



Sustainability Reporting Development

Financial Reporting Webinar Series



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With us today



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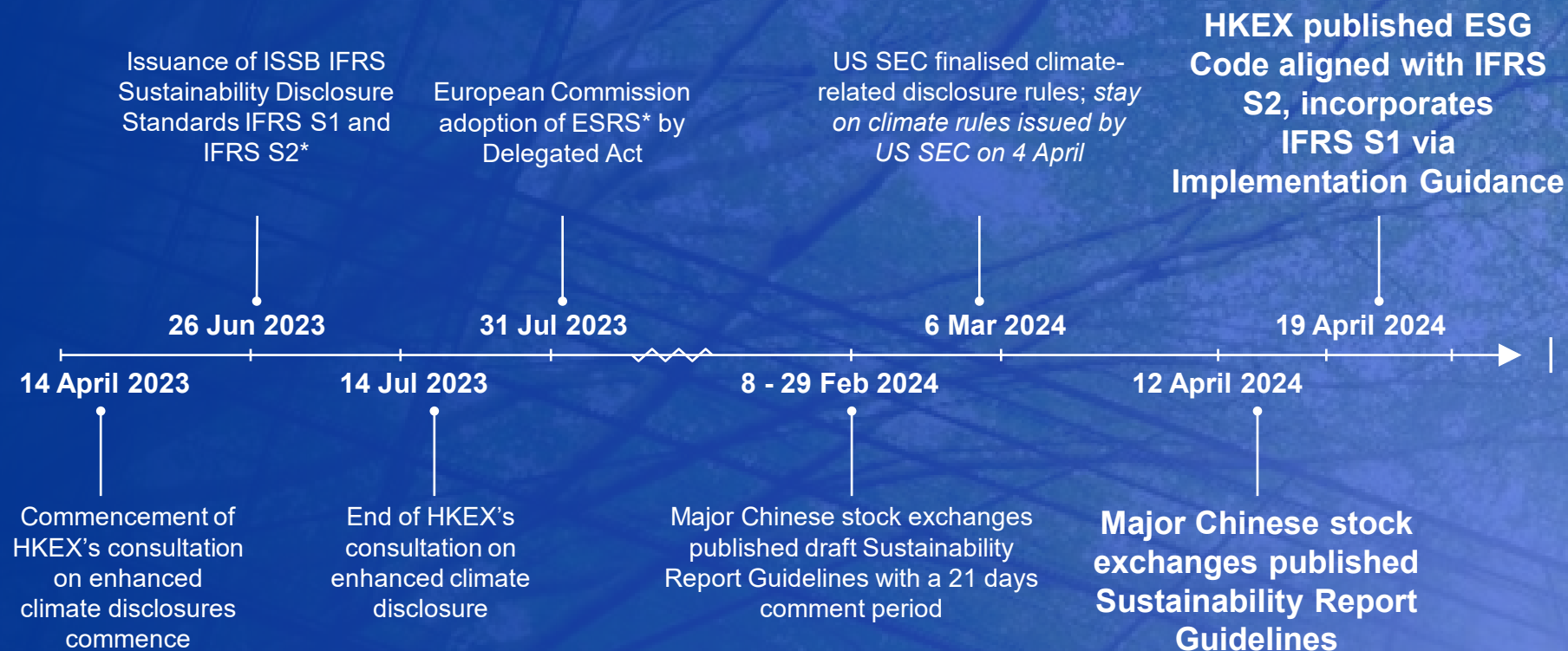
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Significant milestones in sustainability reporting over the last year



*IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*
IFRS S2 *Climate-related Disclosures*
European Sustainability Reporting Standards



01

**HKEX consultation
conclusion**



HKEX ESG Code - phased approach to report on new climate requirements

Taking into account the guidance¹ issued by the IFRS Foundation and market readiness, HKEX adopted a phased approach by segregating issuers into three tiers:

New climate requirements effective date			
For financial year commencing on or after 1 January	LargeCap issuers ²	Non-Largecap Main Board issuers	GEM issuers
Scope 1 & 2 GHG emissions	✓ 2025 – mandatory	✓ 2025 - mandatory	✓ 2025 - mandatory
New climate disclosures other than scope 1 & 2 GHG emissions	✓ 2025 – “comply or explain”	✓ On or after 2025 – “comply or explain”	✓ On or after 2025 - voluntary
	✓ 2026 – mandatory		






