

## CANADIAN SUSTAINABILITY DISCLOSURE STANDARD

## CSDS 1 general requirements for disclosure of sustainability-related financial information

All paragraphs have equal authority. Paragraphs in **bold** type state the main principles. Terms defined in Appendix A are in italics the first time they appear in the standard. Definitions of other terms are given in CSDS 2, *Climate-related Disclosures*. The standard should be read in the context of its objective.

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## OBJECTIVE

- 1 **The objective of Canadian Sustainability Disclosure Standard (CSDS) 1 *General Requirements for Disclosure of Sustainability-related Financial Information* is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to *primary users of general-purpose financial reports* in making decisions relating to providing resources to the entity.<sup>1</sup>**
- 2 Information about sustainability-related risks and opportunities is useful to primary users because an entity's ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's *value chain*. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity's dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.
- 3 **This standard requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. For the purposes of this standard, these risks and opportunities are collectively referred to as "sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects".**
- 4 This standard also prescribes how an entity prepares and reports its *sustainability-related financial disclosures*. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to primary users in making decisions relating to providing resources to the entity.

## SCOPE

- 5 **An entity shall apply this standard in preparing and reporting sustainability-related financial disclosures in accordance with CSDSs.**
- 6 Sustainability-related risks and opportunities that could not reasonably be expected to affect an entity's prospects are outside the scope of this standard.
- 7 Other CSDSs specify information an entity is required to disclose about specific sustainability-related risks and opportunities.

- 8 **An entity may apply CSDSs irrespective of whether the entity's related general-purpose financial statements (referred to as 'financial statements') are prepared in accordance with IFRS Accounting Standards or other generally accepted accounting principles (GAAP).**
- 9 This standard uses terminology suitable for profit-oriented entities, including public sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this standard, they might need to amend the descriptions used for particular items of information when applying CSDSs.

## CONCEPTUAL FOUNDATIONS

- 10 **For sustainability-related financial information to be useful, it must be relevant and faithfully represent what it purports to represent. These are fundamental qualitative characteristics of useful sustainability-related financial information. The usefulness of sustainability-related financial information is enhanced if the information is comparable, verifiable, timely and understandable. These are enhancing qualitative characteristics of useful sustainability-related financial information (see Appendix D).**

## Fair presentation

- 11 **A complete set of sustainability-related financial disclosures shall present fairly all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects.**
- 12 To identify sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, an entity shall apply paragraphs B1-B12.
- 13 **Fair presentation requires disclosure of relevant information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects, and their faithful representation in accordance with the principles set out in this standard. To achieve faithful representation, an entity shall provide a complete, neutral and accurate depiction of those sustainability-related risks and opportunities.**
- 14 Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates, in the context of the entity's sustainability-related financial disclosures.
- 15 Fair presentation also requires an entity:
- (a) to disclose information that is comparable, verifiable, timely and understandable; and
  - (b) to disclose additional information if compliance with the specifically applicable requirements in CSDSs is insufficient to enable *users of general-purpose financial reports* to understand the effects of sustainability-related risks and opportunities on the entity's cash flows, its access to finance and cost of capital over the short, medium and long term.
- 16 Applying CSDSs, with additional information disclosed when necessary (see paragraph 15(b)), is presumed to result in sustainability-related financial disclosures that achieve fair presentation.

## Materiality

- 17 **An entity shall disclose *material information* about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.**
- 18 **In the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific *reporting entity*.**
- 19 To identify and disclose material information, an entity shall apply paragraphs B13-B37.

## Reporting entity

- 20 **An entity's sustainability-related financial disclosures shall be for the same reporting entity as the related financial statements (see paragraph B38).**

## Connected information

- 21 **An entity shall provide information in a manner that enables users of general-purpose financial reports to understand the following types of connections:**
- (a) the connections between the items to which the information relates – such as connections between various sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects; and

- (b) the connections between disclosures provided by the entity:
  - (i) within its sustainability-related financial disclosures – such as connections between disclosures on governance, strategy, risk management and metrics and targets; and
  - (ii) across its sustainability-related financial disclosures and other *general-purpose financial reports* published by the entity – such as its related financial statements (see paragraphs B39-B44).
- 22 An entity shall identify the financial statements to which the sustainability-related financial disclosures relate.
- 23 Data and assumptions used in preparing the sustainability-related financial disclosures shall be consistent – to the extent possible considering the requirements of IFRS Accounting Standards or other applicable GAAP – with the corresponding data and assumptions used in preparing the related financial statements (see paragraph B42).
- 24 When currency is specified as the unit of measure in the sustainability-related financial disclosures, the entity shall use the presentation currency of its related financial statements.

## CORE CONTENT

- 25 Unless another CSDS permits or requires otherwise in specified circumstances, an entity shall provide disclosures about:
  - (a) governance – the governance processes, controls and procedures the entity uses to monitor and manage sustainability-related risks and opportunities (see paragraphs 26-27);
  - (b) strategy – the approach the entity uses to manage sustainability-related risks and opportunities (see paragraphs 28-42);
  - (c) risk management – the processes the entity uses to identify, assess, prioritize and monitor sustainability-related risks and opportunities (see paragraphs 43-44); and
  - (d) metrics and targets – the entity’s performance in relation to sustainability-related risks and opportunities, including progress toward any targets the entity has set or is required to meet by law or regulation (see paragraphs 45-53).

## Governance

- 26 The objective of sustainability-related financial disclosures on governance is to enable users of general-purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.
- 27 To achieve this objective, an entity shall disclose information about:
  - (a) the governance body(ies) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of sustainability-related risks and opportunities. Specifically, the entity shall identify that body(ies) or individual(s) and disclose information about:
    - (i) how responsibilities for sustainability-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(ies) or individual(s);
    - (ii) how the body(ies) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to sustainability-related risks and opportunities;
    - (iii) how and how often the body(ies) or individual(s) is informed about sustainability-related risks and opportunities;
    - (iv) how the body(ies) or individual(s) takes into account sustainability-related risks and opportunities when overseeing the entity’s strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(ies) or individual(s) has considered trade-offs associated with those risks and opportunities; and
    - (v) how the body(ies) or individual(s) oversees the setting of targets related to sustainability-related risks and opportunities, and monitors progress toward those targets (see paragraph 51), including whether and how related performance metrics are included in remuneration policies.
  - (b) management’s role in the governance processes, controls and procedures used to monitor, manage and oversee sustainability-related risks and opportunities, including information about:
    - (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and

- (ii) whether management uses controls and procedures to support the oversight of sustainability-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.

## Strategy

- 28 **The objective of sustainability-related financial disclosures on strategy is to enable users of general-purpose financial reports to understand an entity's strategy for managing sustainability-related risks and opportunities.**
- 29 Specifically, an entity shall disclose information to enable users of general-purpose financial reports to understand:
  - (a) the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects (see paragraphs 30-31);
  - (b) the current and anticipated effects of those sustainability-related risks and opportunities on the entity's *business model* and value chain (see paragraph 32);
  - (c) the effects of those sustainability-related risks and opportunities on the entity's strategy and decision-making (see paragraph 33);
  - (d) the effects of those sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those sustainability-related risks and opportunities have been factored into the entity's financial planning (see paragraphs 34-40); and
  - (e) the resilience of the entity's strategy and its business model to those sustainability-related risks (see paragraphs 41-42).

