



A climate of change: Canadian investor perspectives

September 8, 2025

Executive summary

This year's investor dialogue reflects a profound moment of recalibration in Canada's financial ecosystem. In an era marked by geopolitical instability, evolving regulatory frameworks, and deepening ESG scrutiny, institutional investors are reassessing risk, refining processes, and reaffirming long-term strategic commitments.

Key findings from 36 Canadian institutional investors, representing \$13.3T in AUM, reveal that while portfolio shifts remain limited, internal assessments are accelerating. The traditional safe-haven status of U.S. markets is being seriously reassessed, while Canada is seen as relatively stable – but not immune. Investors are calling for enhanced clarity and alignment in domestic regulation to sustain competitiveness and attract global capital.

Despite headline volatility around ESG, investor expectations have not softened. Climate transition strategies, science-based targets, Indigenous economic inclusion, and board-level accountability continue to define responsible investment priorities. While some issuers have paused or reframed public commitments, investors are clear: this is a moment for recalibration, not retreat.

Disclosure and transparency have emerged as critical concerns. Amid regulatory ambiguity – particularly surrounding Bill C-59 – investors are adapting by investing in internal tools and increasing engagement but worry that declining corporate transparency is eroding trust and weakening market signals. Many fear Canada is falling behind its peers and are urging boards and policymakers to act decisively.

At the same time, regulatory disruption is seen as an opportunity. Canada's Bill C-59, revisions to the CSRD (Corporate Sustainability Reporting Directive) regulation in Europe, and SEC shifts on climate disclosures and engagement in the U.S. signal a transition period that can be used to realign practices, strengthen governance, and prepare for the next phase of ESG integration. Investors view this as a pause – not a pullback – and are advising issuers to use this window to build credibility, modernize reporting, and prepare for more rigorous standards.

Market shifts and Canadian investor perspectives

For the past five years, Millani has been privileged to provide insights from discussions with Canadian institutional investors on emerging trends impacting financial markets. In this edition, based on conversations with investors representing \$13.3T in AUM, we explore how Canadian market participants are navigating a climate of profound change.

Since late 2024, rising geopolitical instability has led investors to reassess long-standing assumptions about risk and asset allocations. Policy unpredictability, trade tensions, and global volatility are no longer being treated as background conditions but as primary inputs to investment decisions. The traditional view of the U.S. as a financial “safe haven” is being seriously reassessed as explained by one investor: **“Exposure to US is closely being followed, including the instability it brings. It’s a new risk to the portfolio. Before, the US was a defense in a balanced portfolio, now it’s considered more risky.”**

While Canada remains comparatively stable, financial market participants are engaging in more nuanced, risk-aware positioning. Some are taking steps to explore regional diversification, though few have yet to execute sweeping reallocation moves.

An analysis (Figure 1) of over 36 investor responses reveals that approximately 14% have made some changes to their portfolio mix, often tactically or at the sector level. Around 24% are actively monitoring, conducting internal assessments, or considering future shifts. Meanwhile, roughly 62% have made no changes, maintaining long-term strategies and aligning with client mandates.

Figure 1: % of investor shifting portfolio mix based on geopolitical market conditions

Investor response category	% of responses	Description
Have made changes	14%	Tactical or sector-level portfolio shifts implemented
Monitoring / Considering future changes	24%	Internal assessments, scenario analysis, or early planning underway
No changes (maintaining current strategy)	62%	Committed to long-term strategy; aligned with client mandates

Those with retail portfolios highlighted that their investment shifts remain largely client-directed, and that these changes may reflect end-investor sentiment more than institutional policy. At the institutional level, caution dominates. Few are shifting exposure dramatically, but many are reassessing assumptions, conducting stress tests, and preparing for potential rebalancing. The global backdrop is influencing sentiment, if not yet transforming asset allocation.

In the backdrop, valuation concerns, regulatory unpredictability, and sector-level dynamics in the U.S. are pushing investment teams to look more closely at regional and sector exposures. However, the overarching investment theses remain intact – strategy is still driven by risk-adjusted returns and long-term value creation.

Mandates amid change: Resilient strategies emerging

Earlier this year, headlines suggested that firms like State Street¹ were losing mandates due to a perceived retreat from addressing climate change risks or integrating ESG considerations into their portfolios. As such, we sought to test the market to understand whether others were experiencing mandate wins or losses.

