Technical Bulletin - AATB 5
Issued December 2020

Technical Bulletin

Environmental, Social and Governance (ESG) Assurance Reporting

This Technical Bulletin provides practical non-authoritative support material to assist practitioners when performing assurance engagements on ESG information. The purpose of this Technical Bulletin is set out in paragraph 2.3. The basis of the reporting framework is HKSAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* which is adapted from the IAASB's Proposed Guidance: *Extended External Reporting (EER) Assurance*, and tailored with reference to the ESG reporting circumstances in Hong Kong. Once the IAASB finalises its proposed Guidance on EER Assurance, the Institute intends to follow the International Convergence Programme for convergence as a local guidance. The contents of this Technical Bulletin would be incorporated into the local version of the EER Assurance Guidance to provide information and guidance from a local perspective.

Hong Kong Institute of Certified Public Accountants
香港會計師公會

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

TECHNICAL BULLETIN

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ASSURANCE REPORTING

This Technical Bulletin is issued by the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants (HKICPA). The Technical Bulletin does not constitute an auditing or assurance standard. Professional judgement should be used by members in its application. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this Technical Bulletin can be accepted by the HKICPA.

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Chapter 1 Introduction

1.1 Globally, there is an increasing demand for environmental, social and governance (ESG) information by investors and stakeholders who pursue long-term investment in sustainable and socially responsible companies. Since 2016, the Hong Kong Exchanges and Clearing Limited (HKEX) requires all companies listed on the HKEX to issue an ESG report in accordance with its Environmental, Social and Governance Reporting Guide[1] (HKEX ESG Reporting Guide). In December 2019, the HKEX released an enhancement to the HKEX ESG Reporting Guide to strengthen the leadership role and accountability of the issuer's board on ESG information. The enhanced HKEX ESG Reporting Guide are effective for issuers' financial years commencing on or after 1 July 2020.

1.2 Paragraph 9 of the HKEX ESG Reporting Guide encourages issuers to seek independent assurance to strengthen the credibility of ESG information disclosed. An issuer may choose to obtain external assurance for all or part of its ESG report. While optional, the HKEX states that where independent assurance is obtained, the issuer should clearly describe in the ESG report the level, scope and processes adopted for the assurance given. Issuers may decide whether to disclose the name of the assurance practitioner[2].

1.3 Private companies may also prepare ESG information for various reasons and some may voluntarily seek assurance on the information disclosed. Practitioners may make reference to this non-authoritative technical bulletin (Technical Bulletin) when undertaking such engagements.

1.4 For the purposes of a practitioner's reporting on ESG information, the Institute's Auditing and Assurance Standards Committee (AASC) has determined that an assurance engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* be generally suitable for these engagements.

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1 Appendix 27 to the HKEX Main Board Listing Rules or Appendix 20 to the HKEX GEM Listing Rules: https://www.hkex.com.hk/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/ESG-Reporting-Guide-and-FAQs?sc_lang=en

2 In the interest of simplicity, the terms "practitioner" and "assurance practitioner" are used interchangeably throughout this Technical Bulletin.

Chapter 2 Assurance framework

2.1 An ESG report describes not only the ESG performances of an organization, but also the way an entity manages the most important topics, in terms of principles, values, policies and management systems. The entity should assess whether each of these aspects is material to its business operations and if so include them in its ESG report.

2.2 An ESG report should cover information on the underlying ESG subject matters which may be financial information or non-financial information. Financial information is linked to an entity's financial statements and is expressed in monetary terms. Non-financial information can be quantitative, such as tons of greenhouse gas emission, or qualitative, such as an entity's organizational structure.

2.3 The purpose of this Technical Bulletin is to provide practical non-authoritative support material intended to assist practitioners in performing assurance engagements in accordance with HKSAE 3000 (Revised) on ESG information. Although this Technical Bulletin may also assist other parties on other assurance engagements, it has not been developed with the needs of such parties in mind. Practitioners applying this Technical Bulletin should have an understanding of HKSAE 3000 (Revised), the HKEX ESG Reporting Guide and applicable ESG reporting frameworks. This Technical Bulletin is not a substitute for reading the HKSAE 3000 (Revised) in full and should be applied to practitioners' reporting based on specific facts and circumstances.

2.4 Practitioners following this Technical Bulletin to undertake an assurance engagement on ESG information under HKSAE 3000 (Revised), should:

(a) Comply with the provisions of the *Code of Ethics for Professional Accountants* (the Code) issued by the Institute related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding[3]. Further guidance on ethical requirements is set out in paragraphs A30 to A34 and A60 of HKSAE 3000 (Revised); and

(b) Comply with the engagement acceptance and continuance requirements set out in paragraphs 21 to 30 of HKSAE 3000 (Revised); further guidance is set out in paragraphs A34 to A59 of HKSAE 3000 (Revised).

2.5 The practitioner may also conduct the assurance engagement in accordance with HKSAE 3410 *Assurance Engagements on Greenhouse Gas Statements* issued by the HKICPA in relation to an entity's greenhouse gas statement.

2.6 In 2020, the International Auditing and Assurance Standards Board (IAASB) issued for consultation *Proposed Non-Authoritative Guidance: Special Considerations in Performing Assurance Engagements on Extended External Reporting* (IAASB's Proposed Non-Authoritative Guidance)[4] to assist practitioners on performing assurance engagements in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*[5] on extended external reporting (EER) by entities of all sizes about a broad range of reporting topics. EER encapsulates many different types of reporting that provide information about the financial and non-financial consequences of any entity's activities. Where necessary, practitioners are encouraged to refer to the proposed IAASB's Proposed Non-Authoritative for guidance when performing an assurance engagement over ESG information.

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3 Paragraph 20, HKSAE 3000 (Revised).

4 It is available at: https://www.iaasb.org/publications/public-consultation-proposed-guidance-extended-external-reporting-eer-assurance-march-2020

5 HKSAE 3000 (Revised) issued by the HKICPA is based on and adopted from ISAE 3000 (Revised).

Chapter 3 Special features of ESG reporting

Qualitative and quantitative information

3.1 An ESG report is a way for entities[6] to demonstrate their business activities in relation to their sustainability practices. Unlike audited financial statements, there are no standardized report formats and structures in presenting ESG information and an ESG report may contain a diversity of information including qualitative and quantitative information.

Qualitative information

3.2 An ESG report gives an overview on the entity's commitment towards sustainable development, enhancing engagement with stakeholders by providing transparent information regarding the entity's ESG performance and the approach in achieving sustainable objectives. In the report, an entity can define its own strategic direction on environmental and social topics, identify priorities and set an action plan (short to medium term) based on its concept of sustainability.

3.3 Most of the information in an ESG report is qualitative in nature and presented in narrative description about an entity's ESG practices. Some of this information may be verifiable if it reflects the actual fact of what the entity has done in a particular financial year in respect of ESG.

3.4 An ESG report may also contain some forward-looking information explaining how an entity integrates ESG elements into business processes and how to create long-term value through its business operation.

3.5 Some qualitative information may be subjective and difficult to be evidenced. In an ESG report, there may be situations where an entity may want to demonstrate the intangible benefits achieved through its ESG practices such as better brand image or reputation, enhanced relationship with stakeholders, aligning global sustainability goals, better employee sense of belonging due to ESG practices, future benefits of adopting certain ESG practices, etc.

Quantitative information

3.6 Apart from the qualitative information mentioned above, there is usually a lot of quantitative information in an ESG report such as key performance indicators (KPIs) under various aspects of environmental and social areas. The disclosure of KPIs information should be objectively based on supporting evidence captured from the entity's operating system and have gone through a review process to ensure they are correct, accurate and complete for disclosure.

3.7 Sometimes, quantitative indicators are used for goals setting and measuring the performance against a set of targets.

3.8 In certain situations, quantitative information may be difficult to assess. For example, when assessing the financial impact of climate change on business operations, an entity may need to identify different scenarios and make certain assumptions. As such, the resulting financial impact may be difficult to verify as there are variables and uncertainties.

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6 In the interest of simplicity, the terms "issuer" and "entity" are used interchangeably throughout this Technical Bulletin. Practitioners reporting on ESG information for entities other than issuers listed on the HKEX should consider whether provisions relating to HKEX ESG Reporting Guide in this Technical Bulletin is applicable to his/her engagement.

ESG reporting frameworks

3.9 Apart from the HKEX ESG Reporting Guide, an entity may align its ESG reporting practices with international frameworks. These frameworks include the Global Reporting Initiative Standard (GRI), The International <IR> Framework, United Nations Sustainable Development Goals, United Nation Global Compact, Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD). Due to the diversity of ESG information, there is yet to be a consistent global reporting framework on ESG information that will satisfy all users. The HKEX website has listed some commonly used ESG reporting frameworks: https://www.hkex.com.hk/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/ESG-Resources-Hyperlinks?sc_lang=en

Different purpose

3.10 The purposes of these frameworks are not the same, and include providing a common language for non-financial information, assessing the financial impact of climate change, explaining to providers of financial capital how an organisation creates value over time, etc. Practitioners should understand the applicable ESG reporting frameworks in the context of entities' ESG reporting.

Principles-based

3.11 Many of these international frameworks are principles-based. Their intent is to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations while enabling a sufficient degree of comparability across organizations to meet relevant information needs.

3.12 The table below illustrates the principles of some frameworks:

HKEX ESG Reporting Guide	GRI	The International <IR> Framework
Reporting principles • Materiality • Quantitative • Balance • Consistency	Report content • Stakeholder inclusiveness • Sustainability context • Materiality • Completeness Report quality • Accuracy • Balance • Clarity • Comparability • Reliability • Timeliness	• Strategic focus and future orientation • Connectivity of information • Stakeholder relationships • Materiality • Conciseness • Reliability and completeness • Consistency and comparability

3.13 Materiality is the principle most commonly adopted across different ESG reporting frameworks. Materiality is the threshold at which ESG information is determined by the board to be sufficiently important to investors and other stakeholders that it should be reported and considered in determining the scope and content of an entity's reporting. Depending on the business nature, industry, geographical location, scale and other factors, an entity may consider certain aspects to be material to its business, while others may not. Entities should determine and prioritize material ESG information by conducting a materiality assessment. With a range of potential ESG factors to disclose, the accounting and legal construct of materiality is increasingly used to identify and prioritise (illustrating through materiality matrix) the matters covered by ESG disclosure.

3.14 Apart from material ESG information, an entity may decide to report on other elements that do not meet the threshold for materiality, but may still be relevant to the entity's operational and/or reputational (e.g. brand) performance as they may be significant to stakeholders. Therefore, when considering which ESG information to report, entities will need to clearly articulate how the concept of materiality has been applied.

3.15 Other commonly adopted principles include balance, reliability, consistency, completeness and comparability. The quantitative principle under the HKEX ESG Reporting Guide further refers to measurable KPIs and setting of targets. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate. Comparisons can be made to, for example:

(a) Historical company and industry trends

(b) Related corporate goals

(c) Relevant ratios

(d) Industry averages

(e) Financial results/performance

To make reporting more meaningful, an entity may also consider linking indicators to the entity's business strategy and financial performance.

