

# Criteria for Modification, CSDS 1 and CSDS 2

Feedback Statement

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October 2024

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## Table of Contents

<b>Volume of feedback</b> .....	<b>4</b>
<b>Who responded</b> .....	<b>5</b>
Respondents by role .....	5
Role breakdown .....	7
Regional breakdown .....	9
Language accessibility .....	10
Indigenous respondents .....	11
Industry representation .....	12
<b>What we heard</b> .....	<b>13</b>
How we quantified the feedback .....	13
<b>Criteria for Modification Framework</b> .....	<b>14</b>
Question 1 .....	14
Question 2 .....	14
<b>Indigenous matters</b> .....	<b>15</b>
<b>CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information</b> .....	<b>17</b>
Question 1: Scope of proposed CSDS 1 .....	17
Question 2: Timing of reporting .....	18
Question 3: Other issues .....	19
<b>CSDS 2, Climate-related Disclosures</b> .....	<b>22</b>
Question 1: Climate resilience .....	22
Question 2: Scope 3 GHG emissions .....	23
Question 3: Other issues .....	24

# Background

The Canadian Sustainability Standards Board (CSSB) works to advance the adoption of sustainability disclosure standards in Canada.

There is growing global demand and urgency for companies to provide consistent and comparable reports on material sustainability-related risks and opportunities and to provide interested and affected parties and other users of these reports with decision-useful information. The CSSB develops Canadian Sustainability Disclosure Standards (CSDSs) that align with the global baseline standards developed by the International Sustainability Standards Board (ISSB) – but with modifications to serve the Canadian public interest. The CSSB is also a member of the Sustainability Standards Advisory Forum, which provides Canada with a voice in developing the global baseline.

On March 13, 2024, the CSSB released three key documents for public comment that were open for 90 days:

- [Consultation Paper, “Proposed Criteria for Modification Framework,”](#) which presented the basis on which the CSSB could introduce changes to the IFRS® Sustainability Disclosure Standards as issued by the ISSB;
- [Exposure Draft, “Proposed CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information”;](#) and
- [Exposure Draft, “Proposed CSDS 2, Climate-related Disclosures.”](#)

The consultation activities focused on:

- providing a general education and awareness of the documents for comment and their proposals; and
- soliciting targeted feedback to guide deliberations on the proposed materials.

Feedback was received through a variety of forums, such as roundtables, small group discussions, surveys and response letters, representing a broad range of diverse perspectives of interested and affected parties. Each perspective was valued and considered in our deliberations.

The CSSB appreciates the exceptional engagement and the volume of feedback received from interested and affected parties. This robust response is instrumental in shaping the future direction of our work, ensuring that the outcomes are well-informed and reflect diverse perspectives.

# Extent of Engagement

The CSSB conducted extensive outreach on the three documents for comment, promoting awareness of the consultation via various communication channels, including mainstream media, partnerships with other organizations, social media, email marketing campaigns and search engine-optimized web content.

The CSSB also provided interested and affected parties with opportunities to learn about the standards and provide feedback on the proposals through:

- a free educational webinar hosted on April 10, 2024;
- tailored in-person and virtual educational sessions;
- large roundtables and small conversational sessions; and
- soliciting feedback via online surveys and written response letters.

The CSSB engaged with approximately 3,900 individuals and at least 700 organizations.

Purpose	Engagement channel	Sessions	Unique participants
Education & awareness	Public education webinar	1	1269
	Tailored education sessions	21	~1569*
Consultation	Large roundtable sessions & small conversational sessions	48	753
	Written submissions	n/a	309
<b>Totals</b>		70	~3,900

*Figure 1: Engagement channels*

\*Number of attendees for some education sessions are approximate. Numbers reflect unique participants and eliminate double counting for those attending multiple events or sessions.

## Volume of feedback

A total of 529 unique individuals from 392 unique organizations provided feedback on the consultation questions through:

- verbal feedback during a consultation session;
- written feedback via a response letter; and/or
- written feedback via online surveys.

Participants who provided feedback through multiple channels are counted only once.

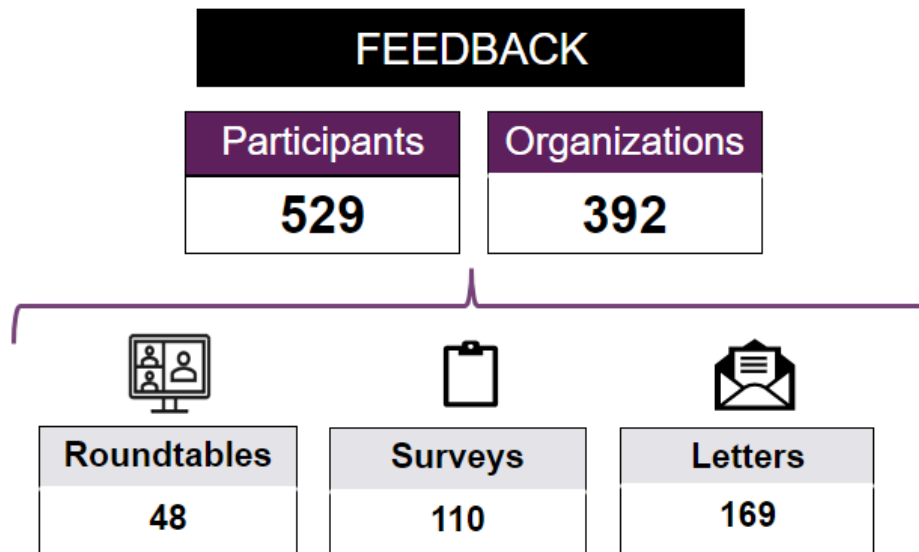


Figure 2. Nature of feedback received

[Read the feedback from respondents](#) who allowed the CSSB to share their comments.

