Centre for International
Governance Innovation

Policy Brief No. 119 — November 2017

Disclosure of Climate-related Financial Information
Time for Canada to Act

Maziar Peihani

Key Points

- In Canada, disclosure of financial information related to climate change remains fragmented and inadequate.
- The existing weak disclosure regime does not match Canada's international efforts in promoting its image as a world leader in the fight against climate change.
- This policy brief argues for strong implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and provides Canadian policy makers and private actors with a plan on how to integrate climate change into existing risk management and disclosure practices.

Introduction

There seems little doubt that climate change comes with significant financial consequences. Since the 1950s, the number of weather-related catastrophes, such as storms and floods, has increased sixfold, with total losses increasing fivefold since the 1980s to around $170 billion today.[1] A 2015 study by the Economist Intelligence Unit estimated that a 6°C rise in temperatures could wipe US$43 trillion off the value of global financial markets.[2] In addition to climate-related physical and litigation risks, corporate issuers and financial institutions such as banks, asset managers and pension funds are exposed to any risks that may arise in the transition to a lower-carbon economy. Any repricing of assets, such as fossil fuel reserves or the market securities of carbon-intensive firms, can directly affect these institutions' loans and investments, as well as their obligations to their investors and fiduciaries.

Despite the significance of financial risks arising from climate change, their disclosure remains largely inadequate. While publicly traded companies are usually required to disclose material risks to investors, there is yet no standardized framework to ensure that

1 Damian Carrington, "Climate Change Threatens Ability of Insurers to Manage Risk", *The Guardian* (7 December 2016), online: <www.theguardian.com/environment/2016/dec/07/climate-change-threatens-ability-insurers-manage-risk>; currency throughout this policy brief is expressed in US dollars.

2 The Economist Intelligence Unit, *The cost of INACTION: Recognising the value at risk from climate change* (London, UK: The Economist Intelligence Unit, 2015) at 4, online: <www.eiuperspectives.economist.com/sites/default/files/The%20cost%20of%20inaction_0.pdf>.

About the Author

Maziar Peihani is a post-doctoral fellow with CIGI's International Law Research Program (ILRP). Maziar's research at CIGI is focused on international financial law and regulation, including sovereign debt resolution, international banking regulation, cross-border bank resolution and governance of climate change-related financial risks. Prior to joining CIGI, Maziar was the inaugural post-doctoral fellow at the Centre for Banking and Finance Law at the National University of Singapore, a graduate research assistant at InterPARES Trust at the University of British Columbia (UBC) and a teaching assistant for various law courses at UBC. Maziar is a recipient of the David Vaughan QC Memorial Scholarship in Corporate Law (2011). In 2007-2008, he was a visiting graduate student in the Centre for Commercial Law Studies (CCLS) at Queen Mary, University of London, where he completed the banking law course with distinction. Maziar's research has appeared in the *Harvard International Law Journal*, *Canadian Foreign Policy Journal*, the *Annual Review of Insolvency Law* and the *Banking and Finance Law Review*. Maziar has a Ph.D. in law from UBC as well as an LL.M. and an LL.B. from Iran.

climate-related risks are disclosed in a reliable and comparable manner.[3] For instance, only one-third of the top US companies produce comparable information on climate-related financial risks.[4] Existing disclosure regimes vary in scope and lack sufficient comparability and consistency. Reporting channels also remain highly fragmented, ranging from responses to surveys and sustainability reports to disclosure on company websites.[5]

This disclosure gap led the Financial Stability Board (FSB) to establish the TCFD in 2015.[6] The TCFD was tasked with developing "voluntary, consistent climate-related financial risk disclosures" that would be useful to market participants such as lenders, issuers and asset managers.[7] The task force's launch was a response to the Group of Twenty's (G20's) request from the FSB to "review how the financial sector can take account of climate-related issues."[8] Although the task force commenced its work when there was no question about the US commitment to the Paris Agreement, the G20 leaders still supported the recommendations at the Hamburg Summit (July 7-8, 2017). Following the G7's suit in the June Bologna summit, the G20 leaders stated that the

3 See e.g. Jason Thistlethwaite, "The Challenges of Counting Climate Change Risks in Financial Markets" CIGI, Policy Brief No 62, 9 June 2015 at 3, online: <www.cigionline.org/publications/challenges-counting-climate-change-risks-financial-markets>; Organisation for Economic Co-operation and Development (OECD) and Climate Standards Disclosure Board, "Climate Change Disclosure in G20 Countries: Stocktaking of corporate reporting schemes" (Paris, France: OECD, 2015) at 6–7, online: <www.oecd.org/daf/inv/mne/Report-on-Climate-change-disclosure-in-G20-countries.pdf>; PRI ESG Integration Working Group, How Investors Are Addressing Environmental, Social and Governance Factors in Fundamental Equity Valuation (London, UK: PRI Association, 2013) at 6, online: <www.unpri.org/explore/?q=2013+how+investors+are+addressing&hd=on&hg=on&he=on&ptv=&tv=&sp=pub&sc=line&se=start>.

