification, assessment and management of material risks.*[19]

The notice listed climate change explicitly among the risks the new requirements would address.

2.4 How will mandatory climate disclosures impact Bill C-59 requirements?

For companies concerned about the stringency of the anti-greenwashing rules presented in Bill C-59, *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023,* standardized climate disclosures would directly reinforce the effectiveness of Bill C-59 by providing universally recognized, science-backed methodologies. Mandatory disclosures would supply the necessary data from companies to legally validate their environmental claims, bridging the gap between anti-greenwashing enforcement and genuine corporate transparency. Climate disclosure rules would effectively alleviate corporate concerns about the evaluation of their climate commitments.

The European Union (EU), the United Kingdom (UK) and Australia all have related anti-greenwashing provisions either in action or scheduled for effect within the next two years. These jurisdictions are all among the OECD countries moving forward with mandatory climate disclosure requirements. The regulations go hand-in-hand with this type of policy, allowing for certainty in reporting and legal cushioning for all parties.

17. Canadian Securities Administrators. (2024, November 7). CSA staff notice 51-365: Continuous disclosure review program activities for the fiscal years ended March 31, 2024 and March 31, 2023. Ontario Securities Commission. https://www.osc.ca/en/securities-law/instruments-rules-policies/5/51-365/csa-staff-notice-51-365-continuous-disclosure-review-program-activities-fiscal-years-ended-march
18. Canadian Securities Administrators. (2018, April 5). CSA staff notice 51-354: Report on climate change-related disclosure project. Ontario Securities Commission. https://www.osc.ca/sites/default/files/pdfs/irps/csa_20180405_climate-change-related-disclosure-project.pdf
19. Canadian Securities Administrators. (2018, April 5). CSA staff notice 51-354: Report on climate change-related disclosure project. Ontario Securities Commission. https://www.osc.ca/sites/default/files/pdfs/irps/csa_20180405_climate-change-related-disclosure-project.pdf

03

Mandatory climate disclosures are a market norm

3.1 Investor support for mandatory climate disclosures

A supermajority of countries belonging to the OECD, as well as a majority of G20 countries, now have mandatory climate disclosure reporting requirements for companies in place or scheduled to take effect by January 1, 2028.

A number of initiatives[20] have tracked the growing number of countries committing to the use of ISSB reporting for climate disclosures. To truly capture the breadth and ambition of global climate disclosure rules, we tracked countries that currently have or are developing mandatory climate disclosure requirements and that have voluntary frameworks in place.

For this analysis, we treated frameworks aligned with the TCFD and frameworks aligned with the ISSB as part of the same continuum, reasoning that the latter is intended to operationalize the former. We also attempted to identify all stock exchanges covered by local or regional disclosure mandates (flagging the few countries like Canada, where requirements are limited to the financial services sector).



20. International Financial Reporting Standards (IFRS) Foundation. (n.d.). Use of IFRS sustainability disclosure standards by jurisdiction. https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/use-by-jurisdiction/; Jennifer Laidlaw. (2026, May 7). May 2026 – Where does the world stand on ISSB adoption? S&P Global Sustainable1. https://www.spglobal.com/sustainable1/en/insights/research-reports/issb-q2-2026; Deloitte. (2026, July 12). Adoption of IFRS Sustainability Disclosure Standards by jurisdiction. IAS Plus. https://www.iasplus.com/en/publications/global/special-topics/sustainability/issb-adoption-tracker

TABLE 1. COUNTRIES AND EXCHANGES MOVING FORWARD WITH CLIMATE DISCLOSURES.

Category	Number of countries	Number of covered exchanges	Estimated exchange market capitalization	Estimated percentage of market capitalization
Mandatory ISSB/TCFD-aligned frameworks	49	50	44.8	29.4%
Mandatory ISSB/TCFD-aligned frameworks; financial sector only	3	n/a	4.9	3.2%
Mandatory ISSB/TCFD-aligned frameworks in force by January 2028	6	9	0.3	0.2%
Active work on ISSB/TCFD-aligned frameworks	9	11	4.4	2.9%
Other mandatory frameworks	8	16	22.4	14.7%
Voluntary ISSB/TCFD-aligned frameworks	5	12	68.4	44.9%
Other voluntary frameworks	3	3	3.2	2.1%
Total	**83**	**101**	**152.3***	**97.4%**

* Residual representing smaller jurisdictions was not coded.

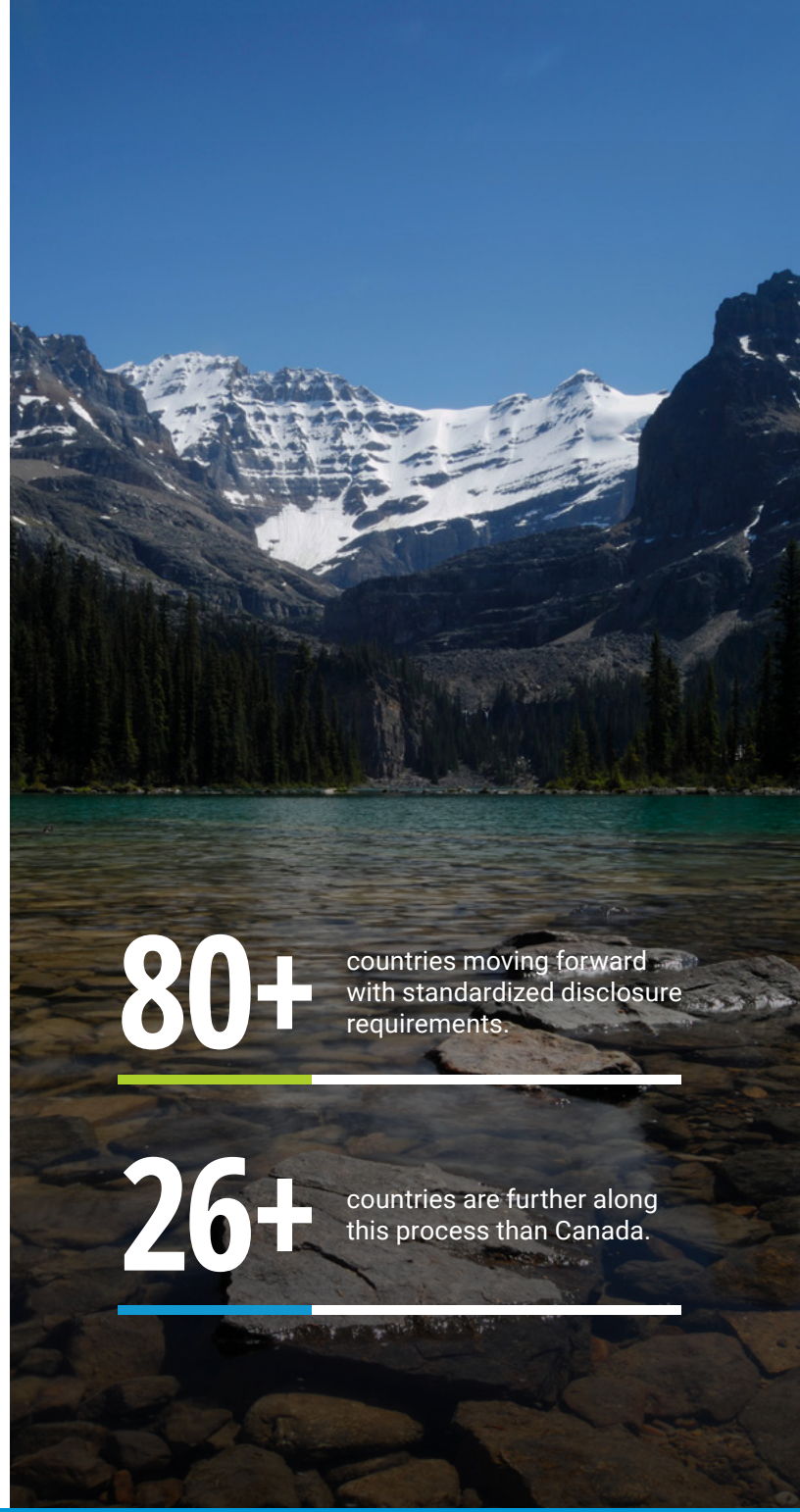
As of June 2026, more than 80 countries were on a climate disclosure track. At least 66 countries had *some* form of mandatory climate disclosures in place or approved for imminent rollout, most of which used ISSB/TCFD-aligned frameworks.

Mandatory frameworks impacted more than 75 stock exchanges, representing just over 44% of global market capitalization, or about US$67.5 trillion (constituting roughly 78% of global market capitalization excluding the U.S.).[21]

Currently, the U.S. Securities and Exchange Commission is categorized as having voluntary climate disclosures. If, however, its voluntary disclosure framework is formally rescinded by the end of 2026 or into 2027, the U.S. federal government will find itself in a shrinking group of countries, including Iran, Venezuela and Syria, with no climate disclosure ambitions whatsoever. However, several U.S. states are pushing for local climate disclosure statutes, including California, New York, Illinois and Minnesota, with groundbreaking legislation coming into effect in California ginning in August 2026 (see below).[22]

