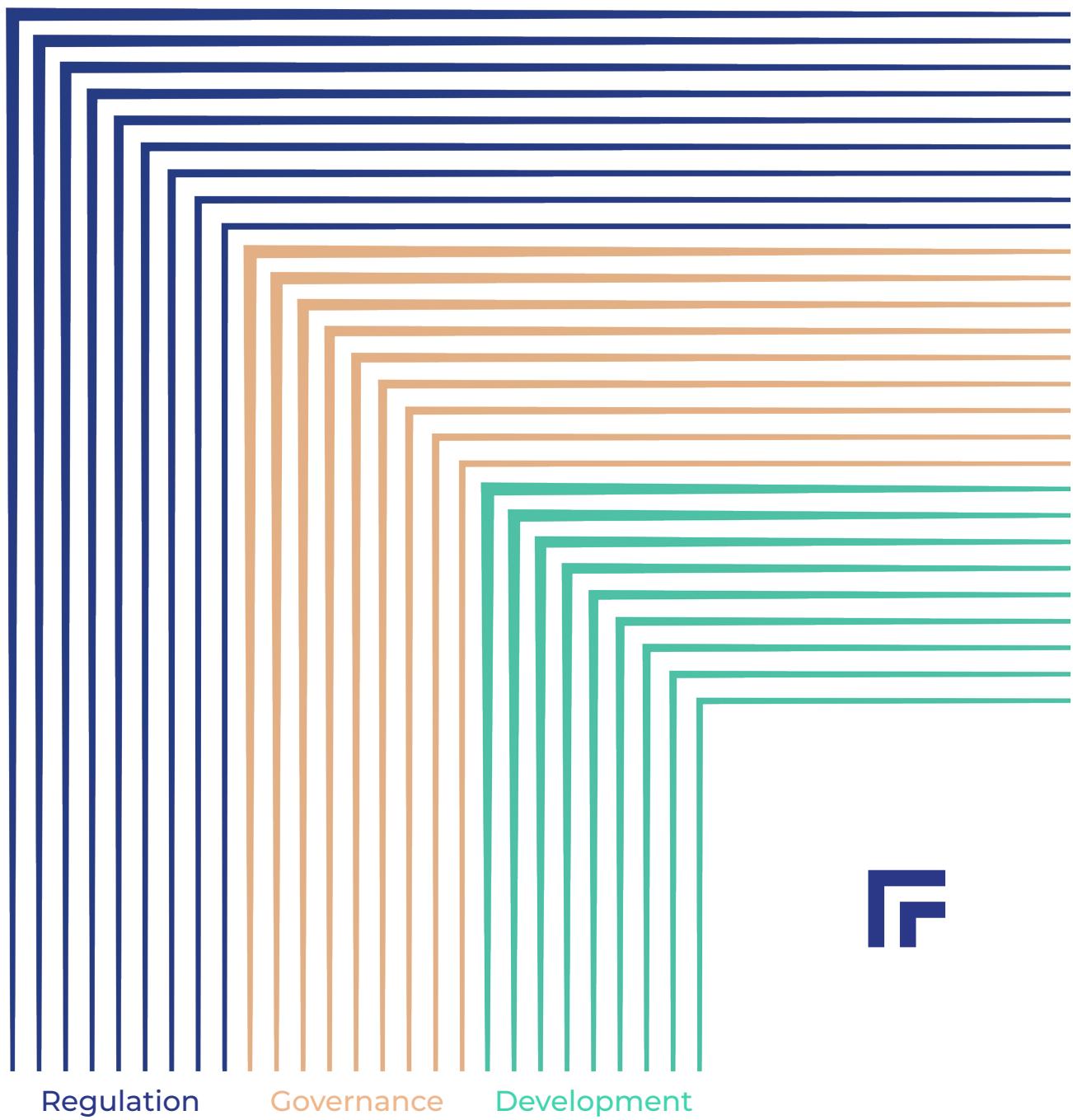


Consultation Paper on the Proposed Regulatory Framework for Sustainability Assurance in Hong Kong

December 2025



About the Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (AFRC) is an independent body established under the Accounting and Financial Reporting Council Ordinance. As an independent regulator, the AFRC leads the accounting profession by upholding professional standards, safeguarding the public interest, and promoting the profession's healthy development.

For more information about the statutory functions of the AFRC, please visit www.afrc.org.hk.

Table of Contents

How to respond to this consultation paper	4
Executive Summary	5
Section A: Introduction	13
1. The case for mandatory assurance	13
2. Global developments: Standards and practices.....	14
3. The Hong Kong context: Roadmap.....	15
Section B: The Proposed Framework	16
4. Objectives of the Framework	16
5. Proposal 1: Entities required to obtain independent assurance.....	17
6. Proposal 2: Scope and timing of assurance	20
7. Proposal 3: Assurance providers to be registered	23
8. Proposal 4: Assurance standards to be prescribed	27
9. Proposal 5: A single regulator for all assurance providers.....	29
Appendix 1: Personal Information Collection Statement	31
Appendix 2: Glossary of terms.....	34

How to respond to this consultation paper

The AFRC invites written comments on the proposals discussed in this consultation paper. Individuals and organisations are encouraged to submit their views on specific consultation questions as well as any general comments on the proposed framework.

Deadline: Comments must be received by **30 March 2026**.

Submission method: Respondents are encouraged to use the online questionnaire, which provides a structured format to help ensure all relevant aspects of the proposals are addressed. The submission form is available [here](#).

Publication of responses: The AFRC intends to publish consultation conclusions, which may include comments received along with the identity of the respondent (i.e., your name or the name of your organisation). **If you wish to remain anonymous**, please clearly state this request in your submission form.

