IFRS Sustainability

Staff paper

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ISSB meeting

Date	**September 2025**
Project	**Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2)**
Topic	**Use of Global Industry Classification Standard (GICS) in applying specific requirements related to financed emissions**
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Purpose

1. In April 2025, the International Sustainability Standards Board (ISSB) published the Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures*. The Exposure Draft sets out proposed targeted amendments to IFRS S2 *Climate-related Disclosures* in response to application challenges related to greenhouse gas (GHG) emissions requirements.

2. Agenda Paper 9 sets out the structure of the agenda papers for this meeting, background on the proposed amendments to IFRS S2, the summary statistics of stakeholder feedback, and the next steps.

3. The purpose of this paper is to set out the summary of stakeholder feedback about the proposed amendment to the requirement for entities participating in commercial banking or insurance activities to use the Global Industry Classification Standard (GICS) to disaggregate financed emissions information by industry and the staff analysis and recommendations in response to that feedback. This feedback includes the survey responses and comment letters received from stakeholders about the Exposure Draft, and feedback from outreach activities.

4. At this meeting, the ISSB will be asked to vote on the staff recommendations on this proposed amendment to IFRS S2.

Structure of the paper

5. This paper is structured as follows:

   (a) Summary of the staff recommendations;

   (b) Overview of the proposed amendment;

   (c) Feedback summary;

   (d) Staff analysis of stakeholder feedback;

   (e) Staff recommendations on the proposed amendment;

   (f) Questions for the ISSB;

   (g) Appendix A—Extracts from Questions for respondents in the Exposure Draft; and

   (h) Appendix B—References to GICS in the *Industry-Based Guidance on Implementing IFRS S2* and the SASB Standards.

Summary of the staff recommendations

6. The staff recommends that the ISSB finalises the proposed amendment by replacing the hierarchy of industry-classification systems specified in the proposed paragraphs B62B and B63B in the Exposure Draft with less prescriptive requirements, based on the approach set out in the proposed paragraphs B62B(d) and B63B(d) in the Exposure Draft. Specifically, the staff recommends that the ISSB requires an entity that participates in commercial banking or insurance activities to:

   (a) select an industry-classification system that enables the entity to classify counterparties by industry in a manner that results in information that is useful for understanding the entity's exposure to climate-related transition risks; and

(b) prioritise—with all else being equal—selecting a commonly used industry-classification system that would support the comparability of the information between entities.

7. The staff recommends that the ISSB finalises the proposed requirement for an entity to select and use a single industry-classification system. However, the staff recommends that the ISSB clarifies that an entity that participates in both commercial banking and insurance activities, is not required to use the same industry-classification system to classify counterparties for its commercial banking and insurance activities when disaggregating financed emissions information by industry.

8. The staff recommends that the ISSB finalises the proposed requirement to disclose information about the industry-classification used, specifically by requiring an entity to disclose:

(a) the industry-classification system used to disaggregate the entity's financed emissions information by industry; and

(b) the reason, or reasons, for the entity's choice of industry-classification system and how using that system enables the entity to classify counterparties by industry in a manner that results in information that is useful for understanding the entity's exposure to climate-related transition risks.

Overview of the proposed amendment

9. IFRS S2 requires an entity that participates in commercial banking or insurance activities to disclose additional and specific information about its financed emissions. This includes a requirement to disaggregate its absolute gross financed emissions by industry. In the Exposure Draft the ISSB proposed to:

(a) amend the requirement for this disaggregation such that an entity is permitted to use an industry-classification system other than GICS—in specific circumstances—for the purposes of meeting the applicable requirements in IFRS S2; and

(b) add a requirement for an entity to disclose the industry-classification system it uses to disaggregate its financed emissions information and, if the entity does not use GICS, to explain the basis for the industry-classification system it selected.

10. The ISSB proposed this amendment in response to stakeholder feedback about challenges in applying the requirement to use GICS, including:

(a) *legal and cost implications*: entities that do not already use GICS would have to enter into a licensing arrangement to use GICS for the purposes of meeting the IFRS S2 requirement; and

(b) *duplicative reporting*: entities that are required to use a different classification system to classify counterparties for other purposes, such as regulatory reporting, would have to classify those counterparties differently to meet the IFRS S2 requirement.

11. The proposed amendment is designed to strike a balance between responding to the application challenges and ensuring that the amendment will not result in significant loss of useful information to primary users of general purpose financial reports (primary users). Specifically, the ISSB decided to require the use of GICS in order to enhance comparability of the disaggregation of financed emissions information by industry. The proposed amendment is designed to preserve such comparability as much as possible by:

(a) *specifying a prioritisation in an entity's selection of an industry-classification system (hierarchy)*: the proposed amendment is designed to prioritise industry-classification systems in the following order:

(i) GICS;

(ii) classification systems used to meet jurisdictional or exchange requirements for reporting climate-related financial information;

(iii) classification systems used to meet jurisdictional or exchange requirements for financial reporting purposes; and

(iv) other classification systems that enables the provision of useful information to primary users.

(b) *specifying the conditions for an entity's selection of an industry-classification system, including*:

(i) *proposed requirement to use a particular industry-classification system dependent on its use or required use in 'any part of the entity'*: (1) for GICS—the proposed amendment would require an entity to use GICS, if 'any part of the entity uses' that classification system to classify their lending or investment portfolios or (2) for jurisdictional classification systems— the proposed amendment would require an entity to use the jurisdictional classification system if 'the entity or any part of the entity is required to use' that system to classify their lending or investment portfolios; and

(ii) *proposed requirement to choose a single industry-classification system*: as a result of the reference to a classification system used or required to be used by 'the entity or any part of the entity', the proposed amendment would require an entity to use a single classification system to classify counterparties in their lending and investment portfolios.

Feedback summary

Question 2(a) in the Exposure Draft—Proposed relief to limit the requirement to use GICS in applying specific requirements related to financed emissions information

12. Most respondents provided a response to Question 2(a) in the Exposure Draft which asks the question about the proposed relief to limit the circumstances in which an

entity would be required to use GICS for providing industry disaggregation for financed emissions information for relevant entities. Most of these respondents broadly agree with Question 2(a). In particular, most respondents agree with the proposal to remove the requirement for entities to always use GICS for the purposes of providing this disclosure.

13. Almost all respondents who disagree with Question 2(a) disagreed with 'how' specific aspects of the proposals are designed, rather than 'whether' relief should be provided from the requirement to apply GICS in all circumstances. These concerns were raised fairly consistently both by respondents who described their response as 'agreeing' or 'neither agreeing nor disagreeing' with Question 2(a). As a result, the summary feedback and quantification are not separated between these two groups of respondents to Question 2(a).

14. Most investors responding to Question 2(a) broadly agree with the proposed amendment. Broadly, investors do not express concern about a significant loss of useful information due to the proposal to remove the requirement to use GICS nor about the consequence that this will result in different industry classification systems being used by entities. Feedback from investors suggests that they broadly agree with the ISSB's assessment to propose the amendment as a practical approach to support the implementation of IFRS S2.