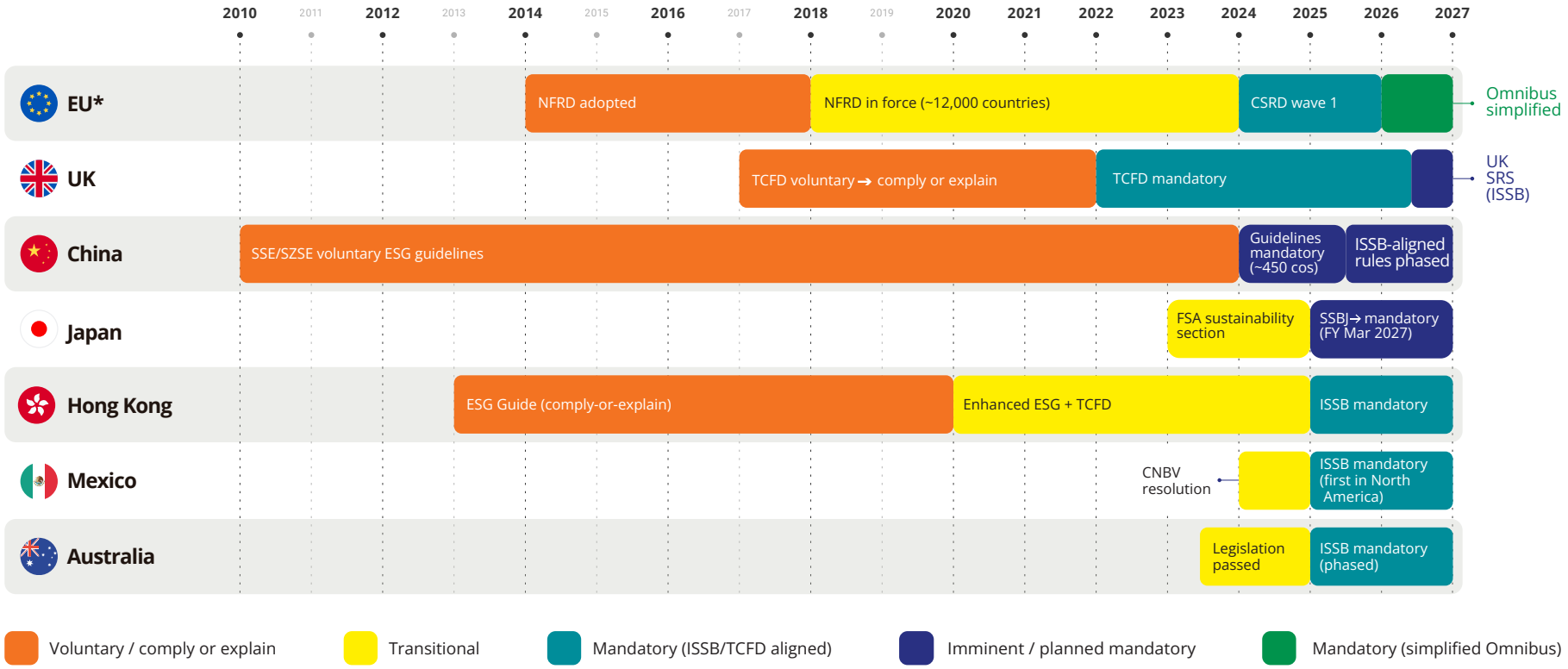
21. Not included in the exchanges total are countries such as Canada, with disclosure requirements flowing from financial services regulations, not covering listed companies as such. Where possible, market capitalization estimates are drawn from the most current listed estimates supplied by the World Federation of Exchanges and are generally current to March 2026. The market capitalization numbers represent the total market capitalization of affected stock exchanges, not the market capitalization of in-scope companies, a number that is continually evolving.

22. Parallel efforts in New Jersey, Washington State and Colorado have since failed.



Globally, progress toward mandatory climate disclosures may be uneven and may include setbacks (Brazil recently moved back from mandatory to voluntary disclosures, and the EU and New Zealand tightened the scope of their frameworks), but the overall trend is clear: Climate disclosure requirements are growing, and they are moving from voluntary to mandatory, toward ISSB and International Financial Reporting Standards (IFRS) alignment, and toward increased scope and granularity.

FIGURE 2. TIMELINE OF MANDATORY CLIMATE DISCLOSURE IMPLEMENTATION AMONG CANADA'S TOP NON-U.S. TRADING PARTNERS.



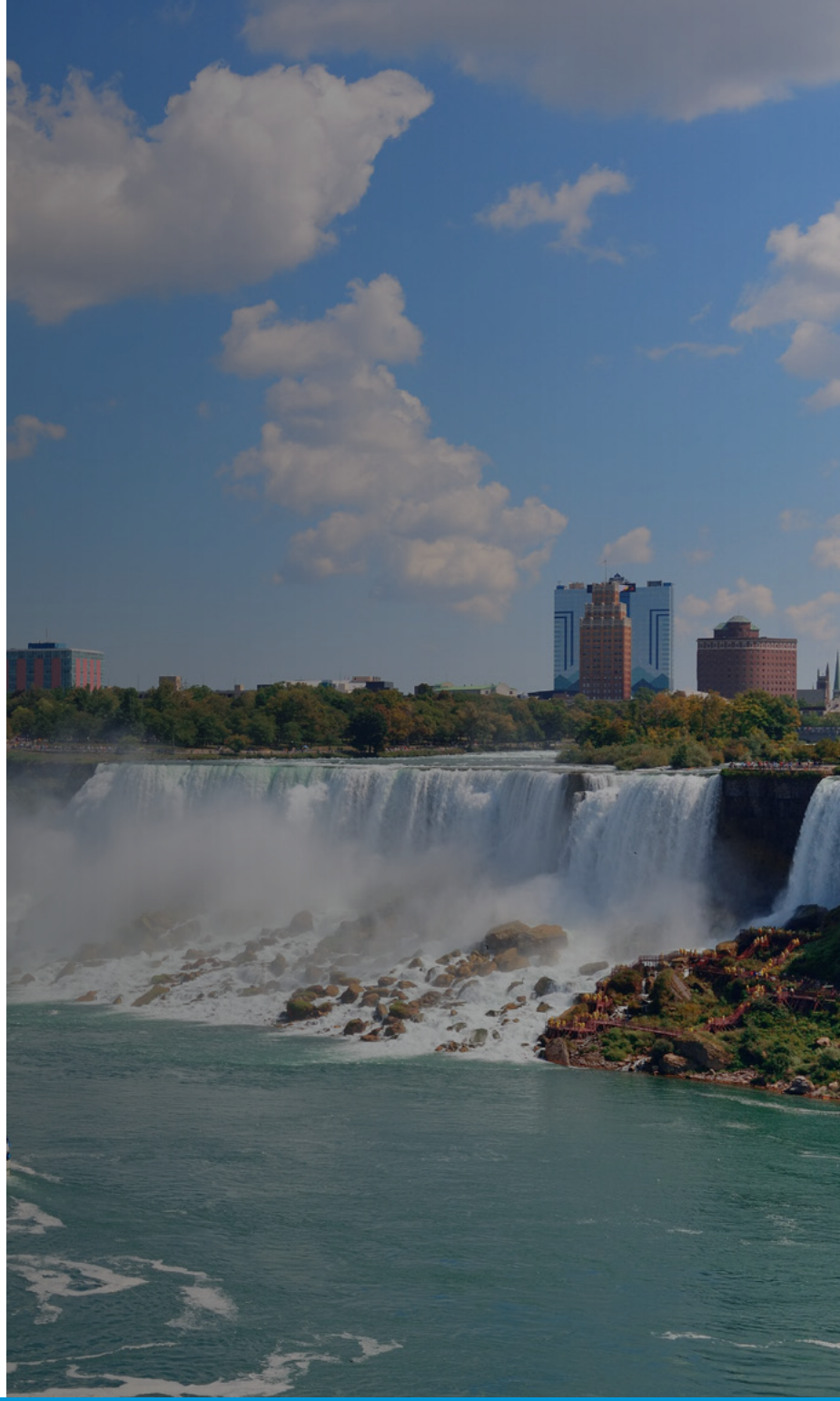
NFRD = Non-Financial Reporting Directive; CSRD = Corporate Sustainability Reporting Directive; TCFD = Task Force on Climate-Related Financial Disclosures; SRS = Sustainability Reporting Standards; ISSB = International Sustainability Standards Board; SSE/SZSE = Shanghai Stock Exchange/Shenzhen Stock Exchange; ESG = environmental, social and governance; FSA = Financial Services Agency; SSBJ = Sustainability Standards Board of Japan; CNBV = Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission).

04

Canadian companies are already reporting climate disclosures in the ordinary course of business

Outside the federally regulated financial sector, climate disclosure in Canada is voluntary: A company can opt to report according to the ISSB-aligned CSDS 1 and 2, or not.[23] However, a growing number of Canadian companies are already being asked, through several overlapping channels, for the same climate and sustainability data. The question is no longer *whether* they disclose, but *under how many separate frameworks*.

This section sets out the channels already reaching Canadian companies, followed by an illustration of where these demands land hardest among Canada's export industries. The throughline is a single mechanism we call a cascade: a disclosure rule imposed on one institution that becomes a data request on its counterparties. The Canadian company is not bound by the original rule, but the request arrives anyway, and refusing to answer is rarely inconsequential. Non-disclosure costs range from a lower data-quality score to a contractual demand to a real price at the border.



23. The Canadian Securities Administrators paused work on a mandatory climate disclosure rule (National Instrument 51-107) in April 2025; CSDS 1 and 2 remain voluntary. Canadian Securities Administrators. (2025, April 23). CSA updates market on approach to climate-related and diversity-related disclosure projects. https://www.securities-administrators.ca/news/csa-updates-market-on-approach-to-climate-related-and-diversity-related-disclosure-projects/

FIGURE 3. THE CASCADE, IN ONE IMAGE. A DISCLOSURE RULE LANDS ON A FINANCIAL INSTITUTION, CUSTOMER OR IMPORTER AND BECOMES A DATA REQUEST ON THE CANADIAN COMPANY – THE SAME COMPANY REACHED THROUGH FIVE PARALLEL CHANNELS.



OSFI = Office of the Superintendent of Financial Institutions; PCAF = Partnership for Carbon Accounting Financials; SFDR = Sustainable Finance Disclosure Regulation; CBAM = Carbon Border Adjustment Mechanism; CSDDD = Corporate Sustainability Due Diligence Directive.

TABLE 2. EXISTING REPORTING RULES IMPACTING CANADIAN COMPANIES.

Channel	Rule	Lands on	Asks for	If no data
Lending and insurance (financial channel)	OSFI Guideline B-15 (Canada); EU Pillar 3; UK Prudential Regulation Authority SS5/25	Canadian and foreign banks and insurers	Financed and insured emissions (PCAF data-quality score)	Worst data-quality score, sector proxies
Investment (financial channel)	EU SFDR	Asset managers holding Canadian securities	Principal adverse impact indicators	Not specified in the report
Supply chain (Scope 3)	EU CSRD; UK, Japan, China, Australia, Mexico and others	Foreign customers	Scope 1 and Scope 2 emissions	Sector averages
Due diligence	EU CSDDD (largest firms, from 2028–2029); French and German laws	European customers, by contract	Evidence, audits and impact management	Goes beyond disclosure: impacts must be managed
Trade	EU CBAM (UK from January 2027)	EU importers	Embedded emissions per product	Default values near the dirtiest production route



4.1 The financial channel: Financed and underwritten emissions

4.1.1 Canada: Guideline B-15.

The Office of the Superintendent of Financial Institutions' Guideline B-15 is the only mandatory climate-disclosure instrument in force in Canada today. It binds federally regulated financial institutions (FRFIs), including major banks, insurers and trust companies, but its reach is far wider: any company that borrows from a federally regulated bank or is an underwriting client of a federally regulated insurer is caught indirectly.[24] FRFIs must report their financed emissions using the Partnership for Carbon Accounting Financials (PCAF), which scores each counterparty's data quality from 1 (audited, counterparty specific) to 5 (sector and region average proxies).[25] For fiscal year 2028, FRFIs are expected to disclose their Scope 3 emissions, including financed emissions; for fiscal year 2029, the expectation extends to the off-balance-sheet component of assets under management — reaching companies a bank neither lends to nor holds on its own balance sheet.[26]

The mechanism matters as much as the mandate. Borrowers are not legally required to hand over data, but those who don't are assigned the worst data-quality score and modelled with worst-in-class proxy averages. Non-disclosure is not neutral; it actively underestimates efficient producers, clean-grid operators and advanced production routes as average or worse. Firms that proactively pursue ISSB-aligned disclosures take on a regulatory burden not shared evenly across their sector.