Notes:

- 1) [Preview of the Inaugural Jurisdictional Guide for the adoption or other Use of ISSB Standards](#), published by IFRS Foundation
- 2) Represent [Hang Seng Composite LargeCap Index constituents](#) throughout the year immediately prior to the reporting year



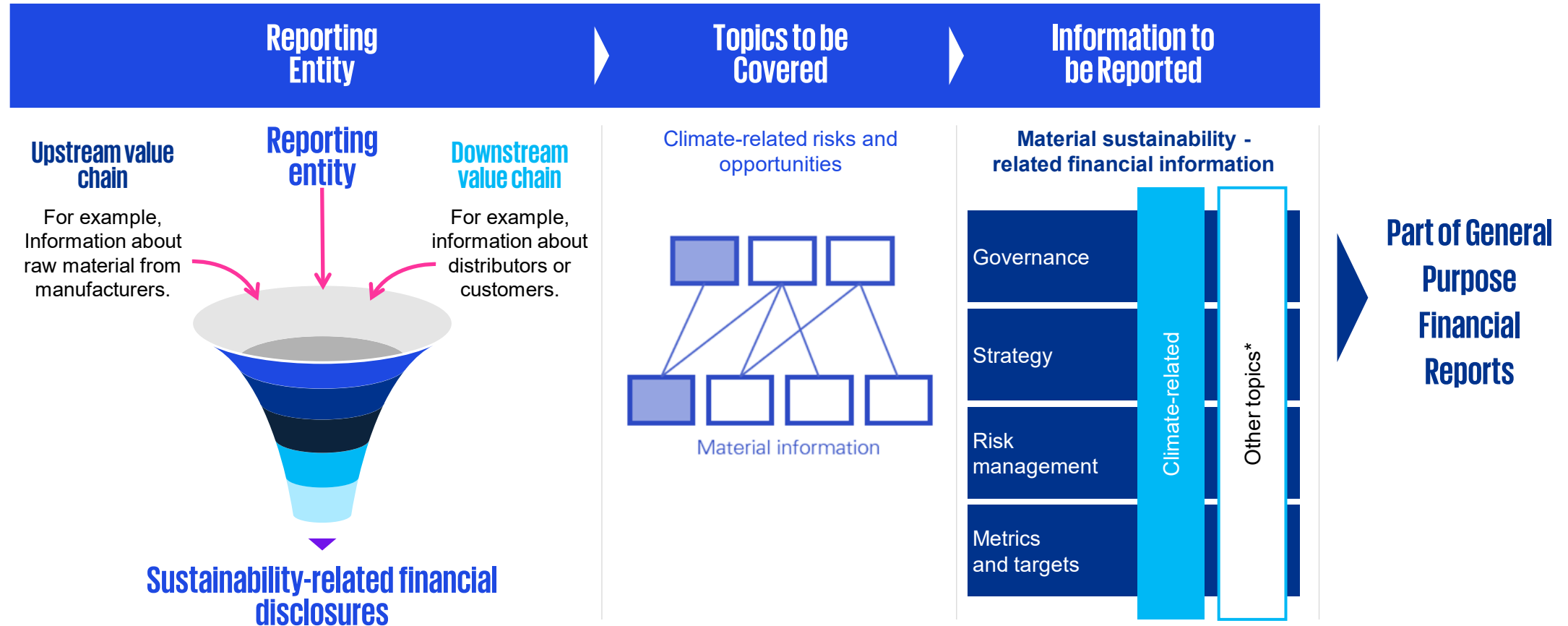
At a glance - HKEX ESG Reporting Guide vs ESG Code

HKEX's ESG Code requires a significant change in the breadth and depth of information, especially in the Strategy and Metrics & Targets pillars.

