

CSSB RELEASES FINAL CANADIAN SUSTAINABILITY DISCLOSURE STANDARDS: MANDATORY DISCLOSURE RULES ARE ON THE HORIZON

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Following a public feedback, education and consultation process, which involved engagement with a diverse group of participants, including Indigenous communities, the Canadian Sustainability Standards Board (**CSSB**) released the final versions of its Canadian Sustainability Disclosure Standards (**Final Standards**), which address both general sustainability-related disclosures and climate-specific requirements. Other than granting entities additional time to fulfill their reporting requirements, the Final Standards are largely unchanged from the draft standards released for comment by the CSSB in March 2024 and remain aligned with the global baseline sustainability and climate-related reporting standards established by the International Sustainability Standards Board (**IFRS Standards**).

Final Standards

The Final Standards, published in the [CPA Canada Handbook - Sustainability](#) include CSDS 1, *General Requirements for Disclosures of Sustainability-related Financial Information* (**CSDS 1**) and CSDS 2, *Climate-related Disclosures* (**CSDS 2**). The Final Standards are effective for annual reporting periods beginning on or after January 1, 2025.

CSDS 1 is focused on sustainability-related risks and opportunities and centers on the fundamental principle that an entity's ability to generate cash flows over the short, medium and long terms is linked to the entity's interactions with the society, the economy, the natural environment and other parties. CSDS 2 is focused specifically on climate-related risks and opportunities facing an entity. Together, the Final Standards require entities to disclose all sustainability-related and climate-related risks and opportunities that could "reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term." Disclosure is required to include information on governance, strategy, risks and opportunities, business model and value chain, strategy and decision-making, financial position, financial performance and cash flows, resilience, risk management, and metrics and targets.

The objective of the Final Standards is to ensure that primary users of financial reports (i.e., investors, lenders

and other creditors) that are making decisions relating to providing resources to the entity, are provided with the necessary information on an entity as it relates to their sustainability-related and climate-related risks and opportunities. While the CSSB's consultation and feedback process highlighted differing views on the suitability of the Final Standards in the Canadian market, including transition periods and the requirement to disclose Scope 3 GHG emissions, ten of Canada's largest pension investors and investment management firms, representing more than \$2.25 trillion in assets under management, expressly affirmed their support for the Final Standards upon their release on December 18, 2024, noting that the Final Standards will strengthen the Canadian market's sustainability disclosure infrastructure and improve the quality of information available to investors, stakeholders and regulators and encouraged Canadian issuers to adopt the Final Standards and not delay the measurement and reporting of material sustainability-related information.

Transitional Relief

Recognizing the advantage for Canadian entities and markets to align with the IFRS Standards, the Final Standards are largely consistent with the requirements of IFRS S1 and IFRS S2; however, the Final Standards provide for additional transition relief that will grant entities further time to fulfill their reporting requirements. Specifically:

- For CSDS 1, entities will have two additional years of relief (3 total) to align sustainability-related financial disclosures with financial reporting. This will allow reports to be submitted up to nine months after the first year-end, and up to six-months after the second and third year-end. Further, the start date for entities to report on sustainability matters beyond climate-related disclosures will be January 1, 2027, two years later than the start date in IFRS S1.
- Under CSDS 2, the start date for entities to report on Scope 3 GHG emissions is January 1, 2028, two years later than in IFRS S2. Further, entities will have three years of relief for reporting the quantitative (not qualitative) aspects of scenario analysis data reporting, with reporting obligations commencing January 1, 2028.

What to Expect Next

While the Final Standards are voluntary, they will likely form the basis for any future mandatory climate-related disclosure rules to be introduced by Canadian regulators.

For private companies, the Government of Canada has confirmed its intention to amend the *Canada Business Corporations Act* to introduce mandatory climate-related disclosures for large, federally incorporated private companies.

For public companies, the Canadian Securities Administrators (**CSA**) continues to work towards a revised

mandatory climate-related disclosure rule that will consider the Final Standards, including any feedback received by the CSSB throughout the consultation process, and any developments in the United States (where SEC disclosure rules have been subject to numerous ongoing legal challenges). Before implementing mandatory disclosure for public companies, the CSA will publish a revised proposed rule for public comment and will seek feedback on specific issues such as the scope of application, the need for additional time or guidance for reporting issuers to comply with disclosure requirements and potential liability with respect to new requirements for climate-related disclosure.

To ensure companies remain at the forefront of their industries, they should review their approach to sustainability-related disclosures, not just in light of the Final Standards, but also in light of the recent amendments to the Competition Act targeting greenwashing, including requiring businesses to complete certain substantiation and testing prior to making environmental claims, a more detailed overview of which can be found in the bulletin prepared by McMillan's Competition and Antitrust Group [here](#).

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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