

## **Pacific Basin's Comments on the Exposure Drafts HKFRS S1 & 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?**

We support 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.

The ISSB Standards sets the global baseline of investor-focused sustainability-related disclosures. Given our broad base of global investors, applying the IFRS S1 and IFRS S2 will help us streamline our sustainability reporting processes and provide better information to help our global investors make better investment decisions.

As a listed company in Hong Kong, we are required to comply with the enhanced HKEX Climate Rules starting from financial years commencing on or after 1 January 2025 which are highly aligned with the ISSB Standards. From a compliance point of view, we see no reason for the HKICPA not to issue HKFRS S1 and S2 on a fully converged basis with IFRS S1 and S2.

From a capital market perspective, it is crucial for Hong Kong to meet the baseline sustainability disclosure requirements to provide global investors with consistent and comparable information for capital allocation purposes. More than 20 jurisdictions, representing nearly 55% of global GDP, over 40% of global market capitalisation and over half of global greenhouse gas emissions, have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory framework. Having a fully converged IFRS S1 & S2 Hong Kong standards will help Hong Kong to stay competitive and to maintain its status as an International Financial Centre.

The landscape of sustainability reporting is evolving, and we are pleased to see the Institute's plan to roll out various capacity-building initiatives to help companies in Hong Kong in preparing for the HKFRS S1 and S2.

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

In 2022, we submitted our comments regarding the ISSB EDs to the HKICPA. Since the Institute intends to issue HKFRS S1 and S2 on a fully converged basis with ISSB's IFRS S1 and S2, we have no further comments on the HK EDs. Our previously submitted feedback has been incorporated into the Explanatory Memorandum.

However, the primary concern that remains is whether companies have the resources to assess the current and anticipated effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting periods, and to reflect in the financial statements. Additional training and capacity-building initiatives from the HKICPA would certainly be helpful to companies in preparing to adopt the HKFRS S1 & S2 standards.

We appreciate the inclusion of proportionality mechanisms in HKFRS S1 and S2, which accommodate entities with varying capabilities and maturity levels in sustainability reporting. We would also value the provision of detailed guidance on determining what constitutes "reasonable and supportable information that is available without undue cost or effort" as well as an "approach that is commensurate with the skills, capabilities, and resources available to the entity". Such guidance would help ensure compliance with the standards.

Although the IFRS Foundation's mandate does not require independent assurance and leaves it to jurisdictions to decide if assurance is necessary, we anticipate Hong Kong may require independent sustainability assurance once a globally accepted sustainability assurance standard is established.