	 Governance	 Strategy	 Risk Management	 Metrics & Targets
Current requirements	Board's oversight and governance, management approach and strategy, and how the Board reviews progress made against goals and targets for material ESG topics	Significant issues which have (or may have) impacts and actions taken to manage them	<p>Process to evaluate, prioritise and manage issues (including risks to the business)</p> <p>Effectiveness of risk management and internal controls system</p>	<ul style="list-style-type: none"> • Scope 1 and 2 greenhouse gas emissions • Waste • Energy consumption • Water consumption • Packaging materials used
Additional requirements	Board oversight on climate risks and opportunities, frequency of discussion	Significant risks and opportunities in the short-, medium and long-term to the business model , strategy and cash flows	Process to identify, assess, prioritise, monitor and manage	<ul style="list-style-type: none"> • Absolute scope 3 emissions data • Amount of assets or business activities vulnerable to physical risk, transition risk and those that align with climate opportunities
	Consider climate in strategy oversight, major decisions and risk management	Current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain .	Extent of integration into overall risk management process	
	Oversight of target setting and progress made, with links to executive remuneration	Climate resilience based on scenario analysis findings		<ul style="list-style-type: none"> • Amount of capital deployed towards climate • Internal carbon price (if used) • How climate is factored into remuneration policy
	Ensuring skills and competencies	Qualitative and quantitative current and anticipated financial effects		Industry-based metrics from other ESG standards are encouraged (e.g. SASB / ISSB)
	Role of management			
	<div style="background-color: #e0e0e0; padding: 5px; border: 1px solid #ccc;">  Implementation reliefs available subject to meeting conditions </div>			

ESG Code (Part A para 8) – explicit mention of compliance with IFRS S1 and S2 to be in compliance with Part D of the Code

Key concepts in sustainability reporting



*The Financial Services And The Treasury Bureau (“FSTB”) issued a [vision statement](#) on 25 March 2024, mentioning the development of a roadmap for Hong Kong’s sustainability reporting standards based on the ISSB Standards in due course, taking into account local conditions.

Common materiality considerations



Uncertain future events

Some sustainability-related risks or opportunities may have uncertain outcomes that may only crystallise over the longer term.



Disaggregated information

Sometimes investors need disaggregated information to assess a risk or opportunity.



Aggregated risks

Some risks or opportunities may only be important to investors when considered in aggregate with other risks or opportunities.

Disclosing current and anticipated financial effects

Investors need to understand how climate-related risks and opportunities – and the strategies that management implements to manage these – may impact the **financial statements**.

When making these disclosures, companies are required to provide **both qualitative and quantitative information**, including the following:

Information	What to disclose
Linkage with the most recent financial statements	<p>The impact of climate-related risks and opportunities on the most recent financial performance, financial position and cash flows.</p> <p>Information about the climate-related risks and opportunities identified by management that pose a significant risk of material adjustment to the carrying amounts of assets and liabilities reported in the financial statements in the next financial year.</p>
Changes in financial position	<p>How management expects the financial position to change over time, in line with the strategy. To do this, a company considers:</p> <ul style="list-style-type: none">• investment and disposal plans and;• planned sources of funding to implement strategies
Changes in financial performance and cash flows	<p>How management expects the financial performance and cash flows to change over short, medium and long term, in line with the strategy.</p>

**Subject to
implementation
relief/waiver**



Summary of implementation reliefs and waiver

HKEX has provided a number of implementation reliefs/waiver, in alignment with ISSB Standards:

Relevant Requirements	Reasonable Information Relief	Capabilities Relief	Commercial Sensitivity Relief	Financial Effects Waiver
Commercial sensitive climate-related opportunities			✓	
Identifying climate-related risks and opportunities	✓			
Determination of scope of value chain	✓			
Quantification of current and anticipated financial effects		✓ (anticipated financial effects only)		✓
Disclosures on anticipated financial effects	✓	✓		
Approach to climate-related scenario analysis	✓	✓		
Measurement approach inputs and assumptions of Scope 3 GHG emissions	✓			
Calculation of certain cross-industry metrics	✓			



02 Chinese Mainland Sustainability Report Guidelines

SSE/SZSE/BSE* release sustainable report Guidelines effective 1 May 2024

*Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange

01

Disclosing entity

Clarifies first batch of in-scope companies, with intention for expansion

02

Disclosure requirements and beyond

- Differentiated levels of disclosure across various topics
- Requires quantitative and qualitative information
- Goes beyond disclosures e.g. GHG reduction plans, protection of employee welfare, equitable treatment of SME suppliers

03

Disclosure framework

- Double materiality approach as overarching principle
- TCFD framework adopted for financially material issues
- Specified disclosures for impact material issues

