

Supplementary Report: Climate-Aligned Finance Act (Senate of Canada Bill S-238)

Date: December 15, 2025

To: City Council

From: Executive Director, Environment, Climate and Forestry

Wards: All

SUMMARY

On December 4, 2025, the Infrastructure and Environment Committee adopted Item IE26.3 entitled "TransformTO Net Zero Strategy: Action Plan (2026-2030)", as amended, and requested the Executive Director, Environment, Climate and Forestry, to submit a supplementary report before the December 16-18, 2025 meeting of City Council with recommendations on whether the City of Toronto should endorse the Senate of Canada Bill S-238, "An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts".

The stated goal of Bill S-238 is to align the activities of federal financial institutions and federally-regulated entities, including corporations within the meaning of the "Canada Business Corporations Act" with Canada's climate commitments. Bill S-238 would require federally-regulated financial institutions, (e.g., banks), and federal Crown corporations to develop climate action plans and targets; establish a duty of alignment with climate commitments for directors and officers; require the appointment of a person with climate expertise to certain boards of directors; and push for capital adequacy requirements proportionate to the climate risks generated by financial institutions.

Bill S-238 was re-introduced in the Senate on October 29, 2025 by Senator Rosa Galvez after a previous version -- Bill S-243 -- was terminated when Parliament was prorogued on January 6, 2025. City Council endorsed Bill S-243 when it adopted MM28.37 - "Addressing the Financial Industry's Carbon Footprint" - on March 26, 2025 as part of a broader set of recommendations addressing the financial industry's carbon footprint. City staff have reviewed the new Bill S-238 in comparison to Bill S-243 and have identified no differences that would affect the City.

The City's TransformTO net zero climate goals would be broadly supported by greater transparency from the financial sector and alignment with Canada's climate goals.

Bill S-238 would not affect the City directly but would affect federally-regulated financial institutions based in Toronto.

As Bill S-238 is substantially similar to Council-endorsed Bill S-243, City staff recommend that City Council endorse Bill S-238 given its previous endorsement and because it would broadly support the TransformTO Net Zero Strategy.

RECOMMENDATIONS

The Executive Director, Environment, Climate and Forestry recommends that:

1. City Council endorse Bill S-238, as introduced, in principle.
2. City Council forward this item to the Office of the Honourable Rosa Galvez, Senate of Canada.

FINANCIAL IMPACT

There are no financial impacts resulting from the adoption of this supplementary report.

The Chief Financial Officer and Treasurer have reviewed this supplementary report and agree with the financial impact information.

DECISION HISTORY

At its meeting on March 26, 2025, City Council adopted MM28.37 - "Addressing the Financial Industry's Carbon Footprint" - which included a recommendation to "express support for comprehensive climate-aligned financial regulation focused on improved transparency and accountability, as laid out in the text of Bill S-243, in order to future-proof our economy against climate-related risks."

<https://secure.toronto.ca/council/agenda-item.do?item=2025.MM28.37>

COMMENTS

1. Bill S-238 Purpose

The purpose of Bill S-238 is to align the activities of federal financial institutions and federally-regulated entities, including corporations within the meaning of the "Canada Business Corporations Act", with Canada's climate commitments. To accomplish this, the Bill would:

- Require financial institutions and Crown corporations to develop action plans and targets;
- Establish a duty of alignment with climate commitments for directors and officers of federally-regulated entities;
- Require the appointment of a person with climate expertise to certain boards of directors; and
- Push for capital adequacy requirements proportionate to the climate risks generated by financial institutions.

2. Bill S-238 Parliamentary Process

Senate Bill S-238 was re-introduced in the Senate on October 29, 2025 by Senator Rosa Galvez after a previous version - Bill S-243 - was terminated when Parliament was prorogued on January 6, 2025. City Council endorsed the previous Bill when it adopted MM28.37 - "Addressing the Financial Industry's Carbon Footprint" - on March 26, 2025 as part of a broader set of recommendations addressing the financial industry's carbon footprint.

A Bill that is introduced in the Senate - as opposed to the more typical process of being introduced first in the House of Commons - goes through a lengthy process of consideration. In the case of Bill S-238, it has completed introduction and First Reading and will next move to debate at Second Reading, followed by consideration in committee (which usually includes multiple days of hearings and expert witness testimony), then debate at Report Stage, and finally debate at Third Reading. If the Senate passes the Bill, it will then be sent to the House of Commons for consideration in a similar process. If the House of Commons passes the Bill, it is returned to the Senate a second time for consideration of any amendments from the House of Commons. This back-and-forth process continues until an identical Bill is passed by both the Senate and the House of Commons, before proceeding for Royal Assent where the Bill becomes law.

Governments typically plan for a government Bill that is a priority to take approximately two years to complete the House of Commons and Senate processes. Given that Bill S-238 originated in the Senate and is not currently a government priority, it is likely that Bill S-238 will take at least two years before the final version could become law, during which it could undergo significant changes.

3. Conclusion

The City's TransformTO net zero climate goals would be broadly supported by greater transparency from the financial sector and alignment with Canada's climate goals.

Bill S-238 would not affect the City directly but would affect federally-regulated financial institutions based in Toronto.

Staff recommend that City Council endorse Bill S-238 given its previous endorsement of a similar Bill and because it would broadly support the TransformTO Net Zero Strategy.

CONTACT

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SIGNATURE

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ATTACHMENTS

N/A