15. The following paragraphs further explain respondents' comments and their rationale. These comments have been grouped into:

(a) **comments on the proposed hierarchy** of industry-classification systems (paragraphs 16–24);

(b) **comments on the proposed conditions** for determining an entity's selection of an industry-classification system (paragraphs 25–29);

(c) **suggestions about replacing the hierarchy** with a less prescriptive approach (paragraph 30); and

(d) **comments about the need to ensure the decision-usefulness** of the resulting industry disaggregation (paragraphs 31–32).

Comments on the proposed hierarchy of industry-classification systems

16. The following section presents feedback on each aspect of the hierarchy of industry-classification systems specified in the proposed paragraphs B62B and B63B in the Exposure Draft.

Comments on the requirement to use GICS in the proposed hierarchy

17. A few investors who agree with the proposal and explain their reasons said that they agree with the proposed relief continuing to require the use of GICS for disaggregating financed emissions information by industry at least in some circumstances because it would help to preserve comparability. For example, Norges Bank Investment Management (NBIM), a buy-side investor, said that the proposed amendment would support comparability while providing targeted relief to entities.

> Large financial conglomerates often operate across multiple jurisdictions with diverse activities - a single entity may handle insurance, banking, investment banking, and asset management simultaneously. These activities may face different regulatory reporting requirements, including different industry classification systems. Some financial groups also maintain listings on exchanges using different systems. While paragraphs B62B(b)/(c) and B63B(b)/(c) allow entities to select one system in these cases, we recommend that to improve comparability and usefulness of disclosures, ISSB should require the entire entity to use GICS if any material part already uses it. (Comment letter 55: NBIM).

18. However, a few respondents concerned about continuing to require the use of GICS in the hierarchy said that using GICS to provide disaggregation of financed emissions information by industry might not result in useful information because GICS was not developed for the purpose of reporting climate-related financial information (see paragraphs 43–44 which present staff analysis in response this feedback).

19. A few respondents' also highlighted other potential challenges related to using GICS to provide disaggregation of financed emissions information by industry, including:

(a) *GICS coverage for unlisted entities:* concerns that the coverage of GICS is not sufficient to meet the requirements in IFRS S2, including concerns relating to the coverage of GICS classification for unlisted entities and particular counterparties, such as mutual funds, sovereign bonds and emerging sectors (see paragraph 41 which present staff analysis in response this feedback).

(b) *requirement to use the latest version of GICS classification system:* concerns about the practicality of using the latest version of GICS, particularly if the GICS system is updated near the end of a reporting period (see paragraph 42 which present staff analysis in response this feedback).

20. Some respondents said that they are concerned about the incremental costs for using GICS to provide disaggregated financed emissions information by industry, if GICS is used but only for specific purposes (eg used for investment analysis but not for credit risk management) and/or only in a small part of an entity.[1] They said that the potential incremental costs of using GICS to meet the requirements in IFRS S2 may vary depending on size of the entity or the scope of the entity's current use-cases of GICS (see paragraphs 36–38 which present further analysis that the staff has conducted in response this feedback).

> Even in cases where the entity has already entered into a licensing agreement to use GICS, depending on the arrangement, the cost may increase due to the expansion of the scope of using GICS. There is also a potential for fees to increase when contracts are renewed in the future. (Comment letter 106: The Australian Accounting Standards Board (AASB), Financial Reporting Council (FRC) and the Sustainability Standards Board of Japan (SSBJ))

21. Additionally, a few national standard-setters and regulators said they remain concerned with the principle of prioritising the use of a commercial product to meet a disclosure requirement. For example, the UK Sustainability Disclosure Technical

[1] This feedback has also been summarised as part of summarising feedback about the proposed condition to use a particular industry-classification system, if it is used in 'any part of an entity' in paragraphs 25–29.

Advisory Committee (UK TAC) raised such concerns. These concerns were raised despite the ISSB's proposal to limit the requirements to use GICS to provide disaggregated financed emissions information by industry only to entities already using such classification system.

Comments on the requirement to use jurisdictional classification systems in the proposed hierarchy

22. Some respondents specifically highlighted their support for the proposal to require the use of industry-classification systems used by an entity to meet jurisdictional or exchange requirements for these reasons:

    (a) *minimise duplicative reporting:* many financial institutions are regulated and use jurisdictional classification systems for prudential reporting purposes to classify counterparties in their lending or investment portfolios. Additionally, some of those entities also use those jurisdictional classification systems for other purposes, including internal risk management. These respondents agree that permitting the use of jurisdictional classification systems for the purposes of IFRS S2 would help reduce the costs associated with duplicative reporting.[2]

    (b) *alignment of varying jurisdictional classification systems:* a few respondents who commented on this aspect of the hierarchy highlight ongoing efforts to align various jurisdictional classification systems, including aligning with the International Standard Industrial Classification of All Economic Activities (ISIC) as well as highlighting that a number of jurisdictional classification systems are aligned or based on ISIC.

23. A few respondents who commented on the jurisdictional classification systems also highlighted nuances of the classification systems used to meet jurisdictional or

[2] Feedback highlighted the following jurisdictional classification systems in use, including: (1) Australian and New Zealand Standard Industrial Classification (ANZSIC) in Australia and New Zealand; (2) Bank of Japan's Industry Classification for Loans and Discounts in Japan; (3) CNAE (the National Classification of Economic Activities) in Brazil; (4) KBLI (the Indonesia Standard Industrial Classification) in Indonesia; (5) Malaysia Standard Industrial Classification (MSIC) in Malaysia; (6) NACE (the Statistical Classification of Economic Activities in the European Community) in Europe and Türkiye; (7) North American Industry Classification System (NAICS) in the USA and Canada; (8) Philippine Standard Industrial Classification in Philippine; and (9) Singapore Standard Industrial Classification (SSIC) in Singapore.

exchange requirements that might mean the proposal to require an entity to use such jurisdictional classification systems do not have the desired effect. These comments include:

(a) *jurisdictional requirements to use a particular industry-classification system:* in some jurisdictions, commonly used industry classification systems, including those used by entities to meet jurisdictional or exchange requirements, are not *required* to be used by the relevant jurisdictional authority or exchange.

(b) *adjustments made for reporting climate-related information:* a few stakeholders highlighted that when jurisdictional classification systems are used, the classification of counterparties is often adjusted when reporting climate-related information. For example, aviation leasing companies classified under 'Leasing & Financing' for credit risk management and financial reporting could be more appropriately recategorised as 'Aviation' for reporting climate-related financial information (see Comment letter 86: Canadian Bankers Association highlighting this example).