04

Disclosure content

Covers all aspects of ESG across 21 topics

E – Climate change, pollution, waste disposal, biodiversity, environmental compliance management, energy utilisation, water, circular economy

S – Rural revitalisation, social contribution, innovation driven, science & technology ethics, supply chain security, equal treatment of SMEs, product quality & safety, data security & customer privacy, employees

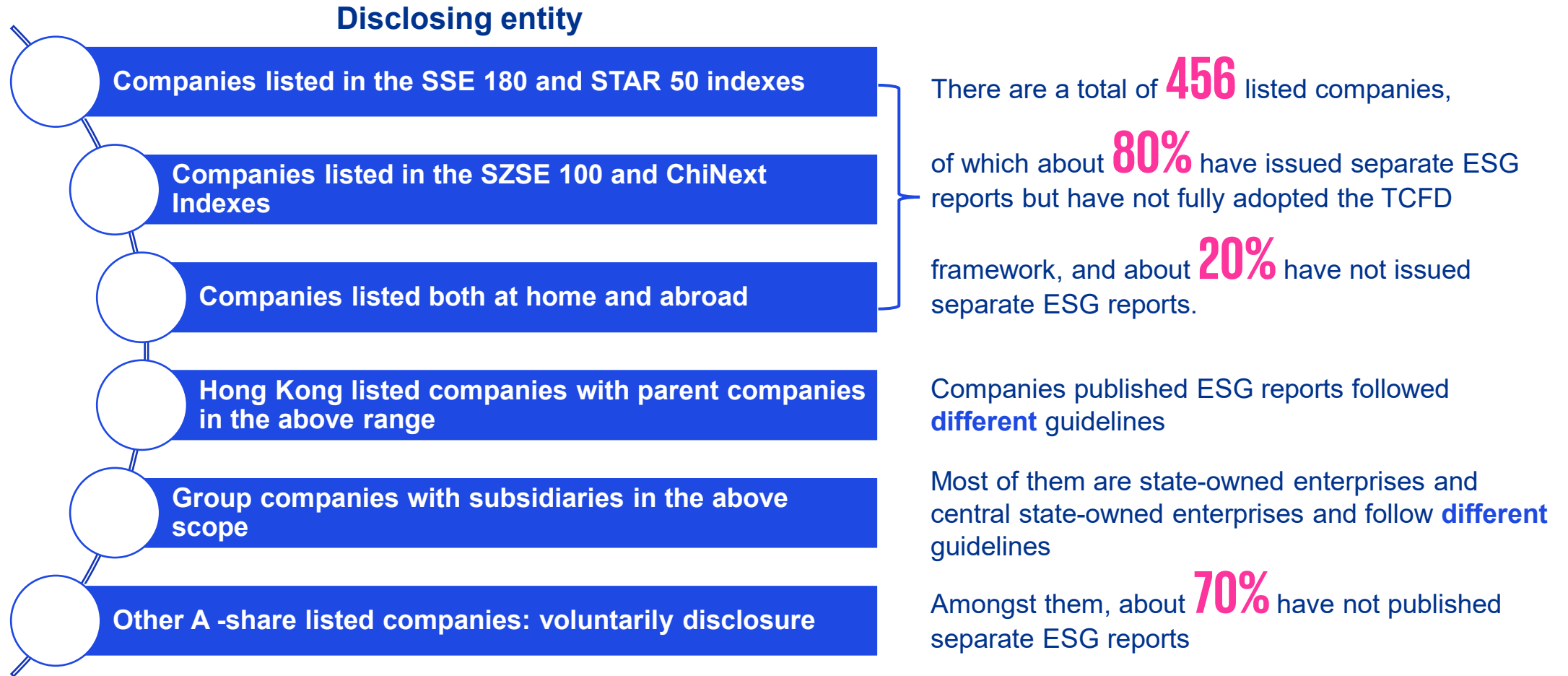
G – Due diligence, stakeholder communications, anti bribery/corruption, anti unfair competition

05

Disclosure objectives

- Objective, transparent, consistent, reasonable assumptions, processes in place and oversight of processes
- Comparable information to meet users' needs; high level of interoperability with ISSB/GRI

Which entities are scoped in as mandatory?



