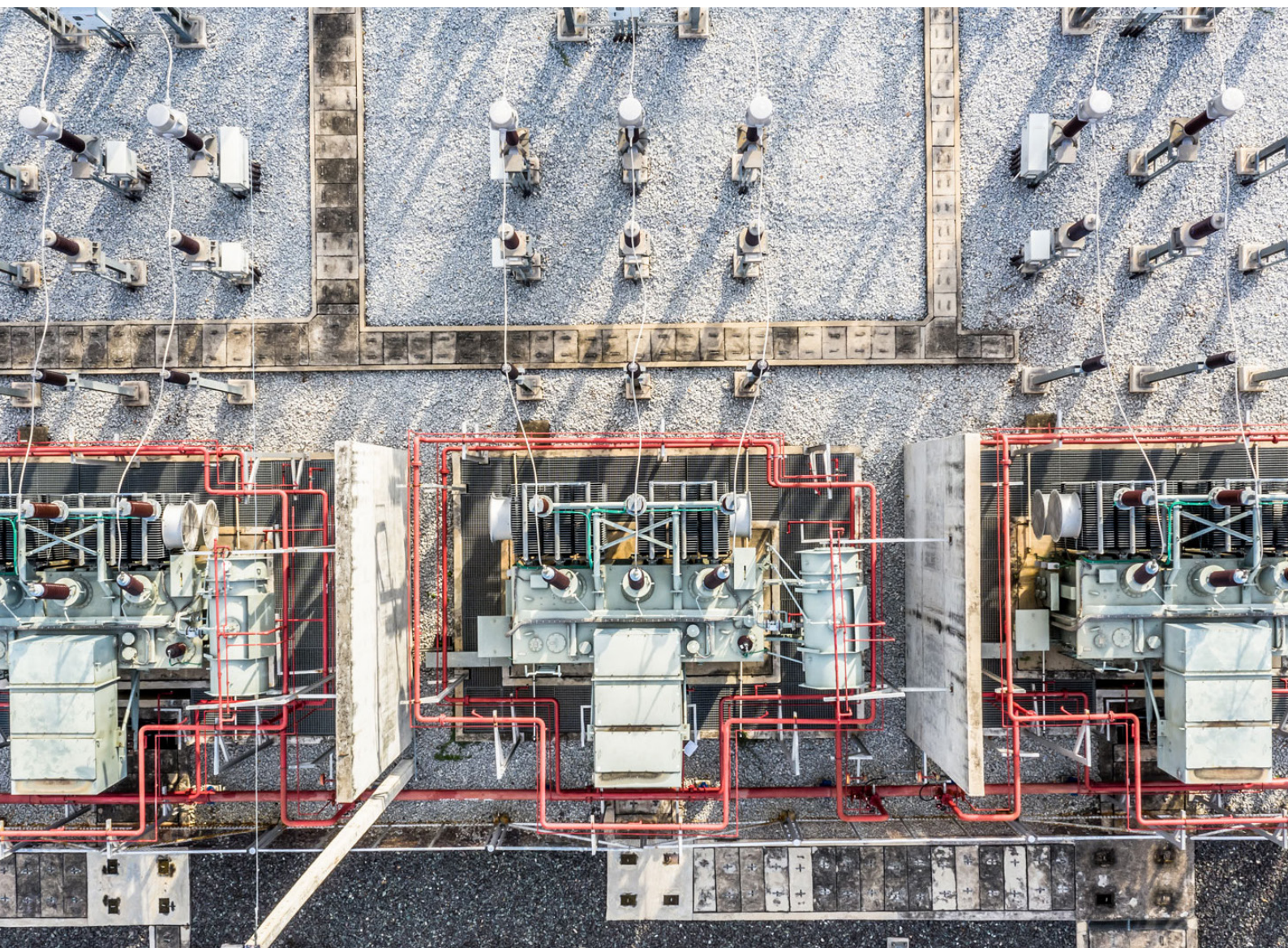




IFRS[®]
Sustainability

Using ISSB Industry-based Guidance when applying ISSB Standards

Educational material



In this document the term ‘ISSB industry-based guidance’ refers to sources of industry-based guidance that are overseen by the International Sustainability Standards Board (ISSB)—specifically, the Sustainability Accounting Standards Board Standards (SASB Standards) and *Industry-based Guidance on Implementing IFRS S2 Climate-related Disclosures*, which is derived from the SASB Standards.