4 Mark Carney, "Remarks on the launch of the Recommendations of the Task Force on Climate-related Financial Disclosures" (Remarks delivered at the Tate Modern, 14 December 2016) at 4, online: <www.bankofengland.co.uk/publications/Pages/speeches/default.aspx1>.

5 TCFD, *Phase I Report of the Task Force on Climate-related Financial Disclosures* (31 March 2016) at 13, online: <www.fsb-tcfd.org/publications/>.

6 FSB, "Proposal for a disclosure task force on climate-related risks" (9 November 2015), online: <www.fsb.org/wp-content/uploads/Disclosure-task-force-on-climate-related-risks.pdf>.

7 FSB, Press Release, "FSB to establish Task Force on Climate-related Financial Disclosures" (4 December 2015), online: <www.fsb.org/2015/12/fsb-to-establish-task-force-on-climate-related-financial-disclosures/>.

8 G20, Communiqué, "G20 Finance Ministers and Central Bank Governors Meeting" (16-17 April 2015) at 5, online: <www.g20.utoronto.ca/2015/150417-finance.pdf>.

"Paris Agreement is irreversible" and reaffirmed their "strong commitment to the Paris Agreement."[9] To move swiftly toward full implementation of the Paris Agreement, the leaders agreed to the G20 Hamburg Climate and Energy Action Plan for Growth, which expressly recognizes the importance of the task force's initiative. The task force's work has also found strong support in the business community. Earlier, in May 2017, more than 280 investors, with $17 trillion in assets under management, supported the TCFD work and called on governments to back and implement the TCFD recommendations.[10] As the final recommendations were announced in June, they received backing from more than 100 business leaders and their companies with a market cap of $3.5 trillion and financial institutions managing $25 trillion.[11]

In line with the strong international public and private support for the TCFD recommendations, this policy brief calls for their robust implementation in Canada. It argues that corporate disclosure in Canada remains fragmented and inadequate and that the TCFD recommendations provide a useful tool set to reform the existing regime. In this respect, the policy brief provides both policy makers and the private sector with a set of recommendations on implementing the TCFD recommendations and supporting Canada's goal of transitioning to a low-carbon economy.

9 G7 Information Centre, Communiqué, "G7 Bologna Environment Ministers' Meeting, Bologna, Italy, 11 – 12 June 2017" (12 June 2017), online: <www.g8.utoronto.ca/environment/2017-environment.html>; EC, Commission, Press Release, "G20 Leaders' Declaration: Shaping an Interconnected World" (7 July 2017) at 10, online: <www.g20.org/Content/EN/_Anlagen/G20/G20-leaders-declaration.pdf?__blob=publicationFile&v=11>.

10 CDP, Press Release, "Over 280 global investors (managing more than $17 trillion in assets) urge G7 to stand by Paris Agreement and drive its swift implementation" (22 May 2017), online: <www.cdp.net/en/articles/media/press-release-more-than-200-global-investors-managing-over-15-trillion-in-assets-urge-g7-leaders-to-stand-by-paris-agreement-and-drive-its-swift-implementation>.

11 See TCFD, Press Release, "Final Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) Help Companies Disclose Climate-related Risks and Opportunities Efficiently and Effectively" (29 June 2017), online: <www.fsb-tcfd.org/wp-content/uploads/2017/06/Press-Release-Final-TCFD-Recommendations-Report-Release-29-June-2017-FINAL-IMMEDIATE-RELEASE.pdf>.

Background on TCFD Recommendations

The task force's work is broadly concerned with the financial impact of climate change on organizations. It focuses on the risks and opportunities that organizations face as a result of climate change. Figure 1 illustrates the various types of these risks and opportunities and how they materialize into financial impacts on organizations. The task force's recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets.[12] The task force asks organizations to describe their governance of climate change-related risks and opportunities, the oversight exercised by their board and the role that management plays in assessment and management of such risks and opportunities.