**Note:** To maintain confidentiality and encourage open discussion, feedback from consultation sessions remains private. As part of the financial reporting and assurance standards Canadian boards' usual process, participants who submit online surveys or response letters can choose whether to allow the CSSB to publish their submissions publicly.

Fifty-six per cent of survey responses and 22 per cent of response letters were kept private at the request of participants. However, the CSSB considered all feedback, regardless of whether it was submitted for public posting or confidentially. A summary of all feedback received is provided below in the [What We Heard](#) section.

## Who responded

The CSSB received feedback from a diverse cross-section of individuals and organizations, representing a wide range of interests, perspectives and expertise. This diversity of perspectives is crucial in ensuring that the standards we develop are comprehensive and inclusive.

### Respondents by role

As shown in Figure 3, the CSSB received feedback from a wide range of individuals connected to sustainability reporting. It is important to note that the data reflects individuals rather than organizations, as multiple roles within a single organization may have participated (e.g., a financial institution could send representatives from both its asset management and report preparation teams to a roundtable event).

Much of the feedback came from those directly involved in or affected by the standards, such as those who prepare or use sustainability disclosures and the professional services that support them. This group includes disclosure preparers, external disclosure enablers (like ratings agencies, data providers, consultants, legal firms, assurance providers and others) and investors – the primary users of these disclosures. Additionally, respondents included representatives from governments, regulators, policymakers, and participants from academia, advocacy groups, standard setters and framework developers.

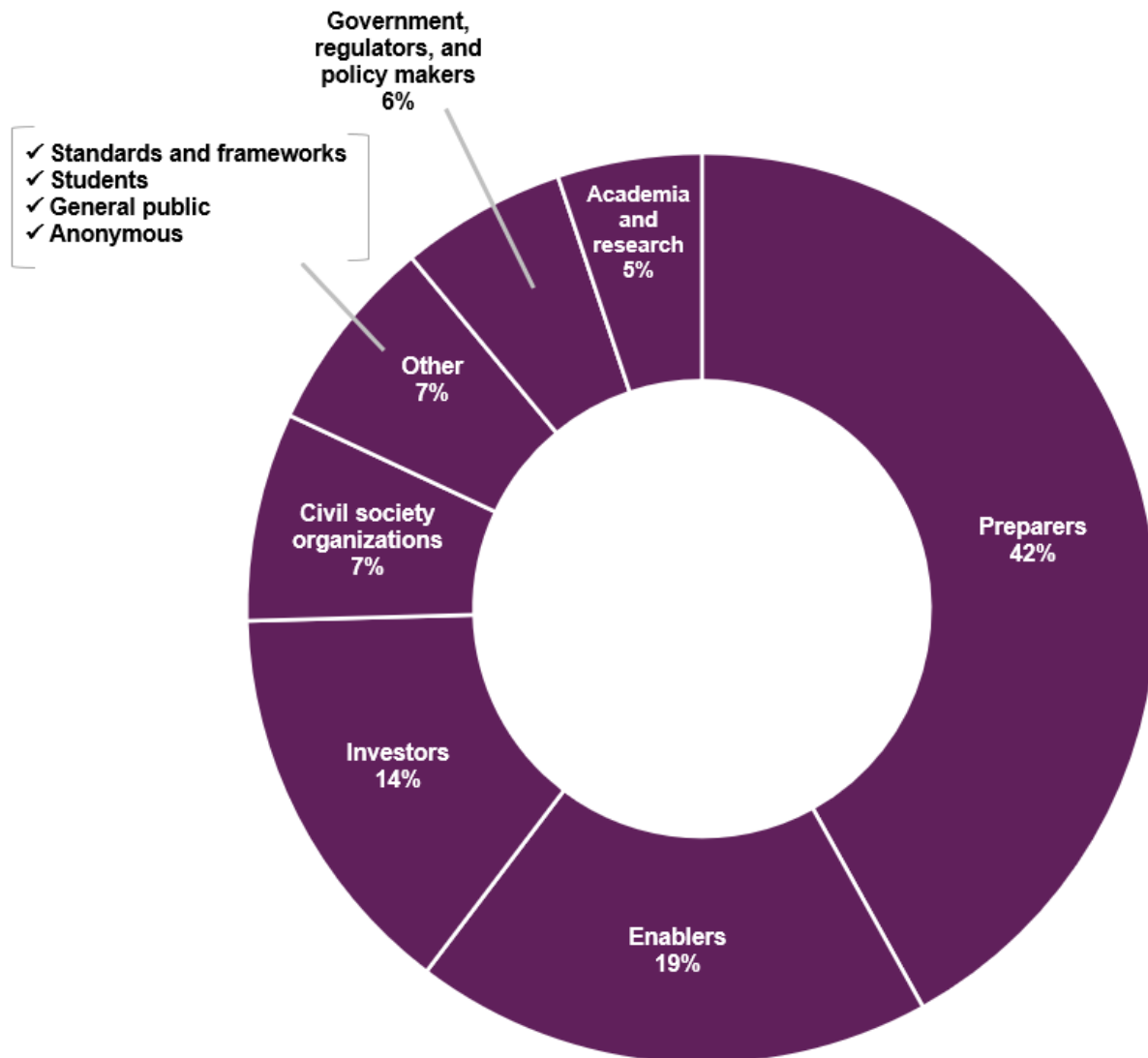


Figure 3. Respondents by role

## Role breakdown

Figure 4 highlights differences within the preparer group based on the type and size of the organization. It is important to note that the “publicly accountable entities” category includes companies listed on a stock exchange (98 per cent) or the Toronto Stock Exchange Venture Exchange (2 per cent).

