Comments on ISSB Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

Question 1 – Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The Exposure Draft sets out principles for identifying significant sustainability-related risks and opportunities. It also requires the company to consider the disclosure topics in the industry-based standards, non-mandatory guidance and the most recent pronouncements of other standard-setters whose requirements are designed to meet investors' information needs. A company would also be required to consider the sustainability-related risks and opportunities identified by companies that operate in the same industries or geographical areas. Based on the above, we believe the ED is sufficient for entities to identify and disclose material information about all of the sustainability-related risks and opportunities exposed to. However, from an insurance industry standpoint, it would be advisable to provide more clear guidance or perhaps some key examples of "sustainability-related financial information/risk items" relevant to life insurance, so that life insurers would know exactly what should be disclosed and standardized across the industry, and able to comment.

(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Paragraph 1 is high level and reasonable. It requires entities to disclose sustainability information that allows users to assess enterprise value. We believe the ED requirements around governance, strategy, risk management and metrics and targets, could meet the stated objective

(c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Similar to our comment as 1(a), ED S1 sets out the principle for ED S2, with the four core elements overarch and interrelated to S2 and other IFRS Sustainability Disclosure Standards.

(d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

This Exposure Draft does not stipulate the requirements for auditors or regulators to provide comments or determine whether the entity complies with the proposal. Please state the intention or requirements if auditors and regulators review are expected. Though the concept of significance is used extensively, and in varying contexts, throughout IFRS Standards without a clear definition. "Significant" diversity exists in practice, while sustainability-related financial information disclosure is relatively new and it will take time for market benchmark to be set and communicated. To balance the meaningful information to the financial report users and cost-benefit effectiveness on the preparation, certain guideline on determining "significant" would be appreciated. In addition, it maybe pre-mature to respond to (d) before the sustainability-related information can be confirmed/standardized by the life insurance industry. Suggest to provide flexibility for insurers at early stage to implement such standards.

Question 2—Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

We believe the statement on the objective of having the users of the information to assess the enterprise value is sufficient. It is clear and reasonable.

(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Separate guidance/further definition is recommended to be provided for (a) Life Insurance, and (b) General Insurance.

Question 3—Scope (paragraphs 8–10)

Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

No specific comment, Hong Kong standards largely align with IFRS. We also do not see the principle of ED contradicts with any jurisdiction's GAAP.

Question 4—Core content (paragraphs 11–35)

The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well established work of the TCFD.

Governance

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

- to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

- to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

- to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

- to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.

(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

We believe paragraph 11 to 35 sufficiently define the above. Overall, the objectives are high level and appeared to be reasonable.

(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The core content is based on the TCFD recommendations, which are widely understood, accepted and practiced in numerous jurisdictions. Information focusing on this core content is necessary for users of general purpose financial reporting to assess enterprise value. The standard should also consider the maturity of the information required to provide the ESG disclosures. In some case public information may not be reliable or available. For example: where Information related to asset classes where the disclosure of ESG information is not required, or in case where the company is operating (or has operation) in regions where the awareness of Sustainability issues are not well developed yet

Question 5 —Reporting entity (paragraphs 37–41)

The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Both sustainability-related financial information and financial statements serve the primary user of general purpose financial reporting. Hence, the reporting entity should be the same. However in the situation where the entity is unable to provide the information, the company should disclose and provide rationale/reason why it is unable to produce the info. The entity should also disclose if any of the subsidiary is not able to provide the sustainability information

A further question is, would the standard allow for exemption for disclosure if a subsidiary is following its Parent Co's sustainability and ESG related policies, and its Parent Co is already disclosing the related information at Group level in its annual report or financial statements, which are published to the public annually?

It can seem confusing when it requires sustainability-related financial information for the reporting entity while at the same time requiring information from its value chain (which is not the reporting entity).

(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Sustainability has a broad scope. There should be a broad guideline for entity to follow in terms of classification and what need to be covered as part of the disclosure to ensure comparability.

Data collection along the value chain (particular with entities which are not required to report) is a challenge, verification of those data to ensure fair presentation is another huge challenge. Materiality/ impact to financial statements cannot be properly assessed until certain data are collected.

In accounting terms, the entity controls an investee is classified as investment in subsidiaries. The entity does not control an associates or joint ventures, but only have joint control or significant influence over the investees. Hence, it is suggested to amend the terminology from "investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture)" to "investments in subsidiaries, associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture)"

For investment assets of the insurer, not sure if the disclose requirements here only cover the investments which we (as a subsidiary) deem to have a control over. It is suggested to have further information/definition of "control" and what would be the measurement metrics of "significant sustainability-related risks/opportunities" for life insurance? For instance, we invest in a number of equity stocks via segregated mandate, does it mean we have to look into each stock (if we are deemed to have 'control') and their sustainability metrics? As mentioned earlier, the industry in HK has yet had any standardized sustainability metrics for investment assets.

We may not be able to track/disclose some info e.g. wastage, or employment practices which may be confidential.

Sustainability risks and opportunities arising from the reporting entity's value chains vary across sectors. Further guidance should be provided on how to include these value chain activities to ensure a consistent approach across sectors.

(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Both financial statement information and sustainability-related financial disclosures can be considered together, highlighting interrelationships and connections between different types of risks and opportunities.

It will be ideal if the entity can provide scenario analysis or sensitivity of their business/financials to some of the key sustainability risks/opportunities (e.g. Moves towards greener energy or shift in consumer preferences).

This should align with item (b) on the sustainability related risk and opportunities

Question 6—Connected information (paragraphs 42–44)

The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) between the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The principles are clear. The Exposure Draft states that when an entity is asked to quantify anticipated effects, an entity could give a single estimate or a range of possible outcomes. Allowing an entity to report on a range of possible outcomes recognises that not only can ranges of possible outcomes be more useful than single estimates, but the nature of the connections between various sustainability-related risks and opportunities can make it difficult for an entity to isolate the implications of individual risks and opportunities.

The draft makes it clear on the need for the link between sustainability-related risks and opportunities as it provides explanations and examples of how a sustainability risk and opportunity can interact.

However, sustainability covers broad areas, different industry and even companies within the same industry may face different sustainability related risk and opportunities.

The disclosure on connected information should be based on the materiality of the sustainability related risk and opportunities faced by the entity. Only material risk/opportunities should be disclosed and the entity should also provide the time horizon on the identified material risk/opportunities

(b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Connecting the sustainability-related risks and opportunities with general financial reporting, would allow users of general purpose financial reporting better understand the whole picture of the effect or likely effect. The qualitative description on the connections can help the primary users better to understand sustainability-related risks and opportunities the reporting entity is facing and their potential financial impact. Identifying and explaining this connection is necessary because it aligns with the draft's goal of understanding how these sustainability risks and opportunities are factored into enterprise value. However, there is no standard measurement metrics of “significant sustainability-related risks/opportunities” yet in the insurance industry. Suggest to seek views from the life insurance experts if practicable.