In terms of strategy, organizations should describe the climate change-related risks and opportunities they face in the short to long run and their impacts on their business, strategy and financial models. Importantly, the task force asks organizations to test the resiliency of their business models under various plausible future scenarios, including a 2°C or lower scenario consistent with the commitments made under the Paris Agreement.[13] On risk management, the task force recommends disclosing the processes used for assessing and managing climate-related risks and opportunities and how they are integrated into the organizations' overall risk management. Finally, organizations should disclose the metrics they use for strategy and risk management purposes and for measuring the scope 1, 2 (and 3, if relevant) categories of greenhouse gas emissions.[14] Organizations should also disclose their climate change-related targets and performance against them.[15]

TCFD recommends that climate-related financial disclosure be integrated into mainstream financial filings. This is intended to streamline climate-

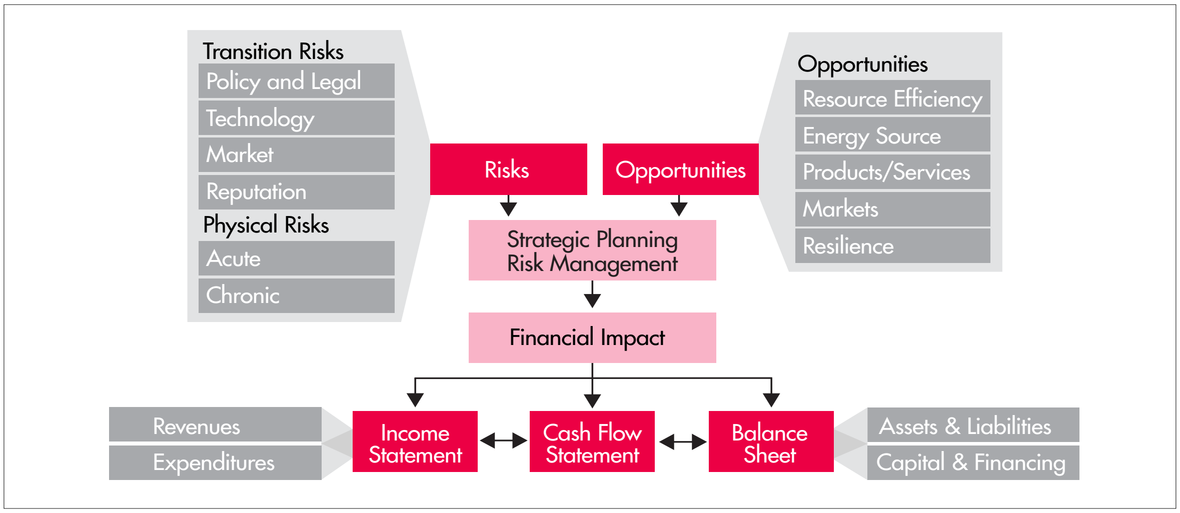
12 TCFD, *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures* (29 June 2017) [TCFD, *Final Report*], online: <www.fsb-tcfd.org/>.

13 *Ibid* at 14.

14 *Ibid*.

15 *Ibid*.

Figure 1: Climate-related Risks, Opportunities and Financial Impacts



Source: TCFD, *supra* note 12 at 8, fig 1. Adapted and reprinted with permission.

related disclosure and ensure that the disclosed data is comparable and subject to adequate control and vetting, similar to other material financial information.[16] If certain elements of disclosure are not compatible with national reporting requirements, they can be published in other official company reports, provided that they are published annually, distributed widely and go through internal governance processes that are the same or substantially similar to those used for financial reporting.[17]

The Climate Disclosure Landscape in Canada

Disclosure requirements for public issuers in Canada are governed by provincial securities laws and regulations, which have been largely harmonized through national instruments and policies.[18] A key concept within the disclosure regime is materiality. An issuer must disclose all material information in the prospectus that it files with the relevant securities regulators, as well as in all subsequent continuous disclosure instruments, such as the Annual Information Form (AIF) and the Management's Discussion and Analysis (MD&A) of financial conditions and results of operation.[19] Securities legislation considers the information to be material when it "would reasonably be expected to have a significant effect on the market price or value of the securities" or when it "would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the issuer."[20] Similarly, the Environmental Reporting Guidance issued by the CSA provides that "information relating to environmental matters is likely material if a reasonable investor's decision whether or not to buy, sell or hold securities of the issuer would likely be influenced or changed if the information was omitted or misstated."[21]

16 *Ibid* at 17.

17 *Ibid* at 17–18.

18 See Canadian Securities Administrators (CSA), "Access Rules & Policies" (2009), online: <www.securities-administrators.ca/industry_resources.aspx?id=47>.

19 For disclosure obligations of securities issuers, refer to information on the "Industry — Companies" page under the headings "Selling Securities — Prospectus Offerings" and "Ongoing Disclosure — Continuous Disclosure" at the Ontario Securities Commission (OSC) website: <www.osc.gov.on.ca/en/Companies_index.htm>.

