



Hong Kong Investment Funds Association

(company incorporated with limited liability)

Unit 1701, Winway Building, 50 Wellington Street, Central, Hong Kong

Tel: (852) 2537 9912 Fax: (852) 2877 2368

Website: www.hkifa.org.hk E-mail: hkifa@hkifa.org.hk

By email: commentletters@hkicpa.org.hk

October 30, 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,

RE: Comments on the Exposure Draft HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft HKFRS S2 Climate-related Disclosures

On behalf of the Hong Kong Investment Funds Association, we appreciate the opportunity to provide feedback on the two exposure drafts (EDs). We welcome the full adoption and convergence of S1 and S2 and the inclusion of reporting entities under the scope that aligns with the International Sustainability Standards Board (ISSB), with two major comments on the EDs:

1. Clarify how the new standards apply to financial institutions (FIs)

The HKSAR Government's [Vision Statement](#) on Turning Obligations into Opportunities in Developing the Sustainability Disclosure Ecosystem in Hong Kong states that the application of HKFRS S1 and S2 will prioritise publicly accountable entities including listed entities and regulated financial institutions in Hong Kong such as banks, fund managers, insurance companies and MPF trustees.

For regulated FIs such as fund managers and management companies of authorized unit trusts, we advocate for a disclosure framework that is both flexible and consistent with the regulatory requirements.

Given that the proposed disclosures depend on the data accessibility of investment portfolios or investee companies, it is logical for disclosure obligations on investee entities to be established before imposing disclosure requirements to FIs. In addition, to align with global standards, it is essential that local branches or subsidiaries of international FIs be allowed to reference their group sustainability disclosures, which are in accordance with ISSB-equivalent or harmonized disclosure frameworks such as the EU's Corporate Sustainability Reporting Directive (CSRD).

2. Mandate the disclosure of intensity metrics with industry-specific guidance on calculation

While the current ISSB S2 does not mandate the disclosure on emission intensity, we believe that this disclosure is crucial for investors and stakeholders to effectively measure the decarbonization progress. This is especially pertinent in emerging markets (EM), where production scales are often on the rise. The current practice of using varied denominators by EM companies to

Hong Kong Investment Funds Association

measure and set intensity targets poses a challenge for comparability and interpretation. For instance, the use of revenue as a denominator often leads to confusion.

Mandating the disclosure of intensity metrics and the provision of clear calculation guidance would be in line with the building block approach advocated by the ISSB. While the ISSB Climate Standard permits companies to set intensity targets for greenhouse gas (GHG) emissions, the absence of a disclosure mandate for intensity data could potentially reduce the incentive for companies to adopt such targets.

GHG emission intensity is a critical factor in evaluating a company's decarbonization strategy, as total emissions can fluctuate with production levels. This is particularly relevant for growth companies, which may experience an increase in total emissions. Additionally, intensity data is invaluable for conducting comparisons across peers within sectors or jurisdictions.

To address the above concerns, we encourage the HKICPA to mandate the disclosure of intensity metrics with industry-specific guidance on calculation, including the appropriate unit of production. Such guidance will enhance the consistency, comparability, and reliability of reported data, thereby bolstering the credibility of sustainability reporting and helping stakeholders in making informed decisions.

Thank you for considering our response. We are available for any further discussion or clarification regarding our views.

Yours faithfully,

Imogene Wong
Associate Director
Hong Kong Investment Funds Association