Question 7—Fair presentation (paragraphs 45–55)

The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB’s non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Fair presentation requires an entity 'to disclose information that is relevant, representationally faithful comparable, verifiable, timely and understandable' and 'to provide additional disclosures when compliance with the specific requirements in IFRS Sustainability Disclosure Standards is insufficient' for the needs of users of general purpose financial reporting.

The concept of aggregation and disaggregation, in order to ensure that users of general purpose financial reporting are provided with information at an appropriately disaggregated level is equally important for sustainability-related financial disclosures.

Entity should use judgement based on their operating model. The aggregation or disaggregation of data should be made based on the characteristics of material risk/opportunities faced by the entity. (Note: entity may face industry wide risk/opportunities or entity specific risk/opportunities)

Availability and accuracy of the data available for disclosure should also be taken into account when aggregating the information.

It relies on the entity's own judgment to disclose information, so it can make disclosures subjective and difficult to present fairly.

(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Paragraph 51(c) expands the scope of disclosed topics to other standard-setting bodies which seems to be contradicting with the purpose of having a comparable and consistent sustainability reporting standard.

It is agreed that entity can refer to industry specific materials in the IFRS and also other standards like SASB and ISSB's non mandatory guidance.

However, we note that SASB was developed to cover insurance, however, the metrics therein is heavily focused on general insurance and has limited relevance to life insurance. We recommend to have some examples separately for general insurance and life insurance and to reflect views from the life insurance experts.

The standard should allow entity to follow the regulatory requirements for disclosure topics as well

Question 8 — Materiality (paragraphs 56–62)

The Exposure Draft defines material information in alignment with the definition in IASB's Conceptual Framework for General Purpose Financial Reporting and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'.

However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The definition is clear and consistent with IAS 1. The proposed definition of materiality is aligned with the definition used in the Conceptual Framework, which refers to general purpose financial reports. Yet, it would be helpful to have further guidance on how to define “material” and “immaterial”.

By aligning with the IASB definition of materiality, it reduces confusion and burden. However, further guidance may be needed on how to apply materiality principles (e.g., how to assess materiality). Otherwise, it may affect the quality of information as different entities use different process to identify material information.

In addition, it may be confused with the definitions of materiality used in other standards, such as GRI Standards. It would be nice if the proposal could provide guidance on how it differs from/ or potentially interrelate with GRI Standards.

Furthermore, Paragraph 60 states that issues deemed immaterial do not need to be disclosed even if IFRS S1 shows a list of ‘minimum requirements’, is this interpretation correct – meaning that we have flexibility and do not need to report information we believe to be insignificant?

(b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The definition addressed the usefulness of the information is to influence decision making, which captured the objective and scope of the sustainability-related reporting. It can capture the information overtime with since materiality judgment is required reassessed at each reporting date.

While short, medium and long terms time horizon the introduced, it may capture the breath of sustainability-related risks and opportunities. However, the definition of “time” may vary between industries thus reducing the comparability of data.

However, due to the unclear guidance on the materiality process as mentioned in Question 8b, the breadth of sustainability risks and opportunities captured may be affected.

Further clarity is welcomed on the meaning of “material sustainability-related information” from insurance perspective.

(c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The explanation from illustrative guidance on below topic are clear:

- Meeting primary users' information needs
- Interaction between an entity's disclosure and its materiality assessment
- Use of publicly available information
- Interaction with local laws and regulations

The illustrative Guidance provides instructions on how to also use SASB Standards and CDSB frameworks can be adopted to support identification of material sustainability related financial information.

IG12 is describing how to identify significant sustainability-related financial information, in light of comment Q1(d) and previous IFRS discussion on "Significance and Materiality", may consider replacing "significant" with "material", which has clearer definition in this section and IAS 1.

The illustrative guidance is able to provide further info for better understanding however still not specific enough from the insurance lens.

(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The proposal should provide flexibility as different market might have its different local context and demands. If local laws or regulations prohibit the entity from disclosing that information, the information should be relieved from the requirement by ED.

Jurisdictions may be more willing to adopt standards when local authorities have the flexibility to override them.

Apart from the existing standard financial information disclosed, the proposal should consider to provide flexibility by market/sector to opt for full, partial or voluntary adoption since the sustainability principles within these requirements may not be fully applicable across all sectors/industries. The meaningfulness/practicality/feasibility/cost-effectiveness of the proposal should also be considered by different sectors with certain extent of flexibility (i.e. to be determined by different market and the local life insurance sector).

Question 9—Frequency of reporting (paragraphs 66–71)

The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

It is reasonable for both disclosures to have the same reporting period to provide a whole picture.

Aligning reporting the time and frequency of sustainability information with its related financial statements is logical and consistent with the requirement to disclose the connection between the two. To have annual full disclosure and report on the interim when there are material changes or newly identified risk/opportunities during the interim period (if so required).

For Public Interest Entities, every 12 months might be appropriate. Although we understand there is a proposed changes to the definition of PIE in the HKICPA Code of Ethics for Professional Accountants, however for an unlisted local insurance company, it may not need to adopt the proposed reporting frequency. Or should we just provide information to our Group office (listed company) to report Group-wide information on annual basis since parent co is already doing so as a listed company in HK?

Question 10—Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Agreed to provide flexibility on the location to some extent since the requirements for different regions may vary. This could be more consistent with companies' own current reporting practice, avoiding unnecessary duplication.

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

Yes		No	V	Others	

Please explain your answer:

No specific input.

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is crossreferenced? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

This is consistent with the requirement on the reporting frequency and time and makes less deviation from companies' own current reporting practice. Agreed to allow cross-reference since sustainability related metric could require a lot of supplementary description or background information.

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

This is clear from the paragraph. Sustainability-related information forms part of the companies' governance, strategy and risk management framework. This is consistent with the principle to report connections between sustainability-related and financial information.

Since risks and opportunities are interlinked. There is no need to make unnecessary repeat.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable — ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

It seems clear and has been well elaborated.

However, this will be subject to the standardized reporting metrics agreed by the insurance sector and a further sector-wide consultation maybe necessary from different metric owners within the insurance sector.

Para 88 "When it is impracticable to determine the effect of an error on all prior periods presented, the entity shall restate the comparative information to correct the error from the earliest date practicable."

It can be practicable to restate all prior periods presented (e.g. more than 5 years). However, in assessing the cost and benefit, the correction of error beyond last year may not be meaningful for primary financial statements users to make decision. The Board should consider only requires restatement of prior year instead of from the earliest date practicable.

(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

It provides more updated and relevant information for the users.

It is preferable to disclose revised metric as long as reinstatement of prior year figure is practicable.

If there is better measure, they should disclose. But it might have to be a revision period, e.g., 3 years. so that to avoid frequent changes.

(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The sustainability-related information could be connected with financial data in the entity's financial statement. The financial data and assumptions should be consistent.

Question 12—Statement of compliance (paragraphs 91–92)

The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

If the sustainability-related information is material for the users of general purpose financial reporting, anything less than complying with "all" of the requirements would diminish the usefulness the baseline requirements and the comparability among reporting entities and promoting "cherry-picking" of the compliance.