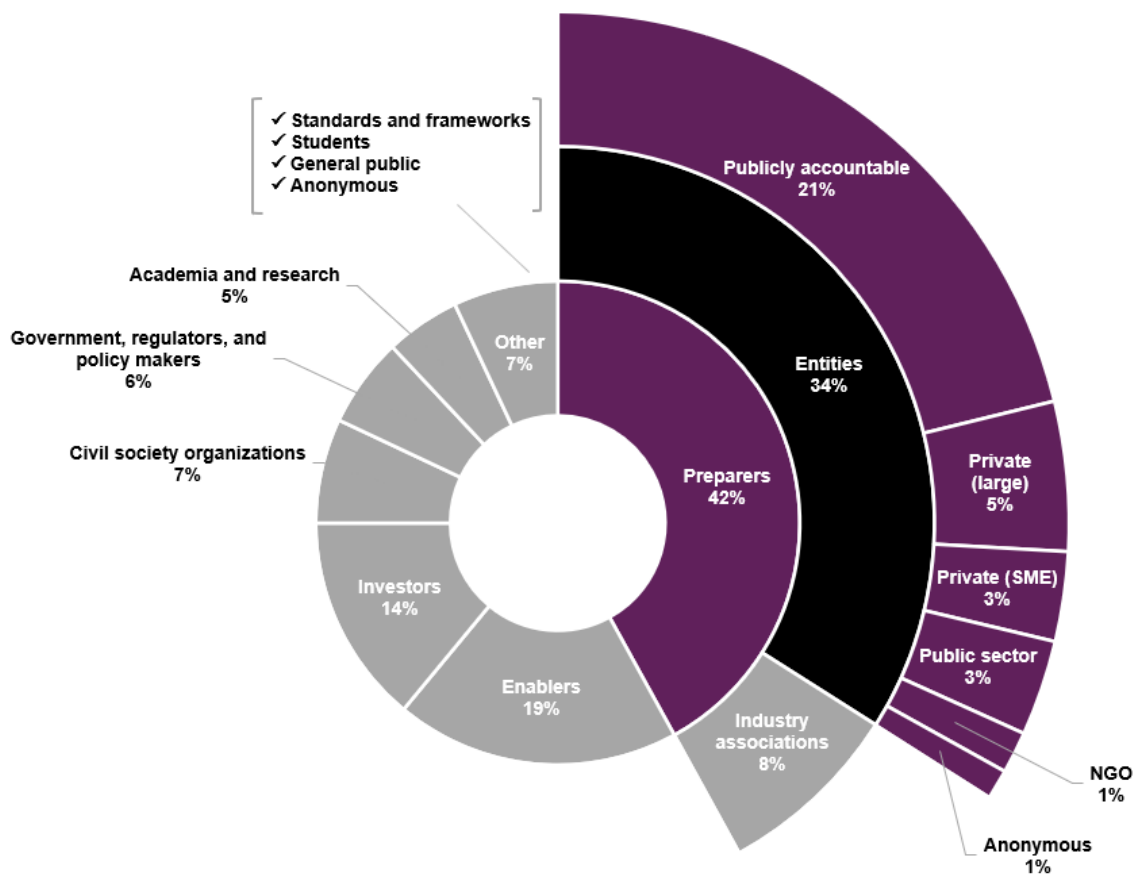


Figure 4. Preparer breakdown



Figure 5 shows the variety of investor organizations that provided input. These categories give a complete view of the different types of institutions, along with their risk profiles, investment strategies and regulatory requirements.

