

30 March 2026

Accounting and Financial Reporting Council
10/F, Two Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Email: policy@afrc.org.hk

Dear Sir or Madam,

Response to Consultation Paper on the Proposed Regulatory Framework for Sustainability Assurance in Hong Kong

We write in response to an invitation for public comments on the “Consultation Paper on the Proposed Regulatory Framework for Sustainability Assurance in Hong Kong” (the “Paper”) issued by the Accounting and Financial Reporting Council (AFRC) on 29 December 2025. We welcome the opportunity to contribute to this important consultation.

The Asian Corporate Governance Association (ACGA) is a non-profit membership association founded in 1999. We conduct research on corporate governance and ESG in 12 markets in Asia-Pacific and advocate at the regulatory and corporate level across the region to improve standards and practices. ACGA is funded by a network of 104 organisations, of which 80% are institutional investors with more than US\$40 trillion in assets under management globally.

High-level comments

We agree with the core premise of the consultation: that independent external assurance is essential for establishing a credible sustainability reporting regime and for supporting investor confidence and trust in the published information. We believe the consultation represents a timely and important step in strengthening Hong Kong’s sustainability reporting framework and maintaining its competitiveness as an international finance centre, particularly in light of the global momentum toward mandatory sustainability assurance.

In principle, ACGA supports all the five proposals set out in the Paper:

- Mandatory assurance for “Large Cap Issuers” and large non-listed financial institutions enhances accountability for systemically significant entities, while establishing governance benchmarks for the broader market.¹
- A phased approach to requiring limited assurance recognises market readiness, allowing time to develop necessary expertise, infrastructure and organisational capacity.
- Allowing both Certified Public Accountant (CPA) and non-CPA firms to be registered as sustainability assurance providers (SAPs) would promote healthy market competition and leverage diverse expertise in this rapidly developing field.
- Prescribing HKSSA 5000 as the assurance standard aligns Hong Kong with international frameworks and facilitates cross-border recognition of assurance work.
- A unified approach to regulating SAPs would streamline regulatory structure and ensure consistent oversight.

¹ “Large Cap Issuers” is defined as Hang Sang Composite LargeCap Index (HSCLI) constituents throughout the year immediately prior to the reporting year, according to the Paper.

In summary, the Paper establishes foundational pillars of Hong Kong's sustainability assurance framework. However, considerable work remains to develop detailed criteria, operational guidance, and mechanisms to ensure the regime evolves alongside international best practice.

Specific comments

Below we provide specific comments highlighting areas where investors seek clarity and make recommendations for strengthening the framework.

Proposal 1

Question 1.2: Substantive and transparent assurance disclosure

Investors face challenges in determining which elements of sustainability reports are assured and what the assurance process involves. Beyond simply stating that assurance has been obtained, it is important for companies to disclose meaningful content about the assurance process and findings. Particularly valuable to investors would be:

- Assurance scope and boundary
- Level of assurance obtained
- Assurance provider's key findings, any limitations or concerns identified, and recommendations

This transparency would enable more informed and targeted investor engagement, surfacing data inconsistencies or risks that currently remain obscured.

Mandatory baseline requirements are equally critical. Assurance scope differs widely across companies, particularly regarding material sustainability metrics. Clear guidance on materiality assessment and minimum assurance scope is needed to ensure reliable comparisons of sustainability performance across issuers.

Whilst we note that many companies are already assuring sustainability data on a voluntary basis, adopting consistent standards for sustainability assurance, with clear and enforceable requirements, will ensure that reported data meets a recognised minimum quality threshold, thereby strengthening investor confidence.

Another issue is terminology. Investors observe sustainability reports claiming "verification" by third parties, with "verification" and "assurance" sometimes used interchangeably. Establishing standardised terminology and providing guidance on when different terms may be appropriately used would help improve clarity.

Finally, assurance statements are often included in appendices as non-searchable images or printed in very small font. More prominent and search-friendly disclosure of these statements would benefit investors and other stakeholders seeking to evaluate the credibility of sustainability claims.

Question 1.3: Incentives for assurance

A rigorous evaluation mechanism would drive assurance adoption and raise reporting quality across the market. The Taiwan Stock Exchange (TWSE) provides a model through its Corporate Governance Evaluation, introduced in 2014. This evaluation covers nearly all TWSE-listed companies, assessing performance across key areas including board effectiveness, shareholder protection, information disclosure, and sustainability reporting.²

² It combines company self-assessments with reviews conducted by the Exchange. Results are published in seven performance bands—from the top 5% to the bottom 20%, identifying companies by their stock ticker codes.

TWSE is evolving this framework into an ESG Evaluation from 2026, adding new environmental indicators. Notably, G-33 assesses whether companies obtain third-party assurance on SASB industry metrics, whereas G-35 assesses whether they obtain assurance on entire sustainability reports. Adopting such a scoring system for Hong Kong would provide tangible performance benchmarks for investors, while incentivising companies to continuously improve their sustainability reporting and assurance practices, going beyond minimum standards to encourage higher-quality and more comprehensive assurance. This would strengthen overall market standards.

