



**IFRS<sup>®</sup>**  
Sustainability

June 2023

# **IFRS S2**

IFRS<sup>®</sup> Sustainability Disclosure Standard

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## **Industry-based Guidance on implementing Climate-related Disclosures**

Volume 1—Apparel, Accessories & Footwear



**International Sustainability Standards Board**

## IFRS S2 CLIMATE-RELATED DISCLOSURES–JUNE 2023

This Industry-based Guidance accompanies IFRS S2 *Climate related Disclosures* (published June 2023; see separate booklet) and is issued by the International Sustainability Standards Board (ISSB).

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## IFRS S2 INDUSTRY-BASED GUIDANCE

### Introduction

*This volume is part of the Industry-based Guidance on Implementing IFRS S2 Climate-related Disclosures. This guidance suggests possible ways to apply some of the disclosure requirements in IFRS S2 but does not create additional requirements.*

This volume suggests possible ways to identify, measure and disclose information about climate-related risks and opportunities that are associated with particular business models, economic activities and other common features that characterise participation in this industry.

This industry-based guidance has been derived from Sustainability Accounting Standards Board (SASB) Standards, which are maintained by the International Sustainability Standards Board (ISSB). The metric codes used in SASB Standards have been included for ease of reference. For additional context regarding the industry-based guidance contained in this volume, including structure and terminology, application and illustrative examples, refer to Section III of the Accompanying Guidance to IFRS S2.

## Volume 1—Apparel, Accessories & Footwear

### Industry Description

The Apparel, Accessories & Footwear industry includes entities involved in the design, manufacturing, wholesaling and retailing of various products, including adult and children's clothing, handbags, jewellery, watches and footwear. Products are manufactured primarily by vendors in emerging markets, thereby allowing entities in the industry to focus on design, wholesaling, marketing, supply chain management and retail activities.

### Sustainability Disclosure Topics & Metrics

**Table 1. Sustainability Disclosure Topics & Metrics**

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Raw Materials Sourcing	(1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors and (4) management strategy for addressing business risks and opportunities	Discussion and Analysis	n/a	CG-AA-440a.3
	(1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental or social standard, by standard	Quantitative	Metric tons (t)	CG-AA-440a.4

**Table 2. Activity Metrics**

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1 <sup>1</sup>	Quantitative	Number	CG-AA-000.A

### Raw Materials Sourcing

#### Topic Summary

The Apparel, Accessories & Footwear industry relies on many raw materials including cotton, leather, wool, rubber, and precious minerals and metals, as inputs for finished products. Sustainability impacts related to climate change, land use, resource scarcity and conflict in regions where the industry's supply chain operates affect the industry's ability to reliably source materials. The ability of entities to manage potential material

<sup>1</sup> Note to CG-AA-000.A – Tier 1 suppliers are defined as suppliers that transact directly with the entity, such as finished goods manufacturers (for example cut and sew facilities). Suppliers beyond Tier 1 are the key suppliers to the entity's Tier 1 suppliers and can include manufacturers, processing plants, and providers of raw materials extraction (for example mills, dye houses and washing facilities, sundry manufacturers, tanneries, embroiderers, screen printers, farms, and/or slaughter houses). The entity shall disclose whether any supplier data beyond Tier 1 is based on assumptions, estimates, or otherwise includes any uncertainty.

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shortages, supply disruptions, price volatility and reputational risks can be more difficult when supply chains lack transparency. Failure to effectively manage this issue can delay shipments and depress earnings, reduce margins, constrain revenue growth or increase costs of capital. The types of risk associated with sourcing materials can require varying solutions, including engaging with suppliers, enhancing transparency by using certification standards, using innovative alternative materials, or introducing circular economy practices. Entities that are proactive may reduce their exposure to price volatility and potential supply disruptions, while improving their brand reputation and developing new market opportunities.

