

# **IFRS S2 and CSDS 2 Gap Assessment**

Your change management guide to  
ISSB and CSSB alignment.

## Introduction

Canadian Business for Social Responsibility (CBSR) created this tool for companies that require or want to report to the ISSB or CSSB standards. The IFRS disclosure standards are only in effect in jurisdictions that have adopted them ([Source](#)). Canada has not yet adopted IFRS S1 or S2 but plans to adopt them with amendments to better suit Canadian public interest ([Source](#)) which resulted in the formation of the Canadian Sustainability Standards Board (CSSB) and the draft standards: CSDS 1 and CSDS 2. These draft disclosures are currently the same as their IFRS S1 and IFRS S2 counterparts, but with longer timelines.

- CSDS 2 (focused on climate-related financial disclosure, same as IFRS S2) will come into effect for the 2025 financial year: companies will report on it starting in 2026.
- CSDS 1 (focused on sustainability-related financial disclosures, same as IFRS S1) will come into effect for the 2026 financial year: companies will report on it starting in 2027.

The ISSB (and the related standards from CSSB) are an important development in the disclosure environment because it attaches a monetary value to sustainability and climate risks and opportunities. These standards are attempting to embed sustainability and climate further into organizational culture and success, making it a change management exercise.

## Directions for Use

The tool presents nine steps to manage the change required to align under the IFRS S2 and CSDS 2 standards. Each step is presented as a yes/no statement and is accompanied by resources and guidance for completing each step, including the related change management measures.

Users should read through each step of the tool, responding either “Yes” or “No”. If you respond “Yes”, you have completed that step and can move onto the next step. If you say “No”, users are encouraged to leverage the resources of that section to complete that step.

A user is considered prepared for IFRS S2 and CSDS 2 reporting when all 9 steps have been successfully completed. This tool does not always reflect real-life implementation's unique environments and competing priorities.

## **Step 1: My organization has measured our scope 1, scope 2 and scope 3 emissions.**

IFRS S2 pp. 29 – 32, 36.b.

### **If you answered “No” ...**

It is challenging to lower emissions and drive meaningful change without understanding your current impact and emissions profile. IFRS S2 and CSDS 2 require emissions reporting, so be sure to start with a Greenhouse Gas Inventory in Scopes 1, 2 and 3.

Scope 3 emissions disclosures have been given a 1-year transition relief under IFRS S2 and a 2-year transition relief under CSDS 2, so they will not be required until 2026 for the 2025 financial year and until 2027 for the 2026 financial year, respectively.

That said, scope 3 emissions are more complex and will likely take more time to quantify. We recommend measuring scope 3 now to get ahead of future disclosure requirements.

### **Change Management Tips**

- Successful change managers understand the reason for change and why it is necessary. Use the emissions inventory process to begin understanding where your largest emissions sources sit within the organization and build a business case on the importance of reduction.
- Mobilize active and visible executive sponsorship for developing a GHG inventory.
- Build a resourcing plan to ensure you have the resources to measure your emissions each year.
- It is becoming increasingly common for sustainability teams to engage their financial reporting teams on this task; in many cases, the sustainability reporting function is housed within the finance department.

### **Sources for getting started:**

- [CBSR Roundtable: Tackling Scope 3 Emissions](#)
- [GHG Protocol Corporate Standard Training Webinar](#)
- [GHG Protocol Calculation Tools and Guidance](#)
- [EPA Scopes 1,2 and 3 Emissions Inventorying and Guidance](#)
- [4 Common Myths about Measuring and Reporting Scope 3 Emissions \(Delphi\)](#)
- [GHG Protocol Scope 3 Accounting and Reporting Standard](#)

## Step 2: My organization has identified and assessed climate-related risks and opportunities.

IFRS S2 pp. 10-12, pp. 24 - 26

### If you answered “No” ...

The IFRS S2 and CSDS 2 reporting standards are entirely aligned with the Taskforce on Climate-related Financial Disclosure (TCFD) standards.