3.16 These principles are relatively high level concepts which provide overall guidance to practitioners when preparing their ESG assurance reports. For example, the balance principle requires an ESG report to provide an unbiased picture of the issuer's performance according to the HKEX ESG Reporting Guide. It is important for issuers and practitioners to determine whether the ESG information disclosed is unbiased and in accordance with the applicable criteria. An entity may consider factors including the following in determining whether the ESG information being disclosed is balanced:

(a) Difficulties and challenges in preparing the ESG report

(b) Failure or accidents in ESG aspects

(c) Targets missed

(d) Awards received or achievement made

(e) Action plans in resolving the difficulties and challenges

Reporting areas and aspects

3.17 The ESG report content required by different frameworks may vary in terms of categorisation and aspects to be reported.

HKEX ESG Reporting Guide	GRI (areas/aspects not noted in the HKEX ESG Reporting Guide)	The International <IR> Framework
Environmental • Emissions • Use of resources • The environment and natural resources • Climate change ***Social*** • Employment • Health and safety • Development and training • Labour standards • Supply chain management • Product responsibility • Anti-corruption • Community Investment	***Economics*** • Economic performance • Market presence • Indirect economic impact • Anti-competitive behaviour ***Environmental*** • Biodiversity • Supplier environmental assessment ***Social*** • Freedom of association and collective bargaining • Security practices • Rights of indigenous peoples • Human rights assessment • Supplier social assessment • Public policy	• Organization overview and external environment • Governance • Business model • Risks and opportunities • Strategies and resource allocation • Performance • Outlook • Basis of preparation and presentation

3.18 The HKEX ESG Reporting Guide sets out the basic framework for issuers regarding ESG reporting, and is not meant to be an exhaustive list. Issuers may adopt international ESG reporting guidance so long as they include comparable disclosure provisions to the “comply or explain” provisions.

Reporting boundary

3.19 The HKEX ESG Reporting Guide does not prescribe the criteria for which entities in an issuer’s group or which operations should be included in its ESG report. The issuer should determine the scope of its ESG report and include a narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. The setting of reporting boundaries should be based on the issuer’s own criteria, depending on its business and circumstances. Some common methods for setting the boundary include:

following the scope used in its annual report; applying a financial threshold (e.g. inclusion of subsidiaries or operations contributing to a certain percentage of the issuer's total revenue or other benchmark); or risk level (e.g. inclusion of operations exceeding a certain risk level despite being a non-major business sector of the issuer). In some cases, the issuer may adopt different scopes for different areas, aspects or provisions.

3.20 Practical issues might limit the nature and extent of information presented in an ESG report. For example:

(a) The availability of reliable data with respect to entities the financial reporting entity does not control

(b) The inherent inability to identify and quantify all risks, opportunities and outcomes that will materially affect the reporting entity

3.21 Entities may disclose such limitations, if any, and actions being taken to overcome them. It is also suggested that when determining the reporting boundaries, an entity may take into account of at least two sets of boundaries: timeframes and operations.

(a) **Timeframes**: ESG information should match an entity's fiscal year and hence match the time period for the annual report. This allows users of an ESG report to cross-use the two different sets of information.

(b) **Operations**: ESG information should cover the entity in all material aspects. If an entity has partial ownership of certain subsidiaries, the information should be reported to accurately reflect the proportional exposure the entity has to these businesses.

ESG governance

3.22 The board of an entity is responsible for evaluating and determining the entity's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. It also includes the board's oversight of ESG information and its management approach, including the process used to evaluate, prioritise and manage material ESG-related risks.

Identification of ESG risks

3.23 Entities should have an enterprise risk management process in place to identify risks that impact the business strategy and include them in the risk inventory. This process may include surveys, workshops and interviews with risk owners, executives and board members to confirm existing risks or understand new or emerging risks. Some companies may also apply quantitative and in-depth analytical procedures in identifying ESG-related risks, for example:

(a) ESG materiality assessment

(b) Megatrend analysis

(c) Stakeholder engagement

(d) Media monitoring, web scraping

(e) Supply chain due diligence

(f) SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis

3.24 Entities may face practical difficulties when identifying ESG risks as it would be difficult to ensure that the risk inventory will be a complete list of ESG risk factors and emerging ESG issues may happen from time to time and difficult to foresee. Entities may consider the following questions in identifying and defining ESG-related risks:

(a) What is the nature of the risk?

(b) What is the source of the risk?

(c) What is the root cause of the risk?

(d) How does it relate to the business?

(e) Which business operations may be impacted by the risks?

(f) What objectives are going to achieve by addressing those risks?

Assessing and prioritising ESG risks

3.25 Having identified ESG risks, entities should make an assessment over each ESG risk factor in terms of impact and likelihood. Impact is the result or effect of a risk, whereas likelihood is the possibility that a given event will occur. Illustrative examples of impacts and likelihood are shown below:

Impacts	• Financial loss: [ ]% of earnings before interest, taxes, depreciation and amortization (EBITDA) or more than • [ ]% impact on share price • International negative media coverage for more than six months that results in at least [ ]% revenue loss • More than [ ]% employee turnover • Prosecution, fines and litigation greater than [ ]% of expenses • Threatened or actual loss of [ ]% or more strategic customers
Likelihood	• Once a year or more frequent • More than [ ]% chance of occurring

3.26 Following an assessment of the ESG risk, entities will prioritize and determine what ESG risks are acceptable to the entity with reference to their risk appetite and tolerance level. Risk appetite refers to the types and amount of risk, on a broad level, that an entity is willing to accept or reject in pursuit of value. Tolerance refers to the boundaries of acceptable variation in performance related to achieving business objectives.

3.27 There may be practical difficulties in carrying out the assessment and prioritisation exercise as the whole process may involve subjectivity, unavailability of reliable data for the assessment, limitation in quantifying the impact of ESG risks, etc. Entities may consider additional criteria when prioritising ESG risk in order to obtain a more complete understanding of the nature and extent of an entity's exposure. These criteria may include:

(a) The capacity of the entity to adapt and respond to risks

(b) The scope and nature of a risk to the entity's success

(c) How long a risk impacts an entity

(d) The capacity of an entity to return to tolerance

Mitigating ESG risks

3.28 Entities are expected to establish adequate and effective internal controls such as policies and procedures and monitoring mechanism in addressing those ESG risk factors.

3.29 There is no one-size-fits-all internal control setting. The adequacy of internal controls depends on the judgement of the management of an entity with reference to its risk appetite and tolerance. When practitioners are assessing the adequacy of internal controls, they should consider the design of the control procedures as well as the effectiveness of implementation.

3.30 The concept of effectiveness is more straight forward. The internal controls in place should be effective in addressing and mitigating those ESG risks and are operating on an ongoing basis.

3.31 When establishing the risk management framework for ESG practices, entities may make reference to the *Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks* jointly issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the World Business Council for Sustainable Development in October 2018.

Chapter 4 Appropriate competencies and capabilities of the assurance practitioner

4.1 HKSAE 3000 (Revised) requires that the engagement partner of an assurance engagement is a member of a firm that applies Hong Kong Standard on Quality Control (HKSQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, or other requirements that are at least as demanding as HKSQC 1, and has competence in two important areas, namely (i) assurance skills and techniques and (ii) the underlying ESG subject matter and its measurement and evaluation[7].

4.2 Assurance skills and techniques include[8]:

(a) Application of professional scepticism and professional judgement

(b) Planning and performing an assurance engagement, including obtaining and evaluating evidence

(c) Understanding information systems and the role and limitations of internal control

(d) Linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures

(e) Applying procedures as appropriate to the engagement (which may include inquiry, inspection, recalculation, reperformance, observation, confirmation, and analytical procedures)

(f) Systematic documentation practices and assurance report-writing skills

4.3 Assurance skills and techniques are developed through extensive training and practical application in audit and other assurance engagements[9]. A practitioner is not expected to be able to develop assurance competence that is adequate to become an engagement partner of an assurance engagement through patchy training or practical application in limited number of audit and assurance engagements.

4.4 Distinct from assurance skills and knowledge, expertise in underlying ESG subject matter in an ESG assurance engagement include:

(a) Knowledge of ESG information and relevant reporting standards

(b) Knowledge of ESG information relating to the sector the entity operates

(c) Knowledge of the relevant environmental, social and/or employment law or protocols

(d) General understanding of relevant management systems, such as environmental management systems

4.5 In making the decision as to whether to accept an ESG assurance engagement, the engagement partner needs to consider whether they possess adequate assurance competence and ESG subject matter competence and whether the engagement team collectively has the appropriate competence and capabilities. Such decision may not be as straightforward as in the case of accepting an audit engagement because the

7 Paragraph 31 of HKSAE 3000 (Revised).
8 Paragraph A9 of HKSAE 3000 (Revised).
9 Paragraph 31(b) of HKSAE 3000 (Revised).

following characteristics of an ESG reporting may increase the need for a high level of assurance competence and ESG subject matter knowledge[10]:

(a) The reporting may be diverse, both in format and in the matters being reported on

(b) The reporting can be qualitative, comprising narrative description or qualitative information alongside financial and non-financial information

(c) The frameworks and applicable criteria used to measure or evaluate the underlying ESG subject matter(s) of the ESG report may be in the early stages of development or developed internally

(d) The governance, processes and internal control systems related to the preparation of ESG reports often may be less developed than in a financial reporting context

4.6 In instances where an ESG assurance engagement involves specialized ESG subject matter expertise which goes beyond the ESG subject matter knowledge possessed by the assurance practitioner, the assurance practitioner may need to use the work of a practitioner's expert in order to be satisfied that the engagement team collectively has the appropriate competence. Such an expert may not necessarily possess assurance competence. As the assurance practitioner retains sole responsibility for the assurance conclusion expressed, he needs to be sufficiently involved in the work of the practitioner's expert in order to accept responsibility for the assurance conclusion on the ESG report[11].

4.7 After taking on an ESG engagement, the engagement partner is responsible for managing the appropriate deployment of competence throughout the engagement, through direction, supervision and review of the engagement team members' work[12].

10 Paragraph 25 of the IAASB's Proposed Non-Authoritative Guidance.
11 Paragraph 32(b) of HKSAE 3000 (Revised).
12 Paragraph 23 of the IAASB's Proposed Non-Authoritative Guidance.

Chapter 5 Specific considerations regarding the disclosure requirements under HKEX ESG Reporting Guide

5.1 Performing ESG report assurance engagement involves collecting and evaluating evidence about the ESG subject matter against suitable criteria to arrive at a set of findings and conclusions. The entity and assurance practitioner should agree the objective and the scope of ESG information to be assured for the assurance engagement.

