



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

26 October 2024

Dear Sir or Madam,

RE: Exposure drafts of two inaugural Hong Kong Sustainability Disclosure Standards

Following extensive discussion within our sustainability practice, we are responding on behalf of PricewaterhouseCoopers (PwC) to your invitation to comment on the exposure drafts of two inaugural Hong Kong Sustainability Disclosure Standards.

We at PwC appreciate the efforts you (the Hong Kong Institute of Certified Public Accountants (the HKICPA)) have made in your extensive research and outreach to gather views from the market and to consider developments in international practice.

We appreciate that your starting point is to fully converge with IFRS S1 and S2. This reflects your desire to ensure that preparers in Hong Kong can interoperate with other sustainability standards and maintain a competitive advantage for global investors.

Your decision to issue the first two inaugural Hong Kong Sustainability Disclosure Standards by the end of 2024 and proposed an effective date of 1 August 2025 is commendable. This will give preparers time to fully understand the new standards and ensure a smooth transition from the new HKEx climate-related disclosure requirements to the HKFRS Sustainability Disclosure Standards.

We fully agree with your overall direction. Please kindly find our detailed responses and suggestions to each of the consultation questions in Appendix A.

If you have any questions in relation to this letter, please do not hesitate to contact me at yvonne.kam@cn.pwc.com or 86 (21) 2323 3267.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Yvonne Kam', with a long horizontal flourish extending to the right.

PwC Corporate Reporting Services Partner

Appendix A

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?

Our response

We agree with your proposal to issue HKFRS S1 and S2 on a fully converged basis with IFRS S1 and S2.

As the Explanatory Memorandum explains (No.3 in Appendix 1 FAQs) that full convergence will not be extended to any future ISSB Standards, you should continuously monitor standard-setting development by the ISSB. This includes to have on-going dialogue with the ISSB as well as monitor the ISSB's Future Agenda Priorities (e.g. the research projects on Biodiversity, Ecosystems and Ecosystem Services (BEES) and Human Capital). Also, other relevant projects initiated by the IASB (e.g., Climate-related and Other Uncertainties in the Financial Statements) could be included in the future scope of HKFRS. We also recommend that you continuously obtain local stakeholders' views on these projects.

We agree with your proposal that the effective date of HKFRS S1 and S2 should be 1 August 2025.

Question 2

Do you have any other comments on the HK EDs?

Our response

We appreciate that the Explanatory Memorandum clearly states key considerations and rationale of the proposed HK EDs.

We are fully aware that to ensure the implementation of HKFRS S1 and S2, capacity building activities will be at the core. Educational materials on key concepts in the standards and implementation guidance (e.g. HKEX April 2024 IG) are strongly recommended to be provided in conjunction with the final endorsement of HKFRS S1 and S2.

The ISSB has established a Transition Implementation Group (TIG) to facilitate the implementation of IFRS S1 and S2 and the technical discussions at the TIG

meetings will contribute to further implementation guidance or updates to the standards. **We strongly recommend that a similar mechanism could be established to collect and answer local preparers' implementation questions, interpret highlights from each TIG meeting.**

Industry-based guidance is essential for preparers, particularly those from PAEs. Coordination with other local regulators (Hong Kong Monetary Authority (HKMA), Insurance Authority (IA), SFC, Mandatory Provident Fund Schemes Authority (MPFA), Hong Kong Exchanges and Clearing Limited (HKEX)) through the Working Group on Sustainability Disclosures (WGSD) will be important. **We proposed that a detailed roadmap for the development of the overall Hong Kong Sustainability Disclosure Standards could be published in due course.**

Capacity building partners from professional service organizations will also be helpful in sharing international best practices within specific industries. **Training for the accreditation of non-financial reporting preparers and independent third-party consultants could be considered,** especially for the requirements related to forward-looking information and the connectivity with financial reporting.