This document is not part of IFRS Standards and does not add to or otherwise change the requirements in the Standards. It was developed to aid stakeholders’ understanding of our Standards. Views expressed in the document do not necessarily reflect those of the International Accounting Standards Board, the International Sustainability Standards Board or the IFRS Foundation. The document should not be relied upon as professional or investment advice.

OBJECTIVE OF THIS EDUCATIONAL MATERIAL

This educational material will help preparers understand the role of ISSB industry-based guidance when applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* to identify:

- sustainability-related risks and opportunities; and
- information to disclose about sustainability-related risks and opportunities.

This educational material explains:

- the requirement in ISSB Standards that an entity ‘shall refer to and consider the applicability of’ the ISSB industry-based guidance, specifically:
 - the Sustainability Accounting Standards Board Standards (SASB Standards) in the context of IFRS S1; and
 - the *Industry-based Guidance on Implementing IFRS S2* in the context of IFRS S2;
- considerations related to applying the ISSB industry-based guidance; and
- disclosure requirements that can relate to how an entity has used the ISSB industry-based guidance.

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OVERVIEW

Introduction

IFRS S1 and IFRS S2 include requirements to ‘refer to and consider the applicability of’ the SASB Standards and *Industry-based Guidance on Implementing IFRS S2*, respectively.¹ The SASB Standards and *Industry-based Guidance on Implementing IFRS S2* are collectively referred to in this educational material as the ‘ISSB industry-based guidance’. The ISSB industry-based guidance serves as a useful resource for an entity in identifying sustainability-related risks and opportunities and information to disclose about those risks and opportunities in accordance with ISSB Standards because:

- the SASB Standards were developed with similar objectives to IFRS S1. In particular the SASB Standards:
 - were designed with primary users of general purpose financial reports (primary users) in mind;
 - identify sustainability-related risks and opportunities that could reasonably be expected to affect an entity’s prospects; and
 - include disclosure requirements that help entities to provide decision-useful information about those sustainability-related risks and opportunities to primary users.
- the *Industry-based Guidance on Implementing IFRS S2* was derived from, and is identical to the climate-related content of, the SASB Standards.

The ISSB industry-based guidance, therefore, assists an entity in disclosing industry-specific information that is relevant to primary users because it sets out disclosure topics and metrics that will typically be applicable for an entity with the business model and associated activities of specific industries. Although the ISSB Standards require an entity to disclose industry-specific information associated with its identified sustainability-related risks and opportunities, the Standards do not set out what particular industry-specific information the entity is required to disclose.² The ISSB industry-based guidance is, therefore, expected to reduce application costs for entities and assist them in making materiality judgements by focusing on the disclosure of information identified as being likely to be useful for primary users. In addition, the guidance is expected to improve comparability between entities by reducing diversity in reporting practice.

ISSB Standards require an entity to ‘refer to and consider the applicability of’ the ISSB industry-based guidance. However, an entity may conclude that the guidance is not applicable in the entity’s circumstances. Ultimately, ISSB Standards require the provision of information that enables primary users to understand the effects of sustainability-related risks and opportunities on an entity’s prospects, and such information includes industry-specific information. Thus, although applying the guidance is not mandatory to assert compliance with ISSB Standards, the ISSB industry-based guidance can serve as a useful means by which entities can meet the requirements in ISSB Standards, by facilitating the provision of decision-useful and comparable sustainability-related disclosures.

1 The Sustainability Accounting Standards Board Standards (SASB Standards) were developed by the SASB Standards Board. In August 2022, the ISSB assumed responsibility for the SASB Standards when the Value Reporting Foundation, a global nonprofit that maintained the SASB Standards, merged with the IFRS Foundation.

2 An exception relates to financed emissions, about which IFRS S2 requires information to be disclosed for entities whose activities include asset management, commercial banking or insurance (see paragraphs B58–B63 of IFRS S2 *Climate-related Disclosures*).

The ISSB industry-based guidance does not impose additional requirements on an entity applying ISSB Standards. Instead, the guidance helps an entity to meet the requirements in ISSB Standards.

About the ISSB industry-based guidance

The SASB Standards contain guidance for 77 industries and cover a broad spectrum of sustainability-related topics, including climate-related content. The *Industry-based Guidance on Implementing IFRS S2* is derived from, and is identical to the climate-related disclosure topics and metrics in, the SASB Standards and provides guidance for the 68 industries for which climate-related content was identified in the SASB Standards. Although the SASB Standards are a separate body of work from the ISSB Standards, the *Industry-based Guidance on Implementing IFRS S2* has brought the climate-related content of the SASB Standards into the ISSB Standards as a non-mandatory appendix to IFRS S2.