### Metrics

*CG-AA-440a.3. (1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors and (4) management strategy for addressing business risks and opportunities*

- 1 The entity shall disclose its priority raw materials purchased for finished goods.
  - 1.1 The entity shall identify priority raw materials using the definition of 'priority materials' outlined in the Priority Material section of the *Textile Exchange's Materials Terminology Guide*.
  - 1.2 Priority raw materials may include synthetic fibres, natural fibres, manufactured cellulosic materials, materials derived from animals and any other materials used directly to make apparel, accessories or footwear products, which may include cotton, rayon, viscose, polyester, acrylic, spandex, nylon, rubber, foam, leather, wool, cashmere, mohair, flax, silk, hemp and down.
  - 1.3 The entity shall identify priority raw materials using the categorisation scheme presented in the Materials Portfolio section of the *Textile Exchange's Materials Terminology Guide*.
  - 1.4 The scope of disclosure shall include priority raw materials present in finished goods and shall exclude raw materials used in packaging and manufacturing.
  - 1.5 Priority raw materials include materials purchased by the entity or its suppliers for the purposes of producing the entity's finished goods.
  - 1.6 If the entity is vertically integrated across the value chain and does not purchase its priority raw materials from a third-party supplier, it shall identify the priority raw materials sourced from its owned operations and used in the production of its finished goods.
- 2 For each priority raw material, the entity shall identify the important environmental or social factors most likely to threaten its ability to source or purchase each material.
  - 2.1 Environmental factors may include:
    - 2.1.1 Climate change impacts (for example, extreme weather events or water stress)

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- 2.1.2 Regulation on greenhouse gases (GHG)
  - 2.1.3 Environmental regulations for suppliers
  - 2.1.4 Land use practices
  - 2.1.5 Production methods that result in water pollution, soil degradation, deforestation or loss of biodiversity
- 2.2 Social factors may include:
  - 2.2.1 Suppliers' animal welfare, labour and human rights practices
  - 2.2.2 Materials sourcing from regions of conflict
  - 2.2.3 Regulations on labour practices or human rights
- 3 For each priority raw material, the entity shall discuss the business risks and opportunities associated with environmental or social factors.
  - 3.1 Business risks and opportunities may include:
    - 3.1.1 Access to, and availability of, the priority raw material
    - 3.1.2 Ability to trace the priority raw material
    - 3.1.3 Price volatility of the priority raw material
    - 3.1.4 Regulatory compliance issues associated with the priority raw material
    - 3.1.5 Customer demand for products containing the priority raw material
    - 3.1.6 The entity's brand value and reputation
- 4 For each priority raw material, the entity shall discuss its management strategy for addressing business risks and opportunities associated with environmental or social factors most likely to threaten its ability to source priority raw materials.
  - 4.1 Relevant strategies may include:
    - 4.1.1 Enhancing supply chain monitoring and traceability of raw materials suppliers through due diligence practices, research into traceability or the use of traceability systems, technology, supplier screening, supplier audits or certifications, or a list of countries from which the entity sources each priority raw material
    - 4.1.2 Supporting raw material suppliers through supplier training or engagement programmes or introducing regenerative agricultural practices
    - 4.1.3 Partnering with industry groups or non-governmental organisations to address environmental or social factors in supplier regions
    - 4.1.4 Investing in the design phase or in research and development to identify substitutable or alternative materials less impacted by environmental and social factors

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- 4.2 If the entity identifies cotton as one of its priority raw materials, it shall discuss its vulnerability to cotton-growing regions with water stress and how it manages the risk of price variability because of sourcing cotton from these regions.
- 4.2.1 The entity may identify its known sources of cotton for High (40%–80%) or Extremely High (>80%) Baseline Water Stress using the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct.
- 4.3 The entity shall disclose any relevant performance measures or targets used to assess the effectiveness of its management approach, as well as its progress against such targets.
- 4.4 Disclosure corresponds to the Sustainable Apparel Coalition's Higg Brand & Retail Module.
- 5 The entity may use the following table format to organise disclosure.