## Sustainability-related risks and opportunities

- 30 An entity shall disclose information that enables users of general-purpose financial reports to understand the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, the entity shall:
  - (a) describe sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects;
  - (b) specify the time horizons – short, medium or long term – over which the effects of each of those sustainability-related risks and opportunities could reasonably be expected to occur; and
  - (c) explain how the entity defines “short term”, “medium term” and “long term” and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.
- 31 Short-, medium- and long-term time horizons can vary between entities and depend on many factors, including industry-specific characteristics, such as cash flow, investment and business cycles, the planning horizons typically used in an entity's industry for strategic decision-making and capital allocation plans, and the time horizons over which users of general-purpose financial reports conduct their assessments of entities in that industry.

## Business model and value chain

- 32 An entity shall disclose information that enables users of general-purpose financial reports to understand the current and anticipated effects of sustainability-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose:
  - (a) a description of the current and anticipated effects of sustainability-related risks and opportunities on the entity's business model and value chain; and
  - (b) a description of where in the entity's business model and value chain sustainability-related risks and opportunities are concentrated (e.g., geographical areas, facilities and types of assets).

## Strategy and decision-making

- 33 An entity shall disclose information that enables users of general-purpose financial reports to understand the effects of sustainability-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose information about:
  - (a) how the entity has responded to, and plans to respond to, sustainability-related risks and opportunities in its strategy and decision-making;

- (b) the progress against plans the entity has disclosed in previous reporting periods, including quantitative and qualitative information; and
- (c) trade-offs between sustainability-related risks and opportunities that the entity considered (e.g., in making a decision on the location of new operations, an entity might have considered the environmental impacts of those operations and the employment opportunities they would create in a community).

#### **Financial position, financial performance and cash flows**

- 34 An entity shall disclose information that enables users of general-purpose financial reports to understand:
- (a) the effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects); and
  - (b) the anticipated effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how sustainability-related risks and opportunities are included in the entity's financial planning (anticipated financial effects).
- 35 Specifically, an entity shall disclose quantitative and qualitative information about:
- (a) how sustainability-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period;
  - (b) the sustainability-related risks and opportunities identified in paragraph 35(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements;
  - (c) how the entity expects its financial position to change over the short, medium and long term, given its strategy to manage sustainability-related risks and opportunities, taking into consideration:
    - (i) its investment and disposal plans (e.g., plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans the entity is not contractually committed to; and
    - (ii) its planned sources of funding to implement its strategy; and
  - (d) how the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage sustainability-related risks and opportunities.
- 36 In providing quantitative information, an entity may disclose a single amount or a range.
- 37 In preparing disclosures about the anticipated financial effects of a sustainability-related risk or opportunity, an entity shall:
- (a) use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort (see paragraphs B8-B10); and
  - (b) use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures.
- 38 An entity need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity if the entity determines that:
- (a) those effects are not separately identifiable; or
  - (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful (see paragraphs 77-82).
- 39 In addition, an entity need not provide quantitative information about the anticipated financial effects of a sustainability-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.
- 40 If an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity applying the criteria set out in paragraphs 38-39, the entity shall:
- (a) explain why it has not provided quantitative information;
  - (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that sustainability-related risk or opportunity; and
  - (c) provide quantitative information about the combined financial effects of that sustainability-related risk or opportunity with other sustainability-related risks or opportunities and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful.

## Resilience

- 41 An entity shall disclose information that enables users of general-purpose financial reports to understand its capacity to adjust to the uncertainties arising from sustainability-related risks. An entity shall disclose a qualitative and, if applicable, quantitative assessment of the resilience of its strategy and business model in relation to its sustainability-related risks, including information about how the assessment was carried out and its time horizon. When providing quantitative information, an entity may disclose a single amount or a range.
- 42 Other CSDDs may specify the type of information an entity is required to disclose about its resilience to specific sustainability-related risks and how to prepare those disclosures, including whether a *scenario analysis* is required.

## Risk management

- 43 **The objective of sustainability-related financial disclosures on risk management is to enable users of general-purpose financial reports:**
- (a) **to understand an entity's processes to identify, assess, prioritize and monitor sustainability-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and**
  - (b) **to assess the entity's overall risk profile and its overall risk management process.**
- 44 To achieve this objective, an entity shall disclose information about:
- (a) the processes and related policies the entity uses to identify, assess, prioritize and monitor sustainability-related risks, including information about:
    - (i) the inputs and parameters the entity uses (e.g., information about data sources and the scope of operations covered in the processes);
    - (ii) whether and how the entity uses scenario analysis to inform its identification of sustainability-related risks;
    - (iii) how the entity assesses the nature, likelihood and magnitude of the effects of those risks (e.g., whether the entity considers qualitative factors, quantitative thresholds or other criteria);
    - (iv) whether and how the entity prioritizes sustainability-related risks relative to other types of risk;
    - (v) how the entity monitors sustainability-related risks; and
    - (vi) whether and how the entity has changed the processes it uses compared with the previous reporting period;
  - (b) the processes the entity uses to identify, assess, prioritize and monitor sustainability-related opportunities; and
  - (c) the extent to which, and how, the processes for identifying, assessing, prioritizing and monitoring sustainability-related risks and opportunities are integrated into and inform the entity's overall risk management process.

## Metrics and targets

- 45 **The objective of sustainability-related financial disclosures on metrics and targets is to enable users of general-purpose financial reports to understand an entity's performance in relation to its sustainability-related risks and opportunities, including progress toward any targets the entity has set, and any targets it is required to meet by law or regulation.**
- 46 **An entity shall disclose, for each sustainability-related risk and opportunity that could reasonably be expected to affect the entity's prospects:**
- (a) **metrics required by an applicable CSDD; and**
  - (b) **metrics the entity uses to measure and monitor:**
    - (i) **that sustainability-related risk or opportunity; and**
    - (ii) **its performance in relation to that sustainability-related risk or opportunity, including progress toward any targets the entity has set, and any targets it is required to meet by law or regulation.**
- 47 In the absence of a CSDD that specifically applies to a sustainability-related risk or opportunity, an entity shall apply paragraphs 57-58 to identify applicable metrics.
- 48 **Metrics disclosed by an entity applying paragraphs 45-46 shall include metrics associated with particular business models, activities or other common features that characterize participation in an industry.**

- 49 If an entity discloses a metric taken from a source other than CSDSs, the entity shall identify the source and the metric taken.
- 50 If a metric has been developed by an entity, the entity shall disclose information about:
- (a) how the metric is defined, including whether it is derived by adjusting a metric taken from a source other than CSDSs and, if so, which source and how the metric disclosed by the entity differs from the metric specified in that source;
  - (b) whether the metric is an absolute measure, a measure expressed in relation to another metric or a qualitative measure (such as a red, amber, green – or RAG – status);
  - (c) whether the metric is validated by a third party and, if so, which party; and
  - (d) the method used to calculate the metric and the inputs to the calculation, including the limitations of the method used and the significant assumptions made.
- 51 An entity shall disclose information about the targets it has set to monitor progress toward achieving its strategic goals, and any targets it is required to meet by law or regulation. For each target, the entity shall disclose:
- (a) the metric used to set the target and to monitor progress toward reaching the target;
  - (b) the specific quantitative or qualitative target the entity has set or is required to meet;
  - (c) the period over which the target applies;
  - (d) the base period from which progress is measured;
  - (e) any milestones and interim targets;
  - (f) performance against each target and an analysis of trends or changes in the entity's performance; and
  - (g) any revisions to the target and an explanation for those revisions.
- 52 The definition and calculation of metrics, including metrics used to set the entity's targets and monitor progress toward reaching them, shall be consistent over time. If a metric is redefined or replaced, an entity shall apply paragraph B52.
- 53 An entity shall label and define metrics and targets using meaningful, clear and precise names and descriptions.

