


Asia Investor Group on Climate Change (AIGCC)

Submission to the Hong Kong Institute of Certified Public Accountants
(HKICPA)

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Response to the Public Consultation on Exposure Draft HKFRS S1 and Exposure Draft HKFRS S2

Question 1: Do you agree with the proposal to issue HKFRS S1 and S2 on a fully converged basis with IFRS S1 and S2 with an effective date of 1 August 2025?

AIGCC Response: We fully agree to have them fully converged with IFRS S1 and S2. Alignment with international standards is vital for market-based reporting requirements to allow for coherence and consistency across markets. Misalignment results in hurdles for stakeholders, particularly international institutional investors. By having consistency with ISSB Standards, this will allow for clearer guidance for issuers and better enable institutional investors to understand issuers' performance.

Question 2: Do you have any other comments on the HK EDs?

AIGCC Response: It is encouraging to see how HKICPA, CASG and other relevant parties are putting in place a series of measures to address concerns gathered from previous consultations. Comments raised on data availability and quality, interoperability, a phased approach, determining materiality, scenario analysis, anticipated financial effects, Scope 3 calculations, and financed emissions are also of concern to institutional investors.

Regarding the implementation of the enhanced HKEX climate rules, it is important to understand different entities' ability to make sustainability disclosures, as stated by the exposure drafts, but it also must be considered that timely implementation occur among companies which produce relatively larger amounts of emissions. To enable Hong Kong SAR to progress on its decarbonization goals, disclosure must be encouraged among companies that contribute a significant percentage of emissions. It is important for investors to have access to disclosure information from the majority of companies that contribute a significant portion of the market's total emissions. This will serve to inform the market, policymakers, and investors, especially as they engage with these entities on sustainability and climate objectives.

To provide greater clarity for reporting entities, investors, and the market overall, an emphasis on the SASB sectoral approach would be advantageous. It is appreciated that the exposure drafts address this concern on industry-based metrics and will encourage entities to reference these sectoral approaches.

As ISSB Standards further develop, it would be beneficial to have continued alignment with these international standards, ensuring that full alignment is secured for the long-term. This should include alignment with any ISSB updates to its sectoral recommendations. This would be especially important as standards are consolidated, such as the IFRS Foundation taking over responsibility for the Transition Plan Taskforce's disclosure framework and related guidelines.

To provide greater clarity on reporting entities' climate-related disclosure, it would be beneficial for entities to report on their climate policy engagement activities. The market, investors, regulators and stakeholders would benefit from further information on reporting entities' climate-related policy position, direct and indirect policy engagement and governance of climate-related policy engagement process.

This would provide a more comprehensive view of individual companies and how the market reacts to existing and expected climate-related policies. This requirement would be especially relevant for higher market capitalization firms that are responsible for a large percentage of Hong Kong SAR's GHG emissions, have more capacity for such climate policy advocacy and have resources available to provide disclosure on these activities. We note that other standards such as the Transition Plan Taskforce are already including engagement with government as part of their disclosure recommendations.

About AIGCC



ABOUT AIGCC

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity and a trusted forum for investors active in Asia to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy related to climate change.

With a strong international profile, the AIGCC network also engages with government pension and sovereign wealth funds, family offices, and endowments, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a net zero emissions economy.