Personal data: Any personal data provided in response to this consultation will be handled in accordance with the **Personal Information Collection Statement (PICS)** set out in Appendix 1. Please review this statement before submitting your response. Personal data may be used for purposes related to the consultation exercise and for fulfilling the AFRC's statutory functions under applicable laws and regulations.

Enquiries: If you have any questions regarding this consultation paper, please contact the AFRC at policy@afrc.org.hk.

Executive Summary

- 1.1. **Sustainability reporting has evolved from a voluntary exercise into an area of strategic importance worldwide.** The International Energy Agency estimated that clean-energy investment must rise to about US \$4.5 trillion annually by 2030, more than double current levels, to stay on track for climate goals¹.
- 1.2. **These developments are driving global demand for reliable and comparable sustainability disclosures**, which may bring economic benefits such as lower cost of capital. The timing is also opportune, with around 40 jurisdictions accounting for 40% of global market capitalisation having decided to use or taking steps to introduce the International Sustainability Standards Board (**ISSB**) Standards².
- 1.3. **Hong Kong is committed to playing its role in the global transition to a sustainable future.** The Government of the Hong Kong Special Administrative Region (**HKSAR**) is leveraging the city's position as a leading international financial centre to mobilise capital towards green and sustainable projects, while striving to achieve carbon neutrality before 2050. This is demonstrated by a sustainable debt market that surpassed US\$84 billion last year, with green and sustainable bonds accounting for US\$43 billion or 45% of the Asian total³.
- 1.4. To accelerate the flow of green capital, **the HKSAR Government has adopted a comprehensive four-pillar strategy** encompassing market development, financial innovation, talent and data, and sustainability transparency. Key initiatives include the publication of the *Roadmap on Sustainability Disclosure in Hong Kong* (**Roadmap**) in December 2024, which sets a clear pathway for large publicly accountable entities (**PAEs**) to fully adopt the ISSB Standards no later than 2028⁴.

¹ International Energy Agency (2023), Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach.

² International Financial Reporting Standards (**IFRS**) Foundation (2025), Initiative to facilitate the role of ISSB Standards as a global passport announced at IFRS Sustainability Symposium.

³ HKSAR Government (2025), SFST's speech at 2025 HKGFA Annual Forum "Navigating Climate Finance and Geopolitics: Strategies for Transition".

⁴ HKSAR Government (2024), Roadmap on Sustainability Disclosure in Hong Kong.

1.5. The AFRC is also designated to develop a regulatory framework for sustainability assurance in Hong Kong (**Framework**). The AFRC has set three core objectives for the Framework:

- a. **Promote high quality assurance** by adopting internationally recognised standards;
- b. **Enhance the credibility and reliability** of sustainability disclosures by promoting independent assurance; and
- c. **Ensure a level playing field** for all assurance providers.

1.6. The proposals under the Framework are underpinned by a rigorous process to provide credibility and practicality:

- a. **Global Benchmarking:** We analysed five jurisdictions — Australia^{5,6}, the European Union (EU)^{7,8}, Malaysia^{9,10}, New Zealand^{11,12}, and Singapore^{13,14} — that have implemented or are in the process of implementing mandatory sustainability assurance frameworks.

We have also considered developments in other major markets at different stages of evolution. For example, in the Chinese Mainland, their 2024 sustainability reporting guidelines require large-cap issuers to publish sustainability reports by 2026, and encourage

⁵ Auditing and Assurance Standards Board Australia (2025), Climate and Sustainability Assurance requirements approved.

⁶ Auditing and Assurance Standards Board Australia (January 2025), Standard on Sustainability Assurance ASSA 5000 General Requirements for Sustainability Assurance Engagements.

⁷ European Commission (2025), Proposal for a Directive of the European Parliament and the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 to postpone the application dates for corporate sustainability reporting and due diligence requirements.

⁸ European Commission (2024), Commission Notice on the interpretation of certain legal provisions in Directive 2013/34/EU (Accounting Directive). France and the Netherlands have proposed or allowed independent assurance service providers.

⁹ Securities Commission Malaysia (2024), National Sustainability Reporting Framework.

¹⁰ Securities Commission Malaysia (2025), Public Consultation Paper (No. 2/2025) on Proposed Framework for Sustainability Assurance.

¹¹ Ministry of Business, Innovation, and Employment New Zealand (2023), Assurance over climate-related disclosures: occupational regulation and expanding the scope of assurance.

¹² External Reporting Board New Zealand (2023), New Zealand Standard on Assurance Engagements 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures.

¹³ Accounting and Corporate Regulatory Authority, Singapore (2025), Extended timelines for most climate reporting requirements to support companies.

¹⁴ Accounting and Corporate Regulatory Authority, Singapore (2024), Response to public consultation on climate reporting and assurance roadmap for Singapore.

third-party assurance^{15,16,17}. The United Kingdom has consulted on a voluntary registration regime for assurance providers in 2025¹⁸. In the United States, its 2024 climate rule mandated assurance for large, accelerated filers but it is currently on hold^{19,20};

- b. **Local Practices:** We considered insights from our market readiness study²¹, particularly whether the transition to mandatory assurance can be managed smoothly; and
- c. **Stakeholder Feedback:** We also integrated perspectives from 27 key stakeholder organisations, including companies, assurance providers including certified public accounting firms (**CPA firms**) and non-CPA firms, investors, and professional bodies, ensuring that the Framework caters to diverse needs and varied circumstances.

This comprehensive approach is essential to aligning the proposals with investor expectations for credible sustainability information while supporting preparers and assurance providers in building capacity during the transition.

¹⁵ Shanghai Stock Exchange (2024), Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report.

¹⁶ Shanghai Stock Exchange (2024), Three-Year Action Plan on Improving ESG Information Disclosure Quality of Listed Companies on the Shanghai Stock Exchange (2024-2026).

