Perception vs. Reality: Behind the Headlines of Canadian ESG Disclosure Trends

November 18, 2025

A study of the 2025 ESG disclosures of Canadian S&P/TSX Composite Index Constituents

Since 2017, Millani has been conducting an annual review of sustainability-related disclosures of S&P/TSX Composite Index constituents, offering insights into the evolution of the reporting landscape in Canada and which complements our **various thought leadership publications**. This year's review analyzed the most recent sustainability reports of the 211 companies that comprise the S&P/TSX Composite Index, examining how Canadian issuers are responding to heightened uncertainty, new global standards, and rising investor expectations.[1] Amid headlines suggesting retreat, parallel regulatory shifts in the United States and Europe, and rising legal scrutiny related to Canada's Bill C-59, which introduces penalties for unsupported environmental or sustainability claims, Millani's analysis tells a more nuanced story: corporate sustainability disclosure in Canada has remained remarkably stable, with continued, if more cautious, progress in key areas.[2]

Year-over-year highlights for reporting issuers (2024 vs. 2023): [3,4]

- **The highest publication rate since 2022**: 76% released a sustainability report (up from 73%).
- **Climate targets recalibration, not retreat**: 16% weakened targets, 12% strengthened, and 72% remained unchanged.
- **Issuers are preparing for IFRS S1 and S2**: 61% referenced the standards, up from 22%.
- **Double materiality expanding**: 48% of materiality assessments now use a double materiality lens (up from 32%).
- **Broader disclosure of Scope 3 emissions**: 70% of companies disclosed or set targets, up from 65%.
- **Moderation in DEI reporting**: Board-level targets increased by 5%, but management targets declined by 19%.
- **Slow progress on nature-related reporting**: 26% mention the Taskforce on Nature-related Financial Disclosures (TNFD), 9% show partial alignment.
- **Incremental advances in Indigenous inclusion**: 37% report workforce representation of Indigenous peoples, up from 33%.

Taken together, the picture for sustainability-related disclosures in the Canadian market is recalibration, not retreat. Although our study did not directly assess report quality, our review suggests that many issuers relied on existing disclosures, adopted a more measured tone, and that fewer companies are pushing the boundaries of sustainability reporting leadership.

Investor sentiment: A year of recalibration

In Millani's latest Semi-Annual ESG Sentiment Study of Canadian Institutional Investors, **A Climate of Change: Canadian Investor Perspectives**, investors described a correction period in Canada's financial ecosystem shaped by geoeconomic and geopolitical instability, regulation, and heightened ESG scrutiny.[5] Top investor concerns included:

- Perceived slowdown in disclosure volume, timeliness, and data quality.
- Legal uncertainty introduced by Bill C-59, increasing caution regarding public pledges and environmental claims.
- The need for alignment with global frameworks such as the International Financial Reporting Standards on General Requirements for Disclosure of Sustainability-related Financial Information (S1), Climate-related Disclosures (S2), and the European Sustainability Reporting Standards (ESRS).
- Continued importance of DEI and Indigenous inclusion as credibility markers despite social and political pushback.
- Early attention to nature and TNFD as the "next frontier" of risk disclosure.

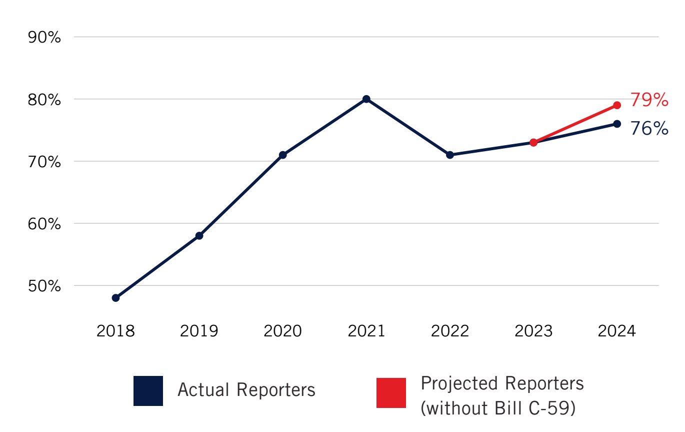
Most investors perceive this period as a pause, not a pullback. They continue to call for decision-useful reporting as essential to sustaining trust and access to capital.