Comments on the requirement to select an industry-classification system that results in information that is useful in the proposed hierarchy

24. Some respondents commenting specifically on the proposal to require an entity to choose an industry-classification system that enables the entity to provide disaggregated financed emissions information by industry in a manner that is useful to primary users supported having this in the hierarchy. However, these respondents either said that this part of the hierarchy should be (1) prioritised over other requirements in the hierarchy (ie GICS and jurisdictional classification systems) or (2) maintained as the only requirement. Paragraph 30 summarise stakeholders' suggestions related to this feedback that has been grouped together with other feedback from stakeholders that suggested the hierarchy be replaced with a less prescriptive approach permitting an entity to apply judgement within the context of principles.

Comments on the proposed conditions for determining an entity's selection of an industry-classification system

25. In addition to comments on the industry-classification systems referred to in the proposed hierarchy, some respondents provided feedback on the proposed conditions attached to the requirement to use a particular industry-classification system if it is used in 'any part of an entity'. Some respondents raised concerns about the proposed condition requiring the whole entity to use a particular industry-classification system to provide the required disaggregation of information by industry, if the entity uses or is required to use that system in 'any part of the entity'. These stakeholders focused on the words 'any part of the entity' which has the effect of requiring the whole reporting entity, in some circumstances, to apply a system used only by a part of the entity. Stakeholders commenting on this raised concerns including:

   (a) *risk of a system being used in one small part of the entity dictating the entire entity's reporting*: concern about the significance of operating dual classification systems (or more) including the potential need to reconcile between the systems in use. It was also noted that it was unusual in the context of reporting that the practices in one part of the entity (eg a small subsidiary) could have reporting implications for the entire consolidated reporting entity.

   (b) *practical considerations relating to the application of such condition*: specifically relating to the proposed requirement to use GICS if it is used in 'any part of an entity', there is concern about the potential burden associated with setting up a process or system to determine whether that classification system is used in any part of the entity.

   (c) *potential misalignment with internal management processes and other disclosures:* concern about misalignment between how an entity is required to disaggregate financed emissions information by industry and how the entity defines its climate-related sector-based targets (for example, financed emissions targets for carbon-intensive sectors). This might also result in misalignment with other information reported as part of the entity's sustainability-related financial disclosures.

26. Feedback indicates concern on whether the requirements being triggered by the use of 'any part of the entity' strike the right balance in terms of cost and benefit considerations. Of the stakeholders who raised concerns about the 'any part of the entity' condition, a few suggested modifying the condition with alternative thresholds such as those based on the significance of the relevant parts of the entity.

27. A few respondents commented specifically on the proposals to continue requiring the use of a single classification system for disaggregating financed emissions information by industry. Of these respondents, a few commented that this proposed requirement is different from the proposed clarification to the jurisdictional relief from using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard) included in the Exposure Draft and a few suggested that the ISSB should allow an entity to use different classification systems for different parts of the entity (similar to the proposed clarification to the jurisdictional relief from using the GHG Protocol Corporate Standard). One investor (Impax Asset Management, an asset management firm), who supports the proposal to allow alternative industry-classification systems applying the hierarchy as a response to the related application challenges, specifically highlighted the importance of the use of a single system to the comparability of the disclosures (see Comment letter 69: Impax Asset Management).

28. Respondents who suggested allowing the use of different classification systems for different parts of the entity are concerned about circumstances in which an entity that is subject to multiple jurisdictional requirements would be required to choose a single jurisdictional classification system and apply that system to classify counterparties to the whole entity, including parts of the entity that are based in different jurisdictions. A few respondents said that a jurisdictional classification system is often designed to reflect the jurisdiction's local economic structure and circumstances. These respondents questioned the effect of such use of a jurisdictional system on the usefulness of the resulting information.

29. There is also a question about whether an entity that participates in both commercial banking and insurance activities would be required to use a single industry-classification system across the whole entity when providing disaggregated financed emissions information by those separate activities. Ernst & Young (EY), an accounting firm, suggested that the ISSB clarifies how the amendment would work in such a situation.

> As there are separate paragraphs in IFRS S2 for different financial activities, we suggest adding a clarification to explain that GICS should be used across the whole entity when an entity participates in more than one financial activity, if that is what the Board intended. For example, when part of an entity that participates in commercial banking activities uses GICS, but another part of the entity that participates in insurance activities has a jurisdictional requirement to use. (Comment letter 18: EY).

Suggestions about replacing the hierarchy with a less prescriptive approach

30. Most stakeholders who expressed concerns about the hierarchy—including related to the reference to GICS, the reference to jurisdictional requirements and the conditions for determining an entity's selection of classification system—suggested that the hierarchy be replaced with a less prescriptive and more principles-based approach. A few other stakeholders who do not specifically highlight those issues also provided similar suggestions. These suggestions include:

   (a) *replacing the hierarchy with a requirement based on the approach consistent with the approach set out in the proposed paragraphs B62B(d) and B63B(d) of the Exposure Draft:* suggestions to replace the hierarchy with an approach consistent with the approach set out in a part of the hierarchy that requires an entity to classify counterparties by industry in a manner that will enable it to provide useful information to primary users. These stakeholders said this will enable an entity to apply judgment in selecting an industry-classification system that enables it to provide the disaggregated financed emissions information by industry in a manner that results in useful information.

Additionally, it is noted that this approach would still enable an entity to select a classification system specified in the proposed hierarchy, ie an entity can select GICS or jurisdictional classification systems even if it is not subject to the required conditions.

> We recommend that instead of applying the proposed hierarchy in the mandated order with options (a) to (c) potentially presenting challenges, the ISSB makes option (d) the primary basis. This approach allows entities to use classification systems that underpin their strategic decision-making initiatives, such as transition planning and net zero targets, and that are aligned with their regulatory and financial reporting. This approach provides users with more decision-useful information about the entity. (Comment letter 43: The Financial Reporting Council; Comment letter 50: UK Sustainability Disclosure Technical Advisory Committee (TAC)).

(b) *requiring the industry-classification system used for internal risk management:* a few respondents suggested modifying the approach set out in the proposed paragraphs B62B(d) and B63B(d) of the Exposure Draft to require an entity to use the industry-classification system used for risk management purposes. These respondents suggested that using a system used by management to manage risk could result in more relevant information, for example, it might be useful to use a consistent basis for industry disaggregation with those that underpin an entity's sector-based targets if it has them.

(c) *requiring a commonly used industry-classification system:* a few respondents suggested modifying the approach set out in the proposed paragraphs B62B(d) and B63B(d) of the Exposure Draft to require entities to use a commonly used or internationally recognised industry-classification systems, including those used for financial, regulatory or climate reporting purposes. These respondents highlighted that this would be consistent with the UK TAC's recommendation which is to require entities participating in commercial banking or insurance activities to disaggregate their financed emissions information by industry using "an internationally recognised industry classification system (for example, a classification system that the entity uses for other regulatory or financial reporting purposes)".[3]

Comments about the need to ensure the usefulness of the resulting disclosures

31. While there is broad support for the proposed amendment, some respondents including some of those who suggested a less prescriptive approach, highlighted the importance of considering the effects of the amendment on comparability if entities would be allowed to use different classification systems. Stakeholders commented on:

(a) *the importance of comparability of disclosures:* a few investors specifically highlighted the importance of the ISSB's intent to preserve comparability as much as possible (see paragraph 17). However, the Investment Association, a trade body representing investment managers, highlighted the importance of striking the right balance in preserving comparability and the costs to preparers for achieving that. They said that a less prescriptive approach would reduce comparability, but the reduction in the usefulness might not be significant since information provided using different classification systems could still be relevant to understanding an entity's exposure to climate-related transition risks.