Challenges for listed companies

Integration under multiple disclosure requirements:

- A+H share listed companies and listed central state-owned enterprises
- Companies with ESG rating demand (especially international rating)

Division of responsibilities and capacity development

- Consider cross functional approach
- Training for business units vs corporate level
- Assessment and incentive mechanism



Integration into daily management

- How to integrate various ESG requirements?
- How to integrate ESG into decision-making mechanism?
- Integrating ESG into daily management without incremental cost

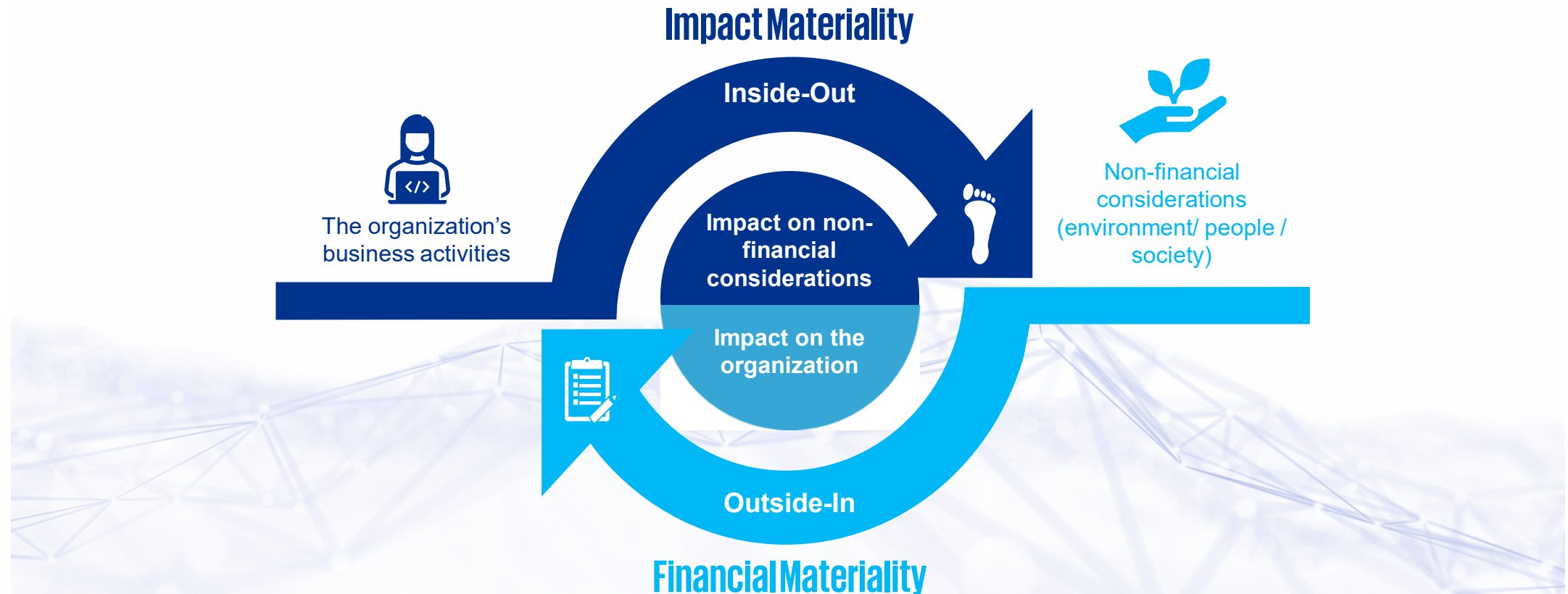
DMA – Double materiality assessment and tracking of metrics and targets

- DMA and financial quantification
- Setting of metrics and targets, and tracking and implementation of metrics and targets



What is double materiality assessment?