24. OSFI Guideline B-15 is effective fiscal year-end 2024 for the largest banks and insurers and fiscal year-end 2025 for other FRFIs. Office of the Superintendent of Financial Institutions. (2025, March 7). Climate risk management. https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/climate-risk-management
25. Partnership for Carbon Accounting Financials. (n.d.). The Global GHG Accounting and Reporting Standard. https://carbonaccountingfinancials.com
26. Office of the Superintendent of Financial Institutions. (2025, March 7). Climate risk management. https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/climate-risk-management

4.1.2 Insurance: PCAF.

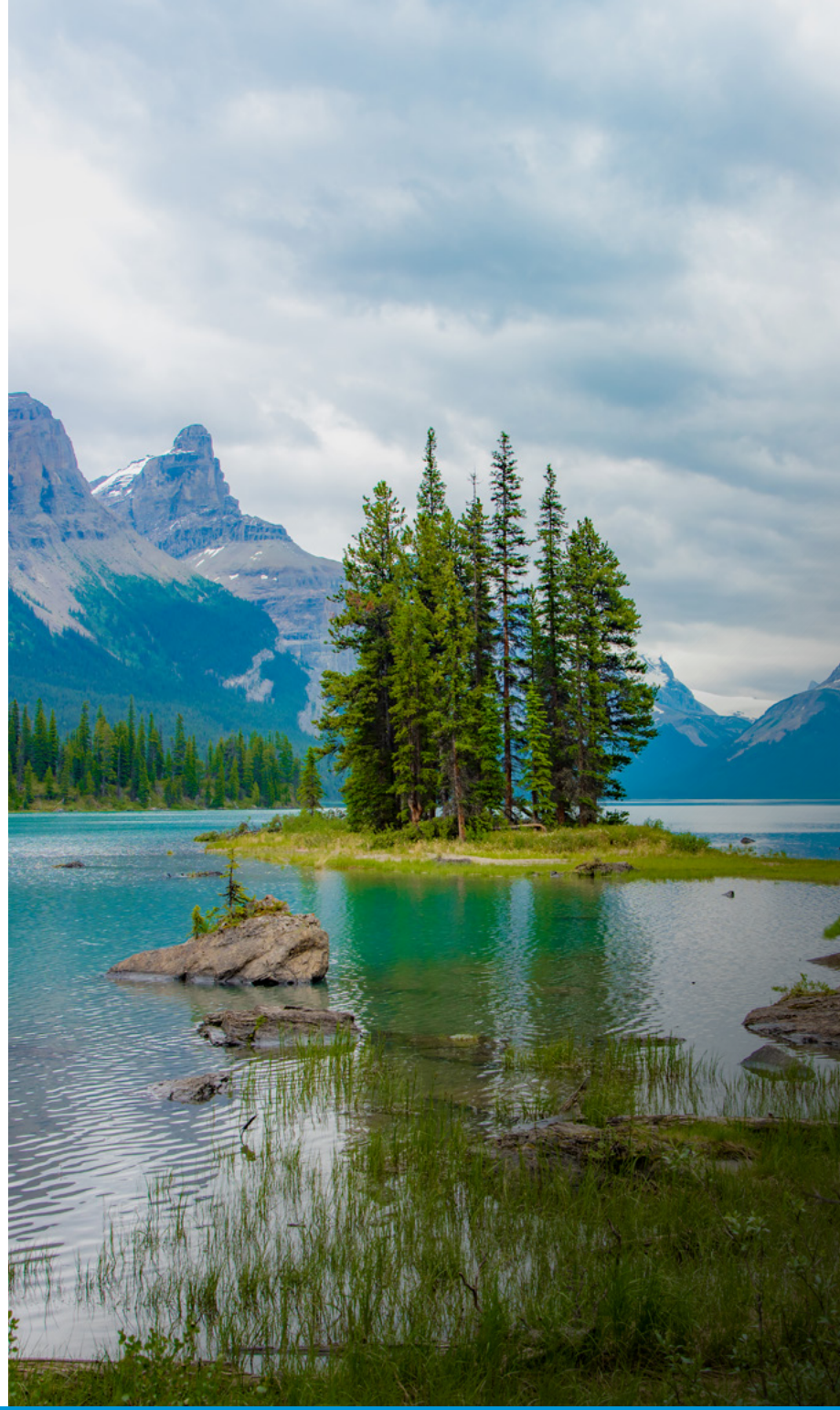
The same logic now covers underwriting. PCAF's December 2025 update added methods for treaty reinsurance and project insurance – directly relevant to Canadian energy and infrastructure projects, which are typically insured through international reinsurance markets.[27] Canada, via OSFI Guideline B-15, is among the few jurisdictions to mandate insurance-associated emissions reporting at all.

4.1.3 Europe and the UK: The same data, requested by foreign financiers.

EU banks disclose ESG and financed-emissions data under the European Banking Authority's Pillar 3 ESG disclosure rules and European Central Bank's supervisory priorities; UK insurers face the Prudential Regulation Authority's data-quality expectations (SS5/25), which push underwriters toward counterparty-specific data.[28] A Canadian company that borrows from or is insured by a European or UK institution receives the same financed-emissions request it would from a Canadian FRFI.

4.1.4 EU Sustainable Finance Disclosure Regulation: Adverse sustainability impact reporting by asset managers.

The EU Sustainable Finance Disclosure Regulation (SFDR) requires financial-market participants, including asset managers holding Canadian securities, to report the principal adverse sustainability impacts of their investments. To do so, they request ESG and emissions data from investee companies, Canadian ones included.[29]



27. Partnership for Carbon Accounting Financials. (2025, December). Insurance-associated emissions: For financial institutions measuring and reporting Scope 3 category 15 emissions. Second edition. The Global GHG Accounting and Reporting Standard. https://carbonaccountingfinancials.com/files/standard-launch-2025/PCAF-PartC-2025-V2.pdf; see also Moody's. (2024, December 13). Will 2025 be a pivotal year to accelerate insurance associated emissions disclosures? https://www.moodys.com/web/en/us/insights/insurance/will-2025-be-a-pivotal-year-to-accelerate-insurance-associated-emissions-disclosures.html
28. European Banking Authority (EBA). (n.d.). Welcome to the EBA. https://www.eba.europa.eu; Bank of England. (n.d.). Prudential regulation. https://www.bankofengland.co.uk/prudential-regulation
29. European Union. (2019). Consolidated text: Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (text with EEA relevance). EUR-Lex. http://data.europa.eu/eli/reg/2019/2088/2026-07-02

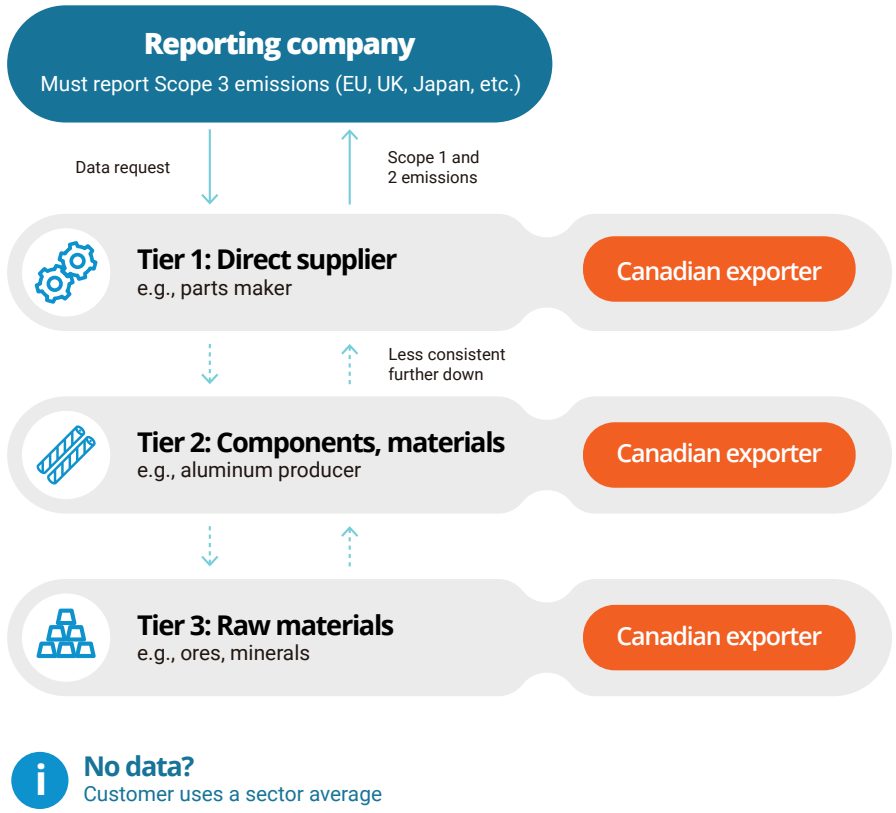
4.2 The supply chain channel: Scope 3

When a customer is required to report Scope 3 (value chain) emissions, it turns to its suppliers for the data it needs, specifically each supplier's own Scope 1 and Scope 2 emissions (direct and energy-related emissions linked to production), which are the building blocks of the customer's Scope 3 emissions. The EU's *Corporate Sustainability Reporting Directive* (CSRD) and European Sustainability Reporting Standards (ESRS) regime makes material Scope 3 disclosure mandatory for large EU companies and for large non-EU groups with significant EU sales,[30] but it is not alone: most of Canada's major trading partners have now begun to run the same Scope 3 cascade under their own standards – largely based on IFRS S2 (ISSB) – in force, phased or proposed (Table 2).