> As such, there is a view that more flexibility would be a positive step towards encouraging greater uptake of the S2 standard, as it would allow companies to report against a classification tool which is already internally applied and best suited to their business model, creating greater connectivity with existing corporate reporting practices. This in turn will allow companies to disclose the most relevant information to shareholders. These members recognise that whilst information will not be directly comparable, it will still be robust and useful and that providing a relief is a compromise that may need to be taken to encourage

[3] The UK Sustainability Disclosure Technical Advisory Committee's technical assessment and endorsement recommendations can be found at https://media.frc.org.uk/documents/UK_Endorsement_of_IFRS_S1_and_IFRS_S2.pdf#page=69

reporting from those companies that otherwise might not use the standard. Meanwhile, other members have raised concern with the fragmentation of sectoral classifications arguing that flexibility could impinge on the ability of investors to be able to compare companies. (Comment letter 80: The Investment Association).

(b) *the importance of having 'guardrails' to ensure an entity chooses a system that results in useful information:* a few respondents highlighted potential risks associated with allowing entities to use different classification systems and suggest guidance, criteria or safeguards be provided to support an entity's selection of industry-classification systems. They said that it is important to ensure that entities are using appropriate classification systems to meet the requirements in IFRS S2.

(c) *the importance of monitoring developing market practice:* a few respondents also highlighted the importance of closely monitoring the effects of reduced comparability of the resulting disclosures on the overall usefulness of the information, if the ISSB decides to proceed with the proposed amendment. These respondents also suggested monitoring any development of market practice that could help enhance comparability.

32. Additionally, a few respondents highlighted the importance of considering the effects of the level of granularity of the disaggregation by industry on the usefulness of the resulting information. Stakeholders commented on the following issues:

(a) *the level of granularity that would result in useful information:* a few respondents highlighted the importance of considering how primary users would use disaggregated financed emissions information by industry. Specifically, they asked whether the requirement to provide industry disaggregation at the level of granularity of 6-digit industry-level code of the GICS system would result in useful information. For example, the Sustainability Standards Board of Japan said that they believe that the requirements in IFRS S2 are "too granular to provide useful information" (see Comment letter 36: Sustainability Standards Board of Japan (SSBJ)).

(b) *ensuring appropriate level of granularity when an entity uses alternative industry-classification system:* a few respondents also commented on the importance of ensuring that entities provide disclosures at an appropriate level of granularity when they use a classification system that is not GICS (ie an alternative industry-classification system). Unlike the existing requirements in IFRS S2, the proposals do not specify the level of granularity required when an entity uses an alternative industry-classification system, such as a system used to meet a jurisdictional requirement (relying only on the requirement that the approach provide useful information). These respondents said that it is important for the ISSB to ensure that the amendment address the level of granularity (see paragraph 62 which present staff analysis in response this feedback).

(c) *potential commercial confidentiality concern resulting from disclosing overly granular industry disaggregation:* a few respondents commented on the potential commercial confidentiality concern about an entity's investments resulting from providing overly granular industry disaggregation relating to the entity's financed emissions. For example, the External Reporting Board said that overly granular disaggregation could pose such concern in a smaller or a more concentrated market (see Comment letter 40: External Reporting Board (NZ)).

Question 2(b) in the Exposure Draft—Proposed disclosure requirement to disclose the industry-classification system used and explain the basis for its selection

33. Almost all respondents broadly agree with Question 2(b) in the Exposure Draft which asks the question about the proposed requirement for an entity to disclose the classification system used and if the entity does not use GICS to explain the basis for its selection. There is overwhelming support for the ISSB's intention to promote transparency about the classification system being used, which would facilitate

comparability of disclosures. Almost all preparers responding to Question 2(b) agree with the proposed disclosure requirement.

34. A few respondents suggested that entities be required to provide a reconciliation between the chosen alternative with GICS (see paragraph 58 which present staff analysis in response this feedback). A few others suggested modifying the proposed disclosure requirement to specifically require explanation of how the selected classification system is expected to result in useful information.

Staff analysis of stakeholder feedback

Potential effects of the proposed relief to limit the requirement to use GICS in applying specific requirements related to financed emissions information

35. Respondents are broadly supportive of the ISSB's proposal to limit the requirement to use GICS to disaggregate financed emissions information by industry and stakeholder feedback suggests that the proposed amendment would help to address the related application challenges. However, feedback also raised potential issues with specific aspects of the proposed amendment that may warrant further consideration. The staff analysis considers this feedback as it relates to the potential effects of the proposed amendment on entities applying the requirements and the decision-usefulness of the resulting information for primary users. The analysis is grouped together based on the following aspects of the proposed amendment:

(a) the requirement to use GICS in the proposed hierarchy;

(b) the requirement to use jurisdictional classification systems in the proposed hierarchy; and

(c) the requirement to choose an industry-classification system that would result in useful information in the proposed hierarchy.

The requirement to use GICS in the proposed hierarchy

Legal and cost implications

36. Some respondents said that they are concerned about potential incremental legal and cost implications arising from the proposed approach for an entity that is using GICS for only part(s) of the entity. They said that the licensing agreement for GICS depends on the scope of its use, and therefore the costs associated with increasing the scope of its use could be significant. This is a significant concern in the feedback.

37. In response to this feedback, the staff conducted further analysis and confirmed such analysis through discussion with S&P, which developed and maintains GICS.[4] Based on that analysis and discussion, the staff understands that there is currently no established pricing system for the use of GICS for the purpose of disclosing sustainability-related financial information (including to meet the requirements in IFRS S2), unlike other established GICS use-cases (eg for investment analysis). The staff understands that the pricing system for disclosure purposes might differ from other established use-cases. Therefore, the costs associated with using GICS to meet the requirements in IFRS S2 might not be as significant as expected by stakeholders.

38. Notwithstanding this, the staff believes that the proposed amendment will not fully resolve the related application challenges. There will be costs for entities and the need to adapt their systems and process, which effects could be significant, particularly for an entity that currently uses GICS only in part(s) of the entity. In such a case, the entity would potentially have to enter into a separate licensing agreement for the remaining part of the entity. The staff understands that entities would also need to agree to the legal terms for using GICS in their sustainability-related financial disclosures. Additionally, the entity would have to incur costs associated with setting up the systems and processes to enable it to share data with S&P and MSCI to obtain the GICS codes to classify lending or investment portfolio counterparties to meet the

[4] S&P Dow Jones Indices (S&P) and MSCI, two leading global index providers, jointly developed GICS to establish a global standard for categorising companies into sectors and industries. More information about GICS and its methodology is available at https://www.spglobal.com/spdji/en/documents/methodologies/methodology-gics.pdf

proposed requirements.[5] Consequently, the staff believes that the proposed amendment will not sufficiently address the application challenges for entities currently using GICS only in part(s) of the entity.