Despite ongoing macroeconomic uncertainty, over one-third of asset managers reported securing new mandates in recent months. These wins were typically attributed to a clear investment process, strong operational discipline, and a solid market reputation – not geopolitics or ESG integration alone. Notably, several investors highlighted the continued relevance of ESG as a differentiator, with mandates often awarded to firms that integrated sustainability principles into their strategies with credibility and precision.

We also heard that for ESG- or sustainability-focused funds, due diligence intensity is rising. Asset owners and investment consultants are being more selective, asking harder questions – particularly on investment process rigor, portfolio construction, and performance resilience – and extending review timelines.

While roughly 43% of asset managers reported no change in mandate activity, these firms acknowledge a shift in tone. Messaging, transparency, and client communication have taken on elevated importance.

Exclusion frameworks under review

Geopolitical developments are prompting a reflection on exclusion policies – especially around defense and nuclear energy. Defense, in particular, is no longer viewed uniformly as a taboo sector.

1. Investment & Pensions Europe, [SSGA loses more pensions business as AkademikerPension severs link](#), March 19, 2025.

Some investors pointed to Europe, highlighting a reconsideration of traditional exclusion norms and suggesting a possible reclassification of defense-related and nuclear investments. As one participant commented, **“In Europe, there is a big debate about whether defense is ESG or not. I would say that today the World Bank has included nuclear in its permitted investments. This tends to align with the Paris Agreement.”**

Nuclear energy, once widely excluded, is increasingly being viewed through the lens of energy stability and transition – especially in jurisdictions adopting newer sustainable finance taxonomies and policy frameworks. Exclusions are not being abandoned, but reinterpreted. Investors are seeking more data, greater nuance, and clearer justifications for sector positions. Flexibility and analytical depth are becoming the new standards.

Investor adaptation and issuer disclosure slowdown

As geopolitical and market uncertainty persists, investors are observing a slowdown in the frequency, depth, and accuracy of company disclosures. While not universal, this trend is raising concerns – particularly given the reliance on timely, transparent data for effective portfolio management, performance tracking, and engagement.

Investors have commented that they are observing that delays in ESG-related reporting have become more common, with many companies publishing reports later in the year or omitting them entirely. Some firms are also removing older reports from websites or archives, complicating comparative assessments and limiting long-term analysis. This 'rebranding' of ESG – where core practices remain but are described differently – adds further complexity to efforts to monitor performance and corporate integrity. One investor observed: **“Often older ESG reports are gone and companies are delaying publishing new reports. Lots of rebranding going on – companies will continue what they do but talk differently about it.”**

To adapt, institutional investors are turning to internal tools: AI-powered analytics, proprietary disclosure portals, and ESG dashboards now play an increasingly central role. These technologies support functions such as calculating GHG footprints and engagement research despite diminishing access to public disclosures. However, investors caution that this reliance could worsen information asymmetry, reduce transparency, and hinder comparability across the market, at the same time as they manage budgeting constraints themselves.

“With fewer people [internally], we’re leveraging technology to prepare notes, engagement briefs, and proxy voting guidance. We didn’t do this in the past, but it’s now essential to maintain capacity.” – Asset Owner

“We are finding new ways to report to clients to meet their needs – fitting to Bill C-59 – with an internal portal rather than it being publicly available.” – Asset Owner

Some investors are responding with intensified one-on-one engagement, while others are closely monitoring developments tied to frameworks like the CSRD and the International Sustainability Standards Board (ISSB), as well as changes in U.S. Securities and Exchange Commission (SEC) policy. Even as disclosure practices evolve, investors remain clear: credible, material information remains a non-negotiable expectation.

Bill C-59: Impact and investor guidance for issuers

In response to a shifting regulatory environment, investors identified two major developments shaping sustainability disclosure: Canada’s Bill C-59 and recent changes from the SEC.

Bill C-59 was the most frequently cited, mentioned by 39% of investors. Concerns centered on its vague legal language, unclear liability thresholds, and its potential to chill voluntary disclosure. One asset manager summarized this view: **“Bill C-59 hasn’t just impacted corporations – it’s affected those of us active in the financial system as well. While we support the intent, the implementation has not been positive.”**

The SEC’s retreat on climate disclosure and its emphasis on engagement guidelines followed closely, cited by 26% of participants. Additionally, 21% referenced the Canadian Securities Administrators’ (CSA) decision not to mandate climate or DEI disclosures.

A lack of regulatory clarity sends mixed signals and risks weakening Canada’s access to global capital – particularly in terms of attracting the foreign investment needed to finance critical infrastructure, transition efforts, and long-term economic growth. In a globally competitive capital market, credibility and alignment with international disclosure standards are seen not just as governance issues, but as strategic economic imperatives.