It seems fair. There will be certain regions with force majeure from regulators.

However, we agree that the proposal should provide flexibility as different market might have its different local context and demands. The entity should state the relevant law/regulations and provide opinion why the entity believes the law/regulation prohibit the disclosure.

Apart from the existing standard financial information disclosed, the proposal should consider to provide flexibility by market/sector to opt for full, partial or voluntary adoption since the sustainability principles within these requirements may not be fully applicable across all sectors/industries. The meaningfulness/practicality/feasibility/cost-effectiveness of the proposal should also be considered by different sectors with certain extent of flexibility (i.e. to be determined by different market and the local life insurance sector). The entity should also provide information on the reason if the entity is unable to claim compliance to IFRS sustainability disclosure.

Question 13—Effective date (Appendix B)

The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

At least three years after a final Standard is issued while allowing early adoption. The entity has to gather disclosure information, especially for the investments assets disclosures, together with a comprehensive review on the entity's sustainability plan. It also takes time for the Board to approve these new strategies or changes.

Proposing to be effective from 2025-2026 for the HK insurance sector. It is expected such ISSB standards will be finalized by end 2022 and regulatory body will need time to consider the adoption of relevant areas in 2023 and finalize by 2023/4. With transition period provided to the insurance sector, expecting the earliest effective date for insurers would be 2025/6.

Probably 3-5years. Both entities and regulators would need time to digest and get prepared. Preparation including understand the Standard (trainings and workshop), status review, governance structure establishment, implementation and final disclosure.

(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Yes. As this is a new standard to comply with, entities would need time to set up the reporting mechanism and prepare for the information. Not having the relief for the first comparative year would require retrospective restatement of the comparative information, which takes efforts and may not be practical. As mentioned in the above question, the measure for the metrics could change. It would be reasonable to provide relief of 1-2 years to avoid future revision. In some markets and sectors, this is entirely brand new and there maybe limited experience in the market. It is also common for regulators to provide relief within a transition period (suggest to be two years).

Question 14—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Yes		No		Others	V

Please explain your answer:

The Draft seems bit broad. Especially for the definition of targets and metrics. Hoping to see more specific standards of identification, measurement, and verification.

Unable to comment as the standards are not specific enough from insurance standpoint.

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 Climate-related Disclosures Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

For future analysis and aggregation of data for public use, it will be favorable to have common digital reporting platform established by each jurisdiction to encourage and promote data sharing and transparency.

Digitalization will be a trend. But it might have to be implemented by stages. It would be better for entities to adopt digital format after they settle a certain sustainability-related disclosure framework.

Question 16—Costs, benefits and likely effects

The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

Benefits are obvious, it could provide investors with actual figures related to sustainability that help them with their decision making. Also, if the sustainability related disclosures are about to be audited, it would decrease the chance of greenwashing. However, entities have to invest on related trainings, audit, human capital for adoption and implementation.

The likely benefit includes:

Building trust with all stakeholders and ultimately drive long-term value.

Better understanding of opportunities and risks

Enhanced competitive advantage and improved brand image

Reducing the risk of governance and environmental failures

The likely cost includes:

Implementation project cost

Cost for governance, monitoring, reporting, reviewing and validating the information

Consultancy cost

Please consider the costs of collection and verification of data along the value chain and/ or financed emissions.

The required cost and resources will be subject to the required information to disclose within the insurance sector in HK.

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

The cost impact should be limited considering financial disclosure is already an existing practice. The concern will be more on what sustainability-related information to disclose, from insurance sector perspective.

Furthermore, if we can rely on the Parent company for supporting most of the reporting, the cost will be lower; otherwise there will be costs of duplication if we cannot rely on the reporting of its listed parent in HK.

Question 17—Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

1. Para. 9

"Sustainability-related risks and opportunities that cannot reasonably be expected to affect assessments of an entity's enterprise value by primary users of general purpose financial reporting are outside the scope of this [draft] Standard."

The Board should consider requires the entity to disclose their out-scope assessment criteria and the assessment results leading to the out-scope conclusion, in order to minimize the inappropriate application of paragraph 9.

2. It is likely to have timing difference from data availability and reporting date. If proxies or apportionment of data is required, grateful if can illustrate how it is possible to meet the reporting standard.

Comments on ISSB Exposure Draft IFRS S2 *Exposure Draft Climate-related Disclosures*

Question 1—Objective of the Exposure

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

- to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
- to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
- to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The objective of ED also supports the objectives in IFRS S1 to provide useful information for user of an entity's the general-purpose financial reporting in assessing impacts of risks and opportunities on an entity's enterprise values, financial positions, performance and cash flow and its strategy and business models. In general, the intent of the requirements is reasonable. The approach taken in the Exposure Draft to achieve these objectives reflects the view that developing a complete understanding of an entity's climate related risks and opportunities requires a mix of information related to governance, strategy, risk management and metrics and targets. A clarification, in order to avoid duplication and ensure completeness, should the climate disclosure be an integrated part of sustainability related disclosure?

(b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The objective focuses on information that enable user of an entity's the general-purpose financial reporting to assess impacts of climate related risks and opportunities on enterprise value. The requirement would allow users to understand entity's internal structures and processes for identification, assessment and oversight of climate-related risks and opportunities, as well as strategic responses. Subject to the climate-related risk and opportunities from insurance standpoint. Currently, there is no standardized climate information in HK for life insurance business or general insurance business perspectives. Suggest to seek views from the HK life insurance sector. We note that SASB was developed to cover insurance, however, the metrics therein is heavily focused on general insurance and has limited relevance to life insurance.

(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The overall disclosure requirements in ED have referred large portion to TCFD Recommendation, which is investor focus. Therefore, it meets the objectives in a large extend. In general, the intent of the requirements is reasonable. The requirements, on disclosure of the governance, strategy and risk management of its business, and the metrics and targets it uses to measure, monitor and manage its significant climate-related risks and opportunities, could meet the objective of paragraph 1.

Question 2—Governance

Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities.

The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The related TCFD's recommendations are to: describe the board's oversight of climate-related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.

Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The proposed disclosure requirements go beyond those set out in the TCFD recommendation, which are more specific and prompt entity to provide more evidence. For example, identifying responsible bodies for climate related governance, how responsibility of the body is reflected in terms of reference etc.

The ED requirements on governance disclosure are consistent with general purpose financial reporting.

This seems to be similar (or a subset) of sustainability disclosure

Question 3—Identification of climate-related risks and opportunities

Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Paragraph 9 is clear. The proposed requirements are intended to elicit decision-useful information regarding both climate-related risks and climate-related opportunities.

Refer to the separate comments for Appendix B of IFRS S2.

(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The consideration of industry specific requirements will enhance the relevance and comparability of the disclosures since climate related risks and opportunities are various across industries.

The specific climate risks and opportunities may vary depending on the entity's business model, sector, location and other circumstances. Hence, industry-based requirements could be a starting point.

Refer to the separate comments for Appendix B of IFRS S2.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Agree that the disclosed item is relevant to an insurer's business model and value chain. The impact on an entity's business model and value chain affects the entity's enterprise value.

