FRAS Canada Sustainability

Exposure Draft

Proposed Amendments to CSDS 2

Amendments to Greenhouse Gas (GHG) Emissions Disclosures

April 2026

This Exposure Draft closes for comments on July 20, 2026

The Canadian Sustainability Standards Board (CSSB) welcomes feedback from any interested party on any or all the questions posed in this Exposure Draft.

You can provide feedback to the CSSB on the proposals in a variety of ways:

- Participate in the Connect.FRASCanada.ca survey.
- Connect directly with the CSSB by attending a discussion session on this Exposure Draft. Session dates and registration information will be posted to the project page.
- Write a response letter and upload it via our online form. Response letters can be addressed to:

  Jo-Anne Matear
  Director, Sustainability Standards
  Canadian Sustainability Standards Board
  145 King Street West, Suite 500
  Toronto, ON M5H 1J8

Note: Response letters will be posted online shortly after this Exposure Draft closes for comment. Confidentiality can be requested when uploading letters via the online form.

Helpful tips when participating in a consultation:

- Comments are most helpful if they relate to a specific paragraph or group of paragraphs found in the Exposure Draft.
- If you identify a potential issue in this Exposure Draft's proposals, we encourage you to clearly explain the issue and include a suggested alternative, supported by specific reasoning.
- The CSSB does not expect you to respond to every single question posed – only those to which you feel you can or should respond.

HIGHLIGHTS

The CSSB proposes, subject to comments received following exposure, to adopt with appropriate Canadian modification, the International Sustainability Standards Board (ISSB) *Amendments to Greenhouse Gas Emissions Disclosures*, which amend IFRS S2 *Climate-related Disclosures*. This would result in corresponding amendments to Canadian Sustainability Disclosure Standards (CSDS) 2, *Climate-related Disclosures*. In addition, the Basis for Conclusions on IFRS S2 included in the CPA Canada Handbook – Sustainability (the Handbook) would be modified for the ISSB's amendments.

This Exposure Draft consists of:

- the background;
- the CSSB's due process applicable to IFRS Sustainability Disclosure Standards;
- the proposed Canadian modifications;
- matters raised by Canadians; and
- questions for respondents.

BACKGROUND

In December 2024, the CSSB published CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, CSDS 2 and their supporting Bases for Conclusions in the Handbook. CSDS 1 establishes general requirements for the disclosure of material sustainability-related financial information and CSDS 2 focuses on disclosure of material information on climate-related risks and opportunities. The CSDSs align with the international baseline set by the ISSB and mirror IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2, but with transition relief modifications reflecting the Canadian public interest. The Summary of Modifications to IFRS S1 and IFRS S2 is available.

In January 2025, the ISSB proposed amendments to IFRS S2 to respond to various application challenges identified through questions submitted to the Transition Implementation Group on IFRS S1 and IFRS S2 and through the ISSB's other engagement activities.

In April 2025, the ISSB released its Exposure Draft, "Amendments to Greenhouse Gas Emissions Disclosures – Proposed amendments to IFRS S2," and related Basis for Conclusions on Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures – Proposed amendments to IFRS S2. The ISSB's Exposure Draft suggested providing additional relief and clarifying existing relief from specific GHG emissions disclosure requirements. Specifically, the ISSB proposed amending IFRS S2 requirements related to:

- measuring and disclosing Scope 3 Category 15 GHG emissions associated with derivatives and with specific financial activities related to investment banking (facilitated emissions) and insurance and reinsurance underwriting (insurance-associated emissions);
- using the Global Industry Classification Standard in applying specific requirements related to the disclosure of information about financed emissions;
- using a method for measuring GHG emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), if a jurisdictional authority or an exchange on which the entity is listed requires the use of a different measurement method for a part of the entity; and
- using global warming potential (GWP) values other than those based on a 100-year horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date, if a jurisdictional authority or an exchange on which the entity is listed requires the use of different GWP values.

The CSSB submitted a response letter to the ISSB's Exposure Draft. Given the shorter-than-usual exposure period,[1] the letter was informed by feedback from consultations with a select group of Canadian interested and affected parties. Other Canadian entities also responded to the ISSB's Exposure Draft and all response letters are available on the ISSB's project page.