20 See in this respect the definition of material fact and change in securities legislation: *Securities Act*, RSA 2000, c S-4, s 1(ff); *Securities Act*, RSBC 1996, c 418, s 1(1); *Securities Act*, RSO 1990, c S.5, s 1(1); *Securities Act*, RSQ c V-1.1, s 5.3.

21 CSA, CSA Staff Notice, 51-333, "Environmental Reporting Guidance" (27 October 2010) [CSA, "Environmental Reporting Guidance"], online: <www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20101027_51-333_environmental-reporting.pdf>.

In terms of continuous disclosure, a reporting issuer needs to disclose material information in a timely manner. As such, any "material change" in business, operations or capital of the reporting issuer must be disclosed "as soon as practicable."[22]

Given that these definitions, and the concepts employed by them, such as "significant impact" or "reasonable expectation," do not provide a bright-line test, materiality remains a highly contextual concept, with its meaning varying across industries, issuers and time horizons.[23] The CSA counsels issuers to err on the side of caution and to disclose the information "if there is any doubt about whether particular information is material."[24] Despite this caution call and the fact that omission of material information from disclosure documents attracts civil liability, reporting on climate change-related information remains largely inadequate in Canada.

A recent study by the Chartered Professional Accountants of Canada of 75 companies listed on the Toronto Stock Exchange (TSX), representing 78 percent of the Standard & Poor's/TSX Composite Index, finds significant gaps in issuers' securities filings. The study finds that most climate-related disclosures lack sufficient context to allow users to understand the implications of climate change for companies' business models and financial results.[25] Less than one-third of the companies made specific disclosure of board and senior management oversight of climate-related issues and only one-quarter disclosed a proactive strategy on transitioning to a low-carbon economy. Few companies provided meaningful analysis of the impacts of climate change on their businesses and financial results. The study also shows that the climate-related disclosures are based on inconsistent methodologies and vary significantly in nature and scope across different sectors.

The lack of context, consistency and comparability of the data disclosed by issuers creates significant challenges for asset owners, such as pension funds, who ultimately rely on the investee firms for information so that they can assess and manage the impact of climate change on their portfolios. Canadian pension funds themselves have not been proactive enough in tackling climate change. Based on publicly available information, only one of the eight largest Canadian pension funds has conducted a systemic analysis of the potential long-term impact of climate change on its portfolios under various scenarios.[26] The engagement record of some pension funds also remains problematic. For example, in recent years some large Canadian pension funds have voted against shareholder proposals that demanded better disclosure on climate change.[27] The lack of a proactive strategy on climate change in the pension funds community remains problematic because these institutions' fiduciary duty includes a requirement to serve the long-term interests of their beneficiaries.[28]

Similar concerns arise with respect to the disclosure practices of other financial institutions, such as banks. The primary continuous disclosure filings of Canadian banks, namely the AIF and MD&A, provide very little information on climate change. They give only a general description of environmental risks and their respective governance in the institution. They provide no meaningful discussion of ways in which climate change can affect the banks' loans and investments.[29] Better and more detailed disclosure can be found in reports to the CDP (formerly

22 See e.g. *Securities Act*, RSO 1990, c S.5, s 75(2).

23 OSC, "National Policy 51-201 Disclosure Standards" (12 July 2002), s 4.2(1), online: <www.osc.gov.on.ca/en/SecuritiesLaw_pol_20020712_51-201.jsp>.

24 CSA, "Environmental Reporting Guidance", *supra* note 20 at 8.

25 CPA, *State of Play: Study of Climate-related Disclosures by Canadian Public Companies* (Toronto, ON: CPA, 2017) at 2–3, online: <www.cpacanada.ca/en/business-and-accounting-resources/financial-and-non-financial-reporting/sustainability-environmental-and-social-reporting/publications/climate-related-disclosure-study>.

26 OPTrust, "Climate Change: Delivering on Disclosure" (Toronto, ON: OPSEU Pension Trust, 2017), online: <www.optrust.com/documents/OPTrust-Climate-Change-Delivering-on-Disclosure.pdf>; Mercer, *OPTrust Portfolio Climate Risk Assessment* (24 January 2017), online: <www.optrust.com/AboutOPTrust/News/OPTrust-Proposes-Action-on-Climate-Change-with-Release-of-Position-Paper-and-Portfolio-Climate-Risk-Assessment-Report.asp>.