Despite regulatory uncertainty, nearly 90% of investors advised issuers to continue voluntary reporting of material climate and DEI information, citing reputational risks, stakeholder expectations, and long-term value creation. Key messages included: **“Report if it’s material – stakeholders expect it. It will affect your valuation.”** and **“Not reporting? Then someone else controls your narrative.”**

Investors broadly supported alignment with global standards such as the ISSB and the CSSB, reinforcing the need for consistency and comparability. Ironically, 14% of participants viewed the European Union’s weakening of the CSRD demands as a positive development, reflecting a call for more pragmatic regulation. As one investor noted: **“We are used to Europeans choosing the regulatory path and precisely defining the disclosure, but they didn’t leave any nuances... Any positive hope was this pullback – them saying, ‘We overregulated.’ and reassessing it. I think it’s positive and pragmatic. That’s the future – pragmatism.”**

Overall, investors viewed the current landscape not as a moment to step back, but as a strategic pause. The advice was clear: **“This is a pause, not a pullback. The rules are coming. Be ready.”**

A majority also expressed concern that Canada is falling behind its peers. Investors worry that a lack of regulatory clarity sends mixed signals and risks weakening Canada’s access to global capital – particularly in terms of attracting the foreign investment needed to finance critical infrastructure, transition efforts, and long-term economic growth. In a globally competitive capital market, credibility and alignment with international disclosure standards are seen not just as governance issues, but as strategic economic imperatives. Several suggested that the current environment represents a missed opportunity: **“While other jurisdictions pull back, Canada could step forward and lead”** and **“If Canada wants access to international capital, it needs to align with global standards.”**

The broader impact: Trust, governance, and market confidence

For the first time in Millani’s ongoing investor research, disclosures and reporting ranked among the top five ESG concerns (Figure 2). This marks a significant shift. Previously, environmental and social issues dominated the agenda; the rise of disclosure-related concerns now signals a more foundational issue: declining trust.

Lower levels of transparency are prompting deeper scrutiny of board oversight, corporate governance, and investor relations. Investors are increasingly re-evaluating how they access, verify, and interpret information – and are turning to boards to restore confidence.

Figure 2
Top 5 ESG topics by investor mentions

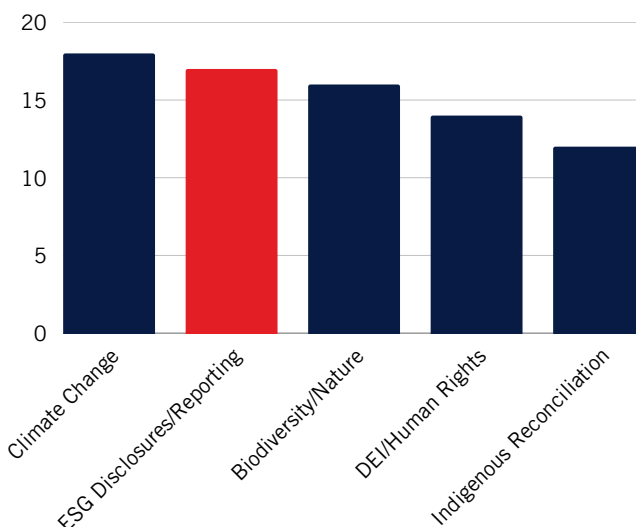
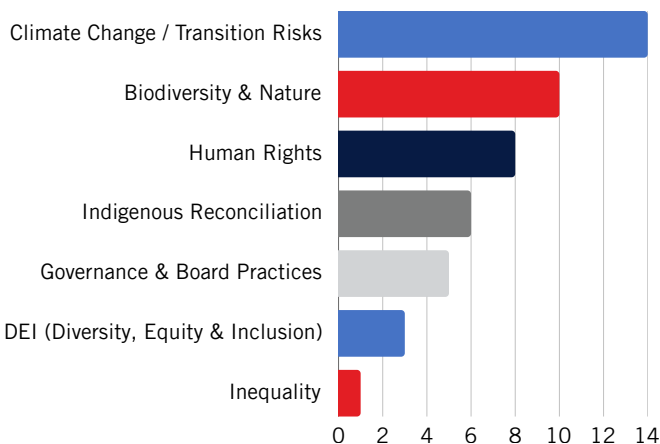


Figure 3
Top ESG priority topics cited by investors



In recent survey data (see Figures 2 and 3), climate change and transition planning remain top concerns, but governance and board practices have re-emerged as central themes. Meanwhile, focus on DEI has continued to decline. The renewed attention on governance is directly tied to reduced disclosures, diminished transparency, and eroding confidence.