## GENERAL REQUIREMENTS

### Sources of guidance

#### Identifying sustainability-related risks and opportunities

- 54 In identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, an entity shall apply CSDSs.
- 55 In addition to CSDSs:
- (a) an entity shall refer to and consider the applicability of the *disclosure topics* in the Sustainability Accounting Standards Board (SASB) Standards. An entity might conclude that the disclosure topics in the SASB Standards are not applicable in the entity's circumstances.
  - (b) an entity may refer to and consider the applicability of:
    - (i) the Climate Disclosure Standards Board (CDSB) Framework Application Guidance for Water-related Disclosures and the CDSB Framework Application Guidance for Biodiversity-related Disclosures (collectively referred to as "CDSB Framework Application Guidance");
    - (ii) the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general-purpose financial reports; and
    - (iii) the sustainability-related risks and opportunities identified by entities that operate in the same industry(ies) or geographical region(s).

#### Identifying applicable disclosure requirements

- 56 In identifying applicable disclosure requirements about a sustainability-related risk or opportunity that could reasonably be expected to affect an entity's prospects, an entity shall apply the CSDS that specifically applies to that sustainability-related risk or opportunity.
- 57 In the absence of a CSDS that specifically applies to a sustainability-related risk or opportunity, an entity shall apply judgment to identify information that:
- (a) is relevant to the decision-making of users of general-purpose financial reports; and



- (b) faithfully represents that sustainability-related risk or opportunity.
- 58 In making the judgment described in paragraph 57:
- (a) an entity shall refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards. An entity might conclude that the metrics specified in the SASB Standards are not applicable in the entity's circumstances.
  - (b) an entity may – to the extent that these sources do not conflict with CSDSs – refer to and consider the applicability of:
    - (i) the CDSB Framework Application Guidance;
    - (ii) the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general-purpose financial reports; and
    - (iii) the information, including metrics, disclosed by entities that operate in the same industry(ies) or geographical region(s).
  - (c) an entity may – to the extent that these sources assist the entity in meeting the objective of this standard (see paragraphs 1-4) and do not conflict with CSDSs – refer to and consider the applicability of the sources specified in Appendix C.

#### **Disclosure of information about sources of guidance**

- 59 An entity shall identify:
- (a) the specific standards, pronouncements, industry practice and other sources of guidance that the entity has applied in preparing its sustainability-related financial disclosures, including, if applicable, identifying the disclosure topics in the SASB Standards; and
  - (b) the industry(ies) specified in the CSDSs, the SASB Standards or other sources of guidance relating to a particular industry(ies) that the entity has applied in preparing its sustainability-related financial disclosures, including in identifying applicable metrics.

#### **Location of disclosures**

- 60 **An entity is required to provide disclosures required by CSDSs as part of its general-purpose financial reports.**
- 61 Subject to any regulation or other requirements that apply to an entity, there are various possible locations in its general-purpose financial reports in which to disclose sustainability-related financial information. Sustainability-related financial disclosures could be included in an entity's management commentary or a similar report when it forms part of an entity's general-purpose financial reports. Management commentary or a similar report is a required report in many jurisdictions. It might be known by or included in reports with various names, such as "management report", "management's discussion and analysis", "operating and financial review", "integrated report" or "strategic report".
- 62 An entity may disclose information required by a CSDS in the same location as information disclosed to meet other requirements, such as information required by regulators. The entity shall ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information (see paragraph B27).
- 63 Information required by a CSDS may be included in sustainability-related financial disclosures by cross-reference to another report published by the entity. If an entity includes information by cross-reference, the entity shall apply the requirements in paragraphs B45-B47.

#### **Timing of reporting**

- 64 **An entity shall report its sustainability-related financial disclosures at the same time as its related financial statements. The entity's sustainability-related financial disclosures shall cover the same reporting period as the related financial statements.**
- 65 Normally, an entity prepares sustainability-related financial disclosures for a 12-month period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This standard does not preclude that practice.
- 66 When an entity changes the end of its reporting period and provides sustainability-related financial disclosures for a period longer or shorter than 12 months, it shall disclose:
- (a) the period covered by the sustainability-related financial disclosures;
  - (b) the reason for using a longer or shorter period; and
  - (c) the fact that the amounts disclosed in the sustainability-related financial disclosures are not entirely comparable.

- 67 If, after the end of the reporting period but before the date on which the sustainability-related financial disclosures are authorized for issue, an entity receives information about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions in the light of the new information.
- 68 An entity shall disclose information about transactions, other events and conditions that occur after the end of the reporting period, but before the date on which the sustainability-related financial disclosures are authorized for issue, if non-disclosure of that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports make on the basis of those reports.
- 69 This standard does not mandate which entities would be required to provide interim sustainability-related financial disclosures, how frequently or how soon after the end of an interim period. However, governments, securities regulators, stock exchanges and accountancy bodies may require entities whose debt or equity securities are publicly traded to publish interim general-purpose financial reports. If an entity is required or elects to publish interim sustainability-related financial disclosures in accordance with CSDSs, the entity shall apply paragraph B48.

## Comparative information

- 70 **Unless another CSDS permits or requires otherwise, an entity shall disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period. If such information would be useful for an understanding of the sustainability-related financial disclosures for the reporting period, the entity shall also disclose comparative information for narrative and descriptive sustainability-related financial information (see paragraphs B49-B59).**
- 71 Amounts reported in sustainability-related financial disclosures might relate, for example, to metrics and targets or to current and anticipated financial effects of sustainability-related risks and opportunities.

## Statement of compliance

- 72 **An entity whose sustainability-related financial disclosures comply with all the requirements of CSDSs shall make an explicit and unreserved statement of compliance. An entity shall not describe sustainability-related financial disclosures as complying with CSDSs unless they comply with all the requirements of CSDSs.**
- 73 This standard relieves an entity from disclosing information otherwise required by a CSDS if law or regulation prohibits the entity from disclosing that information (see paragraph B33). This standard also relieves an entity from disclosing information about a sustainability-related opportunity otherwise required by a CSDS if that information is commercially sensitive as described in this standard (see paragraphs B34-B37). An entity using these exemptions is not prevented from asserting compliance with CSDSs.

## JUDGMENTS, UNCERTAINTIES AND ERRORS

### Judgments

- 74 **An entity shall disclose information to enable users of general-purpose financial reports to understand the judgments, apart from those involving estimations of amounts (see paragraph 77), that the entity has made in the process of preparing its sustainability-related financial disclosures and that have the most significant effect on the information included in those disclosures.**
- 75 In the process of preparing sustainability-related financial disclosures, an entity makes various judgments, apart from those involving estimations, that can significantly affect the information reported in the entity's sustainability-related financial disclosures. For example, an entity makes judgments in:
- (a) identifying sustainability-related risks and opportunities that could be reasonably expected to affect the entity's prospects;
  - (b) determining which sources of guidance to apply in accordance with paragraphs 54-58;
  - (c) identifying material information to include in the sustainability-related financial disclosures; and
  - (d) assessing whether an event or change in circumstances is significant and requires reassessment of the scope of all affected sustainability-related risks and opportunities throughout the entity's value chain (see paragraph B11).
- 76 Other CSDSs may require disclosure of some of the information that an entity would otherwise be required to disclose in accordance with paragraph 74.