Priority Raw Material (Name)	Environmental or Social Factors	Discussion of Business Risks or Opportunities	Management Strategy

*CG-AA-440a.4. (1) Amount of priority raw materials purchased, by material, and (2) amount of each priority raw material that is certified to a third-party environmental or social standard, by standard*

- 1 For each priority raw material, the entity shall disclose the amount of materials purchased, in metric tons, during the reporting period.
- 1.1 The entity shall identify priority raw materials using the definition of 'priority materials' outlined in the Priority Material section of the Textile Exchange's *Materials Terminology Guide*.
- 1.2 Priority raw materials may include synthetic fibres, natural fibres, manufactured cellulosic materials, materials derived from animals, and any other materials used directly to make apparel, accessories, or footwear products, which may include cotton, rayon, viscose, polyester, acrylic, spandex, nylon, rubber, foam, leather, wool, cashmere, mohair, flax, silk, hemp and down.
- 1.3 The entity shall identify priority raw materials using the categorisation scheme presented in the 'Materials Portfolio' section of the Textile Exchange's *Materials Terminology Guide*.
- 1.4 If the entity purchases finished goods rather than unprocessed raw materials, it shall calculate the initial amount, in metric tons, of priority raw materials required for production.

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- 1.4.1 The entity shall account for material loss and wastage throughout production and should reference the Textile Exchange's *Fibre Uptake Calculations & Reporting Best Practices Guide and Fibre Conversion Methodology*.
  - 1.5 If the entity does not measure the weight of a material, it shall provide an alternative measurement, such as surface area.
  - 1.6 The purchased amount of each priority raw material shall reflect the material in its original state and should not be presented with further data manipulation, such as reporting it as 'dry weight' consistent with guidance for Global Reporting Initiative (GRI) *Disclosure 301-1 Materials used by weight or volume*.
  - 1.7 If estimation is required, the entity shall disclose the methods used.
  - 1.8 The scope of disclosure shall include priority raw materials present in finished goods and exclude raw materials used in packaging and manufacturing.
  - 1.9 Priority raw materials include materials purchased by the entity or its suppliers for the purposes of producing the entity's finished goods.
  - 1.10 If the entity is vertically integrated across the value chain and does not purchase its priority raw materials from a third-party supplier, it shall identify the priority raw materials sourced from its owned operations and used in the production of its finished goods.
- 2 For each priority raw material, the entity shall disclose the amount, in metric tons, purchased that is certified to a third-party environmental or social standard, by standard.
- 2.1 Third-party environmental or social standards are defined as standards developed by a third party and address environmental or social factors likely to threaten an entity's ability to reliably source its priority raw materials.
  - 2.2 Third-party environmental and social standards may include:
    - 2.2.1 Textile Exchange's Recycled Claim Standard (RCS), Global Recycled Standard (GRS), Organic Content Standard (OCS), Responsible Down Standard (RDS), Responsible Wool Standard (RWS) and Responsible Mohair Standard (RMS)
    - 2.2.2 Global Organic Textile Standard (GOTS)
    - 2.2.3 Cotton Made in Africa (CmiA)
    - 2.2.4 Fair Trade Certified
    - 2.2.5 Organic Fair Trade
    - 2.2.6 Leather Working Group (LWG)
    - 2.2.7 Forest Stewardship Council (FSC) Certification
    - 2.2.8 Programme for the Endorsement of Forest Certification (PEFC)



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### 2.2.9 Better Cotton Initiative (BCI)

2.3 The scope of certified priority raw materials includes materials derived from a process certified to a third-party environmental or social standard.

2.4 The entity may disclose priority raw materials not certified to a third-party environmental or social standard, but that contribute to the entity's strategy to secure reliable sourcing.

2.4.1 Materials may include reclaimed cotton and wool, mechanically or chemically recycled natural, synthetic or semi-synthetic fibres.

2.4.2 Materials may include those certified to a standard/certification developed by the entity.

3 For each priority raw material, the entity shall discuss:

3.1 Why it has chosen the specified third-party certification(s)/standard(s)

3.2 How the certified materials contribute to managing the entity's business risks and opportunities

3.3 Any quantitative targets it has set for certified priority raw materials

4 The entity may use the following table format to organise disclosure.

Priority Raw Material (Name)	Amount Purchased (Metric Tons)	Amount Certified, By Standard	
		Certification/ Standard & Associat- ed Discussion (Technical Protocol #3 - 3.3)	Amount Certified



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