5.2 The ESG information disclosed may carry different characteristics such as qualitative/quantitative; historical/prospective financial information and objective/subjective. Therefore, the assured areas should be easily identifiable and capable of consistently evaluated or measured against the suitable criteria for assessing the information and evidence gathered. Entities may consider whether it would undertake external assurance on the whole ESG report or selected ESG information.

Mandatory disclosure requirements

5.3 Under the HKEX ESG Reporting Guide, an issuer is required to disclose the following information:

(a) The issuer's governance structure of ESG matters;

(b) A description on the application of reporting principles "materiality", "quantitative" and "consistency" in the preparation of the ESG report; and

(c) The reporting boundary of the ESG report.

5.4 The information disclosed may be supported by, but not limited to, the following:

(a) ESG-related policies and procedures

(b) Organization structure and terms of reference for the ESG-related position or committee involved

(c) Discussions or meetings of the board and management relating to ESG issues oversight

(d) Descriptions of the approach and processes used to manage ESG-related issues, applying reporting principles, identifying significant stakeholders, setting ESG targets

(e) Documents reviewed by the board on ESG matters

(f) Stakeholders' engagement results.

5.5 Assurance practitioners may need to assess if the narrative statements or description made by an issuer are consistent with the supporting evidence, adequate and complying with the mandatory disclosure requirements.

"Comply or explain" provision

5.6 Under the HKEX ESG Reporting Guide, an issuer must either report on a "comply or explain" provision, or give considered explanations as to why not. Failure to comply without explanation is a breach of the HKEX Listing Rules.

5.7 The assurance practitioner should assess the following points when an issuer is explaining its reasons for not disclosing the required information:

Reason for non-disclosure	Points to note
Not material	Specify the reasons why this disclosure is considered to be not material
Confidentiality constraints	Describe the specific confidentiality constraints prohibiting this disclosure
Specific legal prohibitions	Describe the specific legal prohibitions
Information not available	Describe the specific steps being taken to obtain the information and the expected timeframe for doing so

5.8 The issuer should also meet the expectation of the HKEX for disclosing policies, compliance with relevant laws and regulations and KPIs. When disclosing policies, the issuer should provide a summary of its policies that cover the aspects containing relevant information. For information on compliance with relevant laws and regulations, the issuer should consider whether there are laws and regulations in respect of that aspect which may have a significant impact on the issuer.

Information on KPIs

5.9 There are two types of "comply or explain" provisions under the HKEX ESG Reporting Guide, being general disclosure and specific KPIs, in respect of each aspect in both subject area A: Environmental and subject area B: Social.

5.10 An issuer is expected to disclose the KPIs information in accordance with the specific requirements. If a particular KPI is not disclosed as it is considered to be irrelevant or not material to the issuer, the issuer should provide explanation for not disclosing it.

5.11 The disclosure of KPIs may be supported by various information such as standards, methodologies, assumptions and/or calculation tools used, source of conversion factors used, operational data generated from management information system, etc.

KPIs targets and performance

5.12 While issuers may set targets for all KPIs that are material to them, the HKEX ESG Reporting Guide only expressly requires disclosure of targets for KPIs A1.5, A1.6, A2.3 and A2.4[13] on a "comply or explain" basis.

5.13 Targets may be actual numerical figures or directional, forward-looking statements. Depending on an issuer's specific circumstances, its ESG targets may also feature a combination of numerical figures and directional statements.

5.14 The board of an issuer is required to review the progress made against ESG goals and targets and make disclosure in accordance with the HKEX's disclosure requirements. The assurance practitioner may need to assess whether the disclosure information is in line with the actual performance and the underlying calculation is supported, accurate and correct.

13 For details of the KPIs, please refer to the HKEX ESG Reporting Guide: https://www.hkex.com.hk/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/ESG-Reporting-Guide-and-FAQs?sc_lang=en

Other ESG reporting frameworks

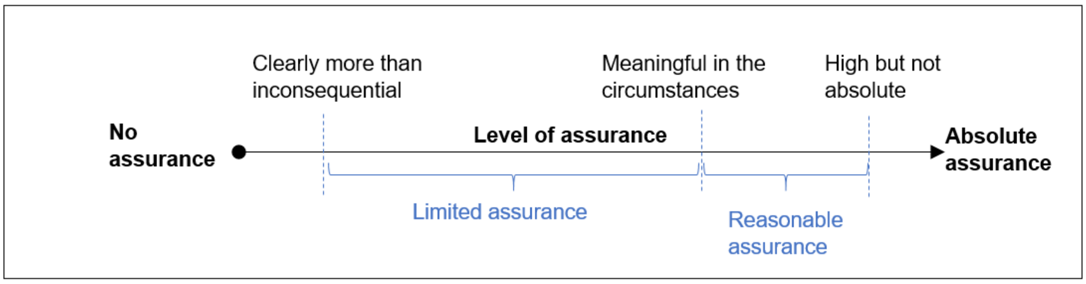
5.15 As mentioned in Chapter 3, apart from the HKEX ESG Reporting Guide, an issuer may choose to adopt other international ESG frameworks and integrate the information in its ESG report. There may be complications as the same piece of information may be satisfying the disclosure requirements of different reporting frameworks. In such situations, the issuer may need to provide explanations or references as to which reporting framework's requirements the disclosure is addressing.

Chapter 6 Level of assurance

6.1 Assurance practitioners may perform a reasonable assurance engagement or a limited assurance engagement in relation to entities' ESG reports.

6.2 A combination of reasonable and limited assurance on different underlying ESG subject matters may be performed in the same assurance report. In this case, the elements on which the practitioner obtained reasonable and limited assurance should be clearly differentiated and separate conclusions are expressed on the respective areas/ aspects of ESG information, with each conclusion expressed in the form that is appropriate to either a reasonable assurance or a limited assurance engagement.

6.3 The level of assurance obtained through performing procedures for limited assurance engagements can vary significantly, from just above assurance that is likely to enhance the confidence of intended users[14] about the ESG subject matter information to a degree that is clearly more than inconsequential to just below reasonable assurance. For a reasonable assurance, sufficient appropriate evidence is obtained to support a high level of assurance[15]. The difference in the level of assurance is illustrated in the below diagram.



6.4 HKSAE 3000 (Revised) allows certain flexibility for the responsible party, intended user and the assurance practitioner to agree the level of comfort that is relevant to the purpose of the ESG report. To allow an understanding of the extent of work done and the degree of confidence the intended users of the assurance report can have in the ESG subject matter information, the assurance practitioner should:

(a) Ensure there is a good shared understanding of the scope of work agreed with the responsible party and/or intended users;

(b) Document the scope of work in an appropriate level of detail in the terms of engagement; and

(c) Provide an informative summary of the procedures performed in the assurance report, and more comprehensively in the case of limited assurance engagement[16].

6.5 While the assurance practitioner can agree the level of assurance with the responsible party and/or intended users, the assurance practitioner retains the responsibility for obtaining sufficient appropriate evidence as a basis for the assurance conclusion. Paragraphs 46L/R to 49L/R of HKSAE 3000 (Revised) set out the requirements for risk assessment and obtaining evidence, differentiating between limited and reasonable assurance. Where the standard does not differentiate, the requirements are the same for both limited and reasonable assurance[17].

14 For definition of intended users, please refer to paragraphs 12(m), A16-A18 and A37 of HKSAE 3000 (Revised).
15 Paragraph A5 of HKSAE 3000 (Revised).
16 Paragraph A177 of HKSAE 3000 (Revised).
17 Paragraph 278 of the IAASB's Proposed Non-Authoritative Guidance.

6.6 The assurance practitioner is required to prepare on a timely basis engagement documentation that is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand[18]:

(a) The nature, timing and extent of the procedures performed to comply with relevant HKSAEs and applicable legal and regulatory requirements;

(b) The results of the procedures performed, and the evidence obtained; and

(c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

6.7 The assurance practitioner should also assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report[19].

18 Paragraph 79 of HKSAE 3000 (Revised).
19 Paragraph 81 of HKSAE 3000 (Revised).

Chapter 7 Suitable criteria

7.1 Criteria are the benchmarks used by the practitioner to measure or evaluate the ESG subject matter. For a typical ESG assurance reporting engagement, the practitioner evaluates the ESG subject matter and provides his/her opinion on whether the ESG subject matter information is prepared in accordance with the applicable criteria.

Characteristics of suitable criteria

7.2 The practitioner should consider whether the criteria applied in the preparation of the ESG subject matter information is suitable. Suitable criteria exhibit the characteristics of relevance, completeness, reliability, neutrality and understandability.

7.3 To achieve **relevance**, the criteria should be applicable for the entity and the ESG subject matter concerned. An entity should consider different aspects, including but not limited to the international and local regulations, industry and market practices, nature of the subject matter as well as the information need of the intended users, in order to develop the relevant criteria.

For example, for work-related injury, different countries or regions may have different sets of definition established by local governments. An entity should select the most relevant ones based on the locations it operates as well as industry practices as criteria.

7.4 To achieve **completeness**, the ESG subject matter information prepared in accordance with the applicable criteria should not omit relevant factors that could reasonably be expected to affect the evaluation of that ESG subject matter. An entity should understand the key concerns of the intended users on the ESG subject matter information, and establish complete criteria which cover significant aspects that are concerned by intended users when evaluating the ESG subject matter.

For example, in reporting carbon emissions, the criteria should contain the sources of emission and the emission factors used, to facilitate a fair evaluation of the reported amount by the intended users.

7.5 To achieve **reliability**, the applicable criteria should allow consistent measurement or evaluation of the ESG subject matter information when used in similar circumstances by different practitioners. The applicable criteria should be clear enough to minimize the need of applying unnecessary judgement on measuring or evaluating the ESG subject matter information.

For example, assumptions and estimations used in measuring the ESG subject matter should be clearly stated in the criteria.

7.6 To achieve **neutrality**, the applicable criteria should be free from bias. An entity should not establish criteria which presents the ESG subject matter information in a favorable manner to the entity or a particular group of intended users, or influences the fair interpretation of the ESG subject matter information by the intended users.

For example, in reporting hazardous waste, an entity should not use the criteria that aims to reduce the amount such as excluding certain types of waste that are deemed to be hazardous under local regulations.

7.7 To achieve **understandability**, the applicable criteria should facilitate the understanding of the ESG subject matter by the intended users, through the provision of necessary definition, scope, methodology, etc. for the interpretation of the ESG subject matter information concerned.

For example, electricity consumption, water consumption and number of headcounts are generally understandable by the intended users. However, certain ESG subject matters may require industry knowledge and technical background to interpret. Therefore, an entity should provide more explanations in the criteria to facilitate the understanding by intended users.

Source of criteria

7.8 Criteria can be established with reference to international and local regulations, recognized standards and framework, as well as specific requirements of the intended users for the ESG subject matter concerned.

7.9 An entity should also consider the industry, market and internal practices, and develop applicable criteria that are tailored for its business and the ESG subject matter concerned.