### Measurement uncertainty

- 77 **An entity shall disclose information to enable users of general-purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its sustainability-related financial disclosures.**

- 78 **An entity shall:**
- (a) **identify the amounts that it has disclosed that are subject to a high level of measurement uncertainty; and**
  - (b) **in relation to each amount identified in paragraph 78(a), disclose information about:**
    - (i) **the sources of measurement uncertainty – for example, the dependence of the amount on the outcome of a future event, on a measurement technique or on the availability and quality of data from the entity's value chain; and**
    - (ii) **the assumptions, approximations and judgments the entity has made in measuring the amount.**
- 79 When amounts reported in sustainability-related financial disclosures cannot be measured directly and can only be estimated, measurement uncertainty arises. In some cases, an estimate involves assumptions about possible future events with uncertain outcomes. The use of reasonable estimates is an essential part of preparing sustainability-related financial disclosures and does not undermine the usefulness of the information if the estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information.
- 80 The requirement in paragraph 77 for an entity to disclose information about the uncertainties affecting the amounts reported in sustainability-related financial disclosures relates to the estimates that require the entity's most difficult, subjective or complex judgments. As the number of variables and assumptions increases, those judgments become more subjective and complex, and the uncertainty affecting the amounts reported in the sustainability-related financial disclosures increases accordingly.
- 81 The type and extent of the information an entity might need to disclose vary according to the nature of the amount reported in the sustainability-related financial disclosures – the sources of and the factors contributing to the uncertainty and other circumstances. Examples of the type of information an entity might need to disclose are:
- (a) the nature of the assumption or other source of measurement uncertainty;
  - (b) the sensitivity of the disclosed amount to the methods, assumptions and estimates underlying its calculation, including the reasons for the sensitivity;
  - (c) the expected resolution of an uncertainty and the range of reasonably possible outcomes for the disclosed amount; and
  - (d) an explanation of changes made to past assumptions concerning the disclosed amount, if the uncertainty remains unresolved.
- 82 Other CSDSs may require disclosure of some of the information that an entity would otherwise be required to disclose in accordance with paragraphs 77-78.

## Errors

- 83 **An entity shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is *impracticable* to do so.**
- 84 Prior period errors are omissions from and misstatements in the entity's sustainability-related financial disclosures for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that:
- (a) was available when the sustainability-related financial disclosures for that period(s) were authorized for issue; and
  - (b) could reasonably be expected to have been obtained and considered in the preparation of those disclosures.
- 85 Corrections of errors are distinguished from changes in estimates. Estimates are approximations that an entity might need to revise as additional information becomes known.
- 86 If an entity identifies a material error in its prior period sustainability-related financial disclosures, it shall apply paragraphs B55-B59.

## APPENDIX A

### DEFINED TERMS

*This appendix is an integral part of CSDS 1 and has the same authority as the other parts of the standard.*

<b>business model</b>	An entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfill the entity's strategic purposes and create value for the entity and hence generate cash flows over the short, medium and long term.
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<b>disclosure topic</b>	A specific sustainability-related risk or opportunity based on the activities conducted by entities within a particular industry as set out in a <b>CSDS</b> or a <b>SASB Standard</b> .
<b>general-purpose financial reports</b>	<p>Reports that provide financial information about a <b>reporting entity</b> that is useful to <b>primary users</b> in making decisions relating to providing resources to the entity. Those decisions involve decisions about:</p> <ul style="list-style-type: none"> <li>(a) buying, selling or holding equity and debt instruments;</li> <li>(b) providing or selling loans and other forms of credit; or</li> <li>(c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources.</li> </ul> <p>General-purpose financial reports include – but are not restricted to – an entity's general-purpose financial statements and <b>sustainability-related financial disclosures</b>.</p>
<b>Canadian Sustainability Disclosure Standards</b>	Standards of that name issued by the Canadian Sustainability Standards Board.
<b>impracticable</b>	Applying a requirement is impracticable when an entity cannot apply it after making every reasonable effort to do so.
<b>material information</b>	In the context of <b>sustainability-related financial disclosures</b> , information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that <b>primary users of general-purpose financial reports</b> make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific <b>reporting entity</b> .
<b>primary users of general-purpose financial reports (primary users)</b>	Existing and potential investors, lenders and other creditors.
<b>reporting entity</b>	An entity that is required, or chooses, to prepare general-purpose financial statements.
<b>scenario analysis</b>	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty.
<b>sustainability-related financial disclosures</b>	A particular form of <b>general-purpose financial reports</b> that provide information about the <b>reporting entity's</b> sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term, including information about the entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets.
<b>users of general-purpose financial reports (users)</b>	See primary users of general-purpose financial reports (primary users). These definitions describe the same population.
<b>value chain</b>	<p>The full range of interactions, resources and relationships related to a <b>reporting entity's business model</b> and the external environment in which it operates.</p> <p>A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end of life, including interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.</p>

## APPENDIX B

### APPLICATION GUIDANCE

*This appendix is an integral part of CSDS 1 and has the same authority as the other parts of the standard.*

## **SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES (PARAGRAPHS 11-12)**

- B1 This standard requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (referred to as "sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects") (see paragraph 3).
- B2 An entity's sustainability-related risks and opportunities arise out of the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain. These interactions – which can be direct and indirect – result from operating an entity's business model in pursuit of the entity's strategic purposes and from the external environment in which the entity operates. These interactions take place within an interdependent system in which an entity both depends on resources and relationships throughout its value chain to generate cash flows and affects those resources and relationships through its activities and outputs – contributing to the preservation, regeneration and development of those resources and relationships or to their degradation and depletion. These dependencies and impacts might give rise to sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance and cost of capital over the short, medium and long term.
- B3 For example, if an entity's business model depends on a natural resource – such as water – the entity could both affect and be affected by the quality, availability and affordability of that resource. Specifically, degradation or depletion of that resource – including resulting from the entity's own activities and from other factors – could create a risk of disruption to the entity's operations and affect the entity's business model or strategy and could ultimately negatively affect the entity's financial performance and financial position. In contrast, regeneration and preservation of that resource – including resulting from the entity's own activities and from other factors – could positively affect the entity. Similarly, if an entity operates in a highly competitive market and requires a highly specialized workforce to achieve its strategic purposes, the entity's future success will likely depend on the entity's ability to attract and retain that resource. At the same time, that ability will depend, in part, on the entity's employment practices – such as whether the entity invests in employee training and wellbeing – and the levels of employee satisfaction, engagement and retention. These examples illustrate the close relationship between the value the entity creates, preserves or erodes for others and the entity's own ability to succeed and achieve its goals.
- B4 Resources and relationships that an entity depends on and affects by its activities and outputs can take various forms, such as natural, manufactured, intellectual, human, social or financial. They can be internal – such as the entity's workforce, its know-how or its organizational processes – or they can be external – such as materials and services the entity needs to access or the relationships it has with suppliers, distributors and customers. Furthermore, resources and relationships include, but are not limited to, the resources and relationships recognized as assets in the entity's financial statements.
- B5 An entity's dependencies and impacts are not limited to resources the entity engages with directly, and to the entity's direct relationships. Those dependencies and impacts also relate to resources and relationships throughout the entity's value chain. For example, they can relate to the entity's supply and distribution channels; the effects of the consumption and disposal of the entity's products; and the entity's sources of finance and its investments, including investments in associates and joint ventures. If the entity's business partners throughout its value chain face sustainability-related risks and opportunities, the entity could be exposed to related consequences of its own.