Disclosures: Findings and observations of our analysis

Contrary to perceptions of slowdown, our 2025 study saw the highest rate of reporting since our 2022 edition, with 76% of S&P/TSX Composite Index constituents publishing a sustainability report.

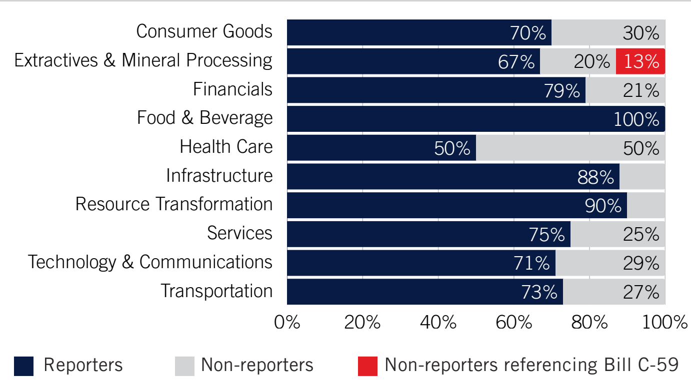
Among non-reporters, 11 issuers from the Extractives & Minerals Processing sector referenced Bill C-59 as the reason for withholding or removing sustainability content. Seven of those had reported within the past two years, suggesting that regulatory caution may have hindered otherwise higher disclosure rates (as shown in Figure 1).

Figure 1
Corporate issuers with ESG reports



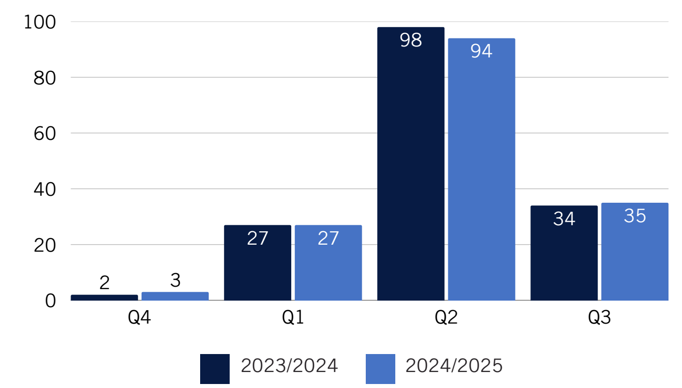
During our latest investor sentiment study, investors also observed reduced forward-looking detail and the occasional removal of older reports from websites; while our study-did not quantify archival changes, we noted some revisions or withdrawals of climate goals which were attributed to Bill C-59 by issuers. These behaviours further reflect the legislation's broader influence on disclosure practices, as companies exercise greater caution in how they present sustainability-related claims. Report timing remained consistent year-over-year, indicating that disclosure processes are now institutionalized across issuers.

Figure 2
Reporting by sector and Bill C-59 references by non-reporters



1. The final list of S&P/TSX Composite Index constituents was retrieved on August 29, 2025.
2. *Fall Economic Statement Implementation Act*, Parliament of Canada, March 2023.
3. Unless otherwise specified, all statistics and data presented in Millani's report are based on information provided by the 160 (of 211) S&P/TSX Composite Index constituents which had a sustainability report published in 2025 or that covered data from the 2024 reporting period. Unless stated otherwise, the comparative data in the text is from our 2024 study, which covered data from the 2023 reporting period.
4. Report nomenclature varied, with titles including: "Sustainability" (64%), "ESG" (21%), "Integrated" (5%). In all other sections of this paper, the term "sustainability report" refers to all such reports, regardless of the publication's title.
5. *A Climate of Change: Canadian Investor Perspectives*, Millani, September 2025.