¹⁷ State Council, People's Republic of China (2024), China charts path to unified sustainability disclosure by 2030.

¹⁸ UK Department of Business and Trade (2025), Developing an oversight regime for assurance of sustainability-related financial disclosures.

¹⁹ US Securities and Exchange Commission (2024), The Enhancement and Standardization of Climate-Related Disclosures: Final Rules. Large, accelerated filers are large public companies with a float of over US\$700 million and meet other conditions such as filing at least one annual report.

²⁰ US Securities and Exchange Commission (2024), In the Matter of Enhancement and Standardization of Climate-Related Disclosures. Order Issuing Stay.

²¹ Accounting and Financial Reporting Council (2025), Understanding the Baseline – Analysing the Market Readiness for Sustainability Reporting and Assurance in Hong Kong.

1.7. Our key proposals are summarised below.

P1. Entities required to obtain independent assurance

Subject to further consultations to be conducted by the Hong Kong Exchanges and Clearing Limited (HKEX)²² and relevant financial regulators in relation to entities required to report using the Hong Kong Financial Reporting Standards (HKFRS) Sustainability Disclosure Standards²³ (**Mandatory HKSDS Reporting**)²⁴, it is proposed that such entities must obtain independent assurance.

This proposal ensures that entities with significant economic and environmental impact provide robust, credible sustainability information to the market. With **67% of Hang Seng Composite LargeCap Index (HSCLI) constituents having already published assured sustainability disclosures in 2025**, Hong Kong is well-positioned for a smooth transition for this segment.

P2. Scope and timing of mandatory assurance

Subject to further consultations by HKEX and relevant financial regulators in relation to **Mandatory HKSDS Reporting**, it is proposed that **mandatory limited assurance** be introduced in phases to allow a smooth and practical transition:

- **Phase 1:** Limited assurance over **Scope 1 and Scope 2 greenhouse gas (GHG) emission disclosures** must be obtained from the **third financial year** of the Mandatory HKSDS Reporting. The lead time provides entities time to implement the new reporting standards and strengthen system and processes to support assurance; and

²² Under the Roadmap, **HKEX will launch a market consultation in 2027** on mandating sustainability reporting in accordance with the HKSDS for the first batch of listed companies for the financial year beginning on or after 1 January 2028.

²³ HKFRS Sustainability Disclosure Standards comprise (a) HKFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and (b) HKFRS S2 *Climate-related Disclosures*.

²⁴ Under the Roadmap, **the relevant financial regulators** such as Securities and Futures Commission, Hong Kong Monetary Authority, Insurance Authority, and Mandatory Provident Fund Authority, will conduct sector-specific engagements to determine the timing and approach for sustainability reporting and assurance as well.

- **Phase 2:** Limited assurance over **all remaining mandatory HKSDS disclosures** must be obtained from the **fifth financial year** of the Mandatory HKSDS Reporting.

To illustrate, if a company is required to report using HKSDS from financial year 2028, Phase 1 will apply from financial year 2030, while Phase 2 from financial year 2032.

Limited assurance enhances the credibility of disclosures while remaining less costly than reasonable assurance²⁵.

Scope 1 and Scope 2 GHG emission disclosures offer a practical starting point as they are relatively straightforward to audit. With nearly all HSCLI constituents that published assurance reports in 2025 already covering these disclosures, the transition is expected to be manageable.

As market capability matures, the scope will expand to cover all disclosures under Mandatory HKSDS Reporting. This phased approach aligns with practices observed in most of the jurisdictions reviewed.

P3. Assurance providers to be registered

To safeguard investor confidence and uphold market integrity, it is proposed that mandatory assurance must be **provided by a registered sustainability assurance provider (SAP)** operating under a robust regulatory regime²⁶.

For the firm-level registration, **eligible SAPs** can comprise either:

- a. **local public interest entity (PIE) auditors registered with the AFRC** that meet additional criteria; or
- b. **accredited local non-CPA firms** that meet similar criteria.

²⁵ **Limited assurance** involves primarily making inquiries and applying analytical procedures to express a conclusion in a negative form (e.g., "*nothing has come to our attention that causes us to believe the information is materially misstated*"). While reasonable assurance is more robust, requiring detailed testing of internal controls and data to support a positive opinion, limited assurance is commonly used as a starting point.

²⁶ This does not preclude voluntary assurance to be provided by non-registered SAPs.

Both types of assurance providers are active in Hong Kong, with **non-CPA firms responsible for over half of assurance reports published by HSCLI constituents in 2025**. Providers from outside Hong Kong are proposed to be excluded at this initial stage to ensure all mandatory assurance is delivered under a consistent regulatory regime with direct oversight.

If the proposal is adopted, registration criteria for individuals in key responsible roles, along with accreditation programme for non-CPA firms, will be established. These criteria will emphasise professional competence and experience, reinforcing trust in the assurance process.

P4. Assurance standards to be prescribed

It is proposed that **mandatory assurance must be carried out in compliance with Hong Kong Standard on Sustainability Assurance (HKSSA) 5000**²⁷, which is fully aligned with the International Standard on Sustainability Assurance (ISSA) 5000²⁸. This alignment enables entities with cross-jurisdictional operations to manage their group assurance with reduced complexity.

The proposal also **builds on established local market practice**. In 2025, 77% of HSCLI constituents' assurance engagements were conducted under International Standard on Assurance Engagement (ISAE) 3000²⁹, issued by the IAASB, or the local equivalent. The IAASB has clarified that ISAE 3000 will no longer apply for sustainability assurance when ISSA 5000 becomes effective.