### **Identifying sustainability-related risks and opportunities**

- B6 An entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort (see paragraphs B8-B10):
- (a) to identify the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects; and
  - (b) to determine the scope of its value chain, including its breadth and composition, in relation to each of those sustainability-related risks and opportunities.
- B7 In identifying the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects, an entity shall apply the requirements on sources of guidance in paragraphs 54-55.

### **Reasonable and supportable information**

- B8 Reasonable and supportable information used by an entity in preparing its sustainability-related financial disclosures shall cover factors that are specific to the entity as well as general conditions in the external environment. In some cases – such as in identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects – reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions. Other CSDSs may specify what is reasonable and supportable information in specific cases.

- B9 An entity may use various sources of data that may be both internal and external. Possible data sources include the entity's risk management processes; industry and peer group experience; and external ratings, reports and statistics. Information that is used by the entity in preparing its financial statements, operating its business model, setting its strategy and managing its risks and opportunities is considered to be available to the entity without undue cost or effort.
- B10 An entity need not undertake an exhaustive search for information to identify sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. The assessment of what constitutes undue cost or effort depends on the entity's specific circumstances and requires a balanced consideration of the costs and efforts for the entity and the benefits of the resulting information for primary users. That assessment can change over time as circumstances change.

#### **Reassessment of the scope of sustainability-related risks and opportunities throughout the value chain**

- B11 On the occurrence of a significant event or significant change in circumstances, an entity shall reassess the scope of all affected sustainability-related risks and opportunities throughout its value chain. A significant event or significant change in circumstances can occur without the entity being involved in that event or change in circumstances or as a result of a change in what the entity assesses to be important to users of general-purpose financial reports. For example, such significant events or significant changes in circumstances might include:
- (a) a significant change in the entity's value chain (e.g., a supplier in the entity's value chain makes a change that significantly alters the supplier's greenhouse gas emissions);
  - (b) a significant change in the entity's business model, activities or corporate structure (e.g., a merger or acquisition that expands the entity's value chain); and
  - (c) a significant change in an entity's exposure to sustainability-related risks and opportunities (e.g., a supplier in the entity's value chain is affected by the introduction of a new regulation that the entity had not anticipated).
- B12 An entity is permitted, but not required, to reassess the scope of any sustainability-related risk or opportunity throughout its value chain more frequently than required by paragraph B11.

#### **Materiality (paragraphs 17-19)**

- B13 Paragraph 17 requires an entity to disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Materiality of information is judged in relation to whether omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general-purpose financial reports, which provide information about a specific reporting entity.
- B14 The decisions of primary users relate to providing resources to the entity and involve decisions about:
- (a) buying, selling or holding equity and debt instruments;
  - (b) providing or selling loans and other forms of credit; or
  - (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources.
- B15 The decisions described in paragraph B14 depend on primary users' expectations about returns, for example, dividends, principal and interest payments or market price increases. Those expectations depend on primary users' assessment of the amount, timing and uncertainty of future net cash inflows to the entity and on their assessment of stewardship of the entity's economic resources by the entity's management and its governing body(ies) or individual(s).
- B16 Assessing whether information could reasonably be expected to influence the decisions made by primary users requires consideration of the characteristics of those users and of the entity's own circumstances.
- B17 Sustainability-related financial disclosures are prepared for primary users who have reasonable knowledge of business and economic activities and who review and analyze information diligently. At times, even well-informed and diligent users may need to seek the aid of an advisor to understand sustainability-related financial information.
- B18 Individual primary users may have different, and sometimes even conflicting, information needs and desires. Information needs of primary users may also evolve over time. Sustainability-related financial disclosures are intended to meet common information needs of primary users.

#### **Identifying material information**

- B19 Materiality judgments are specific to an entity. Consequently, this standard does not specify any thresholds for materiality or predetermine what would be material in a particular situation.
- B20 To identify material information about a sustainability-related risk or opportunity, an entity shall apply, as the starting point, the requirements of the CSDS that specifically applies to that sustainability-related risk or opportunity. In the absence of a CSDS that specifically applies to a sustainability-related risk or opportunity, the entity shall apply the

requirements on sources of guidance specified in paragraphs 57-58. Those sources specify information, including metrics, that may be relevant to a particular sustainability-related risk or opportunity, to a particular industry or in specified circumstances.

- B21 An entity shall assess whether the information identified in applying paragraph B20, either individually or in combination with other information, is material in the context of the entity's sustainability-related financial disclosures taken as a whole. In assessing whether information is material, an entity shall consider both quantitative and qualitative factors. For example, an entity might consider the magnitude and the nature of the effect of a sustainability-related risk or opportunity on the entity.
- B22 In some cases, CSDSs require the disclosure of information about possible future events with uncertain outcomes. In judging whether information about such possible future events is material, an entity shall consider:
- (a) the potential effects of the events on the amount, timing and uncertainty of the entity's future cash flows over the short, medium and long term (referred to as "the possible outcome"); and
  - (b) the range of possible outcomes and the likelihood of the possible outcomes within that range.
- B23 When considering possible outcomes, an entity shall consider all pertinent facts and circumstances. Information about a possible future event is more likely to be judged as being material if the potential effects are significant and the event is likely to occur. However, an entity shall also consider whether information about low-probability and high-impact outcomes might be material either individually or in combination with information about other low-probability and high-impact outcomes. For example, an entity might be exposed to several sustainability-related risks, each of which could cause the same type of disruption – such as disruption to the entity's supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk – the risk of supply chain disruption from all sources – might be material.
- B24 If a possible future event is expected to affect an entity's cash flows, but only many years in the future, information about that event is usually less likely to be judged material than information about a possible future event with similar effects that are expected to occur sooner. However, in some circumstances, an item of information could reasonably be expected to influence primary users' decisions regardless of the magnitude of the potential effects of the future event or the timing of that event. For example, this might happen if information about a particular sustainability-related risk or opportunity is highly scrutinized by primary users of an entity's general-purpose financial reports.
- B25 An entity need not disclose information otherwise required by a CSDS if the information is not material. This is the case even if the CSDS contains a list of specific requirements or describes them as minimum requirements.
- B26 An entity shall disclose additional information when compliance with the specifically applicable requirements in a CSDS is insufficient to enable users of general-purpose financial reports to understand the effects of sustainability-related risks and opportunities on the entity's cash flows, its access to finance and cost of capital over the short, medium and long term.
- B27 An entity shall identify its sustainability-related financial disclosures clearly and distinguish them from other information provided by the entity (see paragraph 62). An entity shall not obscure material information. Information is obscured if it is communicated in a way that would have a similar effect for primary users to omitting or misstating that information. Examples of circumstances that might result in material information being obscured include:
- (a) material information is not clearly distinguished from additional information that is not material;
  - (b) material information is disclosed in the sustainability-related financial disclosures, but the language used is vague or unclear;
  - (c) material information about a sustainability-related risk or opportunity is scattered throughout the sustainability-related financial disclosures;
  - (d) items of information that are dissimilar are inappropriately aggregated;
  - (e) items of information that are similar are inappropriately disaggregated; and
  - (f) the understandability of the sustainability-related financial disclosures is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.
- B28 An entity shall reassess its materiality judgments at each reporting date to take account of changed circumstances and assumptions. Because of changes in the entity's individual circumstances, or in the external environment, some types of information included in an entity's sustainability-related financial disclosures for prior periods might no longer be material. Conversely, some types of information not previously disclosed might become material.