In December 2025, the ISSB published its final *Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2)*.

CSSB'S DUE PROCESS APPLICABLE TO IFRS SUSTAINABILITY DISCLOSURE STANDARDS

The CSSB applies its due process to IFRS Sustainability Disclosure Standards, including:

- gaining an understanding of the new or amended IFRS Sustainability Disclosure Standards;
- exposing the new or amended IFRS Sustainability Disclosure Standards for public comment;
- assessing whether there are indications that the ISSB did not meet its due process requirements; and
- evaluating whether the ISSB's proposals are appropriate for application in Canada based on feedback from interested and affected parties.

The CSSB recognizes the benefits of global standardization of sustainability disclosure standards to the Canadian public interest. Therefore, it supports the incorporation of IFRS Sustainability Disclosure Standards in Canada to the fullest extent possible. The Board also recognizes that there may be circumstances where amendments are required in the Canadian public interest. To that end, the Board developed its Criteria for Modification for amending IFRS Sustainability Disclosure Standards when setting CSDSs. The Criteria for Modification are included in Appendix A to the Due Process Manual and reproduced in the Appendix to this Exposure Draft.

PROPOSED CANADIAN MODIFICATION

Effective date

The ISSB's amendments to IFRS S2 are effective January 1, 2027, with earlier application permitted. This is approximately one year after publication of the ISSB's final amendments.

The CSSB expects to approve its final amendments to CSDS 2 in Q4 of 2026 and proposes an effective date of January 1, 2028, with earlier application permitted. This proposed timing allows for a full year between publication and the effective date, consistent with the approach used for CSDS 1 and CSDS 2 relative to IFRS S1 and IFRS S2 (i.e., one year later). Allowing adequate time for adoption serves the Canadian public interest and promotes the quality of sustainability disclosure in Canada.

CONCERNS CANADIANS RAISED ABOUT THE PERMANENT RELIEF

In responding to the ISSB's Exposure Draft, the CSSB and other Canadian respondents raised concerns about granting permanent relief that would allow entities to exclude Scope 3 Category 15 GHG emissions associated with facilitated and insurance-associated activities from their disclosures. Non-Canadian respondents expressed similar concerns.

1 The IFRS Foundation Due Process Oversight Committee approved a shortened comment period of 60 days for proposed amendments to IFRS S2.

These concerns reflect the importance of ensuring completeness in the disclosure of material GHG emissions, including material Scope 3 emissions, and the rapidly evolving development of measurement methodologies for GHG emissions associated with financial activities.

For facilitated emissions and insurance-related emissions, the Office of the Superintendent of Financial Institutions Guideline B-15: Climate Risk Management, states that Canadian federally regulated financial institutions are expected to use both the latest:

- GHG Protocol: A Corporate Accounting and Reporting Standard and the latest GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, or comparable reporting standards; and
- Partnership for Carbon Accounting Financials' (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF Standard), or a comparable industry-accepted approach.

The five major Canadian banks are signatories to PCAF and have publicly committed to applying its methodologies, a practice that is also expected to be adopted by smaller financial institutions. In addition, several Canadian insurance companies are signatories to PCAF. The CSSB has previously referenced this alignment with PCAF methodologies in its response to the ISSB.

The CSSB and other Canadian and non-Canadian respondents recommended that time-limited relief would be preferable to permanent relief as a means of ensuring ongoing capacity building. Alternatively, at a minimum, the ISSB should provide clear public communication of a defined timeline for reviewing the duration of relief.

The ISSB considered this feedback and decided to maintain permanent relief. Paragraphs BC121A-BC121H of the Basis for Conclusions explain the ISSB's reasoning.

In response to concerns that variations in how the relief is applied could reduce comparability of Scope 3 Category 15 GHG emissions disclosures, the ISSB amended IFRS S2. It added a requirement that an entity disclose the total Category 15 GHG emissions included in its measure of Scope 3 GHG emissions, and the subtotal of financed emissions in that total (paragraph 29C of IFRS S2). Paragraphs BC121I-BC121L of the Basis for Conclusions explain the ISSB's reasoning.