HKSSA 5000 requires **the concurrent application of**:

- Hong Kong Standard on Quality Management (**HKSQM**) 1³⁰; and

²⁷ The Hong Kong Institute of Certified Public Accountants (**HKICPA**) (2025), HKSSA 5000, *General Requirements for Sustainability Assurance Engagements*.

²⁸ The International Auditing and Assurance Standards Board (**IAASB**) (2024), ISSA 5000, *General Requirements for Sustainability Assurance Engagements*.

²⁹ The IAASB has clarified that ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* will no longer be applicable for sustainability assurance engagements after ISSA 5000 becomes effective on 15 December 2026.

³⁰ HKICPA's HKSQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*.

- Hong Kong Ethics Standards for Sustainability Assurance (HKESSA)³¹,
ensuring robust quality management and adherence to ethical and independence requirements. The combination strengthens quality controls and objectivity in the sustainability assurance process.

P5. A single regulator for all assurance providers

A **single regulator** model is proposed to:

- **Register and regulate all SAPs and their registered individuals;** and
- **Oversee sustainability reporting, assurance, and ethics standard-setting** by the HKICPA.

This unified model ensures consistent supervision, maintains a level playing field for all assurance providers and promotes a coordinated effort to build assurance capacity and expertise in Hong Kong.

- 1.8. The deadline for submitting responses is 30 March 2026. Feedback must be submitted using the prescribed form available [here](#).

³¹ HKESSA is incorporated in Part 5 in Chapter A of the *Code of Ethics for Professional Accountants* issued by the HKICPA.

Summary of Proposals

P1: Entities required to obtain independent assurance

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

P2: Scope and timing of assurance

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:

- Scope 1 and 2 GHG emission disclosures from **the third financial year** of the Mandatory HKSDS Reporting; and
- All remaining disclosures mandated under HKSDS from **the fifth financial year** of the Mandatory HKSDS Reporting.

P3: Assurance providers to be registered

Mandatory assurance must be provided by **registered SAPs** and their **registered individuals**. These SAPs comprise either:

- Registered local PIE auditors that meet additional criteria; or
- Accredited local non-CPA firms that meet similar criteria.

P4: Assurance standards to be prescribed

Mandatory assurance must be carried out in compliance with the **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.

P5: 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 HKICPA.

Section A: Introduction

1. The case for mandatory assurance

- 1.1. **Sustainability reporting has evolved from a voluntary exercise into an area of strategic importance worldwide.** As climate change and social responsibility remain key considerations for long-term value creation, investors and stakeholders are demanding reliable, decision-useful sustainability information.
- 1.2. This demand can be explained by two powerful forces: net-zero transition and shifting investor demographics. The International Energy Agency estimated that **clean-energy investment must rise to about US \$4.5 trillion annually by 2030**, more than double current levels, to stay on track for climate goals.
- 1.3. These trends are compelling institutional investors to embed Environmental, Social, and Governance factors into their investment mandates. According to a survey by the Centre for Audit Quality, 94% of 100 United States institutional investors believe public companies' **climate-related disclosures should be independently assured**³².
- 1.4. Another study of over 4,000 sustainability reports from companies in the United States (1993-2014) found that voluntary assurance, as present in 8.7% of reports studied, was associated with a reduced cost of capital. Notably, for a majority (55%) of first-time engagements, **the cost reduction was greater than the estimated assurance fee**³³.

³² The Center for Audit Quality (Q2 2024), **Institutional Investor Survey**, involving 100 U.S. institutional investors in companies with US\$500 million or more in assets under management.

³³ Ryan J. Casey, Jonathan H. Grenier (2018), **Save money by having your sustainability report assured** - Journal of Accountancy. Estimated fee assumed to be 10% of the financial audit fee.

2. Global developments: Standards and practices

- 2.1. **Independent assurance is gaining momentum globally.** An International Federation of Accountants (IFAC) study of 1,400 global entities published in 2025 found that 73% obtained assurance in 2023 (up from 51% in 2019), with 82% of these being limited assurance engagements and nearly all covering GHG emissions³⁴.
- 2.2. **The demand for credible information has prompted advancements in standard-setting and regulation.** The ISSB issued its inaugural baseline sustainability reporting standards in June 2023, which were endorsed by the International Organization of Securities Commissions (IOSCO) a month later³⁵. The IAASB and the International Ethics Standards Board for Accountants (IESBA) then issued international assurance, and ethics standards respectively in November 2024 and January 2025³⁶. The HKICPA has issued local equivalent standards in Hong Kong^{37,38,39}.
- 2.3. **These new standards are profession-agnostic, allowing use by both CPAs and non-CPAs.** While alternative quality management and ethical standards may be applied, they must be at least as demanding as those issued by the IAASB.
- 2.4. **To support global implementation by non-CPA firms, the international standard-setters are collaborating with the International Accreditation Forum (IAF)**⁴⁰. The IAF now requires national accreditation bodies to use IESSA when accrediting or authorising bodies to carry out

³⁴ IFAC (2025), The State of Play: Sustainability Disclosure and Assurance.

³⁵ IOSCO (2023), IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards.

³⁶ IESBA (2025), International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA).

³⁷ HKICPA (2024), HKICPA publishes HKFRS Sustainability Disclosure Standards.

³⁸ HKICPA (2024), Hong Kong Standard on Sustainability Assurance (HKSSA) 5000.

³⁹ HKICPA (2025), Ethics Standards for Sustainability Assurance and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.

⁴⁰ The IAF is a worldwide association of accreditation bodies and other bodies interested in conformity assessments.

assurance on sustainability disclosures⁴¹. The IAF also agreed to using IAASB assurance standards in accredited verification activities⁴².