The information that the Exposure Draft would require an entity to provide is limited to that which enables users of general purpose financial reporting to assess an entity's enterprise value—so the impact arising from the value chain needs to be relevant to this assessment—and the information provided is that which is material.

This approach is designed to achieve an appropriate balance, facilitating decision-useful information to users of general purpose financial reporting without imposing excessive costs on preparers or requiring them to make undue efforts.

However, similar to comments made under S1, data collection along the value chain (particular with entities which are not required to report) is a challenge, verification of those data to ensure fair presentation is another huge challenge. Materiality/ Impact to financial statements cannot be properly assessed until certain data are collected. It should be a combination of both. Where there is a clear methodology for measurement and data is reliable data is available then entity should attempt to provide quantification instead of qualitative assessment

Flexibility should be allowed for the disclosed information/metrics, the life insurance industry specific requirements should be agreed by the insurance experts since there is yet to have any standardized climate-disclosures in the HK insurance sector.

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Broadly Agree		Broadly disagree	V	Others	

Please explain your answer:

Quantitative disclosures may create measurement challenges for preparers. The requirement for qualitative rather than quantitative disclosures balances measurement challenges with the information that users of general purpose financial reporting need to understand where in an entity's value chain climate-related risks and opportunities are concentrated.

Obtaining qualitative information will reduce the burden on the entity while still providing decision-useful information to users, as there are challenges and costs associated with obtaining quantitative information from their value chain, which may need to be obtained from external parties.

Better to allow both qualitative and quantitative, e.g. targets related GHG emissions, water usage, energy usage, etc. Flexibility should be allowed for the disclosed information/metrics, the insurance industry specific requirements should be agreed by the insurance experts since there is yet to have any standardized climate-disclosures for the life insurance sector.

Question 5—Transition plans and carbon offsets

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate-related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The disclosure enables users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value. The disclosure requirements for transition plans largely enable users to review whether the transition plan is credible and what impact it has on the entity's enterprise value. Entity should disclose how much reduction is achieved through carbon offset or through avoiding emission and the proportion over time. Entity that uses carbon offset should also disclose their plan to reduce their reliance on carbon offset mechanism When possible entity should state their emission target, when and how they are going to achieve it. Refer to the separate comments for Appendix B of IFRS S2.

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

Yes		No		Others	V

Please explain your answer:

When possible entity should state their emission target, when and how they are going to achieve it. Entity should also provide information on their activities where emission reduction through avoided-emission approach is not possible. Refer to the separate comments for Appendix B of IFRS S2.

(c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The proposed disclosure will increase the transparency of an entity's climate transition strategy and enable judgment that it is credible and verifiable. An entity’s reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for an entity’s enterprise value over the short, medium and long term. In Appendix A, “carbon offsets” are uniquely serialised, issued, tracked and cancelled by means of an electronic registry. For industries that does not generate carbon emission directly, the Board may consider extending the “carbon offset” disclosure to investment assets that can reduce carbon emission (e.g. greenhouse gas). In addition, the Board should then advise how the offset can be calculated for indirect carbon offsets. To help to understand the entity carbon reduction strategy and whether there are plans for entity to reduce reliance on carbon offset. Enabling users to compare emission reduction strategy between different entities in the same sectors/industries

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity’s approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

It is believed that there will be significant variation between jurisdictions. The level of readiness and cost of disclosure will also depend on local carbon pricing policies and local carbon market development. For example, entities located in jurisdictions without established carbon markets may be less prepared. The proposed approach could provide useful information to financial reporting users.

Question 6—Current and anticipated effects

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The TCFD’s 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Disclosure of actual and anticipated financial effects associated with climate change enables more effective pricing of climate-related risks and opportunities, more informed assessments of enterprise value and facilitates the efficient allocation of capital.

Disclosure should be in a range to reflect the probability of occurrence and effects on climate-related risks and opportunities.

Better to allow both qualitative and quantitative. Flexibility should be allowed for the disclosed information/metrics, the insurance industry specific requirements should be agreed by the insurance experts since there is yet to have any standardized climate-disclosures for the life insurance sector.

For current effect, it may be feasible for entity to prepare. However, The anticipated effects of climate-related risks and opportunities over the long term can be highly uncertain and interrelated with factors other than climate-related risks and opportunities. Due to this complexity, entities may have challenges in providing quantitative information to provide a fair and reliable view to users.

It recommends that qualitative information should also be provided in both cases - whether quantitative information can be disclosed.

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The disclosure requirements largely addressed the objective of the ED.

It aligns with the principle to disclose the connection between sustainability-related financial information and financial statement.

Yet, we consider the financial effects on financial performance, financial position and/*or* cash flows is sufficient.

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

It aligns with management strategic planning for short, medium and long term.

Disclosure requirements allow users to understand how climate-related risks and opportunities will affect the entity. However, due to the complexity and uncertainty mentioned in 6(b), there are challenges in preparing for the anticipated impacts.

As mentioned in our comment in S1, while short, medium and long terms time horizon the introduced, it may capture the breath of sustainability-related risks and opportunities. However, the definition of "time" may vary between industries thus reducing the comparability of data.

Could this be proposed by the insurance sector for the best way / timeframe to report?

Question 7—Climate resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks. These requirements focus on:

- what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
- climate-related scenario analysis; or
- an alternative technique.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity's findings from the analysis inform its strategy and risk-management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity's strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change). Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk mapping with scenarios reflecting different climate outcomes and the severity of their effects.

Although scenario analysis is a widely accepted process, its application to climate-related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and communications, are just beginning to explore applying climate-related scenario analysis to their businesses.

Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing.

Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it disclose similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate-related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The items listed in para. 15a broadly provide relevant information for users to understand the capacity of an entity to adjust or adapt to climate change. The requirement on implications allows users to understand the linkage between the strategy and actions should be taken. The disclosure of uncertainty allows users to understand the limitations of the entity's climate resilience analysis and avoid misinterpretation of the information. The entity's analysis of climate resilience should enable users of general purpose financial reporting to understand—including areas of significant uncertainty considered in that analysis. Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. There could be prescribed scenario analysis to focus on common goals on climate resilience, e.g. global warming reach 1.5C pre-industrial level by 2030.

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

It is realistic to allow entities the flexibility to choose alternative methods or techniques for climate resilience analysis due to differences in readiness of jurisdictions/industries and nature of businesses. However, in order to make information comparable, at least within the industry, it is suggested that industry guidelines be developed to ensure consistent methods are used within the industry Where there are limited data availability or the potential disclosure of confidential information about an entity's strategy, the use of alternative methods could be less resource intensive. Materiality and cost consideration should be taken into account when entity is considering scenario analysis or other alternative techniques. The analysis provided should provide users with clear assessment on the material climate related risk/opportunities faced by the entity A question, use of alternatives is considered reasonable, but should this allow an open option for the insurer to choose what method to perform the exercise?

