

## Sustainability Advisory Panel Terms of Reference

Members must keep confidential all unpublished Institute information, or information obtained from other organizations through their role at the Institute, unless the disclosure of that information has been properly authorized.

### *Establishment of a Sustainability Advisory Panel*

1. In light of the progress in sustainability reporting and the establishment of the International Sustainability Standards Board (ISSB) within the IFRS Foundation, the Institute's Council expanded the remit of the Financial Reporting Standards Committee (FRSC) in late 2022 to oversee the setting of sustainability disclosure standards in Hong Kong.
2. In view of the magnitude of change, the FRSC decided to form a Sustainability Advisory Panel (SAP) to support it on technical aspects of sustainability topics in February 2023.
3. Following the issuance of the two inaugural IFRS Sustainability Disclosure Standards (IFRS SDS) by the ISSB, namely IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, in June 2023 and in anticipation of greater market demand for implementation support in the run-up to the effective date of HKEX's enhanced climate disclosure rules<sup>1</sup>, the FRSC decided to revise the SAP's terms of reference to add a specific focus on stakeholder implementation support of HKFRS<sup>2</sup>/IFRS S1 and S2 from 2024.

### *Objectives and scope of activities*

4. The objectives of the SAP are to:
  - (a) solicit, analyse, and discuss stakeholder questions raised regarding the implementation of HKFRS/IFRS S1 and S2;
  - (b) provide a forum for stakeholders<sup>3</sup> to follow the discussion of questions raised;
  - (c) identify implementation issues, and provide recommendations to the FRSC to consider, which may include submitting a question to the ISSB's Transition Implementation Group on IFRS S1 and IFRS S2 (ISSB's TIG), or offline discussions with the ISSB staff and board members;
  - (d) identify areas of focus for educational activities; and
  - (e) provide a forum for the FRSC to consult experts on IFRS SDS as well as other sustainability-related matters. The FRSC may consult the SAP on an ad hoc basis.
5. The scope of the SAP discussions will be limited to stakeholder questions raised on the implementation of HKFRS/IFRS S1 and S2 as well as other sustainability-related matters, including any future formal or informal consultations of the ISSB.
6. The SAP has no authority. No decisions, interpretation or guidance will be issued by the SAP.

<sup>1</sup> At the time of writing, HKEX's enhanced climate disclosure rules are expected to be effective from 1 January 2025.

<sup>2</sup> At the time of writing, the HKICPA is working with the Green and Sustainable Finance Cross-Agency Steering Group to develop the local sustainability disclosure standards (HKFRS SDS) based on IFRS S1 and S2.

<sup>3</sup> The forum is expected to be launched in the second half of 2024, ahead of the effective date of the enhanced climate disclosure requirements of the HKEX from 1 January 2025. The objective is to allow stakeholders to raise implementation issues as they start to work on the HKEX and/or IFRS S1 and S2 requirements and have the issues deliberated by local technical specialists.

7. The SAP is not a formal decision-making group. The SAP members (Panel Members) provide views or recommendations on an issue and those collective views/recommendations may not necessarily be unanimous.

#### *Role and expectations of the Panel Members*

8. Panel Members should:
- (a) have practical and direct knowledge of the ongoing implementation of HKFRS/IFRS SDS, other sustainability reporting standards or regulations;
  - (b) be capable of sharing their views on the questions submitted;
  - (c) be capable of considering different perspectives and have an ability to participate in a free exchange of ideas; and
  - (d) have expertise in a broad range of sustainability-related matters.
9. Acceptance of nomination onto the SAP will presuppose the Panel Member's availability to participate in most, if not all, the activities of the SAP.
10. The role of a Panel Member is to act in an advisory capacity to the SSD staff, providing specific and industry technical expertise as well as his perspectives and those of his organisation, on the issues. It is anticipated that Panel Members will be fully apprised of the content of the issue(s) being considered, and that they will familiarize themselves with other resource material relevant to the matter.
11. Panel Members may also be requested to identify other key stakeholder groups/individuals with whom the SSD staff and FRSC should consult as part of the matter.
12. Panel Members may be requested to contribute to discussion papers or other documents and review draft versions of SSD staff or FRSC publications for the purposes of providing feedback to SSD staff, including identifying any practical implementation issues.