Because Scope 3 follows the *customer relationship* rather than the product, its reach is set by total exports to these jurisdictions. In 2025 figures, at least C$169 billion of Canadian exports – about one in five export dollars – land in a jurisdiction that runs a Scope 3 cascade.[31]

> *Once again, where a supplier provides no verified data, the customer estimates using sector averages, penalizing the higher performers.*[32]

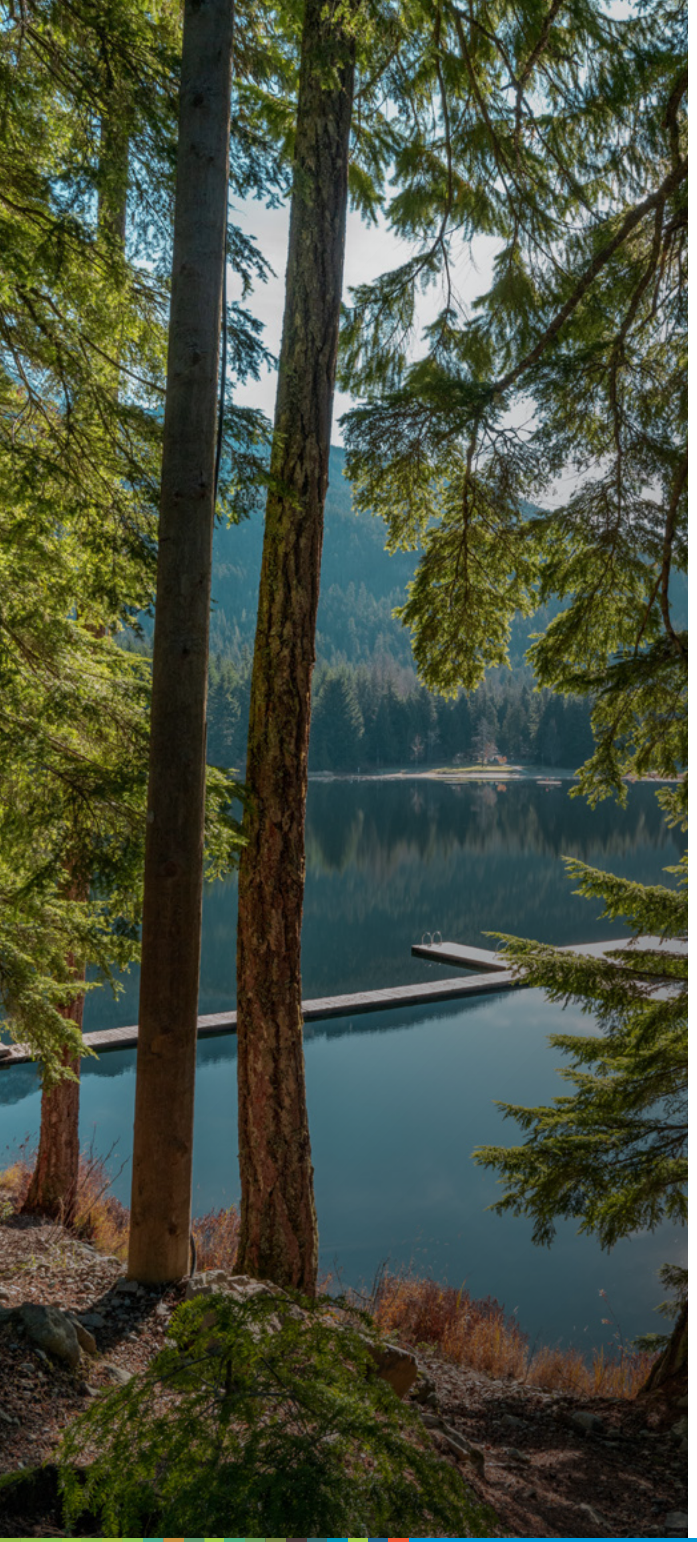
FIGURE 4. SCOPE 3 SUPPLIER CASCADE—IF A JURISDICTION REQUIRES SCOPE 3 REPORTING FOR A COMPANY, THERE IS A CASCADING EFFECT ON ALL THOSE CONTRIBUTING TO FINAL CONSUMER USE OF PRODUCT, INCLUDING IMPORTS COMING IN FROM CANADIAN COMPANIES.



30. European Union. (2022). Consolidated text: Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (text with EEA relevance). EUR-Lex. https://eur-lex.europa.eu/eli/dir/2022/2464

31. Government of Canada. (2025). Trade data online, full-year 2025. https://ised-isde.canada.ca/site/trade-data-online/en. U.S. state-level figures are deliberately excluded: Trade Data Online derives these figures from U.S. import statistics rather than Canadian export statistics, and distribution-hub effects (notably for Chicago and Illinois) make them unreliable as a measure of state-level Canadian exports.

32. Because this and the following section focus only on Canada's largest trading partners, where the bulk of export value sits, the reach they describe is conservative. Comparable Scope 3 and due diligence regimes are spreading well beyond this group, with more than 40 jurisdictions now taking up the ISSB's IFRS S1 and S2 baseline and stand-alone supply-chain laws, such as Norway's *Åpenhetsloven* ("Transparency Act"). Other adopters include Chile, Nigeria, Türkiye, Qatar and Malaysia. Jennifer Laidlaw. (2026, May 7). May 2026 – Where does the world stand on ISSB adoption? S&P Global Sustainable1. https://www.spglobal.com/sustainable1/en/insights/research-reports/issb-q2-2026; KPMG. (2025, June). Two years in: Adoption of the ISSB standards.https://assets.kpmg.com/content/dam/kpmg/ae/pdf-2025/06/two-years-in-adoption-of-the-issb-standards-en.pdf



4.3 The due diligence channel: Liability, not just disclosure

Due diligence is the one channel that goes beyond reporting. The EU's *Corporate Sustainability Due Diligence Directive* (CSDDD) will require in-scope companies to identify, prevent, mitigate and account for adverse human rights and environmental impacts across their own operations, subsidiaries and chains of activities, pushed down to suppliers by contract.[33] After the 2025–2026 Omnibus simplification, the directive now applies to the largest firms (more than 5,000 employees and €1.5 billion turnover, or €1.5 billion in EU turnover for non-EU groups), phasing in from 2028–2029 and relying on member states for civil liability enforcement.

National regimes already do this work and predate the directive: France's 2017 *Loi sur le devoir de vigilance* ("Law on the Duty of Vigilance") covers companies with more than 5,000 employees in France or more than 10,000 worldwide and carries director penalties; Germany's *Lieferkettensorgfaltspflichtengesetz* ("Supply Chain Due Diligence Act") imposes graduated supplier due diligence; and the Netherlands has adopted the *Wet Zorgplicht Kinderarbeid* ("Child Labour Due Diligence Act"), with a broader responsible-business bill in progress. A Canadian supplier to an in-scope European customer meets these obligations today, as contract terms, audits and evidence requests.

4.4 The trade channel: The EU Carbon Border Adjustment Mechanism and corporate law

The trade channel is the only one that attaches a price to non-disclosure. The EU Carbon Border Adjustment Mechanism (CBAM) puts a carbon cost on imports of covered goods; where an importer cannot supply verified embedded-emissions data, CBAM applies default values: country averages plus a penalty markup that rises to 30% by 2028.[34] CBAM is in force, with carbon pricing phasing in from 2026. The model is spreading: the UK's CBAM starts January 1, 2027,[35] and Australia is consulting on its own carbon border mechanism.[36] In the United States, California's *Climate Corporate Data Accountability Act* (SB 253) takes a different route again – a market-presence trigger that obliges any company with over US$1 billion in revenue doing business in California above a modest threshold to disclose Scopes 1–3 directly, with New York and Illinois weighing similar measures.[37]

Only the EU runs the full stack of cascades; the rest of the world is, for now, mostly a Scope 3 story (Table 2).

33. Corporate Sustainability Due Diligence Directive (Directive (EU) 2024/1760), as amended by the Omnibus I package (Directives 2025/794 and 2026/470); application will be phased from July 26, 2028. European Commission. (n.d.). Corporate sustainability due diligence. https://commission.europa.eu/topics/business-and-industry/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en
34. The Carbon Border Adjustment Mechanism, Regulation (EU) 2023/956, covers six foundational sectors: cement, iron and steel, aluminum, fertilizers, electricity and hydrogen. Where verified emissions data is absent, default values apply. Taxation and Customs Union. (n.d.). Carbon Border Adjustment Mechanism. https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en
35. HM Revenue & Customs. (2026, February 10). Carbon Border Adjustment Mechanism. https://www.gov.uk/government/collections/carbon-border-adjustment-mechanism
36. Australia's carbon-leakage review is considering a carbon border adjustment mechanism, with cement and clinker (not Canadian exports) as the initial priorities and steel, iron, ammonia and hydrogen flagged for later stages – about C$35.3 million of Canadian exports across those later-stage goods.
37. Under California's *Climate Corporate Data Accountability Act* (SB 253), companies with more than US$1 billion in revenue doing business in California are required to disclose Scopes 1 and 2 as of 2026 and Scope 3 as of 2027. New York (*Climate Corporate Data Accountability Act*, S9072A) and Illinois (*Climate Corporate Data Accountability Act*, HB 3673) have also modelled proposals. California's SB 253 is best read as a Scope 3 supply chain cascade with a distinct market presence trigger.



TABLE 3. EU CASCADE MECHANISMS.

Cascade mechanism	What it requires (plain language)	EU instrument (status)	Also beyond the EU
Parent-company cascade	Non-EU parent groups above an EU-sales threshold publish group-wide sustainability data	CSRD Article 40a (in force)[38]	EU only
Supply chain (Scope 3)	Reporters disclose value chain emissions, and they ask suppliers, including Canadian suppliers, for data	CSRD/ESRS (in force)[39]	12 more jurisdictions; see Table 3
Due diligence	Companies must actively identify and manage value chain impacts, by contract	CSDDD (enacted; 2028–2029)[40]	Australia – due diligence proposed
Trade related (CBAM)	A carbon price attaches to imports of covered goods; if there is no data, the default penalty applies	EU CBAM[41] (in force; definitive phase 2026)	UK – from January 1, 2027;[42] Australia – proposed[43]
Other (EU Battery Regulation, EU Deforestation Regulation)	Product-level market-access gates: battery carbon footprint; deforestation-free proof for wood	EU Battery Regulation[44] and EU Deforestation Regulation (in force/ phasing)[45]	EU only

38. European Union. (2022). Consolidated text: Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (text with EEA relevance). EUR-Lex. http://data.europa.eu/eli/dir/2022/2464/2026-03-18
39. Finance. (2026, July 3). Corporate sustainability reporting. https://finance.ec.europa.eu/financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
40. European Union. (2024). Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (text with EEA relevance). https://eur-lex.europa.eu/eli/dir/2024/1760/oj/eng
41. European Union. (2024). Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (text with EEA relevance). https://eur-lex.europa.eu/eli/dir/2024/1760/oj/eng
42. HM Treasury. (2025, November 28). Factsheet: Carbon border adjustment mechanism. https://www.gov.uk/government/publications/factsheet-carbon-border-adjustment-mechanism-cbam/factsheet-carbon-border-adjustment-mechanism
43. Himanshu Chauhan, Agamoni Ghosh and Jia lun Ong. (2026, February 13). Australia's final carbon leakage review recommends CBAM-like scheme for high-risk sectors. S&P Global. https://www.spglobal.com/energy/en/news-research/latest-news/energy-transition/021326-australias-final-carbon-leakage-review-recommends-cbam-like-scheme-for-high-risk-sectors
44. European Union. (2023). Consolidated text: Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC (text with EEA relevance). EUR-Lex. https://eur-lex.europa.eu/eli/reg/2023/1542
45. European Union. (2023). Consolidated text: Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (text with EEA relevance). EUR-Lex. https://eur-lex.europa.eu/eli/reg/2023/1115