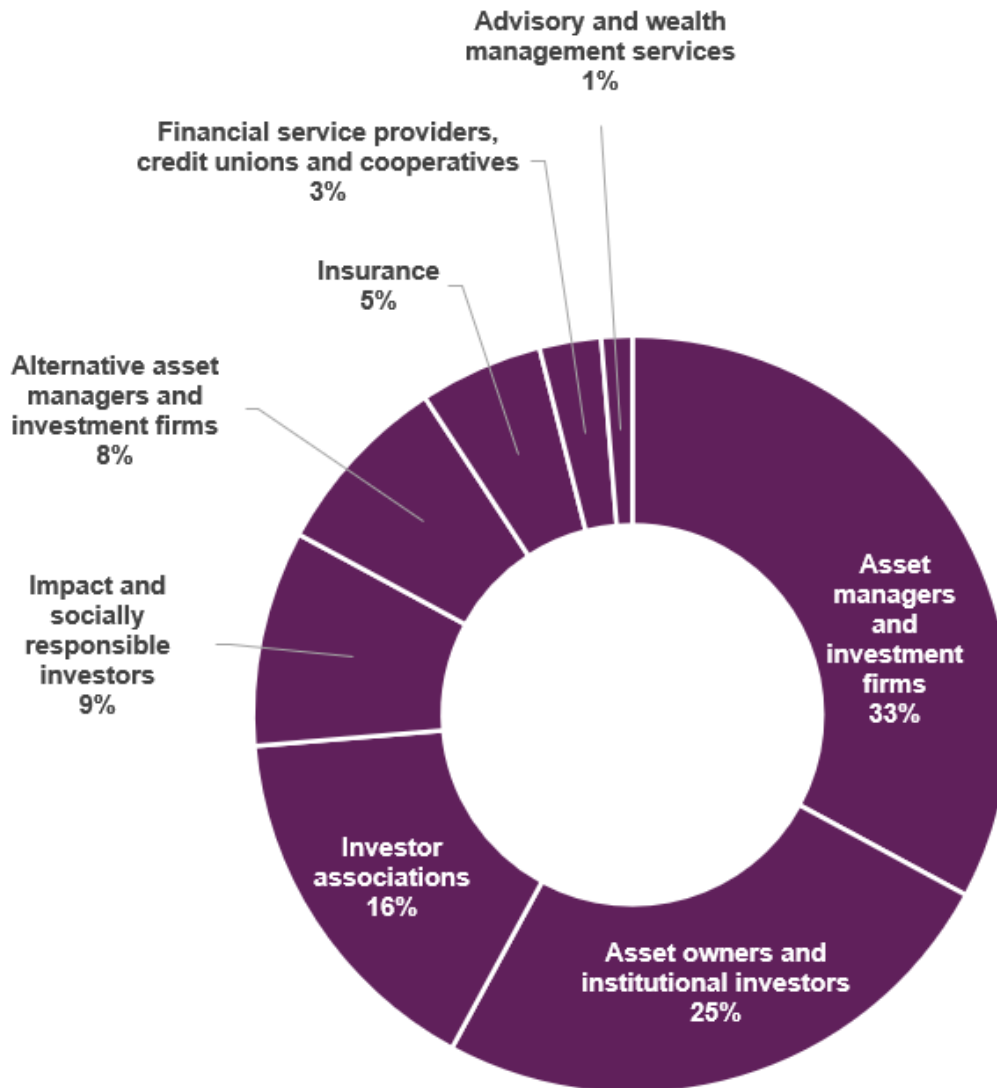


Figure 5. Investor breakdown

## Regional breakdown

The CSSB received feedback from ten of Canada's 13 provinces and territories. Organizations were categorized based on the location of their head office, even if they operate nationwide.

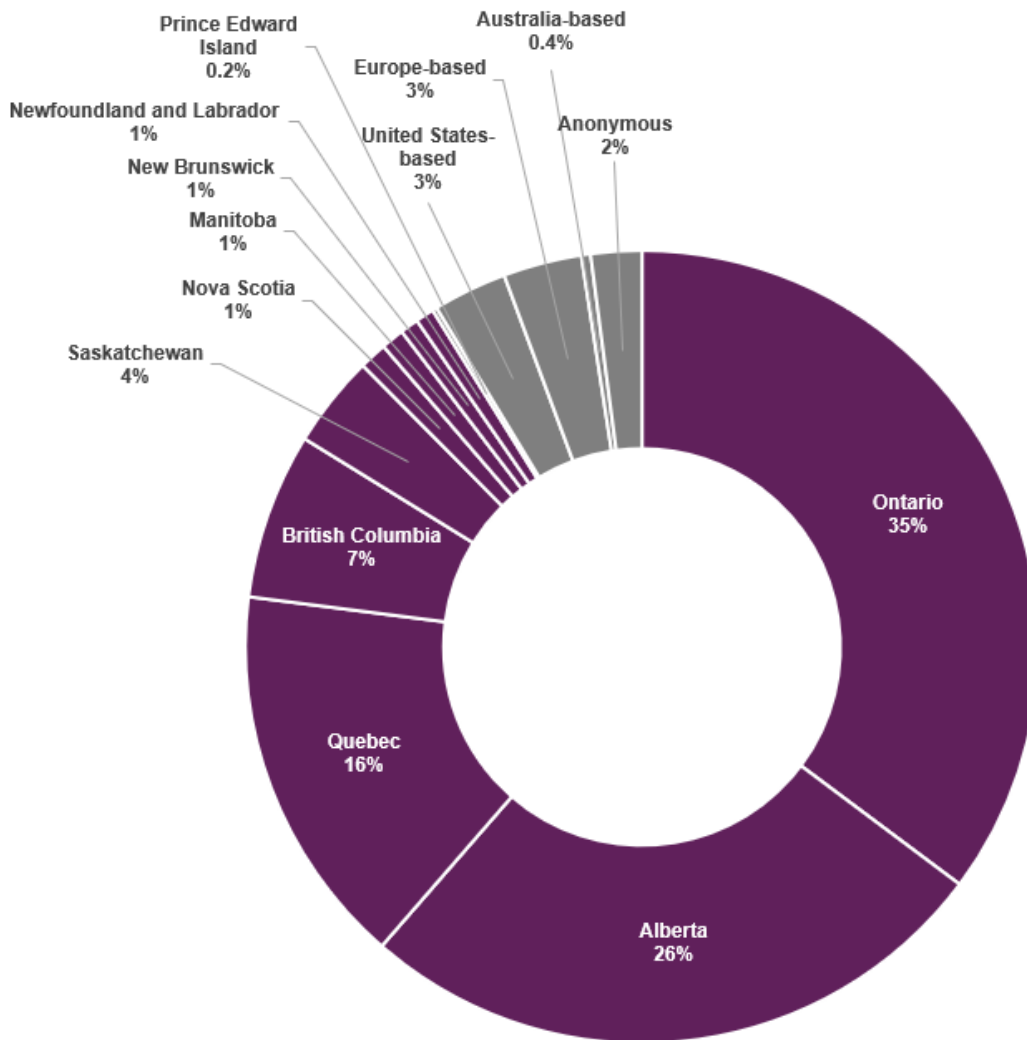


Figure 6. Regional breakdown

Of the associations that responded, 23 per cent were provincial, 72 per cent were national and 5 per cent had an international focus. Among civil society organizations, 54 per cent were national, while one-third operated internationally.