Availability of the criteria

7.10 Criteria needs to be available to the intended users, allowing them to understand how the ESG subject matter information has been measured or evaluated. In the context of an ESG report, applicable criteria should be made available to the intended users in one or more of the following ways:

(a) Include in the presentation of the ESG subject matter information, i.e. the ESG report

(b) Include in the assurance report as an appendix

(c) Include in the entity's website, and its location or hyperlink should be clearly indicated in the assurance report

(d) Indicate the name(s) of the regulations or frameworks adopted as applicable criteria in the assurance report

Chapter 8 Qualitative information

8.1 This chapter provides guidance on the nature of qualitative ESG information, and on specific considerations in the context of qualitative ESG information:

(a) In determining suitability of criteria

(b) In obtaining evidence

(c) In evaluating misstatements

(d) When presented alongside other information

(e) When communicating in the assurance report

8.2 There is often a high degree of uncertainty inherent in the measurement or evaluation of underlying ESG subject matters, which gives rise to subjectivity in their measurement or evaluation and a greater range of possible measurement or evaluation outcomes.

8.3 When the measurement of underlying ESG subject matter(s) is purely quantitative, even when there is inherent uncertainty in the measurement of the underlying ESG subject matter, the practitioner may be more readily able to determine the suitability of the applicable criteria used in its measurement than when the underlying ESG subject matter is qualitative. The evidence needed may also be more readily available and more persuasive, even if it involves the use of estimates or proxies, or the use of ESG subject matter experts in obtaining or evaluating it. It is also possible to aggregate the effect of identified misstatements on the ESG subject matter information and evaluate their materiality in combination, to the extent their measurement outcomes are expressed in common units.

8.4 However, when underlying ESG subject matter cannot be measured and expressed in quantified terms, it may be more susceptible to being more reflective of, and more variable with, the views of those reporting it. This may raise questions about the suitability of the applicable criteria, including whether there are additional disclosure criteria that may be needed for the ESG subject matter information to be understandable and for the applicable criteria to be capable of reasonably consistent evaluation of the underlying ESG subject matter (reliable).

8.5 A number of challenges may also arise in the context of obtaining evidence for qualitative ESG subject matter information because the underlying ESG subject matter may not be capable of direct evaluation, and it may be difficult for the entity's ESG reporting process to capture data and information about the ESG subject matter information.

8.6 The processes and controls to identify, record, process and report the ESG subject matter information may not be sufficiently developed or effective in providing a reasonable basis for the qualitative ESG subject matter information. This may have implications for the practitioner to obtain the evidence needed when assurance procedures other than testing of controls (hereafter referred to as "substantive procedures"), alone, may not be sufficient.

8.7 The way in which qualitative information is presented may also give rise to challenges in delineating the perimeter between the ESG subject matter information and "other information".

The nature of qualitative ESG information

8.8 Qualitative ESG information is the ESG subject matter information expressed in qualitative terms rather than in quantitative terms (numbers). Qualitative information is essentially non-numerical information. Non-numerical information may, for example, be narrative information, descriptions, categorizations or ratings. The ESG subject matter information for some aspects of the underlying ESG subject matter may be expressed primarily in qualitative terms, rather than in quantified terms. However, even when an aspect of the underlying ESG subject matter is expressed primarily in quantitative terms, other parts of the ESG subject matter information relating to that aspect (such as related disclosures) may be expressed in qualitative terms. For example, an entity's governance structure, business model, goals or strategic objectives may be described in qualitative terms, although there may also be some supporting quantitative disclosures.

8.9 Qualitative information is often expressed predominantly using written words, although it may be presented in an ESG report in other forms, such as embedded video or sound recordings. However, words are not always non-numerical, since numbers can also be expressed in words. What makes information qualitative rather than quantitative is its non-numerical nature.

8.10 Qualitative information included in ESG reports may be:

(a) Factual (directly observable); or

(b) Inherently subjective (not directly observable and variable with the views of those reporting it).

Example

Examples of factual qualitative ESG subject matter information:

- "An audit committee comprised of non-executive directors was established in the year"
- "We acquired a factory in Guangdong province"

Examples of subjective ESG information:

"We produce healthy food for children"

"We incorporate an energy efficient design for our buildings"

"We are a family-friendly company"

"We have successfully implemented flexible working throughout the organization"

These particular examples of subjective information may be overly vague and unsubstantiated, as the underlined claims may be interpreted in different ways by different people. As such, it is unlikely that the criteria would be suitable, and those claims would not constitute ESG subject matter information. Further development of the applicable criteria by the entity would be needed so that the application of those criteria results in information that could be reasonably consistently measured or evaluated (i.e. would result in ESG subject matter information).

For the first example of subjective ESG information above, "healthy food for children" could be defined for the purpose of reporting as "food containing less than x g of salt and less than x g of sugar per 100g portion". Then, if those criteria were made available, the "healthy food for children" might be suitable for assurance. However, the entity may also need to disclose if it produced unhealthy food for children in another product range (completeness of information or balance). The practitioner may also consider whether the entity's definition of "healthy" could be misleading, for example, if the definition is inconsistent with internationally accepted norms.

Specific considerations for determining the suitability of criteria for qualitative information

8.11 ESG subject matter information expressed in words may result from applicable criteria representing different aspects of the underlying ESG subject matter compared to numerical ESG subject matter information, however, the requirements for applicable criteria to be suitable remain the same.

8.12 Reliable criteria for qualitative information need to be well-defined and therefore reasonably unambiguous so as to allow reasonably consistent measurement or evaluation of the underlying ESG subject matter.

Example

In applying the applicable criteria requiring an entity to report the aspects of its strategy that will help it achieve its principal objectives, an entity may report that such an aspect is its policy to prioritise providing high standards of service to its customers. The applicable criteria behind this information appear to be insufficiently defined as the information is ambiguous (hence the applicable criteria may not be reliable because the resulting information may not result from reasonably consistent evaluation of the underlying ESG subject matter). It is unclear whether the applicable criteria require the entity merely to disclose that it has such a policy in place (either formally written or not), or that its behaviour complies with that policy or that the policy is effective in helping it achieve its objectives.

8.13 It is particularly important for qualitative information that the applicable criteria result in the ESG subject matter information that is understandable (including being unambiguous as to its intended meaning) and neutral, as words and images can be inherently ambiguous in their meaning, or may be presented out of context. Most importantly, the applicable criteria cannot result in the ESG subject matter information being misleading to the intended users[20].

8.14 When the applicable criteria are not suitable and the resulting ESG information is subjective and therefore not capable of being assured, the practitioner may discuss this with the entity so that the entity has the opportunity to amend the subjective information.

8.15 If the entity is unwilling to change qualitative information that does not result from applying suitable criteria (i.e. is not ESG subject matter information), the practitioner may request the entity to move such information out of the ESG report, otherwise clearly identify it as “other information” not subject to assurance, or further develop the criteria relating to the underlying ESG subject matter, to result in the ESG subject matter information that is capable of being assured. If the entity is unwilling to:

(a) Remove such information;

(b) Clearly delineate it as “other information”, or

(c) Develop suitable criteria,

the practitioner may need to consider carefully whether this will have an impact on the assurance opinion.

20 Paragraph A50 of HKSAE 3000 (Revised).

Example

The applicable criteria require an entity to report its principal achievements in the year. A simple statement such as "We won the award for Best Company of the Year" could be technically free from error, but still be misleading if:

- The award relates to the company's operations in only one small jurisdiction and not the whole company
- The award was not awarded by a well-recognized and respected body, independent to the company
- The award was not the result of a fair competition, for example if not all companies were eligible

In such circumstances, the practitioner may need to consider whether the applicable criteria define the concept of a "principal achievement" in sufficient detail, for example, addressing matters such as the scope of the company's operations addressed by the award, the standing of the awarding body, or the scope of eligibility for the award, to be understandable, and whether the applicable criteria should require disclosures about such matters for the resulting ESG subject matter information not to be misleading and therefore for the applicable criteria to be suitable.

Specific considerations for obtaining evidence about qualitative information

8.16 A number of challenges may arise in the context of obtaining evidence for qualitative ESG subject matter information, including:

(a) The effectiveness or otherwise of an entity's ESG reporting process (see Chapter 3). Substantive testing alone may be insufficient to obtain evidence about qualitative information, as it may not provide evidence as to the completeness and balance of the ESG subject matter information. The practitioner may therefore need to consider whether they will be able to obtain evidence through performing tests of controls. In accepting an engagement, the practitioner determines that the entity has a reasonable basis for the ESG subject matter information. Accordingly, the entity's ESG reporting process and related controls may provide the practitioner with a reasonable expectation of being able to obtain the evidence needed to support the practitioner's conclusion. If the engagement circumstances are not complex, there may be relatively informal or simple controls; the greater the complexity the more complex the ESG reporting process and related controls may be.

(b) The use of internal sources as a basis for reporting the information, for example, information may be entered directly into the entity's system on a real time basis without any hard copy documentation to support it, or may be obtained through informal communication by way of telephone calls, email or other internal communications. The practitioner may need to consider what evidence can be obtained to support the information being recorded or gathered in this way as these sources alone may not be sufficient. For example, when information is being captured by the entity directly onto a computerized system, the practitioner may need to understand and confirm the physical and logical security and access controls in place around the entry of information, and the basis for the entries being made. Where information is gathered through informal communications, the entity's underlying books and records may need to include sufficient evidence to back up those communications.

Example

A parent company entity may receive an email from its foreign subsidiary telling the parent about an accidental spillage of hazardous sludge into water sources during the production process at its local operations. The email may say that the spillage was not significant, that there had been an immediate clean-up to bring it under control and that no further action was needed.

The entity may base the ESG report wording on the wording in the email when preparing the ESG subject matter information. Such an email may not provide sufficient evidence to support the ESG subject matter information in the ESG report. The practitioner may need to consider what further evidence might be available, for example, there may be documentation from the local environment agency that provides evidence of an inspection and clean up, and confirms that levels of hazardous chemicals after the clean-up were within safe limits.

(c) The timeliness with which qualitative information is prepared. Entities may focus on providing quantitative information to the practitioner, but it may be important for the practitioner to obtain the entity's draft ESG report early in the engagement. Obtaining the report early allows for sufficient time for the practitioner to evaluate the suitability of the applicable criteria, and to plan and perform procedures to obtain evidence in relation to both the quantitative and non-quantitative (i.e. qualitative) ESG subject matter information, and for the entity to consider making adjustments to the ESG subject matter information, if appropriate.

8.17 Assertions embodied in the qualitative information may be explicit or implicit. Different categories of assertions may be used for qualitative information from those used for numerical ESG subject matter information, but this will depend on the applicable criteria being used. Even in situations where the same assertions are applicable, there may be more focus on assertions such as understandability and comparability for qualitative information, as well as consistency with other information presented by the entity in the same document.