TABLE 4. SUPPLY CHAIN (SCOPE 3) CASCADES FOR MAJOR TRADING PARTNERS[46] AND THE CANADIAN EXPORTS THEY CAN REACH (TOTAL EXPORTS, ALL PRODUCTS, FULL-YEAR 2025).[47]

Jurisdiction	Mechanism	Status and timeline	Canadian exports 2025
UK	UK Sustainability Reporting Standard (SRS) S2	In force (soft); UK SRS 2027[48]	$46.6 billion
EU	CSRD/ESRS	In force now (wave 1)[49]	$42.8 billion
China	Ministry of Finance Corporate Sustainability Disclosure Standards and exchange rules	In force – phased[50]	$34.4 billion
Japan	Sustainability Standards Board of Japan	Enacted – mandatory fiscal year-end March 2027[51]	$14.6 billion
Mexico	Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission) – IFRS S1 and S2	In force; Scope 3 2027–2028[52]	$8.9 billion
India	Securities and Exchange Board of India Business Responsibility and Securities and Exchange Board of India Business Responsibility and Sustainability Report (BRSR) and BRSR Core	In force; Scope 3 not mandated[53]	$3.9 billion
Hong Kong	Hong Kong Exchanges and Clearing Limited Environmental, Social and Governance Reporting Code, Part D: Climate-Related Disclosures	In force; large-cap Scope 3 fiscal year 2026 [54]	$3.8 billion
Australia	Australian Accounting Standards Board (AASB) Australian Sustainability Reporting Standard AASB S2	In force now; Scope 3 from year 2 (2026–2028)[55]	$3.4 billion
Singapore	Singapore Exchange – IFRS S2	In force; STI Group Scope 3 fiscal year 2026[56]	$3.2 billion
Total reach			**$161.5 billion**

46. South Korea's Korean Sustainability Disclosure Standards have been drafted, but a road map for approval by the Financial Services Commission is pending (and overdue).
47. Government of Canada. (2025). Trade data online, full-year 2025. https://ised-isde.canada.ca/site/trade-data-online/en. U.S. state-level figures are deliberately excluded: Trade Data Online derives these figures from U.S. import statistics rather than Canadian export statistics, and distribution-hub effects (notably for Chicago and Illinois) make them unreliable as a measure of state-level Canadian exports.
48. Department for Business and Trade. (2026, February). UK SRS S2: Climate-related disclosures. https://assets.publishing.service.gov.uk/media/699ddf22532c9ad91ebbcc2b/uk_srs_s2_climate_related_disclosures.pdf
49. Finance. (2026, July 3). Corporate sustainability reporting. https://finance.ec.europa.eu/financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
50. Gabrielle See. (2026, January 27). China's ISSB-aligned reporting rules 'go beyond many global standards', say experts. Green Central Banking. https://greencentralbanking.com/2026/01/27/chinas-issb-aligned-reporting-rules-go-beyond-many-global-standards-say-experts/
51. Sustainability Standards Board of Japan. (n.d.). https://www.ssb-j.jp/en/
52. PwC. (2024, July 24). Sustainability standards for private and public companies in Mexico. In brief 2024-08. Viewpoint. https://viewpoint.pwc.com/dt/us/en/pwc/in_briefs/2024/2024-in-brief/ib202408.html
53. PwC. (2024, July 24). Sustainability standards for private and public companies in Mexico. In brief 2024-08. Viewpoint. https://viewpoint.pwc.com/dt/us/en/pwc/in_briefs/2024/2024-in-brief/ib202408.html
54. Hong Kong Exchanges and Clearing Limited. (2024, April). Implementation guidance for climate disclosures under HKEX ESG reporting framework. https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_enhanced_climate_dis.pdf
55. Australian Accounting Standards Board. (2025, August). Greenhouse gas emissions disclosure requirements applying AASB S2 Climate-related disclosures: Educational material. https://www.aasb.gov.au/media/a0wnxxxn/ghgeducationalmaterial_08-25.pdf
56. Accounting and Corporate Regulatory Authority. (2026, July 3). Sustainability reporting and assurance requirements. https://www.acra.gov.sg/regulations/sustainability-reporting/requirements-timeline/



4.5 The fragmentation tax

A single Canadian exporter can sit on the receiving end of all four channels at once, from more than one jurisdiction at a time – for example, a financed-emissions request from its Canadian bank under OSFI Guideline B-15; disclosures related to climate-related risks from a Canadian insurer; requests for Scope 1 and Scope 2 emissions from customers in several jurisdictions, including the EU, the UK, China, and the countries listed in Table 3, to feed its Scope 3 reporting; an embedded-emissions declaration at the EU border under CBAM (and at the UK's border from 2027); and a principal-adverse-impact figure for asset managers under SFDR. Due diligence regimes – the EU's CSDDD and France's and Germany's national laws – then demand that the same data be used to manage impacts, not merely report them.

Every one of these asks returns to the same underlying data sets. Only the packaging differs: a PCAF data-quality score based on the quality of data, a Scope 1 and Scope 2 emissions figure for a customer, a CBAM default-value calculation at the border or an SFDR indicator for an investor.

This is where claims regarding the superiority of voluntary climate disclosures fall short. In the absence of a single Canadian standard, voluntary does not mean less reporting – it means the same reporting, assembled again and again, to whoever asks, in whatever form they specify. A mandatory Canadian standard aligned with the ISSB baseline would let a company assemble that data once and reuse it in every cascade.

05

How are key Canadian industries impacted?

The cascades fall hardest where Canadian companies perform best. Every channel discussed above substitutes a punitive proxy when verified data is missing. That means the cleanest Canadian producers face the highest penalties for not providing disclosures – and benefit the most from disclosing well. This is most visible when Canadian goods cross borders that apply CBAM.

Today, CBAM applies only to EU-bound and (from 2027) UK-bound covered goods, while three-quarters of Canada's exports still go to the United States. But the federal government has announced an ambitious diversification target to double non-U.S. exports to $600 billion by 2035, redirecting trade toward exactly the middle powers whose disclosure regimes are tightening.[57] At the same time, the EU has proposed extending CBAM to approximately 180 downstream steel- and aluminum-intensive products as of January 1, 2028.[58] The exposed share is set to rise.



57. The 2025 federal budget commits to doubling exports to non-U.S. markets to $600 billion by 2035, with $5 billion for trade infrastructure and approximately $25 billion in additional Export Development Canada activity by 2030. Glen Hodgson. (2026, April 20). Can Canada accelerate its global trade diversification? C.D. Howe Institute. https://cdhowe.org/publication/can-canada-accelerate-its-global-trade-diversification/

58. Legislative Observatory, European Parliament. (2025, December 17). Carbon border adjustment mechanism: Extension of its scope to downstream goods and anti-circumvention measures. https://oeil.europarl.europa.eu/oeil/en/document-summary?id=1879956



5.1 Aluminum: The clearest case

Aluminum is Canada's flagship low-carbon export: predominantly hydro powered and among the least carbon intensive in the world. It is also the single largest CBAM-exposed line – about C$1.9 billion to the EU in 2025 (Table 4).

This is where the logic of CBAM bites hardest. When an importer cannot supply verified emissions data, CBAM applies a punitive default value set near the most carbon-intensive production route, by design, *to ensure that non-disclosure is never the cheaper option*. A hydro-powered Canadian smelter that reaches the border without verified data is therefore charged as though it ran on coal – billed for emissions it never. "When an importer cannot supply verified emissions data, CBAM applies a default value: for Canadian unwrought aluminum, the Canadian average of about 1.96 tonnes of CO_2e per tonne, plus a penalty markup of 10% in 2026, 20% in 2027 and 30% from 2028. The default is designed so that non-disclosure is never the cheaper option. A smelter that performs better than the Canadian average but reaches the border without verified data is charged as if it were average, plus the penalty, and pays for emissions it never produced."[59]

The cleaner the producer, the wider the gap between its real footprint and the punitive default, so the heavier the penalty for staying silent (and if the producer chooses voluntary disclosure, it shoulders a greater regulatory burden than its more polluting counterparts). The mechanism turns Canada's structural advantage into a liability for any producer that cannot prove it. Mandatory, audited Canadian disclosure reverses that: it lets the smelter present its genuine low-carbon number and convert a cleanest-in-class position into the competitive asset it should be.

5.2 Iron and steel, articles thereof and other covered goods

Iron and steel (HS 72) account for roughly $190 million of Canada's EU-bound exports, and downstream iron and steel articles already inside CBAM's scope – tubes, structures, fasteners and the like (13 categories: HS 7301–7326) – account for a further $154 million.[60] Cement, ammonia, nitrogen fertilizer and hydrogen are covered by CBAM, but Canada's current exported amounts are small. Across all covered goods, EU and UK CBAM-covered exports total approximately C$2.3 billion (Table 4) – modest today, but concentrated in Canada's highest-value, fastest-diversifying sectors. This total will rise as CBAM widens.