Costs associated with duplicative reporting

39. Feedback also suggests that the proposed condition requiring the use of GICS to meet the requirements in IFRS S2 if an entity or 'any part of the entity' uses GICS could result in significant duplicative reporting. Entities that currently use GICS only in part of the entity could potentially have to run parallel system(s) for different purposes, including for internal risk management or prudential regulatory reporting purposes. Additionally, these entities would need to have systems and processes to identify whether any parts of the entity use GICS.

40. In response to this feedback, the staff believes that modifying the proposed condition could help to address the concern. A few respondents suggested introducing a threshold so that an entity would be required to use GICS to disaggregate financed emissions information by industry only if the whole entity or a 'significant' part of the entity uses GICS for classifying its lending or investment portfolios at the reporting date. However the staff thinks that a threshold based on significance could result in complexity in application without the ISSB providing clarity about this threshold. The staff notes that feedback did not include specific suggestions beyond noting a threshold linked to significance.

Other challenges

41. A few respondents highlighted potential challenges associated with the availability of GICS classification for unlisted entities. In response to this feedback, the staff has conducted further analysis and confirmed such analysis through discussion with S&P. Based on that, the staff understands that the GICS database used by global financial institutions (GICS Direct) covers over 50,000 listed companies. However, in addition

[5] GICS codes of a company is determined and assigned by S&P and MSCI to enable consistent classification of companies using GICS. Therefore a reporting entity would not classify its counterparties using GICS. Instead it would use the GICS codes provided by S&P and MSCI.

to GICS Direct, S&P maintains a separate database covering over 15 million private companies that includes their industry-classification provided based on GICS. The staff understands both databases are regularly maintained. IFRS S2 could be amended to refer to this broader classification system to address this issue.

42. Additionally, a few respondents highlighted potential practical challenges associated with using the requirement to use the *latest* version of GICS to meet the requirements in IFRS S2. The staff understands that the structure of GICS is updated periodically as needed (recent updates were made in 2016, 2018, and 2023). S&P and MSCI provide updated classification for companies included in the database. Consequently, while this is a potential risk in practice it seems that there are likely to be limited costs associated with the reporting entity as a result of updates in the classification. However, the staff acknowledges potential practical challenges if an update to the GICS structure is issued near the end of a reporting period.

Usefulness of the resulting disclosures

43. The staff notes that the ISSB proposed to prioritise the use of GICS to preserve comparability where possible. Therefore, any modifications to the requirement to reduce the circumstances that GICS is required to be used would likely result in a reduction in the comparability of the disclosure of financed emissions disaggregation.

44. However, stakeholder feedback suggests there could be a trade-off to the comparability benefits offered by GICS compared to other classification systems that might result in more relevant information because:

(a) GICS is not specifically designed for reporting climate-related financial information and prescribing the use of GICS to meet IFRS S2 requirement means that an entity would be prevented from making any adjustments to the classification of counterparties when reporting climate-related information from their classification for other reporting purposes (see paragraph 18); and[6]

[6] The staff considered the possibility of amending IFRS S2 to require the Sustainable Industry Classification System (SICS), which is designed for the purpose of sustainability-related financial disclosures (see paragraph 45 of Agenda Paper 9C of the January 2025 ISSB meeting). Amending in this way however would increase the risk of disruption to entities' implementation of IFRS S2.

(b) the use of GICS to meet IFRS S2 requirements might not be consistent with the system used for an entity's internal risk management purposes.

The requirement to use jurisdictional classification systems in the proposed hierarchy

Costs associated with duplicative reporting

45. Stakeholder feedback confirms the ISSB's understanding that financial institutions use various jurisdictional classification system to meet prudential regulatory requirements. Therefore, requiring an entity to use systems that the entity already uses to meet jurisdictional or exchange requirements would help to reduce the costs associated with duplicative reporting.

46. However, the staff observes that the costs associated with duplicative reporting would persist because:

(a) *an entity being prescribed to use a particular jurisdictional classification system:* due to the prescriptive nature of the proposal, an entity could be subject to significant duplicative reporting in a situation where a small part of the entity dictating the entire entity's reporting because only that small part is *required* to use a particular jurisdictional classification system The staff thinks that modifying the 'any part of the entity' with a threshold based on significance could help to avoid such a situation although we note that it could result in complexity (see paragraph 40).

(b) *an entity subject to multiple jurisdictional or exchange requirements being required to select a single system:* the proposal would require an entity to select a single industry-classification system if the entity is subject to multiple jurisdictional or regulatory requirements. A few respondents suggested allowing an entity to use multiple industry-classification systems. However, the staff observes multiple industry-classification systems cannot necessarily be aggregated because of the different structure used in each system. This situation is different from allowing jurisdictional requirements for measuring GHG emissions—which if measuring CO_2 equivalents could be aggregated despite different global warming potential values being used. Alternatively, entities would have to separately disclose the financed emissions information for different parts of the entity. Investors' feedback suggests that this would negatively affect comparability and understandability, and ultimately the usefulness, of the information (see paragraph 27). Additionally, the staff notes that this condition is consistent with the existing requirement in IFRS S2 that requires a single classification system—GICS—for the whole entity.

Other challenges

47. A few respondents note that some entities use an industry-classification system to meet a jurisdictional requirement but are not *mandated* to use that classification system (see paragraph 23(a)). The proposed amendment focuses on circumstances in which an entity is required by a jurisdictional authority or exchange to use a particular industry-classification system.[7]

48. In response to such feedback, respondents suggested permitting the use of classification systems that are *used* for regulatory reporting, instead of only permitting those that are *required* to be used by to meet jurisdictional reporting requirements. The staff believes that modifying the proposal to accommodate what systems are *used* rather than *required* for regulatory reporting purposes would address the concern.

Usefulness of the resulting disclosures

49. This aspect of the proposal is designed to preserve comparability by requiring an entity to use an industry-classification system used to meet jurisdictional or exchange requirements whilst also reducing potential duplication in reporting risks from requiring specific classification systems to be used. Comparability is preserved by

[7] The focus on the jurisdictional or exchange requirement to use a particular industry-classification system *required* by a jurisdictional authority or exchange is reflected in the wordings used in paragraphs B62B(b)–(c) and B63B(b)–(c) that state: "an industry-classification system that the entity or part of the entity uses (…) to meet a jurisdictional or exchange requirement, if (…) *the entity or any part of the entity is required by a jurisdictional authority or an exchange on which it is listed to use that industry-classification system* to classify its lending or investment activities at the reporting date." (emphasis added).

using specific jurisdictional classification systems given it reduces the potential population of classification systems an entity can use to meet the disclosure requirements in IFRS S2.

