BASIS FOR CONCLUSIONS

CANADIAN SUSTAINABILTY DISCLOSURE STANDARD (CSDS) 1

General Requirements for Disclosure of Sustainability-related Financial Information

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 to 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 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 1, General Requirements for Disclosure of Sustainability-related Financial Information, 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 S1, *General Requirements for Disclosure of Sustainability-related Financial Information* 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 1. 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 S1 *General Requirements for Disclosure of Sustainability-related Financial Information* included in CSDS 1 are summarized as follows:

Item	**IFRS S1 Standard**	**CSDS 1 Exposure Draft**	**CSDS 1** **Final Standard**
Effective date	January 1, 2024	January 1, 2025	January 1, 2025
Beyond climate-related disclosures			
Transition relief	1 year	2 years	2 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, 2027 (assuming an entity adopts the standard on January 1, 2025)
Timing of reporting			
Transition relief	1 year	1 year	3 years
Time lag between financial and sustainability disclosures	Up to 9 months	Up to 9 months	Year 1: Up to 9 months Years 2 and 3: Up to 6 months
Impact on fiscal year start date (if annual reporting period is based on the calendar year)	January 1, 2025	January 1, 2026 (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 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 1.

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 S1, which outlines the general requirements for disclosing sustainability-related financial information. The CSSB used IFRS S1 as a foundation to create CSDS 1. Proposed changes were in line with its Criteria for Modification Framework (the Framework), which considers the Canadian public interest. This Framework guided the CSSB's decision-making process and final decisions.

9. The CSSB issued the Exposure Draft on CSDS 1 in March 2024 and invited comments on all elements of the proposal, with specific questions on beyond climate-related disclosures, timing of reporting, 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 the Exposure Draft.

Overview of decisions made

12. **Beyond climate-related disclosures:** The CSSB determined to retain the two-year transition relief period for disclosures beyond climate-related risks and opportunities. This means that entities applying the standard for the first time are permitted to disclose information on only climate-related risks and opportunities in the first two annual reporting periods.

13. **Timing of reporting:** The CSSB determined to extend the transition relief period for timing of reporting from one to three years. In the first year, sustainability-related financial disclosures are allowed no later than nine months after the end of the reporting period. In the second and third years, these disclosures are expected no later than six months after the end of the reporting period.

14. **Other issues:** The CSSB determined to:
    (a) preserve the fundamental structure of IFRS S1,
    (b) include in its strategic planning the matters of guidance development and educational support.

Purpose of this basis for conclusions

15. This Basis for Conclusions advises interested and affected parties of the following:
    (a) The ISSB's Basis for Conclusions for IFRS S1. The document summarizes the ISSB's considerations in developing the baseline standard.
    (b) The CSSB's considerations and reasoning in finalizing CSDS 1 In addition to referencing significant market feedback, this document outlines key decisions and their accompanying rationale.

Specific issues

Beyond climate-related disclosures

16. The Exposure Draft proposed a two-year transition relief for disclosures beyond climate-related risks and opportunities. This period included one year of relief granted by the ISSB in its global baseline standard plus one additional year introduced by the CSSB. The CSSB sought feedback on whether this two-year transition relief was adequate and, if not, what measures the CSSB should take.

17. The CSSB received responses to this question from 269 unique participants.

Comments supporting additional relief

18. Many respondents indicated a need for greater transition relief, citing concerns about competitive disadvantage and financial burdens, the need for implementation guidance and the Canadian Securities Administrator's climate-first mandate as noted in its press release on March 13, 2024.

19. Specifically, respondents highlighted potential economic disadvantages compared to companies in the United States and Mexico and the significant financial investments required for compliance, such as building reporting capacity, implementing new systems and hiring consultants.

Comments supporting two years of less transition relief

20. Many respondents found the two-year relief period appropriate, noting it provides adequate time to build reporting capacity, prioritize climate disclosure and receive CSSB guidance during the transition.

21. Additionally, some respondents recommended maintaining the ISSB's one-year transition relief, pointing to the following as key reasons:

    (a) materiality of other sustainability topics;

    (b) importance of standardization and comparability for investor confidence and company efficiency; and

    (c) role of proportionality measures.

Recommended transition relief period

22. Only some respondents provided feedback on the second part of the question, which asked about the appropriate transition relief.

23. In general, most of this category of respondents were reluctant to suggest specific timeframes. Instead, they proposed measures such as:

    (a) a phased approach for different organization types;

    (b) further transition relief until topic-specific standards are developed;

    (c) indefinite or indeterminable relief; and/or

    (d) relief for quantitative metrics.