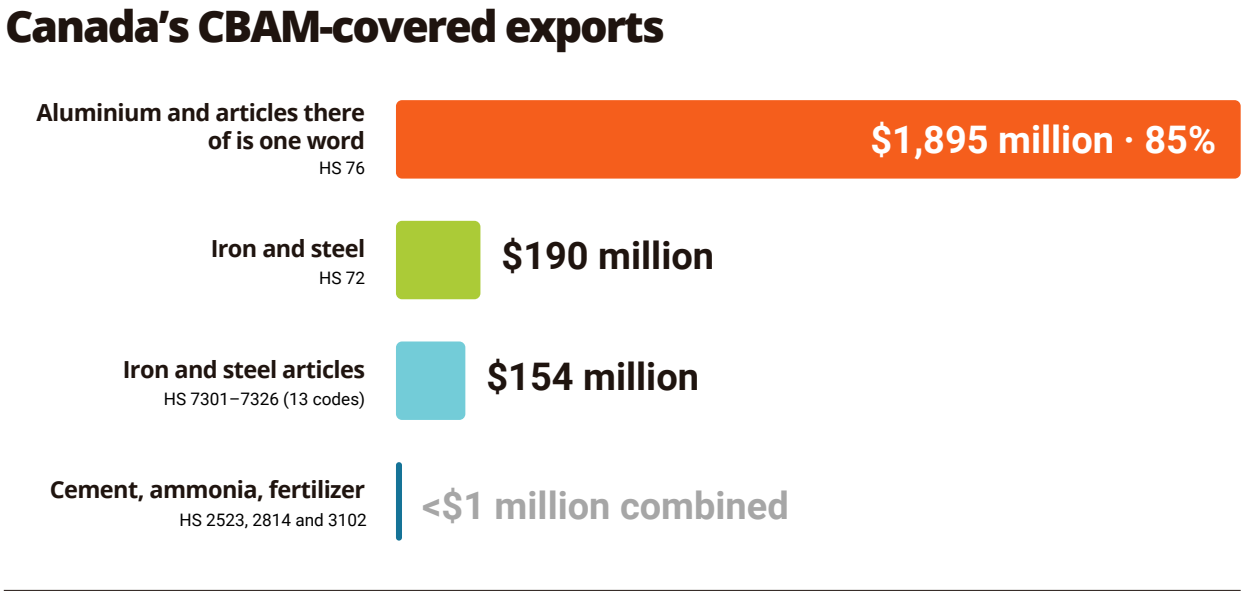
59. Default values and the phased markup (10% in 2026; 20% in 2027; and 30% in 2028, for aluminum, cement, iron and steel) are set in Commission Implementing Regulation (EU) 2025/2621 of December 16, 2025; the country-specific default for Canadian unwrought aluminum (CN 7601) is 1.96 tCO□e/t before markup (Annex I), as corrected by Commission Implementing Regulation (EU) 2026/1740 of 20 July 2026 (OJ 31 July 2026, applicable retroactively from 1 January 2026). Commission Implementing Regulation (EU) 2025/2621 of 16 December 2025 laying down rules for the application of Regulation (EU) 2023/956 of the European Parliament and the Council as regards the establishment of default values. http://data.europa.eu/eli/reg_impl/2025/2621/oj

60. The 13 Chapter 73 Harmonized System (HS) codes (HS 7301–7311, 7318 and 7326) are already within CBAM's current Annex I – the limited downstream set (tubes, pipes, structures, tanks, screws, bolts and other articles), not the proposed 2028 extension.

TABLE 5. TRADE-RELATED (CBAM) EXPOSURE (CANADIAN EXPORTS, FULL-YEAR 2025)[61]

Product	Coverage	EU	UK	EU and UK
Aluminum and articles thereof (HS 76)	CBAM – full	$1,895.2 million	$31.2 million	$1,926.3 million
Iron and steel (HS 72)	CBAM – full	$190.1 million	$7.4 million	$197.5 million
Iron and steel articles – 13 codes (HS 7301–7326)	CBAM – covered articles	$153.9 million	$27.6 million	$181.5 million
Cement (HS 2523)	CBAM – full	$0.2 million	$0.02 million	$0.3 million
Ammonia (HS 2814)	CBAM – full	$0.04 million	$0.01 million	$0.05 million
Nitrogen fertilizer (HS 3102)	CBAM – nitrogen (potash excluded)	$0.3 million	$0.01 million	$0.3 million
Hydrogen (HS 280410)	CBAM – full	—	—	—
Priced subtotal (CBAM goods		**$2,239.7 million**	**$66.2 million**	**$2,305.9 million**

FIGURE 5. OF CANADA'S APPROXIMATELY C$2.24 BILLION IN EU-BOUND CBAM-COVERED EXPORTS, ALUMINUM IS THE MOST EXPOSED, ABOUT 85%, SO THE RISK OF BEING PRICED AT DEFAULT VALUES, RATHER THAN CANADA'S REAL LOW-CARBON NUMBER, FALLS OVERWHELMINGLY ON ONE SECTOR.



Priced subtotal, all CBAM goods to the EU: $2,240 million. The UK adds a further $66 million, with its CBAM live from 2027.

61. South Korea's Korean Sustainability Disclosure Standards have been drafted, but a road map for approval by the Financial Services Commission is pending (and overdue).

5.3 Batteries and the minerals used for their production

Under the EU Battery Regulation, a producer placing a battery on the EU market must declare its life-cycle carbon footprint, carry out supply chain due diligence and (later) report its recycled content.[62] Canadian battery and cell exports to the EU were only about C$20 million in 2025. But the regulation applies those three duties – carbon footprint declaration, supply chain due diligence and recycled-content reporting – to four raw materials – cobalt, natural graphite, lithium and nickel – and reaches them wherever they enter an EU-bound battery.[63] The duties are attached only in cases where these materials enter a battery, but they reach back to the producer whenever that happens. In 2025, Canada shipped roughly C$1.18 billion of these materials to the EU, dominated by nickel (about C$1.0 billion) and cobalt (about C$169 million), with lithium and graphite negligible (Table 5). Trade data cannot isolate the battery-bound share, so this is the upper bound of what the regulation could touch, not a measure of current battery flows.

It is worth flagging the gap on the recycling side, where analysts describe Canada's end-of-life battery framework as a regulatory "Wild West," because recycled-content and chain-of-custody evidence will increasingly be a condition of EU access.[64]



62. Regulation (EU) 2023/1542, also known as the EU Battery Regulation, includes a carbon footprint declaration, supply chain due diligence (in force August 18, 2027, after Regulation 2025/1561), recycled-content disclosure (effective 2028), minimum recycled content (effective 2031) and a digital battery passport (effective February 2027). European Union. (2025, July 31). Consolidated text: Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC (text with EEA relevance). EUR-Lex. http://data.europa.eu/eli/reg/2023/1542/2025-07-31

63. The four raw materials are those the EU Battery Regulation names for supply chain due diligence: cobalt, natural graphite, lithium and nickel; recycled-content disclosure additionally covers lead. Trade values are Canadian exports for the corresponding Harmonized System (HS) codes (HS 2504, 2604, 2605, 2822, 2825.20, 2833.24, 2836.91, 7501, 7502, 7504 and 8105). Government of Canada. (2025). Trade data online, full-year 2025. https://ised-isde.canada.ca/site/trade-data-online/en; European Union. (2025, July 31). Annex X. In: Consolidated text: Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC (text with EEA relevance). EUR-Lex. http://data.europa.eu/eli/reg/2023/1542/2025-07-31; United Nations Economic Commission for Europe. (2024, October 17). Regulation (EU) 2023/1542 on batteries and waste batteries. https://unece.org/sites/default/files/2024-10/4_EU_Rev.1.pdf; Kelsey Brown. (2026, March 24). The real stakes for compliance professionals with the EU Battery Regulation. Z2Data. https://www.z2data.com/insights/the-real-stakes-for-compliance-professionals-with-the-eu-battery-regulation

64. Alexandra Mae Jones. (2025, June 1). Canada had big EV battery recycling plans, but without regulations it's the 'Wild West,' expert warns. CBC News. https://www.cbc.ca/news/climate/ev-battery-recycling-regulation-1.7547790



TABLE 6. THE BATTERY REGULATION'S REACH: FINISHED CELLS VS. THE RAW MATERIALS IT NAMES (CANADIAN EXPORTS, FULL-YEAR 2025)[65]

Category	To the EU
Finished batteries (HS 8506, 8507)	$20.0 million
Nickel: ore, unwrought, powders and sulphates (HS 2604, 7501, 7502, 7504 and 2833.24)	$1,004.3 million
Cobalt: ore, mattes and oxides (HS 2605, 8105 and 2822)	$169.4 million
Natural graphite (HS 2504)	$1.5 million
Lithium: carbonates and oxides/hydroxides (HS 2836.91 and 2825.20)	< $0.1 million
Raw materials (to the EU) subtotal	**$1,175.2 million**

5.4 The policy implication

Read together, the cascades make the case for a single ISSB-aligned Canadian standard on the grounds of competitiveness, not just regulatory compliance. Mandatory, audited climate disclosures would allow clean producers to prove their advantage at the CBAM border, take advantage of Canada's clean power sources, arm every supplier with ready data to answer Scope 3 requests across all the jurisdictions listed in Table 3 and ease EU Battery Regulation access – turning a defensive, fragmented reporting burden into a single competitive asset.

65. The four raw materials are those the EU Battery Regulation names for supply chain due diligence: cobalt, natural graphite, lithium and nickel; recycled-content disclosure additionally covers lead. Trade values are Canadian exports for the corresponding Harmonized System (HS) codes (HS 2504, 2604, 2605, 2822, 2825.20, 2833.24, 2836.91, 7501, 7502, 7504 and 8105). Government of Canada. (2025). Trade data online, full-year 2025. https://ised-isde.canada.ca/site/trade-data-online/en; European Union. (2025, July 31). Consolidated text: Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC (text with EEA relevance). EUR-Lex. http://data.europa.eu/eli/reg/2023/1542/2025-07-31; United Nations Economic Commission for Europe. (2024, October 17). Regulation (EU) 2023/1542 on batteries and waste batteries. https://unece.org/sites/default/files/2024-10/4_EU_Rev.1.pdf; Kelsey Brown. (2026, March 24). The real stakes for compliance professionals with the EU Battery Regulation. Z2Data. https://www.z2data.com/insights/the-real-stakes-for-compliance-professionals-with-the-eu-battery-regulation

06

Can mandatory climate disclosures help attract global investors?

Between January and December 2025, Canadian companies saw a net outflow of $19.4 billion in foreign investments in equity shares, and the investment picture has remained volatile in 2026.[66] The federal government is gearing up to attract global capital,[67] and given our clean power sources, relatively strong labour laws and robust governance practices, sustainable investment funds are a natural fit for many publicly traded Canadian companies. But the lack of mandatory climate disclosures may be impeding Canadian companies' access to this growing pool of capital.



