

October 27, 2024

Standard Setting Department, Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong

Dear Sir/Madam,

Thank you for the opportunity to comment on Hong Kong Institute of Certified Public Accountants' (HKICPA) Exposure Drafts HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and HKFRS S2 Climate-related Disclosures (**Exposure Drafts**).

CPP Investments is the professional investment management organization that invests funds not currently needed by Canada Pension Plan (CPP) to pay benefits. Our public purpose is to help provide a foundation upon which the CPP's more than 22 million contributors and beneficiaries can build their financial security in retirement. As at March 31, 2024, we managed C\$632.3 billion in net assets globally, in public and private equities, real estate, infrastructure, sustainable energies and credit/fixed income instruments. Headquartered in Toronto and with investment offices in key markets in the Americas, Europe and Asia Pacific, CPP Investments is governed and managed independently of the CPP and operates at arm's length from governments. Our investment strategy is designed to fulfill our legislative mandate of maximizing returns without undue risk of loss.

As an investor, we accept the division of authority and responsibilities among shareholders, the board of directors, and management. We see a shareholder's right to appoint the board of directors as a foundational pillar of good governance. As investors, we expect boards to consider material business risks and opportunities when setting and implementing strategy. Where investors conclude that boards have failed to discharge this duty, investors retain and regularly exercise the right to withhold support for the directors they deem derelict. Comprehensive, comparable and assurable sustainability-related disclosures by companies is critical to enable boards to deliver on this expectation, and for investors to make informed judgements of whether directors have discharged their duties. In addition to investors, boards of directors will be a primary beneficiary of this information, if used to inform corporate strategy.

We therefore commend the HKICPA in publishing the Exposure Drafts that are fully aligned with the International Sustainability Standards Board (ISSB) IFRS S1 and S2 Standards. We also note the HKICPA's articulation of the policy rationale reflecting the imperative for Hong Kong to meet the ISSB's global baseline requirements to provide global investors with consistent and comparable information for capital allocation purposes.

While we recognize that domestic regulators are well placed to consider when adoption should become mandatory, we believe that the HKICPA's publication of the Exposure Drafts is an important step in the HKSAR's commitment to provide high quality, consistent and comparable information for users of sustainability information, which includes board directors and investors.

We believe that alignment with ISSB will facilitate global comparability of sustainability-related disclosures of reporting entities in Hong Kong, ensuring directors have the information they need to appropriately oversee strategy, and will support investors like us to make more informed investment decisions. This will also provide companies in Hong Kong with access to the deepest and most attractive pools of capital and will ensure the efficiency of reporting requirements for local entities that operate or raise capital in multiple jurisdictions by removing the costs of reporting to multiple disclosure frameworks. ISSB Standards also bring a significant advantage to Small and Medium Enterprises through the principle of proportionality embedded in IFRS S1, allowing them to report within their capabilities while striving for incremental enhancements over time. We also note that, while this reporting may represent a considerable lift for some entities today, significant investment is being made by the IFRS to support capacity building.

The Exposure Drafts, in broad alignment with the global baseline provided by the ISSB are an important step towards consolidating the myriad of voluntary sustainability reporting frameworks which companies much abide by, which often result in increased administrative burden, costs and even confusion. We believe that investors will benefit from comprehensive, comparable, assurable reporting of data, but the primary beneficiaries of this data, if used to inform strategy, will be boards of directors and the companies they oversee.

Thank you for your consideration of these comments. We remain available to provide further input.

Sincerely,

Richard Manley, Chief Sustainability Officer
CPP Investments