The CSSB recognizes the limited participation from Canada's northern regions and territories. We are committed to closing these gaps in the future through our strategic planning, ensuring that all perspectives have the opportunity to be heard so they may be considered in developing sustainability disclosure standards.

## **Language accessibility**

To encourage inclusive engagement, the CSSB aims to deliver events in both of Canada's official languages. Eight percent of participants provided feedback in French.

## Indigenous respondents

The CSSB recognizes that the involvement of Indigenous Peoples<sup>1</sup> in Canada is essential for creating strong and inclusive sustainability disclosure standards. As part of its commitment to meaningful participation from Indigenous Peoples, the Board has made this a strategic priority.

Figure 7 shows that feedback from Indigenous respondents made up 4 per cent of all input received. Key lessons from this consultation include the need to develop more ways to gather feedback beyond letters and surveys, and to strengthen the CSSB’s relationships with Indigenous Peoples with a special focus on northern communities and Inuit.

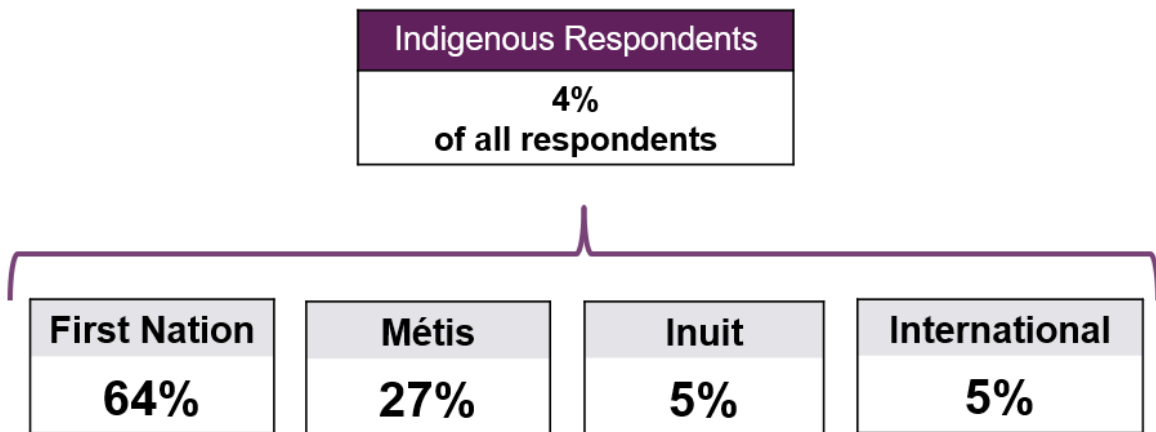


Figure 7. Indigenous engagement

<sup>1</sup> In the context of sustainability standard setting in Canada, we will use the term ‘Indigenous Peoples’ to include First Nation, Métis, and Inuit Nations, rightsholders, governments, communities, businesses, and leaders.

## Industry representation

The CSSB heard from a wide range of industries, which are grouped into higher-level categories in Figure 8.