8.18 The assertions allow the practitioner to consider the different types of potential misstatements that may occur, as when an assertion is not true in ESG subject matter information, the information is misstated. Some examples of different types of possible misstatement include:

(a) Omission of information (failure of a 'completeness' assertion)

(b) False claims in information (may be failure of an 'existence' or 'occurrence' assertion)

(c) Misleading or unclear representation of information (may be failure of a "presentation or disclosure" assertion)

(d) Bias in information so that positive aspects of performance are focused on and negative aspects are omitted (failure of a 'presentation and disclosure' assertion)

8.19 If a practitioner identifies a misstatement when performing the planned procedures on the ESG subject matter information, the practitioner is required to make a judgement as to whether the misstatement is material, which will then determine the appropriate action.

8.20 When testing and documenting the practitioner's work in relation to qualitative information, it may be helpful to the practitioner to break up long pieces of text and consider sections, paragraphs or sentences separately when these address different things. When the scope of the assurance engagement is the entire ESG report, then qualitative information may need to be subject to the same rigor as numerical information when obtaining evidence. Some of the evidence may be available from procedures performed in respect of related quantitative information, but additional work is likely to be needed.

8.21 Individual claims or indicators in the ESG subject matter information can be individually significant and can be tested separately, particularly where they are part of wider sections of qualitative ESG subject matter information (not all of which might be as significant). In other circumstances paragraphs of text comprising related qualitative and quantitative ESG subject matter information may need to be considered together.

8.22 Practical methods of doing this may include highlighting the text in different colours or by drawing boxes around sentences or sections of significant qualitative information in the practitioner's documentation of the work done and evidence obtained. The practitioner can perform procedures on each one, and ultimately the assurance working papers can be referenced to the related parts of the text in the ESG subject matter information.

Specific considerations for evaluating misstatements in qualitative information

8.23 To evaluate whether misstatements in qualitative ESG subject matter information are material, the considerations on materiality may be relevant because numerical thresholds are not appropriate. It should be focused on whether the misstatement could reasonably be expected to influence decision-making by the intended users. Misstatements in qualitative ESG subject matter information may arise through:

(a) The inclusion of inappropriate information, for example, information that does not meet the applicable criteria or that obscures or distorts information required by the applicable criteria

(b) The inclusion of information that is not supported by the available evidence, or the omission of information for which there is evidence that suggests it should have been included

(c) The omission of information required by the applicable criteria, for example, information relating to a significant subsequent event that would be likely to change the decisions of users but has not been disclosed

(d) Misstatements of fact

(e) Ambiguous statements or statements the meaning of which is unclear;

(f) Presenting in vague terms information that is capable of being determined precisely

(g) Changes since the previous reporting period to disclosures or presentation without reasonable justification for doing so or without disclosure of the reasons for doing so

(h) The manner in which the information is presented. For example, it may be presented out of context, distorted, or given greater or lesser prominence than is warranted, based on the available evidence

8.24 When misstatements are identified in qualitative information, the practitioner may record them by listing them or by marking up or highlighting them in a copy of the ESG subject matter information presented in the ESG report. Irrespective of how misstatements are accumulated during the engagement, when evaluating the evidence obtained and in forming the assurance conclusion, the practitioner needs to consider not only individually material uncorrected misstatements, but also individually immaterial misstatements that, when considered collectively, may have a material impact on the ESG subject matter information. However, where the ESG subject matter information is not quantifiably measurable, it is not possible to simply add the misstatements together to determine their effect in aggregate.

8.25 When the qualitative ESG subject matter information relates to one underlying ESG subject matter, it may be relatively straightforward to evaluate the combined effect of individually immaterial misstatements on the ESG subject matter information, as the misstatements are considered within the context of that ESG subject matter information only.

8.26 When the ESG subject matter information is an entire ESG report covering a wide range of underlying ESG subject matters, it may be more challenging to find a way of evaluating the combined effect of uncorrected qualitative misstatements on the ESG report when the applicable criteria consider materiality for the report as a whole. There may not be a common factor linking the various parts of the ESG subject matter information, different emphasis may have been given to different aspects of the information included in the ESG report, or different aspects may be more significant than others to intended users.

8.27 The practitioner's understanding of who the intended users are and what aspects of the ESG subject matter information are likely to be important may be essential to the practitioner's ability to exercise professional judgement about which misstatements are material. Depending on the definition of materiality, materiality judgements are made from the perspective of the intended users.

8.28 It may be possible, once all non-quantifiable misstatements have been listed, to group them together, for example, by whether they relate, in common, to particular aspects of the underlying ESG subject matter or to particular applicable criteria. For example, in an entity's ESG report, there may be one or more individually immaterial misstatements in the qualitative statements management has made about the health and safety of its workforce, and another immaterial misstatement relating to employee diversity. As health and safety of workforce and employee diversity both relate to the social aspect of an ESG report, the practitioner may be able to group these misstatements together and consider their combined effect on the social dimension of the entity's ESG report. Similarly, a number of immaterial misstatements in the reported water usage information and another immaterial misstatement relating to waste generated may be considered together as they both relate to the environmental aspect of the ESG report.

8.29 However, the ability for the practitioner to do this may depend on the level of aggregation or disaggregation required by the applicable criteria. If the applicable criteria require the ESG reporting to be at the social dimension "level", then considering the combined effect of misstatements arising in aspects of the social dimension may be appropriate. If the applicable criteria require reporting of the ESG subject matter information on a more disaggregated basis, then misstatements arising in relation to each disaggregated aspect may need to be considered in relation to each individual aspect.

8.30 A further consideration for the practitioner is whether misstatements that are immaterial in the context of each individual aspect of the ESG subject matter information may, in aggregate, result in a material misstatement of the ESG subject matter information as a whole.

8.31 Even if there are misstatements that are not able to be grouped together by the underlying ESG subject matter or other common factor, they may exhibit a common "direction" or trend. For example, if the effect of the misstatements is to make the ESG subject matter information, taken as a whole, look better than it really is, or all the misstatements overstate the positive efforts and impacts of the entity's actions, and downplay the negative aspects, that may add up to give a biased and misleading picture to the intended user of the ESG subject matter information taken as a whole.

8.32 Understanding the underlying cause of identified misstatements may also help the practitioner to evaluate their materiality to the ESG subject matter information. For example, qualitative misstatements may be due to misunderstanding, oversight or error by an employee preparing the ESG subject matter information, or may be because management has intentionally taken a decision to misrepresent facts. The former may not be considered to be material, whereas the latter may be.

8.33 As with any other misstatements, the practitioner may encourage the entity to correct them. In the case of an ESG subject matter information expressed in narrative form, this may frequently involve either re-wording or removing the misstated text. If the entity declines to correct them, the practitioner is required to consider whether an unmodified conclusion is appropriate.

Specific considerations when an ESG report includes other information

8.34 When the ESG subject matter information is part, but not all of an ESG report (e.g. only part of the entity's ESG report is subject to assurance), but that part comprises both qualitative and quantitative information, then the part that is subject to assurance (both the qualitative and quantitative aspects of it) are the ESG subject matter information, and any information outside of that ESG subject matter information is "other information". It will be important that the information subject to assurance is clearly delineated from the "other information" so that it is clear to the intended users what has, and what has not, been assured.

8.35 "Other information" in an ESG report may also include images or other visual enhancements to the report.

8.36 The practitioner may need to consider whether such "other information" is congruent with the messages in the qualitative information presented in narrative form in the ESG report, or whether they give a conflicting impression. For example, it may be incongruent for the entity to show images of happy communities where the entity is reporting that it has relocated a community to make way for new production facilities.

8.37 When an entity's ESG reporting is integrated with its financial reporting, the practitioner's responsibility to read the "other information" as required by HKSAE 3000 (Revised)[21] will extend to the information contained within the same document(s) as the ESG report, i.e. the financial statements and narrative related to those financial statements. The practitioner is required to consider the consistency of that other information with the ESG subject matter information. There may be legitimate differences between the ESG subject matter information included in an ESG report and the "other information" related to the same underlying ESG subject matter, depending on the applicable criteria used, but the differences may need to be explained or reconciled by the entity and disclosed in the ESG report, so that users of the ESG report can understand the reasons for the differences.

Specific considerations for communicating in assurance report on qualitative information

8.38 As discussed in Chapter 10, the aim of the practitioner is to obtain sufficient appropriate evidence to be able to express a conclusion designed to enhance the degree of confidence of the intended users about the outcome of the measurement or evaluation of the underlying ESG subject matter(s) against the applicable criteria.

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21 Paragraph 62 of HKSAE 3000 (Revised).

8.39 When the underlying ESG subject matter is not able to be quantified, the way in which it is evaluated may be subject to more variability or open to greater interpretation than if it were able to be quantified, which may result in ESG subject matter information that could be misunderstood or misinterpreted by intended users. Consequently, it may be particularly important for intended users to have an understanding of the applicable criteria used to evaluate the underlying ESG subject matter, and for their attention to be drawn to this in the assurance report.

Chapter 9 Future-oriented information

9.1 This Chapter provides guidance for the practitioner on specific considerations in the context of future-oriented ESG information in:

(a) Determining suitability of applicable criteria

(b) Obtaining evidence

(c) Evaluating misstatements

(d) Communicating in assurance report

9.2 The focus of this chapter is future-oriented ESG subject matter information that is subject to estimation or occurrence uncertainty.

9.3 While qualitative information is considered separately in Chapter 8, qualitative information and future-oriented information are not mutually exclusive. For example, qualitative information may be future-oriented or historically-oriented, and future-oriented information may be expressed in either qualitative or quantitative terms. The practitioner may find it helpful to consider the guidance in this chapter together with the guidance in Chapter 8.

9.4 ESG reports may contain different forms of future-oriented ESG subject matter information, such as:

(a) Information about future conditions or outcomes. This may include forecasts, projections, and information about future risks and opportunities

(b) Information regarding the entity's intentions or future strategy

9.5 While future-oriented information results from applying applicable criteria to the underlying ESG subject matter, just as for any other ESG subject matter information, the underlying ESG subject matter (a future event, occurrence or action) may be subject to greater uncertainty, and generally able to be evaluated with less precision than historical underlying ESG subject matter(s). As a result, it can be challenging to determine whether the applicable criteria for its evaluation are suitable, because there may be a wide range of possible assumptions and outcomes. It is difficult to know what the ESG subject matter information should be, or what may be of consequence to an intended user's decision-making, when a range of different, yet possibly acceptable, outcomes may be possible.

9.6 Evidence may be available to support the assumptions on which the future-oriented ESG subject matter information is based, but such evidence is itself generally future-oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in relation to historical events and conditions.

9.7 As a result of the inherent uncertainties relating to the underlying ESG subject matter(s), the applicable criteria and assumptions used to evaluate it, and the speculative nature of the available evidence, which give rise to a wide range of possible outcomes, it can also be difficult to identify whether there is a material misstatement of the ESG subject matter information.