Same as TCFD, IFRS S2 and CSDS 2 require you to disclose your organization’s climate-related risks and opportunities: how they are identified, how much impact they have, how you plan to monitor them, and how you plan to address them.

Embedding climate risk into your business's current risk management function is no easy feat and will take collaboration and time to do.

### Change Management Tips

- Build a relationship with your organization’s risk management team to understand their process, timelines and review cycles. It is often more useful to embed climate risk into existing risk assessment processes.
- Understanding your business's climate risks and opportunities is an excellent opportunity to engage employees, especially front-line employees. Front-line employees will have a unique understanding of climate-related impacts on the business. They are also good sources to surface missed opportunities with customers. Their valuable insight might lead to a better understanding of new value creation for a low carbon economy.
- Change management requires clear, consistent, regular, and transparent communication with your teams. Each step should be considered as an opportunity to draw more awareness to the need for climate action within your organization.
- Reiterate your organization’s purpose for acting.

### Sources for getting started:

- [TCFD Knowledge Hub](#)
- [CDSB: TCFD Implementation Guide](#)
- [OSFI: Climate Risk Management Guidelines](#)

## Step 3: My organization has completed climate-related scenario analysis.

IFRS S2 pp. 22, 25.a.ii., 25.b.

### If you answered “No” ...

Climate scenario analysis is required by the IFRS S2 and CSDS 2 disclosures. Scenario analysis is considered the best practice in climate strategy and transition planning.

### Change Management Tips

- Scenario analysis is a tool to complement and enhance critical thinking around climate action. Use the scenario analysis exercise as a touchpoint with teams to explore future scenarios and outcomes of potential action.
- Scenario analysis can be further confirmation that action is necessary and supportive of an organizational mission.
- Share your scenario analysis results across the organization and store it, and other reporting and climate resources, in a spot that is accessible by everyone, so it becomes a long-term resource.

### Sources for getting started:

- [CSDS 2: Appendix B \(paragraph B11 – B18\)](#)
- [TCFD Scenario Analysis Hub](#)
- [Climate Scenario Analysis 101 \(Resources for the Future\)](#)
- [CDP Technical Note on Scenario Analysis](#)
- [Use Delphi consulting services for help](#)

## **Step 4: My organization has prioritized where we want to act on climate based on our emissions data and identification of climate-related risks and opportunities.**

IFRS S2 pp. 6.a.iv., 25.b., 25.c.

### **If you answered “No” ...**

IFRS S2 and CSDS 2 require organizations to identify, assess, monitor and prioritize climate-related opportunities and risks.

Using the information gathered in the previous steps, such as the emissions inventory data, climate scenario analysis and compilation of climate-related risks and opportunities, engage your stakeholders to complete a double materiality assessment.

### **Change Management Tips**

- Materiality assessments are designed to prioritize resource allocation, identify new business opportunities, support improvements and enhance your communication and engagement with key stakeholders.
  - You should prioritize a double materiality assessment over a traditional materiality assessment. A double materiality assessment considers the company’s impact on the environment and society alongside the ESG impacts on the company.
- Materiality assessments also provide the opportunity to discuss climate and sustainability with your employees, suppliers and customers, which can help to build awareness and enhance understanding of your organization’s purpose for acting.
- Engaging your team at this stage lays the foundation for organizational buy-in. Provide opportunities for input, opinions and commentary on what kind of action stakeholders would like to see from your organization. There is also an opportunity to identify potential roadblocks for implementation; by hearing what concerns employees have and what processes could be implicated by this work.

### **Sources to get started:**

- [CBSR Climate Transition Plans Spotlight Brief](#)
- [CBSR Climate Transition Plans Roundtable](#)
- [GRI Why double-materiality is crucial for reporting organizational impacts](#)
- [Double Materiality: The next frontier of ESG \(Delphi\)](#)
- [EFRAG Materiality Assessment Implementation Guidance](#)
- [GRI Double Materiality Guide](#)
- [US Climate Resilience Toolkit: Prioritize & Plan](#)

## Step 5: My organization has set targets and goals related to the areas where we want to act.

IFRS S2 pp. 6.a.v., 10, 24 – 37

### If you answered “No” ...

Target setting is a requirement of IFRS S2 and CSDS 2. It is important for organizations to set targets related to their materiality assessment and areas where action is needed most.