27 In 2016, the Ontario Teachers' Pension Plan voted against three-quarters of the shareholder proposals that demanded better environmental disclosure, including on climate change. In 2017, the Canada Pension Plan Investment Board (CPPIB) voted against a shareholder proposal for reporting on methane emissions by Exxon Mobil. See *2016 Responsible Investing Report* (Toronto, ON: Ontario Teachers', 2017) at 13–14, online: <www.otpp.com/investments/responsible-investing/our-principled-approach>; CPPIB, "Proxy Voting Results: Exxon Mobil Corporation", Meeting 31 May 2017, Proposal 13, "Report on Methane Emissions": online: <www.cppib.com/en/how-we-invest/sustainable-investing/proxy-voting/>.

28 Edward J Waitzer & Douglas Sarro, "Pension Fiduciaries and Public Responsibilities: Emerging Themes in the Law" (2013) 6:2 Rotman Intl J Pension Management 28 at 28–29.

29 See e.g. Royal Bank of Canada (RBC), MD&A (29 November 2016) at 88–89; the Canadian Imperial Bank of Commerce (CIBC), MD&A (25 May 2017) at 21, 37. All mandatory securities filings, including AIF and MD&A, can be found free of charge on the System for Electronic Document Analysis and Retrieval website: <www.sedar.com/homepage_en.htm>.

known by its long-form name, the Carbon Disclosure Project). The CDP is, however, only a voluntary scheme, which means that CDP reports do not go through certification and other vetting processes as mandatory disclosure filings do.[30] The information disclosed in CDP reports is also largely qualitative and lacks an important element of the TCFD's recommendations, namely, scenario analysis. In addition, the maximum time horizon used by Canadian banks in their CDP reports is six years, which is not long enough to capture the most significant impacts of climate change.[31]

Policy Recommendations

The existing weak disclosure regime does not match Canada's international efforts in promoting its image as a world leader in the fight against climate change. In September 2017, for example, Canada, China and the European Union convened a ministerial meeting to see how they could show leadership and move forward with the Paris Accord.[32] But, before acting as a global leader, Canada needs to get its own house in order.

The TCFD recommendations provide Canadian policy makers and private actors with the essential tool set for integrating climate change into existing risk management and disclosure practices. This policy brief therefore favours a soft law approach, one relying on voluntary adoption of the TCFD recommendations. As such, it encourages powerful market actors and regulators to use their economic resources and moral suasion to promote widespread implementation. However, if the markets fail to embrace the TCFD recommendations in a timely manner, direct regulatory intervention and hard law requirements seem inevitable.

Starting with the Canadian issuers, the provincial and territorial securities commissions should require the disclosure of climate-related financial information.[33] The priority should be obtaining disclosure through mainstream securities filings, which are distributed widely and undergo proper governance and vetting channels. If an issuer decides that climate change does not expose it to any material risks, it should disclose its decision and the logic behind it in its securities filings. The significant demand from investors for disclosure on climate change suggests that a reasonable investor deems such information to be material.[34] Consequently, a rebuttable presumption needs to be established in favour of considering climate-related financial information as material information that needs to be disclosed in mandatory securities filings.

Institutional investors, such as pension funds, have a key role to play in promoting the implementation of the TCFD recommendations in Canada. Pension funds have a fiduciary responsibility for the financial security of their beneficiaries, which requires them to take into account externalities that can affect the long-term prosperity of their beneficiaries.[35] Climate change is the greatest environmental externality that can affect the funding status of pension funds in the coming years. The pension funds' duty to exercise "care, diligence and skill" in their investment management, which has been recognized in the

30 Unlike mandatory financial statements, CDP reports are not overseen and approved by the board of directors and do not go through an independent audit process. For example, the CDP reports of the Bank of Nova Scotia (Scotiabank) and the RBC are signed off by the chief marketing director officer and the corporate environmental affairs director, respectively. See RBC, "Climate Change 2016 Information Request — Royal Bank of Canada" (2016) at CC15.1; Scotiabank, "Climate Change 2016 — Information Request Bank of Nova Scotia (Scotiabank)" (2016) at CC15.1. CDP reports can be obtained free of charge from the CDP website: <www.cdp.net/en>.

31 For example, the Bank of Nova Scotia's (Scotiabank's) and the Toronto-Dominion (TD) Bank's time horizons for assessing climate change risks are only one to three years. See Scotiabank, "Climate Change 2016 — Information Request Bank of Nova Scotia (Scotiabank)" (2016) at CC5.1a; TD Bank, "Climate Change 2016 Information Request — TD Bank Group" (2016) at CC5.1a.

32 Marine Strauss & Brian Parkin, "China, EU and Canada Form Climate Pact as Trump Stands Alone", *Bloomberg* (23 May 2017), online: <www.bloomberg.com/news/articles/2017-05-23/china-joins-eu-canada-in-backing-climate-deal-before-trump-plan>; Environment Canada, Media Advisory, "Canada co-hosts ministerial meeting on climate action with China and European Union" (8 September 2017), online: <www.canada.ca/en/environment-climate-change/news/2017/09/canada_co-hosts_ministerialmeetingonclimateactionwithchinaandeur0.html>.