This change is notable in the Canadian market, where trust has historically been strong. Now, investors are more likely to engage with management and board directors directly on disclosure-related issues.

Increased engagement and pressure are anticipated – and boards will be expected to respond. To address this erosion of trust, many investors believe revisions to Bill C-59 are needed, alongside greater board-level commitment to transparency, engagement, and sustained relationships with institutional investors.

Investor engagement practices post-SEC ruling

As regulatory landscapes evolve, particularly following the SEC's updated guidance on shareholder engagement, which triggers additional reporting requirements when holdings exceed 5% of a class of registered equity securities and restricts the use of vote withholding as an engagement tool, investors are reassessing how they approach dialogue with issuers.

These changes include conducting legal reviews of engagement protocols, clarifying independence in collaborative efforts, and adjusting the tone and content of outreach. Some investors are shifting toward more direct and less collective forms of engagement.

These developments may significantly reshape investor–issuer dynamics. In a recent engagement mandate sponsored by the Mining Association of Canada,² investors indicated they may no longer signal their intent to vote against directors when ESG concerns are not addressed. Instead, they may simply vote against board members in subsequent proxy seasons – without advance notice.

This shift could mark a meaningful change in Canadian engagement culture.

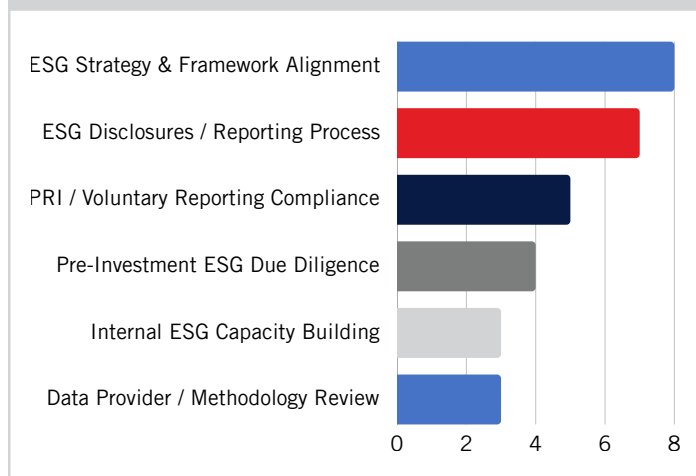
Over the last decade, relationships between investors and issuers have evolved into open, collaborative exchanges. A retreat from direct feedback loops risks undermining the mutual understanding that has been built.

Other priorities: Internal capacity, Indigenous inclusion, climate, and DEI

Considering growing disclosure expectations, investors are focusing inward – strengthening internal processes, analytical capacity, and methodologies to better evaluate ESG-related information. A primary driver is the need to uphold fiduciary duty amid increasing scrutiny of data credibility. Bill C-59 has intensified this need by reinforcing the importance of accurate and transparent disclosures. As a result, investors are reassessing how they source, validate, and interpret ESG data internally.

Figure 4

Top internal ESG focus areas



Path forward: Indigenous reconciliation and long-term vision

Investors also emphasized Indigenous economic inclusion as essential to Canada's long-term prosperity. While support for reconciliation has been growing, recent discussions point to a strong consensus: Indigenous peoples must be active, equitable partners in shaping future development – particularly in sectors such as energy, infrastructure, and land use.

This sense of urgency has grown following the passage of Bill C-5, the One Canadian Economy Act, which is designed to: “promote free trade and labour mobility by removing federal barriers to the interprovincial movement of goods and provision of services and to the movement of labor within Canada [...]” and which received Royal Assent on June 25, 2025. As one investor noted, **“It’s not just about consent – it’s about partnership and shared value. That is the future.”**