3. The Hong Kong context: Roadmap

- 3.1. Hong Kong is committed to playing its role in the global transition to a sustainable future:**
 - a. The HKSAR Government is leveraging the city's position as a leading international financial centre to mobilise capital towards sustainable projects, while striving to achieve carbon neutrality before 2050⁴³;
 - b. To support this vision, the Government has adopted a four-pillar strategy: promoting market development, fostering financial innovation, enhancing sustainability transparency, and nurturing talent and enhancing data; and
 - c. Central to this strategy is enhancing sustainability transparency through transparent and reliable corporate disclosure of climate-related risks and performance, which is essential for mobilising capital towards green initiatives.
- 3.2. Accordingly, the HKSAR Government published the Roadmap on Sustainability Disclosure in Hong Kong in December 2024.** The Roadmap provided a pathway for large PAEs to fully adopt the ISSB Standards no later than 2028 and tasked the AFRC with developing a regulatory framework for sustainability assurance .
- 3.3. Voluntary sustainability assurance is a common practice among larger listed companies in Hong Kong.** An AFRC market readiness study published in January 2025 found that the percentage of HSCLI constituents that obtained voluntary assurance grew from 51% in 2023 to 65% in 2024. Of these reports, 53% obtained limited assurance, and 91% covered Scope 1 and 2 GHG emissions.

⁴¹ IESBA (2024), IAF and IESBA Join Forces to Support Growth in the Market for High-Quality Sustainability Information.

⁴² IAF (2024), A New Collaboration between IAF and IAASB.

⁴³ HKSAR Government (2021), Climate Action Plan 2050.

Section B: The Proposed Framework

4. Objectives of the Framework

- 4.1. The AFRC is designated to develop the Framework, guided by three core objectives:
 - a. **Promote high quality assurance** by aligning with internationally recognised standards;
 - b. **Enhance the credibility and reliability** of sustainability disclosures through independent assurance; and
 - c. **Ensure a level playing field** for all assurance providers.
- 4.2. These objectives ensure that the Framework meets demand for trusted data and supports a diverse provider ecosystem. Reliable assurance combats greenwashing and protects the public interests, while consistent oversight creates a level playing field and upholds market integrity.
- 4.3. Legislative amendments will be needed to give effect to the proposals under this Framework, including provisions for registering and regulating SAPs and their responsible persons.
- 4.4. **We reviewed frameworks from five jurisdictions** — Australia, the EU, Malaysia, New Zealand, and Singapore — **that have implemented or are in the process of implementing mandatory sustainability assurance**. While the adoption pace and scope may differ, with some jurisdictions recently clarifying or adjusting requirements, the overall direction is clear: mandatory sustainability assurance is here to stay.
- 4.5. To ensure the Framework is robust and fit for Hong Kong's market context, we conducted focus group consultations with **27 key stakeholder organisations**, representing listed companies, institutional investors, assurance providers (comprising both CPA and non-CPA firms), and professional bodies.

4.6. The following sections provide detail of each proposal, covering local market practices, international approaches, and stakeholder feedback, followed by specific consultation questions.

5. **Proposal 1: Entities required to obtain independent assurance**

5.1. Under the Roadmap issued by the HKSAR Government,

- Hong Kong will prioritise the application of the HKSDS by large PAEs under a phased-in approach. Large Cap Issuers⁴⁴ and large non-listed financial institutions carrying a significant weight in Hong Kong, will fully adopt the HKSDS no later than 2028. This approach considers Hong Kong's overall business and financial market composition, and the public accountability of these entities; and
- HKEX will determine the scope and implementation timeline for listed issuers subject to Mandatory HKSDS Reporting through its consultation planned for 2027. In parallel, the relevant financial regulators will conduct sector-specific engagements to determine the approach and timeline for applying Mandatory HKSDS Reporting across different financial sectors.

5.2. **Our considerations:** In developing this proposal, we have considered the high level of readiness among HSCLI constituent entities and the experience in other jurisdictions.



A high level of voluntary assurance among larger listed companies:

- 67% (73 out of 109) of HSCLI constituent companies published assurance report on sustainability reports in 2025. Mandating assurance for this group will formalise the existing practices and level the playing field among issuers.

⁴⁴ Large Cap Issuers refer to issuers that are HSCLI constituents throughout the year immediately prior to the reporting year.



Out of five jurisdictions with mandatory assurance studied:

- **Listed companies** - Four jurisdictions initially focus on listed companies that meet higher market or emissions thresholds before moving to a broader population. Singapore is the only jurisdiction that requires all listed issuers to begin at the same time.
- **Non-listed companies** - Four jurisdictions introduced assurance requirements in phases for non-listed entities based on size thresholds, such as revenue or assets.

5.3. Rationale for the proposal:

- a. **Public interests:** We propose mandating assurance starting with large PAEs that are subject to Mandatory HKSDS Reporting, where the public interest is highest. Their leadership will set a benchmark for quality disclosures, paving the way for smaller entities to follow;
- b. **Capacity building:** The phased implementation allows time for the ecosystem to build a sufficient pool of competent assurance providers to meet the expanded demand. The scope of entities subject to mandatory assurance will also adjust in line with the reporting requirements as regulation evolves; and
- c. **Voluntary reporting exempted:** For clarity, entities voluntarily reporting under HKSDS will not be subject to mandatory assurance requirements, although voluntary assurance is encouraged.

5.4. Stakeholder feedback:

- a. Stakeholders in the focus group consultations considered the proposal reasonable and practical. Although challenges remain in assuring data from complex ownership structures, particularly when jurisdictions require differing reporting and assurance standards, the gaps are expected to narrow over time;
- b. They also shared that while mandatory assurance may increase compliance costs, the complexity and the importance of sustainability related information for investment decisions heighten the need for independent assurance; and

- c. To balance investors' need with the preparers' compliance efforts, the proposed implementation timeline was deferred following the focus group consultations, ensuring that the proposed requirements remain proportionate and achievable.

