

# Alert

Updates on financial reporting, auditing, ethics  
and sustainability disclosures



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## **Updates on the Institute's Sustainability Disclosure Standards development**

The HKSAR Chief Executive stated in his [October 2023 Policy Address](#) that the Financial Services and the Treasury Bureau (FSTB) will 'work with relevant financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the IFRS Sustainability Disclosure Standards for Hong Kong's financial services to align with international standards'. In accordance with this directive, the HKICPA has assumed the role of the sustainability disclosures standard setter for the accountancy profession in Hong Kong. This follows our [June 2023 Alert](#), which communicated the HKICPA's plan to establish local sustainability disclosure standards. We would now like to provide you with an update on the progress of our standard-setting work in this regard.

### **Local developments: working with the CASG**

As highlighted in the June 2023 Alert, we had been working closely with the Green and Sustainable Finance Cross-Agency Steering Group (CASG) since the early stages of designing the local sustainability reporting framework to ensure alignment in the direction of travel for Hong Kong as a whole. In early July 2023, we invited Sue Lloyd, Vice Chair of the International Sustainability Standards Board (ISSB), to brief the CASG principals on the potential benefits of adopting the IFRS Sustainability Disclosure Standards (IFRS SDS) in Hong Kong.

In August 2023, we were invited to join the Working Group on Sustainability Disclosures (WGSD)<sup>1</sup> as a member, along with other regulators and government authorities. Our membership in the WGSD enables us to actively contribute and collaborate with the CASG members and other stakeholders in shaping the sustainability reporting landscape in Hong Kong.

In the past few months, we have worked closely with the other WGSD members to formulate a detailed work plan for the development of the local sustainability disclosure standards (see 'next steps' below).

### **International developments: participation in international standard-setting activities**

In addition to our efforts at the local level, we have actively participated in various

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<sup>1</sup> The WGSD is formed under the CASG to coordinate efforts from the financial sector, with a view to making recommendations to the CASG on the elements to be covered by a roadmap to set out the plan of building a robust sustainability disclosure ecosystem in Hong Kong. Members of the WGSD include representatives from Accounting and Financial Reporting Council, Environment and Ecology Bureau, Financial Services and the Treasury Bureau, Hong Kong Monetary Authority, Hong Kong Exchanges and Clearing Limited (HKEX), HKICPA, Insurance Authority, Mandatory Provident Fund Schemes Authority and Securities and Futures Commission.

international standard-setting activities. The staff of the HKICPA's Standard Setting Department (SSD) have played an active role in presenting at international meetings that focused on the adoption and application challenges of IFRS SDS. Two noteworthy contributions were our participation in the panel discussion on the *International Perspectives on the Application of IFRS SDS* at the September 2023 World Standard-Setters Conference and our discussions on climate-related risks in financial statements at the September 2023 International Forum of Accounting Standard Setters meeting.

In August 2023, SSD also responded to the ISSB Consultation on Agenda Priorities, ensuring that local stakeholders' views are heard. In our comment letter, we emphasised the importance of the ISSB's providing sufficient support to help entities implement IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* properly, as we believe that the successful implementation of these standards is vital for establishing the credibility and effectiveness of the ISSB. This in turn will help the ISSB shape its future work.

By actively participating in international discussions and sharing our local perspectives, we aim to contribute to the global dialogue on sustainability disclosure standards and ensure that the interests and needs of Hong Kong stakeholders are taken into account at an early stage of the standard-setting process.

On a separate note, the ISSB has recently published the [Preview of the Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards](#) in late February 2024, with the objective of finalising it by the first half of 2024. The guide sets out the features that the IFRS Foundation (IFRSF) will consider when describing a jurisdiction's approach to adoption, which will be reflected in the jurisdictional profiles to be prepared by the IFRSF once a jurisdiction's approach to sustainability reporting is finalised and no longer subject to consultation. The objective of all this is to promote consistent and comparable sustainability-related disclosures for capital markets and to support regulators in designing their jurisdictional roadmaps.

### **Capacity Building**

The HKICPA was admitted into the [ISSB Partnership Framework for Capacity Building](#) (Partnership Framework) in July 2023, demonstrating our commitment to supporting the implementation of the IFRS SDS. The Partnership Framework was officially launched at COP27 in November 2022 with the support of approximately 30 partner organizations. Its purpose is to provide comprehensive support to preparers, investors and other stakeholders as they prepare to use the IFRS SDS.

As an active participant in this partnership, we engage in monthly calls with the partner organizations. Being part of this framework grants us access to valuable resources, knowledge-sharing platforms and collaborative opportunities with other partners. This enables us to strengthen our capability in understanding the IFRS SDS and supporting the broader community in Hong Kong in their implementation.

During the Climate Action Day at COP28 in December 2023, the IFRSF introduced the [IFRS Sustainability knowledge hub](#), which is a pivotal component of the IFRSF's capacity-building programme. The hub has been designed to assist companies in preparing their IFRS SDS disclosures. It will also serve as a valuable repository for auditors, investors, regulators, and other stakeholders seeking to enhance their understanding of the IFRS SDS. The hub hosts content developed by the IFRSF as well as over 100 resources provided by third-party organizations. In particular, the ISSB has published educational material in five areas:

- [Comparison of IFRS S2 with the TCFD recommendations](#)
- [Nature and social aspects of climate-related risks and opportunities](#)
- [Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards](#)
- [Using the SASB Standards to meet the requirements in IFRS S1](#)
- [How to apply the Integrated Reporting Framework with IFRS S1 and IFRS S2](#)

Apart from our active engagement in the aforementioned partnership and dissemination of relevant educational materials, we are in the process of developing a comprehensive capacity building program to prepare our local stakeholders for sustainability reporting. Visit our dedicated [ESG Information Centre](#) webpage for further updates on this initiative and other useful resources including our current suite of sustainability-related trainings.

### **Next steps**

In the coming months, the HKICPA and relevant regulators will conduct in-depth meetings with selected entities to obtain substantive and specific evidence on the challenges they expect to encounter in applying certain IFRS SDS requirements, with a view to identifying areas where entities in Hong Kong may need more assistance in terms of guidance and market infrastructure and/or time to get ready. The information gathered will be used to inform the WGSD's development of a comprehensive strategic roadmap for adopting the IFRS SDS as appropriate in Hong Kong, as mentioned in the October 2023 Policy Address.

In addition, the HKICPA plans to establish a dedicated platform for our local stakeholders to submit implementation questions regarding IFRS S1 and S2. This platform is expected to be launched ahead of the effective date of the enhanced climate disclosure requirements of the HKEX from 1 January 2025. The objective is to allow stakeholders to raise implementation issues as they start work on the HKEX and/or IFRS S1 and S2 requirements and have the issues deliberated by local technical specialists.

Sincere regards,

Hong Kong Institute of Certified Public Accountants  
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