BASIS FOR CONCLUSIONS

CANADIAN SUSTAINABILTY DISCLOSURE STANDARD (CSDS) 2

Climate-related Disclosures

December 2024

CONTENTS	**Paragraph**

Background

The Canadian Sustainability Standards Board (CSSB) was established in June 2022 as the result of an early recommendation from the Independent Review Committee on Standard Setting in Canada (IRCSS). The IRCSS was tasked by the existing accounting and audit standard-setting oversight councils to review standard setting in Canada. The Committee released its final recommendations in March 2023 after extensive public input.

Among other important conclusions, the IRCSS recommended that establishing the CSSB was warranted due to rapidly increasing changes in this area, including the following:

- Investors and other interested and affected parties demanding higher-quality information and insights beyond conventional financial statements, including about climate and other environmental, social and governance matters.
- The existing – and growing – variety of sustainability-reporting standards, metrics and frameworks have different requirements and often inconsistent application.

- Interested and affected parties expressing an urgent need for transparency, consistency and comparability in sustainability reporting and alignment with the International Sustainability Standards Board's (ISSB) global framework.
- The progress of international reporting on sustainability is accelerating. It is important to ensure Canadian standards are relevant, responsive and fit for purpose in Canada, and focus on matters material to the decisions of investors and other participants in capital markets.

The CSSB is an independent entity, distinct from other standard-setting boards and regulatory bodies. The Board assesses the applicability and fitness for purpose of international sustainability disclosure standards for the Canadian context – applying the expertise and experience of sustainability professionals to sustainability standard setting. Therefore, the Board's role is complementary to, and not duplicative of, the roles of governments and regulators.

Executive Summary

1. The CSSB has deliberated on the public feedback received with regards to CSDS 2, *Climate-related Disclosures*, as part of the consultation that closed on June 10, 2024. The Board considered the variety of views raised, applied its Criteria for Modification Framework and deliberated carefully on modifications necessary to adapt IFRS S2 to the Canadian context in order to best serve the Canadian public interest.
2. This Basis for Conclusion summarizes the CSSB's considerations in finalizing CSDS 2. The number of participants heard from on each of the Board's questions is included below. These participants were both individuals who provided views on behalf of a large organization or industry association and individuals representing their own views.
3. Changes from IFRS S2 *Climate-related Disclosures* included in CSDS 2 are summarized as follows:

Item	**IFRS S2 Standard**	**CSDS 2 Exposure Draft**	**CSDS 2** **Final Standard**
Effective date	January 1, 2024	January 1, 2025	January 1, 2025
Climate resilience			
Transition relief	No relief	No relief	3 years relief on quantitative scenario analysis requirement
Impact on fiscal-year start date (if annual reporting period is based on the calendar year)	January 1, 2024	January 1, 2025 (assuming an entity adopts the standard on January 1, 2025)	January 1, 2028 (assuming an entity adopts the standard on January 1, 2025)
Scope 3 greenhouse gas emissions			
Transition relief	1 year	2 years	3 years
Impact on fiscal-year start date (if annual reporting period is based on the calendar year)	January 1, 2025	January 1, 2027 (assuming an entity adopts the standard on January 1, 2025)	January 1, 2028 (assuming an entity adopts the standard on January 1, 2025)

Introduction

4. The benefits of global standardization of sustainability disclosure include both an increased ability to attract international and Canadian capital and to improve Canada's reputation for transparency with regards to disclosure of material sustainability risks in capital markets.
5. Standard setting in Canada is inherently a complex process that requires careful consideration of various, and often competing, interests and perspectives. It involves engaging a diverse range of interested and affected parties each with their own priorities and concerns. The CSSB's challenge lies in considering these divergent views to create standards that not only promote transparency and accountability but also reflect the Canadian public interest.
6. This Basis for Conclusions outlines how the CSSB balanced the interests and perspectives provided to the Board with regards to CSDS 2.