Proposal 1: Subject to the further consultations by HKEX and relevant financial regulators in relation to Mandatory HKSDS Reporting, all entities subject to such reporting must obtain independent assurance.

Question 1.1 – Do you agree with Proposal 1? Please state the reason(s) for your response.

Question 1.2 – What challenges do you foresee in implementing Proposal 1? Please provide details and, where possible, suggest revisions or solutions to address these challenges.

Question 1.3 – In your view, what would be the most effective way to encourage entities that voluntarily adopt the HKSDS to obtain independent assurance?

6. Proposal 2: Scope and timing of assurance

- 6.1. HKEX has mandated **climate-related disclosures** for listed companies, starting with Scope 1 and 2 GHG emissions from January 2025. It is also expected to consult the market on requiring **sustainability-related** disclosures in accordance with the HKSDS for large PAEs, together with assurance requirements, in 2027.
- 6.2. This proposal seeks early feedback on the proposed scope of assurance and timeline for mandating assurance on the HKSDS disclosures.
- 6.3. **Our considerations:**



Substantially all listed entities already obtained voluntary assurance on Scope 1 and 2 GHG emission disclosures:

- 53% (39 of 73) of HSCLI constituents with published assurance reports in 2025, obtained assurance on Scope 1 and 2 GHG emission disclosures; and
- 47% (34 of 73) assured their full sustainability reports, including Scope 1 and 2 GHG emission disclosures.
- Over half of these assurances provided limited level of assurance.



Out of five jurisdictions with mandatory assurance studied:

- **Level of Assurance:** Four jurisdictions start with limited assurance, while Malaysia plans to move directly to reasonable assurance.
- **Initial Scope of Assurance:** Four jurisdictions are beginning with Scope 1 and 2 GHG emission disclosures. In contrast, the EU requires assurance on all climate disclosures from the outset.
- **Implementation Timeline:** Australia and the EU require mandatory assurance in the same year as mandatory reporting, whereas Malaysia starts from the third year, and Singapore starts from the fifth year.

6.4. **Rationale for the proposal:** To balance investor expectations for credible sustainability information with the practical capacity of preparers, a staged implementation strategy is proposed.

- a. **A phased implementation:** The initial phase focuses on disclosures that are relatively straightforward to audit, widely understood by companies and capable of delivering early benefits in credibility;
- b. **A progressive nudge:** As the market capability matures, the scope should expand to include more complex disclosures such as Scope 3 GHG emissions. These are disclosures that are highly relevant to investors while representing significant climate-related risks and opportunities for companies; and
- c. **A practical stance:** No timetable for reasonable assurance is proposed at this stage, considering compliance costs, market readiness, and evolving global standards. We will continue to monitor developments globally and locally to determine an appropriate time to progress to this stage.

6.5. **Stakeholder feedback:**

- a. Stakeholders in focus group consultations indicated **strong support for a phased approach** starting with Scope 1 and 2 GHG emission disclosures;
- b. **Some stakeholders advocated for an earlier start for Phase 1**, noting these disclosures are relatively straightforward to audit and have been widely assured; and
- c. While recognising the market's existing capability, the proposed timeline was maintained following the focus group consultation to accommodate varying levels of readiness, giving entities that have not yet obtained assurance sufficient time to prepare.

Proposal 2: 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** on:

- **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.

Question 2.1 – Do you agree with the proposal for Phase 1? Please state the reason(s) for your response.

Question 2.2 – Do you agree with the proposal for Phase 2? Please state the reason(s) for your response.

Question 2.3 – 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.

7. Proposal 3: Assurance providers to be registered

- 7.1. Registration is a critical pillar of effective regulation. It serves the public interest by ensuring that only providers who demonstrate the necessary competence and integrity are permitted to offer services to the market.
- 7.2. For financial statement audits of PIE, a rigorous registration regime applies, covering both firms and their registered individuals:
 - a. At the firm level, CPA firms or corporate practices must obtain additional registration as a PIE auditor to undertake PIE engagements. In addition to professional competency of its registered individuals, they are required to maintain robust, effective system of quality management in compliance with HKSQM 1; and
 - b. At the individual level, registration covers individuals responsible for critical roles in a PIE audit, namely the engagement partner, the engagement quality control reviewer, and the quality control system responsible person. This ensures that accountability for audit quality rests with identified, fit-and-proper individuals.

7.3. Drawing on this experience, Proposal 3 outlines a framework for sustainability assurance providers. **Our considerations** include:



The local **market** is served by both CPA and non-CPA firms:

- In 2025, the majority (56%) of published assurance reports among HSCLI constituents were conducted by non-CPA firms, while 38% engaged CPA firms and 6% engaged both CPA and non-CPA firms.
- However, qualifications and oversight may vary. For example, two of the 14 active non-CPA firms held voluntary Hong Kong Accreditation Service (**HKAS**) accreditation for GHG verification.



Out of the five jurisdictions studied:

- Four jurisdictions permit both accountants and non-accountants to undertake mandatory assurance. Australia is the exception, requiring a registered company auditor to conduct assurance.
- **Registration criteria for firms:** Sustainability assurance providers, whether CPA firms or non-CPA firms, are generally expected to meet similar registration requirements. These may include the residency of the management, organisational capacity, and the implementation of a system of quality management. However, the registration criteria are still being developed in some jurisdictions such as Malaysia and Singapore.
- **Registration criteria for individuals:** Individuals performing assurance engagements are typically proposed to hold appropriate qualifications, possess relevant practical experience, and maintain ongoing professional development.