Figure 3
Report publication timing: number per quarter



With regards to data accuracy, assurance practices showed only marginal improvement this year. Among issuers with a report, 45% published an assurance statement (up 1 percentage point), with reasonable assurance rising slightly; most GHG assurance remains limited. Our review indicates a moderation in the pace of innovation. Most issuers focused on consolidating and refining existing practices, preparing for alignment with emerging standards rather than expanding disclosures or adopting new frameworks.

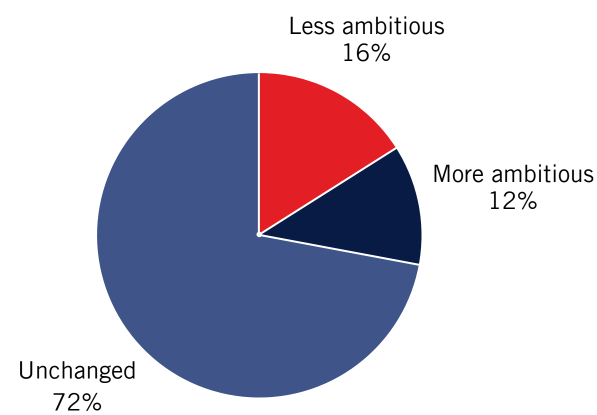
Climate targets and transition: Offsetting movements, not retreat

Climate continues to be the top sustainability related concern for investors.[6] Over the past year, high profile shifts including exits from global alliances, adjustments to climate commitments, and announced pauses or revisions to standards and regulations in Europe and North America have contributed to headlines suggesting a broad pullback. Yet our analysis of 2024 disclosures reveal a more balanced reality.

Our findings echo a 2025 Harvard Business Review study of 75 of the world's largest companies, which found that 85% of them maintained or accelerated their climate strategies while only 13% scaled back.[7] The same pattern is visible in Canada: companies are continuing to advance transition planning, though with a more cautious tone. We found that among issuers with climate targets, 16% made them less stringent, 12% strengthened them, and 72% left them unchanged, indicating recalibration rather than retreat.

This stabilization suggests that most companies are maintaining or even tightening their transition commitments, often because targets have been achieved or remain on track, while others are revising or removing them to reflect new business realities such as acquisitions, shifting market conditions, or evolving legal considerations. The perception of widespread rollback therefore risks overshadowing the steady, if quieter, progress being made.

Figure 4
Changes to climate targets year-over-year



Despite the prominence of resource intensive sectors in the Canadian economy where SBTi (Science based Targets initiative) methodologies are still limited, progress on target validation continued. Despite the prominence of resource intensive sectors in the Canadian economy where SBTi (Science based Targets initiative) methodologies are still limited, progress on target validation continued. Our research shows that 31% of TSX 60 companies now have SBTi validated targets, up from 19% last year, with an additional 4% with formal commitments. This represents meaningful advancement given sector constraints, even if levels remain below those reported for the S&P 500 as of December 31, 2023 (34% validated and 14% committed).[8] Net zero and interim target disclosure rates remained consistent year over year.

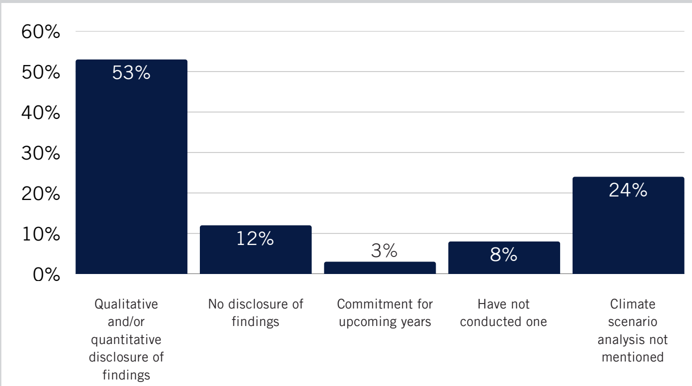
In Millani's **A Climate of Change: Canadian Investor Perspectives**, 55% of investors anticipated more adjustments or withdrawals of net-zero commitments and expressed concern about this possibility. At the same time, they consistently emphasized that credible transition plans carry more weight than distant 2050 pledges alone. What investors expect to see are capital-backed, nearer-term decarbonization pathways that demonstrate how companies intend to compete and deliver results through the transition.