#### *Composition and Membership*

13. Panel Members are appointed in their personal capacity and should meet the criteria in paragraph 8.
14. Potential Panel Members are identified by the SSD staff, FRSC and/or Sustainability Committee members. The SAP is a standing panel under the remit of the FRSC similar to the other FRSC Advisory Panels with membership being reviewed at least annually.
15. The composition of the SAP should be broad enough to cover a range of perspectives and the size of the SAP maintained at a level that is effective and efficient.
16. As the focus is on sustainability-related disclosure implementation questions, priority will be given to individuals who have deep experience in preparing or providing assurance on sustainability reports and consultants on sustainability-related topics in accordance with IFRS SDS, the TCFD Recommendations and SASB Standards. Consequently, not all applicants will be invited to join the SAP.

## *Procedures*

17. Questions may be submitted by those implementing HKFRS/IFRS S1 and S2. The questions must meet the following criteria:
  - (a) The question is related to the implementation of enhanced climate disclosure requirements of the HKEX and/or HKFRS/IFRS S1 and S2.
  - (b) The question indicates that HKFRS/IFRS S1 and/or S2 can be applied in different ways resulting in diversity in practice. The submission should include a detailed description of the possible ways in which the Standards can be applied.
  - (c) The potential implementation question is expected to be pervasive, i.e. the question is expected to be relevant to a wide group of stakeholders. A description of why the question is expected to be pervasive should be included with each submission.
18. Cross cutting issues between HKFRS/IFRS SDS and HKFRS/IFRS Accounting Standards may be referred to the relevant FRSC Advisory Panel as appropriate.
19. A submission should detail what the question is, background to the question, and why they are asking it. For example, does the question arise because: it is unclear how a specific requirement in HKFRS/IFRS S1 and S2 should be applied; there is an inconsistency within a HKFRS/IFRS SDS or between different HKFRS/IFRS SDS; or the requirements of HKFRS/IFRS S1 and S2 are impracticable; etc.
20. The SAP meetings are not open to the public.
21. SSD is the convener of the SAP meetings. All questions submitted will be evaluated against the submission criteria and referred to the relevant FRSC Advisory Panel(s) if need be. Relevant questions will be circulated to the SAP in advance of each meeting.
22. Panel Members will share their views on each submission at the meetings.
23. Panel Members are expected to analyse and evaluate each submission to determine whether an issue requires further action e.g. discussion with the ISSB staff, submission to the ISSB's TIG, or education activities and seminars.
24. A log of all submissions and their resulting outcome will be maintained. Relevant meeting information including the meeting summaries will be published on the Institute website for reference only.
25. Panel Members may be called to meet in person, virtually, by phone or other means as and when necessary. Regular communications may also occur via email or other means at other times.
26. Panel Members will not receive remuneration.

## *Meeting Agenda, Papers and Minutes*

27. SSD staff will organise and facilitate meetings by preparing agendas, papers and/or meeting summaries as necessary.
28. Meeting summaries of SAP meetings will reflect the collective views of the Panel Members. Meeting summaries will be provided to Panel Members for comment and thereafter the FRSC as an update.

*Confidentiality*

29. Information associated with SAP meetings apart from those noted in paragraph 24 will not be made public, unless the FRSC Chair decides otherwise. Panel Members are encouraged to consult with other experts who may assist in forming their views. Panel Members are permitted to share relevant meeting materials on a needs basis only and on the condition that the materials are not further distributed.

*Conflicts of Interests*

30. If a Panel Member believes he may have a conflict of interest regarding a matter on which he is being consulted, the Panel Member should inform the SSD staff of this fact, who will determine the future participation of the Panel Member on that matter.

February 2024

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