9.8 Some future-oriented information is factual and therefore does not contain a significant degree of uncertainty, for example the debt maturity profile of an entity that is determined by contractual terms. As performing an assurance engagement on this type of information is not considered to pose a particular challenge for a practitioner, the remainder of this chapter only considers future-oriented information subject to estimation or occurrence uncertainty.

The nature of future-oriented ESG information

9.9 ESG subject matter information forecasting or projecting future conditions or outcomes relates to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways.

9.10 Future-oriented ESG subject matter information may describe:

(a) Things that will be subsequently observable; or

(b) Hypothetical things that will never be observable.

9.11 For subsequently observable future-oriented information, it will be possible at a later point in time to observe the precision with which the forecast, projection, or intention reflected the subsequent reality, or the extent to which anticipated and unanticipated future risks or opportunities materialized. Hypothetical information includes a condition on the projection, prediction or intention. For example, a projection could be made, conditional on an entity winning a particular contract, that the entity's profit would increase 5% next year.

Example

The difference between observable and hypothetical ESG subject matter information is illustrated by the difference between a forecast and a projection:

A **forecast** is prepared on the basis of assumptions as to future events that management expects to take place and the actions management expects to take as of the date the information is prepared (best estimate assumptions).

A **projection** is based on hypothetical assumptions about future events and management actions that are not necessarily expected to take place, or a combination of hypothetical and best estimate assumptions. Such information illustrates the possible consequences as of the date the information is prepared if the events and actions were to occur. This may be known as a scenario analysis.

Specific considerations for determining the suitability of criteria for future-oriented information

9.12 The applicable criteria may require, or be designed to obtain, different information about the underlying ESG subject matter from that obtained in relation to historical information, for example, a description of the future state or condition of an aspect of the underlying ESG subject matter, or a future change in state or condition over time.

9.13 Whether the applicable criteria from which future-oriented information results are suitable or not can be determined in the same way as any other applicable criteria as described in Chapter 7.

9.14 For subjective future-oriented information, the practitioner may conclude that, in order for the applicable criteria to be suitable, disclosure criteria are needed for the assumptions made, and the nature, sources and extent of uncertainty. It may still be possible to obtain assurance on uncertain ESG subject matter information if it is supported by adequate disclosure such that the uncertainty is adequately conveyed to the intended users.

Specific considerations for obtaining evidence about future-oriented information

9.15 Considerations for future-oriented ESG subject matter information are likely to be similar to historical ESG subject matter information with inherent measurement, evaluation or occurrence uncertainty. When future-oriented information is more subjective, considerations relating to neutrality, presentation and understandability may become relatively more important when designing procedures, due to the risk of management bias.

9.16 When applicable criteria require a statement of intended future strategy, a target, or other intentions of an entity, a practitioner can design procedures to evaluate whether management or those charged with governance have an intention to follow that strategy, or that the target or intention exists. Appropriate evidence could be obtained in the form of documentation of board meetings or actions that management have already taken to work towards adopting the strategy or agreeing the target.

9.17 There is likely to be a further implied assertion that the entity has the capability to carry out its intent, or will develop the means to do so, or there may be separate explicit applicable criteria addressing capability. While there is not likely to be evidence available that the outcome will be achieved, the practitioner can design procedures to obtain evidence as to whether the entity has a reasonable basis for making the assertions that are being made about future actions or events, for example, by considering the processes, systems, controls over the development of the assumptions, and the source data on which they are based.

9.18 Similarly, where applicable criteria require information about future risks and opportunities to be reported, the risks of material misstatement at the assertion level for a reasonable assurance engagement will likely include that the risks and opportunities exist and that the list of risks and opportunities is complete (or relating to the completeness assertion) with respect to the risks and opportunities which would assist intended users' decision-making. Appropriate evidence could be obtained in the form of reference to the entity's risk register or records of discussions of those charged with governance. However, it is important that the processes and controls in place over the maintenance of the risk register and the minuting of discussions provide a reasonable basis for using these sources as evidence. See Chapter 3 for further guidance on considering the entity's system of internal control.

9.19 A practitioner is ordinarily not able to obtain assurance on whether the risks and opportunities will materialize or not, however it may be possible in some circumstances to obtain assurance on information about the nature of the risks and opportunities, for example their likelihood or potential impact. Whether this is possible will depend on whether the applicable criteria are suitable and the availability of appropriate evidence. A common challenge is that the likelihood of and potential impact of risks and opportunities can change significantly and quickly due to factors that may be unknown by the entity or outside of its control.

9.20 ESG subject matter information predicting future conditions or outcomes relates to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways. It is not possible for the practitioner to determine whether the results or outcomes forecasted, or projected will be achieved or realized. The practitioner may instead focus on whether any assumptions are reasonable, are supported by evidence, and that the ESG subject matter information has been properly prepared in accordance with the applicable criteria. However, the practitioner may need to bear in mind that the such evidence may, itself, be speculative in nature, and it may be necessary to perform sensitivity analyses to consider how significantly the outcomes might change if the assumptions were to change.

9.21 When considering ESG subject matter information predicting future conditions or outcomes, the same thought process as was considered in Chapter 8 of the IAASB's Proposed Non-Authoritative Guidance can be applied. The practitioner may ask what decision is to be made, why the representations being made by the entity may not be true, how the risks of material misstatement might arise of those representations not being true, and how management of the entity manages and mitigates those risks.

9.22 The practitioner's considerations in relation to the evidence that may be available may include, amongst other matters:

(a) What governance and oversight the entity has in place over the reporting of the ESG subject matter information, and whether there are systems, processes and internal controls that provide a reasonable basis for the assumptions made by the entity and for the data or other information used as basis for its forecasts (see Chapter 3);

(b) What sources of information the entity has used as basis for the assumptions made, and the reliability of those sources;

(c) What statistical, mathematical or computer-assisted modelling techniques, if any, the entity has used, and what methods for developing and applying the assumptions have been used;

(d) How reliable those techniques and methods are, and how relevant they are to the underlying ESG subject matter being forecast;

(e) The entity's previous experience and competence in making forecasts;

(f) The accuracy of previous forecasts made by the entity and the reasons for significant differences between the forecast outcome and the actual outcome. When the entity has a history of making reasonably reliable forecasts, that may reduce the risk of the future-oriented representations made by the entity being materially misstated. However, that may not be the case if the underlying ESG subject matter is inherently volatile or subject to change. Even when conditions have been fairly stable or predictable in the past, that may not continue to be the case. For example, there may be more volatility in economic conditions than has been the case, historically, or matters such as the impacts of climate change may make it difficult to predict whether existing conditions will continue to prevail, whether there may be a change and, if there is, how significant that change might be or when it might occur;

(g) The time period being covered by the future-oriented information. The longer the time period covered, the more speculative the assumptions become as the ability to make a best estimate decreases;

(h) The inherent susceptibility of the underlying ESG subject matter to change and the sensitivity of the assumptions to changes that may occur;

(i) The extent to which the future conditions are solely or partly under the entity's own control or whether they are outside of the entity's control;

(j) The evidence and documentation the entity has in place to support both the assumptions made and the proper preparation of the ESG subject matter information from those assumptions and how persuasive the evidence is; and

(k) Whether there is a need for ESG subject matter or other expertise on the engagement team and, if so, the sources of that expertise.

9.23 The considerations when designing and performing the procedures to obtain sufficient, appropriate evidence and when evaluating the sufficiency and appropriateness of evidence obtained are set out in Appendix 1 and, where future-oriented information is presented in narrative form, also to the considerations set out in Chapter 8.

9.24 However, it may be more difficult to determine the persuasiveness of evidence when it is more speculative in nature than when it is factual. While written representations from management do not take the place of sufficient, appropriate evidence, it may be relatively more important in the context of an engagement to assure future-oriented information to obtain written representations from those charged with governance of the entity confirming that the assumptions as of the date of the assurance report remain appropriate even though the underlying information may have been accumulated over time.

9.25 As future-oriented information is subject to greater uncertainty than historical information, it may also be acceptable to evaluate whether the outcome is within a reasonable range of possible outcomes.

9.26 Presentation and disclosures may be particularly important in the context of future-oriented information to enable a user to understand the context for the ESG subject matter information and the inherent uncertainties involved. The practitioner's considerations on whether the presentation and disclosures in the ESG subject matter information are appropriate may include whether:

(a) The presentation of the future-oriented information is informative, neutral and not misleading;

(b) The assumptions used and the basis for those assumptions are clearly disclosed;

(c) The basis for establishing points in a range is disclosed and the range is not selected in a biased or misleading manner when the future-oriented ESG subject matter information is expressed in terms of a range;

(d) The date as of which the future-oriented information was prepared is clear and there is a statement that the assumptions are appropriate as at that date;

(e) The uncertainties and sensitivities involved are disclosed, enabling a user to understand the implications of "what if?"; and

(f) Where comparatives are presented, whether there have been any changes in the current period to the assumptions made or the basis on which the underlying ESG subject matter has been prepared, the changes are disclosed together with the reasons for those changes and their effect on the ESG subject matter information.

Specific considerations for evaluating misstatements in future-oriented information

9.27 As discussed in paragraph 9.5, future-oriented information is generally subject to greater measurement, estimation, or evaluation uncertainty than historical information. As a result, there may be a broad range of possible measurement or evaluation outcomes, and it can be more difficult to evaluate whether there is misstatement in the ESG subject matter information, and the materiality of such a misstatement.

9.28 For the purposes of evaluating the effect of uncorrected misstatements, and based on the evidence obtained, it may be helpful for the practitioner to distinguish between misstatements that are:

(a) Misstatements about which there is no doubt (factual misstatements);

(b) Differences arising from the entity's judgments concerning estimates or forecasts that the practitioner considers unreasonable, or the selection or application of assumptions and methods that the practitioner considers inappropriate (judgmental misstatements); and

(c) The practitioner's best estimate of quantitative misstatements in a population, involving the projection of misstatements identified in samples, selected by the practitioner for the purpose of performing their procedures, to the entire population from which the sample was drawn (projected misstatements).

9.29 In some cases, misstatement could arise as a result of a combination of these circumstances, making separate identification difficult.

9.30 The practitioner may also consider whether there are indicators of possible management bias in the selection of assumptions, methods or in the way in which the ESG subject matter information is presented that may have implications for the rest of the ESG assurance engagement. For example, when the entity has:

(a) Changed the assumptions or methods used, or has made a subjective assessment that there has been a change in circumstances, without reasonable justification;

(b) Used assumptions that are inconsistent with observable marketplace assumptions; or has

(c) Selected significant assumptions that favour management's objectives, or that may indicate a pattern or trend.

9.31 The practitioner may also consider whether the entity has made adequate disclosures about the assumptions used in measuring or evaluating the ESG subject matter information, and the uncertainties involved, to enable the intended users to understand the implications for their decision-making, and do not result in misleading ESG subject matter information.