### **Aggregation and disaggregation**

- B29 When an entity applies CSDSs, it shall consider all facts and circumstances and decide how to aggregate and disaggregate information in its sustainability-related financial disclosures. The entity shall not reduce the understandability of its

sustainability-related financial disclosures by obscuring material information with immaterial information or by aggregating material items of information that are dissimilar to each other.

- B30 An entity shall not aggregate information if doing so would obscure information that is material. Information shall be aggregated if items of information have shared characteristics and shall not be aggregated if they do not have shared characteristics. The entity might need to disaggregate information about sustainability-related risks and opportunities, for example, by geographical location or in consideration of the geopolitical environment. For example, to ensure that material information is not obscured, an entity might need to disaggregate information about its use of water to distinguish between water drawn from abundant sources and water drawn from water-stressed areas.

#### **Interaction with law or regulation**

- B31 Law or regulation might specify requirements for an entity to disclose sustainability-related information in its general-purpose financial reports. In such circumstances, the entity is permitted to include in its sustainability-related financial disclosures information to meet legal or regulatory requirements, even if that information is not material. However, such information shall not obscure material information.
- B32 An entity shall disclose material sustainability-related financial information, even if law or regulation permits the entity not to disclose such information.
- B33 An entity need not disclose information otherwise required by a CSDS if law or regulation prohibits the entity from disclosing that information. If an entity omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction.

#### **Commercially sensitive information**

- B34 If an entity determines that information about a sustainability-related opportunity is commercially sensitive in the limited circumstances described in paragraph B35, the entity is permitted to omit that information from its sustainability-related financial disclosures. Such an omission is permitted even if information is otherwise required by a CSDS and the information is material.
- B35 An entity qualifies for the exemption specified in paragraph B34 if, and only if:
- (a) information about the sustainability-related opportunity is not already publicly available;
  - (b) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the entity would otherwise be able to realize in pursuing the opportunity; and
  - (c) the entity has determined that it is impossible to disclose that information in a manner – for example, at an aggregated level – that would enable the entity to meet the objectives of the disclosure requirements without prejudicing seriously the economic benefits the entity would otherwise be able to realize in pursuing the opportunity.
- B36 If an entity elects to use the exemption specified in paragraph B34, the entity shall, for each item of information omitted:
- (a) disclose the fact that it has used the exemption; and
  - (b) reassess, at each reporting date, whether the information qualifies for the exemption.
- B37 An entity is prohibited from using the exemption specified in paragraph B34 in relation to a sustainability-related risk or as a basis for broad non-disclosure of sustainability-related financial information.

#### **Reporting entity (paragraph 20)**

- B38 Paragraph 20 requires that sustainability-related financial disclosures shall be for the same reporting entity as the related financial statements. For example, consolidated financial statements prepared in accordance with IFRS Accounting Standards provide information about the parent and its subsidiaries as a single reporting entity. Consequently, that entity's sustainability-related financial disclosures shall enable users of general-purpose financial reports to understand the effects of the sustainability-related risks and opportunities on the cash flows, access to finance and cost of capital over the short, medium and long term for the parent and its subsidiaries.

#### **Connected information (paragraphs 21-24)**

- B39 Paragraph 21 requires an entity to provide information in a manner that enables users of general-purpose financial reports to understand connections both between the items to which the information relates and between disclosures provided by the entity in its general-purpose financial reports.
- B40 Connected information provides insight into connections between the items to which the information relates. For example:



- (a) if an entity pursued a particular sustainability-related opportunity and that resulted in an increase in the entity's revenue, connected information will depict that relationship between the entity's strategy and its financial performance;
- (b) if an entity identified a trade-off between two sustainability-related risks it is exposed to and took action on the basis of its assessment of that trade-off, connected information will depict the relationship between those risks and the entity's strategy; and
- (c) if an entity committed to a particular sustainability-related target, but that commitment has not yet affected the entity's financial position or financial performance because the applicable recognition criteria have not been met, connected information will depict that relationship.

B41 Connected information includes:

- (a) connections between various types of information about a particular sustainability-related risk or opportunity, such as:
  - (i) between disclosures on governance, strategy and risk management; and
  - (ii) between narrative information and quantitative information (including related metrics and targets and information in the related financial statements).
- (b) connections between disclosures about various sustainability-related risks and opportunities. For example, if an entity integrates its oversight of sustainability-related risks and opportunities, the entity shall integrate the disclosures on governance instead of providing separate disclosures on governance for each sustainability-related risk and opportunity.

B42 Drawing connections between disclosures involves, but is not limited to, providing necessary explanations and cross-references and using consistent data, assumptions and units of measure. In providing connected information, an entity shall:

- (a) explain connections between disclosures in a clear and concise manner;
- (b) avoid unnecessary duplication if CSDSs require the disclosure of common items of information; and
- (c) disclose information about significant differences between the data and assumptions used in preparing the entity's sustainability-related financial disclosures and the data and assumptions used in preparing the related financial statements.

B43 For example, in providing connected information an entity might need to explain the effect or likely effect of its strategy on its financial statements and financial planning, or explain how that strategy relates to the metrics the entity uses to measure progress against targets. Another entity might need to explain how its use of natural resources or changes within its supply chain could amplify or, in contrast, reduce its sustainability-related risks and opportunities. The entity might need to link the information about its use of natural resources or changes within its supply chain to information about current or anticipated financial effects on the entity's production costs, its strategic response to mitigate those risks and its related investment in new assets. The entity might need to link narrative information to the related metrics and targets and to information in the related financial statements.

B44 Other examples of connected information include:

- (a) an explanation of the combined effects of the entity's sustainability-related risks and opportunities and its strategy on its financial position, financial performance and cash flows over the short, medium and long term. For example, an entity might face decreasing demand for its products because of consumer preferences for lower-carbon alternatives. The entity might need to explain how its strategic response, such as closing a major factory, could affect its workforce and local communities, and the effect of such a closure on the useful lives of its assets and on impairment assessments.
- (b) a description of the alternatives that an entity evaluated in setting its strategy in response to its sustainability-related risks and opportunities, including a description of the trade-offs between those risks and opportunities that the entity considered (see paragraph 33(c)). For example, an entity might need to explain the potential effects of its decision to restructure its operations in response to a sustainability-related risk on the future size and composition of the entity's workforce.

## Information included by cross-reference (paragraph 63)

B45 Information required by a CSDS might be available in another report published by the entity. For example, the required information could be disclosed in the related financial statements. Material information can be included in an entity's sustainability-related financial disclosures by cross-reference, provided that:

- (a) the cross-referenced information is available on the same terms and at the same time as the sustainability-related financial disclosures; and

- (b) the complete set of sustainability-related financial disclosures is not made less understandable by including information by cross-reference.
- B46 Information included by cross-reference becomes part of the complete set of sustainability-related financial disclosures and shall comply with the requirements of CSDSs. For example, it needs to be relevant, representationally faithful, comparable, verifiable, timely and understandable. The body(ies) or individual(s) that authorizes the general-purpose financial reports takes the same responsibility for the information included by cross-reference as it does for the information included directly.
- B47 If information required by a CSDS is included by cross-reference:
  - (a) the sustainability-related financial disclosures shall clearly identify the report within which that information is located and explain how to access that report; and
  - (b) the cross-reference shall be to a precisely specified part of that report.