33 In March 2017, the CSA announced that it would review the disclosure practices of large TSX-listed reporting issuers on the material risks and financial impacts associated with climate change. A report is expected to be released in January 2018. See CSA, "Canadian Securities Regulators Announce Climate Change Disclosure Review Project" (21 March 2017), online: <www.securities-administrators.ca/aboutcsa.aspx?id=1567>.

34 See e.g. TCFD, "Statement of Support for the TCFD Recommendations" (29 June 2017), online: <www.fsb-tcfd.org/wp-content/uploads/2017/06/TCFD-Supporting-Companies-28-June-2017-FINAL.pdf>; TCFD, "Supportive Quotes" (June 2017), online: <www.fsb-tcfd.org/supportive-quotes/>.

35 Benjamin J Richardson & Maziar Peihani, "Universal Investors and Socially Responsible Finance: A Critique of a Premature Theory" (2015) 30:3 BFLR 405 at 418.

relevant federal and provincial legislation, requires them to proactively tackle climate change.[36] One important way to achieve this aim is to engage with the investee companies to demand the disclosure of climate-related financial information, as the task force has recommended. Widespread implementation of the TCFD recommendations can help address the legitimate concerns that pension funds have had over the reliability, quality and consistency of climate-related disclosure by their investees. Pension funds themselves also need to implement the task force recommendations, and publicly disclose the risks and opportunities that they face due to climate change and their strategies to protect their investments in the transition to a low-carbon economy.

The Office of the Superintendent of Financial Institutions (OSFI) should require disclosure of climate-related financial information from the financial institutions under its regulatory purview. Currently, the existing OSFI disclosure guidelines do not mention climate risk and merely focus on traditional risks such as credit, liquidity or currency risks. Given that the Canadian financial institutions operate in a resource-based economy, their safety and soundness can be endangered by the risks inherent in transitioning to a low-carbon economy. In fact, Canadian banks were already affected by the decline in oil prices in 2016, with their loan loss provisions for the oil and gas assets increasing by 55 percent in the first two quarters of the year.[37] It is therefore important that regulators require financial institutions to assess and disclose the impact of climate change on their loans and portfolios according to the TCFD recommendations. A proactive approach to climate change fits OSFI's track record as a hands-on and diligent prudential regulator.

It needs to be acknowledged that the TCFD recommendations are not without limitations. The climate disclosure enterprise is at an early stage and must undergo important improvements to achieve a level of clarity and quality similar to that established in mainstream corporate disclosure. Further work needs to be done on standardization of assumptions, scenarios and methodologies before a desirable level of data comparability can be achieved. As well, companies can be initially reluctant to publicly disclose their climate change risks, as any such disclosure could expose them to litigation. However, even with such challenges, the TCFD recommendations can serve as an important tool to leverage better climate disclosure in Canada, urging companies to disclose their data in a way that is understandable, sufficiently detailed and based on broadly accepted metrics and scenarios. Such disclosure can then gradually enable investors to assess a range of climate change risks and opportunities and compare results within different sectors and industries.

Finally, it needs to be acknowledged that there remain other important issues besides climate risk disclosure that Canada needs to address to meet its international obligations on climate change. The remaining carbon budget for achieving a 2°C scenario allows for only a fraction of fossil fuel reserves to be burned.[38] Significant investments in the development and transport of fossil fuel reserves may be inconsistent with Canada's obligations under the Paris Agreement. Furthermore, the existing subsidies for the oil and gas sector undermine policy initiatives such as carbon tax and cap-and-trade that seek to reduce greenhouse gas emissions. Removal of such subsidies would send an important signal that Canada is serious about acting on climate change and that the private sector should align its business models and risk taking with the overall goal of transitioning to a low-carbon economy. These issues will be discussed at length in future publications.

36 *Canada Pension Plan Investment Board Act*, SC 1997, c 40, ss 14(1)–(2); *Pension Benefits Act*, RSO 1990, c P.8, s 22(1)–(2).

37 Barbara Shecter, "More fallout from low oil prices expected for Canadian banks, S&P warns", *Financial Post* (22 June 2016), online: <http://business.financialpost.com/news/fp-street/more-fallout-from-low-oil-prices-expected-for-canadian-banks-sp-warns>.

