



Canada Climate Law Initiative L'Initiative canadienne de droit climatique

Directors on Canadian corporate boards are legally obligated to address climate risk, a new study reveals

Toronto, June 25, 2020: Corporate board members are legally obligated to address climate change risk and opportunities as part of their oversight of the companies they serve, according to a new, in-depth legal analysis of directors' duties regarding climate change risk.

“Directors should recognize that the courts, regulators and investors accept that climate change poses real risks. They expect that management teams and boards are alert to those risks and opportunities and are reflecting their assessment of that risk in their strategic thinking and risk management practices,” writes distinguished corporate governance expert and lawyer Carol Hansell. “We have been asked whether directors of Canadian corporations are obliged to address climate change risk. The answer is clearly yes,” writes Ms. Hansell.

In her opinion, titled [“Putting Climate Change Risk on the Boardroom Table”](#) Ms. Hansell clarifies the role of the corporate board with respect to climate change and is unequivocal about the responsibility of corporate directors to include climate change risks and opportunities in their oversight and strategic direction of the companies they serve. Ms. Hansell’s ground-breaking opinion, given to the Canada Climate Law Initiative, a research hub at the University of British Columbia Allard School of Law and York University Osgoode Hall Law School, is the first in-depth legal analysis of directors’ duties in a corporate governance context by a senior Canadian lawyer.

Ms. Hansell grounded her opinion on the director’s oversight function and their duty of care as well as their responsibilities to ensure the accuracy of disclosure to the capital markets. These obligations transcend any one director’s or officer’s personal opinions about climate change.

“Directors must put aside any preconceptions they may have about the reality or imminence of the risk. They may not demure to management or simply wait for management to identify and bring the issue forward,” Ms. Hansell’s opinion declares. “Directors must put climate change on the board agenda as more than just a discussion point or an education session. They must then receive reports and recommendations from management and reports from external sources as necessary, to be satisfied that the corporation is addressing climate change risk appropriately.”

The opinion paper is already being recognized as an important resource for boards navigating the risks of climate change.

“This report provides helpful information and important analysis for Boards in Canada in considering their role with regard to oversight of a company’s climate risk and opportunity. There

is a lot to consider and it is timely,” stated Andrew Chisholm, member of the federal government’s Expert Panel on Sustainable Finance, and member of the board of the Royal Bank of Canada.

Catherine McCall, Executive Director for the Canadian Coalition for Good Governance (CCGG) welcomes the findings in the report. “As institutional investors increasingly seek to understand how material climate change risks and opportunities impact their investments and inform investment decisions, this opinion provides a welcome clarification of the role of corporate boards in addressing climate change and will serve as a key resource for investors underpinning this essential work.”

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About Carol Hansell: Carol Hansell is the Senior Partner at Hansell LLP. She is an internationally recognized expert in corporate governance and an experienced director. She has served on public company boards in both Canada and the U.S. as well on boards of financial institutions, Crown corporations, healthcare organizations, not-for-profits and arts organizations. She is a Fellow of the Institute of Corporate Directors, The Conference Board and the American College of Governance Counsel. For further information: <https://www.hanselladvisory.com/teammember/carol-hansell/>

About the Canada Climate Law Initiative: The Canada Climate Law Initiative is the Canadian partner of the Commonwealth Climate Law Initiative, established at Oxford University and with projects in Australia, Canada, Singapore, South Africa, and the United Kingdom. The Canada Climate Law Initiative is led by Drs. Carol Liao and Janis Sarra of the Peter A. Allard School of Law, University of British Columbia, and Prof. Cynthia Williams of Osgoode Hall Law School, York University. It researches directors’, officers’, and pension fund trustees’ responsibilities to evaluate, manage, and disclose climate change risks and opportunities. In Canada, CCLI has established the Canadian Climate Governance Experts, a collaboration among leading lawyers, accountants, economists, capital markets experts, company executives, and governance experts across Canada to advise boards and pension fund trustees *pro bono* concerning their fiduciary responsibilities with respect to climate change. For further information: <https://ccli.ubc.ca/>