24. A few respondents also urged the CSSB to structure the standard in a way that would facilitate regulatory adoption by the Canadian Securities Administration (CSA).

25. Some respondents provided specific suggestions for additional transition relief, with recommendations ranging from three to five years.

CSSB's determination

26. The CSSB acknowledges preparers' concerns regarding the broad scope of sustainability matters and the additional reporting burden these new disclosures would entail. Additionally, the Board recognizes that, for some companies, climate-related risks could be less acute than other sustainability risks. However, the Board noted that materiality provisions ought to help address those concerns as companies are required to report only on material sustainability-related risks and opportunities that could reasonably affect the entity's prospects.

27. On the recommendation for a phased implementation approach to CSDS 1 for different organization types, the CSSB noted that while the provision of additional transition relief partly addresses the phased approach, creating a precise implementation roadmap that addresses organization types more appropriately rests with those who may mandate the standards.

28. The CSSB determined that the argument for transition relief until topic-specific standards are developed is countered by the fact that the CSDS 1 recommends using alternate frameworks, such as the Sustainability Accounting Standards Board Standards, the Climate Disclosure Standards Board Framework Application Guidance, the Global Reporting Initiative Standards and the European Sustainability Reporting Standards, in the absence of specific standards.

29. The CSSB noted calls for further guidance during the two-year transition period, which may indicate concerns over preparer capacity. This highlights the need for ongoing support and resources to help preparers meet these requirements, which the Board will be addressing in its Strategic Plan currently being developed for consultation release.

30. The CSSB noted the feedback on regulatory adoption and acknowledges that, for publicly accountable enterprises, the mandatory implementation will fall to the applicable government and regulator (e.g. CSA, Office of the Superintendent of Financial Institutions (OSFI)). The Board recognized the importance of aligning CSDS 1 to the global baseline based on the value of comparable general sustainability disclosures to investors and of consistent disclosure standards for preparers and noted that introducing additional relief would unduly delay those benefits beyond a period the Board views as reasonably required to prepare for such disclosures.

31. In balancing all these considerations, the CSSB determined to retain the two-year transition relief period for disclosures beyond climate-related risks and opportunities. This means that entities applying the standard for the first time are permitted to disclose information on only climate-related risks and opportunities in the first two annual reporting periods.

Timing of reporting

32. The Exposure Draft proposed that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, with transition relief provided in the first year of adopting the standard. The CSSB sought feedback on whether any further relief or accommodation was needed to align the timing of reporting and, if so, asked respondents to provide recommendations.

33. The CSSB received responses to this question from 252 unique participants.

Comments opposing further relief or accommodation

34. Many respondents felt no further relief was needed, emphasizing the decision-usefulness of sustainability information, the sufficiency of existing relief and efficiencies gained from streamlined processes and aligned reporting.

Comments supporting further relief or accommodation

35. Many respondents supported further relief, citing themes including:

    (a) capacity challenges, such as limited resources, inadequate systems and a lack of expertise to meet the new requirements;

    (b) data-related challenges, such as issues with data accuracy, limitations in data collection and concerns about the timeliness of data, particularly regarding greenhouse gas (GHG) emissions; and

    (c) mismatch with existing reporting requirements, such as later timing of provincial regulatory reporting, including GHG emissions programs, OSFI and the U.S. Securities and Exchange Commission (SEC).

Recommended transition relief and/or accommodation

36. Some respondents suggested various transition periods, spanning from one to over five years. A few respondents suggested a phased implementation during the initial years, while also supporting extended transition relief for small and medium-sized enterprises (SMEs).

37. Some respondents requested a permanent time lag between sustainability-related financial disclosures and the related financial statements.

38. A few respondents requested a permanent delay of GHG emissions disclosure, due to difficulties in obtaining data promptly.

Importance of aligned reporting to users

39. The second part of the consultation question asked how critical it is for users that entities provide their sustainability-related financial disclosures at the same time as their related financial statements. Almost all the respondents in the user (investor) category viewed aligned reporting as critical or somewhat critical, citing:

    (a) materiality and decision-usefulness of sustainability information;

    (b) its role in providing a holistic view of entity performance;

    (c) its use for stewardship (engagement and proxy voting) and benchmarking;

    (d) enhanced oversight and accountability; and

    (e) reduced risk of greenwashing.

CSSB's determination

40. The CSSB recognized that while withholding additional relief would keep CSDS 1 more in line with the global standard, it would not address the significant challenges preparers face in achieving aligned reporting.