Overview

7. Responsibility for the mandatory adoption of this standard lies with Canada's regulatory bodies.

8. On June 26, 2023, the ISSB released IFRS S2, which outlines the general requirements for disclosing sustainability-related financial information. The CSSB used IFRS S2 as a foundation to create CSDS 2. Proposed changes were in line with its Criteria for Modification Framework (the Framework), which considers the Canadian public interest. This Framework guided the Board's decision-making process and final decisions.

9. The CSSB issued the Exposure Draft on CSDS 2 in March 2024 and invited comments on all elements of the proposal, with specific questions on climate-resiliency assessments, Scope 3 greenhouse gas emissions, and other issues.

10. During the comment period, which concluded on June 10, 2024, the CSSB received 169 comment letters and 110 survey submissions. These written submissions were supplemented by feedback received during 48 consultation roundtables and small sessions. Through these various channels, the Board received extensive feedback from a total of 529 participants.

CSSB's decision-making process

11. The Framework serves as a guide to assess whether additions to, deletions from and/or amendments to an IFRS Sustainability Disclosure is required. This Framework guided the CSSB's proposals in reviewing the comments on the Exposure Draft.

Overview of decisions made

12. **Climate-resiliency assessment:** The CSSB decided to provide three years of transition relief on the quantitative scenario analysis requirement in paragraphs 22 and B17 of CSDS 2. The Board has extended this same three-year relief to the quantitative financial disclosure requirement in paragraphs 15-17 of CSDS 2 to the extent only that such quantitative information could only be obtained by undertaking such quantitative scenario analysis. The transition relief aims to balance the near-term challenges faced by preparers with the long-term benefits sought by users of the information.

13. **Scope 3 greenhouse gas emissions:** The CSSB decided to extend the transition relief period from two to three years. This extension is to allow for additional time for an entity to develop the skills, processes and capacity required to disclose material Scope 3 greenhouse gas emissions while balancing this against the need to address climate-related risks.

14. **Other issues:** The CSSB maintained the content within Scope, Objective, Core Content and Appendices A-C sections of CSDS 2.

Purpose

15. This Basis for Conclusions advises interested and affected parties of the following:

    (a) The ISSB-issued the Basis for Conclusions for IFRS S2. The document summarizes the ISSB's considerations in developing the baseline standard.

    (b) The CSSB's considerations and reasoning in finalizing CSDS 2. In addition to referencing significant consultation feedback, this document outlines key decisions and their accompanying rationale.

Specific Issues

Climate resilience

16. The CSSB received responses to this question from 245 unique participants. The feedback was nearly equally divided with mostly preparers in favour of transition relief and mostly investors opposed.

17. The Exposure Draft proposed no modifications to the IFRS S2 requirement for an entity to perform a climate-resiliency assessment. IFRS S2 did not include any transition relief on climate resilience disclosure (paragraph 22 of IFRS S2). The CSSB sought feedback on whether transitional relief is required for entities applying CSDS 2.

18. References to the Task Force on Climate-related Financial Disclosures' (TCFD) "Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities" (2017) and "Guidance on Scenario Analysis for Non-Financial Companies" (2020) for related application guidance are included within CSDS 2. The CSSB sought feedback on what additional guidance an entity would require, beyond those already referenced, in order to apply CSDS 2.

Arguments in favour of transition relief

19. Many respondents indicated that transition relief is required for climate resilience disclosures. Their key reasons included:

    (a) resource constraints;

    (b) nascency of methodologies;

(c) process limitations; and

(d) concerns over information quality.

20. Preparers specifically mentioned the time is needed to:

(a) learn how to use qualitative and quantitative scenario analysis methodologies; and

(b) adapt their processes to integrate complex climate-related data into their reporting.

21. Most respondents who supported transition relief preferred a period of two or more years.

Requests for additional guidance

22. Many respondents indicated the need for additional technical or interpretive guidance on conducting scenario analysis. They also highlighted the need for interpretive guidance on proportionality-related terms, such as "reasonable and supportable information...without undue cost or effort" and "consideration of skills, capabilities and resources". Additionally, they sought guidance on when companies should report using quantitative versus qualitative data. Respondents also urged the CSSB to provide industry- and sector-specific guidance, along with best practice examples, key inputs and assumptions.

