



Sustainability Adviser Alert

Exposure drafts on Canadian Sustainability Disclosure Standards

May 2024

Summary

The Canadian Sustainability Standards Board (CSSB) released two exposure drafts with a view to publishing the first Canadian Sustainability Disclosure Standards (CSDS). These exposure drafts propose that CSDS be based on the IFRS Sustainability Disclosure Standards released in June 2023 by the International Sustainability Standards Board (ISSB) but modified slightly to consider the situation in Canada.

At the same time, the CSSB also published a consultation paper to obtain feedback on the criteria for modifying the IFRS Sustainability Disclosure Standards for use in Canada.

Comment period closes June 10, 2024.

Overview

The CSSB released two [exposure drafts](#) for comment last March with a view to publishing the first Canadian Sustainability Disclosure Standards (CSDS):

- CSDS 1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and
- CSDS 2 *Climate-related Disclosures*.

In these exposure drafts, the CSSB proposes that the first two IFRS Sustainability Disclosure Standards, IFRS S1 and IFRS S2, of the same titles and released by the ISSB in June 2023, be used as a baseline to develop the first two CSDS. However, the CSSB proposes slight modifications to accommodate for the situation in Canada. These amendments mainly affect the effective date and the transitional relief available on adoption.

For an overview of IFRS Sustainability Disclosure Standards IFRS S1 and IFRS S2, please consult our Sustainability Adviser Alert [Overview of new international sustainability Standards IFRS S1 and IFRS S2](#), published in December 2023.

At the same time, the CSSB also published a [consultation paper](#) requesting comments on the proposed criteria for modifying the guidance in the IFRS Sustainability Disclosure Standards for use in Canada.



The CSSB invites stakeholders to comment on all matters in the exposure drafts and consultation paper no later than June 10, 2024. While the CSSB specifies that proposed standards are intended for use by publicly accountable enterprises, it invites other types of entities to also share their comments.

The two following sections present the amendments the CSSB proposes to make to the IFRS Sustainability Disclosure Standards in light of their adoption in Canada, as well as the main aspects for which the CSSB invites feedback. This Sustainability Adviser Alert concludes by presenting the recent developments in the United States regarding the adoption of climate rules.

Proposed amendments to IFRS Sustainability Disclosure Standards

Effective date

Compared to IFRS S1 and IFRS S2, which apply as of January 1, 2024, the CSSB proposes that the first two CSDS be applied on a voluntary basis as of January 1, 2025. The effective date is deferred to coincide with the expected publication date of CSDS 1 and CSDS 2 in the fall of 2024.

Application would therefore be optional, however certain appropriate authorities could make application mandatory for some types of entities. It would therefore be the responsibility of Canada's authorities and legislators to determine whether the application of these Canadian standards should be mandatory, and if so, for which types of entities and as of what date.

Updates from the regulatory bodies in Canada

Soon after the CSSB released its exposure drafts, the Canadian Securities Administrators (CSA) issued a statement welcoming the launch of this public consultation. The CSA mentioned among others that once the CSSB has finalized its standards, it will invite comments on a revised rule setting out climate-related disclosure requirements. For more details, refer to the [statement](#) published by the CSA.

Transitional provisions and relief

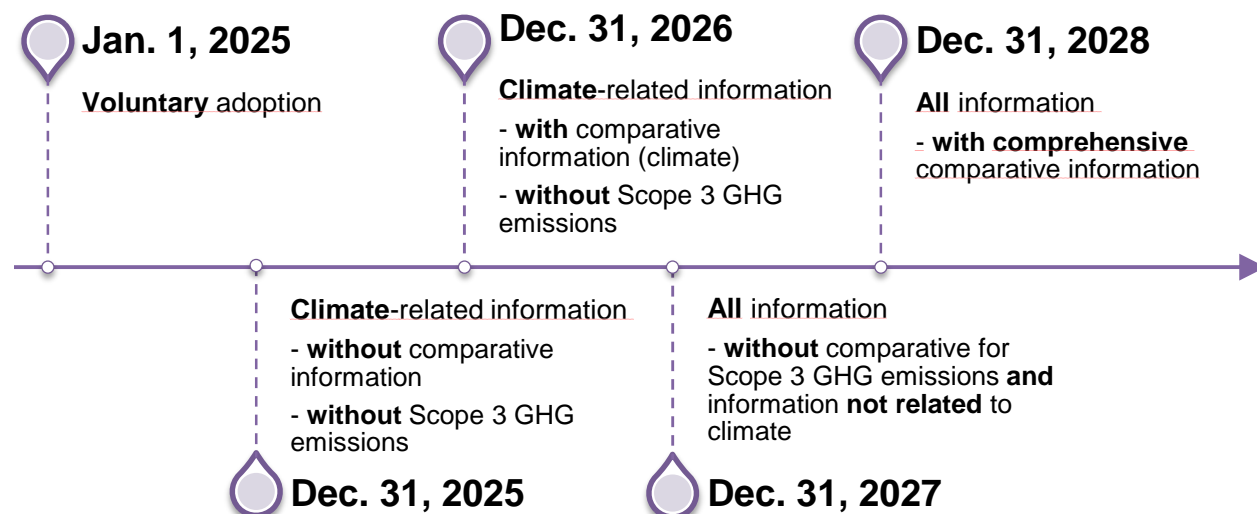
The following table presents the CSSB's plans for amending certain relief and transitional provisions currently available in the IFRS Sustainability Disclosure Standards as well as the resulting impacts.

