

# Appendix A: Sustainability Update

## ISSB

### January 2025 meeting

A1. The International Sustainability Standards Board (ISSB) met in Frankfurt on 29 January 2025. The topics discussed were supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and S2 *Climate-related Disclosures* (IFRS S2) and the research projects on Biodiversity, Ecosystems, and Ecosystems Services (BEES) and Human Capital.

### Supporting the implementation of IFRS S1 and S2

A2. The ISSB discussed<sup>1</sup> four specific application challenges and whether the criteria for amending IFRS S2 had been met, the approach to making those amendments and the next steps for due process and permission to ballot.

A3. The amendments related to;

- a) Permission to exclude the application of requirements for the Scope 3 Category 15 Greenhouse Gas (GHG) emissions related to specific financial activities and a specific asset class due to a lack of established methodology which may result in diversity in practice.
- b) Extending jurisdictional relief regarding the use of Global Warming Potential (GWP) values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment where a jurisdiction requires the use of different GWP values.
- c) Clarification of the jurisdictional relief related to the method for measuring GHG emissions in specific circumstances, and the fact that it can apply to a part of a reporting entity.
- d) Allowing alternatives to the Industry Classification Standard (GICS) when disaggregating specific counterparty financed greenhouse gas (GHG) emissions but requiring the disclosure of the rationale for using an alternative approach.

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<sup>1</sup> ISSB January 2025 meeting – Project: Supporting Implementation of IFRS S1 and IFRS S2, Topic: Agenda paper 9A - [Evaluating potential amendments to IFRS S2 using the ISSB criteria](#), Agenda paper 9B - [Specific aspects of the potential amendments to IFRS S2](#), Agenda paper 9C - [Application challenges and concerns associated with the requirement to use the Global Industry Classification Standard \(GICS\) in IFRS S2](#) and Agenda paper 9D - [Due process steps and permission to ballot](#)

- A4. The ISSB agreed that the amendment criteria had been met and granted permission to ballot an Exposure Draft, which is expected in Q2 2025.

## Research projects on BEES and Human capital

### Investor interest and requirements

- a) The ISSB discussed<sup>2</sup> investor requirements and highlighted the current challenges with data availability and reliability of measurement. It was noted that most investors were in the early stages of determining which aspects of these topics were decision useful.

### Presentation in IFRS Accounting Standards

- a) The ISSB considered<sup>3</sup> a staff assessment of information about BEES and Human Capital-related matters that might be presented or disclosed in financial statements when applying IFRS Accounting Standards and how ISSB Sustainability Disclosure Standards could complement that information.
- b) It was noted that there were limited circumstances where these topics may result in financial statement disclosures. No decisions were sought from the ISSB. The staff anticipated presenting updates on these research projects at future meetings.

## Other ISSB updates

- a) The ISSB published<sup>4</sup> a proportionality mechanisms webcast to support the application of ISSB standards for companies with different levels of capability and preparedness.

## IFRS Foundation

- A5. The IFRS Foundation published<sup>5</sup> a guide titled 'Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2'. This specifies that in the initial reporting period when an entity applies IFRS S1, it is permitted to disclose information only regarding climate-related risks and opportunities. That is, it can avoid disclosing information about all sustainability related risks and

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<sup>2</sup> ISSB January 2025 meeting - Research Project: Biodiversity, ecosystems and ecosystem services, Topic: Agenda paper 3 - [Evidence of Investor Interest in BEES-related risks and opportunities](#).

<sup>3</sup> ISSB January 2025 meeting - Research Project: Biodiversity, ecosystems and ecosystem services, Topic: Agenda paper 3A&4 - [IFRS Accounting Standards – Presentation or disclosure on BEES and human capital-related matters](#)

<sup>4</sup> ISSB - New webcast: [Proportionality mechanisms in IFRS Sustainability Disclosure Standards and factsheet series – proportionality digest](#)

<sup>5</sup> [IFRS Foundation publishes guide to help companies understand how to report only climate-related information when applicable in accordance with ISSB Standards](#) and the guide: [Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2](#).

opportunities and still assert full compliance in the first year. However, an entity is required to disclose the use of this transition relief.