(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

As scenario analysis has been the preferred option for understanding climate-related impacts (both positive and negative), it can be considered as a baseline for climate resilience analysis. Provide an explanation of not using scenario analysis allow users to understand the limitations for that entity.

This is considered reasonable. As scenario analysis is a preferred option, disclosure of the reason why scenario analysis is not used would allow users better understand why it is not suitable.

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

Because scenario analysis is not mature in all jurisdictions or industries, as described in question 7(b)(i). It should be implemented in phases to allow sufficient time for regulators or industry associations to develop reliable analytical tools, and source high quality data

As reasons stated above, scenarios analysis may not be suitable for all entities in all cases.

Suggest to provide options for the insurance sector to adopt this in full, partially or voluntarily. If this cannot be done by a market player, reasonable explanation should be permitted.

(c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The proposed disclosure about climate related scenarios analysis is largely aligned with the objectives of this ED: to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

The Board may consider more specific instructions on how the scenarios analysis is expected to be conducted for specific industries like the requirement on transition risk in Appendix B. Such as how scenarios should be identified; would a single most probable scenario suffice for scenarios analysis; is probability weighted average outcome required. This would align with the approach on transition risk in SASB and increase comparability among companies in a same industry.

Flexibility should be allowed, the insurance industry specific practices should be driven by the insurance experts since there is yet to have any standardized scenario for the life insurance sector.

The application of climate related scenarios need to account for materiality of the climate impact to the entity and the cost associated in providing the climate-related scenario analysis.

Scenario analysis is not required as long other techniques (stress test, etc) provide users with sufficient and accurate information to assess the entity position

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

This approach would provide preparers, including those in smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve.

As responded in Q7(b)(i). Alternative techniques should be allowed due to differences in readiness of jurisdictions/industries and nature of businesses.

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

With the flexibility allowing companies, which the scenario analysis is not practical, to use other alternative approaches, it is considered the requirements could appropriately balance the costs of compliance.

In HK, the climate risk exposure for a life insurer may not be too significant (subject to the agreement of the HK life insurance sector) but it is significant to markets exposed to extreme weather.

The benefits of disclosure requirements are clear to users, and entities to understand the entity's strategic resilience to climate change. However, the cost of preparing these disclosures will depend greatly on the current state of the entity (e.g., some sectors lack experience in conducting scenario analysis, while some are good at it, such as the mining industry).

Question 8—Risk management

An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects both the view that risks and opportunities can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The disclosure would better enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value.

To a large extend it aligned with the "Risk Management" component of the TCFD recommendations with additional disclosure. For example, ED includes opportunities in the risk management not only risks. This disclosure provides a more balance view and consistent with the IFRS S1. However, it may consider changing the title "Risk Management" if it intends to include opportunities.

Question 9—Cross-industry metric categories and greenhouse gas emissions

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

- indicative of basic aspects and drivers of climate-related risks and opportunities;
- useful for understanding how an entity is managing its climate-related risks and opportunities;
- widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and
- important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- separately Scope 1 and Scope 2 emissions, for:
    - the consolidated accounting group (the parent and its subsidiaries);
    - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and
- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint.

Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy-efficient products or seek to enable or incentivise upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity's entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs.

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes non-mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Agree with proposed cross-industry metric categories, seems reasonable.

The seven metric categories in paragraph 21 a-g are in line with the TCFD recommendations. It helps improve comparability of disclosures across reporting entities regardless of industry. Yet, entity should be allowed to choose whether to use the absolute or intensity basis for their reporting.

Recommend to have Insurance industry specific requirements as there is yet any recognized/ standardized requirements for the life insurance sector. We note that SASB was developed to cover insurance, however, the metrics therein is heavily focused on general insurance and has limited relevance to life insurance.

(b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

Yes		No	V	Others	

Please explain your answer:

No specific input.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Firstly, instead of using proxy measures, in order to allow the reporting entity to disclose GHG emission more accurately, it is recommended that the Board to consider guiding and encouraging industries to form a platform or use of existing platform (e.g. Bloomberg), for investees to provide more information regarding its GHG emission.

Secondly, in order for the users to have more understanding of the disclosure reliability and robustness, the Board may consider making reference to IFRS 13 "Fair value hierarchy" to categorise the basis of the information disclosed. For example, level 1 data is quoted from Bloomberg or information provided directly by the investee which is specific to that investee; level 2 data is quoted with proxy measure with reference to the investee's industry in which the source is available or observable market information; level 3 data is proxy with unobservable information which are adjusted, if necessary, to reflect the assumptions made by the entity. The categorization of the basis of disclosure would allow more accurate and comparable information amongst entities.

For GHG emission, most preparers currently are only reporting scope 1 & 2, not yet including scope 3. Scope 3 inclusion has not yet widely adopted in the markets and the low data availability is still an issue. Scope 3 inclusion will take time. We recommend to ensure consistency, entity should measure scope 1, 2 and 3, while measurement on Scope 3 should be optional (Scope 1 & 2 should be mandatory), as different industry may have different maturity on being able to measure scope 3.

Also, we would like to seek further clarity on the scope of the reporting. The way this exposure draft is proposing is not entirely in line with the GHG protocol or Partnership for Carbon Accounting Financials (PCAF). It appears the ISSB draft is proposing that for the assets where the company does not have operational control (e.g. joint ventures), the full Scope 1 and 2 emissions of the JV should be reported, but does not specify where. We would like to seek clarification on where this should be reported.

Ideally the ISSB would incorporate the work to align with the GHG Protocol done by PCAF (where practicable).

We consider the disclosure relating to associates, joint ventures, unconsolidated subsidiaries and affiliates, which should only be disclosed if it has significant climate-related risks and opportunities.

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

As life insurance industry doesn't produce directly varies types of GHG, it would be more suitable to disclose aggregated GHG. Aggregation method without having to disclose CH4 separately from NO2.

In addition, emission expressed in CO2 equivalent is easy for understanding and promote remedial action such as carbon offset.

However, some metrics (e.g. carbon emission scope 1 and 2) can be provided but not yet for the rest.

Source of the emission should also be disclosed (e.g. whether the source of emission is from scope 1, 2 or 3)

Disclose by disaggregated constituent will surely provide a more specific overview. However, it may indirectly reveal the business sensitive information (e,g. entity's production or sales data), which would be a concern for entities.

(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and

(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

We agree with disclosure on consolidated entity only. For the disclosure relating to associates, joint ventures, unconsolidated subsidiaries and affiliates, materiality should apply, I,e, only disclose their GHG exposure if it has significant climate-related risks and opportunities. Agree to make separate disclosure. Based on the fact the entity does not exercise control over unconsolidated organizations, the entity could not either control the unconsolidated organization's activities that generate or reduce GHG emissions. Under such circumstances, unconsolidated organization's GHG emission performance would not be able to objectively reflect entities' practices. Therefore, separate disclosure could provide a clearer and object view of entities emission status. However, the way information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. Two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol. The above requirement would facilitate comparability despite the varied approaches allowed in the GHG Protocol. For insurance sector, agree for the holdings companies to disclose the emissions but not necessarily the subsidiaries.

