

Date: 9 October 2025

To: HKICPA Standard Setting Department at commentletters@hkipa.org.hk

From: Hong Kong Trustees' Association

Subject: Submission on Exposure Draft (ED) on Technical Bulletin 5 (Revised), Environmental, Social and Governance (ESG) Assurance Reporting

With HKTA as a member of HKIPA's IFRAP, we asked MPF trustees for comments on your exposure draft on technical bulletin 5 on ESG Assurance Reporting. Attached below is our submission on the said subject for HKICPA's consideration.

Hong Kong Trustees' Association – Comments	
	As participants (non-listed entity) in Hong Kong's financial services sector, we appreciate the opportunity to provide feedback on the HKICPA's Exposure Draft (ED) via the HKTA. We believe it is essential that the proposed guidance be practical, proportionate, and inclusive of the diverse stakeholders it seeks to serve. At present, MPF trustees are not subject to any mandatory corporate ESG reporting requirements under Hong Kong regulations. Our ESG-related disclosures are limited to scheme-level reporting in accordance with the Mandatory Provident Fund Authority's (MPFA) Principles for Adopting Sustainable Investing (2021). These include annual updates on ESG integration strategies, progress, metrics, and targets, which are included in consolidated MPF scheme reports and governance documents, rather than standalone ESG reports. While discussions are underway regarding the potential implementation of IFRS S1 and S2 for non-listed Public Interest Entities (PIEs) from 2028, no definitive timeline or requirements have been established. From MPF trustees' perspective, should a mandatory ESG corporate reporting requirement with external assurance be introduced, there are several concerns based on the analysis of the ED. These stem from MPF trustees as non-listed entities and their specific role in the trustee industry:

	1. <u>Scope and Applicability for Non-Listed Entities</u> (Chapter 1 Paragraph 1.3 Page 4) The ED appears primarily designed for large, listed entities under HKEX requirements, with limited consideration for voluntary adopters or non-listed organizations. A uniform approach may impose disproportionate burdens on mid-sized entities with constrained resources, potentially impacting our fiduciary responsibility to manage costs for MPF members. We recommend that the ED include explicit guidance on proportionality, enabling scalable application based on entity size, complexity, and regulatory obligations. 2. <u>Materiality Guidance for Trustees and Financial Institutions</u> (Chapter 3 Page 6-12) As trustee, our material ESG impacts are primarily investment-related—such as Scope 3 financed emissions, stewardship activities, and proxy voting—rather than operational. The ED’s general materiality framework does not adequately reflect the unique considerations of financial fiduciaries. We suggest incorporating sector-specific examples or an appendix tailored to asset managers and trustees to better address qualitative and process-oriented ESG factors. 3. <u>Transition to Assurance Levels</u> (Chapter 5 Page 15-25) A direct shift to reasonable assurance may be premature for many entities, given the evolving nature of ESG data systems and the associated costs. We advocate for a phased approach, beginning with limited assurance, particularly for voluntary reporters. This would allow entities to build capacity and maturity without creating undue barriers. 4. <u>Practitioner Competence and Cost Implications</u> (Chapter 2 Paragraphs 2.3-2.4 Page 5) ESG assurance expertise is currently concentrated among large professional firms, which may result in high fees and limited access for mid-sized entities. We recommend that the ED include clear criteria for multi-disciplinary assurance teams to encourage broader market participation and foster a more competitive environment. 5. <u>Liability Risks Related to Forward-Looking Information</u> (Chapter 9 Page 40-47) Assuring forward-looking statements, such as net-zero targets, may expose fiduciaries to increased liability. We propose the inclusion of “safe harbour” provisions that limit assurance to the basis of preparation, rather than the achievability of such targets. <u>Additional Comments</u> 1. Is there any expectation on frequency for board review of ESG risks and internal control system? If no, does it mean entities can make their own decision? 2. Is there any expectation that board’s approval is required on ESG-specific risk appetite and tolerance levels?
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3. On the risk assessment and prioritization, the ED points out that one of the challenges for assessment ESG risk is the unavailability of reliable data. Can HKICPA name some reliable/common platforms or proxy means to support entities in getting the required data?

MPF trustees support the overarching goal of enhancing ESG transparency and accountability. However, we believe the above recommendations/comments would help ensure the ED is more inclusive, practical, and aligned with the realities faced by non-listed financial institutions.