38 See Intergovernmental Panel on Climate Change (IPCC), *Climate Change 2014: Synthesis Report: Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change* (Geneva, Switzerland: IPCC, 2014) table 2.2. at 64, online: <http://ar5-syr.ipcc.ch/ipcc/ipcc/resources/pdf/IPCC_SynthesisReport.pdf>.

Acronyms and Abbreviations

AIF	Annual Information Form
CDP	Carbon Disclosure Project
CPPIB	Canada Pension Plan Investment Board
CSA	Canadian Securities Administrators
ESG	environmental, social and corporate governance
FSB	Financial Stability Board
G20	Group of Twenty
MD&A	Management's Discussion and Analysis
OSC	Ontario Securities Commission
OSFI	Office of the Superintendent of Financial Institutions
S&P	Standard and Poor's
TCFD	Task Force on Climate-related Financial Disclosures
TSX	Toronto Stock Exchange

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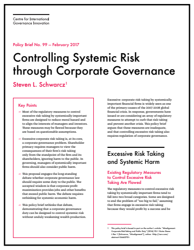
Restructuring Sovereign Debt: An English Law Opportunity

Policy Brief No. 112
Steven L. Schwarcz

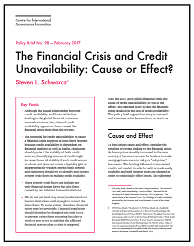
Unsustainable sovereign debt is a serious problem for nations, as well as their citizens and creditors, and a threat to global financial stability. Because a significant percentage of sovereign debt is governed by English law, there is an opportunity to modify the law to fairly and equitably facilitate the restructuring of unsustainable sovereign debt. This policy brief proposes a novel legal framework, focusing on governing law, for doing that. Even absent the legislative proposal, the analysis in this policy brief can contribute to the incremental development of sovereign debt restructuring norms.



Controlling Systemic Risk through Corporate Governance

Policy Brief No. 99
Steven L. Schwarcz

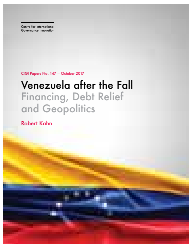
Excessive corporate risk taking by systemically important financial firms is widely seen as one of the primary causes of the 2007-2008 global financial crisis. In response, governments have issued or are considering an array of regulatory measures to attempt to curb that risk taking and prevent another crisis. This policy brief argues that these measures are inadequate, and that controlling excessive risk taking also requires regulation of corporate governance.



The Financial Crisis and Credit Unavailability: Cause or Effect?

Policy Brief No. 98
Steven L. Schwarcz

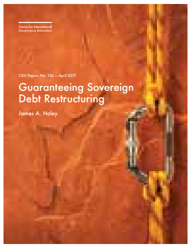
Was the 2007-2008 global financial crisis the cause of credit unavailability, or was it the effect? The standard story is that the financial crisis resulted in the loss of credit availability. This policy brief argues that story is reversed and examines what lessons that can teach us.



Venezuela after the Fall: Financing, Debt Relief and Geopolitics

CIGI Paper No. 147
Robert Kahn

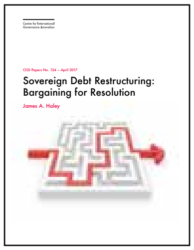
Venezuela's economic and political crisis continues to deepen, exacting a growing humanitarian toll and devastating an economy that was once Latin America's most prosperous. After a brief overview of the current economic situation, the paper presents the core elements of a comprehensive international rescue effort, and explains why such a program is likely to produce financing needs that outstrip the resources available from the official community. Any program will require an urgent effort to address humanitarian needs as well as long-term financing, and there are important steps that can, and should, be done now to prepare. Given the scale of the financing required in the medium term, an ambitious adjustment program backed by generous financing and debt relief is needed to get Venezuela back on its feet.



Guaranteeing Sovereign Debt Restructuring

CIGI Paper No. 126
James A. Haley

The recurring nature of efforts to facilitate the timely restructuring of sovereign debt is explained by the fact that protracted delays in restructuring private sector claims can lead to deadweight losses to distressed borrowers and their creditors. A well-designed guarantee of restructured debt could promote timely restructuring and reduce the potential risks to the global economy associated with severe indebtedness.



Sovereign Debt Restructuring: Bargaining for Resolution

CIGI Paper No. 124
James A. Haley

This paper reviews efforts to promote a better framework for the timely resolution of sovereign debt problems and the steps taken to reduce the costs associated with coordination problems. The objective of a well-designed guarantee that aligns incentives and helps bridge the informational divide between debtor and creditors is to facilitate debt negotiations that result in a bargaining for resolution.