41. The CSSB determined that a permanent time lag between sustainability-related financial disclosures and the corresponding financial statements would not respond to investors' decision-making needs and the benefits of aligned reporting.

42. In considering a fixed delay for the disclosure of GHG emissions, the CSSB recognized investors' need to understand this risk, the existence of transition relief and proportionality provisions aimed at mitigating the challenges of data collection.

43. Regarding a longer transition relief for SMEs, the CSSB noted that its standards are voluntary and include proportionality and materiality provisions for relief to preparers with less resources. Mandatory disclosure requirements, including specific phase-in requirements, fall within the remit of regulators and governments.

44. Consequently, the CSSB decided on an additional two-year transition period. During this additional two-year period, sustainability-related financial disclosures are to be made no later than six months after the end of the reporting period. The Board retained the first-year relief, which allows sustainability-related financial disclosures no later than nine months after the end of the reporting period.

45. This aggregate three-year transition relief period:

(a) allows preparers time to adapt to the requirements;

(b) provides more time for organizations to build the necessary resources, systems, and expertise; and

(c) adjusts entities gradually to the process of aligned reporting, with a nine-month lag initially, reducing to six months in the second and third years.

46. The CSSB acknowledged the long-term benefits of aligned reporting for businesses and investors while recognizing the near-term challenges for preparers. The proposed transition relief aims to balance these immediate challenges with the long-term benefits of aligned reporting.

The role of the regulator

47. The CSSB acknowledges that for publicly accountable enterprises, the mandatory implementation of this requirement will fall to the applicable government and regulator (e.g. CSA, OSFI), which typically determines filing timelines for such entities.

Final updates

Proposed text in the Exposure Draft	**Updated text in final CSDS 1**
E4 In the first annual reporting period 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. In applying this transition relief, an entity shall report its sustainability-related financial disclosures: (a) 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; (b) 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 (c) 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.	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.

Other issues

48. Although the Exposure Draft proposed changes to the effective date and transition provisions provided in IFRS S1, it maintained the baseline standard’s overall structure, which includes sections dedicated to scope, conceptual

foundations, core content, general requirements, judgements, uncertainties and errors and appendices. The CSSB sought feedback on whether the sections of the standard were appropriate for application in Canada.

49. The CSSB received 246 responses on this question.

Comments proposing changes to Draft CSDS 1

Burden on SMEs

50. The reporting burden placed on SMEs was a recurring theme in some comments. Respondents noted that

(a) the costs and benefits of applying CSDS 1 have not been adequately assessed;

(b) SMEs may lack the skills and resources to comply; and

(c) operational costs could rise significantly.

CSSB's determination

51. While acknowledging this standard represents additional reporting requirements, the CSSB observed some confusion around the standard's scope of the and the Board's role. Recognizing that the standard is intended for profit-oriented entities, including SMEs, the Board notes:

(a) the voluntary nature of the standards, as the Board is a standard setter, not a regulator;

(b) the expectation that the standards, or portions thereof, will eventually be mandated for larger publicly accountable companies; and

(c) the inclusion of proportionality measures within the standards, enabling entities to adjust their efforts according to their specific circumstances, which would have a proportional effect on reduced costs.

52. In response to the comments concerning the costs and benefits associated with additional disclosures, the CSSB refers to the *Effects Analysis* report the IFRS Foundation published in June 2023 and the *Policy Impact Analysis* report the Australian government issued in September 2023.

Misalignment with the United States

53. Some respondents raised concerns that differing from the U.S. regulatory environment could harm comparability and competitiveness with Canada's main trade partner. The competitiveness concerns flagged two aspects: the additional costs and the additional disclosure content. Those comments recommended alignment with the U.S. regulatory environment over that of the "European Union (EU)/ISSB" and adopting a regime no more burdensome than the U.S. Climate Disclosure Rules. Some referenced the EU standards (Corporate Sustainability Reporting Directive (CSRD)) and some the ISSB standards. Those are quite different as the CSRD standards are double-materiality standards and involved a higher disclosure requirement than the ISSB's. A few argued that CSDS 1 is against the free-market system.

CSSB's determination

54. While the implementation of CSDS 1 would involve additional costs, materiality and proportionality provisions embedded in the standard are designed to alleviate the reporting requirements for preparers. The CSSB also considered that while some respondents argued that additional disclosure of material general sustainability disclosure risks would make Canadian companies less attractive to investors than their American peers, others argue more disclosure would make Canadian companies more attractive by instilling greater investor confidence in transparency of material risks and the companies' corresponding management and mitigation of such risks. Finally, the Board refers to the IFRS Foundation's *Effects Analysis* report published June 2023. On balance, the Board determined to maintain CSDS 1 with the relief provisions noted above.