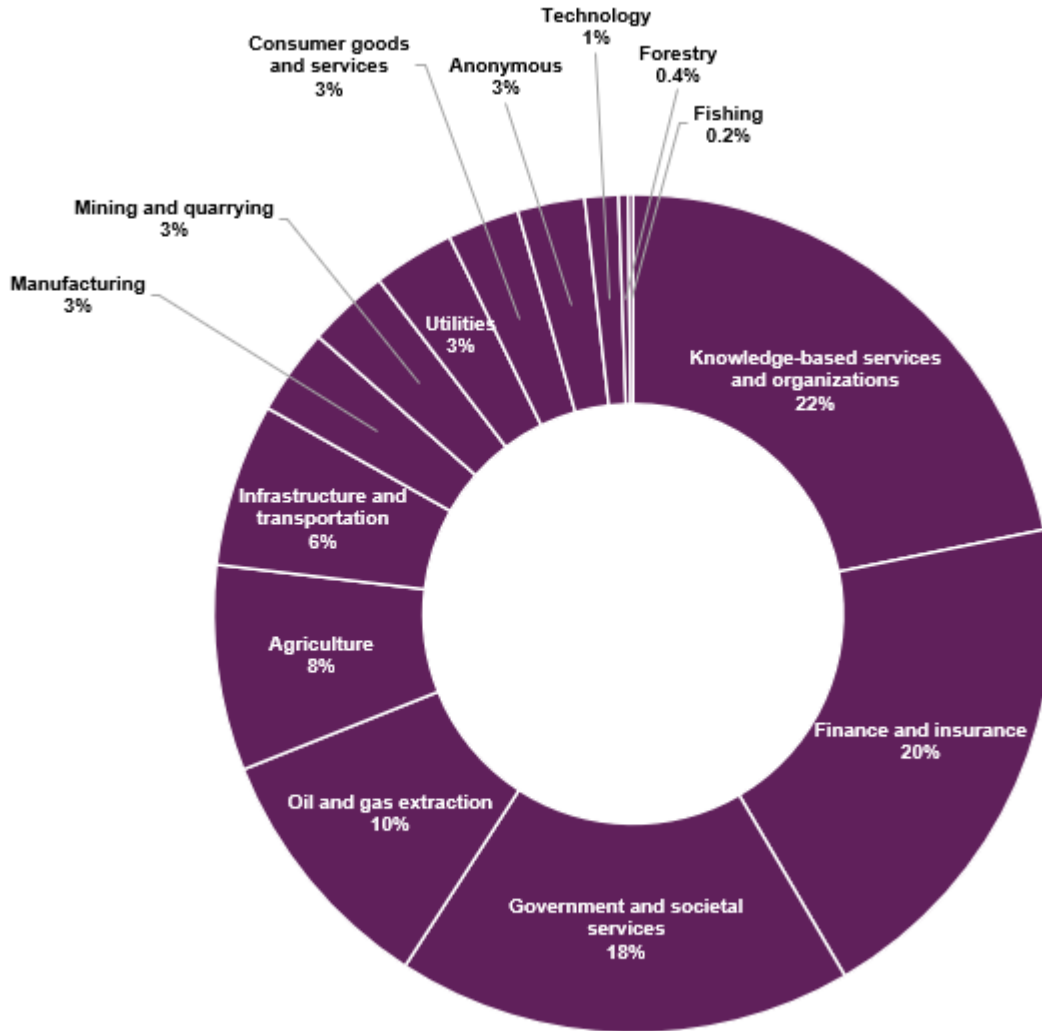


Figure 8. Industry breakdown

## What we heard

As mentioned, the CSSB considered all feedback, whether it was public or kept private. Qualitative and quantitative research methods were used to identify key arguments and themes, along with how often they appeared in the feedback. In addition to feedback received with reference to the questions posed in the three documents for comment, the Board also analyzed the feedback related to Indigenous matters.

What follows does not cover all the feedback but focuses on the key arguments behind respondents' positions on each question, including the open-ended question inviting input on all aspects of the Exposure Drafts.

## How we quantified the feedback

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"	Less than 10%

# Criteria for Modification Framework

## Question 1

*Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions and amendments to the ISSB's global baseline standards? Please provide your reasons.*

The CSSB received responses to this question from 139 unique participants.

Views were mixed on the proposed criteria to assess modifications to the ISSB's global baseline standards. Many respondents agreed with the Criteria for Modifications Framework as proposed, indicating that it strikes an appropriate balance between global alignment and the ability to modify for Canadian-specific circumstances. However, many respondents did not agree with the Framework as proposed. Among these respondents, the most common themes included the following:

- Concerns that the proposed Criteria for Modification allow for deviation from the global baseline, with many respondents specifically cautioning against the criterion that allows deletions from the IFRS Sustainability Disclosure Standards.
- Uncertainty about how and when modifications would be made due to a lack of clarity about the terms "public interest" and "Canadian provisions and practices."

## Question 2

*Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?*

The CSSB received responses to this question from 243 unique participants.

Most respondents to Question 2 indicated that the CSSB should consider including other criteria in the Framework. Many respondents cited concerns about the reporting burden that could potentially put Canadian companies at a competitive disadvantage to those in jurisdictions with fewer disclosure requirements. Many respondents urged the Board to consider adding the criterion "alignment with other regulatory bodies", such as the US Securities Exchange Commission (SEC) and/or Canadian regulators.

Other criteria respondents suggested included:

- consideration for the impact on small and medium-sized enterprises (SMEs);
- decision-usefulness of reporting requirements;
- rights and views of Indigenous Peoples; and
- cost versus benefits of reporting requirements.

## Indigenous matters

The CSSB's commitment to First Nation, Métis and Inuit Peoples was included in the introductory sections of proposed CSDS 1 and CSDS 2. The feedback gathered from the Board's inaugural Canadian consultation has provided insights that will contribute to advancing this commitment by informing members of areas and themes of importance to Indigenous and non-Indigenous respondents.

Outside their specific feedback on the questions outlined in the three documents for comment, First Nation, Métis and Inuit respondents shared recommendations related to Indigenous matters in the context of sustainability standard setting. Some highlights include:

- the need for further education and cultural competency and awareness training;
- the opportunity for a leadership role both domestically and internationally;
- the need for deeper consultation and transparency during the process of creating standards;
- the importance of wide-ranging collaboration with rightsholders, international bodies and Canada's financial reporting and assurance standards boards;
- the potential for "redwashing" that must be avoided;<sup>2</sup> and
- the integration of Indigenous perspectives into the CSSB's work.

Non-Indigenous interested and affected parties also expressed support for the CSSB's commitment and/or encouraged the inclusion of Indigenous matters in contexts of sustainability disclosure and reporting frameworks. Their feedback stressed key points made by Indigenous respondents, such as the Board's opportunity to lead and the need to integrate the perspectives and/or worldviews of Indigenous Peoples into the standards. Further points include:

- support for the "building-block" approach and/or additions to the global baseline related to Indigenous rights;
- the need to ensure meaningful engagement with Indigenous Peoples and to prioritize their concerns;
- the need for specific sections and/or amendments in the standards on Indigenous matters;
- interest in guidance on how Indigenous matters are material in the current standards; and
- the potential for references to Indigenous rights considerations in the CSSB's governance documents.

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<sup>2</sup> The Yellowhead Institute, an Indigenous-led research and education centre, writes that redwashing is similar to "greenwashing", in that it is a "corporate response to an urgent social and/or legal issue that merely co-ops language and symbols but offers little transformative or meaningful change." Redwashing is an attempt to create the appearance of reconciliation or generosity, but only in a superficial sense, without meaningful action or commitment. [A Yellowhead Institute Special Report](#) (Yellowhead Institute, August 2022) 4, accessed September 17, 2024.



There is clear support for continuing to advance the work currently being done to ensure the participation of First Nation, Métis and Inuit Peoples in the CSSB's work plan and to address Indigenous Peoples' rights through sustainability standard setting.

# CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information

## Question 1: Scope of proposed CSDS 1

*Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate? Please provide your reasons.*

*If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required? Please provide your reasons.*

The CSSB received responses to this question from 269 unique participants. Views were mixed on the proposed two-year transition relief for disclosures beyond climate-related risks and opportunities.