The ISSB industry-based guidance contains:

- **industry descriptions**—that are intended to help entities identify applicable industry guidance by describing the business models, activities and other common features that characterise participation in an industry;
- **disclosure topics**—that describe specific sustainability-related risks and opportunities associated with the activities conducted by entities within a particular industry;
- **metrics**—that accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity's performance for a specific disclosure topic;³ and
- **technical protocols**—that provide guidance on definitions, scope, implementation and presentation of associated metrics.

This terminology is used throughout this educational material to describe the contents of the ISSB industry-based guidance.

Since assuming responsibility for the SASB Standards in 2022, the ISSB has committed to maintaining and enhancing them as an essential component of supporting the implementation of IFRS S1 and IFRS S2 and ensuring that the SASB Standards continue to be relevant and fit for use for high-quality disclosures of sustainability-related financial information when applying ISSB Standards. Maintenance of the SASB Standards is doubly important as sustainability-related risks and opportunities and the related measurement methods and disclosure practices evolve over time.

³ The term 'metrics' in the ISSB industry-based guidance is used to describe disclosures and encompasses qualitative and quantitative information.

Connectivity and interoperability considerations

When applying ISSB Standards, an entity is required to provide information in a manner that enables primary users to understand the connections between disclosures provided in its sustainability-related financial disclosures and its related financial statements.

In addition, an entity might consider whether its sustainability-related financial disclosures, prepared applying ISSB Standards, are aligned with the requirements in other sustainability-related standards.

To facilitate such considerations, throughout this educational material more information is provided in separate boxes labelled '**connectivity considerations**' and '**interoperability considerations**'.

SECTION 1—AREAS OF ISSB STANDARDS THAT REQUIRE AN ENTITY TO ‘REFER TO AND CONSIDER THE APPLICABILITY OF’ THE ISSB INDUSTRY-BASED GUIDANCE

References in IFRS S1 to the SASB Standards

IFRS S1 requires an entity to apply ISSB Standards when *identifying its sustainability-related risks and opportunities* (paragraph 54 of IFRS S1). IFRS S1 also requires entities to ‘refer to and consider the applicability of’ the SASB Standards as part of that identification. Specifically, IFRS S1 states that, in addition to applying ISSB Standards, an entity ‘shall refer to and consider the applicability of the disclosure topics in the SASB Standards’ when identifying sustainability-related risks and opportunities (paragraph 55(a) of IFRS S1).⁴

To *identify what information to disclose* about sustainability-related risks and opportunities, IFRS S1 requires an entity to apply ISSB Standards and, in the absence of an ISSB Standard that specifically applies to an identified sustainability-related risk or opportunity, to use judgement to identify information that:

- is relevant to primary users’ decision-making; and
- faithfully represents the sustainability-related risk or opportunity (paragraph 57 of IFRS S1).

In applying judgement, an entity is required to ‘refer to and consider the applicability of’ the metrics associated with the disclosure topics included in the SASB Standards (paragraph 58(a) of IFRS S1).

In the context of IFRS S1, this requirement to refer to and consider the applicability of the metrics in the SASB Standards supports the disclosure of information about sustainability-related risks and opportunities, particularly in the absence of ISSB Standards that apply to specific sustainability-related risks and opportunities. Referring to and considering the applicability of the SASB Standards is also helpful for meeting the requirement to disclose metrics associated with particular business models, activities or other common features that characterise participation in an industry (paragraph 48 of IFRS S1).

References in IFRS S2 to *Industry-based Guidance on Implementing IFRS S2*

As previously noted, IFRS S1 requires an entity to apply the ISSB Standard that is specific to a particular sustainability-related risk or opportunity. Therefore, an entity applies IFRS S2 when identifying climate-related risks and opportunities that could reasonably be expected to affect its prospects and when identifying what information to disclose related to climate-related risks and opportunities.

4 IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires an entity to refer to the SASB Standards in identifying sustainability-related risks and opportunities, including climate. IFRS S2 requires an entity to refer to the *Industry-based Guidance on Implementing IFRS S2* in identifying climate-related risks and opportunities. Because the climate-related disclosure topics and metrics in *Industry-based Guidance on Implementing IFRS S2* are identical to the climate-related disclosure topics and metrics in the SASB Standards, there is no need to consider the same climate-related content in both parts of the ISSB industry-based guidance. The same reasoning applies to an entity applying the transition relief to provide information about only climate-related risks and opportunities in the first year of application of ISSB Standards.