- A6. The IASB and ISSB held<sup>6</sup> a joint meeting on 19 February 2025 to discuss stakeholder feedback on the IASB's Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*. The purpose of the meeting was to help the IASB determine the project's direction and for both boards to consider the implications of the feedback on their core connectivity-related activities. Neither board was asked to make decisions.

## UK updates

- A7. The UK government is expected to launch<sup>7</sup> a 12-week consultation in March 2025 on sustainability reporting standards based on ISSB IFRS S1 and IFRS S2.
- A8. The UK Sustainability Disclosure Technical Advisory Committee (TAC) met<sup>8</sup> privately on 11 February 2025 to discuss the upcoming workstreams and related ministerial matters.
- A9. PwC has published<sup>9</sup> an illustrative IFRS sustainability disclosures report, illustrating how IFRS S1 and IFRS S2 may be applied in practice.
- A10. The Financial Reporting Council (FRC) published<sup>10</sup> a thematic review of Climate-related Financial Disclosures (CFD) by AIM and large private companies, following the first cycle of mandatory reporting. The review found that while companies endeavored to meet the CFD requirements, the quality of reporting varied significantly.
- A11. The Financial Conduct Authority (FCA) published<sup>11</sup> its 2025 Adaptation Report on climate change adaptation challenges faced by firms. Key issues noted related to the availability and quality of local hazard data and lack of a clear roadmap for adaptation standards and metrics to quantify and manage climate risks.

## European updates

- A12. The European Commission (EC) published<sup>12</sup>, "A Competitiveness Compass for the EU", setting out plans for simplifications in the field of sustainability reporting, due diligence and taxonomy. With these measures, the EC intends to cut

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<sup>6</sup> [IASB and ISSB to review stakeholder feedback on climate-related and other uncertainties in financial statements in joint board meeting](#)

<sup>7</sup> [UK sustainability reporting standards consultation expected in March 2025](#)

<sup>8</sup> [UK Sustainability Disclosure TAC Meetings and Summaries](#)

<sup>9</sup> PwC report - [VALUE Plc Example sustainability disclosures under IFRS Sustainability Disclosure Standards](#) December 2024

<sup>10</sup> [FRC Thematic review: Climate-related Financial Disclosures by AIM and Large Private Companies](#) (January 2025)

<sup>11</sup> [UK FCA sets out climate change adaptation challenges faced by firms](#)

<sup>12</sup> [A Competitiveness Compass for the EU](#)

administrative burden for all entities by 25% and for small and medium sized entities (SMEs) by 35%.

## International updates

- A13. The Financial Accounting Standards Board (FASB) in the US has proposed<sup>13</sup> new guidance for the accounting for environmental credits and related obligations. It would introduce definitions for environmental credits and environmental credit obligations into the FASB's ASC Master Glossary.
- A14. The US SEC Acting Chairman made a statement<sup>14</sup> against climate-related disclosure rules which were adopted by the SEC in March 2024. The Chairman stated, "the rule is flawed and could inflict significant harm on the capital markets and the economy".
- A15. The Canadian Sustainability Standards Board (CSSB) has launched<sup>15</sup> a consultation on its proposed 2025-2028 strategic plan that outlines the priorities for advancing sustainability disclosure standards in Canada.

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<sup>13</sup> [FASB proposes new environmental credit accounting guidance](#)

<sup>14</sup> [Acting Chairman Statement on Climate-Related Disclosure Rules](#)

<sup>15</sup> [CSSB's Proposed 2025-2028 Strategic Plan](#)

# Appendix B: [DRAFT] Due Process Compliance Statement: *Annual Improvements to IFRS Accounting Standards – Volume II*

Title of the Amendment	Issue dates
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<ul style="list-style-type: none"> <li>Exposure Draft <a href="#">IASB/AI/ED/2023/1</a> issued: 12 September 2023</li> <li>Final amendments issued: 18 July 2024</li> <li>Effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.</li> </ul>

## Project preparation

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<b>Added to the UKEB technical work plan</b> [Due Process Handbook (Handbook) [4.30]]	Mandatory	Project is included in the UKEB published technical work plan.	<b>Complete:</b> The Amendments were included in the UKEB technical work plan published in <a href="#">September 2024</a> .