Taiwan's model requires considerable investment and regulatory coordination. Alternatively, establishing a central database of companies with assured sustainability information would enhance transparency for investors while creating peer pressure that encourages broader adoption.

Proposal 2: Limited assurance and beyond

Limited assurance is appropriate for Phase 1, as Scope 1 and 2 emissions rely on established measurement methodologies. However, Phase 2's expansion to include Scope 3 emissions, climate risks, transition plans, and scenario analysis will require guidance on assuring more complex qualitative and forward-looking information.

While starting with limited assurance is a pragmatic and cost-effective first step, investor expectations are clear: 73% of investors surveyed by PwC in 2024 called for reasonable assurance on sustainability information, including metrics and KPIs, at levels comparable to financial statement audits.³ We recommend establishing clear criteria for assessing readiness to transition to reasonable assurance, which would then inform the development of a timetable.

This transition also requires education. Many stakeholders outside the assurance and audit profession still grapple with the practical differences between limited and reasonable assurance. Providing educational resources or briefings for stakeholders would help address this knowledge gap, including:

- Working examples demonstrating reasonable assurance in practice
- Guidance on the key challenges companies face in obtaining reasonable assurance
- The business case for transitioning from limited to reasonable assurance

Additionally, we recommend clarifying the relationship between sustainability assurance and existing financial audits, particularly where sustainability-related financial disclosures are already subject to reasonable assurance within financial audits. Guidance is needed to prevent duplication and potential inconsistencies between the two assurance processes.

Proposal 3: Accreditation

A robust and competitive sustainability assurance market is essential to meet the expectations of investors and companies. Local non-CPA firms often possess diverse expertise ranging from consulting to environmental science. However, they may not be subject to the same training, ethics, and oversight requirements as traditional audit firms. We recommend the establishment of clear guidance to ensure that all SAPs demonstrate appropriate competency and independence. Such guidance should be reviewed and updated periodically.

Furthermore, we suggest exploring accreditation requirements at the individual level for sustainability assurance practitioners, which would help increase market confidence and facilitate entry for professionals from diverse backgrounds. This aligns with the 2026-2028 priorities in green and sustainable finance set out by the Green and Sustainable Finance Cross-Agency Steering Group, particularly regarding talent development.⁴

³ <https://www.pwc.com/gx/en/asia-pacific/esg/sustainability-counts/sustainability-counts-2024.pdf>

⁴ <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2026/01/20260130-3/>

All accredited practitioners should also be required to complete a minimum number of hours of continuing professional development training to retain their accreditation.

Proposal 4: Assurance standards

Question 4.1: Adoption of HKSSA 5000

We believe it is important that Hong Kong's sustainability assurance standards closely align with globally recognised frameworks and support the adoption of ISSA 5000, which is being implemented or adopted in many jurisdictions worldwide. As an internationally accepted standard, ISSA 5000 provides a robust and interoperable basis for assurance engagements that will improve investor confidence through consistent assurance quality and reduce the dual-reporting burden for companies listed in multiple markets.

While limited local adaptations may be necessary to address Hong Kong-specific requirements, these should be kept to a minimum, clearly justified and transparently articulated. Ideally, the core requirements of ISSA 5000 should be applied in their entirety to maximise consistency, interoperability, and alignment with international practices.

While HKSSA 5000 is fully aligned with the ISSA 5000, ongoing monitoring and periodic updates are needed to maintain alignment with evolving international assurance standards, address emerging sustainability risks and adapt to investor expectations.

Regarding cross-border recognition and interoperability, clarity is needed on whether and how the AFRC requirements accommodate multinational companies already subject to mandatory assurance in other jurisdictions.

Question 4.2: Capacity building efforts

Effective adoption of HKSSA 5000 will require a well-coordinated capacity building programme. We propose that the Hong Kong Institute of Certified Public Accountants (HKICPA) should take the lead in delivering specialised technical training for assurance practitioners, enhanced CPD requirements focused on sustainability topics and ethics, and the development of practical implementation tools such as checklists, templates, and Hong Kong-specific case studies.

In addition, targeted support should be provided to companies to strengthen their internal data governance and controls. Particular attention should be given to smaller assurance providers to ensure the standard is applied in a practical and proportionate manner. The AFRC (or ultimate regulatory body) should oversee these efforts to ensure they are timely, effective, and sufficient to build the necessary expertise and infrastructure across the market.

Proposal 5: A single regulator

We support the proposal of a single regulatory body to oversee all registered sustainability assurance providers, irrespective of whether these are CPA firms or non-CPA providers. This will ensure consistency in application of the required standard.

Investors expect the sustainability assurance regulator to play a key role in overseeing quality control, conducting inspections, and enforcing compliance, in addition to its responsibilities for standard setting, accreditation, and capacity building. We recommend providing clarity on the regulator's remit, enforcement powers, and resource allocation.

We appreciate the opportunity to respond to the consultation and would be pleased to discuss any of the points above in more detail. Thank you.



Yours faithfully,

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