Targets should be set for a variety of time horizons including short-term (within 5 years), medium-term (5-10 years), and long-term (10+ years).

Publicly announced science-based and interim targets are considered best practice in corporate sustainability. If possible, it is strongly recommended to develop SBTi-aligned targets.

### Change Management Tips

- Consider how these targets could define success for your organization and how they can create a clear pathway towards larger goals.
- Encourage input from all implicated business units and try to connect climate-related targets to existing performance indicators within those teams.
- Each target should be time-bound and clearly communicated with all implicated teams.
- As you set each target, consider who is accountable for its success and who will need to support the target for it to be achieved.

### Sources for getting started:

- [Webinar: Everything you need to know about SBTi \(Delphi\)](#)
- [Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions](#)
- [CBSR Net Zero Working Group: Target Setting](#)
- [TCFD: Guidance on Metrics, Targets and Transition Plans](#)
- [Transition Plan Taskforce Technical Annex \(pg. 18 – 24\)](#)
- [SBTi Resource Library](#)
  - In particular: [SBTi: How to Set a Target](#)
- [UNEP FI Climate Adaptation Target Setting](#)
- [Workshop in a Box: Metrics & Targets \(GFANZ\)](#)

## **Step 6: My organization has conducted internal communication and training to ensure all teams, managers and executive leadership are aware and supportive of our goals and targets.**

### **If you answered “No” ...**

To effectively lower emissions at your organization, sustainability must be integrated into organizational strategy and culture. All business functions should understand, support and deliver climate strategy – the compilation of all steps of this tool (1-9). Step 5 aims to integrate climate action into your organization’s culture through awareness, training and education.

We recommend starting with awareness building throughout your organization for your priority areas of action (from step 4).

### **Change Management Tips**

- This is an opportunity to reiterate your organization's motivation for change, why change is needed, what the changes are, and how you plan to enable/make change.
- Take the time to adapt your communication and training to the teams you are talking to. Make the content relevant by connecting it to the work they are already doing and show how the changes will benefit them in the future.
- Identify supporters/advocates in each team that can support the change management process once the training is completed. Make sure the teams are aware of this individual and that they can use them as a resource to answer questions and surface concerns related to changed processes, as well as provide guidance.
- Be present and involved when teams have questions related to the training. Are there ways that you can better align the change management plan to the team's capacity and current priorities? Are there foreseeable roadblocks that you can address now? What solutions can support this team while advancing our progress towards our targets?

### **Sources to get you started:**

- [Re.Climate What Do Canadians Really Think About Climate Change \(report\)](#)
- [IVEY Corporate strategies for net zero](#)
- [All aboard: Sustainability is everyone’s job on the road to net zero \(Delphi\)](#)
- [Transformational Corporate Climate Leadership](#)
- [Inside Out: Sustainability Communication Begins in the Workplace \(GreenBiz\)](#)



## **Step 7: My organization has developed governance mechanisms to help manage climate-related action and to integrate it into the decision-making process.**

IFRS S2 pp. 5-7, 29.g., 34

### **If you answered “No” ...**

Executive buy-in and support of climate action is a key component of that integration. Use climate governance to enable your climate transition plan and, therefore, meet your targets.

Consider developing accountability mechanisms such as connecting climate goals to Board mandates and executive-level, director-level and management-level remuneration.

### **Change Management Tips**

- Define the roles and responsibilities related to targets and goals.
- Outline key performance indicators (KPIs) and interim targets related to the larger targets, and the clearly defined timelines for meeting them.
- Hold an information session on the above with your management/executive teams to ensure alignment and receive input to gain buy-in.
- Be transparent about the lines of accountability across the organization and provide pathways for employees to connect with those individuals regarding implementation.