50. The staff also notes that the effects on comparability from the use of jurisdictional classification systems might not be as significant as the use of different classification systems might suggest. This is because feedback highlighted that a number of jurisdictional classification systems are aligned or based on ISIC and that efforts are ongoing to further improve alignment (see paragraph 22(b)).

51. However stakeholder feedback suggests there could be trade-off to the benefits offered by requiring jurisdictional classification systems to be used compared to any other alternative classification systems because:

   (a) they are not necessarily designed for reporting climate-related financial information and prescribing the use of these systems to meet IFRS S2 requirement means that an entity might be prevented from making any adjustments to the classification of counterparties when reporting climate-related information from their classification for other reporting purposes; and

   (b) it might not be the system used for an entity's internal risk management purposes and using a system used for such purposes could equally result in useful information.

The requirement to select an industry-classification system that would result in useful information in the proposed hierarchy

Costs associated with duplicative reporting

52. The staff observes that the approach set out in proposed paragraphs B62B(d) and B63B(d) of the Exposure Draft poses the least costs and challenges for entities. However the staff notes that entities permitted to select an industry-classification system could still be exposed to costs associated with duplicative reporting. This could be the case if either (1) an entity does not use a single classification system for classifying counterparties for all of its relevant investment and lending activities or (2)

determines that the classification system it uses for classifying counterparties for all of its relevant investment and lending activities does not result in information being provided that is useful to users of general purpose financial reports. A few respondents suggested allowing an entity to use multiple industry-classification systems. However, the staff has reservations about that suggestion (see paragraph 46(b)). The staff observes that although duplicative reporting persists, this approach mitigates the risk as an entity can determine the most cost-effective way to provide useful information to primary users. For example, it can choose the system which is most pervasive throughout the entity.

Usefulness of the resulting disclosures

53. The approach set out in the proposed paragraphs B62B(d) and B63B(d) of the Exposure Draft might result in information that is more relevant in some cases because instead of being prescribed to use a particular industry-classification system, an entity would be required to consider the usefulness of information. For example, an entity might determine using an industry-classification system consistent with that used for internal risk management or setting and managing the achievement of any climate-related sectoral targets would result in useful information.

54. However this aspect of the proposal offers the least comparability benefits compared to the other approaches in the proposed hierarchy. Stakeholder feedback confirms the importance of comparability, and therefore the staff believes that additional 'guardrails' are necessary to support the provision of useful information using this approach—especially if it has a more prominent role.

Potential disruption to the implementation of IFRS S2

55. The staff notes that the proposed hierarchy is designed to minimise potential disruption to entities implementing IFRS S2 by continuing to prioritise GICS over other approaches. Consequently, entities that already use GICS to meet the requirements in IFRS S2 as they start implementing the Standard can continue to do so.

56. Modifying the hierarchy would disrupt the implementation of IFRS S2, if such modification results in an entity that has set up systems and processes to use GICS to meet the requirement in IFRS S2 being required to use a different industry-classification system. Some respondents suggested replacing the hierarchy with a less prescriptive approach such as that set out in the proposed paragraphs B62B(d) and B63B(d) of the Exposure Draft. The staff notes that this alternative would still achieve the objective of minimising disruption to implementation as entities could still have the option to use GICS.

Potential effects of the requirement for an entity to disclose the industry-classification system used and explain the basis for its selection

57. Stakeholders broadly support the proposed requirement to disclose the classification system used and, if an entity does not use GICS for this purpose, to explain the basis for its selection. Stakeholders agree that it supports transparency that is particularly important where entities might be using different classification systems and in turn supports investors' ability to compare information provided between entities. Feedback does not indicate any concern about the costs associated with the proposed disclosure requirement.

58. A few respondents suggested requiring an entity to provide a reconciliation of the selected alternative classification system with GICS. The staff believes that such a reconciliation would present entities with the same challenges because to provide a reconciliation an entity would need to know how counterparties would be classified using GICS. Consequently, the costs associated with such a requirement likely exceed the benefits.

59. Additionally, a few respondents suggested being more specific in requiring an entity to explain how the selected alternative classification system enables the entity to provide disaggregation of financed emission information by industry in a manner that is useful to primary users.

Possible responses to the feedback

60. It is important for the ISSB to strike the right balance in considering the potential costs and benefits of the proposed amendment. The staff thinks concerns related to costs associated with the proposals warrant particular consideration. The staff identifies the following options that could address these concerns that includes suggestions by stakeholders:

   (a) *Replace the hierarchy with less prescriptive requirements based on the approach set out in proposed paragraphs B62B(d) and B63B(d) in the Exposure Draft:* this approach would address most of the potential challenges highlighted by stakeholders related to costs of applying the requirements. The staff thinks that if this option was considered that 'guardrails' could be provided to mitigate risks to the usefulness of the resulting disclosures given the broad range of classification systems this option could result in being used. For example, to support comparability, the approach set out it paragraphs B62B(d) and B63B(d) in the Exposure Draft could be enhanced with a requirement to prioritise comparability when selecting an industry-classification system. The staff thinks that the ISSB could utilise similar framing to the Scope 3 measurement framework in IFRS S2 that supports the selection of inputs and assumptions in measuring Scope 3 GHG emissions. As additional 'guardrails', the proposed disclosure requirement could be enhanced to be more specific in requiring explanation about how an entity considered the usefulness of the resulting disclosures;[8]

   (b) *Maintain the hierarchy with modifications to extend the relief from using GICS:* this approach would address the potential challenges but to a lesser extent than (a). Modifying the 'any part of the entity' condition with a threshold based on significance would extend the availability of the relief from the requirement to use GICS. Additionally modifying the proposal to accommodate the jurisdictional classification system *used* rather than

[8] For example, paragraph B43 of IFRS S2 requires an entity—with all else being equal—to prioritise direct measurement over estimation to quantify Scope 3 GHG emissions.

required for regulatory reporting purposes would address some stakeholders' concerns (see paragraph 23(a)). This approach supports comparability by mandating the use of a particular industry-classification system to disaggregate financed emissions information by industry in some circumstances; or

(c) *Replace the hierarchy with a requirement to use a system used for an entity's internal risk management:* this approach would address most of the potential challenges related to the costs of applying the proposals and prioritise consistency with a system used by the entity for internal risk management purposes that could results in the provision of useful information. However, the staff notes that the relevance of such system depends on whether and the extent to which it is used as part of the process for managing the entity's climate-related risks and opportunities.

61. As noted in paragraph 46(b), the staff is of the view that the requirement to use a single classification system for the reporting entity should be maintained. The staff is of the view that this requirement is important to support the understandability of information and comparison of the information with other entities as it will be more challenging to compare if different systems are used for different parts of the entity. However, the staff thinks that that additional clarification should be provided for an entity participating in both commercial banking and insurance activities (see paragraph 29). The proposed amendment does not explicitly require the classification system used for commercial banking and insurance activities to be the same. The staff believes that it is important to clarify whether they are required to be the same.