Specific considerations for communicating in assurance report on future-oriented information

9.32 As discussed in Chapter 10 and Chapter 8, the aim of the practitioner is to obtain sufficient appropriate evidence to be able to express a conclusion designed to enhance the degree of confidence of the intended users about the outcome of the measurement or evaluation of the underlying ESG subject matter(s) against the applicable criteria.

9.33 When the underlying ESG subject matter is subject to a high degree of estimation or evaluation uncertainty, there may be more variability or it may be open to greater interpretation than when there is less uncertainty. This may result in ESG subject matter information that could be misunderstood or misinterpreted by intended users. Consequently, it may be particularly important for intended users to have an understanding of the applicable criteria used to evaluate the underlying ESG subject matter, and for their attention to be drawn to this in the assurance report, for example by describing the inherent limitations associated with the measurement or evaluation of the underlying ESG subject matter against the applicable criteria.

Example

For example:

[Name of entity] has prepared its forecast of expected outcomes related to [identified ESG subject matter information] using a set of assumptions that include hypothetical assumptions about future events and management's actions. Actual outcomes are likely to be different from those forecasts as anticipated events frequently do not occur as expected and the difference between the forecast outcome and the actual outcome may be material.

Chapter 10 Reporting

Forming the assurance conclusion

10.1 The practitioner should form a conclusion about whether the practitioner has obtained reasonable or limited assurance, as appropriate, about the ESG subject matter information. That conclusion should take into account the requirements of paragraphs 10.2 to 10.4 of this chapter. Depending on the scope of work and reporting requirements, the practitioner should agree with the entity whether the engagement constitutes a reasonable assurance or limited assurance engagement.

10.2 Reasonable or limited assurance engagement

(a) **Reasonable assurance** - The practitioner should evaluate whether the ESG subject matter information is prepared, in all material respects, in accordance with the applicable criteria.

(b) **Limited assurance** - The practitioner should evaluate whether anything has come to the practitioner’s attention that causes the practitioner to believe that the ESG subject matter information is not prepared, in all material respects, in accordance with the applicable criteria.

10.3 This evaluation should include consideration of the qualitative aspects of the entity’s quantification methods and reporting practices, including indicators of possible bias in judgements and decisions in the making of estimates and in preparing the ESG subject matter information, and whether, in view of the applicable criteria:

(a) The quantification methods and reporting policies selected and applied are consistent with the applicable criteria and are appropriate;

(b) Estimates made in preparing the ESG subject matter information are reasonable;

(c) The information presented in the ESG subject matter information is relevant, reliable, complete, comparable and understandable;

(d) The ESG subject matter information provides adequate disclosure of the applicable criteria, and other matters, including uncertainties, such that intended users can understand the significant judgments made in its preparation; and

(e) The terminology used in the ESG subject matter information is appropriate.

10.4 The evaluation required by paragraph 10.2(a) and (b) should also include consideration of the overall presentation, structure and content of the ESG subject matter information in accordance with the applicable reporting criteria.

Other information

10.5 When an ESG report containing the ESG subject matter information and the assurance report thereon includes other information, the practitioner shall read that other information to identify material inconsistencies, if any, with the subject matter information or the assurance report and, if on reading that other information, the practitioner:

(a) Identifies a material inconsistency between that other information and the ESG subject matter information or the assurance report; or

(b) Becomes aware of a material misstatement of fact in that other information that is unrelated to matters appearing in the ESG subject matter information or the assurance report, the practitioner shall discuss the matter with the appropriate party(ies) and take further action as appropriate.[22]

10.6 Further guidance on other information is set out in paragraph A143 of HKSAE 3000 (Revised).

Assurance report content

10.7 The assurance report should include, at a minimum, the following basic elements:

(a) A title that clearly indicates the report is an independent assurance report.

(b) An addressee.

(c) An identification or description of the level of assurance, either reasonable or limited, obtained by the practitioner.

(d) Identification of the ESG subject matter information, including the period(s) it covers, and, if any information in that statement is not covered by the practitioner's conclusion, clear identification of the information subject to assurance as well as the excluded information, together with a statement that the practitioner has not performed any procedures with respect to the excluded information and, therefore, that no conclusion on it is expressed.

(e) A description of the entity's responsibilities.

(f) A statement that ESG quantification is subject to inherent uncertainty.

(g) Identification of the applicable criteria (Ref: Paras 10.8 to 10.10);

(i) Identification of how those criteria can be accessed;

(ii) If those criteria are available only to specific intended users, or are relevant only to a specific purpose, a statement alerting readers to this fact and that, as a result, the ESG subject matter information may not be suitable for another purpose. The statement should also restrict the use of the assurance report to those intended users or that purpose; and

(iii) If established criteria need to be supplemented by disclosures in the explanatory notes to the ESG subject matter information for those criteria to be suitable, identification of the relevant note(s).

(h) A statement that the firm of which the practitioner is a member applies HKSQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as HKSQC 1. If the practitioner is not a professional accountant, the statement should identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as HKSQC 1.

(i) A statement that the practitioner complies with the independence and other ethical requirements of the Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as Chapter A, Parts 1,3 and 4B, and Chapter C of the Code related to assurance engagements. If the practitioner is not a professional accountant, the statement should identify the professional requirements, or requirements imposed by law

22 Paragraph 62 of HKSAE 3000 (Revised).

or regulation, applied that are at least as demanding as Chapter A, Parts 1, 3 and 4B, and Chapter C of the Code related to assurance engagements.

(j) A description of the practitioner's responsibility, including:

(i) A statement that the engagement was performed in accordance with HKSAE 3000 (Revised), other relevant and any ESG subject matter-specific HKSAEs relevant to the engagement. (Ref: Paras 10.8 and 10.9)

(ii) An informative summary of the work performed as a basis for the practitioner's conclusion. In the case of a limited assurance engagement, an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the practitioner's conclusion. In a limited assurance engagement, the summary of the work performed should state that:

- The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and

- Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

(k) The practitioner's conclusion:

(i) In a reasonable assurance engagement, the conclusion should be expressed in a positive form; or

(ii) In a limited assurance engagement, the conclusion should be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe that the ESG subject matter information is not prepared, in all material respects, in accordance with the applicable criteria.

(iii) When the practitioner expresses a modified conclusion, the assurance report should contain (Ref: Para 10.13):

- A section that provides a description of the matter(s) giving rise to the modification; and

- A section that contains the practitioner's modified conclusion.

(l) The practitioner's signature.

(m) The date of the assurance report. The assurance report should be dated no earlier than the date on which the practitioner has obtained the evidence on which the practitioner's conclusion is based, including evidence that those with the recognized authority have asserted that they have taken responsibility for the ESG subject matter information.

(n) The location in the jurisdiction where the practitioner practices.

Description of the applicable criteria

10.8 The preparation of the ESG subject matter information by the entity requires the inclusion of an adequate description of the applicable criteria in the explanatory notes to the ESG subject matter information. That description advises intended users of the framework(s) on which the ESG subject matter information is based, and is particularly important as there are significant differences among the various nature of ESG information and the relevant criteria used.

10.9 A description that the ESG subject matter information is prepared in accordance with particular applicable criteria is appropriate only if the ESG subject matter information complies with all the requirements of those applicable criteria that are effective during the period covered by the ESG subject matter information.

10.10 A description of the applicable criteria that contains imprecise qualifying or limiting language (for example, “the ESG subject matter information is in substantial compliance with the requirements of XYZ”) is not an adequate description as it may mislead users of the ESG subject matter information.

Complying with standards that are relevant to the engagement

10.11 The practitioner should comply with HKSAE 3000 (Revised) and any ESG subject matter-specific HKSAEs relevant to the engagement. Where an ESG subject matter specific HKSAE applies to only part of the ESG subject matter information, it may be appropriate to cite both that ESG subject matter specific HKSAE and HKSAE 3000 (Revised).

10.12 The practitioner should not represent compliance with HKSAE 3000 (Revised) or any other HKSAE unless the practitioner has complied with the requirements of HKSAE 3000 (Revised) and any other HKSAE relevant to the engagement, including compliance with HKSQC 1 and the Code (paragraphs 10.7(h) to 10.7(i)). A statement that contains imprecise qualifying or limiting language (for example "the engagement was performed by reference to or based on HKSAE 3000 (Revised)") may mislead users of assurance reports.

Modified conclusions

10.13 In the circumstances where the practitioner expresses a qualified conclusion or a disclaimer of conclusion or adverse conclusion, the practitioner’s report is to be modified accordingly as required in paragraph 69(l)(v) of HKSAE 3000 (Revised), Further guidance is set out in paragraphs 74 to 77, A183, A189 to A192 of HKSAE 3000 (Revised).

Emphasis of matter paragraphs and other matter paragraphs

10.14 If the practitioner considers it necessary to:

(a) Draw intended users’ attention to a matter presented or disclosed in the ESG subject matter information that, in the practitioner’s judgment, is of such importance that it is fundamental to intended users’ understanding of the ESG subject matter information(an Emphasis of Matter paragraph); or

(b) Communicate a matter other than those that are presented or disclosed in the ESG subject matter information that, in the practitioner’s judgment, is relevant to intended users’ understanding of the engagement, the practitioner’s responsibilities or the assurance report (an Other Matter paragraph),

and this is not prohibited by law or regulation, the practitioner should do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner’s conclusion is not modified in respect of the matter.

Considerations for practitioners when ESG report and assurance report are published on website

10.15 An ESG report may be made available to users in printed form, or electronically, including on the entity's website. When the ESG report is only made available to users via the entity's website, the final paper version of the ESG subject matter information (i.e. the ESG information under assurance) obtained from the entity, rather than directly from the entity's website, is the relevant information on which the practitioner would perform procedures in accordance with this Technical Bulletin. The practitioner has no responsibility to search for the relevant ESG subject matter information that may be on the entity's website, nor to perform any procedures to confirm that ESG subject matter information is appropriately displayed on the entity's website or otherwise has been appropriately transmitted or displayed electronically.

10.16 Entities often publish their ESG report on their website. They often want to include the assurance report on that information to show that they have addressed their governance responsibilities. This published information often consists of voluminous reports, together with the associated applicable criteria used to measure and report the relevant ESG subject matter information, and usually the assurance report includes links with the relevant sections/pages of the ESG report on the website. There is therefore a risk that the assurance report can no longer be linked with the relevant sections/pages of the ESG report e.g. applicable criteria the practitioner used to make the assessment of the ESG subject matter.

10.17 To address these risks the practitioner should clarify in the engagement letter and obtain written representations from management that:

(a) the practitioner responsibility in relation to the ESG subject matter information will be the final paper version and the original signed assurance report attached

(b) the entity is responsible for the maintenance and integrity of ESG information published on the internet, including the link included in the assurance report to the ESG information which is published on the internet

10.18 Where the practitioner is aware that the ESG subject matter information, together with the assurance report, will be published electronically, it would be common to check that the version of the ESG subject matter information and/or the assurance report that the client intends to publish on the website are the same as the original versions.

