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Accounting and Financial Reporting Council
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**Submission on the Consultation Paper on the Proposed Regulatory Framework for
Sustainability Assurance in Hong Kong
Views from Business Environment Council Limited
商界環保協會有限公司**

Over the last 34 years, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engaging with the HKSAR Government (“the Government”) to help develop a supporting policy framework as well as impactful implementation in respect of environmental protection and sustainability.

Views expressed in this submission are those of BEC, in line with BEC’s Mission and Vision as well as policy position on relevant issues, but may not necessarily be the same as the views of each individual member. BEC is an independent charitable membership organisation comprising over 300 member companies from Hong Kong’s major holding companies to small and medium-sized enterprises (“SMEs”).

Background

BEC commends the Accounting and Financial Reporting Council (“AFRC”) for its proactive approach in developing a robust regulatory framework for sustainability assurance in Hong Kong. We welcome the opportunity to respond to the [Consultation Paper on the Proposed Regulatory Framework for Sustainability Assurance in Hong Kong](#). A credible and reliable framework for assured sustainability data is paramount as Hong Kong progresses towards its 2050 carbon neutrality objective and reinforces its position as a leading international green finance hub. We recognise several positive advancements in the proposals, such as the pragmatic phased implementation of limited assurance, the alignment with internationally recognised standards including the ISSA 5000, and the inclusive approach to registering both CPA and accredited non-CPA firms to ensure a diverse and competent pool of assurance providers.

In preparing this submission, BEC has extensively consulted with our members to gather aggregate feedback from the business community. On 12 March 2026, BEC hosted a dedicated virtual roundtable discussion attended by sustainability, finance, and ESG professionals representing a wide spectrum of listed companies, including major property developers, utilities, infrastructure operators, and financial institutions, as well as leading assurance providers. While we strongly support the HKSAR government’s Roadmap on Sustainability Disclosures and the overarching goal of enhancing market integrity, our members have also identified practical challenges in the Hong Kong context. These include

the immediate need for capacity building, managing compliance costs, and navigating the complexities of assuring data across cross-jurisdictional value chains, all of which must be carefully managed to ensure a smooth transition to mandatory assurance.

Our detailed feedback in this submission aims to build upon the strengths of the proposed framework. It reflects a commitment from the Hong Kong business community to engage constructively with the AFRC. Our objective is to help ensure that the final regulatory framework is not only ambitious and aligned with global best practices but also practically implementable and proportionate for preparers and assurance providers alike. By addressing the identified practicalities and supporting ecosystem capacity building efforts, we believe the framework will successfully combat greenwashing, safeguard investor confidence, and accelerate the flow of green capital.

Please find our detailed responses to the specific consultation proposals and questionnaire below.

Proposal 1 Mandating Independent Assurance

Subject to further consultations by HKEX and relevant financial regulators in relation to entities required to report using the Hong Kong Sustainability Disclosure Standards (Mandatory HKSDS Reporting), all entities subject to such reporting must obtain independent assurance.

Q1.1) Do you agree with the proposal? *

- Yes
- No
- No view

Please state the reason(s) for your response. *

**** If you disagree with the proposal, please also indicate how the proposal should be adapted.**

We support making sustainability assurance mandatory in orderly manner, particularly among larger and more mature issuers. Mandatory assurance is expected to improve market confidence and comparability of sustainability information. Many large listed companies have already been voluntarily conducting assurance for several years, especially on greenhouse gas emissions and broader ESG disclosures, and therefore see mandatory assurance as a natural and expected progression. Representatives from large listed companies considered that independent assurance significantly enhances the credibility of disclosures, strengthens investor confidence, and helps ensure a consistent baseline of data quality and comparability across the Hong Kong market. While we acknowledged potential implementation challenges, we overall agree that mandatory assurance supports global trends, aligns with investor expectations, and reinforces trust in sustainability information.

Q1.2) What challenges do you foresee in implementing this proposal? Please provide details and, where possible, suggest revisions or solutions to address these challenges. *

We like to raise several concerns relate to capacity, compliance cost, and the readiness of both issuers and assurance providers. Mandatory assurance will substantially increase internal resource requirements. This creates additional workload for finance and ESG teams, and requires detailed supporting evidence, such as scenario assumptions and capital expenditure estimates which companies are still learning how to meet the disclosure standards. We also have concerns about data complexity in areas such as Scope 3 emissions, where large complicated supply chains make it difficult to obtain accurate information. Moreover, compressed reporting timelines present challenges, as assurance must occur concurrently with ESG reporting and financial reporting cycles. Assurance providers also cautioned that the costs of assurance will rise due to the need for additional staff, deeper testing, and more complex audit methodologies. Furthermore, there is uncertainty regarding exactly what evidence assurance providers will require for forward-looking statements and financial materiality, where subjectivity may be involved.