For the identification of climate-related risks and opportunities, IFRS S2 states that an entity ‘shall refer to and consider the applicability of’ the disclosure topics in the *Industry-based Guidance on Implementing IFRS S2* (paragraph 12 of IFRS S2).

IFRS S2 also requires that an entity refer to and consider the applicability of the metrics in the *Industry-based Guidance on Implementing IFRS S2* to support it in determining the industry-based metrics to disclose about its climate-related risks and opportunities—that is, in identifying metrics that are associated with particular business models, activities or other common features that characterise participation in an industry (industry-based metrics) (paragraph 32 of IFRS S2).

An entity is also required to refer to and consider the applicability of the industry-based metrics in the *Industry-based Guidance on Implementing IFRS S2* as described in paragraph 32 of IFRS S2, when preparing particular strategy-related disclosures about its business model and value chain; strategy and decision-making; financial position, financial performance and cash flows; and climate resilience (paragraph 23 of IFRS S2).

Interoperability considerations

In the European Sustainability Reporting Standards (ESRS), the ISSB industry-based guidance is referred to as ‘IFRS industry-based guidance’. ESRS reference this guidance as a transitional measure for identifying entity-specific disclosures. This transitional measure permits an entity to use the ISSB industry-based guidance to identify disclosures that complement its disclosures prepared on the basis of topical ESRS, to ‘cover sustainability matters that are material for the undertaking [entity] in its sector(s)’ (see paragraph 131(b) of ESRS 1).⁵ Using the ISSB industry-based guidance helps entities applying ISSB Standards and ESRS to meet disclosure requirements for both sets of standards.⁶

5 In February 2025, the European Commission announced its intention to simplify the European Sustainability Reporting Standards (ESRS) and relevant regulation. The European Commission also explained its ambition for the measures toward simplification was to ‘further enhance interoperability with international standards’. As part of this work, the ISSB has engaged with the European Commission and EFRAG regarding how the SASB Standards can be used by entities in meeting both European and international reporting requirements.

6 As explained in the [ESRS–ISSB Standards Interoperability Guidance](#), an entity using ESRS E1 that also wants to comply with IFRS S2 is required to refer to and consider the climate-related disclosure topics and metrics in the *Industry-based Guidance on Implementing IFRS S2*.

SECTION 2—MEANING AND APPLICATION OF ‘SHALL REFER TO AND CONSIDER THE APPLICABILITY OF’

Section 1 identifies areas of ISSB Standards that include a requirement to refer to and consider the applicability of the ISSB industry-based guidance. Section 2 explains the meaning of ‘shall refer to and consider the applicability of’ and discusses considerations when applying the requirement to ‘refer to and consider the applicability of’ the ISSB industry-based guidance.

Meaning of ‘shall refer to and consider the applicability of’

The word ‘shall’ is used throughout the ISSB Standards to convey what an entity must do to assert compliance with the Standards. ‘Shall’ therefore means ‘must’, and contrasts with ‘may’, which is used with actions that are permitted but not required. Because an entity ‘shall’ refer to the ISSB industry-based guidance, it cannot disregard the guidance when applying ISSB Standards.⁷

Connectivity considerations

‘Shall’ is used in ISSB Standards in the same way as in IFRS Accounting Standards. In both sets of Standards, ‘shall’ means ‘must’ and therefore is required to be applied in order for an entity to assert compliance with the respective Standards.

In applying the requirement to ‘refer to and consider the applicability of’ the ISSB industry-based guidance, an entity must apply judgement to determine whether the referenced source of guidance is applicable to its circumstances in meeting the purpose in ISSB Standards to which the requirement to ‘refer to and consider’ applies. Meaning, the entity needs to consider its facts and circumstances and assess whether:

- the disclosure topics in the ISSB industry-based guidance assist the entity in identifying sustainability-related risks and opportunities, including climate-related risks and opportunities, that could reasonably be expected to affect its prospects (paragraph 55(a) of IFRS S1 and paragraph 12 of IFRS S2);
- the metrics in the SASB Standards assist the entity in identifying information about identified sustainability-related risks and opportunities that is useful to primary users; that is, information that is relevant to the decision-making of primary users and faithfully represents the identified sustainability-related risks and opportunities (paragraph 58(a) of IFRS S1); and
- the metrics in the *Industry-based Guidance on Implementing IFRS S2* assist the entity in identifying climate-related metrics that are associated with particular business models, activities, or other common features that characterise participation in an industry (paragraph 32 of IFRS S2).