6. *A Climate of Change: Canadian Investor Perspectives*, Millani, September 2025.
7. *Are Companies Actually Scaling Back Their Climate Commitments?*, HBR, September 2025.
8. *SBTi Monitoring Report 2023*, Science Based Targets initiative, July 2024.

Beyond targets, companies continued to advance their assessment of climate-related risks, with 65% now conducting scenario analysis (up from 59%), and 31% disclosing financial metrics related to decarbonization or climate resilience (up from 16%). These findings demonstrate that, even amid regulatory caution, issuers are embedding climate considerations more deeply into strategy, governance, and financial decision-making, however they may not be disclosing them.

Figure 5

Disclosures of climate scenario analysis in sustainability reporting

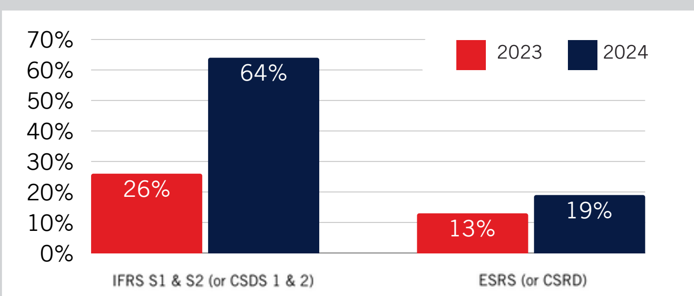


Standards and regulation

As investors emphasize the need for global alignment and comparability across sustainability disclosure frameworks, Millani has tracked Canadian issuers' readiness for IFRS S1/S2 (CSDS, or Canadian Sustainability Disclosure Standards, 1/2 in Canada). We also tracked readiness for the European Sustainability Reporting Standards (ESRS), as some Canadian companies fall under Europe's CSRD, the Corporate Sustainability Reporting Directive, which put forth these standards.

Figure 6

Mentions of global reporting standards in sustainability reports



IFRS S1 and S2 alignment: From awareness to early action

This year marked a turning point in the Canadian market's awareness and adoption of global sustainability reporting standards: 64% of issuers referenced IFRS S1 or S2 in their 2025 reports, a sharp increase from 26% last year. This signals that awareness of the new framework has taken firm hold. In comparison, among the S&P 500 companies with a sustainability report, G&A's 2025 Sustainability Reporting in Focus found 18% of those referenced IFRS S1 and/or S2.[9]

However, only 3% formally claimed full alignment, and a review of indicator-based disclosures suggests several of these claims may be partial, often referring to isolated required disclosure elements such as climate risk disclosure or risk governance rather than comprehensive adherence. Still, many issuers are proactively preparing for convergence, claiming they are refining their materiality assessment processes, integrating sustainability risks into enterprise risk management, and updating disclosure structures in anticipation of future regulatory adoption.

This pattern reflects an early-action phase: companies are moving from awareness to structured preparation. Across Millani's work with clients, we are seeing many conducting gap analyses, materiality assessment reviews, and internal capacity-building exercises to harmonize practices with the standards' principles even amid domestic regulatory uncertainty. For investors, this demonstrates cautious yet meaningful progress, as Canadian issuers are not waiting for mandates but positioning themselves for interoperability and to gain investor trust.

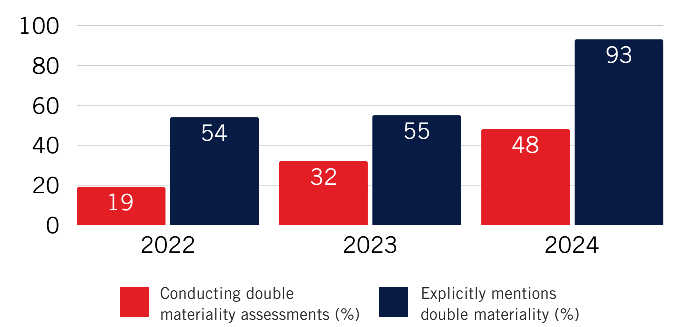
Double materiality and the influence of the CSRD

While the market is still awaiting final regulatory updates through the CSRD omnibus, which will clarify reporting requirements for non-EU companies with significant EU operations, several Canadian issuers that fall under the reporting requirements because of European operations or listings have already begun aligning with the ESRS in their most recent reports.[10] This early shift reflects both a recognition of the CSRD's extraterritorial reach and the anticipated need to prepare for mandatory double materiality-based disclosures once the rules are finalized.

