

25 October 2024

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
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Exposure Drafts of HKFRS S1 and S2

Dear Sir or Madam,

We write in response to an invitation for public comments on two Exposure Drafts (HK EDs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) on 16 September 2024. We welcome the opportunity to provide comments.

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 102 organisations, of which 80% are institutional investors with more than US\$40 trillion in assets under management globally.

General comments

We support the HKICPA's decision to fully converge the HK EDs with IFRS S1 and S2. Global investors increasingly seek reliable, comparable and timely information on issuers' sustainability performance, strategy, risks and opportunities, as well as the impact this may have on the financial position and outlook of the company. They are looking to jurisdictions in Asia-Pacific and developed markets to adopt both IFRS S1 and S2 as soon as possible. Alignment with ISSB standards will enable international investors to compare the sustainability risks, opportunities and initiatives of Hong Kong-listed companies with those of regional and international peers.

As the HKICPA noted in the Explanatory Memorandum, listed companies have been identified by the Hong Kong government as the key publicly accountable entities (PAEs) in the application of HKFRS S1 and S2 (see the *Vision Statement on Turning Obligations into Opportunities in Developing the Sustainability Disclosure Ecosystem in Hong Kong*). In our CG Watch 2023 survey, we evaluated the quality of sustainability reporting among 15 large, listed companies in each of the 12 markets in the region. Hong Kong scored 3 out of 5 on this question, trailing behind Taiwan (4.5), Korea (4), and Australia (3.5). The full adoption of ISSB standards will hopefully encourage Hong Kong issuers to ensure data integrity and comprehensiveness through effective board oversight on sustainability reporting, thereby enhancing the quality and rigour of their reporting.

Specific comments

Although not addressed in IFRS S2, climate lobbying by certain companies is increasingly concerning global institutional investors. A potential way forward would be for companies to include a description in their ESG reports of any climate-related lobbying they have undertaken over the previous year, along with an explanation of how these activities align with their carbon-reduction commitments.



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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