(f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Scope 3 emission is an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint. Scope 3 data can help users of general purpose financial reporting evaluate the degree to which an entity is adapting to the lower-carbon transition. However, Scope 3 is yet to be widely adopted, particularly in Asia/Greater China. Unlike Scope 1 and Scope 2, Scope 3 emissions involves many related parties, making the management highly uncertain. Also, given the fact that entities in different industries and scales are highly incomparable, the inclusion of Scope 3 'absolute gross emissions' only could be tricky for entities as it may not be an objective cross-industry indicator to reflect entities' practices. It would be reasonable to include both absolute- and intensity- emissions .

Question 10—Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change.

The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Fine with the disclosure of the targets but should depend on the target of the HK government and the insurance sector in HK (should be similar targets/metrics for HK insurers).

The requirement would enable users to understand if the entity has used a scenario consistent with those created in the latest international agreement.

Disclosing targets is highly necessary. Such disclosure will impel entities to carefully design their roadmap, and help stakeholders to understand entities' action as well as supervising their progress.

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). It is clear. It would need time to determine how aligned it is between the latest agreement being completed and comparing against it.

Question 11— Industry-based requirements

The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change. Because the requirements are industry-based, only a subset will apply to a particular entity. The requirements have been derived from the SASB Standards. This is consistent with the responses to the Trustees' 2020 consultation on sustainability that recommended that the ISSB build upon existing sustainability standards and frameworks. This approach is also consistent with the TRWG's climate-related disclosure prototype.

The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. However, the requirements included in the Exposure Draft include some targeted amendments relative to the existing SASB Standards. The proposed enhancements have been developed since the publication of the TRWG's climate-related disclosure prototype.

The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents.

Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements.

(a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The Exposure Draft includes proposed revisions to some SASB requirements to update references to international standards and definitions or, where appropriate, jurisdictional equivalents. It is more appropriate for international applicability. In both the insurance and asset management industries, there is yet to have any standardized sustainability metrics consulted for the Hong Kong market. We recommend to have some examples separately for general insurance and life insurance and to reflect views from the HK life insurance experts. We note that SASB was developed to cover insurance,

however, the metrics therein is heavily focused on general insurance and has limited relevance to life insurance. Suggesting ISSB to take specific views from the life insurance sector, and provide separate guidance for life insurance and general insurance instead of grouping together as their natures of businesses are quite different.

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

No specific input.

(c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

No specific input.

The second set of proposed changes relative to existing SASB Standards address emerging consensus on the measurement and disclosure of financed or facilitated emissions in the financial sector. To address this, the Exposure Draft proposes adding disclosure topics and associated metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).

Paragraphs BC149–BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals for financed or facilitated emissions.

(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

A financial institution's specific climate-related risk profile is likely to depend to a large extent on the industry or industries in which it operates, and the associated economic activities in which it participates. The proposed industries each has unique business models, risk profiles, asset classes, time horizons —and momentum and consensus— to measure financed emissions. With increasing availability of underlying emissions data and growing consensus on financial sector measurement methods, industry-based disclosure requirements would provide more useful information to the users. It would facilitate adequate disclosure. However, banking, insurance, and asset management have similar but different business nature therefore the adoption of the requirements should be allowed flexibility and different approach in terms of the disclosure requirements. Specific to life insurance, the requirements should be consulted with the life insurance experts.

(e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Commercial banks' loans to and investments in carbon-intensive industries are becoming inherently and increasingly risky due to evolving regulation and rapid technological change related to the transition to a lower-carbon and climate-resilient global economy. Financial institutions have great power in making their investment allocation into operating activities with high emissions or not. Insurance companies are part of the financial servicing sector, we do not develop consumer or industrial products that would produce carbon extensively. We invest premium revenue to meet insurance claim payouts and maintain asset-liability parity over the long term. In managing these investments, insurance entities increasingly need to consider climate-related factors, including transition risks and opportunities associated with technical innovations and increasing pressure to comply with emerging policy and regulation. Although in the definition it includes insurance entities as "carbon related" and this proposal financed emission is limited to "invested assets only". Disclosing Scope 3 emission for insurance underwriting is still required under GHG protocol if it is significant. Industry-based requirements omitted exposure for life insurance companies, the Global GHG Accounting and Reporting Standard for the Financial Industry was developed by the Partnership for Carbon Accounting Financials (PCAF) does not include insurance underwriting specific methodology. There is no widely acceptable methodology to disclose Scope 3 emission for insurance underwriting

(f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

Agreed to disclose both absolute and intensity based financed emission under invested assets. The financed emissions figures would be helpful to understand the carbon emissions of the entities' different investment allocations.

However, for disclosing scope 3 emission from insurance underwriting, need to consider the appropriate intensity measurement, e.g. premium level/ sum insured. Entity should be able to choose either absolute or intensity based emissions instead of having to disclose both.

As above, Insurance is part of the financial servicing sector, we do not develop consumer or industrial products that would produce carbon extensively.

Disclosing absolute Scope 1 emissions might be useful in providing information to meet a regulatory requirement. However, when comparing entities with similar business models, it may be helpful for users of general purpose financial reporting to be able to 'normalise' the data (by square metres for example) to account for differences in scale of operations.

(g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The disclosure of methodology increases the transparency on how the figures are arrived. It helps users to better understand the meaning and accuracy of the disclosure.

(h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

GHG Protocol Corporate Value Chain (Scope 3) should be used since it is a widely accepted carbon accounting standard. However, prescribing a more specific methodology may enhance the consistency of disclosure of Scope 3 emissions. Considering useful data and methodological clarity is only started to emerge, it is appropriate not to specify a certain methodology. If the specific methodology requirement for certain industry reaches certain consensus, it should be included as Appendix. Any future amendments of those methodologies should be properly consulted and considered before adoption.

(i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

The financed emissions account for a significant portion of the overall emissions in the value chain of entities in the asset management and custody activities industry. A 'total AUM' approach to disclosure provides a useful indicator of the emissions—and thus the environmental impact—associated with client portfolios, and thus may also serve as a broad indicator of potential risks to the asset manager.

Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards.

The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry. Further, they set out standardised measures to help investors assess an entity's performance on the topic.

Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements.

While the industry-based requirements in Appendix B are an integral part of the Exposure Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49–BC52).

(j) Do you agree with the proposed B15 Asset Management & Custody Activities (if applicable), B17 Insurance and B30 Managed Care (relating to health insurance) industry-based requirements? Why or why not? If not, what do you suggest and why?

Broadly Agree		Broadly disagree		Others	V

Please explain your answer:

The proposed industries each has unique business models, risk profiles, asset classes, time horizons — and momentum and consensus— to measure financed emissions.

In both the insurance and asset management industries, there is yet to have any standardized sustainability metrics consulted for the Hong Kong market. With increasing availability of underlying emissions data and growing consensus on financial sector measurement methods, industry-based disclosure requirements would provide more useful information to the users.