62. The proposals include a specific level of granularity for providing disaggregated financed emissions information by industry using GICS (ie GICS 6-digits industry-level code), but not for the other alternatives. The specific level of granularity of those alternatives cannot be determined as the proposals do not specify the required alternative industry-classification systems. In absence of that, the staff thinks the aggregation and disaggregation requirements in paragraphs B29–B30 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

are relevant. The system used determines the level of disaggregation achieved and thus whether material information is provided (or obscured). This would require an entity to consider all facts and circumstances to determine the appropriate level of industry disaggregation that would result in useful information. For example, a more detailed disaggregation might be necessary for particular industries (eg energy sector) to enable an understanding of an entity's exposure to climate-related transitions risks posed by the entity's lending or investments to entities in those industries.

63. The staff notes that, consistent with IFRS S2, GICS is referenced in the *Industry-based Guidance on Implementing IFRS S2* and SASB Standards. Appendix B provides further detail about the references to GICS in these materials. The ISSB would need to consider potential consequential amendments to these materials, if it decides to proceed with the amendment to IFRS S2.

Insights about decision-usefulness of the disaggregated financed emissions information by industry from additional investors outreach

64. The staff believes that replacing the hierarchy with a less prescriptive approach and thus not specifying the particular industry-classification systems to be applied, would most effectively respond to the concerns raised by stakeholders relating to the costs and complexity of applying the requirements. To assess the potential effects on the decision-usefulness of the information, the staff conducted additional outreach with investors to understand how the particular information was used and the potential effects on the usefulness of the information if modifications to the proposed amendment were made in response to this feedback. In particular, the staff focused discussions on the potential effects of the proposals being less prescriptive resulting in less comparability and the level of granularity in the disaggregation that would result in useful information.

65. From discussion with investors, the staff understands that investors use disaggregated financed emissions information by industry to support their understanding of an entity's exposure to climate-related transition risks. The disaggregation helps primary users understand entities' exposure to climate-related transition risks from loans and

investments and their management of that exposure including, for example, progress against any climate-related sectoral targets entities might have set in response to such risks. This information is used in conjunction with information provided applying other requirements in IFRS S2 to provide primary users with an understanding of an entity's exposure to transition risks.

66. Consistent with feedback received through comment letters and survey responses (see paragraph 31(a)), our discussion with investors confirmed the importance of comparability. However, investors also noted that although comparability through the use of standardised classification systems was preferable—including due to the efficiency in analysing information that that supports—information could still be useful without such standardisation. Consequently, the staff believes that modifications to the proposed amendment could be made in response to the concerns raised, reducing the specificity of industry-classification systems required to be used, whilst maintaining the usefulness of this information.

67. Additionally, our discussion with investors suggests that the level of disaggregation that results in useful information varies depending on the type of the industries, that is the same level of granularity might not be needed across all sectors or industries. For example, it might be necessary to have more detailed disaggregation than the GICS 6-digit industry-level code for counterparties operating as independent power producers (GICS code: 551050—Independent Power and Renewable Electricity Producers) as their exposure to transition risks could vary significantly depending on, for example, whether they generate power from renewables compared to coal. But such detailed disaggregation might not be necessary for other industries. Overly granular disclosures could also result in challenges to the ability to compare information where different industry-classification systems are used as the staff understands the differences are often more pronounced at the more detailed level of disaggregation of sectors.

Staff recommendations on the proposed amendment

68. The staff recommends that the ISSB finalises the proposed amendment by replacing the hierarchy of industry-classification systems specified in the proposed paragraphs B62B and B63B in the Exposure Draft with less prescriptive requirements, based on the approach set out in the proposed paragraphs B62B(d) and B63B(d) in the Exposure Draft. Specifically, the staff recommends the ISSB requires an entity that participates in commercial banking or insurance activities to select an industry-classification system that enables the entity to classify counterparties by industry in a manner that results in information that is useful for understanding the entity's exposure to climate-related transition risks.

69. To support the selection of such an industry-classification system, the staff recommends that the ISSB requires an entity to prioritise—with all else being equal—selecting a commonly used industry-classification system that would support the comparability of the information between entities. This recommended approach would support the selection of a system that could enhance comparability, for example, GICS or an industry-classification system used to meet jurisdictional or exchange requirements.

70. The staff recommends that the ISSB finalises the proposed requirement for an entity to select and use a single industry-classification system. However, the staff recommends that the ISSB clarifies that an entity is required to select and use a single industry-classification system to classify counterparties for its commercial banking activities and a single system for its insurance activities. This recommendation is intended to clarify that an entity, that participates in both commercial banking and insurance activities, is not required to use the same system to classify counterparties for its commercial banking and insurance activities when disaggregating financed emissions information by industry.

71. The staff believes it is unnecessary to add a specific requirement about the level of disaggregation required when an entity disaggregates financed emissions information by industry because the aggregation and disaggregation requirements in paragraphs

B29–B30 of IFRS S1 would apply. However, the staff thinks that it is important to observe that these requirements are relevant in the Basis for Conclusions of any such amendment. Additionally, the staff thinks that the selection of an industry-classification system that would enable the provision of useful information would involve the consideration of whether the system has the appropriate level of disaggregation that is needed to provide information about an entity's exposure to climate-related transition risk and that this should be clear in the requirements.

Disclosure about the industry-classification system selected

72. To promote transparency about the industry-classification system used and support comparability of the information provided applying the industry-classification system, the staff recommends that the ISSB finalises the proposed requirement, specifically by requiring an entity to disclose:

(a) the industry-classification system used to disaggregate the entity's financed emissions information by industry; and

(b) the reason, or reasons, for the entity's choice of industry-classification system and how using that system enables the entity to classify counterparties by industry in a manner that results in information that is useful for understanding the entity's exposure to climate-related transition risks.

Alternatives considered but rejected

73. In developing the staff recommendations, the staff considered the following alternatives, which were rejected after considering their potential costs and benefits.

Maintain a hierarchy with modifications to extend the relief

74. The staff considered but rejected an option to maintain the hierarchy with modifications to extend the relief by:

(a) modifying the 'any part of the entity' condition with a threshold based on significance that would require the use of a particular industry-classification system if the whole entity or a 'significant' part of the entity uses that system to classifying its lending or investment activities at the reporting date; and

(b) modifying the requirement to use an industry-classification system used to meet a jurisdictional or exchange requirement to accommodate the jurisdictional classification system *used* rather than *required* for regulatory reporting purposes.

