



Roadmap on Sustainability Disclosure in Hong Kong and  
HKFRS S1 *General Requirements for Disclosure of  
Sustainability-related Financial Information* & HKFRS S2  
*Climate-related Disclosures* issued in December 2024

18 December 2024 (updated 28 February 2025)

## Introduction

On 10 December 2024, the Hong Kong Government launched a [roadmap](#) on sustainability disclosure in Hong Kong. The roadmap sets out Hong Kong's approach to require publicly accountable entities<sup>1</sup> ("PAEs") to adopt the sustainability disclosure standards fully aligned with those issued by the International Sustainability Standards Board ("ISSB Standards"). It provides a pathway for large PAEs to fully adopt the ISSB Standards no later than 2028, leading Hong Kong to be among the first jurisdictions to align the local sustainability disclosure requirements with the ISSB Standards.

Subsequent to the issuance of the roadmap, on 12 December 2024, the Hong Kong Institute of Certified Public Accountants ("HKICPA") published its first two Hong Kong sustainability disclosure standards, namely [HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) and [HKFRS S2 Climate-related Disclosures](#) ("HKFRS SDS"), and related [explanatory memorandum](#). The HKFRS SDS are fully aligned with the ISSB Standards subject to having an effective date of 1 August 2025.

## Roadmap on Sustainability Disclosure in Hong Kong

Application of HKFRS SDS will be on a voluntary basis until relevant authorities mandate their use. As contemplated in the roadmap, Hong Kong will prioritize the application of the HKFRS SDS by PAEs<sup>1</sup> under a phased-in approach. Taking into account the Hong Kong's overall business and financial market composition, and the public accountability as well as weight of entities in relation to the economy, large PAEs are expected to fully adopt the HKFRS SDS no later than 2028. Large PAEs are defined in the roadmap as (a) listed companies which are Hang Seng Composite LargeCap Index constituents ("Large Cap Issuers") and (b) large non-listed financial institutions carrying a significant weight in Hong Kong ("Non-listed PAEs being Financial Institutions"). The routes to adoption of HKFRS SDS for these two types of Large PAEs are described in below two sections:

### Listed companies

All Main Board issuers are required to comply with the new climate-related disclosure requirements as set out in Appendix C2 *Environment, Social and Governance Reporting Code* of the Listing Rules ("HKEX New Climate Requirements") on a "comply or explain" basis starting from 1 January 2025 (except for the mandatory disclosure requirement on Scope 1 and 2 greenhouse gas ("GHG") emissions applying to all issuers from 1 January 2025). The HKEX New Climate Requirements align with IFRS S2 *Climate-related Disclosures* to the maximum extent possible. Large Cap Issuers are further required to disclose against the HKEX New Climate Requirements on a mandatory basis starting from 1 January 2026.

The HKEX New Climate Requirements are an interim step for listed companies to start climate reporting early in accordance with provisions of the ISSB Standards. The Hong Kong Exchanges and Clearing Limited ("HKEX") will conduct a review in 2027 when the first mandated reports based on the HKEX New Climate Requirements become available. It will then consult the market on the same year on mandating sustainability reporting against the HKFRS SDS for listed PAEs under a proportionate approach with it being envisaged that:

- The consultation will focus on the implementation of the HKFRS SDS for listed companies, including whether to replace the existing Listing Rule requirements in respect of ESG reporting with the HKFRS SDS.
- Taking into account listed companies' experience in sustainability reporting, market capitalization and capabilities, the requirement to prepare sustainability related disclosures in accordance with the HKFRS SDS will be introduced in a proportionate manner. The consultation will ascertain the approach on phasing-in of reporting entities, starting with more advanced listed companies (e.g. Large Cap Issuers).
- The consultation will also seek feedback on mandating assurance for all or part of the sustainability disclosures and the approach on phasing-in such requirements to enhance credibility and reliability of sustainability disclosures, taking account of local developments on sustainability assurance (see content within the section "Ecosystem to support implementation of the HKFRS SDS" of this newsletter).
- Subject to the consultation feedback, it is expected that the HKFRS SDS will apply to the first batch of listed companies in respect of reports for financial years beginning on or after 1 January 2028.