For instance, B17 Insurance, there is no disclosure topics relating to life insurance, which is a significant part of insurance industry. In addition, health insurance is considered under B30 Managed Care and life insurer may also need to consider B15 Asset Management & Custody Activities (which possibly could duplicate the data disclosure by asset management companies).

We recommend to have some examples separately for general insurance and life insurance and to reflect views from the life insurance experts. We note that SASB was developed to cover insurance, however, the metrics therein is heavily focused on general insurance and has limited relevance to life insurance.

Refer to the separate comments for Appendix B.

(k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

Yes		No	V	Others	

Please explain your answer:

No further input.

(l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

Yes		No		Others	V

Please explain your answer:

It may need to refer to industry classifications developed by local/regional/global bodies.

Refer to the separate comments for Appendix B.

Question 12—Costs, benefits and likely effects

Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

The likely benefit includes:

Building trust with all stakeholders and ultimately drive long-term value.

Better understanding of opportunities and risks

Enhanced competitive advantage and improved brand image

Reducing the risk of governance and environmental failures

The likely cost includes:

Implementation project cost

Cost for governance, monitoring, reporting, reviewing and validating the information

Consultancy cost

The required cost and resources will be subject to the required information to disclose within the insurance sector in HK.

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

The cost impact should be limited, the concern will be more on what climate-related information to disclose, from insurance sector perspective.

Furthermore, if we can rely on the Parent company for supporting most of the reporting, the cost will be lower; otherwise there will be costs of duplication if we cannot rely on the reporting of its listed parent in HK.

(c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

Yes		No	V	Others	

Please explain your answer:

Scope 3 emission for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group, which the reporting entity may have limited control.

Calculating Scope 3 emissions might be very resource-consuming for entities with complex value chain.

Question 13—Verifiability and enforceability

Paragraphs C21–24 of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.

Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Yes		No		Others	V

Please explain your answer:

Any quantitative information which is derived from projection model, it involves a lot of judgements from the preparers and it would be difficult for auditors to provide assurance on, however, a review could be possible.

This will be subject to the specific life insurance metrics within the insurance sector and a further sector-wide consultation maybe necessary from different metric owners within the insurance sector.

Theoretically, seems fine so far. Not sure whether the quality of data verification would be just fine as part of the qualitative data is hard to be evaluated.

Question 14—Effective date

Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach.

Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information requires entities to disclose all material information about sustainability-related risks and opportunities. It is intended that [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information could take longer to implement.

Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

Earlier		Later		The same as	V

Please explain your answer:

ED S1 requires entities to disclose material information about all sustainability-related risks and opportunities. ED S2 climate-related risks and opportunities is a subset of S1. While S1 provides critical substance on climate-related risk and opportunities which related to S1. Hence, they should be effective at the same time. However, if it takes more time to finalise the requirement for S2, the Board may consider making effective S1 earlier than S2 since S1 is a principle basis guidance which is expected not to be highly controversial.

However there should be sufficient time as transition period, and should seek inputs from different markets and different sectors (e.g. HK’s life insurance sector).

(b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

At least three years after a final Standard is issued while allowing early adoption. The entity has to gather disclosure information, especially for on the investments assets disclosures, together with a comprehensive review on the entity's sustainability plan. It also takes time for the Board to approve these new strategies or changes.

Proposing to be effective from 2025-2026 for the HK insurance sector. It is expected such ISSB standards will be finalized by end 2022 and regulatory body will need time to consider the adoption of relevant areas in 2023 and finalize by 2023/4. With transition period provided to the insurance sector, expecting the earliest effective date for insurers would be 2025/6.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Broadly Agree	V	Broadly disagree		Others	

Please explain your answer:

Similar to an accounting policy choice, the Board may consider allowing entities to early adopt certain disclosure requirements when sufficient information is available. It is suggested to allow more flexibility for entity to elect the relevant disclosures based on the entity's own choice.

Entities could disclose the followings earlier that other:

1) governance structure and scope of responsibility
2) List of identified risk and opportunities
3) Scope 1&2 emissions

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Digitalization will be a trend. But it might have to be implemented by stages. It would be better for entities to adopt digital format after they settle a certain sustainability-related disclosure framework.

Question 16—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Yes		No	V	Others	

Please explain your answer:

IFRS S2 seems much more precise and detailed. Given the fact that it's developed on TCFD, which has been widely accepted by many regions. There shall not be many limitations.

Question 17—Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

It is likely to have timing difference from data availability and reporting date. If proxies or apportionment of data is required, grateful if can illustrate how it is possible to meet the reporting standard.

Comments on *Appendix B Industry-based disclosure requirements Volume B17 (Insurance) of [draft] IFRS S2 Climate-related Disclosures*

Our specific comments in addition to Question 11(j) – Industry-based Requirements

	Comments
Industry Description	Industry description involved both life and general insurance but Sustainability Disclosure Topics & Metrics are limited to general insurance Credit default swaps (CDS) derivatives are widely used as a risk hedging tool and we believe the description here may not be in line with our current understanding.
Sustainability Disclosure Topics & Metrics	Please consider any other metrics relating to life insurance We note that SASB was developed to cover insurance. However, the metrics therein is heavily focused on general insurance and has limited relevance to life and health insurance. some metrics (e.g. carbon emission scope 1 and 2) can be provided but not yet for the rest. We consider this paper is primarily Property & Casualty (P&C) focused as opposed to Life and Health (L&H) which is what we manufacture. If we were to impose the same disclosure requirements on L&H insurer this may bring undue burdens. In L&H, it will be useful to have industry consensus on climate stresses, as there is greater homogeneity amongst the L&H insurers (relative to P&C). In the physical risk section, there is a reference to earthquake. As far as we are aware, there is no scientific evidence of linkage between climate change and earthquake.
Incorporation of Environmental, Social, and Governance Factors in Investment Management	From our perspective, most of the processes are relying on the holdings company, parent co Group's Responsible Investment Policy procedures but not everything single details – for scenario analysis and/or modeling in which the risk profile of future ESG factors at the portfolio level, formal oversight, underlying investment manager appointment & etc, these will also be driven by our Group and these should be captured in the Group RI Policy in the future.
Policies Designed to Incentivize Responsible Behavior	Incentive could be explored based on healthy behaviors completed (e.g. continuous routine exercise) but backend mechanisms need to be considered (e.g. technical system support and calculations of incentives etc.) For FN-IN-410b.1. – Could we have more guidance / examples of "energy efficiency and low carbon technology"?
Physical Risk Exposure	**Physical Risk Exposure**