Arguments against transition relief

23. Some respondents indicated that transition relief is unnecessary. Respondents against transitional relief acknowledged the nascency of methodologies and the near-term challenges that preparers will face. However, users believe that it is important for companies to begin, even if just qualitatively, allowing their processes and the quality of disclosures to improve over time. Respondents also indicated that proportionality measures contained in the standard provide sufficient accommodation to allow companies to build the necessary capacity.

CSSB's determination

24. The CSSB acknowledged the nascency of scenario analysis methodologies, lack of skills and resource concerns, as raised by many respondents and that this work will be new for many companies.

25. The CSSB acknowledged the long-term benefits of scenario analysis to assess an entity's climate resilience while recognizing the near-term challenges for preparers.

26. The CSSB considered cross-cutting feedback received from preparers on issues related to both CSDS 1 and CSDS 2 regarding the complexities associated with preparing quantitative disclosures along with the need for additional guidance on these disclosures.

27. When contemplating an appropriate relief period, the CSSB looked to other standard setters, such as the International Accounting Standards Board, where there is a practice of providing three years of transition relief when new and highly complex accounting standards are introduced.

28. Consequently, the CSSB decided to provide three-year transition relief on the quantitative scenario analysis requirement for all entities.

29. This three-year transition relief:

(a) requires all companies to perform qualitative scenario analysis in the first year it applies the standard;

(b) allows preparers time to learn how to perform quantitative scenario analysis and to use this information to assess its climate resilience;

(c) provides time for preparers to build the necessary skills, capabilities and resources; and

(d) provides time for the data quality to improve.

30. Further, the CSSB determined that transition relief on the quantitative scenario analysis requirement could impact quantitative requirements in paragraphs 15-17 of CSDS 2 to the extent that such information could only be obtained by undertaking quantitative scenario analysis. Therefore, the Board determined it was necessary that, for each annual reporting period in which the entity uses the quantitative scenario analysis relief, it shall not be required to report quantitative information otherwise required by paragraphs 15-17 of CSDS 2, to the extent only that such quantitative information could only be obtained by undertaking such quantitative analysis.

31. The transition relief aims to balance the near-term challenges faced by preparers with the long-term benefits sought by users of quantitative disclosures.

32. The CSSB acknowledged the need for implementation guidance and resolved to:

(a) collaborate with the ISSB and other jurisdictional standard-setting bodies to identify and clarify universal concepts;

(b) determine, as part of its strategic planning, the CSSB's approach to guidance development and educational support, factoring in:

    (i) the broad range of guidance options available (which could include, for example, creating a directory of supporting material created by others); and

    (ii) the role that others in the reporting system can, or may be better positioned to, fulfill; and

(c) pursue further information-sharing opportunities with regulatory bodies (e.g., Canadian Securities Administrators (CSA), Office of the Superintendent of Financial Institutions (OSFI)) to understand significant disclosure challenges encountered by Canadian entities in implementing CSDS 2.

Safe harbour provisions

33. A few respondents raised concerns over exposure to new liabilities and litigation arising from additional disclosure, uncertainties associated with forward-looking statements, and the risk of confidentiality breaches.

CSSB's determination

34. The CSSB noted that it lacks the legal authority to grant any exemptions from liability, as this responsibility falls under the jurisdiction of securities administrators and governments.

Scope 3 greenhouse gas emissions

35. The Exposure Draft proposed that an entity be required to report its Scope 3 greenhouse gas emissions, with transition relief provided in the first two years of adopting CSDS 2. The CSSB sought feedback on whether any further relief or accommodation was needed for an entity to develop skills, processes and the required capacity to report Scope 3 greenhouse gas emissions disclosures at the same time as the general-purpose financial reports.