55. While acknowledging respondents' concerns, the CSSB also notes the difference between the two bodies: the SEC (a federal regulator) and the CSSB (a standard setter of sustainability standards, not just climate-related). Therefore, their respective roles are distinct.

Need for implementation guidance

56. Some respondents called for implementation guidance, including definitions (e.g., "sustainability", "time horizons"), report templates and calculation methods.

CSSB's determination

57. 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, play.

(c) commit to longer-term information-sharing with regulatory bodies (e.g. CSA, OSFI) to understand significant disclosure challenges encountered by Canadian entities.

Safe harbour provisions

58. A few respondents expressed concerns over potential legal liabilities from new disclosures, uncertainties with forward-looking statements and risks of confidentiality breaches.

CSSB's determination

59. The CSSB recognized the confusion regarding its role as a standard setter rather than a regulator and reiterated that its standards are voluntary. Consequently, the Board emphasized that it lacks the legal authority to grant any exemptions from liability, as this authority is within the jurisdiction of securities regulators and governments.

Indigenous matters

60. A few respondents emphasized the importance of including Indigenous perspectives, respecting Indigenous Peoples' inherent rights in the standards and further engaging with Indigenous rightsholders, governments, communities, businesses and leaders to align with Indigenous-specific principles and laws.

CSSB's determination

61. The rights of First Nation, Métis and Inuit Peoples are inherent and specific in Canada. Indigenous Peoples, rightsholders, governments, communities, businesses and leaders are included in sustainability standard setting in Canada. The Board acknowledges that efforts to advance this are only in the initial stages.

62. The CSSB acknowledged demonstrating sustained and long-term focus on advancing this commitment as well as being transparent is essential; Indigenous and non-Indigenous interested and affected parties should have clear visibility into the Board's activities.

63. Therefore, the CSSB considered this feedback, particularly that which related to meaningful engagement with First Nation, Métis, and Inuit Nations rightsholders, governments, communities, businesses and leaders as fundamental to the Board's Strategic Plan.

64. In its commitment to Indigenous Peoples in Canada, as of the date of this Basis of Conclusion, the CSSB has progressed on the following:

(a) Board members have started a 12-month, multi-modal education program;

(b) In December 2024, the Board released its "Indigenous Matters: What We Heard" feedback statement, which included Indigenous respondent metrics, key themes from feedback from Indigenous respondents and non-Indigenous respondent feedback on Indigenous matters.

(c) The Board decided to develop an Indigenous Peoples–specific component to the Board's multi-year Strategic Plan in collaboration with Indigenous Peoples, rightsholders, governments, communities, businesses and leaders.

External assurance

65. A few comments related to the need to advance assurance requirements or to clarify assurance expectations, including limited versus reasonable assurance, and coordination with Canadian and U.S. regulatory bodies on phased-in assurance requirements.

CSSB's determination

66. The CSSB reiterated that, as a standard setter, and not a regulator, assurance requirements are beyond its remit.

Comments supporting Draft CSDS 1

67. Respondents in favour of maintaining all sections focused on the importance of consistency or interoperability with international standards and frameworks. They emphasized the value of aligning with IFRS S1 to ensure comparability across jurisdictions, allow large multinationals to streamline their reporting and preserve Canada's competitiveness and attract foreign investment. Respondents also highlighted core content alignment with existing frameworks (e.g.: the Task Force on Climate-related Financial Disclosures), conceptual foundations and scope alignment with accounting and financial reporting standards.

CSSB's determination

68. The ISSB's goal is to create a comprehensive global baseline of sustainability-related financial disclosures that brings further transparency and comparability in the global capital markets. On this baseline, jurisdictions such as Canada can build specific requirements relevant to their jurisdictional circumstances ensuring interoperability with IFRS Sustainability Disclosure Standards. Consistent with the above feedback and with the building-block approach, the CSSB decided to preserve the fundamental structure of IFRS S1.

Effective date

69. The CSSB retained the effective date proposed in the Exposure Draft. Consequently, CSDS 1 becomes effective for reporting periods beginning on or after January 1, 2025.

Exposure for comment

70. 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.

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

Appendix: How the CSSB quantified the feedback

72. The CSSB used the following terms to describe the extent to which respondents provided feedback.

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