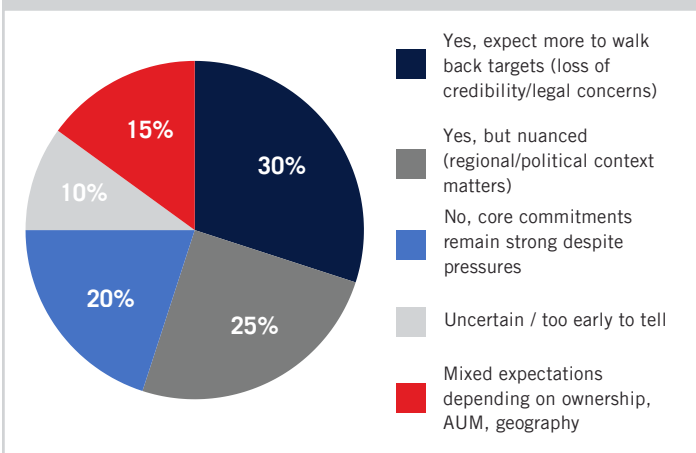
Climate and transition planning remain central

Climate change remains a core ESG concern. Since the publication of Millani’s last Investor Sentiment Study in February 2025, many global entities – including banks, asset managers, and corporates – have reduced or withdrawn from net-zero commitments. Over half (55%) of investors expect this trend to continue, while 25% anticipate mixed outcomes.

². Parliament of Canada, [Bill C-5: An Act to enact the Free Trade and Labour Mobility in Canada Act and the Building Canada Act \(Royal Assent\)](#), June 26, 2025.

Figure 5

Will we see more step back from net zero targets?



Recent conversations reveal a more nuanced investor stance toward climate commitments. While support for the net-zero ambition remains strong in principle, there is a growing recognition of legal, political, and reputational risks that have prompted more cautious positioning. In Canada, the regulatory implications of Bill C-59 were specifically cited as a reason for retreating from public pledges, particularly among banks and asset owners. However, investors emphasized that internal decarbonization work continues, even if affiliations with alliances or specific targets shift.

The prevailing view is pragmatic: investors continue to see climate change as a material financial risk and remain focused on credible, science-aligned transition plans.

There is increasing pressure on companies to move beyond headline goals and integrate climate action into core business strategies.

Investors emphasized that perfection is not expected – what matters is transparency, responsiveness to evolving conditions, and sustained long-term ambition. One investor compared this to financial reporting: **“The market conditions have changed and when that happens, the market accepts financial restatements all the time. With the current changes and uncertainty, why would we not be willing to accept restatements of climate targets too?”**, presenting a new market perspective and questioning why such targets cannot be revised rather than abandoned.

Science-based targets: Progress and limitations

In this edition, Millani sought to understand whether interest in science-based targets continue. The results demonstrated that such is the case, with interest rising. According to CDP’s SBTi data³, 34% of S&P 500 companies have validated targets and 14% have commitments. In Canada, only 15% of TSX 60 companies have validated targets, and 12% have commitments. Investors attribute this gap to the Canadian market’s resource-heavy makeup.

SBTi certification is increasingly factored into portfolio assessments and engagement, particularly within sustainability-focused funds. However, investors also acknowledged the practical challenges SBTi presents, especially for hard-to-abate sectors like oil and gas or mining. While SBTi remains the “gold standard,” many investors adopt a flexible, holistic view, as long as companies clearly articulate science-based plans and near-term progress.

Investor commitment to DEI remains strong

As many North American companies step back from diversity, equity, and inclusion (DEI) initiatives, investors appear largely unchanged in their approach. In our recent discussions, 85% of participants reported no modifications to their responsible investment or proxy voting policies in response to the evolving DEI discourse. A minority noted minor refinements, such as adjusting language or communications to reflect U.S. regulatory sensitivities, or further integrating DEI metrics – particularly around gender diversity and inclusion – into investment processes.

Despite broader societal and regulatory pushback, investors continue to view DEI as a strategically relevant priority. Many emphasized a deliberate choice not to appear reactionary, with several reaffirming their commitment to DEI as a long-term value driver.

While formal policies remain stable, firms are closely monitoring the shifting landscape and preparing for more nuanced engagement with boards and clients.

The focus is increasingly on implementation, transparency, and cultural alignment, rather than sweeping policy changes.

3. Science Based Targets initiative, [SBTi Monitoring Report 2023, Science Based Targets initiative](#), July 2024.

Navigating DEI pushback: Stay the course, reframe the message

When asked how issuers should respond to growing DEI pushback, investors emphasized two core messages: remain consistent in values and communicate strategically. Most urged companies to stand firm on their DEI commitments, especially when backed by a clear business case and integrated into workforce and talent strategies. Retreating – even symbolically – was seen as risking employee trust, investor confidence, and long-term reputation. As one investor put it, DEI should be viewed as **“a core element of human capital strategy, not a political stance”**.