36. Respondents were nearly evenly split between those supporting the CSSB's proposal for Scope 3 greenhouse gas emissions disclosure relief and those requesting additional relief.

37. The CSSB received responses to this question from 258 unique participants.

Arguments against further relief or accommodation

38. Many respondents felt the CSSB's proposed two-year relief was either adequate or too long.

39. Those in favour of the proposal believed it provided enough time for preparers to build reporting capabilities while ultimately ensuring disclosure of material Scope 3 greenhouse gas emissions. Some respondents, however, argued for removing the proposed relief to better align with the baseline set by IFRS S2, given their view of the need for standardized Scope 3 greenhouse gas emissions disclosure. A few respondents noted that Scope 3 greenhouse gas emissions reporting requirements in other jurisdictions, including the European Union, will mandate the reporting of this information prior to the provision coming into effect under CSDS 2.

40. The most common theme cited by those who supported the two-year relief (or less) was the belief that progress over perfection is key.

Arguments in favour of further relief or accommodation

41. Many respondents believed the proposed two-year relief was not adequate.

42. The most common reasons cited by those supporting additional relief or removal of the requirement altogether included:

    (a) a desire to align with the U.S. Security and Exchange Commission's (SEC) decision to remove mandatory Scope 3 greenhouse gas emissions disclosure from its climate disclosure regulation to prevent creating a potential competitive disadvantage for Canadian entities,

    (b) cost and capacity concerns,

    (c) concern about Scope 3 greenhouse gas emissions accounting methodologies,

    (d) concerns with data quality and availability.

Respondents' recommended relief

43. The second part of the CSSB's question on transition relief for Scope 3 greenhouse gas emissions disclosures asked respondents about their preferred relief period.

44. Among respondents who did not believe the proposed two-year relief is sufficient, many were in favour of removing the reporting requirement altogether or making it voluntary in the standard. Some recommended an alternative relief approach, such as offering more guidance and support for preparers, particularly to those with limited capacity to

implement the standards or to respond to requests for information related to the Scope 3 greenhouse gas emissions disclosure requirement. Some respondents expressed the view that two years was not sufficient but did not suggest a specific relief period. Except for a few, respondents generally avoided suggesting precise timeframes.

Respondents' cost and capacity concerns

45. The CSSB discussed feedback from respondents who expressed concerns with the cost of Scope 3 greenhouse gas emissions disclosure and with the capacity to disclose this information. In particular, the Board discussed the impact increased disclosure would have on entities with more limited capacity to disclose.

46. In so doing, the CSSB acknowledged that CSDS 2 is intended to help preparers meet the increasing demand for climate-related disclosures from users. The Board also noted that both the requirement for only disclosing material information and the requirement for only disclosing "reasonable and supportable information…without undue cost of effort" were applicable to Scope 3 greenhouse gas emissions disclosures. These concepts allow an entity to use its judgment in determining the extent to which Scope 3 greenhouse gas emissions disclosure is required by it under CSDS 2, and use of estimates in measurement.

47. The CSSB also acknowledged that the ISSB released an *Effects Analysis* (2023) when it issued IFRS S1 and IFRS S2. This resource contains information and consideration of the costs and benefits resulting from the implementation of IFRS S1 and IFRS S2, which may be of interest to the CSSB's interested and affected parties. The CSSB also acknowledges ongoing and completed work to assess the effects of IFRS S1 and IFRS S2 disclosure implementation, including the *Policy Impact Analysis: Climate-related financial disclosures* (2022) conducted by the Government of Australia and other bodies.

Data quality and accounting methodologies

48. With regards to feedback expressing concern over measurement uncertainty and the quality of Scope 3 greenhouse gas emissions data, the CSSB noted the underlying motive for requiring Scope 3 greenhouse gas emissions disclosure. It was noted that disclosure can create value for both preparers and investors by increasing their understanding of an entities' climate risk exposure, informing the management and mitigation of such risks. It was noted that this value can be realized with the use of estimations in Scope 3 greenhouse gas emissions calculations and with existing greenhouse gas accounting methodologies.