66. Statistics Canada. (2026, February 17). Canada's international transactions in securities, December 2025. The Daily. https://www150.statcan.gc.ca/n1/daily-quotidien/260217/dq260217c-eng.htm. Statistics Canada. (2026, June 16). Canada's international transactions in securities, April 2026. The Daily. https://www150.statcan.gc.ca/n1/daily-quotidien/260616/dq260616a-eng.htm

67. Office of the Prime Minister of Canada. (2026, April 17). Prime Minister Carney announces first-ever Canada Investment Summit. https://www.pm.gc.ca/en/news/news-releases/2026/04/17/prime-minister-carney-announces-first-ever-canada-investment-summit

6.1 Climate disclosures unlock a growing pool of capital

Despite the current retreat from sustainable investment in many corners of the U.S. economy, globally, the assets under management[68] of sustainable pooled investment funds grew 16.3% in 2025. This resulted in a historic global high of US$4.13 trillion in assets under management, according to Morgan Stanley, a sixfold growth in pooled sustainable investment capital since 2018, even as its market share among pooled investment funds dipped modestly.[69, 70]

By the end of 2025, most U.S. asset owners and asset managers reported remaining committed to sustainability, despite uncertainties. In a recent survey by the US Sustainable Investment Forum, 62% of asset owners and asset managers reported making no changes in the face of anti-ESG attacks, while 22% increased their sustainable investments. Only 16% reported decreasing sustainable investments.[71]

Europe, which holds an estimated 86% of global sustainable pooled investment funds, has taken a different path forward, strengthening disclosure rules applying to these funds themselves.[72] The EU's Sustainable Finance Disclosure Regulation (SFDR) allows investors to identify funds that consider and report ESG factors in investment decisions (Article 8), as well as funds for which sustainability is a defining *objective* (Article 9). Article 8 funds, where ESG considerations are effectively folded into mainstream investment practices, showed a strong investment inflow. Together, Article 8 and Article 9 funds reached an estimated €7.1 trillion by the end of 2025 – a nearly 60% share of the EU fund market.[73]



68. Morgan Stanley Institute for Sustainable Investing. (2026, March 11). Sustainable fund returns slightly below traditional peers in second half of 2025. https://www.morganstanley.com/insights/articles/sustainable-fund-performance-second-half-2025
69. Morningstar is careful to note that in some cases, a net outflow from pooled sustainable investment funds in 2025 was due to a reallocation to sustainable investments in other asset classes and should not be read as a retreat from sustainable investing, *per se*.
70. Hortense Bioy. (2026, February 4). ESG funds: 2025 closes with continued outflows amid persistent headwinds. Morningstar. https://global.morningstar.com/en-eu/sustainable-investing/esg-funds-2025-closes-with-continued-outflows-amid-persistent-headwinds
71. US Sustainable Investment Forum. (2025, December 9). US sustainable investing trends 2025/2026 – Executive summary. https://www.ussif.org/research/trends-reports/us-sustainable-investing-trends-2025-2026-executive-summary
72. Hortense Bioy. (2026, February 4). ESG funds: 2025 closes with continued outflows amid persistent headwinds. Morningstar. https://global.morningstar.com/en-eu/sustainable-investing/esg-funds-2025-closes-with-continued-outflows-amid-persistent-headwinds
73. Hortense Bioy, Boya Wang and Anna Lennkvist. (2026, February 13). How SFDR 2.0 could reshape ESG fund flows. Morningstar. https://global.morningstar.com/en-eu/sustainable-investing/how-sfdr-20-could-reshape-esg-fund-flows

6.2 A structural barrier to investment

Without ISSB-aligned mandatory climate disclosures, Canadian companies face a barrier attracting investments from funds employing sustainability metrics – particularly from funds domiciled in the EU and subject to SFDR rules. As a whole, Canadian companies provide less comparable, benchmarked and granular ESG data than their counterparts in many parts of the world, regardless of their underlying ESG performance. Sustainability-oriented investors may be less confident in committing capital to Canadian companies – or their own investment screens might simply skip over Canadian companies due to insufficient or poor-quality data. Canadian companies that voluntarily provide aligned climate disclosures, on the other hand, shoulder reporting costs their competitors may not share.

6.3 Global sustainable investment funds are underinvesting in Canadian companies, with a multi-billion-dollar upside

Among pooled investment funds with a clear sustainable investment mandate that includes environmental factors, we see evidence that investments in Canadian companies fall below benchmark.

We reviewed data for active equity exchange-traded funds and mutual funds with a responsible investment mandate that included an environmental lens,[74] representing 9,326 funds with US$5.58 trillion in total net assets (TNA). Of these funds, 71.5% (87.8% of the sample TNA) reported sufficient information to evaluate Canada weighting. To evaluate Canada weighting, we used the average MSCI ACWI Index over the last eight quarters (Q3 2024 to Q2 2026), or 2.99%.

Representing 77.3% of TNA, 81.1% of funds had below-benchmark investments in Canada (indeed, about half the funds did not have Canada among their top 10 country allocations, despite the fact that Canada typically ranks as the fifth country allocation on the MSCI ACWI Index). The proportions of funds and of TNA underweighting Canada relative to the 2.99% benchmark were both statistically significant ($z = 50.07$, $p < .0001$; $z = 16.50$, $p < .0001$). The proportions of funds and of TNA underweighting Canada increase slightly when Canadian-domiciled funds are excluded and persist when funds with a regional focus are excluded.[75]

Conservatively,[76] considering only funds for which *precise* Canadian weighting estimates can be made (3,972 funds, $3.1 trillion TNA),[77] bringing underweighted funds up to benchmark would entail an estimated $44 billion increase in equity investments for Canadian companies.

Canada underweighting can be partially, but not fully, explained by energy underweighting.

Energy sector stocks represent over one-third of Canadian markets, including oil and gas stocks. Is Canadian underweighting among sustainable investment funds driven entirely by energy-sector screens?

Evidence from this sample suggests, not surprisingly, that sustainable pooled investment funds tend to underweight the energy sector (about 69% of funds and 71% of TNA were underweight energy, compared with the most recent MSCI ACWI Index benchmark of 3.69%.)

Energy weighting is important, but it doesn't explain everything. There is evidence that sustainable funds tend to underweight Canada even when they are at or above benchmark in their energy allocation.

81.8%

The percentage of sustainable investment funds.

74. The Lipper Fund Screener was applied to primary active equity funds in the exchange-traded funds and mutual asset universe tagged as "responsible investment" with an ESG=E focus. This is a top-down definition of a sustainable investment fund requiring evidence of a clear sustainability mandate.
75. A "regional focus" was defined as funds with three or fewer country allocations.
76. This analysis excludes all funds that can be identified as Canada underweight but for which underweighting cannot be priced: funds with nine country allocations, no Canada allocations and residuals below benchmark and funds with 10 country allocations, no Canada allocations and their smallest country allocation below benchmark.
77. Excluding the funds where Canada underweighting can be inferred but not measured (e.g., funds with 10 country allocations, where the smallest country allocation is below benchmark).

We considered all funds for which Canada underweighting could be ascertained and removed outliers beyond three times the interquartile range for Canada and energy weighting,[78] resulting in a group of 6,440 funds and US$4.8 trillion TNA. Within this group:

- Energy overweight funds were 79.4% underweight Canada ($z = 24.8$, $p < .001$).
- Energy underweight funds were 84.4% underweight Canada ($z = 44.1$, $p < .001$).
- The difference between the two groups was also statistically significant ($z = -4.70$, $p < .001$).

Sustainable investment funds tend to underweight Canada even when they are overweight energy. However, significantly fewer sustainable funds underweight Canada in the energy overweight group. A more granular analysis of fund holdings is needed to assess whether the TNA of Canada underweight funds in each category follows the same trend and to more closely examine the nature of the energy holdings in sustainable investment funds with an environmental focus that are energy overweight.

Funds underweighting Canada in this sample overweighted France, the U.S. and the UK (about 16% to 17% were overweight in each), as well as Germany, Taiwan, Switzerland and China (about 6% to 7% of funds were overweight in each). Aside from the U.S., each of these jurisdictions has mandatory climate disclosures in place – in other words, mandatory disclosure requirements do not appear to be deterring this group of investors.

What can Canada do to encourage greater investments in Canadian companies by global, sustainably-oriented investment funds? Requiring the use of comparable audited climate disclosures is a good first step: Mandatory climate disclosures are unlikely to deter funds that already invest in Canadian companies at or above benchmark – but they may clear hurdles for investors who are currently staying away.

Indeed, there is new evidence to suggest that aligned climate disclosures clear the way for new international investments in Canadian companies. In June 2026, the Institute for Sustainable Finance looked at foreign investment into Canadian companies before and after April 2, 2025, when the U.S. announced sweeping global tariffs. They found that after "the Liberation Day shock, foreign institutional holdings increased by 24.6% more for TCFD-aligned firms than for otherwise comparable non-TCFD-aligned firms, relative to their pre-shock baselines. Nearly all of the difference was accounted for by investors from climate-concerned Europe." According to the researchers, this finding supported the conclusion, that "strengthening Canada's sustainability disclosure rules could help support Canada's efforts to diversify global investment relationships at a time when markets are seeing additional risk in the United States."[79]

6.4 Supporting federal green economy initiatives

The federal government is betting on Canada's green economy but needs to activate planned mandatory climate disclosure frameworks to realize the return on these investments.

The federal Clean Economy Investment Tax Credits collectively represent an estimated $93 billion in federal incentives aimed at any capital routed through a qualifying Canadian entity through 2034–2035, spanning clean technology; clean technology manufacturing; clean hydrogen; carbon capture, utilization and storage; and clean electricity. Separately, the finance-backed Taxonomy and Transition Planning Council is working toward a formal green taxonomy.

Every one of these initiatives has the same limitation: They are not supported by the comparable audited information that pooled sustainable funds need to invest at scale. Mandatory disclosure would let the green taxonomy function effectively once it arrives: A taxonomy is only as useful as the disclosed data it's applied to. It would help eligible investors access the tax-exempt-eligible Clean Electricity Investment Tax Credit by providing the standardized climate metrics those funds already use to screen at scale, rather than requiring diligence on each incentive recipient. Mandatory climate disclosures would help investors confidently invest in Canada's clean technology sector, increasing the value of publicly funded incentives.

78. This resulted in the removal of 145 funds with Canada weights between 14% and 99% and 85 funds with energy sector weights between 18.6% and 99%.
79. Prateek Sood and Yrjö Koskinen (2026, June). From U.S. dependence to global capital: The role of climate disclosure. Institute for Sustainable Finance and Smith School of Queen's University. https://smith.queensu.ca/centres/isf/pdfs/projects/US-dependence.pdf