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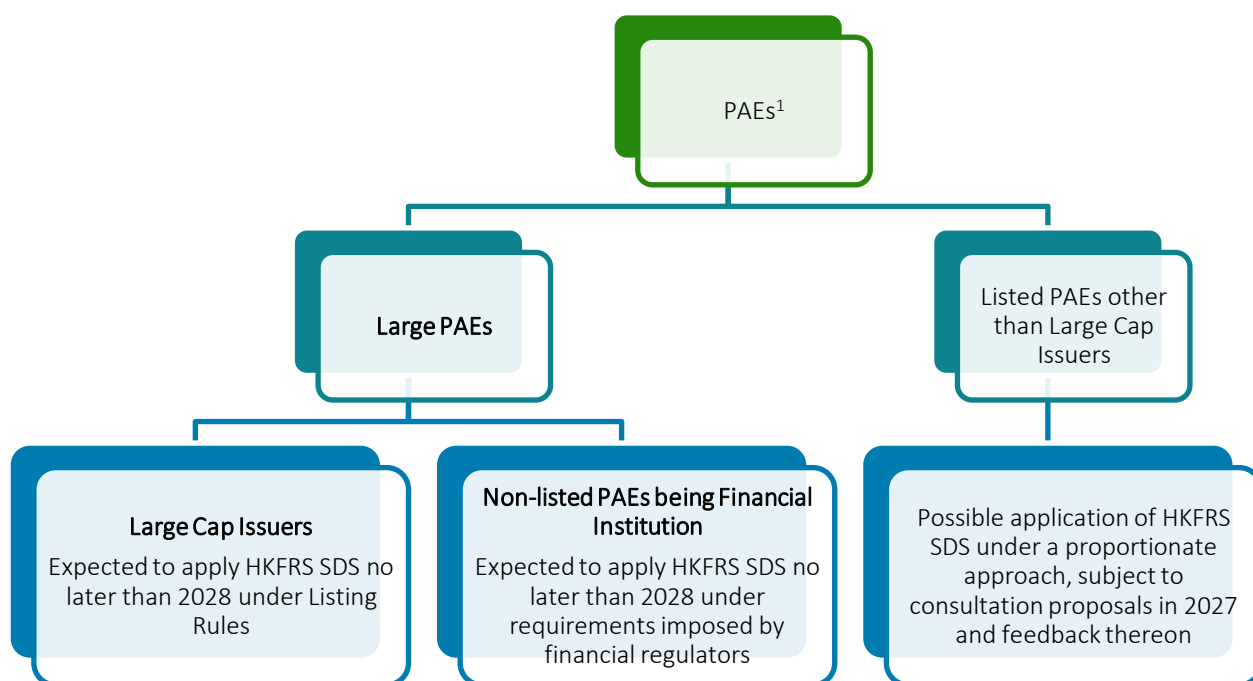
<sup>1</sup> As set out in the Inaugural Jurisdictional Guide published by the IFRS Foundation, PAEs are (a) entities whose securities are traded in a public market or entities in the process of issuing securities for trading in a public market; and (b) entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of their primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks) and have a significant weight in the jurisdiction, regardless of their ownership structure or listed status.

### Non-listed PAEs being Financial Institutions

The majority of financial institutions carrying a significant weight in Hong Kong are either HKEX listed companies; or belong to HKEX listed parent or holding companies. The HKEX New Climate Requirements, as well as the expected disclosure requirements against the HKFRS SDS as elaborated in above section, will apply to these financial institutions.