	Quantitative metrics do not consider impact of physical risk (e.g. heatwave and windstorm) to the loss of life or any other physical risk which may affect the morbidity and mortality. For FN-IN-450a.2. – Will there be any materiality concept for disclosure if entity does not have many Catastrophe loss policies (particularly for life insurance)? Note sure if system enhancement is needed to track the breakdown of policyholder benefits paid and claims incurred as a result of incurred policy losses and benefits expenses related to modeled and non-modeled natural peril catastrophe events.
Transition Risk Exposure	**Comment 1** 1. Is it possible to set up materiality requirements or holding threshold for disclosure accuracy? o The reliability of emission data is uncontrollable by the disclosing entity: ▪ For indirect holding, it may be impossible for investor to understand the actual holding % and thus the financed emissions data ▪ Even for direct holding, lengthy investigation is required (e.g. through audited carbon results and a lengthy investigation) for management to validate the adequacy of information. Retail investors do not have control or say over this aspect. 2. Does the disclosure requirement allow best estimate long-term average / proxy application financed emissions data? o Similar to the discussion quoted, it is impossible to maintain the balance of timely information and data accuracy o Individual short-term emissions (especially historical performance) may not be reliable for long term investment purpose o It is therefore discouraging companies to take corrective measures for their recent non-eco-friendly actions. O For example, a company has long been “awarded” for a low carbon emission historically but suffered from a one-off emission due to a catastrophic event, accident, or specific project. If the long-term factor is used to calculate financed emission, the one-off incidents will not impact the investors’ decisions e.g. insurers nor the funding ability of the said company. However, if a short-term factor (e.g. prior year emission) is adopted, the investor e.g. insurers may have to leave the investment or stop funding the said company. This would NOT be encouraging companies to take corrective actions but rather only to leave the market immediately after a significant incident. **Comment 2** **FN-IN-1 to FN-IN-5 Transition Risk Exposure** Asset Management companies will be responsible for providing any ESG related metrics (if needed). Based on the metrics, it looks like there will be significant amount of resource/work to be required for providing all the metrics. We rely on Group office to provide the information For FN-IN-1. – In addition to Global Industry Classification Standards (GICS) and SICS codes of SASB, it would be good if there is guidance for other widely recognized industry codes as well.

For FN-IN-2 to FN-IN-5 – Given the large number of securities invested by insurance companies, also data coverage and quality/reliability is imperfect, there would be great challenge / burden for collecting and verifying the emission data of each investee / counterparty, which may not be cost-effective.

For FN-IN-3 & FIN-IN-4 - some metrics (e.g. carbon emission scope 1 and 2) can be provided but not yet for the rest.

Comment 3

1. There is data availability issue to disclose by industry gross exposure on carbon emission. Companies may need to obtain information from source such as Global Industry Classification Standard ("GICS"). The coverage of information from such source are limited, which will limit the data availability for disclosure.

2. Due to the data availability, it would be very difficult for companies to disclose its absolute gross financed emissions, disaggregated by Scope 1, Scope 2, and Scope 3 emissions for each industry by asset class. Even with methodology suggested by PCAF, It could only contribute to the total of the financed emission, instead of breakdown by scope 1 to 3. Appendix II B17 requires investor to disclose their investee's GHG by investee's scope 1, 2 & 3, instead of their investee's total GHG emission. If it is to disclose investee's total GHG emission only, proxy approach such as PCAF can be used. However, if investee's scope 1, 2 & 3 by asset class is required, it would be very challenging due to data availability and there is no industrial reference on how to proxy investee's scope 1,2 &3. To promote consistent and comparable disclosures amongst the industry, the Board should provide more guideline on how to calculate and breakdown financed emission into scope 1 to 3 if it is not available publicly.

3. Situation mentioned in no.2 above applies to the disclosure in relation to gross emission intensity as well.

4. On page 157 of Appendix B17, "presentation currency" is missing as unit of measure for point (2) gross exposure

For each industry by asset class: (1) gross emissions intensity of (a) Scope 1 emissions, (b) Scope 2 emissions, and (c) Scope 3 emissions, and (2) gross exposure (i.e., financed emissions)	Quantitative	Metric tons (t) CO_2-e per unit of physical or economic output	FN-IN-4

5. As per FN-IN-5, entities need to disclose the description of the methodology used to calculate financed emissions. Issues in relation to data availability mentioned above will limit the scope of disclosure. The Board shall consider providing certain practical expedients to these situations in an effort to help preparers more easily apply this accounting guidance.

	<u>Comment 4</u> Sustainability reporting might become as important and demanding as our current financial statement preparation and therefore needs to be resourced Data is a critical challenge, we would be reliant on our asset managers to provide many of the data items. [We are asset owner and have outsourced investment management to asset managers, like many other insurers.] Automated solution are crucial to replace manual data collection and reporting. It could take time to develop automated solution.
Other comments	**Financed Emission** The draft exposure refers financed emission disclosure to Partnership for Carbon Accounting Financials (PCAF)'s standard, which enables financial institutions to assess and disclosure greenhouse gas emissions of loans and investments only. However, academically insurance underwriting could be considered as financed emission and we understand PCAF are looking into this. We suggest to include financed emission disclosure requirements into S2 appendices and should any other additional financed emission to be included into disclosure requirements, proper consultation process will be carried out. To seek views from the insurance experts/sector in Hong Kong and China, particularly for the life insurance side. **Capital Adequacy** Paragraph 8 requires disclosing environmental risk impact on company capital adequacy. The Board could consider suggesting the insurance regulators to take environmental risk into consideration for capital adequacy calculation to align the mechanism and disclosure in the regulated industries. Companies with less environmental risks or more contribution on environmental and climate risk could be rewarded with lower capital adequacy requirement.

Comments on *Appendix B Industry-based disclosure requirements Volume B30 (Managed Care) [relating to health insurance]*

Our specific comments in addition to Question 11(j) – Industry-based Requirements

	Comments
Industry Description	Please consider to have an equivalent section under the volume relating to Insurance
Sustainability Disclosure Topics & Metrics	Nil

Climate Change Impacts on Human Health	During the product development process on health insurance products, if there is any expected / foreseeable deterioration of claims experience or impact on the underwriting requirement of the policies due to extreme weather, these will be assessed and reflected in the product features/design/pricing assumptions/underwriting etc. It was unclear how health was impacted by Climate Change particularly when the document refers to 'Insurance companies have the ability to incentivize healthy lifestyles'.
Other comments	Nil

Comments on *Appendix B Industry-based disclosure requirements Volume B15 – Asset Management & Custody Activities*

Our specific comments in addition to Question 11(j) – Industry-based Requirements

	Comments
Industry Description	Please consider to have relevant section under the volume relating to Insurance in respect of invested assets; client assets should be out of the scope for insurance industry as it will be covered by asset management companies.
Sustainability Disclosure Topics & Metrics	
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	
Transition Risk Exposure	Same as the comments in relation to carbon emission of investment portfolio set out in Volume B17 above
Other comments	Under the disclosure requirement, the reporting entity is required to provide climate-related information of the asset holding of the Company. Since the fund holding under the investment-linked policies forms parts of the asset portfolio of an insurance company, the corresponding information of the fund holding should be disclosed with the same manner as other asset. However, the investment choice of such asset is depends on the risk appetite and investment strategy of the policyholder but not the insurance company. Hence, those funding should be excluded in the disclosure. On the other hand, those information should be disclosed in the liability side of the insurance company, this would be a zero sum result when combining the report of asset portfolio. In a holistic view, such information will be disclosed under the fund issuer, there is overlapping of the information if such information is reported under the disclosure of the insurance company.