In fact, 19% of companies with a report referenced the CSRD and/or its ESRS standards (up from 13%), and some are already integrating its disclosure logic, disclosing not only material topics but also the underlying sustainability-related impacts, risks, and opportunities within their materiality assessment processes. In comparison, among the S&P 500 companies with a sustainability report, only 8% of those referenced the ESRS.[11]

9. *2025 Sustainability Reporting in Focus*, Governance & Accountability Institute, October 2025.
10. *Omnibus package*, European Commission, February 2025.
11. *2025 Sustainability Reporting in Focus*, Governance & Accountability Institute, October 2025.

Figure 7
Double materiality in disclosures



The concept of double materiality, central to the ESRS, is now shaping Canadian reporting practices as well. Among companies describing their materiality approach, 48% conducted double materiality assessments, up from 32% last year, and 93% explicitly referenced the term "double materiality" (vs. 55% in 2023). This significant shift from implicit consideration to explicit adoption underscores the growing influence of the CSRD on Canadian issuers, even for those outside its direct regulatory scope.

Indicators of alignment and integration

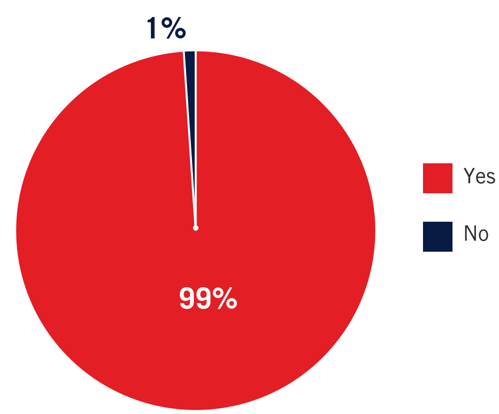
In view of upcoming developments related to IFRS S1 and S2, and ESRS, we have tracked signs of early integration, which are emerging. While overall reporting practices remain stable, 91% of issuers align reporting with their fiscal year, with 4% not being explicit on their exact reporting period and whether it aligns with their fiscal year. Additionally, 83% describe conducting a materiality assessment. Encouragingly, integration of physical and transition risk analysis continues to expand compared to 2023, with 72% of issuers disclosing both (up from 65% and 63%, respectively) and 65% now conducting scenario analysis (up from 59%). Yet when viewed across the entire index, fewer than half of all companies publicly disclose this work whether simply not disclosed yet performed internally, or not yet undertaken. Scenario analysis remains a cornerstone of fiduciary risk management, and its wider disclosure will be key to maintaining investor trust.

Issuers also improved quantification of climate-related financial information: 31% (vs. 16%) reported spending or financing tied to decarbonization or climate resilience, and 20% (vs. 13%) disclosed their use or planned use of offsets for their decarbonization targets. GHG disclosure coverage remained high for Scope 1 and 2 at 94% for both (same as last year), while Scope 3 reporting rose to 70% (vs. 65%), though Scope 3 category coverage varies. Climate- and ESG-linked compensation declined slightly by 2–3%, highlighting the need for clearer links between incentive structures and long-term strategy.

DEI: Plateauing progress, evolving language

Investors continue to view DEI (diversity, equity and inclusion) as a key component of corporate credibility, even as the conversation evolves. Despite political and legal pushback, particularly in the United States where recent policy changes have led some companies and investors to reframe their DEI communications, Canadian issuers appear to be moderating rather than retreating.[12] After several years of strong momentum, DEI disclosures seem to have plateaued, with 99% of issuers still disclosing DEI. Board-level targets continued to rise, reaching 83% (up from 79%), while management-level targets declined from 46% to 38%. Workforce targets remained stable (25% vs. 27%).