49. Paragraph BC94 of the ISSB's Basis for Conclusion for IFRS S2 states that, the measurement framework for Scope 3 greenhouse gas emissions with CSDS 2 "requires an entity to prioritize inputs and assumptions with particular characteristics designed to improve the representational faithfulness of the entity's greenhouse gas emission measurement" (see the measurement framework in paragraphs B38-B54 of CSDS 2). This framework should help address some measurement uncertainty with regards to Scope 3 greenhouse gas emissions disclosure.

The role of the regulator and regulatory developments

50. With respect to feedback on the CSSB's role relative to regulatory bodies, the Board acknowledges that, for publicly accountable enterprises, the mandating of the Scope 3 greenhouse gas emissions disclosure requirement will fall to the regulator of the entity. The Board also reiterates that it is independent from Canadian regulatory bodies and the Board serves the Canadian public interest by setting and maintaining high-quality sustainability disclosure standards.

51. A consideration of regulatory requirements for Canadian entities to disclose climate-related risks and opportunities, including Scope 3 greenhouse gas emissions, informed the CSSB's discussion on this topic. It was also noted that the OSFI requires Scope 3 greenhouse gas emissions disclosure from all impacted entities, including Categories 1, 2 and 3 of small and medium-sized deposit-taking institutions, starting fiscal year-end 2026. In addition to the number of entities currently disclosing Scope 3 greenhouse gas emissions on a voluntary basis, it appears such entities would be expected to have the skills, processes and required capacity to make this disclosure by the time such a requirement in CSDS 2 is effective.

CSSB's determination

52. The CSSB carefully deliberated over the variety of diverse views respondents raised regarding the Scope 3 greenhouse gas emissions disclosure requirement.

53. In the CSSB's view, the wide array of understanding of CSDS 2's the requirements reflected in respondents' feedback illustrated a clear need for further education around the existing provisions in the standard. This education would include a particular focus on how an entities' application of the standard's materiality and proportionality principles could limit entities' disclosure burden.

54. The CSSB therefore committed to undertake education on these provisions and addressed this as a priority project in its 2024-2025 Annual Plan. The Board further decided that this implementation work would include a focus on the

provisions within the standard related to the Scope 3 greenhouse gas emissions measurement framework (paragraphs B38-B54 of CSDS 2), references to available authoritative guidance from the ISSB.

55. The CSSB also plans to determine the appropriateness of creating guidance to support implementation as part of its Strategic Plan. This consideration in the Strategic Plan will include an assessment of the form of guidance that would be needed by interested and affected parties.

56. The CSSB discussed how best to balance the views of those respondents' who urged the Board to stick closely to the baseline standard established by IFRS S2 and those who advocated for removing the Scope 3 greenhouse gas emissions disclosure requirement altogether, making it voluntary or providing longer or indefinite relief. The Board considered several potential modifications to the standard and weighed these against the Criteria for Modification Framework and the materiality, proportionality and other relief provisions in the draft standard.

57. Some respondents argued that beyond cost-competitiveness concerns, the additional disclosure of material Scope 3 greenhouse gas emissions would make Canadian companies less attractive to investors than their American peers due to the additional transparency. Others argue more disclosure would make Canadian companies more attractive by instilling greater investor confidence in transparency of such material risks and enable companies to address these risks by enhancing their understanding of them. On balance, the CSSB determined to modify the final standard by extending its originally proposed two years of transition relief to three years of relief in the final standard.