An important consideration when assessing the applicability of the disclosure topics and metrics in the context of these requirements is whether they are relevant to the business model and activities of the entity.

⁷ In addition to the ISSB industry-based guidance, the ISSB Standards reference other sources of guidance that an entity *may* consider when identifying sustainability-related risks and opportunities and information to disclose about those risks and opportunities. See the educational material [Sustainability-related Risks and Opportunities and the Disclosure of Material Information](#) for further discussion of sources of guidance in this context.

Additional resource

The identification of applicable disclosure topics and metrics from the ISSB industry-based guidance results in a set of information about sustainability-related risks and opportunities that is *potentially material*. An entity might ultimately determine that a disclosure topic or metric is not material. The responsibility for making materiality judgements ultimately rests with the reporting entity. Guidance on the process an entity might follow to determine whether information is material can be found in Chapter 3 of the educational material [*Sustainability-related Risks and Opportunities and the Disclosure of Material Information*](#).

IFRS S1 notes that an entity might conclude that the disclosure topics or metrics in the SASB Standards are not applicable to its circumstances (paragraphs 55(a) and 58(a) of IFRS S1). The same is true regarding the disclosure topics and metrics in the *Industry-based Guidance on Implementing IFRS S2*.⁸ Therefore, although consideration of the applicability of the ISSB industry-based guidance is required, application itself is not required.

For example, when considering the applicability of the metrics associated with a disclosure topic in the ISSB industry-based guidance, an entity might determine that a different metric that is disclosed by other entities that operate in the entity's industry or geographical region would provide more useful information about that disclosure topic than the metric specified in the ISSB industry-based guidance. In this situation, the entity might decide to use that metric instead to meet the requirements in the Standard.

In cases in which an entity determines that the disclosure topics or metrics in the ISSB industry-based guidance are not applicable, the entity is not relieved from meeting the requirement to provide decision-useful information about sustainability-related risks and opportunities, including industry-based metrics (paragraph 48 of IFRS S1 and paragraph 32 of IFRS S2).

Considerations when applying the requirement to 'refer to and consider the applicability of' the ISSB industry-based guidance

Identifying the relevant industry in the ISSB industry-based guidance

To apply the requirement to 'refer to and consider the applicability of' the disclosure topics and metrics in the ISSB industry-based guidance, an entity must first determine which industry (or industries) its business model and activities most closely align with. The SASB Standards provide guidance for 77 industries in 11 sectors and the *Industry-based Guidance on Implementing IFRS S2* provides guidance for 68 industries in 11 sectors. For most entities, only a subset of the industries will be relevant to their activities.

8 Paragraph BC37 of the *Basis for Conclusions on IFRS S2 Climate-related Disclosures*.

To identify the relevant industry (or industries), an entity could review the list of sectors and then, for the sectors that might be relevant, consider the industries and industry descriptions to identify those which reflect the entity's business model and associated activities in whole or in part. This enables an entity to narrow the list of industries to a subset of industries that are potentially relevant.

For example, an entity involved in the manufacture of footwear would review the 11 sectors in the SASB Standards, selecting the 'Consumer Goods' sector for further consideration. It then reviews the seven industries and industry descriptions within the 'Consumer Goods' sector and determines that the 'Apparel, Accessories & Footwear' industry reflects relevant aspects of its business model and associated activities. The entity therefore determines this industry to be relevant.

Additional resource

The educational material [*Using the SASB Standards to Meet the Requirements in IFRS S1*](#) outlines steps that an entity might follow to navigate and use SASB Standards in connection with meeting the requirements in IFRS S1, beginning with the identification of the relevant industry (or industries). These steps could also be applied when referring to and considering the applicability of the *Industry-based Guidance on Implementing IFRS S2*.

An entity that operates in multiple industries might determine that multiple sectors and industries are relevant because of the breadth of its business model and activities. In such circumstances, the entity might identify disclosure topics and metrics from particular industries that are applicable only to part of its business.

The ISSB industry-based guidance is helpful in this respect to identify specific information that might be relevant for different parts of an entity's business. As with all disclosures required by ISSB Standards, an entity is required to make materiality judgements considering its sustainability-related financial disclosures as a whole and is required to present information in an understandable manner. Therefore, an entity with operations spanning multiple industries will need to make judgements:

- to determine what information about its various activities is material to disclose. The entity may determine that information about some parts of its business is not material in the context of its sustainability-related financial disclosures taken as a whole, and thus does not need to be disclosed.
- to meet the aggregation and disaggregation requirements in IFRS S1 and avoid 'aggregating material items of information that are dissimilar to each other' (paragraph B29 of IFRS S1). Thus, as a result of assessing the materiality of information provided by the metrics it has identified as applicable, an entity might disclose some information about parts of its business aggregated with similar information about other parts of its business, but disclose other information disaggregated by industry or business unit in order to provide material information to primary users about its sustainability-related risks and opportunities.