Figure 8
DEI disclosures in sustainability reports



When examining overall target stringency, the trends largely offset one another: 11% of companies made their DEI targets less stringent, often by removing or lowering management or workforce goals, while 10% strengthened them, typically by expanding coverage to management or workforce or by raising ambitions beyond gender

12. *Fact Sheet: President Donald J. Trump Protects Civil Rights and Merit-Based Opportunity by Ending Illegal DEI*, The White House, January 2025.

representation. This balance suggests that issuers are maintaining board-level targets while redetermining whether absolute representation targets among other groups are pragmatic for their industries.

At the same time, for some, the terminology used for DEI is changing. About three-quarters of issuers continue to report in similar terms as last year, but more are reframing their approach, renaming sections or moving away from "diversity and inclusion" toward "belonging," "equity," and "equal opportunity". This subtle linguistic shift reflects both caution and a search for authenticity in how companies communicate social impact amid greater scrutiny.

Indigenous Relations: Continued progress

Disclosures on Indigenous relations continue to show steady progress. This year, 37% of issuers reported Indigenous workforce representation (up from 33%), while PAIR certification rose by two percentage points and Indigenous-related targets increased slightly (by 0.5 pp). Investors emphasized Indigenous economic inclusion as a key priority, and several issuers have begun to reflect this by introducing procurement-related metrics and partnership goals.

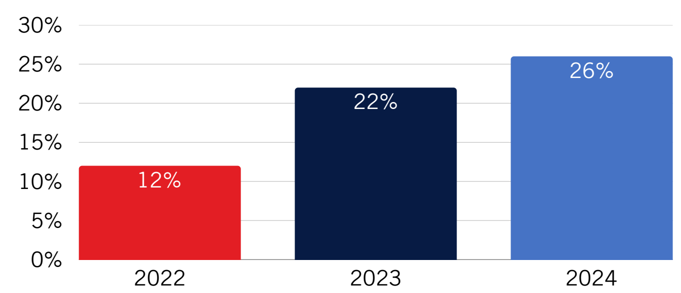
TNFD and nature: Slow uptake compared to climate

While TCFD-aligned climate disclosures have become widely adopted, the integration of nature-related information under the TNFD framework remains in its early stages. This year, 26% of issuers referenced TNFD, a modest increase from last year (22%), and only 9% claimed partial alignment or provided a TNFD index.

Biodiversity and water metrics continue to be featured in 51% and 70% of sustainability reports respectively, yet quantitative targets remain limited, with 21% for biodiversity and 23% for water. This suggests that while companies increasingly acknowledge nature as a business issue, most remain at the awareness or early reporting stage.

As global expectations evolve and investor interest in nature-related risk and resilience intensifies, TNFD uptake is emerging as an indicator of disclosure maturity. The next step for issuers will be to move beyond awareness: embedding nature-related risk assessments, measurable targets, and integration of dependencies and impacts alongside climate within their core risk management frameworks.

Figure 9
Mentions of TNFD in sustainability reports



Bill C-59: The legal chill and its implications

The chilling effect of Bill C-59 is visible. While most companies continued to disclose, the tone of reporting became noticeably more cautious, with some issuers removing forward-looking information such as GHG targets and scenario outcomes. The broader impact may lie not in the volume of disclosure but in its depth. For investors, this reinforces the need for regulatory clarity to ensure that compliance concerns do not inadvertently discourage transparency or innovation, particularly at a time when reliable, decision-useful information is essential to sustain trust and guide capital allocation.

While overall disclosure coverage remains high, investors continue to flag concerns around selective disclosure in voluntary reporting environment. Because sustainability reports are inherently backward-looking, institutional investors with direct engagement access are better positioned to understand forward-looking exposure and plans, while smaller investors face greater information gaps. A reduction in transparency lowers trust and recalls lessons from past market crises such as the global financial crisis of 2008, where a lack of transparency lead to systemic risks and a significant impact on global financial systems.