While continuing to support DEI, many investors acknowledged the importance of adjusting how it is communicated. Others suggested maintaining internal targets and structures while minimizing external visibility in more politically sensitive contexts.

Framing DEI around business outcomes, such as employee engagement, decision quality, and operational performance, was widely recommended. Investors cautioned against performative statements, instead urging issuers to focus on tangible progress, measured through data and results. Several also saw this moment as a test of authenticity: **“You don’t need to shout it – you just need to do it well, and the market will notice”**.

In short, investors are not retreating from DEI. They are calling on companies to lead with integrity, adapt their messaging wisely, and demonstrate long-term commitment through meaningful action. Importantly, expectations around board diversity remain firmly in place.

To CEOs: Be courageous and focus on long-term value creation

Canadian CEOs are being called upon to provide steady, values-driven leadership amid global uncertainty. Despite polarized discourse around ESG in some jurisdictions, investors made clear that expectations have not diminished. They are observing closely for consistency and authenticity in how companies pursue long-term value creation.

What boards need to hear: Oversight, capacity, and long-term vision

Investors emphasized the importance of steady, informed oversight from Canadian boards, particularly in the context of shifting policy signals and regulatory complexity.

Directors are encouraged to stay focused on long-term value creation and resist overreacting to short-term political or market pressures. Board responsibilities continue to expand, now encompassing oversight of transition risks, indigenous

partnerships, artificial intelligence, and workforce management. Rather than perfection, investors expect preparedness: the ability to ask the right questions, maintain fluency in emerging issues, and guide management credibly. The message to boards is clear: directors are not expected to predict every shift, but they are expected to lead through change with clarity, competence, and continuity in mind.

To the Federal Government: Convert momentum into leadership

For institutional investors, Canada’s political landscape presents not only heightened risk, but also a pivotal test of leadership. With a minority government, the call for coherence, clarity, and credible action is stronger than ever. Canada’s economic competitiveness, climate leadership, and access to capital are all on the line. Investor priorities for government include:

- **Fix Bill C-59 – urgently and decisively.** Vague legal language, misalignment with corporate reporting maturity, and the risk of litigation are already having a chilling effect on disclosures. Ultimately, Bill C-59 is more than legislation, it is a signal. If mishandled, it risks weakening trust and delaying progress. If corrected, it could help position Canada as a global leader in credible climate finance and sustainable investment.
- **Provide policy and regulatory certainty.** Investors are seeking a completed Canadian taxonomy, mandatory ESG disclosure standards, and alignment with international frameworks such as the ISSB and the CSRD. Without clarity, capital remains on the sidelines or moves elsewhere.
- **Demonstrate a long-term competitiveness agenda.** Modern infrastructure, innovation in clean technologies, and a secure, affordable energy transition are key ingredients for investor confidence and Canada’s long-term success. Short-term pragmatism cannot come at the expense of strategic ambition.
- **Protect core market frameworks, especially industrial carbon pricing.** Investors view this policy as essential to Canada’s economic credibility. Any weakening would be a major red flag.
- **Strengthen Indigenous consultation and inclusion.** Gaps in recent policy rollouts have raised concerns. Investors now see meaningful Indigenous engagement not just as a moral imperative, but a key risk and opportunity in long-term project success.
- **Position Canada as a sustainable investment destination.** Global capital is looking for stable, ambitious markets with clear rules and leadership. Canada has the natural and human resources to lead but it must back that potential with coherent, investor-aligned action.

Conclusion: Realignment, readiness, and the role of governance

The central message from this year's investor insights is clear: ESG is not fading – it is evolving. Investors are refining their expectations, modernizing their approaches, and sharpening their focus on long-term value creation.

Key conclusions for financial market leaders:

- **Transparency is essential** – Even without mandatory disclosure regulations, material, timely disclosure is expected and valued.
- **Governance is critical** – Boards must demonstrate leadership, fluency in risk, and long-term alignment.
- **This is a strategic pause** – Use it to build resilience, credibility, and investor trust ahead of future regulations.

Canada now faces a choice: to lag or lead. In this climate of change, pragmatic, principle-based leadership will be the deciding factor. As one investor put it: **"This is a pause, not a pullback. The rules are coming. Be ready."**

This paper highlights only part of the story. We invite you to connect with us to exchange further insights and discuss what these trends could mean for you.

Contributors

Thank you to our contributors who took the time to provide their insights on key ESG trends. Our contributors represent 36 of Canada's largest institutional investors, some of which are listed below.



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.