Additional resource

The *Accompanying Guidance on IFRS S1* General Requirements for Disclosure of Sustainability-related Financial Information provides examples illustrating the application of the requirement to refer to and consider the SASB Standards. The examples include the factors that are relevant in considering the applicability of the ISSB industry-based guidance for each purpose. Example 1 illustrates how an entity with a single line of business considers the applicability of the disclosure topics and metrics in the ISSB industry-based guidance (paragraphs IE3–IE8). Example 2 illustrates how a large conglomerate with diverse activities that span multiple industries considers the applicability of the disclosure topics and metrics in the ISSB industry-based guidance (paragraphs IE9–IE15).

It is expected that the disclosure topics in the ISSB industry-based guidance will typically be applicable for an entity with the business model and associated activities of the selected industry (or industries). In turn, for the disclosure topics that an entity has identified as applicable, it is expected that the metrics associated with those disclosure topics will also be applicable. Thus, identification of relevant industries in the ISSB industry-based guidance can assist the entity's consideration of disclosures that are potentially relevant to primary users when applying ISSB Standards.

The ISSB industry-based guidance is expected to reflect typical circumstances for entities operating in particular industries. Ultimately, ISSB Standards require an entity to disclose information to enable primary users to understand the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. However, depending on the entity's specific business model and activities, the disclosure topics or metrics in the ISSB industry-based guidance may not be sufficient to enable primary users to understand the effects of sustainability-related risks and opportunities on the entity's prospects. This might be because the entity determines that:

- the metrics associated with an applicable disclosure topic in the ISSB industry-based guidance do not result in a complete set of decision-useful information for the entity's primary users, perhaps because one or more of the metrics is not applicable in the entity's circumstances; or
- a sustainability-related risk or opportunity that is relevant for its industry or for its specific facts and circumstances is not included in the disclosure topics in the ISSB industry-based guidance.

In such circumstances, an entity will need to disclose additional information to provide a complete set of sustainability-related disclosures to meet the requirements in ISSB Standards.⁹

'Expected to occur through a process'

An entity is expected to consider the applicability of the ISSB industry-based guidance through a systematic process that it has put in place.¹⁰ The objective of this process is to enable an entity to determine whether the disclosure topics and metrics from the ISSB industry-based guidance fit its circumstances.

⁹ Paragraph 15(b) of IFRS S1.

¹⁰ Paragraphs BC131–BC132 of the *Basis for Conclusions on IFRS S1* General Requirements for Disclosure of Sustainability-related Financial Information.

The ISSB Standards do not require an entity to document its consideration process, nor do they require specific documentation to be prepared about how assessments were made in meeting the requirements in the Standards. This is because ISSB Standards do not prescribe how an entity should manage its business, including what internal processes it might put in place to meet the disclosure requirements in ISSB Standards.

However, the design and operation of an entity's consideration process—including documentation, controls and oversight—might be informed by expectations or requirements from an entity's governance body, assurance provider or relevant regulators. For example, regulators might have requirements related to controls that must be in place as part of external reporting requirements. Where specific requirements do not exist, a regulator might highlight the importance of an entity's controls or oversight, such as documentation of considerations and judgements related to the entity's external reporting.

With regard to timing, ISSB Standards do not specify when an entity is required to refer to and consider the applicability of the ISSB industry-based guidance. Therefore, an entity could consider the ISSB industry-based guidance at any point in its review of sustainability-related risks and opportunities. An entity might find it helpful to consider the ISSB industry-based guidance when beginning its identification of sustainability-related risks and opportunities, or at the end of its identification of sustainability-related risks and opportunities as a completeness check.

As an example, an entity might use its existing risk assessment processes to identify sustainability-related risks and opportunities. The entity might then 'refer to and consider the applicability of' the ISSB industry-based guidance by comparing the disclosure topics and associated metrics in the ISSB industry-based guidance to the sustainability-related risks and opportunities and related information identified through its existing risk assessment. An entity taking this approach could, for instance, consider the applicability of the ISSB industry-based guidance by:

- considering whether the disclosure topics and metrics in the ISSB industry-based guidance have already been identified by the entity's existing risk assessment; or
- considering the disclosure topics and metrics identified in the ISSB industry-based guidance to identify which sustainability-related risks and opportunities and related information that it has already collected in its existing risk assessment should be disclosed, or in what manner this information should be disclosed.