10.19 Reference can also be made to Chapter 10 of the IAASB's Proposed Non-Authoritative Guidance which provides other guidance for preparing an assurance report by the practitioner.

Appendix 1

Guidance on the procedures in limited and reasonable assurance engagements

A1. Planning and performing the engagement

Understanding the Underlying Subject Matter and Other Engagement Circumstances

Extract from HKSAE 3000 (Revised) paragraphs 46L/R – 47L/R

(References below refer to a paragraph in HKSAE 3000 (Revised))

Limited assurance	Reasonable assurance
46L. The practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to: (a) Enable the practitioner to identify areas where a material misstatement of the subject matter information is likely to arise; and (b) Thereby, provide a basis for designing and performing procedures to address the areas identified in paragraph 46L(a) and to obtain limited assurance to support the practitioner's conclusion. (Ref: A101–A105, A108)	**46R**. The practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to: (a) Enable the practitioner to identify and assess the risks of material misstatement in the subject matter information; and (b) Thereby, provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's conclusion. (Ref: A101–A104, A108)
47L. In obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 46L, the practitioner shall consider the process used to prepare the subject matter information. (Ref: A107)	**47R**. In obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 46R, the practitioner shall obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement. This includes evaluating the design of those controls relevant to the engagement and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter information. (Ref: A106)

A2. Obtaining evidence

Risk consideration and responses to risks

Extract from HKSAE 3000 (Revised) paragraphs 48L/R – 49L/R

(References below refer to a paragraph in HKSAE 3000 (Revised))

Limited assurance	**Reasonable assurance**
48L. Based on the practitioner's understanding (see paragraph 46L), the practitioner shall: (Ref: Para. A109–A113) (a) Identify areas where a material misstatement of the subject matter information is likely to arise; and (b) Design and perform procedures to address the areas identified in paragraph 48L(a) and to obtain limited assurance to support the practitioner's conclusion.	**48R.** Based on the practitioner's understanding (see paragraph 46R) the practitioner shall: (Ref:.A109–A111) (a) Identify and assess the risks of material misstatement in the subject matter information; and (b) Design and perform procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's conclusion. In addition to any other procedures on the subject matter information that are appropriate in the engagement circumstances, the practitioner's procedures shall include obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the subject matter information when: (i) The practitioner's assessment of the risks of material misstatement includes an expectation that controls are operating effectively, or (ii) Procedures other than testing of controls cannot alone provide sufficient appropriate evidence.
Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement **49L.** If the practitioner becomes aware of a matter(s) that causes the practitioner to believe that the subject matter information may be materially misstated, the practitioner shall design and perform additional procedures to obtain further evidence until the practitioner is able to: (Ref: A113–A118) (a) Conclude that the matter is not likely to cause the subject matter	Revision of Risk Assessment in a Reasonable Assurance Engagement **49R.** The practitioner's assessment of the risks of material misstatement in the subject matter information may change during the course of the engagement as additional evidence is obtained. In circumstances where the practitioner obtains evidence that is inconsistent with the evidence on which the practitioner originally based the assessment of the risks of material misstatement, the practitioner shall revise the assessment and modify the planned procedures accordingly. (Ref: A113)

information to be materially misstated; or (b) Determine that the matter(s) causes the subject matter information to be materially misstated.	

A3. In view of the varying level of assurance obtained through limited assurance as described above, an assurance practitioner needs to exercise professional judgement in determining the nature, timing and extent of work in a limited assurance engagement in view of the characteristics of an ESG reporting. For instance, trends and relationships in certain key performance indicators may not have been observed at all and therefore trend analysis and other substantive analytical procedure may be unpersuasive or not possible at all. In such case, the assurance practitioner may judge that detailed tests beyond inquiry and analytical procedures are needed. Similarly, in an ESG engagement of a more complex entity or involves a complex, specialised ESG subject matter, the assurance practitioner may judge that procedures other than testing of controls are not sufficient and therefore determine that there is a need to evaluate the design, implementation and operating effectiveness of relevant controls even though HKSAE 3000 (Revised) does not require performance of such procedures for a limited assurance engagement.

Appendix 2

Illustrations of assurance reports on ESG information

Illustration 1:

Circumstances include the following:

- Reasonable assurance engagement
- The ESG subject matter within the scope of the engagement is certain ESG information as specified by management
- The specified ESG information contains no comparative information
- The assurance engagement is conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and Hong Kong Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements* (where applicable)issued by the HKICPA
- The report is an unmodified report

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT

[Appropriate Addressee]

We have undertaken a reasonable assurance engagement of the specific [ESG Information] of ABC for the year ended 31 December 202X, [[as identified[23] in the [ESG Report] on [pages xx–yy]] or [as attached in Appendix [X] to this report]][24]. [This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.][25]

ABC's Responsibility

Pursuant to [[Appendix 27 to the Main Board Listing Rules] or [Appendix 20 to the GEM Listing Rules]] issued by The Stock Exchange of Hong Kong Limited, ABC is responsible for the preparation of the [ESG Information] in accordance with [applicable criteria], as set out [in [Note 1] to the [ESG Information] or [in Appendix [Y] to this report] (referred as "applicable criteria" thereafter)[24]. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of [ESG Information] that is free from material misstatement, whether due to fraud or error.

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23 Practitioners should agree with the entity the ESG information to be assured and clearly identified them in the ESG report or assurance report as appropriate.

24 The specific ESG information subject to this assurance engagement and the applicable criteria can be referred to a specific note to the ESG information, or the specific pages of the ESG report, or set out in an Appendix to this report.

25 The sentence should be deleted if it is not applicable to the engagement (for example, if the engagement was to report only on Scope 2 emissions and no other experts were used).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1[26] and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion on the [ESG Information] based on the procedures we performed and the evidence we have obtained[27]. We conducted our reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (“HKSAE 3000 (Revised)”)[and, in respect of greenhouse gas emissions, Hong Kong Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements* (“HKSAE 3410”)] issued by the HKICPA. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the [ESG Information] is free from material misstatement.

A reasonable assurance engagement in accordance with HKSAE 3000 (Revised) [and HKSAE 3410] involves performing procedures to obtain evidence about the quantification of [ESG Information]. The nature, timing and extent of procedures selected depend on the practitioner’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, on the [ESG Information]. A reasonable assurance engagement also includes: <include procedures>[28]

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

[*Inherent Limitation*[29]

[As discussed in [Note 1] to the [ESG Information],][30] quantification of [certain] ESG information is subject to inherent uncertainty because of [specify the matters giving rise to the uncertainty].

Opinion

In our opinion, the [ESG Information] for the year ended 31 December 202X is prepared, in all material respects, in accordance with the [applicable criteria] as set out [in [Note 1] to the [ESG Information] or [in Appendix [Y] to this report][24].

[Practitioner’s signature]

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26 HKSQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.*

27 Practitioners may consider it appropriate to clarify to whom they are responsible here or elsewhere in the report in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".

28 Include a summary of work performed based on the specific facts and circumstances of the engagement.

29 Include this paragraph in case the practitioner wants to draw attention to significant inherent limitations associated with the evaluation or measurement of the ESG information against the applicable criteria. This illustrative language should be tailored according to the individual circumstances.

30 Where there is no discussion of the inherent uncertainty in Note 1 to the ESG Information, this should be deleted.

[Date of the assurance report]

[Practitioner’s address]

Illustration 2:

Circumstances include the following:

- Limited assurance engagement
- The ESG subject matter within the scope of the engagement is certain ESG information as specified by management
- The specified ESG information contains no comparative information
- The assurance engagement is conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and Hong Kong Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements* (where applicable) issued by the HKICPA
- The report is an unmodified report

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

[Appropriate Addressee]

We have undertaken a limited assurance engagement of the specific [ESG Information] of ABC for the year ended 31 December 202X, [[as identified[31] in the ESG Report] on pages [xx–yy] or [as attached in Appendix [X] to this report]][32]. [This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.][33]

ABC's Responsibility

Pursuant to [[Appendix 27 to the Main Board Listing Rules] or [Appendix 20 to the GEM Listing Rules]] issued by The Stock Exchange of Hong Kong Limited, ABC is responsible for the preparation of the [ESG Information] in accordance with [applicable criteria], as set out in [in [Note 1] to the [ESG Information] or [in Appendix [Y] to this report] (referred as "applicable criteria" thereafter)[32]. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of [ESG Information] that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1[34] and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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31 Practitioners should agree with the entity the ESG information to be assured and clearly identified them in the ESG report or assurance report as appropriate.

32 The specific ESG information subject to this assurance engagement and the applicable criteria can be referred to a specific note to the ESG information, or the specific pages of the ESG report, or set out in an Appendix to this report.

33 The sentence should be deleted if it is not applicable to the engagement (for example, if the engagement was to report only on Scope 2 emissions and no other experts were used).

34 HKSQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the [ESG Information] based on the procedures we have performed and the evidence we have obtained[35]. We conducted our limited assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ("HKSAE 3000 (Revised)")[and, in respect of greenhouse gas emissions, Hong Kong Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements* ("HKSAE 3410")] issued by the HKICPA. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the [ESG Information] is free from material misstatement.

A limited assurance engagement undertaken in accordance with HKSAE 3000 (Revised)[, and HKSAE 3410] involves assessing the suitability in the circumstances of ABC's use of [applicable criteria] as the basis for the preparation of the [ESG Information], assessing the risks of material misstatement of the [ESG Information] whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the [ESG Information]. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Within the scope of our work we performed amongst others the following procedures: <include procedures>[36]

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether ABC's [ESG Information] has been prepared, in all material respects, in accordance with the [applicable criteria] as set out [in [Note 1] to the [ESG Information] or [in Appendix [Y] to this report][32].

[*Inherent Limitation*[37]

[As discussed in [Note 1] to the [ESG Information],][38] quantification of [certain] ESG information is subject to inherent uncertainty because of [specify the matters giving rise to the uncertainty].

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that ABC's [ESG Information] for the year ended 31 December 202X is not prepared, in all material respects, in accordance with the [applicable criteria] as set out [in [Note 1] to the [ESG Information] or [in Appendix [Y] to this report][32].

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35 Practitioners may consider it appropriate to clarify to whom they are responsible here or elsewhere in the report in accordance with their risk management policies and with reference to Professional Risk Management Bulletin No. 2 "Auditors' Duty of Care To Third Parties and The Audit Report".

36 The procedures are to be summarized but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that an agreed-upon procedures engagement has been undertaken, and in most cases will not detail the entire work plan.

37 Include this paragraph in case the practitioner wants to draw attention to significant inherent limitations associated with the evaluation or measurement of the ESG information against the applicable criteria. This illustrative language should be tailored according to the individual circumstances.

38 Where there is no discussion of the inherent uncertainty in Note 1 to the ESG Information, this should be deleted.

[Practitioner’s signature]

[Date of the assurance report]

[Practitioner’s address]