Relevant financial regulators in Hong Kong have introduced climate-related regulatory and disclosure requirements for their respective regulated entities, which align with international standards and best practices issued by international regulatory standard setting bodies. The Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority will continue to monitor local and international developments, including recommendations and guidance to be issued by international regulatory standard setting bodies, and the industry participants' preparedness and capabilities, when considering future enhancements to their sector-specific regulatory requirements relating to climate and other sustainability topics. This includes conducting sector-specific engagements to determine the approach and timing of adopting the HKFRS SDS for different financial sectors. Subject to stakeholders' comments and feedbacks, relevant financial regulators will require Non-listed PAEs being Financial Institutions to apply the HKFRS SDS no later than 2028.

In summary, the possibilities of different types of entities discussed in the roadmap being subject to HKFRS SDS reporting are represented diagrammatically below:



## **HKICPA's decision to issue HKFRS SDS**

The HKICPA conducted extensive stakeholder engagement across the past two years and gathered substantive evidence incorporating local and international developments. After a holistic assessment, the HKICPA reached the decision to develop the HKFRS SDS on a full alignment basis with the ISSB Standards with following reasons.

There is clear demand from investors for Hong Kong to align in full with the ISSB Standards to remain competitive and to maintain Hong Kong's status as an international financial centre. It is also evidenced by the broad support from the market on the HKEX New Climate Requirements which align with IFRS S2 to the maximum extent possible.

In addition, the International Organization of Securities Commissions has endorsed the ISSB Standards as appropriate to serve as a global framework for capital markets to develop the use of sustainability-related financial information in both capital raising and trading, and for the purpose of helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities.

On the other hand, at the technical feasibility study meetings, preparers' focus laid in the specific areas of data availability and quality, scope 3 GHG emission disclosures, scenario analysis and anticipated financial effects. They shed light on the need for more relevant datasets and capacity building activities for high quality sustainability disclosures. Many of the views have already been addressed by the changes made by the ISSB in the final ISSB Standards, in particular, the proportionality mechanisms introduced therein as well as on-going capacity building and data and technology initiatives currently or to be undertaken by the Green and Sustainable Finance Cross-Agency Steering Group ("Steering Group") and other relevant parties as elaborated in the section "Ecosystem to support implementation of the HKFRS SDS" of this newsletter.

The HKICPA conducted a public consultation on the HKFRS SDS from 16 September to 27 October 2024, and after considering the consultation feedback received issued the HKFRS SDS on 12 December 2024 with the standards having an effective date of 1 August 2025.

Comparing the HKFRS SDS with the HKEX New Climate Requirements, the PRC sustainability reporting guidelines for listed companies and the PRC Sustainability Disclosure Standards for Business Enterprise – Basic Standards

Key areas	HKFRS SDS <sup>1</sup>	HKEX New Climate Requirements <sup>1&amp;2</sup>	PRC sustainability reporting guidelines for listed companies <sup>3</sup>	PRC Sustainability Disclosure Standards for Business Enterprise – Basic Standards <sup>4</sup>
<b>Materiality</b>	Financial materiality approach	Double materiality approach is allowed (including both financial materiality and impact materiality)	Double materiality approach	Same concept of materiality with respect to risks and opportunities as in ISSB standards, and mention of impact materiality assessment
<b>Non-mandatory disclosure</b>	-	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	-
<b>GHG emissions measurement method</b>	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	Listed companies can refer to the method and reporting guideline for specific sectors issued by relevant national agency, and relevant national standards.	-
<b>Effective date</b>	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	Not specified while voluntary application is allowed since issuance date

Notes:

<sup>1</sup> Since the HKFRS SDS have been prepared on a full convergence basis with ISSB Standards, you may find useful our comprehensive discussion and comparison between ISSB Standards and the HKEX New Climate Requirements which 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](#).

<sup>2</sup> Apart from the above comparison table, the HKEX New Climate Requirements reflect the IFRS S2 requirements to the maximum extent possible. With respect to IFRS S1, the HKEX strongly encourages listed companies to prepare climate-related disclosures under Part D of the Appendix C2 *Environment, Social and Governance Reporting Code* of the Listing Rules 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 New Climate Requirements 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 ISSB Standards and align the scope of entities or operations that are included in the ESG report with that of their financial statements.

