Comment on ISSB Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures — Proposed amendments to IFRS S2

<table>
<tr><td colspan="2">Question 1—Measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions</td></tr>
<tr><td colspan="2">➢ No adverse comment is from our company, the proposed ED lessens the disclosure requirement for Scope 3 GHG emission.

➢ The proposed amendment to IFRS S2 is expected to have positive impact:
1. Reduced complexity and compliance burden
It simplifies the application of IFRS S2 by clarifying that certain complex financial activities—such as derivatives and facilitated emissions in investment banking—do not need to be included in Scope 3 Category 15 disclosures. This is especially beneficial for Hong Kong’s financial sector, which has a high concentration of investment banks and insurance firms.

2. Cost savings
Entities can avoid costs associated with data collection, estimation and reporting, in particular helpful for smaller firms with limited access to emissions data from counterparties.

3. Flexibility
The amendment is optional, allowing those entities with robust systems in place to continue disclosing the information if they choose to do so. This flexibility support both transparency and practicality.

➢ We agree with the proposed relief. This clarifies the ISSB S2 disclosure requirement and it is in line with the IFRS paper which clarifies the disclosure requirement dated September 2024. The relief does not lead to additional cost for insurers. In HK insurers, derivatives are mostly restricted to hedging purpose and there should be no or limited speculation purpose. As such, the exclusion of GHG associated with derivatives should make negligible difference to the total Scope 3 Cat 15 emission of the insurer. GHG associated with derivatives can be included in later phase when the methodology in relations to such asset class is more established.

Also agree with excluding emission associated with insurance underwriting as there is lack of well-established methodology in relations to such emission as mentioned in the IFRS paper dated September 2024.</td></tr>
<tr><td>(a)</td><td>➢ Standard point: Conditionally agree
• Rationale: Excluding derivatives, facilitated emissions, and insurance-associated emissions may reduce complexity, particularly for financial institutions. However, these risks omitting material emissions that impact climate risk assessments.
• Suggestion: Allow exclusion only if entities can provide a clear rationale for why these emissions are immaterial or impractical to measure. A phased approach (e.g. temporary relief with future mandatory inclusion) could balance practicality and transparency.</td></tr>
<tr><td>(b)</td><td>➢ Standard point: Agree
• Rationale: Disclosing the magnitude of excluded derivatives and financial activities is critical for transparency. Users must assess the potential impact of omissions.
• Suggestion: Clarify that "derivatives" align with IFRS 9 definitions to reduce interpretive variability. Require qualitative explanation (e.g. types of derivatives excluded) alongside quantitative disclosures.</td></tr>
<tr><td colspan="2">Question 2—Use of the Global Industry Classification Standard in applying specific requirements related to financed emissions</td></tr>
<tr><td colspan="2">➢ No adverse comment is from our company, the proposed ED provides relaxation for the choice and disclosure that entities can choose not to use the GICS as the industry-classification system, while our parent company is currently using GICS and there is no</td></tr>
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intention for our parent company not to use GICS.

➢ The proposed amendment is expected to have positive and practical impact:

1. Reduce reporting burden
   Mandatory GICS would require significant system overhauls and data reclassification and hence the proposed amendments will allow the entities to sue alternative classification systems that are already embedded in the existing operation.

2. Cost efficiency
   Entities can save on administrative and compliance costs and is beneficial to smaller institutions.

3. Improved relevance and flexibility
   This allows the entity to align with the company's internal risk management and reporting frameworks to enhance relevance and usability of the disclosed information for stakeholders.

➢ We understood that not all insurers use GICS for asset classification and preparing Scope 3 Cat 15 disclosure following GICS means additional workload to prepare a new set of asset listing. While we agree with such relief from the use of GICS, we suggest requiring insurers who do not use GICS to calculate emission to add disclosure in relations to how they make asset classification and compare the difference between such classification standard with GICS. This is to allow investors/stakeholders to compare emission data among different insurers.

(a)	➢ Standard point: Agree • Rationale: Flexibility is necessary for jurisdictions with established systems (e.g. ICB, ISIC, NAICS, SIC, TRBC). • Suggestion: Fragmentation if multiple systems coexist. Recommend ISSB publish mappings between major classification systems to aid cross-referencing.
(b)	➢ Standard point: Agree • Rationale: Disclosing the systems used and justification for deviations from GICS enhances comparability. • Suggestion: Require entities to explain material differences between their system and GICS (e.g. sector groupings) to assist user adjustments.

Question 3—Jurisdictional relief from using the GHG Protocol Corporate Standard

➢ Standard point: Agree
- Rationale: Avoid conflicts with local regulations.
- Suggestion: It is good to have international adopted methodologies for a choice of different jurisdictions.

➢ Similar to our comment in Amendment 2 (*We understood that not all insurers use GICS for asset classification and preparing Scope 3 Cat 15 disclosure following GICS means additional workload to prepare a new set of asset listing. While we agree with such relief from the use of GICS, we suggest requiring insurers who do not use GICS to calculate emission to add disclosure in relations to how they make asset classification and compare the difference between such classification standard with GICS. This is to allow investors/stakeholders to compare emission data among different insurers*), we suggest insurers to disclose and compare the standard being adopted against the GHG Protocol Corporate Standard. This will facilitate investors' comparison.