### **Comments supporting additional relief**

Many respondents expressed the need for greater transition relief, raising concerns about:

- potential economic disadvantages compared to companies in the United States and Mexico; and
- significant financial investments required for compliance, including building reporting capacity, implementing new systems and hiring consultants.

### **Comments supporting two years or less transition relief**

Many respondents found the two-year relief appropriate, stating that it provides enough time to:

- build reporting capacity;
- prioritize climate disclosure; and
- receive CSSB guidance during the transition.

Some respondents recommended sticking to the ISSB's one-year transition relief, emphasizing that:

- other sustainability topics are also material;
- standardization and comparability are key for investor confidence and company efficiency; and
- proportionality measures play an important role in mitigating the reporting burden.

They argued that:

- starting with imperfect data is essential for long-term improvement;
- an additional year of transition relief would not significantly improve data quality; and
- Canada should focus on aligning with the global baseline instead.

### **Recommended transition relief period**

Only some respondents provided feedback on the second part of the question, which asked about the appropriate transition relief. In general, most respondents were reluctant to suggest specific timeframes. Instead, they recommended:

- a phased or tiered approach;
- relief until topic-specific standards are developed;
- indefinite or indeterminable relief; and/or
- relief for quantitative metrics.

Some respondents gave specific suggestions for additional transition relief, with recommendations ranging from three to five years. A few also urged the CSSB to structure the standard in a way that would make it easier for the Canadian Securities Administrators to adopt.

## **Question 2: Timing of reporting**

*Is any further relief or accommodation needed to align the timing of reporting. If yes, specify the nature of the relief or accommodation and provide the rationale behind it.*

*How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?*

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

### **Comments opposing additional relief or accommodation**

Respondents who opposed further relief highlighted the decision-usefulness of sustainability information for users, arguing that it, along with financial statements, is essential for investment decisions. They made several key points, including the following:

- The existing accommodations are already sufficient, citing the proportionality measures in paragraphs 37-40 of CSDS 1 and the ability to cross-reference information across different reports.
- The efficiency opportunities for preparers and auditors if the timing of sustainability and financial reporting were aligned, suggesting that aligned reporting could streamline processes.

### **Comments supporting additional relief or accommodation**

Many respondents supported additional relief or accommodation to align the timing of sustainability-related financial disclosures with financial statements, citing reasons including:

- capacity issues such as limited resources, inadequate systems and a lack of expertise;
- data-related problems, including concerns about data accuracy, timeliness, and the use of estimates, especially for greenhouse gas (GHG) emissions; and

- mismatch with existing reporting requirements, especially regarding the later timing of regulatory provincial GHG emissions reporting.

They urged the CSSB to consider current regulatory timelines, such as those set by the Office of the Superintendent of Financial Institutions, provincial regulators and the US SEC to better align sustainability disclosures.

### **Recommended transition relief and/or accommodation**

Regarding the type of relief or accommodation needed, many respondents supported a transition relief period before alignment is fully achieved; however, most did not specify a period.

- Some respondents provided a specific timeframe, with recommendations ranging from one to over five years.
- Few respondents suggested a phased implementation during the initial years, while also supporting extended transition relief for SMEs.

Some respondents called for permanent relief.

- Some advocated for a permanent deferral of all sustainability data, suggesting a permanent time gap between sustainability-related financial disclosures and the related financial statement.
- A few specifically requested a permanent deferral of GHG emissions data due to difficulties in obtaining data promptly.

### **Importance of aligned reporting to investors**

In response to the second part of the consultation question, which asked how critical it is for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement, almost all respondents in the user (investors) category viewed aligned reporting as critical or somewhat critical. They cited the materiality, and decision-usefulness of sustainability information, its role in providing a holistic view of entity performance and its tie to stewardship (engagement and proxy voting) and benchmarking. Alignment was also seen as enhancing oversight and accountability and reducing the risk of greenwashing.

## **Question 3: Other issues**

*Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.*

- (a) *Scope*
- (b) *Conceptual Foundations*
- (c) *Core Content*
- (d) *General Requirements*

(e) *Judgments, Uncertainties and Errors*

(f) *Appendices A-E*

Feedback on the appropriateness of the proposed standard for application in Canada revealed mixed opinions. Since most respondents gave multiple comments, the feedback is presented based on the number of comments received, rather than a percentage of respondents.

Notably, several of the arguments made under CSDS 1 Question 3: Other issues were also raised under CSDS 2 Question 3: Other issues. Common issues include the need to align with the ISSB's standards, the cost and operational impact on SMEs, the effect on Canadian competitiveness and safe harbour provisions.

### **Comments in support of draft CSDS 1**

Comments signalling support of all section requirements in CSDS 1 mainly came from investors, preparers and consultants. Many of the comments in favour of all sections focused on the importance of consistency or interoperability with international standards and frameworks. These comments emphasized the following:

- The importance of aligning with IFRS S1 to:
  - ensure comparability across jurisdictions;
  - help large multinational companies streamline their reporting; and
  - preserve Canada's competitiveness and attract foreign investment.
- 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.

### **Comments proposing changes to draft CSDS 1**

Most opposition to the standard came from preparers of sustainability disclosures. Key points raised included the following:

- Burden on SMEs
  - The reporting burden placed on SMEs was a recurring theme, with respondents noting that:
    - the costs and benefits of applying CSDS 1 have not been adequately assessed;
    - SMEs may lack the skills and resources to comply; and
    - operational costs could rise significantly.
- Misalignment with the United States
  - Some comments raised concerns that differing from the US regulatory environment could harm comparability and competitiveness with Canada's main trade partner.