## **Interim reporting (paragraph 69)**

- B48 In the interest of timeliness and cost considerations, and to avoid repetition of information previously reported, an entity may be required or choose to provide less information at interim dates than it provides in its annual sustainability-related financial disclosures. Interim sustainability-related financial disclosures are intended to provide an update on the latest complete set of annual disclosures of sustainability-related financial information. These disclosures focus on new information, events and circumstances and do not duplicate information previously reported. Although the information provided in interim sustainability-related financial disclosures may be more condensed than in annual sustainability-related financial disclosures, an entity is not prohibited or discouraged from publishing a complete set of sustainability-related financial disclosures as specified in this standard as part of its interim general-purpose financial report.

## **Comparative information (paragraphs 52, 70 and 83-86)**

- B49 Paragraph 70 requires an entity to disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period.

### **Metrics**

- B50 In some cases, the amount disclosed for a metric is an estimate. Except as specified in paragraph B51, if an entity identifies new information in relation to the estimated amount disclosed in the preceding period and the new information provides evidence of circumstances that existed in that period, the entity shall:
  - (a) disclose a revised comparative amount that reflects that new information;
  - (b) disclose the difference between the amount disclosed in the preceding period and the revised comparative amount; and
  - (c) explain the reasons for revising the comparative amount.
- B51 In applying the requirement in paragraph B50, an entity need not disclose a revised comparative amount:
  - (a) if it is impracticable to do so (see paragraph B54).
  - (b) if the metric is forward-looking. Forward-looking metrics relate to possible future transactions, events and other conditions. The entity is permitted to revise a comparative amount for a forward-looking metric if doing so does not involve the use of hindsight.
- B52 If an entity redefines or replaces a metric in the reporting period, the entity shall:
  - (a) disclose a revised comparative amount unless it is impracticable to do so;
  - (b) explain the changes; and
  - (c) explain the reasons for those changes, including why the redefined or replacement metric provides more useful information.
- B53 If an entity introduces a new metric in the reporting period, it shall disclose a comparative amount for that metric unless it is impracticable to do so.
- B54 Sometimes, it is impracticable to revise a comparative amount to achieve comparability with the reporting period. For example, data might not have been collected in the preceding period in a way that allows retrospective application of a new definition of a metric, and it might be impracticable to recreate the data. If it is impracticable to revise a comparative amount for the preceding period, an entity shall disclose that fact.

### **Errors**

- B55 Paragraph 83 requires an entity to correct material prior period errors.
- B56 Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics or targets, oversights or misinterpretations of facts, and fraud.
- B57 Potential reporting period errors discovered in that period are corrected before the sustainability-related financial disclosures are authorized for issue. However, material errors are sometimes not discovered until a subsequent period.
- B58 If an entity identifies a material error in its prior period(s) sustainability-related financial disclosures, it shall disclose:
- (a) the nature of the prior period error;
  - (b) the correction, to the extent practicable, for each prior period disclosed; and
  - (c) if correction of the error is impracticable, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.
- B59 When it is impracticable to determine the effect of an error on all prior periods presented, the entity shall restate the comparative information to correct the error from the earliest date practicable.

## APPENDIX C

### SOURCES OF GUIDANCE

*This appendix is an integral part of CSDS 1 and has the same authority as the other parts of the standard.*

- C1 This standard requires (see paragraph 57) that in the absence of a CSDS that specifically applies to a sustainability-related risk or opportunity, an entity shall apply judgment to identify information that:
- (a) is relevant to the decision-making of users of general-purpose financial reports; and
  - (b) faithfully represents that sustainability-related risk or opportunity.
- C2 In making that judgment, an entity may – to the extent that these sources assist the entity in meeting the objective of this standard (see paragraphs 1-4) and do not conflict with CSDSs – refer to and consider the applicability of:
- (a) the Global Reporting Initiative Standards; and
  - (b) the European Sustainability Reporting Standards.
- C3 In applying the sources of guidance specified in paragraph C2, an entity shall not obscure material information required by CSDSs (see paragraph B27). If an entity applies the sources of guidance specified in paragraph C2 without applying the requirements in CSDSs, the entity shall not make an explicit and unreserved statement of compliance with CSDSs.

## APPENDIX D

### QUALITATIVE CHARACTERISTICS OF USEFUL SUSTAINABILITY-RELATED FINANCIAL INFORMATION

*This appendix is an integral part of CSDS 1 and has the same authority as the other parts of the standard.*

#### Introduction

- D1 The *Conceptual Framework for Financial Reporting (Conceptual Framework)* was issued by the International Accounting Standards Board (IASB). It describes the objective of, and the concepts that apply to, general-purpose financial reports. One purpose of the *Conceptual Framework* is to assist the IASB to develop IFRS Accounting Standards for preparing financial statements based on consistent concepts.
- D2 Sustainability-related financial disclosures are part of general-purpose financial reports. The qualitative characteristics in the *Conceptual Framework*, therefore, apply to sustainability-related financial information. However, the nature of some of the information required to meet the objective of this standard (see paragraphs 1-4) differs in some respects from the information provided in financial statements.
- D3 Sustainability-related financial information is useful if it is relevant and faithfully represents what it purports to represent. Relevance and faithful representation are fundamental qualitative characteristics of useful sustainability-related financial information. The usefulness of sustainability-related financial information is enhanced if the information is comparable, verifiable, timely and understandable. Comparability, verifiability, timeliness and understandability are enhancing characteristics of useful sustainability-related financial information.

## **Fundamental qualitative characteristics of useful sustainability-related financial information**

### **Relevance**

- D4 Relevant sustainability-related financial information is capable of making a difference in the decisions made by primary users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Sustainability-related financial information is capable of making a difference in decisions made by users if it has predictive value, confirmatory value or both.
- D5 Sustainability-related financial information has predictive value if it can be used as an input to processes employed by primary users to predict future outcomes. Sustainability-related financial information need not be a prediction or forecast to have predictive value. Sustainability-related financial information with predictive value is employed by primary users in making their own predictions. For example, information about water quality, which can include information about the water being polluted, could inform the expectations of users about the ability of an entity to meet local water-quality requirements.
- D6 Sustainability-related financial information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.
- D7 The predictive value and confirmatory value of sustainability-related financial information are interrelated. Information that has predictive value often also has confirmatory value. For example, information for the current year about greenhouse gas emissions, which can be used as the basis for predicting greenhouse gas emissions in future years, can also be compared with predictions about greenhouse gas emissions for the current year that were made in past years. The results of those comparisons can help a user to correct and improve the processes that were used to make those previous predictions.

### **Materiality**

- D8 Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general-purpose financial reports make on the basis of those reports, which provide information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance. The materiality of information is assessed in the context of an entity's sustainability-related financial disclosures and is based on the nature or magnitude of the item to which the information relates, or both.