➢ No adverse comment is from our company as HKEX requirement follows IFRS S2 and IFRS S2 will apply the GHG Protocol Corporate Standard.

➢ The proposed amendment is expected to have a pragmatic development for HK entities:

1. Alignment with local regulatory frameworks

This enables entities to align their IFRS S2 disclosures with jurisdictionally mandated methodologies, enhancing regulatory coherence.

2. Reduce compliance burden
This aligns with the Hong Kong Stock Exchange ESG Reporting Guide and avoid emission remeasurement.

3. Support for consistent and comparable reporting
This requires that alternative methodologies be jurisdictionally mandated or permitted to ensure credible and comparability across markets.

Question 4—Applicability of jurisdictional relief for global warming potential values

- Standard point: Agree
  - Rationale: Jurisdictions may mandate GWPs (e.g. EU's 20-year vs 100-year time horizon). Flexibility avoids dual reporting burdens across jurisdictions.
  - Note: Require disclosure of both the jurisdictional GWP values and the Intergovernmental Panel on Climate Change (IPCC) values to enable comparability.

- No comment. It has limited impact on HK insurers due to the absence of laws specifying the use of a particular GWP value.

- No adverse comment is from our company as HKEX requirement follows IFRS S2 that it will use the GWP values obtained from the latest Intergovernmental Panel on Climate Change (IPCC) assessment.

- The proposed amendment is practical:
  1. Regulatory alignment and simplification
     This allows entities to comply with both local and IFRS S2 requirements without duplicative reporting or recalculations.

  2. Reduced operational burden
     Emission recalculation will impose unnecessary complexity and the proposed amendment reduces the administrative burden.

  3. Maintain transparency and comparability
     The requirement to disclose the source of the GWP values used will still ensure transparency.

Question 5—Effective date

- Standard point: Agree
  - Rationale: Early adoption supports swift implementation relief.
  - Suggestion: Set effective date no sooner than 6 months post-finalization to allow systems updates. Encourage early application with explicit disclosure when done.

- No adverse comment is from our company, we follow our parent company and our group company, and there is no early adoption is planned for our parent company/our group company/our company.

Question 6—Other comments

- Guidance on derivatives: Provide examples (e.g. swaps, futures, forward) or reference IFRS 9 to reduce ambiguity.
- Monitoring comparability: ISSB should track adoption of jurisdictional exemptions and assess impact on global consistency.
- Transition support: Develop implementation guides illustrating how to apply reliefs (e.g. calculating excluded derivatives).
- Materiality thresholds: Consider introducing thresholds for exclusion (e.g. emissions below certain % of total Scope 3 items).

- The ISSB Exposure Draft Amendments align with the earlier industry focus group discussions held with HKFI, particularly the reduction of the complexity of applying Scope 3 emissions and its reporting burden.
  The proposed reliefs would support preparers in implementing IFRS S2 disclosures, especially for companies like ours, which operate under multiple jurisdictional requirements. We welcome and support this amendment as it eases the future HK ESG requirements for insurers.

- Addition Comment from our company for ISSB to consider
  - Materiality Considerations

    What is proposed?
    The proposed amendments should provide clearer guidance on how materiality applies to GHG emissions disclosures, particularly for Scope 3 emissions.

    Our company recommend that the ISSB reinforce the connection between materiality and enterprise value, ensuring that disclosures remain decision-useful for investors.

    IFRS S2 requires entities to apply a materiality assessment when disclosing climate-related risks and opportunities, as outlined in paragraph 23. Additionally, paragraph 24 highlights that materiality is dynamic and must be reassessed periodically. Entities must transparently disclose materiality judgments (Paragraph 25), with sector-specific considerations (Appendix B) informing assessments.

    What is the impact?
    While IFRS S2 acknowledges that materiality assessments are entity-specific, additional examples by industry or case studies or criteria to be provided would help companies to determine whether Scope 3 emissions are material to their overall climate risk profile.

    With such clarification, risk of inconsistent reporting and risk of omitting significant indirect emissions due to uncertainty by entities could be reduced.

  - Methodology and Data Challenges

    What is proposed?
    Given the complexity of Scope 3 reporting, the exposure draft should offer more prescriptive guidance on acceptable methodologies for calculating GHG emissions, particularly for Scope 3, where data gaps and estimation uncertainties are common. The ISSB should establish minimum standards, mandating disclosure of key assumptions.

    What is the impact?
    Our company recommends that the ISSB to develop supplementary guidance, such as sector-specific calculation guidelines or case studies, to support consistent application.

    Inconsistent GHG calculation methods and unreliable data, especially for Scope 3 emissions, shall increase compliance costs, reduce comparability for investors and raise audit risks.

    Without clearer ISSB guidance, these challenges will persist, undermining both market confidence in sustainability reporting and the global comparability of climate disclosures.

    The proposed amendments should encourage companies to disclose the level of uncertainty in their emissions estimates for helping users assess reliability.

The above responses are from 4 Member companies.