The concept of double materiality acknowledges that a company should report simultaneously on sustainability matters that have both impact materiality and financial materiality:





03 US Climate Disclosure Rules

SEC climate rule



Stay on rule issued. Pending judicial review



WHO in scope

- **Public companies and investors**
- A registrant with Exchange Act reporting obligations pursuant to Exchange Act Section 13 (a) or Section 15 (d) and companies filing a Securities Act or Exchange Act registration statement
- Includes Foreign Private Issuers



WHERE to report

Disclosure in annual reports, including MD&A, financial statements, and potentially a separate section as per SEC guidelines



WHAT to report (overview)

It would require companies to disclose GHG emission, exposure to climate-related risks and their efforts to mitigate those risks

Specific disclosures requirements under SEC:

- Provide certain climate-related financial expenditure metrics, financial estimates and assumptions used.
- Disclosure of material and/or potential impacts of climate-related risks on business strategy, outlook, or financial position over short (the next 12 months) vs. long term (beyond the 12 months).
- Separate disclosure needed for Scopes 1 and 2 GHG emissions, if material.
- Board and management structure and oversight of climate-related risk including committees and their expertise.
- Risk Management- Processes of identifying, assessing, and managing climate-related risks and Transition plan disclosure.
- Attestation requirements- Limited assurance moving to reasonable after 2 years.



WHEN to report

Large accelerated filer:

- Disclosures other than GHG and financial estimates and assumptions in Fiscal Year Beginning (“FYB”) 2025
- Scope 1 & 2 GHG and financial estimates and assumptions disclosures in FYB 2026

Accelerated filer:

- Disclosures other than GHG and financial estimates and assumptions by FYB 2026
- Financial estimates and assumptions disclosures by FYB 2027
- Scope 1 & 2 GHG disclosures by FYB 2028

Small reporting company, emerging growth company, and Non-Accelerated filer:

- Disclosures other than financial estimates and assumptions by FYB 2027
- Financial estimates and assumptions disclosures by FYB 2028
- No GHG emissions reporting requirements



Assurance

Large accelerated filer:

Assurance: Limited assurance on GHG by FYB 2029 and Reasonable assurance by FYB 2033

Accelerated filer:

Assurance: Limited assurance by FYB 2031 and no Reasonable assurance requirement

California climate rules



WHO in scope

US businesses (public and private)

- Doing business in California
- Total revenue > \$1B
{for SB-253}
- Total revenue > \$500M
{for SB-261}
- Includes US subs of non-US companies
- SB 261 scoping excludes insurance companies

Over 10,000 US companies will be subject to the climate disclosure requirements in the near term.

Awaiting the CARB adoption of implementation regulations; implementation costs and timeline



WHAT to report (Overview)

It covers three landmark climate disclosure bills

SB-253- Climate corporate data accountability act

Major areas covered

Scopes 1, 2 and 3 greenhouse gas (GHG) emissions in accordance with the GHG Protocol

If already reporting under another mandatory standard, no need to duplicate.

SB-261- Climate related financial risk act

Major areas covered

Climate-related financial risks and measures adopted to reduce and adapt to climate-related financial risk in accordance with the TCFD or successor body (ISSB)

AB-1305- Voluntary carbon market disclosure

Major areas covered

Supplements global anti-greenwashing enforcement trends for voluntary carbon offsets and emissions reduction claims.



WHEN to report

SB-253: Annual reporting

- starting Jan 1, 2026 (2025 data) for scopes 1 and 2
- starting Jan 1, 2027 (2026 data) for scope 3

SB-261: Biennial reporting

- starting on or before Jan 1, 2026



WHERE to report

SB-253: Annual submission on publicly accessible digital platform

SB-261: Biennial disclosure on an entity's website



Assurance

Initially limited assurance for scopes 1 and 2, with transition to reasonable assurance (TBD for scope 3)

Webinar Dates and Topics for 2024

- **11 March – IASB Developments**
- **22 April – Sustainability Reporting Developments**
- 7 June – Interim Reporting Reminders
- 2 August – TBC
- 11 October – TBC
- 5 December – Year-end Updates



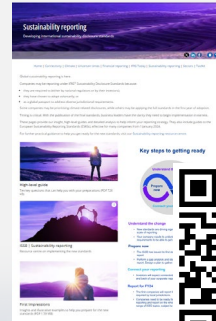
For more details and access to our webinar series:

<https://home.kpmg/cn/en/home/services/audit/ifrs-news/financial-reporting-webinar-series.html>

Resources



Resources centre: HKEX enhanced climate disclosure



Resources centre: Sustainability reporting



Resources centre: US sustainability reporting



China Stock Exchanges Finalised Mandatory Sustainability Reporting Requirements for Larger Listed Entities



Event: Scaling up green tech adoption and investments in real estate sector



HKEX's conclusions on climate disclosure requirements



SSE Sustainability Report Guidelines



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