Conclusion

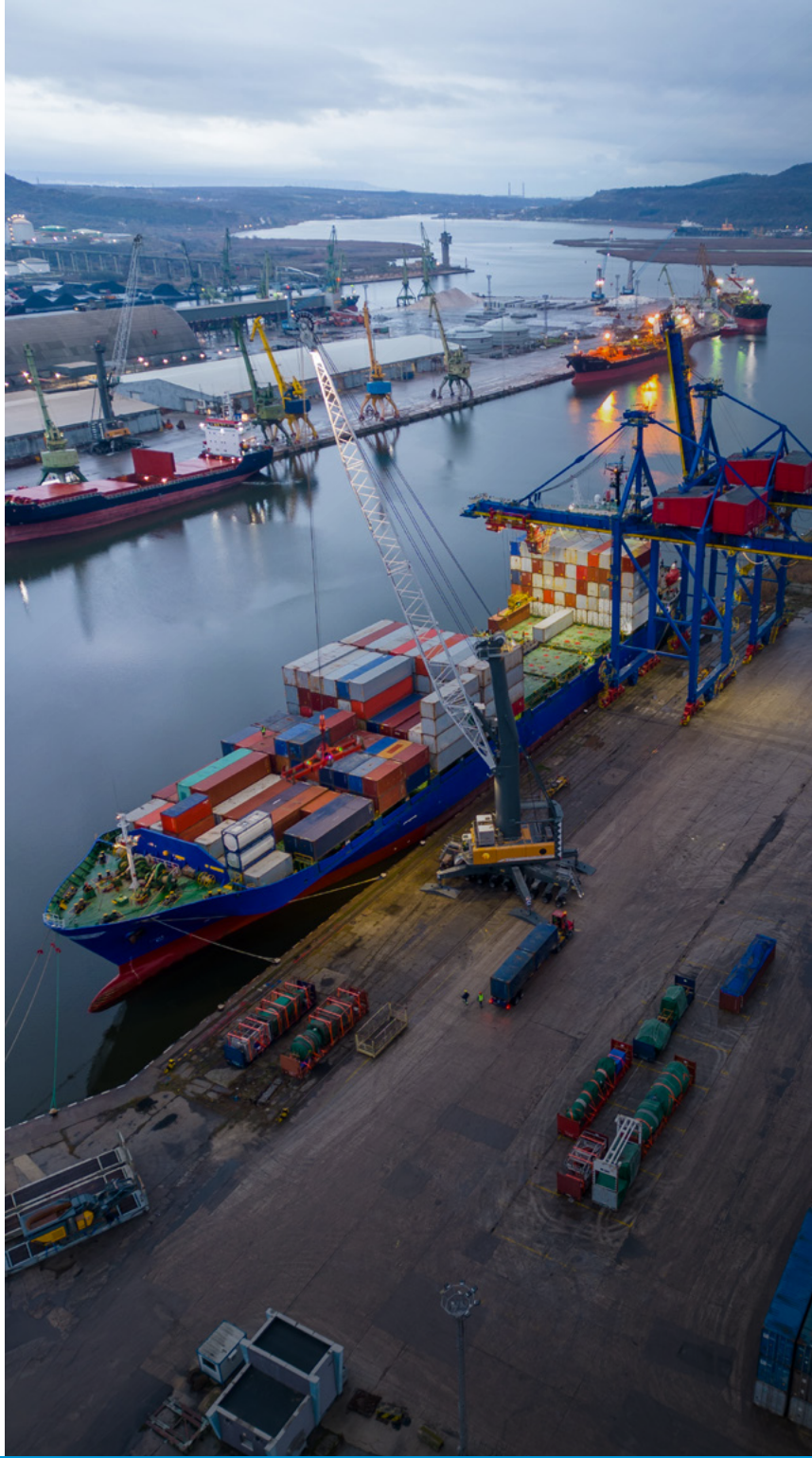
If Canada is serious about forming denser trading relationships outside the U.S., fostering business opportunities for Canadian companies abroad and attracting foreign investors to our publicly traded companies, we must ensure that Canadian companies are equipped with robust, comparable and comprehensive climate disclosures.

Diversifying our trading relationships. Of Canada's 15 largest trading partners, 13 already require or are committed to mandatory ISSB-aligned climate disclosure, and the federal government's own plan to double non-U.S. exports to $600 billion by 2035 points directly at these markets. A single Canadian standard would let exporters meet the entry conditions of the markets Canada is actively courting, rather than treat disclosure as a barrier that only the United States, among Canada's major trading partners, can still afford to ignore.

Supporting the growth of Canadian companies overseas. The cascades already reaching Canadian exporters — financed-emissions reporting, supply chain requests, due diligence and carbon border pricing — default to punitive, worst-case assumptions whenever verified data is missing, and that penalizes Canada's cleanest producers most. Mandatory audited climate disclosures will let Canadian companies present their genuine low-carbon advantage and convert it into a competitive asset rather than a cost.

Attracting investments by international sustainable investment funds. Canadian companies are demonstrably underweighted by the global pool of sustainability-mandated capital – $44 billion below benchmark by a conservative estimate, concentrated among the very funds with the strongest ESG ratings. Activating Canada's disclosure regime would let Canadian issuers compete for capital on the same terms as peers in the EU, the UK and Japan. Further, without mandatory climate disclosures, the federal government's efforts to stimulate Canada's green economy will not realize their full potential.

Canada's commitments to mandatory climate disclosure frameworks – the CBCA amendment and the CSA's National Instrument 51-107 – are not a regulatory cost to be weighed against competitiveness. They are a precondition for it. The cost of waiting falls hardest on the companies Canada can least afford to leave behind: its cleanest, most export-ready producers.



Appendix

Country and sector allocations of sustainable mutual funds and exchange-traded funds with an environmental focus

TABLE A1. NUMBER AND VALUE OF FUNDS WITH SUFFICIENT INFORMATION ABOUT CANADA WEIGHTING AND QUANTIFIABLE CANADA WEIGHTING.

Group	# Funds	% of Funds	TNA ($mm)	% of TNA
1) Canada weighting quantifiable (categories 1 and 2)	3,972	42.6%	$3,083,830	55.4%
2) Canada underweighting/overweighting can be concluded (categories 1–3)	6,670	71.5%	$4,889,909	87.8%
3) Insufficient data	2,656	28.5%	$676,678	12.2%

Notes:

** The full sample of funds analyzed included **9,326 funds** with $5.58 trillion in total net assets (TNA) in international exchange-traded funds (ETFs) and mutual funds tagged as responsible investment funds with an environmental focus, retrieved from the London Stock Exchange Group (LSEG) in June 2026. Data included top 10 country and sector allocations for each fund.*

Groups 1 and 2 are overlapping classifications of the same fund universe, so the group rows do not sum to 100%. Funds are benchmarked against 2.99%, representing the MSCI ACWI Index Canada weightfrom Q3 2024 to Q2 2026. Group 3 is predominantly composed of funds without any country allocation disclosures.

Category 1 = Canada explicitly listed with a real, disclosed weight. Category 2 = Canada absent, but the fund discloses a short country list (fewer than 10) with a residual small enough to guarantee the true weight is effectively 0% ("safely assumed 0%"). Category 3 = Canada absent, but the fund discloses a full 10-country list with a residual/floor low enough to conclude the fund is underweight Canada, without the exact weight being quantifiable. "Excluded" = no usable country-allocation data at all.

"Canada weighting quantifiable" (group 1, categories 1 and 2) includes both funds with a directly disclosed Canada percentage (category 1) and funds where the weight is safely assumed to be 0% (category 2) — not only funds with an explicit numeric disclosure.

"Canada underweighting can be concluded" (group 2, categories 1–3) adds category 3 funds to group 1. Category 3 supports an underweight conclusion only — it cannot indicate overweight, since it is defined by a low residual/floor. Consequently, within group 2, an "overweight Canada" classification can only ever be drawn from categories 1 and 2 (see the notes to Table A2).

TABLE A2. NUMBER AND VALUE OF FUNDS THAT ARE UNDERWEIGHT CANADA, WHERE CANADA WEIGHTING CAN BE EVALUATED
($/TNA SPLIT WITHIN GROUP 2, CATEGORIES 1–3).

Group	# Number of funds	Percentage of funds	TNA ($ millions)	% of TNA
Overweight Canada	1,258	18.9%	$1,109,658	22.7%
Underweight Canada	5,410	81.1%	$3,779,949	77.3%
At benchmark exactly	2	0.0%	Not available	Not available
Total	**6,670**	**100.0%**	**$4,889,607***	**100.0%**

Notes:

See the notes to Table A1 for definitions. Because category 3 can only ever support an "underweight" conclusion — never "overweight" — the "Overweight Canada" row here is necessarily drawn entirely from categories 1 and 2 (funds with a quantified or safely assumed 0% weight). The "Underweight Canada" row blends quantified underweights from categories 1 and 2 with concluded but unquantified underweights from category 3.

* Total TNA of $4,889,607 million reflects the sum of overweight and underweight Canada TNA only (the two categories with disclosed dollar values); it differs from the $4,889,909 million shown for group 2 in Table A1 because the "At benchmark exactly" TNA is not separately disclosed.

TABLE A3. NUMBER AND VALUE OF FUNDS WITH SUFFICIENT INFORMATION ABOUT ENERGY WEIGHTING AND QUANTIFIABLE ENERGY WEIGHTING.

Group	# Number of funds	Percentage of funds	TNA ($ millions)	% of TNA
1) Energy weighting quantifiable (categories 1 and 2)	6,740	72.3%	$4,764,875	85.6%
2) Energy underweighting/overweighting can be concluded (categories 1–3)	7,269	77.9%	$5,132,643	92.2%
3) Insufficient information	2,057	22.1%	$433,944	7.8%

Notes:

Classifications mirror the Canada methodology discussed in the notes to Table A1 but are benchmarked against the January 30 3.69% MSCI ACWI Index energy sector weight: Category 1 = Energy explicitly listed with a real, disclosed weight. Category 2 = Energy absent, but the fund discloses a short sector list (fewer than 10) with a residual small enough to guarantee the true weight is effectively 0%. Category 3 = Energy absent, full 10-sector list disclosed, with a residual/floor low enough to conclude the fund is underweight energy, without the exact weight being quantifiable.

"Energy weighting quantifiable" (group 1, categories 1 and 2) includes both funds with a directly disclosed energy percentage (category 1) and funds where the weight is safely assumed to be 0% (category 2). "Insufficient information" (Group 3) reflects funds for which no sector-level holdings breakdown was available in the source data.

TABLE A4. NUMBER AND VALUE OF FUNDS THAT ARE UNDERWEIGHT ENERGY, WHERE ENERGY WEIGHTING CAN BE EVALUATED
($/TNA SPLIT WITHIN GROUP 2, CATEGORIES 1–3)

Group	# Number of funds	Percentage of funds	TNA ($ millions)	% of TNA
Overweight energy	2,345	32.3%	$1,468,636	28.7%
Underweight energy	4,916	67.6%	$3,656,083	71.3%
At benchmark exactly	8	0.1%	Not available	Not available
Total	**7,269**	**100.0%**	**$5,124,719***	**100.0%**

Notes:

Table A4 restricts the sample to group 2 from Table A3 (categories 1–3).

As with Canada (Table A2), category 3 can support only an "underweight" conclusion, never "overweight" — it is defined by a low residual/floor. The "Overweight energy" row here is therefore necessarily drawn entirely from categories 1 and 2 (funds with a quantified or safely assumed 0% weight). The "Underweight energy" row combines quantified underweights from categories 1 and 2 with concluded but unquantified underweights from category 3.

"At benchmark exactly" (eight funds) can arise only from category 1, since only category 1 funds carry a precise disclosed weight capable of matching the 3.69% benchmark exactly; These cells were blank in Table A4, but I have suggested using "Not available" instead.

* Total TNA of $5,124,719 million reflects the sum of overweight and underweight energy TNA only (the two categories with disclosed dollar values); it differs from the $5,132,643 million shown for group 2 in Table A3 because the "At benchmark exactly" TNA is not separately disclosed.



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