The process of referring to and considering the applicability of the ISSB industry-based guidance is likely to require more effort in an entity's first year of implementation of the ISSB Standards. In subsequent reporting periods, the entity's consideration could be focused on assessing whether there have been any changes that would cause it to reconsider the applicability of the ISSB industry-based guidance—for example, changes in its business model and activities (such as acquiring or disposing of a business unit, or entering a new market).

SECTION 3—CONSIDERATIONS WHEN APPLYING THE ISSB INDUSTRY-BASED GUIDANCE

This section describes considerations for an entity applying the ISSB industry-based guidance as part of applying ISSB Standards.

Requirements in ISSB Standards are applicable

As explained in Sections 1 and 2, the ISSB industry-based guidance supports the application of IFRS S1 and IFRS S2, which means the ISSB industry-based guidance must be applied in the context of the requirements in those Standards.

Disclosures prepared using the ISSB industry-based guidance must comply with the general requirements for the disclosure of sustainability-related financial information as set out in IFRS S1. For example, IFRS S1 requires that disclosures:

- be for the same *reporting entity* as the related financial statements;
- use *data and assumptions* that are consistent with the corresponding data and assumptions used in preparing the related financial statements (to the extent possible considering the requirements in IFRS Accounting Standards or other applicable GAAP);
- cover the same *reporting period* as the related financial statements; and
- include *comparative information* in respect of the preceding period for all amounts disclosed in the reporting period.

Section 1 explains that an entity applies the requirements in IFRS S2 when identifying climate-related risks and opportunities and information to disclose about those risks and opportunities. IFRS S2 contains disclosure requirements related to an entity's climate-related governance, strategy, risk management and metrics and targets that must be applied when preparing disclosures in accordance with ISSB Standards. For example, an entity is required to disclose information relevant to the cross-industry metric categories set out in paragraph 29 of IFRS S2, including information about the entity's Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, if material. In the context of the requirement to refer to and consider the *Industry-based Guidance on Implementing IFRS S2* to identify industry-based metrics (paragraph 32 of IFRS S2), the presence or absence of industry-based metrics in the ISSB industry-based guidance that relate to cross-industry metrics required by IFRS S2 does not override or otherwise change the requirements in IFRS S2.¹¹

Sustainability-related risks and opportunities in the value chain

IFRS S1 specifies that sustainability-related risks and opportunities arise out of the interactions between an entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain.¹² Thus, an entity considers activities throughout its entire value chain—which includes the entity's operations—when identifying sustainability-related risks and opportunities that could reasonably be expected to affect its prospects.

¹¹ In relation to the measurement of greenhouse gas (GHG) emissions, the SASB Standards, which are the basis for the *Industry-based Guidance on Implementing IFRS S2*, focus primarily on metrics related to direct emissions.

¹² Paragraph B2 of IFRS S1.

As discussed in Section 2, the disclosure topics and associated metrics in the ISSB industry-based guidance are expected to be applicable for an entity with a business model and associated activities described in the corresponding industry (or industries). The disclosure topics and associated metrics might relate to an entity's own activities or to activities that occur in the entity's value chain. For example, disclosure topics related to activities in the value chain include environmental impacts and labour conditions in the supply chain, and end-use efficiency and demand.

In this way, applying the ISSB industry-based guidance for the industry (or industries) corresponding to an entity's operations can help the entity meet the requirements in ISSB Standards by helping it identify sustainability-related risks and opportunities that arise from both its own operations and activities that occur upstream and downstream. The associated metrics are expected to provide decision-useful information to primary users about the identified sustainability-related risks and opportunities.

Ultimately, an entity is required to disclose information to enable primary users to understand the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects throughout its value chain. Information in the ISSB industry-based guidance for industries other than the entity's own could be helpful in meeting this requirement. In some circumstances, after considering its specific business model and activities, an entity may determine that the disclosure topics and associated metrics in the ISSB industry-based guidance for its relevant industry (or industries) are not sufficient to enable primary users to understand all of the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. This might be because, compared to its industry peers, the entity has unique exposure to risks associated with a particular industry due to a concentration of customers in that industry—for example, the entity is a fuel storage business that focuses exclusively on the storage of fuel used in the marine transportation industry. In this situation, the entity may find it useful to consider the applicability of the ISSB industry-based guidance for not only its primary industry, but also the industry (or industries) that most closely relate to where its unique exposures to risks are concentrated.