<sup>3</sup> Apart from the above comparison table, the PRC sustainability reporting guidelines for listed companies (including relevant guidance) share similar disclosure requirements across the four core pillars (i.e. governance, strategy, risk management and metrics and targets) and climate-related disclosures under the ISSB Standards. However, there are specific additional disclosure requirements for designated topics under the PRC sustainability reporting guidelines, such as Resource Utilization, Circular Economy, 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. The PRC sustainability reporting guidelines also do not prescribe certain climate-related cross-industry metrics.

<sup>4</sup> The PRC Sustainability Disclosure Standards for Business Enterprise - Basic Standards ("Basic Standard") is based on IFRS S1 in terms of the architecture of the standard and key requirements and therefore shares all key requirements with that standard and therefore also with HKFRS S1 (with important additional features noted hereafter). In addition to features shared with IFRS S1, the Basic Standard also incorporates a description of impact materiality assessment and recognizes other users of sustainability information in addition to investors and creditors. The Basic Standard also states that in order to meet the information needs of users, in addition to complying with the disclosure requirements of the Basic Standard itself (which are aligned with those of IFRS S1 and therefore focus on the needs of investors and creditors), enterprises shall also in addition disclose important sustainability impact information in accordance with specific standards and application guidelines. Apart from general requirements, the Basic Standard states that the PRC Sustainability Disclosure Standards for Business Enterprises apart from basic standards, include also specific standards (like topical standards) and application guidance, all of which are planned to be developed and issued in the future. Furthermore, the Basic Standard also notes that the sustainability impact information disclosed by enterprises should not obscure its disclosure of information on sustainability risks and opportunities and should be distinguishable. Enterprises in PRC can apply the Basic Standard on a voluntary basis before the implementation scope and effective dates are stipulated by relevant regulatory agencies.

## **Ecosystem to support implementation of the HKFRS SDS**

The roadmap further elaborates on Hong Kong's blueprint to develop a comprehensive ecosystem to support sustainability disclosures, which encompasses sustainability assurance, data and technology, as well as skills and competencies.

### Sustainability Assurance

In respect of standard setting, the International Standard on Sustainability Assurance 5000 was published in November 2024 by the International Auditing and Assurance Standards Board and the International Ethics Standards for Sustainability Assurance was published by the International Ethics Standards Board for Accountants in January 2025. The HKICPA will be developing local assurance and ethics standards on a full convergence basis with these international standards and aims to publish the final local assurance and ethics standards before the end of 2025.

With regard to regulatory regime, the Accounting and Financial Reporting Council ("AFRC") conducted a survey of nearly 800 listed companies and over 100 auditors of public interest entities on the preparedness of listed companies in embracing climate reporting and assurance. The resulting report entitled [Understanding the Baseline – Analysing the Market Readiness for Sustainability Reporting and Assurance in Hong Kong](#) was issued in January 2025. The AFRC will work with relevant financial regulators and stakeholders to drive the development of Hong Kong's regulatory regime for sustainability assurance, in order to (a) to promote high quality assurance by adopting international standards; (b) to enhance credibility and reliability of sustainability disclosures by promoting independent assurance; and (c) to ensure a level playing field for assurance providers by setting licensing and registration requirements, and ongoing professional development requirements.

In 2025, the AFRC will release a proposed local regulatory framework for sustainability assurance for public consultation. This framework will address various aspects, including the registration of assurance providers, the implementation of assurance and ethics standards, and the establishment of the related regulatory regime.