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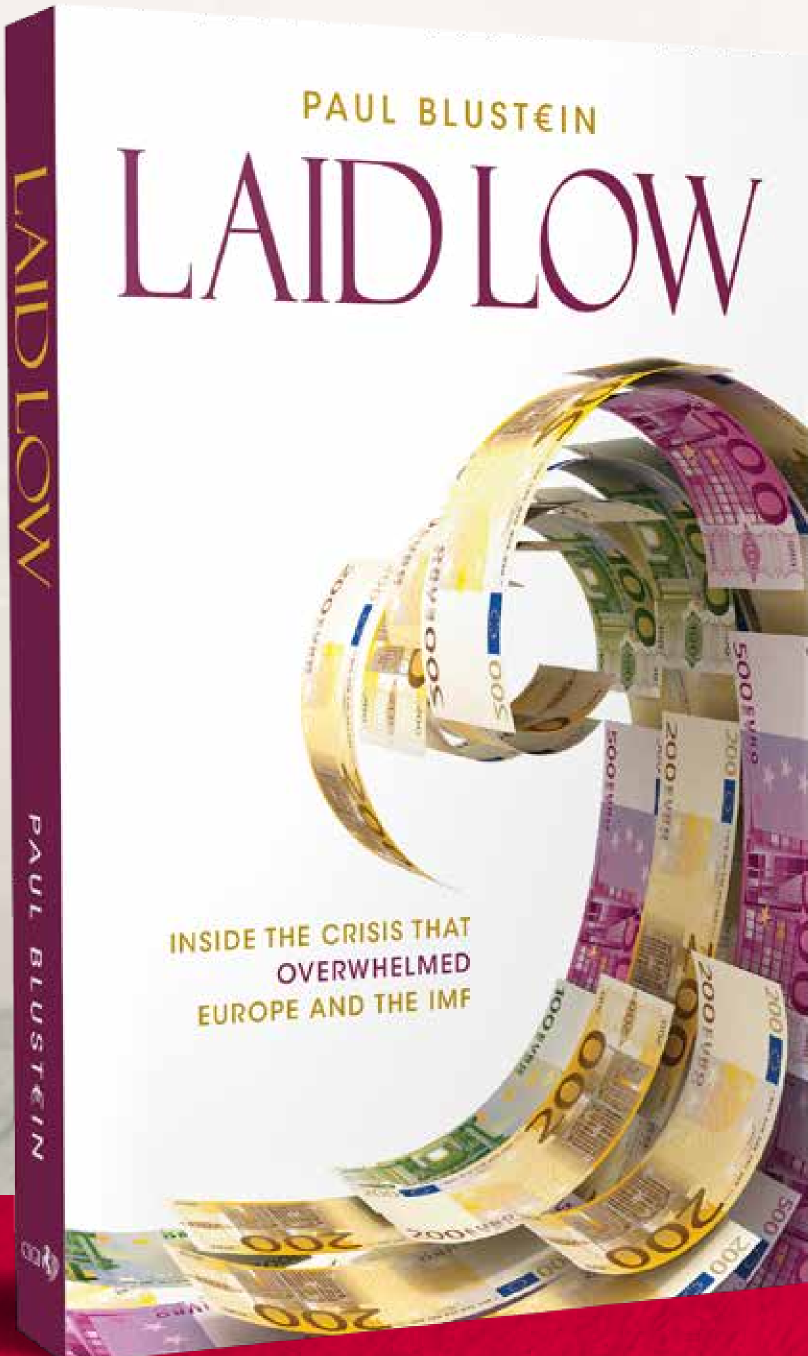

Laid Low

Inside the Crisis That Overwhelmed Europe and the IMF

Paul Blustein

An absorbing account of the world's financial firefighters and their misadventures in the euro zone. The latest book by journalist and author Paul Blustein to go behind the scenes at the highest levels of global economic policy making, *Laid Low* chronicles the International Monetary Fund's role in the euro-zone crisis. Based on interviews with a wide range of participants and scrutiny of thousands of documents, the book tells how the IMF joined in bailouts that all too often piled debt atop debt and imposed excessively harsh conditions on crisis-stricken countries.

Reviewers have lauded Blustein's previous books on financial crises as "gripping," "riveting," "authoritative" and "superbly reported." *The Economist* said his first book "should be read by anyone wanting to understand, from the inside, how the international financial system really works." This is all true in *Laid Low*, where Blustein again applies journalistic skills and methods to recount the biggest and most risk-laden crisis the IMF has ever faced.

October 2016

978-1-928096-25-2 | paperback
978-1-928096-26-9 | ebook

"Countless articles and books have analyzed the euro crisis, but until now, a serious treatment of the International Monetary Fund's role in the crisis has been missing."
– *Foreign Affairs*

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