### **Sources for getting started:**

- [CBSR Winning Sustainability Challenges \(slides 9-15\)](#)
- [World Economic Forum, How to Set Up Effective Climate Governance on Corporate Boards](#)
- [World Bank: Climate Change Governance Publications](#)
- [World Economic Forum, Community of Climate Governance Experts resources](#)
- [International Finance Corporation, Progress Matrix](#)
- [How to Build Effective Sustainability Governance Structures \(BSR\)](#)
- [Why sustainable governance and corporate integrity are crucial for ESG](#)

## Step 8: My organization has a clear and transparent climate transition plan.

IFRS S2 pp. 9.c., 14, 22.a.i - iii.

### If you answered “No” ...

Take time as an organization to develop a climate transition plan. ISSB defines a climate transition plan as “an aspect of an entity’s overall strategy that lays out the entity’s targets and actions for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions”.

This plan should include time-bound milestones and targets that guide your organization to success.

### Change Management Tips

- Your organization’s Climate Transition Plan may be the most important tool for enabling change management. It should be an open resource for everyone in your organization to leverage for information including:
  - Background and reasoning for climate action,
  - Scope of the action,
  - Targets and goals,
  - Timelines for action,
  - Action plan, and,
  - Roles, responsibilities and accountability structure.
- Use this tool to amalgamate the information you’ve gathered from the previous steps and from your engagement with employees.
- To further accountability, this plan should be published publicly and available on your organization’s website.

### Sources for getting started:

- [CBSR Climate Transition Plans Spotlight Brief](#)
- [CBSR Climate Transition Plans Roundtable](#)
- [IVEY Corporate Strategies for Net Zero](#)
- [TCFD Guidance on Metrics, Targets and Transition Plans](#)
- [TPT Disclosure Framework](#)
- [Summary of TPT Recommendations](#)
- [EPA Climate Transition Planning](#)
- [CDP Climate Transition Plan Resource Page](#)
- [CDP Technical Note: Reporting on Climate Transition Plans](#)
- [Example: Bank of England Climate Transition Plan](#)

## Step 9: My organization has integrated our climate-related reporting into our financial reporting.

IFRS S2 pp. 8-9, 13, 15-21

### If you answered “No” ...

To align with IFRS S2 and CSDS 2, report all climate-related disclosures in your general-purpose financial report.

Both standards have fully aligned with Integrated Reporting standards (<IR>). <IR> has a large repository of resources and guidance on how to create an integrated report.

### Change Management Tips

- A strong integrated report needs to be created and supported by a cross-functional team, including the finance team, risk management team, communications team, sustainability team, and the executive leadership team.
- Develop a structured, process-oriented approach for collecting the data and information to organize the report.
  - Clearly outline: roles and responsibilities, timelines and leaders. There should also be opportunities for input, questions and clarification between the implementation teams and leadership.
- Keep in mind that one of the goals of <IR> is that you want the average stakeholder to be able to read and understand climate-related financial information. Try to avoid exclusionary jargon and provide resources that help explain complex processes or concepts, as necessary.
- Make the finalized report accessible to the entire organization and raise awareness when it is complete to encourage employees to read it.

### Sources for getting started:

- [IFRS: Five steps towards Integrated Reporting in business](#)
- [Transition to Integrated Reporting: A Guide to Getting Started \(video\)](#)
- [Integrated Reporting Resource Hub](#)
- [CPA: Understanding the integrated reporting framework](#)
- [CPA Briefing on the Evolving Corporate Reporting Landscape](#)
- [CBSR Establishing Credibility & Avoiding Greenwashing Spotlight Brief](#)

# You have completed CBSR's IFRS S2 & CSDS 2 Gap Assessment.

Be sure to read through the standard to ensure all requirements are met before completing your reporting.

If there are any particularly challenging steps for your organization, [let us know](#) so we can provide additional guidance and resources. We are here to help.

Thank you.