

July 2023

An ISSB milestone to a clearer path



In our recently-published [white paper on ESG](#), interviewees told us that the quality of ESG disclosures in the market was simply not good enough. This, they said, severely impeded the ability of investors to properly assess related risks and opportunities, and should be addressed soonest possible if ESG was to play a more significant role in the financial sector.

Fortuitously, in what is likely a watershed moment for the global corporate sustainability drive, the International Sustainability Standards Board (ISSB) issued 26 June 2023 its International Financial Reporting Standards (IFRS) S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate-related Disclosures standards that for the first time create a common language for global corporate sustainability-related disclosures. Crucially, these standards are based on the global IFRS Accounting framework and fit for use across the world.

IFRS S1, as its full name suggests, requires disclosure of material information about the sustainability related risks and opportunities that could reasonably be expected to affect the company. It lays out general criteria for the content and presentation of a company's sustainability-based financial disclosures. These disclosures must as accurately as possible dovetail with the company's corresponding financial data and assumptions made in the course of preparing its fiscal statements. IFRS S2, among other things, mandates the disclosures of specific benchmarks such as Scope 1, Scope 2 and Scope 3 greenhouse gas emissions generated over the reporting period.

IFRS S1 and IFRS S2 if adopted by the relevant jurisdictions are effective for annual reporting periods beginning on or after 1 January 2024. Hong Kong is well prepared, with the stock exchange having launched on 14 April 2023 a consultation paper that proposed, among other things, to require all listed companies to provide climate-related disclosures that are aligned with ISSB metrics. IFRS S1 and S2 mark a significant boost toward the city's aim of mandating TCFD-aligned disclosures by 2025, as previously announced by the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group. Acknowledging the concerns of the issuers, including operational readiness, the Hong Kong Stock Exchange proposed interim provisions for certain disclosures (e.g. financial effects of climate-related risks and opportunities, Scope 3 emissions and certain cross-industry metrics) for the first two reporting years following the slated 1 January 2024 effective date. The consultation will end 14 July 2023.

Hong Kong aside, the region also stands to profit from the ISSB having set up a Beijing office earlier in June. This is aimed at helping emerging economies and SMEs execute ISSB strategies, while raising overall stakeholder engagement in Asia, the IFRS said.

If you need further details on the ISSB's latest developments and how that would impact your business, please feel free to contact us.

Contact us



Penelope Shen

Partner

T: +852 3166 6936

E: penelope.shen@shlegal.com

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