### Data and technology

The Steering Group will continue its efforts in facilitating better sustainability disclosures and enhancing the quality of data through a multi-pronged approach:

- Hong Kong Green Fintech Map: The Steering Group launched the [Prototype Hong Kong Green Fintech Map 2024](#) in coordination with Cyberport and Invest Hong Kong, providing one-stop information on the current status of green fintech companies in Hong Kong.
- [Green and Sustainable Fintech Proof-of-Concept Funding Support Scheme](#): The Financial Services and the Treasury Bureau launched the Green and Sustainable Fintech Proof-of-Concept Funding Support Scheme to promote the research and development as well as commercial adoption of innovative Green FinTech solutions across (i) Green & Digital Finance and Investment; (ii) ESG Disclosure, Compliance and Regulatory Reporting; (iii) Carbon Trading, Analytics and Technology; (iv) ESG Data, Intelligence and Analytics; and (v) ESG / Climate Risk Modelling & Assessment.
- [Free data tools offered by the Steering Group](#): A digitized climate and environmental risk questionnaire, GHG emissions calculation and estimation tools with clear methodologies and data sources are now available on the Steering Group's website.
- Taxonomy: The Hong Kong Monetary Authority published the [Hong Kong Taxonomy for Sustainable Finance](#), which serves as a pivotal tool to raise awareness about green finance, promote common understanding of green economic activities, and facilitate green finance flows.

#### Skills and competencies

The Steering Group members and the HKICPA have been promoting alignment with the ISSB Standards and supporting capacity building efforts locally, regionally and internationally through the following means:

- Organizing seminars, webinars and other engagement activities as well as publishing articles and newsletters on sustainability-related topics;
- Providing training and certification programmes through funding support from the Pilot Green and Sustainable Finance Capacity Building Support Scheme;
- Facilitating discussions at relevant technical and/or advisory committees; and
- Working with industry practitioners, stakeholders and relevant regulators to establish good practices for sustainability reporting.

## How Deloitte can help

Deloitte is committed to driving responsible business practices and supporting our clients in navigating the evolving sustainability landscape. With the issuance of the roadmap and HKFRS SDS, Hong Kong takes a significant step towards aligning with global sustainability reporting standards. Deloitte welcomes this development and believes that it 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 sustainability experts can help your company navigate the following challenging areas:

- Establishing the process to identify material information about sustainability-related risks and opportunities using the financial materiality or double materiality approach over the short, medium or long-term.
- Determining the scope of your value chain for further assessment of associated risks and opportunities.
- Assisting you with defining the disclosure requirements and establishing the calculation and reporting processes for industry-based and other cross-industry metrics.
- Determining and estimating anticipated financial effects of climate-related uncertainties.
- Selecting suitable scenarios for climate-related scenario analysis according to your circumstances and industry.
- Identify material categories and measurement of scope 3 GHG emissions.
- Review your company's sustainability data and reporting processes for alignment with the reporting boundary concept under HKFRS/IFRS S1, where all entities covered by the consolidated financial statements must be included in the ESG report. We will work with you to understand your current state and identify any gaps to ensure alignment.
- Supporting your organization's capacity building and capabilities development to manage sustainability-related issues.
- Providing assurance on your sustainability report including your disclosed data and metrics. We can provide independent assurance on your sustainability 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 sustainability landscape and create long-term sustainable value.

## Contact us to continue the conversation



**Lily Li**  
Leader, Sustainability  
Deloitte China  
Email:  
[lilyxcli@deloittecn.com.cn](mailto:lilyxcli@deloittecn.com.cn)  
Tel: +86 21 61411099



**Mohit Grover**  
Leader, Sustainability  
Deloitte Hong Kong  
Email:  
[moitgrover@deloitte.com.hk](mailto:moitgrover@deloitte.com.hk)  
Tel: +852 2852 5606



**Barry Man**  
Partner, Sustainability  
Deloitte China  
Email:  
[bman@deloittecn.com.cn](mailto:bman@deloittecn.com.cn)  
Tel: +86 10 8520 7386



**Eric Luk**  
Director, Sustainability  
Deloitte Hong Kong  
Email:  
[eluk@deloitte.com.hk](mailto:eluk@deloitte.com.hk)  
Tel: +852 2109 5299





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