- A few comments suggested aligning with US regulations over those of the European Union, thereby adopting a regime no more burdensome than the US Climate Disclosure Rules.
- A few comments argued that CSDS 1 goes against the free-market system.
- Need for implementation guidance
  - Some respondents called for more implementation guidance, including definitions (e.g., sustainability, time horizons), report templates and calculation methods.
- Safe harbour provisions
  - A few comments expressed concerns over potential legal liabilities from new disclosures, uncertainties with forward-looking statements and risks of confidentiality breaches.
- Indigenous matters
  - A few respondents emphasized the importance of including Indigenous perspectives, respecting Indigenous Peoples' inherent rights in the standards, and further engaging with Indigenous governments, businesses and organizations to align with Indigenous-specific principles and laws.
- External assurance
  - A few comments related to the need to advance assurance requirements or to clarify assurance expectations, including limited versus reasonable assurance, and co-ordination with Canadian and US regulatory bodies on phased-in assurance requirements.

## CSDS 2, Climate-related Disclosures

### Question 1: Climate resilience

*Is transition relief required for climate-resilience disclosure? If so, for how long and why?*

*Is further guidance necessary? If so, which specific elements of require guidance and why?*

*Proposed CSDS 2 references the Task Force on Climate-related Financial Disclosures' "Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities" (2017) and its "Guidance on Scenario Analysis for Non-Financial Companies" (2020) for related application guidance. What additional guidance would an entity applying the standard required? Please be specific.*

The CSSB received responses to this question from 245 unique participants.

#### **Comments in support of transition relief**

Many respondents indicated that transition relief is required for climate-resilience disclosures. Key reasons included:

- resource constraints and limited capacity;
- nascency of methodologies;
- process limitations; and
- concerns over information quality.

Preparers argued they need more time to:

- learn how to use both qualitative and quantitative scenario analysis methods; and
- adapt their processes to integrate complex climate-related data into their reporting.

#### **Recommended transition relief period**

Most respondents who supported transition relief preferred a period of two or more years. They argued this time is needed for companies to build the skills and capacity required to produce high-quality climate-resilience disclosures, echoing many of the same reasons given in support of transition relief in general.

#### **Comments in support of further guidance**

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**

Some respondents indicated that transition relief is unnecessary. Those respondents against transition 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, quantification, and the quality of disclosures to improve over time. Those respondents also indicated that proportionality measures contained in the Standard provide sufficient accommodation to allow companies to build the necessary capacity.

## **Question 2: Scope 3 GHG emissions**

*Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to support its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide rationale.*

*If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.*

Respondents were nearly evenly split between those supporting the CSSB's proposal for Scope 3 GHG emissions disclosure relief and those requesting additional relief. The Board received responses to this question from 258 unique participants.

### **Comments in support of the proposed transition relief**

Many respondents felt the CSSB's proposed two-year relief was either adequate or too long. 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 GHG emissions. Some respondents, however, argued for removing the proposed relief to better align with the baseline set by IFRS S2, citing the urgent need for standardized Scope 3 GHG emissions disclosure.

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

### **Comments in favour of further relief**

Many respondents believed the proposed two-year relief was not adequate. The most common reasons cited by those supporting additional relief or removal of the requirement included:

- the US SEC's decision to remove Scope 3 GHG emissions disclosure from its climate disclosure regulation;



- cost and capacity concerns;
- concern about Scope 3 GHG emissions accounting methodologies; and
- concerns with data quality and availability.

### **Respondents' recommended relief**

Among respondents who felt the proposed two-year relief was not adequate.

- Many favoured removing the reporting requirement entirely or making it voluntary.
- Some recommended an alternative relief approach, such as offering more guidance and support for preparers, particularly to those with more limited capacity to implement the standards or respond to requests for information related to the Scope 3 GHG emissions disclosure requirement.
- Some respondents felt two years was not adequate, but did not suggest a specific relief period. Except for a few, respondents generally avoided suggesting precise timeframes.

### **Other comments**

The CSSB received feedback from a variety of respondents on both sides of the issue. In response to the Board's questions related to Scope 3 GHG emissions disclosure, respondents noted considerable concern about regulatory developments affecting the Board's work. This feedback also displayed a wide range of understanding regarding the Board's role and the proposed standard, particularly with regards to provisions within the proposed standard related to materiality and proportionality.

## **Question 3: Other issues**

*Do you agree that the requirements in the following sections are appropriate for application in Canada?  
Please explain the rationale for your answer.*

- (a) *Objective*
- (b) *Scope*
- (c) *Core Content*
- (d) *Appendices A-C*

The CSSB received responses to this question from 223 unique participants

As noted under CSDS 1 Question 3: Other issues, feedback on the appropriateness of proposed CSDS 2 for application in Canada raised many of the same concerns as Question 3 of CSDS 1. The CSSB considered this feedback in its deliberations on CSDS 2.

Many respondents agreed with the CSDS 2's Objective and Scope. Most of the feedback on Question 3 focused on Core Content and Appendices A-C, where respondents expressed opposition or concerns.

- Many respondents raised concerns with the GHG Protocol methodology and potential implications of future updates.
- Many respondents raised concerns with absolute GHG emissions disclosure requirements and recommended a need to allow for alternative carbon offsetting approaches.
- Many respondents believed that one or more elements of the *Industry-based Guidance on Implementing Climate-related Disclosures* is not applicable to their circumstances and/or may not apply fairly to all industries.
- Many respondents indicated that more application and interpretive guidance on CSDS 2 provisions and definitions is required.
- Some respondents urged the CSSB to:
  - stagger the effective date of CSDS 1 and CSDS 2, and/or
  - delay the effective date of CSDS 2.

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