



Exposure Draft HKFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and Exposure Draft HKFRS S2 *Climate-related Disclosures*
26 September 2024

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September, 2024

Introduction

On 16 September 2024, the Hong Kong Institute of Certified Public Accountants ("HKICPA") released exposure drafts on HKFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and HKFRS S2 *Climate-related Disclosures* ("Exposure Drafts"). The HKICPA is proposing full convergence of HKFRS S1 and S2 with IFRS S1 and S2, the equivalent standards issued by the International Sustainability Standards Board ("ISSB"). The proposed effective date of the proposed standards is for periods beginning on or after 1 August 2025.

The HKICPA is requesting comments on the Exposure Drafts by 27 October 2024 and aims to publish the final HKFRS S1 and S2 by the end of 2024. The [invitation to comment](#), [Exposure Drafts](#) and [explanatory memorandum accompanying the Exposure Drafts](#) are available on the HKICPA's website.

Background

On 25 March 2024, the Financial Services and the Treasury Bureau published the [Vision Statement on Turning Obligations into Opportunities in Developing the Sustainability Disclosure Ecosystem in Hong Kong](#). In that document the Bureau, acknowledging the importance of sustainability disclosure, stated that Hong Kong aimed to be among the first jurisdictions to align the local sustainability disclosure requirements with the ISSB Standards. In the same document, it was noted that in assuming the role of the sustainability reporting standard setter in Hong Kong, the HKICPA will develop the local sustainability reporting standards aligned with the ISSB Standards as well as the complementary application and implementation guidance. As part of that activity, the HKICPA has now issued in the form of the Exposure Drafts the proposals for such standards.

Which entities would under the proposals be required to apply the Hong Kong sustainability disclosure standards and by when?

Application of HKFRS S1 and S2 will be on a voluntary basis until relevant authorities mandate their use and publicly accountable entities including listed entities and regulated financial institutions in Hong Kong will be prioritized for the application. As explained in FAQ 1 of the explanatory memorandum accompanying the Exposure Drafts (which deals with the question of "Which entities must apply the HK Standards and by when?"), relevant authorities/regulators in Hong Kong including the Hong Kong Stock Exchange ("HKEX"), HKMA, SFC, MPFA and IA will conduct their own consultations soon to determine the approach and timing of adopting HKFRS S1 and S2. Entities that are required to prepare sustainability disclosures will continue to report in accordance with the rules, regulations or guidelines specified by relevant authorities/regulators. Until further decisions are made by the relevant authorities/regulators, other entities preparing sustainability disclosures have the sole discretion to decide whether sustainability disclosures should be prepared in accordance with the Hong Kong sustainability disclosure standards or other frameworks.

Comparing the Exposure Drafts (which propose full convergence with IFRS S1 and S2) with the Enhanced Climate-related Disclosures under the Environmental, Social and Governance Framework of HKEX Listing Rules (“HKEX Listing Rules”) and the PRC sustainability reporting guidelines for listed companies

Key areas	Exposure Drafts ¹	HKEX Listing Rules ^{1&2}	PRC sustainability reporting guidelines for listed companies ³
Materiality	Financial materiality approach	Double materiality approach is allowed (including both financial materiality and impact materiality)	Double materiality approach
Non-mandatory disclosure	-	Scope 1 and Scope 2 GHG emissions for the consolidated accounting group and other investees separately, percentage of remuneration linked to climate-related considerations, financed emissions and industry-based metrics	Climate-related scenario analysis, anticipated financial effects and Scope 3 GHG emissions
GHG emissions measurement method	GHG Protocol, unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method	GHG Protocol, unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method	Not prescribed
Effective date	1 August 2025	1 January 2025 (with a phased approach)	1 May 2024, i.e. first 2025 sustainability report to be published on or before 30 April 2026

Notes:

¹ Since the Exposure Drafts have been prepared on a full convergence basis with IFRS S1 and S2, you may find useful our comprehensive discussion and comparison between IFRS S1 and S2 and the HKEX Listing Rules are detailed in our newsletter “[New Era of Climate Disclosure for Hong Kong Listed Companies](#)” issued in April 2024. You are also highly recommended to refer to [our newsletter on IFRS S1 and S2 requirements](#).

² Apart from the above comparison table, the HKEX Listing Rules reflect the IFRS S2 requirements to the maximum extent possible. With respect to IFRS S1, the HKEX strongly encourages issuers to prepare climate-related disclosures under Part D of the ESG Code following the conceptual foundations and general requirements set out under IFRS S1 (with HKEX’s implementation guidance providing a high-level overview of the applicable IFRS S1 key concepts).

The HKEX Listing Rules also require a narrative explanation of the reporting boundaries of the ESG report and a description the process used to identify which entities or operations are included in the ESG report. However, at the same time, listed companies are encouraged to follow the IFRS sustainability disclosure standards and align the scope of entities or operations that are included in the ESG report with that of its financial statements.

³ Apart from the above comparison table, the PRC sustainability reporting guidelines for listed companies share similar disclosure requirements across the four core pillars (i.e. governance, strategy, risk management and metrics and targets) and climate-related disclosures to what is proposed in the Exposure Draft based on full convergence with IFRS S1 and S2. However, there are specific additional disclosure requirements for designated topics under the PRC sustainability reporting guidelines, such as Resource Utilization and Circular Economy and Rural Revitalization and Social Contributions, and non-designated topics that are considered material in terms of impact.

In addition, the PRC disclosure requirements are categorized into mandatory, encouraged and voluntary. Other than GHG emissions measurement method, the PRC sustainability reporting guidelines also do not prescribe other cross-industry metrics.

How Deloitte can help

Deloitte is committed to driving responsible business practices and supporting our clients in navigating the evolving ESG landscape. With the issuance of the HKICPA's Exposure Drafts, Hong Kong takes a significant step towards aligning with global sustainability reporting standards. Deloitte welcomes this development and believes that the proposed standards will enhance transparency and comparability, enabling investors and stakeholders to make more informed decisions. Leveraging our global network and deep industry expertise, Deloitte is dedicated to assisting companies in meeting these new requirements.

Our team of ESG experts can help your company by:

- Assessing your company's ESG data and reporting processes. We will work with you to understand your current state and identify any gaps that need to be addressed to comply with the new standards.
- Developing and implementing new ESG data collection and reporting processes. This includes helping you to identify and collect the necessary data, as well as developing systems and processes for tracking and reporting on your ESG performance.
- Providing assurance on your ESG reporting. We can provide independent assurance on your ESG reporting to give your stakeholders confidence in the accuracy and completeness of your disclosures.

We are committed to working with our clients to help them navigate the evolving ESG landscape and create long-term sustainable value.

Contact us to continue the conversation



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