

Comment on Exposure Draft Technical Bulletin 5 (Revised), Environmental, Social and Governance (ESG) Assurance Reporting

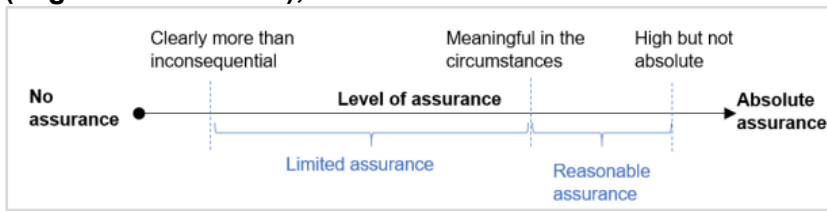
AATB 5 (Revised): Environmental, Social and Governance (ESG) Assurance Reporting (Exposure Draft)

- Summary of revision:

1. HKEX ESG Reporting **Guide** -> HKEX ESG Reporting **Code**
2. Introduction of **new assurance guidance** in Chapter 5 based on the **IFRS S2** climate-related disclosures

Purpose and Scope	
Objective	• Provides non-authoritative practical guidance for practitioners performing assurance engagements on ESG information. • Promotes consistency, quality and credibility. • Covers financial and non-financial (quantitative/qualitative) ESG information.
Applicability	• Primarily for HKEX-listed issuers as ESG report is compulsory. • Adaptable for private entities.
Effective date	• For ESG assurance engagements for periods ending on or after 31 December 2025.

Structure and Content Overview	
1. Introduction	• ESG reporting is increasingly important for investors and stakeholders. • HKEX requires listed companies to issue ESG reports. • Optional to obtain external assurance on the ESG information.
2. Assurance framework	• HKSAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. • HKASE 3410, Assurance Engagements on Greenhouse Gas Statements in relation to GHG statement. • HKEX ESG Reporting Code • Other international frameworks like Global Reporting Initiative Standard ("GRI") and the International <IR> Framework to increase comparability.
3. Special features of ESG reporting	• No standardized format; reports vary widely. • Qualitative information: Narrative (actual v.s. forward-looking); subjective (intangible benefits). • Quantitative information: KPIs/targets for review; challenges in assessing (e.g., climate financial impacts). • Risk management: Identify, assess (impact/likelihood), prioritize, mitigate; reference COSO/WBCSD guidance.
4. Appropriate competence &	• Practitioners must have appropriate ESG knowledge, industry expertise, and assurance skills.

capabilities of the assurance practitioner	Teams may need specialists (e.g., environmental scientists, data analysts).
5. Specific considerations regarding the disclosure requirements	- HKEX's requirement on "mandatory" and "comply or explain" disclosures. - Supporting documentation is essential. - KPIs and climate-related disclosures require robust methodologies and evidence. - Scope 1 & 2 GHG emissions are mandatory for LargeCap issuers from 2025.
6. Level of assurance	- ESG assurance can be reasonable (positive assurance) or limited (negative assurance), or a combination of both.  - The level affects the nature and extent of procedures. - Practitioners must clearly communicate the level in their reports.
7. Suitable criteria	- Benchmarks used to measure or evaluate the ESG subject matter. - Characteristics: relevance, completeness, reliability, neutrality, and understandability. - Examples include HKEX ESG Code, GRI Standards, and internal policies. - Criteria selection should be disclosed and justified.
8. Addressing qualitative ESG information	- Provides guidance on assuring the subjective and narrative-based qualitative information. - Practitioners to assess consistency, plausibility, and alignment with evidence.
9. Addressing future-oriented ESG information	- Includes forecasts, targets, scenario analyses. - Requires evaluation of assumptions, modelling techniques, and external data. - Practitioners to assess reasonableness and transparency.
10. Reporting	- Assurance reports must be clear, balanced, and informative. - Should describe scope, criteria, level of assurance, and conclusions. - May include limitations, emphasis of matter, or other explanatory paragraphs.

Comments

1. Section 1.2 stated it is only optional for ESG report issuers to seek independent assurance on the ESG information disclosed, and per section 5.1, there is a great flexibility in the scope of information to be assured for. Referencing to European Union's Corporate Sustainability Reporting Directive, it is required that companies must obtain limited assurance over the sustainability information starting from their 2024 reports; and the US SEC has proposed requiring limited assurance on Scope 1 and 2 GHG emissions for large filers.

To strengthen comparability and credibility of ESG reports, is there any plan on transitioning the optional assurance requirement (on a certain scope) to a mandatory one?

2. Are there any concrete requirements, for example compulsory training, license, exam, for an assurance team to complete before accepting a ESG assurance engagement?

3. How is the ESG report principles "neutrality"/"balance" manifested if the majority of the ESG information reported is not in scope of the assurance report?

4. Section 4.1 footnote should be "8".

5. Section 8.3 "This chapter may be of assistance to practitioner's practitioners when assuring...".

(Remarks: The above are comments from one member insurer.)

Oct 2025