<sup>1</sup> In accordance with the [Due Process Handbook](#).

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<p><b>Project Initiation Plan (PIP)</b>                      [Handbook 6.12 to 6.16, A1 to A2 and A12 to A14]</p>	<p>Mandatory</p>	<p>PIP, including outreach plan for stakeholders, communication approach, resource allocation and an assessment of whether to set up an ad-hoc advisory group, approved at a UKEB Board public meeting.</p>	<p><b>Complete:</b> Based on the proportionality assessment outlined in the PIP, a 'limited scope' approach was recommended by the Secretariat, meaning some non-mandatory milestones were not undertaken or were limited, in accordance with paragraphs 3.7 and 6.11 of the UKEB's Due Process Handbook (i.e. no Board education session, and desk-based research was limited to the proportionality assessment)</p> <p>The PIP included purpose, background, key activities and timelines for the project.</p> <p>The resource allocated was one Project Manager, overseen by one Project Director, with communications and economics team support.</p> <p>Taking a proportionate approach, an ad-hoc advisory group was not considered necessary, as referred to in the PIP.</p> <p>The <a href="#">PIP</a> was approved at the 17 October 2024 Board meeting and published on the <a href="#">UKEB project webpage</a>.</p>

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
	Mandatory	Assessment of whether PIP required updating	<b>Complete:</b> assessed. The Secretariat monitored this throughout the project, the nature and scope of which remained unamended from the original <a href="#">PIP</a> .

## Outreach

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<b>Outreach activities</b> [Handbook 6.18 to 6.22 and A4 to A8]	Mandatory	Evidence of consultation	<b>Complete:</b> The outreach activities focused on: <ul style="list-style-type: none"> <li>• Highlighting the Draft Endorsement Criteria Assessment (DECA) to the UKEB Advisory Groups<sup>2</sup>.</li> <li>• Publishing the DECA for public consultation on the <a href="#">UKEB project webpage</a>.</li> </ul>

<sup>2</sup> A link to the project webpage/DECA was presented to the Accounting Firms & Institutes Advisory Group (AFIAG) on 7 November 2024 and to the Preparer Advisory Group (PAG) on 28 October 2024 as an item for noting during the meetings.

## Draft Endorsement Criteria Assessment (DECA)

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<p><b>DECA</b>                      [Handbook 6.23 to 6.29 and A4(d)]</p>	<p>Mandatory</p>	<p>Comment period set for responses to DECA, review and approval of DECA at a UKEB public meeting and published on website for public consultation</p>	<p><b>Complete:</b></p> <p>The Board reviewed and approved the <a href="#">DECA</a> at the 17 October 2024 Board meeting.</p> <p>The DECA was published on the <a href="#">UKEB website</a> on 18 October 2024, for a 91-day consultation period from 18 October 2024 to 17 January 2025.</p> <p>Two News Alerts (published on <a href="#">18 October 2024</a> and <a href="#">14 January 2025</a>) and a <a href="#">LinkedIn post</a> (published on 18 October 2024) were issued to solicit stakeholder feedback.</p>
	<p>Mandatory</p>	<p>Public responses to DECA assessed and published on website</p>	<p><b>Complete:</b> The UKEB received five comment letters which were published on the <a href="#">UKEB website</a>.</p> <p>All respondents agreed with the UKEB's assessment in the DECA and supported the adoption of the Amendments. As such, no amendments were made before the finalisation of the Endorsement Criteria Assessment (ECA), and this was reflected in the Feedback Statement.</p>



## Project finalisation and project closure

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<b>Final Endorsement Criteria Assessment (ECA)</b> [Handbook 6.32 and 6.40 to 6.48 and A4(d)]	Mandatory	Final ECA approved by the UKEB in public meeting and published on the website	<b>Complete:</b> The Board approved the final ECA at its 30 January 2025 public meeting. The final <a href="#">ECA</a> was published on the UKEB website. A <a href="#">News Alert</a> on 13 February 2025, and a <a href="#">LinkedIn post</a> on 13 February 2025 were published to alert stakeholders to the endorsement and adoption of the Amendments.
<b>Feedback Statement</b> [Handbook 6.33 to 6.36 and A9 to A11]	Mandatory	Feedback Statement approved by the UKEB in a public meeting and published on the UKEB website	<b>Complete:</b> A draft of the Feedback Statement was presented to the Board for approval to the Board at its 30 January 2025 public meeting. Following Board approval, the final <a href="#">Feedback Statement</a> was published on the UKEB website.

