



創於 1913 年
Founded in 1913

香港華人會計師公會 The Society of Chinese Accountants & Auditors

(在香港註冊成立之有限公司)

(Incorporated in Hong Kong as a company limited by guarantee)

10 June 2022

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

E-mail : commentletters@hkicpa.org.hk

Dear Sir/Madam,

Re: Comment of the International Sustainability Standards Board (“ISSB”) Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information; and Exposure Draft IFRS S2 Climate-related Disclosures

We are writing on behalf of the Society of Chinese Accountants & Auditors (“SCAA”) in response to ISSB Exposure Draft IFRS S1 and S2.

SCAA has been supporting Hong Kong since 1913, we are an incorporated body of professional accountants, most of our members are practising accountants and representing a significant number of practising firms of accountants, which are small, medium and large sized, in Hong Kong.

We aim to provide a professional development channel for all practising accountants and subsequently cater to the care and needs of the community in Hong Kong. To maintain high standards of professional conduct, SCAA fosters communication among its members, assisting them to advance the theory and practice of accountancy. SCAA also initiates discussions of hot issues in accounting industry and is committed to look for suggestions and solutions for our fellow accountants.

With regard to the ISSB Exposure Draft IFRS S1 and S2, we understand that a comprehensive global baseline of sustainability disclosures would facilitate the information needs of stakeholders whenever they want to assess company value. However, we concern that our members would be directly and adversely impacted, accordingly, we propose the following recommendations.

Implementation by phases and SMEs exemption

We recommend, instead of applying to all entities at once, rolling out by phases according to the type of company. Public companies are suggested to be the pilot in sake of the importance that stakeholders need sustainability information to assess company value and public companies are more experienced in collecting and reporting sustainability information. It shall then be rolling out to private companies after rounds of feedbacks and enhancements.

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As for SMEs, we recommend an exemption from disclosure should be applied. The need of the disclosures is not indispensable as the major purposes of SME reports are for annual filings and tax reporting. It could be complicated to the SMEs to provide sufficient information for the sustainability disclosures due to their operation size and lack of corresponding expertise. Considering the low importance and the difficulty of the disclosure requirements for SMEs, we propose SMEs to be exempted from these disclosure requirements.

Clear and comprehensive guidelines and alignment with other standards

The term “sustainability” under Exposure Drafts is unclear and too board. In order to promote a smoother transition during the implementation process, the scope of sustainability information should be well defined with clear and detailed guidance as well as the criteria for determination of materiality.

We note that accounting standards, including HKAS 1, HKAS 8, HKAS 38, HKFRS 13, HKFRS 15 may be affected and thus detailed guidelines for each affected standards are recommended in order to align with IFRS S1 and S2.

Assurance of sustainability information is nonnegligible. It is important that institutions should work closely to develop guidance and align with corresponding audit standard before finalizing IFRS S1 and S2.

Recognition in the Financial Statements

We recommend that sustainability factors should be taken into account and recognized in the financial statements since value may be created in short, medium and long term as a result of the sustainability actions taken by a company.

Clear guidance should also be available on how to identify the goodwill or intangible assets, how to measure the value, how to determine the life expectancy, and how these assets can be monitored, tracked, and tested for impairment regularly.

Above are our recommendations to the ISSB Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information; and Exposure Draft IFRS S2 Climate-related Disclosures.

We will be happy to answer any further questions that you may have. Should you require more information, please do not hesitate to contact Mr. Xavier Chan, Chairman of Accounting and Auditing Standards Committee.



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Yours faithfully,

CHAN Lok Hei, Xavier

Chairman of Accounting and Auditing Standards Committee

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