We recommend that AFRC provide clear and practical implementation guidance, including examples of acceptable evidence, templates, checklists, and good-practice illustrations for both quantitative and qualitative disclosures. We also encourage a phased and pragmatic rollout of assurance scope, particularly in areas involving forward-looking information, scenario analysis, and transition planning, to allow both issuers and assurance providers time to build capability and refine methodologies. Additionally, coordinated capacity-building efforts, including training programmes and CPD for practitioners and reporting teams, will be essential to address the market-wide capability gap. Clarifying expectations for more complex disclosure areas early will further reduce interpretive inconsistencies among assurance providers.

Q1.3) In your view, what would be the most effective way to encourage entities that voluntarily adopt the HKSDS to obtain independent assurance? *

It is important to provide clear, practical, and accessible guidance. Strengthening capacity building support, such as training programmes for sustainability and finance professionals, would also improve confidence and readiness among entities that are less familiar with assurance requirements. In addition, highlighting the benefits of independent assurance, such as enhanced credibility of sustainability information, strengthened investor confidence, gaining public recognition of being responsible information providers, increased attractiveness to ESG-focused funds, and improved performance in external ESG ratings, would create positive incentives for uptake. Finally, maintaining a competitive and diverse assurance market by ensuring equitable participation of both CPA and non-CPA assurance providers will help make assurance more accessible and cost-effective for voluntary adopters.

Proposal 2 A Phased Approach to Scope and Timing

Subject to further consultations by HKEX and relevant financial regulators in relation to Mandatory HKSDS Reporting, all entities subject to such reporting must obtain limited assurance over:

Phase 1: Scope 1 and 2 GHG emission disclosures from the third financial year of the Mandatory HKSDS Reporting; and

Phase 2: All remaining disclosures mandated under HKSDS from the fifth financial year of the Mandatory HKSDS Reporting.

Q2) Do you agree with the proposal?

- If answered Yes, please state the reason(s) for your response.
 - Yes
 - No
 - No view

We generally agree with the phased approach to sustainability assurance, as it provides a structured and practical pathway for entities to build capacity over time. Entities are already familiar with reporting Scope 1 and 2 greenhouse gas emissions, and many have established processes for calculation and voluntary verification, which makes Phase 1 both realistic and achievable.

However, we note that Phase 2 raises significant challenges. These include uncertainty around the scope of disclosures to be assured, especially qualitative and forward-looking elements such as climate scenario analysis, transition plans, and financial effects, which require substantial methodological development and cross-functional input. Given these complexities, we support the phased structure, but believe careful calibration, clear guidance, and capacity-building support will be critical for successful implementation.

Q2.1) Do you agree with the proposal for Phase 1?

- If answered Yes, please state the reason(s) for your response.

We agree with the proposal for Phase 1, which limits assurance to Scope 1 and 2 emissions in the third year of mandatory reporting. Companies have been reporting these emissions for many years, and many already undergo voluntary verification, meaning the required data systems, calculation methodologies, and evidence trails are relatively mature.

Most large entities have been tracking and reporting Scope 1 and 2 emissions with established frameworks such as the GHG Protocol, which reduces the assurance burden and enables a smooth initial transition. Moreover, limiting Phase 1 to Scope 1 and 2 allows entities to focus resources on strengthening internal data governance before expanded assurance requirements take effect. While there may still be operational challenges, such as consolidating data across subsidiaries and joint ventures, these are manageable compared with the broader HKSDS assurance requirements planned for Phase 2.

Q2.2) Do you agree with the proposal for Phase 2?

- Yes
- No
- No view

Although we agree with the direction of Phase 2 in principle, but with important caveats. Expanding assurance to all remaining HKSDS disclosures in the fifth year is conceptually appropriate, as it aligns with growing investor expectations for high-quality, reliable sustainability information.

However, Phase 2 encompasses complex elements such as scenario analysis, transition planning, financial impacts, and Scope 3 emissions, all of which present significant methodological and data-related challenges. Our members expressed major uncertainties regarding how assurance providers evaluate assumptions, forward-looking modelling, and qualitative narrative disclosures, as well as concerns about the evidence required to support these areas. Capacity constraints in both issuers and assurance providers further complicate readiness.

We recommend that AFRC provide detailed scoping guidance, for example, the baseline level of qualitative and quantitative disclosure, and consider additional sub-phases or flexible implementation pathways to support a more gradual and manageable transition.

Given that HKFRS S1 has not yet been incorporated into the Listing Rules, we agree with the direction of Phase 2 only insofar as it relates to the remaining Climate-related Disclosures (HKFRS S2). For broader HKFRS S1 disclosures, we recommend that further consultation be conducted once the implementation status of HKFRS S1 is finalised. Additional phases should be considered to allow preparers and assurance providers more time to build readiness.