Relief No. 1		
IFRS S1	Proposed CSDS 1	Impact
For the <u>first annual reporting period</u> of application, choice to disclose information <u>only</u> on <u>climate-related opportunities and risks</u>	It is proposed to apply this relief for the <u>first two annual reporting periods</u> of application	The entity would provide the remaining information required by CSDS 1 as of its <u>third annual reporting period</u> of application



Relief No. 2		
IFRS S1	Proposed CSDS 1	Impact
If Relief No. 1 is chosen, <u>no comparative information</u> to be provided on the opportunities and risks <u>other than</u> those related to climate for the <u>second annual reporting period</u> of application	For consistency purposes with the proposed amendment in Relief No. 1, it is proposed that Relief No. 2 be applied in the <u>third annual reporting period</u> of application	No comparative information to be provided the first time the entity provides the remaining of the required information, i.e., in its <u>third annual reporting period</u> of application
Relief No. 3		
IFRS S2	Proposed CSDS 2	Impact
For the <u>first annual reporting period</u> of application, choice <u>not to provide</u> required information on <u>Scope 3¹</u> greenhouse gas emissions (GHG)	It is proposed that this relief may apply for the <u>first two annual reporting periods</u> of application	The entity would only start providing disclosures related to its Scope 3 GHG emissions as of its <u>third annual reporting period</u> of application

Accordingly, entities with a year end of December 31 that would voluntarily apply proposed CSDS 1 and CSDS 2 as of January 1, 2025, while availing themselves of all of the abovementioned proposed transitional relief, should provide the following disclosures in each of the annual reporting periods below:



¹ Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions.



Particular aspects for which the CSSB invites comments

While the CSSB invites comments on all aspects of the exposure drafts, it is particularly interested in the following matters:

Documents	Topics	Description
Exposure draft on CSDS 1	First-time adoption	Do you agree that the proposed transitional relief of deferring by two years the date from which an entity would have to start disclosing information on other than climate opportunities and risks is appropriate?
	Timing of reporting	Should relief be provided for the requirement to disclose sustainability information at the same time as the financial statements for the corresponding period are published?
Exposure draft on CSDS 2	Climate resilience	Should transitional relief be provided for the requirement to provide a climate scenario analysis to assess climate resilience?
	Scope 3 GHG emissions	Is the proposed transitional relief of deferring by two years the date from which an entity would be required to disclose information on its Scope 3 GHG emissions at the same time as its general-purpose financial reports sufficient?

Recent developments in the United States

In March 2024, the Securities and Exchange Commissions (SEC) published its [Final Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors \(sec.gov\)](#) (Final Rule), which requires all registrants to disclose certain climate-related information in their registration statements and annual reports. The Final Rule includes a climate-related disclosure framework similar to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the GHG Protocol. Disclosures under the new rule are intended to meet investors' needs for consistent, comparable and decision-useful information, and to provide listed entities with clear disclosure requirements.

The Final Rule will come into effect 60 days after publication in the federal register. It is currently scheduled to be phased in from 2025, depending on the status of registrants. Please take note however that on April 4, 2024, the SEC [suspended](#) its Final Rule on climate-related disclosures to facilitate court-ordered resolution of ongoing legal disputes.

For a summary of the contents of the Final Rule, refer to the [Fact Sheet](#) published by the SEC or the [article](#) available on the Grant Thornton website.



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