



Minutes of the 287th meeting of the Financial Reporting Standards Committee held on Thursday, 12 December 2024 at 8:30 a.m. via videoconference.

- Members present: Mr. Gary Stevenson (Chairman), RSM Hong Kong
Mr. Joe Ng (Deputy Chairman), EY
Ms. Kathryn Ashley, HSBC
Ms. Loretta Fong, PwC
Ms. Fanny Hsiang, BDO Limited
Ms. Sin Ko, KPMG
Mr. Mateusz Lasik, Deloitte
Mr. Kenneth Lau, Crowe (HK) CPA Limited
Ms. Joan Ng, Securities and Futures Commission
Mr. Ghee Peh, IEEFA
Mr. Richard Poon, AIA Group
Ms. Lisa Zhang, PwC
- Staff in attendance: Ms. Cecilia Kwei, Director of Standard Setting
Ms. Eky Liu, Deputy Director of Standard Setting (FR)
Mr. George Au, Associate Director, Standard Setting
Ms. Shiro Lam, Associate Director, Standard Setting
Ms. Carrie Lau, Associate Director, Standard Setting
Ms. Kennis Lee, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Mr. Sam Chan, Manager, Standard Setting
- Observer: Mr. Jimmy Chung, Accounting and Financial Reporting Council
Ms. Fion Hung, Accounting and Financial Reporting Council
- Apologies: Ms. Vincyy Lai, Jardine Matheson & Co., Limited
Mr. William Wong, HKEx

Action

1. **Minutes, work program, tentative agenda decisions and liaison log**

The Committee approved the minutes of the 286th meeting.

The Committee noted the developments outlined in the FRSC and SSD work program and liaison log.

The Committee also noted the IFRS Interpretations Committee issued the following tentative agenda decisions in December 2024:

- *Assessing Indicators of Hyperinflationary Economies (IAS 29 Financial Reporting in Hyperinflationary Economies)*
- *Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38 Intangible Assets)*

2. **HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and HKFRS S2 Climate-related Disclosures**

Approval of SSD analysis

SSD staff prepared an analysis of the comments raised by respondents regarding the exposure drafts of HKFRS S1 and S2 (SSD Analysis) and circulated it to the Committee for review and comment prior to this meeting.

The Committee agreed with the staff's analysis and approved the SSD Analysis at the meeting.

Issuance of HKFRS S1 and S2

In considering the issuance of HKFRS S1 and S2, the Committee undertook a holistic assessment of relevant factors, including local and international developments, as well as substantive evidence gathered from the Institute's extensive stakeholder engagements over the past three years. These engagements included consultation of the ISSB exposure drafts on IFRS S1 and S2 in early 2022, the Institute's technical feasibility study in H1 2024 and the consultation of the draft HKFRS S1 and S2 in Q4 2024. The Committee noted that there is strong evidence supporting the full alignment of HKFRS S1 and S2 with the ISSB Standards. Accordingly, the Committee confirmed its proposal to align HKFRS S1 and S2 in full with the ISSB Standards, and approved the issuance of both HKFRS S1 and S2.

SSD

Explanatory Memorandum (EM)

The EM accompanying the HKFRS S1 and S2 contains the development journey of the standards, consultation feedback and conclusions, reasons for full alignment, and the impact of HKFRS S1 and S2 on Hong Kong entities. The draft EM was circulated to the Committee and the Working Group on Sustainability Disclosures of the Green and Sustainable Finance Cross-Agency Steering Group (CASG WGSD) for review prior to this meeting. During the meeting, the Committee was presented with the latest version of the EM, which incorporated relevant comments from the Committee and CASG WGSD. The Committee had no further comments and approved the EM.

Implementation support activities

The Committee noted that the Institute has a comprehensive Institute-wide capacity building programme to support sustainability reporting. As part of this programme, SSD staff proposed the following implementation support activities for HKFRS S1 and S2 to be undertaken by the SSD as supported by the Sustainability Disclosure Standards Committee (SDSC):

- FAQs: The initial set of FAQs will be released upon the issuance of HKFRS S1 and S2 and will be updated as needed;
- Public briefing: A briefing on HKFRS S1 and S2 will be conducted in both English and Cantonese in January 2025;
- Implementation support platform: This platform allows stakeholders to submit technical implementation questions for discussion by the SDSC;
- Ongoing training: Workshops have been planned for 2025 to address repeated concerns raised by local stakeholders; and
- Publication of implementation guidance as appropriate.

The Committee considered and agreed with SSD staff's proposed implementation support activities.

[Post-meeting note: The Institute published HKFRS S1 and S2 along with the accompanying EM on 12 December 2024 after the meeting.]

3. **IASB Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)***

The Committee received an update on the feedback received from the SSD staff's outreach activities, which included seeking feedback from the Business Combinations and Reporting Entity Advisory Panel, the Small and Medium Practices Committee and its Technical Issues Support Group, a targeted outreach to a preparer of a listed corporate as well as hosting a

public roundtable discussion. Based on the feedback received and the SSD staff's analysis, the Committee provided comments for the Institute's submission. The Committee also agreed with the SSD staff's proposed timeline for considering and finalising the Institute's submission to the IASB.

4. **IASB Exposure Draft (ED) Provisions – Targeted Improvements – Proposed amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**

The Committee received an update on the ED, which included a high-level summary of the proposed changes to IAS 37. The Committee considered and agreed with SSD's planned outreach activities, which include seeking feedback from the Task Force. The Committee also agreed with the SSD staff's proposed project timeline.

5. **2024 Progress Report**

The Committee reviewed the SSD's progress made on the high priority projects and SSD's achievements this year.

6. **2024 Oversight Report on HKICPA's Performance of Specified Functions**

The Committee was informed of two enhancing recommendations raised by the AFRC in relation to standard setting in its 2024 Oversight Report. The Committee noted that SSD has already applied these recommendations to relevant projects since the publication of the report.

SSD will update its Standard Operating Procedure to reflect the revised procedures for the Committee's consideration at the first meeting of 2025. SSD

7. **Guidance on the accounting for the LSP Subsidy**

The Committee noted that the Finance Committee of the Legislative Council has approved the creation of a commitment for implementing the subsidy scheme for the abolition of the MPF-LSP offsetting arrangement (LSP Subsidy) in November 2024. Several Committee members have had extensive discussions on the appropriate accounting treatment for the LSP Subsidy for some time.

The Committee noted that there is more than one acceptable approach to account for the LSP Subsidy. One such approach is to account for it as a government grant in accordance with HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. This means that the LSP Subsidy shall not be recognised until there is reasonable assurance that: (i) the entity will comply with the conditions attaching to the LSP Subsidy; and (ii) the LSP Subsidy will be received.

The Committee will discuss the matter further with a view to providing further guidance thereon in early 2025.

8. **Other business**

Administrative matter

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting by mid-January 2025.

There being no further business, the meeting closed at 9:30 a.m.

GARY STEVENSON
CHAIR

13 December 2024