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<b>Adoption Statement</b> [Handbook 6.40 to 6.48]	Mandatory	Adoption Statement approved by the UKEB in public meeting and published on the UKEB website	<b>Complete:</b> The Adoption Statements for the Amendments were approved by the Board at its 30 January 2025 public meeting. Following completion of the formal vote on the Amendments by the Board, the final <a href="#">Adoption Statements</a> for the Amendments were published on 13 February 2025.
<b>Voting on adoption of the Amendments</b> [Handbook 6.42 to 6.48]	Mandatory	Tentative vote	<b>Complete:</b> A tentative vote took place at the 30 January 2025 Board meeting based on the discussion of the Adoption Package, including the final draft ECA, the Feedback Statement, the Due Process Compliance Statement (DPCS), the draft Adoption Statements for the Amendments and the text of the UK-adopted international accounting standard <i>Annual Improvements to IFRS Accounting Standards – Volume 11</i> . That vote was indicative only.
	Mandatory	Evidence of written vote (in paper or electronic form)	<b>Complete:</b> The Adoption Statements and written voting forms (accompanied by the text of the Amendments to be adopted) were sent to the Board for formal voting on 7 February 2025. The vote was formalised when the final written voting forms were received.
	Mandatory	Outcome of the vote within 3 working days of the formal vote published on website	<b>Complete:</b> The announcement of the adoption of the Amendments was published on the UKEB website on 13 February 2025.

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<b>Due Process Compliance Statement (DPCS)</b> [Handbook 6.37 to 6.39 and A12 to A14]	Mandatory	DPCS approved by the UKEB in public meeting and published on the UKEB website	<b>[Complete]:</b> A [draft] DPCS was presented for approval to the Board at its 30 January 2025 public meeting.  A final DPCS was presented for noting at the Board's 27 February 2025 meeting. The final DPCS was published on the UKEB website after the 27 February 2025 Board meeting.

## Ongoing communications

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<b>Public Board meetings</b> [Handbook 4.10]	Mandatory	UKEB public meetings held to discuss technical project	<b>Complete:</b> The Board approved the <a href="#">PIP</a> , <a href="#">DECA</a> and <a href="#">Invitation to Comment</a> at its 17 October 2024 meeting.  The Board approved the Adoption Package, consisting of the final ECA, the Feedback Statement, the [draft] Due Process Compliance Statement and the [draft] Adoption Statements for the Amendments, at its 30 January 2025 meeting.
<b>Secretariat papers</b> [Handbook 4.20]	Mandatory	Board meeting papers posted and publicly available usually no later than 5 working days before a Board meeting.	<b>Complete:</b> The UKEB's meeting papers were published on the UKEB website 5 working days before the public meetings.  Meeting minutes and recordings were made publicly available via the UKEB website.

Step	Mandatory / optional <sup>1</sup>	Metrics or evidence	UKEB Secretariat comments
<p><b>Project webpage</b>                      [Handbook 4.25(b)]</p>	<p>Mandatory</p>	<p>Project webpage contains a project description with up-to-date information on the project.</p> <p>Consider optional Subscriber Alerts, News Alerts and LinkedIn posts to announce publication of key documents</p>	<p><b>Complete:</b> The <a href="#">project webpage</a> has been updated regularly on a timely basis.</p> <p>Optional Subscriber Alerts, News alerts and LinkedIn posts were issued throughout the project, as appropriate, for the publication of the PIP, DECA, final ECA &amp; Feedback Statement, as detailed in the relevant sections above.</p>

Conclusion
<p>This project complies with the applicable due process steps, as set out in the Handbook (published December 2022).</p>