Final updates

Proposed text in the Exposure Draft	**Updated text in the final standard**
C4 The entity is permitted to use one or both of these reliefs: (a) if, in the annual reporting period immediately preceding the date of initial application of this standard, the entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method in the first annual reporting period in which an entity applies this standard; and (b) in the first two annual reporting periods in which an entity applies this standard the entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 29(a)) which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions (see paragraph 29(a)(vi)(2) and paragraphs B58–B63).	C4 An entity is permitted to use <u>any or all</u> of these reliefs: (a) if, in the annual reporting period immediately preceding the date of initial application of this standard, the entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method in the first annual reporting period in which an entity applies this standard; and (b) in the first <u>three</u> annual reporting periods in which an entity applies this standard the entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 29(a)) which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions (see paragraph 29(a)(vi)(2) and paragraphs B58–B63). <u>(c) in the first three annual reporting periods in which an entity applies this standard, the entity is not required to use quantitative climate-related scenario analysis to assess its climate resilience, as is otherwise required by paragraph 22 and B17 of CSDS 2. Where an entity uses the foregoing relief in this paragraph C4 (c), for each annual reporting period in which it uses such relief, it shall not be required to report quantitative information otherwise required by paragraphs 15,16 and 17 of CSDS 2 to the extent only that such quantitative information could only be obtained by undertaking such quantitative scenario analysis.</u> C5 If an entity uses <u>any</u> relief in paragraph C4, the entity is permitted to continue to use that relief for the purposes of presenting that information as

	comparative information in subsequent reporting periods.

Other Issues

58. The CSSB received responses to this question from 223 unique participants.

59. Feedback on the appropriateness of proposed CSDS 2 for application in Canada raised similar overarching concerns as heard on Question 3 of the Exposure Draft, CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*. The CSSB considered this cross-cutting feedback in its deliberations on CSDS 2. Common issues included:

    (a) the need to align with IFRS Sustainability Standards;

    (b) cost and operational impact on small and medium-sized enterprises (SMEs);

    (c) factors that could impact competitiveness of Canadian companies, and

    (d) safe harbour provisions.

Comments proposing changes to draft CSDS 2

60. Most of the feedback received on Question 3 was focused on the Core Content and Appendices A-C, with respondents indicating opposition and/or concerns relating to provisions within these sections.

Core content

Greenhouse Gas Protocol Corporate Standard

61. Many respondents raised concerns relating to the Greenhouse Gas Protocol Corporate Standard including:

    (a) methodology concerns, including a recommendation to remove the requirement; and

    (b) concerns about future updates to the Greenhouse Gas Protocol Corporate Standard.

CSSB's determination

62. The CSSB acknowledged concerns regarding the requirement to use the Greenhouse Gas Protocol Corporate Standard, referring to paragraph BC86 of Basis for Conclusions for IFRS S2, published in June 2023:

    > The ISSB decided to reference the GHG Protocol Corporate Standard in IFRS S2 to provide a common basis for measurement. Although various measurement approaches are available within the GHG Protocol Corporate Standard, the ISSB concluded that using this single reference would improve the comparability of entities' disclosures by narrowing the range of permitted measurement approaches. This decision was also informed by the ISSB's understanding that the GHG Protocol Standard is the predominant method used by entities around the world and in most jurisdictions.

63. The CSSB acknowledged concerns regarding the potential implications of future updates to the Greenhouse Gas Protocol Corporate Standard. The CSSB noted that the ISSB has signed a memorandum of understanding, signalling a commitment between itself and Greenhouse Gas Protocol. The agreement ensures that the ISSB is actively engaged in updates and decisions made with a goal to ensure:

    (a) compatibility of updates to the Greenhouse Gas Protocol Corporate Standard with the requirements within IFRS S2; and

    (b) that information provided meets the needs of users of users of general-purpose financial reports.

64. The CSSB determined that changes to the Greenhouse Gas Protocol Corporate Standard requirement could prohibit the interoperability of CSDS 2 when the Greenhouse Gas Protocol Corporate Standard and IFRS S2 are updated and potentially compromise the comparability of Canadian climate-related disclosures in the meantime. The CSSB, therefore, decided to maintain the global baseline requirement.