The CSSB acknowledges Canadian concerns raised to the ISSB and the possible Canadian public interest considerations, given the materiality of facilitated emissions and insurance-associated emissions for Canadian financial institutions due to their exposure to carbon-intensive assets. Permanent relief could reduce comparability and obscure key transition-related risks and opportunities existing in Canada.

The CSSB also recognizes that global alignment and interoperability with IFRS Sustainability Disclosure Standards are important public interest considerations. Adding time-limited relief in amendments to CSDS 2 would make the CSDSs more stringent than IFRS Sustainability Disclosure Standards, creating a permanent difference. An entity applying IFRS Sustainability Disclosure Standards would need to provide additional information to be able to assert compliance with the CSDSs.[2] To date, CSSB modifications made when adopting IFRS Sustainability Disclosure Standards in Canada have only related to effective dates and transitional relief, which are temporary differences that expire over time.

Finally, the CSSB also considered the fact that the GHG Protocol is undertaking a comprehensive, multi-year revision of its suite of standards, including the Scope 3 Category 15 GHG emissions. As part of this work, the GHG Protocol is considering introducing a new, optional Category 16 to capture facilitated emissions, including emissions associated with insurance and reinsurance underwriting, related claims and other financial activities. This work remains ongoing and subject to change, with final publication of the GHG Protocol's revised standards anticipated in 2027. Paragraph 29(a)(ii) of IFRS S2 and CSDS 2 currently refer to GHG Protocol: A Corporate Accounting and Reporting Standard (2004). Reflecting a newer version of the GHG Protocol would therefore require the ISSB and the CSSB to undertake standard-setting activities.

2 Paragraph 72 of CSDS 1 addresses the statement of compliance.

Currently, the CSSB is not proposing a Canadian modification in respect of this matter and seeks input as part of this Exposure Draft on the best path forward to serve the Canadian public interest.

COMMENTS REQUESTED

While the CSSB welcomes comments on all aspects of the proposal in this Exposure Draft, it particularly welcomes comments on the questions listed below:

1. In adopting the ISSB's amendments to GHG emissions disclosures into CSDS 2, do you agree with the proposed Canadian modification related to effective date of the amendments? If not, what Canadian modification, if any, do you believe is required, and why? Please explain how the modification you propose meets the Criteria for Modification set out in the Appendix.
2. Given concerns Canadians raised about the permanent nature of the relief for facilitated emissions and insurance-related emissions included in the ISSB's final amendments to IFRS S2, do you think that CSDS 2 should instead provide time-limited relief? If yes, explain your reasoning in the context of the Criteria for Modification set out in the Appendix and indicate your preferred duration for the relief.

APPENDIX: CRITERIA FOR ADDITIONS TO, DELETIONS FROM OR AMENDMENTS TO IFRS SUSTAINABILITY DISCLOSURE STANDARDS

The CSSB recognizes the benefits of global standardization of sustainability disclosure standards to the Canadian public interest and, therefore, supports the incorporation of IFRS Sustainability Disclosure Standards in Canada to the fullest extent possible. The Board also recognizes that there may be circumstances where amendments are required in the Canadian public interest. The following sets out criteria for the circumstances in which the Board would make amendments to the IFRS Sustainability Disclosure Standards in setting Canadian standards based on them:

1. Subject to paragraph 2 below, the CSSB will generally limit additions to, deletions from, or other amendments to an IFRS Sustainability Disclosure Standard to the following:
   (a) Requirements or guidance, the application of which are not permitted by, or require addition, deletion or amendment to be consistent with, applicable Canadian law or regulation.
   (b) Requirements or guidance, where the ISSB recognizes that different provisions or practices may apply in different jurisdictions and Canada is such a jurisdiction.
2. The CSSB may make additions to, deletions from, and/or amendments to an IFRS Sustainability Disclosure Standard with respect to requirements or guidance beyond those described in paragraph 1 above (including effective dates and transition periods) where it believes such additions, deletions and/or amendments are required to serve the Canadian public interest and maintain the quality of sustainability disclosure in Canada.