### **Faithful representation**

- D9 Sustainability-related financial information represents phenomena in words and numbers. To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent.
- D10 To be a faithful representation, a depiction would be complete, neutral and accurate. The objective of general-purpose financial reports is to maximize those qualities to the extent possible.
- D11 A complete depiction of a sustainability-related risk or opportunity includes all material information necessary for primary users to understand that risk or opportunity.
- D12 Sustainability-related financial information shall be neutral. A neutral depiction is one without bias in the selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasized, de-emphasized or otherwise manipulated to make it more likely that primary users will receive that information favourably or unfavourably. Neutral information is not information without purpose or without influence on behaviour. On the contrary, relevant information is, by definition, capable of making a difference in users' decisions.
- D13 Some sustainability-related financial information – for example, targets or plans – is aspirational. A neutral discussion of such matters covers both aspirations and the factors that could prevent an entity from achieving these aspirations.
- D14 Neutrality is supported by the exercise of prudence. Prudence is the exercise of caution when making judgments under conditions of uncertainty. The exercise of prudence means that opportunities are not overstated and risks are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks.
- D15 Sustainability-related financial information shall be accurate. Information can be accurate without being perfectly precise in all respects. The precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the matters to which it relates. For example, accuracy requires that:
  - (a) factual information is free from material error;
  - (b) descriptions are precise;

- (c) estimates, approximations and forecasts are clearly identified as such;
- (d) no material errors are made in selecting and applying an appropriate process for developing an estimate, approximation or forecast;
- (e) assertions and inputs used in developing estimates are reasonable and based on information of sufficient quality and quantity; and
- (f) information on judgments about the future faithfully reflects both those judgments and the information on which they are based.

## **Enhancing qualitative characteristics of useful sustainability-related financial information**

- D16 The usefulness of sustainability-related financial information is enhanced if it is comparable, verifiable, timely and understandable.

### **Comparability**

- D17 The decisions made by the primary users of general-purpose financial reports involve choosing between alternatives; for example, selling or holding an investment, or investing in one reporting entity or another. Comparability is the characteristic that enables users to identify and understand similarities in, and differences among, items. Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items. Information is more useful to users if it is also comparable, that is, if it can be compared with:
- (a) information provided by the entity in previous periods; and
  - (b) information provided by other entities, in particular those with similar activities or operating within the same industry.
- D18 Sustainability-related financial disclosures shall be provided in a way that enhances comparability.
- D19 Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for providing disclosures about the same sustainability-related risks and opportunities, from period to period, both by a reporting entity and other entities. Comparability is the goal; consistency helps to achieve that goal.
- D20 Comparability is not uniformity. For information to be comparable, like things shall look alike and different things shall look different. Comparability of sustainability-related financial information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

### **Verifiability**

- D21 Verifiability helps to give users confidence that information is complete, neutral and accurate. Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiable information is more useful to primary users than information that is not verifiable.
- D22 Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities could also be verified.
- D23 Sustainability-related financial information shall be provided in a way that enhances its verifiability. Verifiability can be enhanced by, for example:
- (a) including information that can be corroborated by comparing it with other information available to primary users about an entity's business, about other businesses or about the external environment in which the entity operates;
  - (b) providing information about inputs and methods of calculation used to produce estimates or approximations; and
  - (c) providing information reviewed and agreed by the entity's board, board committees or equivalent bodies.
- D24 Some sustainability-related financial information will be presented as explanations or forward-looking information. That information can be supportable, for example, by faithfully representing fact-based strategies, plans and risk analyses. To help primary users decide whether to use such information, an entity shall describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that the information reflects the actual plans or decisions made by the entity.

### **Timeliness**

- D25 Timeliness means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older information is, the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

### **Understandability**

- D26 Sustainability-related financial information shall be clear and concise. For sustainability-related financial disclosures to be concise, they need:
- (a) to avoid generic information, sometimes called “boilerplate”, that is not specific to the entity;
  - (b) to avoid duplication of information in the general-purpose financial reports, including unnecessary duplication of information also provided in the related financial statements; and
  - (c) to use clear language and clearly structured sentences and paragraphs.
- D27 The clearest form a disclosure can take will depend on the nature of the information and might include tables, graphs or diagrams in addition to narrative text. If graphs or diagrams are used, additional text or tables might be necessary to avoid obscuring material detail.
- D28 Clarity might be enhanced by distinguishing information about developments in the reporting period from “standing” information that remains unchanged, or changes little, from one period to the next – for example, by separately describing features of an entity’s sustainability-related governance and risk management processes that have changed since the previous reporting period.
- D29 Disclosures are concise if they include only material information. Any immaterial information included shall be provided in a way that avoids obscuring material information.
- D30 Some sustainability-related risks and opportunities are inherently complex and might be difficult to present in a manner that is easy to understand. An entity shall present such information as clearly as possible. However, complex information about these risks and opportunities shall not be excluded from general-purpose financial reports to make those reports easier to understand. Excluding such information would render those reports incomplete and, therefore, possibly misleading.
- D31 The completeness, clarity and comparability of sustainability-related financial information all rely on information being presented as a coherent whole. For sustainability-related financial information to be coherent, it shall be presented in a way that explains the context and the connections between the related items of information.
- D32 If sustainability-related risks and opportunities located in one part of an entity’s general-purpose financial reports have implications for information disclosed in other parts, the entity shall include the information necessary for users to assess those implications.
- D33 Coherence also requires an entity to provide information in a way that allows users to relate information about its sustainability-related risks and opportunities to information in the entity’s financial statements.

## **APPENDIX E**

### **EFFECTIVE DATE AND TRANSITION**

*This appendix is an integral part of CSDS 1 and has the same authority as the other parts of the standard.*

#### **Effective date**

- E1 An entity shall apply this standard for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. If an entity applies this standard earlier, it shall disclose that fact and apply CSDS 2 *Climate-related Disclosures* at the same time.
- E2 For the purposes of applying paragraphs E3-E6, the date of initial application is the beginning of the annual reporting period in which an entity first applies this standard.

#### **Transition**

- E3 An entity is not required to provide the disclosures specified in this standard for any period before the date of initial application. Accordingly, an entity is not required to disclose comparative information in the first annual reporting period in which it applies this standard.
- E4 In the first three annual reporting periods in which an entity applies this standard, the entity is permitted to report its sustainability-related financial disclosures after it publishes its related financial statements.

- (a) In applying this transition relief in the first year, an entity shall report its sustainability-related financial disclosures:
    - (i) at the same time as its next second-quarter or half-year interim general-purpose financial report, if the entity is required to provide such an interim report;
    - (ii) at the same time as its next second-quarter or half-year interim general-purpose financial report, but within nine months of the end of the annual reporting period in which the entity first applies this standard, if the entity voluntarily provides such an interim report; or
    - (iii) within nine months of the end of the annual reporting period in which the entity first applies this standard, if the entity is not required to and does not voluntarily provide an interim general-purpose financial report.
  - (b) In applying this transition relief in each of the next two annual reporting periods immediately following the first year, an entity shall report its sustainability-related financial disclosures within six months of the end of each such annual reporting period.
- E5 In the first two annual reporting periods in which an entity applies this standard, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with CSDS 2) and consequently apply the requirements in this standard only insofar as they relate to the disclosure of information on climate-related risks and opportunities. If an entity uses this transition relief, it shall disclose that fact.
- E6 If an entity uses the transition relief in paragraph E5:
- (a) in the first annual reporting period in which the entity applies this standard, it is not required to disclose comparative information about its climate-related risks and opportunities (see paragraph E3); and
  - (b) in the third annual reporting period in which the entity applies this standard, it is not required to disclose comparative information about its sustainability-related risks and opportunities, other than its climate-related risks and opportunities.
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## Footnotes

1. Throughout this standard, the terms “primary users” and “users” are used interchangeably, with the same meaning.
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