Absolute greenhouse gas emissions reporting requirement

65. Many respondents raised concerns relating to absolute greenhouse gas emissions reporting requirements including:

    - a recommendation that alternative forms of greenhouse gas emissions accounting (e.g.: carbon sequestration) should be used instead; and
    - a belief that net emissions is a more valuable measure.

CSSB's determination

66. The CSSB acknowledged the merits of the requirement of absolute greenhouse gas emissions disclosures for the reasons outlined in paragraph BC81 of the Basis for Conclusions for IFRS S2:

> IFRS S2 requires an entity to disclose its gross greenhouse gas emissions—that is, its greenhouse gas emissions before taking into consideration any removal efforts (for example, from an entity's intended use of carbon credits). The gross greenhouse gas emissions disclosure helps users of general purpose financial reports determine whether the entity is reducing its own greenhouse gas emissions or those in its value chain and, if it is, the extent to which it is doing so.

67. The CSSB noted that preparers may consider alternative disclosures in addition to those required in CSDS 2, such as carbon offsets or carbon-sequestration mechanisms, if these are material to the entity's climate-related risks and opportunities. The Board also considered the concept of materiality, as set out in the IFRS S1 conceptual framework and determined that paragraph BC8 of the Basis for Conclusions for IFRS S2 would apply to concerns related to alternative carbon offsetting approaches (e.g., carbon sequestration) used by an entity:

> Material information about an entity's sustainability-related risks and opportunities enables users of general purpose financial reports to make decisions in relation to providing resources to the entity. In applying IFRS Sustainability Disclosure Standards, including IFRS **S2, an entity is required to make materiality judgements and disclose material information about the sustainability-related risks and opportunities, including the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.**

68. The CSSB decided to maintain the absolute greenhouse gas emissions reporting requirement.

Timing of greenhouse gas emissions reporting requirement

69. Some respondents recommended a delay of the reporting requirement for all greenhouse gas emissions.

CSSB's determination

70. After considering respondents' feedback on the readiness of the Canadian corporate reporting ecosystem, the CSSB decided to provide:

    (a) two additional years of relief for Scope 3 greenhouse gas disclosures above the IFRS S2 requirement; and

    (b) three years transition relief for the CSDS 1 timing of reporting requirement.

These additional transition reliefs are intended to ease the near-term challenges of greenhouse gas emissions reporting requirements cited by Canadian preparers while maintaining the global baseline.

Industry-based guidance

71. Many respondents raised concerns about the *Industry-based Guidance on Implementing Climate-related Disclosures* (also known as the Sustainability Accounting Standards Board (SASB) Standards) including:

    - that one or more element or tool referenced within the *Industry-based Guidance on Implementing Climate-related Disclosures* is not applicable to their circumstances;
    - *Industry-based Guidance* does not treat all industries fairly.

CSSB's determination

72. The CSSB noted that CSDS 2 does not require the use of such tools and referred to paragraphs BC130 and BC132 of the Basis for Conclusions for IFRS S1, which clarify:

> Due to feedback that industry-specific disclosures are important to users of general purpose financial reports, the ISSB decided to confirm that an entity is required to *refer to and consider* the applicability of the SASB Standards in identifying sustainability-related risks and opportunities and information to report about those risks and opportunities [emphasis added].
>
> Although an entity is required to consider the SASB Standards, it is not required to *apply the SASB Standards*. Instead, an entity is required to provide information that is relevant to the decision-making needs of users of general purpose financial reports that faithfully represents the entity's sustainability-related risks and opportunities. If the entity determines that the sources of guidance considered do not result in disclosures that meet those requirements…the entity is not required to apply these sources of guidance [emphasis added]."

73. Regarding the fair treatment of industries, the CSSB determined that:

(a) the concept of materiality in paragraph BC8 of the Basis for Conclusions for IFRS S2 (see paragraph 67) would also apply here; and

(b) this concept upholds CSDS 2's objective of enabling users of general-purpose financial reports to make decisions related to providing resources to the entity.

74. The CSSB decided to maintain the global baseline standard related to *Industry-based Guidance on Implementing Climate-related Disclosures*.

