Consultation on Exposure Drafts HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft HKFRS S2 Climate-related Disclosures

No.	Questions / Relevant Excerpt	Concerns / Recommendations / Your Comments (*please provide detailed rationale and suggested alternatives where appropriate*)
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?	We welcome HKICPA's proposal to issue HKFRS S1 and S2 on a fully converged basis with IFRS S1 and S2 as global baseline sustainability disclosure standards. While we are committed to develop better disclosures to communicate and track our progress towards, for example, our climate ambitions, this is predicated upon the timely availability of high-quality data, which remains an ongoing challenge. We encourage regulators to consider how quickly they embed new disclosure initiatives into binding legislation and to allow sufficient lead time for banks to build capability and capacity to provide accurate and relevant information. In this regard, we support HKICPA's proposal to consider the transitional provisions available in IFRS S1 and S2 and adopt HKFRS S1 and S2 in a phased approach whereby entities are only required to report on climate-related risks and opportunities in the first year and other sustainability-related risks and opportunities in the second year. We believe a phased approach is needed to ensure high-quality and responsible disclosure.
2.	Do you have any other comments on the HK EDs?	**Calculation methodology for Scope 3 financed emissions:** While it may be premature to prescribe a specific methodology given that Scope 3 financed emissions measurement methodologies are still developing, we would support a measurement approach aligned to PCAF methodology, which would bring transparency, consistency, and comparability to reported financed emissions metrics. **Disaggregation of financed emissions by drawn and undrawn facilities:** There are challenges in calculating financed emissions for an undrawn loan considering PCAF does not have explicit guidance and there would be risks of double counting by different lenders. Therefore, we recommend only considering introducing disclosure requirements for asset classes where there is existing industry guidance in place, for example through PCAF.

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		<u>Phase-in:</u> Consideration should be given to the current challenges associated with the availability of high-quality data and in particular the difficulty for financial institutions to calculate Scope 3 emissions with a high degree of confidence given the reliance on corporate and counterparty data as well as the lack of methodology for certain sectors and asset classes for Scope 3 financed emissions. Consequently, we recommend that for Scope 3 financed emissions only consider introducing disclosure requirements for asset classes where there is existing industry guidance in place. **<u>Industry classification codes:</u>** The Global Industry Classification Systems (GICS) to disaggregate gross financed emissions is an area for continued monitoring. Consideration should be given to compatible classification systems referenced in regulation in other jurisdictions and enable alignment with an entities general purpose financial report where a different classification system may already be used. Therefore, we recommend HKICPA to consider including more flexibility in HKFRS S2 regarding the use of classification systems rather than mandating a single one (i.e. GICS). **<u>Metrics:</u>** Clarifying and defining metrics in relation to the HKFRS is helpful and should help increase consistency among corporate and financial institutions' disclosures. **<u>Location and timing of reporting:</u>** We support the ISSB's requirement for a company to disclose sustainability-related financial information as part of its general-purpose financial reporting to ensure that financial statement information and sustainability-related financial disclosures can be considered together, highlighting interrelationships and connections between different types of risks and opportunities. By publishing sustainability-related financial disclosures at the same time as the financial statements which would be beneficial to investors and there would be no risk of not disclosing material non-public information at the same time of financial statements. **<u>Align entity scope with financial reporting:</u>** We support the ISSB's requirement that an entity's sustainability-related financial disclosures shall be for the same

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		reporting entity as the related financial statements. We also recommend that where consolidated financial statements are prepared, there should not be a requirement to also present local subsidiary disclosures on a standalone basis to minimise the reporting burden on firms. **Equivalence of disclosure regimes of major jurisdictions:** Equivalence or substituted compliance arrangements should also be considered to allow multinational firms to avoid repeated disclosures in different jurisdictions.