Q2.3) Do you agree with the proposal for not setting a timetable for reasonable assurance at this stage?

- **Please state the reason(s) for your response, including any views on when this transition should be considered or made effective.**

- Yes
- No
- No view

It is premature to set a timetable for reasonable assurance. Reasonable assurance involves significantly more extensive testing, documentation, and verification procedures, which would create disproportionate burdens given current market readiness. Our members highlighted that even limited assurance on complex areas, such as Scope 3 emissions, forward-looking scenario analysis, and financial impact quantification, already poses material challenges. Assurance providers also raised concerns about resource constraints and the level of expertise required to deliver reasonable assurance on non-financial information. Furthermore, methodologies and standards for several HKSDS disclosure areas are still evolving, and imposing a timetable for reasonable assurance risks creating compliance pressures before the market has stabilised. For these reasons, we believe that reasonable assurance should only be considered after entities and assurance providers have gained sufficient experience under limited assurance, the necessary evidence expectations are well understood, and capacity across the market has significantly increased.

Proposal 3 Regime for Assurance Providers

Mandatory assurance must be provided by registered sustainability assurance providers (SAPs) and their registered individuals. These SAPs comprise either:

- **Registered local Public Interest Entity (PIE) auditors that meet additional criteria;**
or
- **Accredited local non-CPA firms that meet similar criteria.**

Q3.1) Do you agree with the proposal? *
Please state the reason(s) for your response. *

- Yes
- No
- No view

We support a level-playing-field approach, as both PIE auditors (“CPA firms”) and non-CPA firms bring distinct and valuable expertise to the assurance ecosystem. Non-CPA firms possess long-standing technical knowledge in sustainability methodologies, greenhouse gas quantification, lifecycle assessment, and sector-specific emission factors, which many entities rely on for practical and operationally grounded assurance services. At the same time, CPA firms contribute deep experience in financial governance, internal controls, and risk-based assurance methodologies. Allowing only CPA firms would create capacity bottlenecks and reduce market competition, likely increasing costs and constraining assurance availability during peak reporting periods. By permitting both CPA and accredited non-CPA providers to serve as SAPs under harmonised criteria, the proposal ensures adequate market capacity, enables quality through multiple professional pathways, and preserves the diverse assurance expertise that entities depend upon.

Furthermore, the framework must recognise cross-border delivery realities. Many Hong Kong-listed companies have substantial operations and supply chains in Chinese Mainland and elsewhere. The framework should explicitly clarify that appropriately qualified non-Hong Kong personnel can support on-the-ground fieldwork, site visits, and technical execution under the responsibility and oversight of the locally registered SAP.

Q3.2) Do you agree with these principles set out in paragraph 7.4(b) of the consultation paper for firm registration (reproduced below)? *

7.4 (b) Eligibility: Both registered PIE auditors and accredited non-CPA firms need to be registered as SAPs before they can provide mandatory assurance services. They will need to demonstrate proficiency through technical competence, capacity, integrity, an effective system of quality management and adherence to relevant standards, thereby safeguarding public trust and assurance quality.

- Yes
- No
- No view

We agree that SAPs, whether CPA or non-CPA, should be required to demonstrate technical competence, adequate capacity, integrity, effective quality management systems, and adherence to relevant standards. These principles align with international expectations for high-quality assurance and reflect the essential safeguards needed to build trust in sustainability information. At the same time, to maintain a level playing field and preserve market capacity, it is important that non-CPA firms are supported in meeting these expectations. Many non-CPA practitioners currently operate under ISO-based quality management frameworks such as ISO 19011, ISO 17029 and ISO 14019, which have long underpinned high-quality sustainability verification work. We therefore believe that transparent assessment criteria, transitional support, and clear bridging guidance would help these firms

align their existing ISO-based systems with the requirements of the HKSSA5000 standards. Moreover, to ensure a fair and consistent approach across all registered SAPs, it is important that both CPA and non-CPA firms demonstrate competence in both sustainability methodologies and financial/risk-based methodologies.

Q3.3) What registration criteria would you propose for individuals that ensure professional competence while accommodating the varied backgrounds of SAPs? *

We recommend a competency-based registration framework that recognises the different but complementary skill sets of practitioners from CPA and non-CPA backgrounds. Individual assurance personnel should demonstrate proficiency in sustainability methodologies, subject-matter technical knowledge, and ethical standards, regardless of their professional origin.

To bridge the respective knowledge gaps, tailored training will be necessary. For CPA practitioners, this may involve additional training in sustainability topics, greenhouse gas accounting, climate scenario methodologies, and relevant ESG standards. For non-CPA practitioners, registration criteria should recognise qualifications under ISO-based accreditation systems and relevant experience, such as participation in greenhouse gas verification engagements, sustainability reporting, or technical assessments aligned with ISO 14064, ISO 14019 and emerging sustainability standards.

