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To: [P.T. Comment Letter](#)
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Subject: Re: Exposure Drafts of HKFRS S1 and S2 - Consultation (SHANGHAI COMMERCIAL BANK LIMITED)
Date: Friday, 25 October 2024 6:50:46 pm

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Dear Sir/Madam,

Referring to HKMA's email of 23 September 2024, please find our reply for your reference. Thank you.

1. Sustainability Reporting Requirements by Authorities

The New Climate Requirements, developed based on IFRS S2, was published by the Stock Exchange of Hong Kong on 19 April 2024. The amended Listing Rules will come into effect on 1 January 2025. It appears that the HKFRS's targeted entities for application of the HKFRS S1 and S2, i.e. publicly accountable entities (PAEs) including listed entities and regulated financial institutions in Hong Kong, are overlapping with that of the HKEX's New Climate Requirements.

Although it has been clarified that HKEX's New Climate Requirements are mandatory requirements while HKFRS S1 and S2 are voluntary, a mixed signal was sent that there are no unified and consistent sustainability reporting requirements within the jurisdiction. A clear timeline of alignment of internationally-recognized sustainability reporting requirements for PAEs and between regulators should be released and agreed, preferably in a phase approach.

2. Sustainability Disclosures in Annual Report and Sustainability Report

It is required by the Stock Exchange of Hong Kong for listed companies to publish ESG report in parallel with the annual report, in which the ESG report and TCFD report (climate disclosure report) could be a standalone report or being integrated into the annual report. More and more entities are releasing standalone sustainability and standalone climate disclosure reports to cover comprehensive sustainability and climate-related matters progress within the reporting period. Per required by the HKFRS, financial and sustainability performances shall be closely linked and disclosed. Concerns have been raised as there are no clear standards regarding how those information should be presented in both the annual report and sustainability report, for instance, the cross-referencing of financial and sustainability metrics. In addition, as no mandatory assurance of sustainability report is required by the HKFRS, the financial metrics disclosed in the sustainability report, if not also disclosed in the annual report, can be unaudited / non-assured figures that lack verification. Moreover, as a banking industry, the disclosure of the climate related disclosures (HKFRS S2) is not the same within the peer banks (some banks disclose under Management discussion and analysis and some bank disclose under risk management). It is better to have more precise guideline how qualitative and quantitative disclosure on climate related risk in specific parts under annual report.

3. Challenges in meeting certain indicators, e.g. internal carbon pricing

In regards to meeting certain indicators (e.g. internal carbon pricing), the indicator may constitute commercially sensitive information, both in terms of the specific carbon prices applied and the extent to which they drive wider decision-making. Besides, there is no international standard or guideline for calculating the internal carbon pricing which could be a big challenge for organizations to disclose without clear guidance. ISSB IFRS S1 also see the internal carbon pricing as an optional disclosure. As HKFRS S1 and S2 are in full convergence with IFRS S1 and S2, it would be better to clarify if the disclosure of carbon internal pricing perhaps is also an optional indicator.

4. Details of meeting indicators requirements

Some indicators require both qualitative and quantitative disclosure, and clear guidance and high efforts to disclose quantitative data within a short period of time. The reliability of information and the ability to verify future-oriented information could be impacted. For example, given that there is not always a direct relationship between a significant climate-related risk or opportunity and the financial position, it may be challenging to clearly distinguish the climate-related (especially short, medium- and long-term) effect(s) or impacts from all other effects on an entity's financial position. It is preferable to provide details or definition on how the organization shall disclose the financial effects (i.e. any specific

financial indicators) as well as if the disclosure of the indicators is allowed in a phased approach.

Best regards,
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: 23/09/2024 09:45
: Exposure Drafts of HKFRS S1 and S2 - Consultation (SHANGHAI COMMERCIAL BANK LIMITED)

The Chief Executive

Dear Sir/Madam,

We are writing to draw your attention to an [Invitation to Comment](#) on the [Exposure Draft HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft HKFRS S2 Climate-related Disclosures \(HK EDs\)](#) published by the Hong Kong Institute of Certified Public Accountants (HKICPA) on 16 September 2024.

In June 2023, the International Sustainability Standards Board (ISSB) published the inaugural IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures (ISSB standards), providing a set of comprehensive, global baseline standards for sustainability disclosures. In Hong Kong, relevant financial authorities and agencies have been working together to develop a comprehensive roadmap on adopting the ISSB Standards, taking into account Hong Kong's position on the global green finance map, local regulatory expectations and circumstances.

The HKICPA, after a holistic assessment of relevant factors, is proposing full convergence of HKFRS S1 and S2 (HKFRS Sustainability Disclosure Standards) with IFRS S1 and S2, to be effective from 1 August 2025. In this connection, the HKICPA is requesting comments from stakeholders on the HK EDs.

For the banking sector, the HKMA is exploring ways to implement the ISSB Standards and will communicate with the industry our proposed approach in due course, taking into account relevant international developments such as the Pillar 3 disclosure framework for climate-related financial risks to be finalized by the Basel Committee on Banking Supervision.

We would like to encourage your bank to participate in the consultation and submit comments by 27 October 2024.

Best regards,
Banking Policy Department
Hong Kong Monetary Authority

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