7.4. **Rationale for the proposal:**

- a. **Market stability:** Permitting both registered local PIE auditors and accredited local non-CPA firms to provide mandatory sustainability assurance services ensures continuity in service delivery and expands the pool of qualified providers;
- 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;
- c. **Registration process:** This registration ensures providers meet necessary competency requirements and fulfil compliance obligations. These criteria will emphasise professional competence and experience, reinforcing trust in the assurance process. Detailed registration criteria for firms and individuals in key responsible roles, along with accreditation programme for non-CPA firms, will be developed in a later phase; and
- d. **Local provider focus:** Mandatory assurance will initially be delivered by local providers to ensure consistent regulation and effective oversight during the early stage.

7.5. **Stakeholder feedback:**

- a. Stakeholders in focus group consultations supported having both registered PIE auditors and accredited non-CPA firms as SAPs. However, they emphasised that registration criteria need to be robust to ensure consistent quality among SAPs and their registered individuals; and
- b. Non-CPA firms emphasised the need to recognise relevant international accreditations to avoid duplication, which will be considered when developing the accreditation criteria.

Proposal 3: Mandatory assurance must be provided by registered SAPs and their registered individuals. These SAPs comprise either:

- Registered local PIE auditors that meet additional criteria; or
- Accredited local non-CPA firms that meet similar criteria.

Question 3.1 – Do you agree with Proposal 3? Please state the reason(s) for your response.

Question 3.2 – Do you agree with the principles set out in paragraph 7.4(b) for firm registration? What other criteria should be considered?

Question 3.3 – What registration criteria would you propose for individuals that ensure professional competence while accommodating the varied backgrounds of SAPs?

8. Proposal 4: Assurance standards to be prescribed

8.1. To ensure credibility and comparability, assurance engagements must be conducted under a recognised assurance standard which provides a structured framework for planning, performing, and reporting assurance work, embedding principles of consistency, transparency, and accountability.

8.2. **Our consideration:** In formulating this proposal, we have considered the assurance standards commonly applied locally, as well as the standards or guidelines adopted in the jurisdictions reviewed.



ISAE 3000 (Revised) or its local equivalent is commonly used locally:

- In 2025, 77% (56 of 73) of HSCLI entities with assurance reports used ISAE 3000 (Revised) or its local equivalent. This standard can no longer apply for sustainability assurance when ISSA 5000 becomes effective.



Most jurisdictions permit or mandate IAASB-based standards:

- **Single standard:** Australia and Malaysia require local equivalents of ISSA 5000, along with the concurrent application of quality management and ethics standards. The European Commission will adopt limited assurance standards for use across the EU by 2027.
- **Two standards:** New Zealand uses its own GHG assurance standard but is consulting on using local equivalents of ISSA 5000 concurrently; Singapore permits ISSA 5000 or ISO 14064-3 and plans to bridge gaps between both standards.

8.3. Rationale for proposal:

- a. **Global alignment:** Sustainability assurance should be conducted using standards that are internationally recognised. This will facilitate consistency of audit methodology and reduce complexity for entities operating across multiple jurisdictions;
- b. **Continuity with established assurance practices:** With IAASB clarifying that ISAE 3000 will no longer apply for sustainability

assurance once ISSA 5000 becomes effective, adopting its local equivalent (HKSSA 5000) provides a structured transition; and

- c. **Quality and integrity management:** Robust assurance depends on strong quality management and ethical safeguards. HKSSA 5000 mandates concurrent application of HKSQM 1 for quality management; and HKESSA for ethical and independence requirements. This combination strengthens objectivity and confidence in sustainability assurance outcomes.

8.4. Stakeholder feedback:

- a. Stakeholders, including both CPA and non-CPA firms, supported prescribing HKSSA 5000. They emphasised the importance of interoperability, noting that full alignment with international standards is key to minimising regulatory fragmentation and reducing complexity for entities with cross-border operations; and
- b. Stakeholders also noted the value of HKSSA 5000 being framework neutral, making it compatible with a wide range of mandatory and voluntary reporting frameworks. For example, HKSSA 5000 can be applied to provide mandatory assurance for Mandatory HKSDS Reporting, along with voluntary assurance for Carbon Disclosure Project reports, enabling reliance by investors and stakeholders.



Proposal 4: 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.

Question 4.1 – Do you agree with Proposal 4? Please state the reason(s) for your response.

Question 4.2 – What are the capacity building efforts and resources required to further support the implementation of the above standards? Please elaborate.

9. **Proposal 5: A single regulator for all assurance providers**

9.1. An **effective** regulatory framework requires clear accountability and robust oversight to maintain trust in the assurance process. As assurance becomes mandatory, it is important to consider how regulatory responsibilities should be structured to avoid fragmentation, ensure consistency, and support high standards of practice.

9.2. **Our consideration:**



- **A single-regulator model is the prevailing international norm.**
All five jurisdictions reviewed have adopted or proposed this approach, including:
 - Australia (Australian Securities and Investment Commission),
 - New Zealand (Financial Markets Authority),
 - Malaysia (Audit Oversight Board),
 - Singapore (Accounting and Corporate Reporting Authority), and
 - The EU member states such as France (Haute Autorité de l'audit) and the Netherlands (Authority for the Financial Markets).

9.3. **Rationale for proposal:**

- a. **Uniform oversight:** A unified regime ensures that all SAPs, whether a registered PIE auditor or non-CPA firm, and their engagements, are subject to the same rigorous registration, inspection, investigation, and disciplinary mechanisms, preventing regulatory gaps and ensuring a level playing field;
- b. **Dedicated focus:** A single regulator enables coordinated effort to build assurance capacity and expertise in Hong Kong; and
- c. **Efficiency:** A single regulator also **streamlines** regulatory functions for greater efficiency.