Appendices A-C

Application guidance

75. Many respondents indicated that more application and interpretive guidance are required on provisions and/or definitions contained within CSDS 2, noting that:

- there should be guidance/definitions on proportionality measures;
- time horizons (short, medium, long term) should be defined; and
- specific targets and metrics should be prescribed.

CSSB's determination

76. The CSSB acknowledged the need for implementation and interpretive guidance and resolved to:

(a) collaborate with the ISSB and other jurisdictional standard-setting bodies to identify and clarify universal concepts;

(b) determine, as part of its strategic planning, the CSSB's approach to guidance development and educational support, factoring in:

(i) the broad range of guidance options available (e.g., creating a directory of supporting material created by others); and

(ii) the role that others in the reporting system can or may be better positioned to play.

(c) Commit to longer-term information-sharing with regulatory bodies to understand significant disclosure challenges encountered by Canadian entities.

Effective Date

77. Some respondents raised concerns about the effective date and urged the CSSB to:

(a) stagger the effective dates of CSDS 1 and CSDS 2; and/or

(b) delay the effective date of CSDS 2.

CSSB's determination

78. The CSSB acknowledges that there is growing demand for sustainability-related disclosures globally and within Canada.

79. The CSSB recognizes that many companies have been reporting in alignment with the TCFD's reporting framework, on which much of the CSDSs are based.

80. The CSSB has considered the preparedness of the Canadian corporate reporting ecosystem and has provided additional transition relief beyond that which is already provided within the global baseline. The Board sought to balance the near-term challenges that some preparers will face with the needs of users of sustainability-related disclosures. The table below shows the additional relief beyond what is included in the IFRS Sustainability Disclosure Standards.

Requirement	**IFRS S1**	**CSDS 1**
Beyond climate-related disclosures	1 year January 1, 2025	2 years January 1, 2027 (assuming an entity adopts the standard on January 1, 2025)
Timing of reporting (time lag between financial and sustainability disclosures)	1 year • Up to 9 months in the first year	3 years • Up to 9 months in first year

		• Up to 6 months in Years 2 and 3
Impact on fiscal year start date (if annual reporting period is based on the calendar year)	January 1, 2025	January 1, 2028 (assuming an entity adopts the standard on January 1, 2025)

Requirement	**IFRS S2**	**CSDS 2**
Climate resilience	No relief January 1, 2024	3 years on quantitative scenario analysis requirements January 1, 2028 (assuming an entity adopts the standard on January 1, 2025)
Scope 3 greenhouse gas emissions	1 year	3 years
Impact on fiscal year start date (if annual reporting period is based on the calendar year)	January 1, 2025	January 1, 2028 (assuming an entity adopts the standard on January 1, 2025)

81. CSDS 1 sets out the overarching requirements for an entity to disclose information about sustainability-related risks and opportunities while CSDS 2 sets out supplementary requirements specific to climate-related risks and opportunities. Since an entity is required to apply CSDS 2 in accordance with the conceptual foundations, general requirements and requirements related to judgments, uncertainties, errors and other requirements within CSDS 1, the CSSB determined that it is necessary for the standards to come into effect at the same time.

82. The CSSB decided to maintain the proposed effective date of January 1, 2025, for CSDS 1 and CSDS 2.

Exposure for comment

83. After deliberating on the feedback received on the Exposure Draft process, the CSSB considered, as part of its due process, whether the changes it made to the exposed standard (see Final updates) warrant re-exposure.

84. The CSSB determined that the changes are not fundamental, and address questions posed, and feedback received as part of the consultation. The Board determined, in accordance with its due process, that there was therefore no need for re-exposure.

Appendix: How the CSSB quantified the feedback

85. The CSSB uses the following terms to describe the extent to which feedback was provided by respondents

Term	**Feedback percentages**
“Almost all”	>90%
“Most”	65%-90%
“Many”	35%-65%
“Some”	10%-35%
“A few”	< 10%