

Enserva Member Brief

Canadian Sustainability Disclosure Standards (CSDS) Release

January 22, 2025

Overview

On December 18, 2024, the Canadian Sustainability Standards Board (CSSB) released the finalized [Canadian Sustainability Disclosure Standards \(CSDS\)](#).

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

These standards establish a framework for sustainability and climate-related financial disclosures in Canada, drawing from the global reporting principles outlines in the [IFRS Sustainability Disclosure Standards](#). While intended to enhance transparency and consistency, the standards raise concerns about the potential burdens they place on Canadian businesses.

CSDS 1 outlines general requirements for sustainability-related financial disclosures, while CSDS 2 focuses on climate-related disclosures. The standards, which remain voluntary unless adopted by regulators such as the Canadian Securities Administrators (CSA), have been adapted to reflect Canada's regulatory and industry landscape. Amendments from the [draft standards](#) released in 2024 are largely in extended transition relief from the timelines initially proposed and are meant to facilitate a gradual adoption.

Background

The CSDS development process builds on the Government of Canada's 2021 commitment to align with the Task Force on Climate-related Financial Disclosures (TCFD). Following the release of draft standards in [March 2024](#), the Canadian Sustainability Standards Board (CSSB) introduced several modifications based on public feedback. These include extending the effective dates and offering additional relief measures for Scope 3 emissions reporting and other sustainability-related disclosures.

The federal government has consistently reiterated its commitment to advancing climate-related financial transparency, citing the importance of aligning with international frameworks to maintain competitiveness. As part of this commitment, planned regulatory changes could make climate disclosures mandatory for select sectors, which may significantly influence how Canadian companies approach sustainability reporting.

Key Features

1. Alignment with IFRS Standards:

- CSDS 1 and CSDS 2 are closely aligned with IFRS S1 and S2, with adjustments for the Canadian context.

2. Transition Relief:

- Scope 3 GHG emissions: Reporting deferred until 2029 (based on 2028 data), granting an additional three years of relief compared to IFRS.
- Scenario analysis: Quantitative reporting deferred for three years, while qualitative reporting begins immediately.
- Aligned reporting: Two years of transition to integrate sustainability disclosures with financial reporting.

3. Voluntary Status:

- The standards are not mandatory unless adopted by regulators, though they are likely to form the basis for any mandatory climate-related disclosure implemented in the future.
- In October 2024, the [federal government](#) confirmed its intention to require climate-related disclosures for large, federally incorporated private companies through changes to the *Canadian Business Corporations Act* (CBCA). This builds on prior commitments to require reporting of public companies, which is being worked on by the CSA.

4. Support Resources:

- The CSSB has [published](#) a Criteria for Modification Framework and accompanying Bases for Conclusions to explain the rationale behind the changes.

Key Changes from Exposure Drafts

In response to feedback on the draft proposals, the finalized standards introduced additional relief measures. These include:

- Extending the timeline for Scope 3 emissions reporting and disclosures on matters beyond climate to three years.
- Two additional years to align sustainability and financial reporting.
- Delayed implementation of quantitative climate-related scenario analysis by three years.

These changes reflect feedback from industry stakeholders, aiming to address concerns about the feasibility of immediate compliance. While the CSSB has attempted to balance alignment with international frameworks and industry readiness, questions remain about the practicality and cost implications for Canadian businesses.

Conclusion

The CSDS introduces a framework for sustainability disclosures in Canada, aligned with global standards but tailored to the national context. While the extended transition measures provide some flexibility, our initial concerns with the standards still hold:

- They create a substantial **logistical and cost burdens** on industry, particularly small- and medium-sized enterprises. The **alignment of sustainability reporting with financial statements** will exacerbate this burden, regardless of extending the year that alignment is required.
- The inherent challenges with **Scope 3 reporting** are not lessened by transition relief.

- **Climate scenario analyses** are costly, and the methodology is still evolving, limiting Canadian competitiveness against countries where it is not mandatory.
- The unequal treatment of the hydrocarbon sector within the **industry-based guidance** form remains.
- The requirement of **absolute over net emissions** does not provide an accurate reflection of sustainability efforts.
- The variability in emissions measurement and scenario analysis methodologies, compounded by new risks under Bill C-59, necessitates **permanent safe harbour** provisions.

Enserva will continue to advocate for streamlined processes that minimize the burden on members, whether they are providing data for client reporting or developing their own. This includes our messaging to policymakers that any level of mandatory sustainability reporting will directly impact Canada's competitiveness in global markets.

As work in this area evolves, we will keep members informed with updates and provide resources to help them navigate these changes. This includes [OnePath](#), which is available to all Enserva members to simplify data collection on emissions. We encourage members to proactively engage with clients to better understand their reporting needs.

Additional Resources

[CSSB | Informational Webinar](#)

[Fasken | The CSSB Has Released Its Final Standards: Mandatory Rules for Climate Disclosure Are Coming Soon](#)

[Osler | Federal government plans mandatory climate disclosures for large private CBCA companies and voluntary sustainable investment guidelines](#)