75. The staff rejected this alternative because a threshold based on significance is expected to be complex both from the perspective of identifying what the threshold should be and how it should be applied without resulting in complexity to its application. The staff thinks that the 'any part of the entity' condition could result in greater costs to entities required to use GICS, compared to the jurisdictional classification system as there are fewer legal and costs implications for the latter. The staff considered maintaining the jurisdictional requirements in the hierarchy without the requirement to use GICS and modifying it based on the system being used to meet a jurisdictional or exchange requirement rather than required. However there remains issues with such a hierarchy because a jurisdictional classification system that is not specifically designed for reporting climate-related financial information might not be the most relevant system to use. It could also disrupt entities' implementation of IFRS S2 as they might not be able to continue to use GICS to disaggregate financed emissions information by industry or an alternative system they are using to report this information today.

76. Additionally, the staff observes that some of the comparability benefit offered by this alternative could be retained within a less prescriptive approach, for example, through 'guardrails' requiring an entity to prioritise comparability by—with all else being equal—prioritising the selection of a commonly used industry-classification system such as GICS or jurisdictional classification systems.

Replace the hierarchy with a requirement to use a system used for an entity's internal risk management

77. The staff considered but rejected an option of replacing the hierarchy with a requirement for an entity to use an industry-classification system that is consistent with how the entity manages its risk. Using this alternative approach, an entity would be required to prioritise consistency with the system used for managing risks over comparability of the information between entities.

78. The staff rejected this alternative because this alternative might result in information that is not useful depending on whether and the extent to which the system is used as part of the process for managing the entity's climate-related risks and opportunities. Additionally this alternative might result in less comparable disclosures, compared to the recommended approach, as entities are likely to use a custom industry-classification system for internal risk management purposes which would take priority over comparability of information between entities. This alternative could also disrupt entities' implementation of IFRS S2 as they might not be able to continue to use GICS to disaggregate financed emissions information by industry.

79. Additionally, the staff observes that, under the recommended approach, an entity could use an industry-classification system used for internal risk management if it determines that such system would result in useful information about the entity's exposure to climate-related transition risk from its lending or investment activities.

Questions for the ISSB

80. The staff presents the following questions for the ISSB:

Questions for the ISSB
1. Do you have any comments or questions on the feedback summary, staff analysis and recommendations?
2. Do you agree with the recommendation to require an entity that participates in commercial banking or insurance activities to:

Questions for the ISSB
a) select an industry-classification system that enables the entity to classify counterparties by industry in a manner that results in information that is useful for understanding the entity's exposure, as set out in paragraph 68? b) prioritise—with all else being equal—selecting a commonly used industry-classification system that would support the comparability of the information between entities, as set out in paragraph 69? 3. Do you agree with the recommendation to: c) require an entity that participates in commercial banking or insurance activities to select and use a single industry-classification system, as set out in paragraph 70? d) clarify that an entity that participates in both commercial banking and insurance activities, is not required to use the same system for its commercial banking and insurance activities, as set out in paragraph 70? 4. Do you agree with the recommendation to require an entity that participates in commercial banking or insurance activities to disclose the industry-classification system used and the reason or reasons for the entity's choice, as set out in paragraph 72?

Appendix A—Extracts from Questions for respondents in the Exposure Draft

A1. Question 2 in the Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures* is reproduced below.

Question 2—Use of the Global Industry Classification Standard in applying specific requirements related to financed emissions
Paragraphs 29(a)(vi)(2) and B62–B63 of IFRS S2 require entities with commercial banking or insurance activities to disclose additional information about their financed emissions. These entities are required to use the Global Industry Classification Standard (GICS) for classifying counterparties when disaggregating their financed emissions information in accordance with paragraphs B62(a)(i) and B63(a)(i) of IFRS S2. (a) The ISSB proposes to amend the requirements in paragraphs B62(a)(i) and B63(a)(i) of IFRS S2 and to add paragraphs B62A–B62B and B63A–B63B that would provide relief to an entity from using GICS in some circumstances. Under the proposals, an entity can use an alternative industry-classification system in some circumstances when disaggregating financed emissions information disclosed in accordance with paragraphs B62(a)–B62(b) and B63(a)–B63(b) of IFRS S2. Paragraphs BC25–BC38 of the Basis for Conclusions describe the reasons for the proposed amendment. Do you agree with the proposed amendment? Why or why not? (b) The ISSB also proposes to add paragraphs B62C and B63C to require an entity to disclose the industry-classification system used to disaggregate its financed emissions information and, if the entity does not use GICS, to explain the basis for its industry-classification system selection. Paragraphs BC25–BC38 of the Basis for Conclusions describe the reasons for the proposed disclosure requirements. Do you agree with the proposed disclosure requirements? Why or why not?

Appendix B—References to GICS in the *Industry-based Guidance on Implementing IFRS S2* and the SASB Standards

B1. Paragraph B62 of IFRS S2 is referenced in the SASB Standard *Commercial Banks* and paragraph B63 of IFRS S2 is referenced in the SASB Standard *Insurance*. Table B1 lists the SASB Standards that reference paragraphs in IFRS S2 for which amendments are proposed.

Table B1—References to paragraphs B62–B63 of IFRS S2 in the SASB Standards

Type of amendment	SASB Standards	Disclosure topic
Updating references to specific paragraphs of IFRS S2 in the technical protocols included in the SASB Standards	Commercial Banks	Financed Emissions
	Insurance	Financed Emissions

B2. The Global Industry Classification Standard (GICS) is referenced in technical protocols of the *Industry-based Guidance on Implementing IFRS S2* Volume 18—Investment Banking & Brokerage. Table B2 lists the references to GICS in the *Industry-based Guidance on Implementing IFRS S2*.

Table B2—References to GICS in Volume 18—Investment Banking & Brokerage of *Industry-based Guidance on Implementing IFRS S2*

Disclosure topic	Metric	Reference to GICS
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	FN-IB-410a.1. Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Requirement to use GICS for classifying transactions
	FN-IB-410a.2. (1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Requirement to use GICS for classifying investees and borrowers
	Activity metric— FN-IB-000.B. (1) Number and (2) value of proprietary investments and loans by sector	Requirement to use GICS for classifying investees and borrowers

B3. The climate-related content in the SASB Standards is identical to the *Industry-based Guidance on Implementing IFRS S2* but also includes the topic of financed emissions (which is included in the application guidance in Appendix B to IFRS S2). Consequently there are identical references to GICS in the technical protocols of SASB Standard *Investment Banking & Brokerage*. Table B3 lists the references to GICS in the SASB Standards.

Table B3—References to GICS in SASB Standard *Investment Banking & Brokerage*

Disclosure topic	Metric	Reference to GICS
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	FN-IB-410a.1. Revenue from (1) underwriting, (2) advisory and (3) securitisation transactions incorporating integration of environmental, social and governance (ESG) factors, by industry	Requirement to use GICS for classifying transactions
	FN-IB-410a.2. (1) Number and (2) total value of investments and loans incorporating integration of environmental, social and governance (ESG) factors, by industry	Requirement to use GICS for classifying investees and borrowers
	Activity metric— FN-IB-000.B. (1) Number and (2) value of proprietary investments and loans by sector	Requirement to use GICS for classifying investees and borrowers