To support consistency and quality across the assurance market, we consider it helpful for registered individuals from both CPA and non-CPA firms to receive baseline training covering areas such as the HKSDS, HKSSA 5000, materiality assessment principles, and relevant ethical requirements. It is important for non-CPA practitioners to become familiar with HKSSA 5000 and its underlying assurance approach. Registration criteria for individuals should accommodate diverse academic backgrounds (e.g., environmental science, engineering) rather than strictly on accounting, provided they demonstrate subject-matter expertise and passion for sustainability. Such measures would help accommodate practitioners from different professional backgrounds while supporting a common level of competence and understanding across the sustainability assurance profession.

Proposal 4 Prescribing HKSSA 5000 as the Unified Standard

Mandatory assurance must be carried out in compliance with Hong Kong Standard on Sustainability Assurance 5000, which requires the concurrent application of:

- Hong Kong Standard on Quality Management 1; and
- Hong Kong Ethics Standards for Sustainability Assurance.

Q4.1) Do you agree with the proposal? *

- Yes
- No
- No view

We agree with using Hong Kong Standard on Sustainability Assurance 5000 (“HKSSA 5000”) as a unified standard for the local Hong Kong market. A single, globally aligned standard is crucial to maintaining Hong Kong’s status as an international financial centre and ensuring the highest credibility of capital market disclosures. While HKSSA 5000 was designed to be

profession agnostic, to ensure a level playing field and maintain market capacity, it is vital that non-CPA firms are supported in adopting this unified standard. Many non-CPA firms currently operate under robust ISO systems (e.g., ISO 19011, ISO 17029). We urge the AFRC to provide transparent assessment criteria, transitional support, and clear bridging guidance / recognition to help non-CPA practitioners build up capacity and align their existing quality management systems to meet the rigorous requirements of HKSQM 1 and the HKESSA.

Q4.2) What are the capacity building efforts and resources required to further support the implementation of the above standards? Please elaborate. *

Extensive capacity-building efforts will be necessary across both reporting entities and assurance providers.

First, detailed implementation guidance and practical tools, such as templates, illustrative examples, and clear interpretations of evidence expectations from regulators and standard-setters will be essential to understand how to apply these standards to both quantitative metrics and qualitative disclosures, including transition plans and scenario analysis.

Second, substantial training and professional development will be needed to build the talent pipeline. Assurance teams, both CPA and non-CPA, must develop new competencies in sustainability reporting frameworks, greenhouse gas quantification, climate risk modelling, and non-financial materiality assessment. Likewise, preparers will need training to strengthen internal controls, data governance, and documentation practices to meet the expectations of HKSSA 5000. Our members also highlighted the need for market-wide CPD programmes to increase the pool of qualified practitioners and avoid assurance capacity bottlenecks.

Finally, AFRC should work collaboratively with Hong Kong Institute of Certified Public Accountants (HKICPA), Hong Kong Accreditation Services (HKAS), and relevant industry bodies to ensure alignment across CPA and ISO-based quality management requirements. Clear guidance on how to bridge and align ISO-aligned quality standards with the requirements of HKSQM 1 would provide assurance providers with clarity and reduce duplication of effort. These combined investments in guidance, training, and regulatory alignment will be critical for ensuring that HKSSA 5000 is implemented effectively, consistently, and in a manner that supports high-quality sustainability assurance across the market.

Proposal 5 A single regulator for all assurance providers

A single regulator model to:

- register and regulate all SAPs and their registered individuals, and
- oversee relevant standard-setting by the Hong Kong Institute of Certified Public Accountants.

Q5.1) Do you agree with the proposal? *
Please state the reason(s) for your response. *

- Yes
- No
- No view

We agree with the efficiency of a single-regulator model, but we have reservations regarding its execution.

The HKICPA is overseen by the AFRC, which in turn is overseen by the Hong Kong Government through the Financial Services and the Treasury Bureau, while the HKAS which currently accredits non-CPA Testing, Inspection, and Certification (“TIC”) firms, operates under the Innovation, Technology and Industry Bureau.

Ensuring seamless coordination between AFRC and HKAS would help maintain a level playing field, preserve the strengths of both CPA and non-CPA assurance infrastructures, and support market capacity as demand for sustainability assurance grows. For these reasons, we support the proposal but encourage AFRC to prioritise cross-agency coordination and clarity on how the different accreditation pathways will be harmonised.

Enquiries

For queries related to this submission, please contact our Chief Executive Officer, Mr Simon Ng at simonng@bec.org.hk.

Yours sincerely,



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