Trust is foundational to capital access: recent MSCI research shows that companies with stronger alignment to global climate goals and higher ESG ratings are attracting greater indexed capital. Specifically, issuers with an MSCI ESG Rating of AAA received 15× more indexed capital than those rated CCC, and companies within MSCI S&C (Sustainability and Climate) Indexes with a 1.5°C-aligned MSCI Implied Temperature Rise (ITR) attracted more than double the passive flows of those with a misaligned ITR above 5.0°C, normalized for market capitalization.[13] As the Canadian market advances, ensuring consistent visibility into transition readiness will be essential to preserving investor confidence, attracting capital and supporting Canada's competitiveness.

Conclusion: Disclosure as a gateway to capital and competitiveness

As underscored in the recent report from the Business Future Pathways, a Canadian finance-led initiative helping companies develop credible transition plans, the ability of Canadian companies to attract investment and access export markets increasingly depends on credible transition plans and transparent disclosures.[14] The report highlights that these are not only climate tools, but strategic enablers of growth and essential for positioning Canada in the next wave of infrastructure development and global trade.

Our findings reinforce this perspective. Robust sustainability disclosure, grounded in materiality, alignment with global standards, and supported by clear transition strategies, remains a signal of readiness for investors. It demonstrates that companies understand their risks and opportunities and can deploy capital responsibly in a changing economy.

As Canada prepares for major infrastructure and transition investments, the quality and comparability of corporate disclosures will play a decisive role in maintaining investor confidence and ensuring that capital flows to where it is needed. In this sense, the stability observed in this year's reporting is not only a sign of resilience, but also a foundation for competitiveness. As the market navigates this recalibration, a shared imperative is clear: to transform disclosure stability into a strategic foundation for Canada's sustainable growth, investor confidence, and global competitiveness.

Study methodology

This study incorporates all reports released in 2025 or covering reporting data for the year 2024. The final list of the 211 S&P/TSX Composite Index constituents was extracted on August 29th, 2025, including market capitalization value. Millani's analysis took place in between June and August 2025, therefore the analysis is based on all sustainability reports released up until August 29th, 2025. Corporations were categorized according to their SASB Sustainability Industry Classification System (SICS) sector. Millani inspected each sustainability report and classified a metric as achieved if the documentation was included in the report. Millani used the procedures of inspection and observation of publicly available documents to conduct this study.

13. *Sustainable Companies Attracted More Indexed Capital*, MSCI, March 2025.
14. *Pathways to Competitiveness: How Transition Plans Can Help Canadian Businesses Compete and Grow*, Business Future Pathways, October 2025.

Glossary of acronyms

Acronym	Description
CSDS 1 and 2	Canadian Sustainability Disclosure Standards on General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2)
CSRD	Corporate Sustainability Reporting Directive
CSSB	Canadian Sustainability Standards Board
DEI	Diversity, Equity, and Inclusion
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
GHG emissions	Greenhouse gas emissions
IFRS S1 and S2	International Financial Reporting Standards on General Requirements for Disclosure of Sustainability-related Financial Information (S1) and Climate-related Disclosures (S2)
PAIR (previously PAR)	Partnership Accreditation in Indigenous Relations
SBTi	Science Based Targets initiative
SICS	Sustainability Industry Classification System
TCFD	Taskforce on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures

About Millani

Millani provides responsible investing and corporate sustainability advisory services, including ESG integration and impact, to both investors and companies.

For the past 16 years, Millani has become the partner of choice for institutional investors and corporations alike. By providing advisory services on integrating material ESG issues into investment strategies and decision-making processes, Millani helps reduce risks, increase returns and create value. Millani also regularly develops leading thought leadership on investor and disclosure trends. The firm leverages this expertise and experience to help corporations, both public and private, create strategies, engage with stakeholders and strengthen their disclosures, supporting the organizations in their access to capital and optimization of market value.

Millani's success is founded on a bespoke, client-centric approach that focuses on material issues, practical implementation, and independent advice. Our extensive capital market experience and unparalleled expertise in ESG, and its connection to value creation, position Millani at the nexus between investors and companies – making us unique in the Canadian market.

For more information, contact us at info@millani.ca or visit our website www.millani.ca.

Millani