Core content areas in ISSB Standards

IFRS S1 and IFRS S2 contain disclosure requirements covering four areas of 'core content'—governance; strategy; risk management; and metrics and targets.

Although the metrics in the ISSB industry-based guidance are primarily focused on providing information regarding an entity's performance in relation to specific sustainability-related risks and opportunities, they can relate to all areas of the core content. The metrics in the ISSB industry-based guidance can therefore help an entity to identify and disclose information related to the areas of the core content that is relevant for an entity's particular industry (or industries).

For example, some metrics in the ISSB industry-based guidance set out disclosures about the governance processes and procedures an entity uses to monitor and manage a specific sustainability-related risk or opportunity. Such disclosures would be relevant in providing information about governance in accordance with requirements in IFRS S1 and IFRS S2.

Aggregation and disaggregation requirements in ISSB Standards

IFRS S1 includes requirements related to aggregation and disaggregation. The requirements specify that an entity shall consider its facts and circumstances to determine how to aggregate and disaggregate information in its disclosures, with the overall requirement that the entity shall not reduce the understandability of its sustainability-related financial disclosures by obscuring material information with immaterial information or by aggregating material items of information that are dissimilar to each other (paragraph B29 of IFRS S1).

The disclosure topics and metrics in the ISSB industry-based guidance can help an entity applying the ISSB Standards make judgements about the level of aggregation or disaggregation at which to disclose information about its sustainability-related risks and opportunities. For example, IFRS S2 includes the cross-industry requirement for an entity to disclose its absolute gross GHG emissions in aggregate for all seven constituent greenhouse gases (paragraph B20 of IFRS S2). For some industries the ISSB industry-based guidance includes metrics that specify separate information about the amount of an entity's methane emissions (methane is one of the seven constituent greenhouse gases). Such industry-relevant disaggregation in the ISSB industry-based guidance can help entities in these industries in preparing decision-useful information in accordance with the requirements in ISSB Standards by providing examples of disaggregated information relevant for their activities.¹³

¹³ Illustrative Example 3 in paragraphs IE13–IE24 of the *Accompanying Guidance on IFRS S2 Climate-related Disclosures* illustrates situations in which an entity might determine that further disaggregation of its GHG emissions by constituent greenhouse gases is necessary.

SECTION 4—DISCLOSURES THAT CAN RELATE TO HOW AN ENTITY HAS USED THE ISSB INDUSTRY-BASED GUIDANCE

IFRS S1 and IFRS S2 do not include a specific requirement to disclose whether an entity has referred to and considered the ISSB industry-based guidance. However, information about sources of guidance used in preparing the entity's sustainability-related financial disclosures might be necessary to satisfy other disclosure requirements in ISSB Standards.

Disclosure about the ISSB industry-based guidance, if applied

If an entity determines the ISSB industry-based guidance is applicable and uses it to meet the requirements in ISSB Standards, paragraph 59 of IFRS S1 requires the entity to disclose that fact and to disclose the industry for which it applied guidance in preparing the relevant disclosures.

- 59 An entity shall identify:
- (a) the specific standards, pronouncements, industry practice and other sources of guidance that the entity has applied in preparing its sustainability-related financial disclosures, including, if applicable, identifying the disclosure topics in the SASB Standards; and
 - (b) the industry(s) specified in the IFRS Sustainability Disclosure Standards, the SASB Standards or other sources of guidance relating to a particular industry(s) that the entity has applied in preparing its sustainability-related financial disclosures, including in identifying applicable metrics.

Disclosure about judgements related to the ISSB industry-based guidance

Paragraph 74 of IFRS S1 requires disclosure of the judgements that the entity has made in preparing its sustainability-related financial disclosures that have the most significant effect on the information included in those disclosures. In some cases, judgements about whether the ISSB industry-based guidance and the underlying disclosure topics and metrics are applicable to the entity's circumstances might be considered significant judgements that require disclosure in accordance with paragraph 74 of IFRS S1.

For example, an entity might determine that it has made a significant judgement in not applying the disclosure topics and associated metrics from the ISSB industry-based guidance for a specific industry because:

- primary users would ordinarily consider the ISSB industry-based guidance for a specific industry to be applicable to the entity because of the industry it operates in; and
- this judgement has a significant effect on the information included in the entity's sustainability-related financial disclosures.

In this example, disclosing information about that judgement in accordance with paragraph 74 of IFRS S1 would help primary users understand how the entity considered the applicability of the ISSB industry-based guidance.

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