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Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

By email to: commentletters@hkicpa.org.hk

ASIFMA AMG response to the HKICPA issuance of the Exposure Draft HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft HKFRS S2 Climate-related Disclosures

Dear Financial Reporting Standards Committee (FRSC) of the HKICPA

On behalf of the Asia Securities Industry & Financial Markets Association (“**ASIFMA**”) ¹ Asset Management Group (“**AAMG**”), we express the views of our members which are predominantly global asset managers operating in Asia. Where relevant, the broader ASIFMA membership also supports our views.

We welcome the opportunity for market participants to comment on the development by the HKICPA of the HKFRS Sustainability Disclosure Standards (or “**HK Standards**”), which are aligned with the International Sustainability Standards Board (“**ISSB**”) IFRS Sustainability Disclosure Standard (or “**ISSB Standards**”). Our members support and commend HKICPA for proposing full convergence with the ISSB Standards.

Question 1: Do you agree with the proposal to issue HKFRS S1 and S2 on a fully converged basis with IFRS S1 and S2 with an effective date of 1 August 2025?

The ISSB Standards are a **global baseline** which will help improve the consistency, comparability and usefulness of sustainability disclosures across different jurisdictions. There is strong investor support

¹ ASIFMA is an independent, regional trade association with over 150 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

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for regulators globally to require companies to adopt these reporting standards as a baseline, rather than for regulators to develop their own disclosure requirements in individual jurisdictions.

We believe that accurate, timely disclosures by investee companies are essential for market participants to effectively assess sustainability risks and opportunities to inform financial decision making, which is ultimately to the benefit of clients and beneficiaries. We therefore support full convergence of HKFRS S1 and S2 with IFRS S1 and S2 from 1 August 2025. Whilst the effective date of the Hong Kong Standards will be from 1 August 2025, we understand that its applicability to reporting entities will be determined by their relevant regulatory body, for example, HKEx, Securities & Futures Commission of Hong Kong (“SFC”) or Hong Kong Monetary Authority (“HKMA”).

Building on the baseline

With the ISSB Standards as a global baseline, we note that individual jurisdictions have the opportunity to build additional requirements on top that match a country’s sustainability ambitions and individual characteristics. For example, the CSRC in mainland China has expectations for reporting entities to disclose on rural revitalisation and the Canadian Sustainability Disclosure Standards requires disclose on indigenous issues.

Some members believe that standardised disclosure on emission intensity is needed especially in emerging economies for investors and stakeholders to effectively measure their progress in decarbonisation. Given Hong Kong’s role as a regional financial centre providing access to capital for emerging market companies, we believe that adding emission intensity disclosure requirements & guidance to the HK Standards would be consistent with the building blocks approach of ISSB.

We believe GHG emission intensity can be an important aspect for assessing a company’s decarbonisation plan, as total GHG emissions may vary with output level, especially for growth companies where total emissions tend to be increasing. Whilst we have observed that such companies do measure emission intensity, they may set intensity targets based on very different denominators, including revenue, which makes comparison difficult. And although an intensity target of GHG emissions is allowed under IFRS S2, companies may be less incentivised to set an intensity target if the disclosure of intensity data is not required.

Our members find intensity data useful for conducting peer comparison at the sectoral and jurisdictional level. We encourage HKICPA to reference international industry-specific guidance on how GHG emission intensity should be calculated, including the appropriate unit of production, and set requirements around emission intensity disclosure.

Question 2: Do you have any other comments on the HK EDs?

We understand that the Hong Kong Government in its vision statement on ‘*Turning Obligations into Opportunities in Developing the Sustainability Disclosure Ecosystem in Hong Kong*’ will prioritise the adoption of the HK Standards by publicly accountable entities such as listed companies and regulated financial institutions (“FIs”).

Whilst it is not within the remit of the HKICPA to determine the timing and applicability of the HK Standards to different entities, we would comment that for regulated FIs such as fund managers and banks, regulatory expectations of disclosures must be flexible and measured. For example, the data, controls and methodologies for computing greenhouse gas (“GHG”) emissions associated with some asset classes are still emerging. With Scope 3 GHG emissions Category 15 Investments under the GHG Protocol representing 99.84% of total emissions for the FI sector, disclosure of this category is reliant

on data from a FI's investment and/or lending portfolio. The requirements imposed on investee companies for such disclosure items therefore needs to precede the requirements imposed on FIs. We support the phasing of such requirements for FIs, using a "comply or explain" approach that still encourages the disclosure of Scope 3 GHG emissions, including financed emissions. In the case of financed emissions, we would prefer the HK Standards to reference internationally recognised standards, such as The Partnership for Carbon Accounting Financials ("PCAF") Global GHG Accounting and Reporting Standard for Financed Emissions.

Similarly, it may not be in the remit of the HKICPA to determine the application of equivalency frameworks to the HK Standards. However, we would expect that reporting entities in Hong Kong that are part of global groups, be allowed exemptions from adopting the HK Standards. Such entities, including local subsidiaries or branches of global FIs and Multinational Enterprises ("MNEs") should have the ability to reference group sustainability disclosures which are prepared under ISSB-equivalent or -aligned disclosure frameworks, such as the EU's Corporate Sustainability Reporting Directive ("CSRD"), to satisfy local disclosure requirements and reduce unnecessary reporting burden.

We reiterate our support for full convergence with the ISSB Standards.

Please feel free to contact Yvette Kwan at ykwan@asifma.org if you have any questions regarding any of our comments.

Yours sincerely



Yvette Kwan
Executive Adviser
Asia Securities Industry & Financial Markets Association