9.4. **Stakeholder feedback:** Stakeholders in focus group consultations supported a single regulator model for clarity, consistency, and efficiency.

 **Proposal 5:** A single regulator model to:

- register and regulate all SAPs and their registered individuals, and
- oversee relevant standard-setting by the HKICPA.

Question 5.1 – Do you agree with Proposal 5? Please state the reason(s) for your response.

Appendix 1: Personal Information Collection Statement

1. This PICS of the AFRC is made in accordance with the guidelines issued by the Office of the Privacy Commissioner for Personal Data pursuant to the Personal Data (Privacy) Ordinance (Cap. 486) (PDPO). This PICS sets out the purposes for which your Personal Data, as defined by the PDPO, will be used following collection, what you are agreeing to with respect to the AFRC's use of your Personal Data and your rights under the PDPO.

Purpose of Collection of Personal Data

2. Personal Data provided in response to this consultation may be used by the AFRC for one or more of the following purposes:
 - a. to obtain views, opinions, and feedback for the consultation exercise;
 - b. analyse and compile responses for preparing summaries and related materials that may be published or disclosed to inform stakeholders of the consultation result;
 - c. to facilitate transparency and accountability in the consultation process, including publishing or disclosing responses (which may include comments and the identity of the respondent, such as your name or the name of your organisation) in consultation conclusions or related materials, unless you have clearly requested anonymity in your submission ;
 - d. to enable follow-up communication with respondents for clarification or further engagement related to the consultation, subject to the respondent's indication of consent;
 - e. to administer the Accounting and Financial Reporting Council Ordinance (Cap. 588) (AFRCO) and any rules, regulations, directions and guidelines made or promulgated under the AFRCO and to carry out its statutory functions thereunder;
 - f. to comply with legal and regulatory obligations applicable to the consultation process; and

- g. to administer and facilitate all other purposes directly relating to any of the above or those permitted by law.

Transfer of Personal Data

3. Personal Data may be used, disclosed or transferred to third parties engaged by the AFRC to assist in analysis, research, and the production of summaries, statistics and reports.
4. Responses to this consultation will be collected via Qualtrics, a cloud-based platform that may involve processing and temporary storage of data outside Hong Kong. To mitigate risks, AFRC will extract all responses to its secure SharePoint environment on a scheduled basis (e.g., weekly) and will delete the data from Qualtrics immediately after extraction.
5. Personal Data may be disclosed to the Government of the Hong Kong Special Administrative Region (specifically the Financial Services and the Treasury Bureau, the Innovation, Technology and Industry Bureau, and the Innovation and Technology Commission), financial regulators such as the Securities and Futures Commission, and HKEX for the purpose of formulating, coordinating and implementing the sustainability assurance regulatory framework.
6. Personal Data may be used by the AFRC for any purpose related to the performance of its statutory functions.

Retention

7. Personal Data provided to the AFRC will be retained for such period as may be necessary for the proper discharge of the AFRC's functions. Your Personal Data that is no longer required will be securely destroyed.

Access and Correction of Personal Data

8. You have the right to request access to and correction of your Personal Data in accordance with the provisions of the PDPO. Your right of access includes the right to request a copy of your Personal Data provided to the AFRC. Please note that all data access requests should be made using the form specified by the Privacy Commissioner for Personal Data which is accessible from the following link: "[Data Access Request Form](#)".

9. When handling a data access or correction request, the AFRC will check the identity of the requestor to ensure that he/she is the person legally entitled to make the data access or correction request.
10. A reasonable fee may be charged to offset our administrative and actual costs incurred in complying with your data access requests.

Enquiries

11. Any enquiries regarding the Personal Data provided, or requests for access to or correction of Personal Data, can be made to the Data Protection Officer of the AFRC in writing:

Data Protection Officer

Address: 10/F, Two Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

Email: dpo@afrc.org.hk

Tel: +852 2810 6321

Fax: +852 2810 6320

12. A copy of the Privacy Policy Statement adopted by the AFRC is available on the AFRC website at: www.afrc.org.hk/

Appendix 2: Glossary of terms

AFRC	Accounting and Financial Reporting Council
CPA	Certified Public Accountant
GHG	Greenhouse Gas. <i>GHG Protocol</i> defines <ul style="list-style-type: none"> • Scope 1 as direct emissions from owned or controlled sources, • Scope 2 as indirect emissions from purchased energy, • Scope 3 as value chain emissions from upstream and downstream activities.
HKAS	Hong Kong Accreditation Service
HKESSA	Hong Kong Ethics Standard for Sustainability Assurance
HKEX	Hong Kong Exchanges and Clearing Limited
HKICPA	The Hong Kong Institute of Certified Public Accountants
HKSAR	Hong Kong Special Administrative Region
HKSDS	Hong Kong Sustainability Disclosure Standards
HKSQM	Hong Kong Standard on Quality Management
HKSSA	Hong Kong Standard on Sustainability Assurance
HSCLI	Hang Seng Composite LargeCap Index
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISAE	International Standard on Assurance Engagements
ISO	International Organization for Standardization
ISSA	International Standard on Sustainability Assurance
ISSB	International Sustainability Standards Board
Non-CPA firms	Professional service providers, other than accounting firms, with expertise in sustainability-related disciplines. This often includes environmental science consultants, engineering firms, and Testing, Inspection, and Certification firms that provide verification and assurance services over sustainability information.
PAEs	Publicly Accountable Entities. The Roadmap defines large PAEs as “listed companies which are Large Cap Issuers as well as large non-listed financial institutions carrying a significant weight in Hong Kong”.
PIE	Public Interest Entity
SAP	Sustainability Assurance Provider

Contacts

If you have any enquiries or comments, please feel free to contact us.

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