**Submitted via Qualtrics**

**Kirkland & Ellis**
**Company / Organisation**
**Law Firm**

**Question 1**
**Do you agree to upgrade climate-related disclosures to mandatory from "comply or explain"?**

Yes

**Please provide reasons for your views.**

We agree that climate-related disclosures should be upgraded from "comply or explain" to mandatory, given the growing significance of ESG as an issuer's responsibility.

**Question 2**
**Do you agree to introduce new governance disclosures focusing on climate-related issues as set out in paragraph 1 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

**Question 3**
**Do you agree to require disclosure of climate-related risks as set out in paragraph 2 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

Yes. We agree to require disclosure of climate-related risks. However, we have reservations on paragraph 2(a) of Part D of the Proposed Appendix 27 with respect to any forward-looking assessments, such as the time horizon over which climate-related risks could affect the issuer, or the anticipated effects of climate-related risks on the issuer. These disclosures require the issuer to make estimations based on assumptions that are inherently uncertain. For example, technology innovation and new environmental policies may change the course of certain climate conditions and trends, rendering an issuer's estimation of the time horizon inaccurate. We believe further clarifications can be made to require an issuer to clearly disclose the assumptions and bases used, or focus on qualitative disclosures.

**Question 4**
**Do you agree that issuers may opt to disclose the actual and potential effects of climate-**

**related opportunities they may have identified in response to climate-related risks disclosed as set out in paragraph 3 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

**<u>Question 5</u>**
**Do you agree that an issuer shall consider the applicability of and disclose the metrics when assessing and making disclosure of climate-related risks and opportunities as set out in paragraph 4 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

As discussed in Question 3 above, qualitative disclosures of metrics may be more appropriate when analyzing current conditions or the issuer's internal targets. It may be difficult for issuers to make quantitative estimates of future conditions.

In addition, please refer to our responses to Questions 18 to 26 for further thoughts on metrics and targets.

**<u>Question 6</u>**
**Do you agree to require disclosure of how the issuer is responding to climate-related risks and, where an issuer chooses to, any climate-related opportunities as set out in paragraph 5 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

**<u>Question 7</u>**
**Do you agree to require disclosure of climate-related targets set by the issuer as set out in paragraph 6 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree that requiring disclosure of climate-related targets set by the issuer can facilitate the transparency and accuracy of climate-related policies adopted by issuers and facilitate better actions of the issuers. In addition, considering that reporting quantitative targets can be sensitive and issuers may tend to set a lower and more achievable target, directional statements may help issuers who may be wary of making quantifiable and forward-looking statements to make informative disclosure. Such directional statements may include specific reference to international standards including TCFD recommendations, and methodologies used for calculating targets.

Moreover, as discussed in Question 8 below, we believe that issuers that may be less energy-intensive or in industries that are less sensitive to climate issues may be allowed to simplify disclosures of climate-related targets.

**<u>Question 8</u>**
**Do you agree that where an issuer has yet to disclose climate-related targets, it should make alternative disclosures as set out in note 2 to paragraph 6 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

Acknowledging the Exchange's objective to visualize climate-related goals and to monitor the progress in implementing transition plans, we generally agree to require disclosure of climate-related targets set or intended to be set by the issuers. However, considering the various nature and scope of business operations across different industries, it may not be meaningful to require issuers whose business operations are less sensitive to climate issues to set specific goals and targets or to disclose progress in setting them. We believe the board of the issuer should have discretion in determining whether the issuer should set specific climate-related targets. That being said, we believe the issuer should commit to assessing its climate-related risks and opportunities on a regular basis and determine whether it needs to set specific targets.

**<u>Question 9</u>**
**Do you agree to require disclosure of progress made in the most recent reporting year in respect of plans disclosed as set out in paragraph 7 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We generally agree to require disclosure of progress made in the most recent reporting year in respect of plans already set by the issuers. For issuers that do not currently have climate-related targets or related work plans, disclosures can be focused on any changes in their assessment of climate-related risks.

**<u>Question 10</u>**
**Do you agree to require discussion of the issuer's climate resilience as set out in**

**paragraph 8 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

Based on the proposed disclosures set out in paragraph 8 of Part D of the Proposed Appendix 27, we understand that a complete analysis of the issuer's climate resilience will consist of two parts - the first is the identification of trends, developments and risks in climate change that could have a meaningful impact on the issuer's business and assessing the issuer's financial and operational resilience to such changes, and the second is the formulation of a plan to become more resilient to climate change and move towards a net zero business.

We agree that analysis of climate resilience is crucial for issuers to develop a better understanding of how climate change may impact their business over time and identify potential responses. By mandating such disclosures, the issuer is encouraged to explore this topic with more depth and from both a policy (qualitative) and a quantitative, results-driven perspective. Our concern is that, many issuers are relatively inexperienced in conducting such analyses, as climate change is such a complex and worldwide issue. We are concerned that some small or mid-sized issuers, especially those that have a limited environmental footprint and/or are not subject to extensive local ESG regulations, are not equipped with the requisite skills, capabilities or resources to conduct a sophisticated climate-related scenario analysis.

To ensure that the exercise is meaningful to the issuer, we propose that, first of all, guidance is provided to issuers on how to build a process to assess climate resilience to achieve its environmental goals. For example, they can be directed to reference scenarios that describe potential future developments in climate, economic or political conditions. We understand that the TCFD and ISSB guidance have different climate scenarios that an issuer can use, and the Exchange can refer to or build on such guidance. Secondly, we agree with the Exchange that disclosures to be made by the issuer may be commensurate to the issuers' level of experience. For example, issuers that need more time to build up capacity and experience may concentrate on devising a multi-year climate resilience plan and make qualitative disclosures of that plan. The Exchange may also require these issuers to provide a roadmap and timeline to build up capabilities and conduct more sophisticated analyses.

Different levels of disclosure may also be required for issuers in industries based on their environmental footprint. An extensive climate resilience analysis would be more significant for issuers that are more energy intensive or contribute to / will be affected by climate change, and such issuers should be held to higher disclosure standards.

**<u>Question 11</u>**

**Do you agree to require issuers to apply a climate-related scenario analysis that is commensurate with the issuer's circumstances, and to require disclosure of information on climate-related scenario analysis as set out in paragraph 9 of Part D of the Proposed**

**Appendix 27?**

Yes

**Please provide reasons for your views.**

Please refer to our responses to Question 10 above.

**<u>Question 12</u>**
**Do you agree to require disclosure of the current financial effects of climate-related risks, and where applicable, climate-related opportunities as set out in paragraph 10 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

In principle, we agree that disclosure of the financial effects of climate-related conditions on an issuer would be helpful to assess the impact of such conditions on the issuer's business. While we defer to accountants to comment on whether climate-related risks can be quantified in an issuer's financial reports, we have the following comments and concerns from a practical perspective:

1. First of all, climate-related risks and opportunities are, by nature, potential and not actual conditions. We believe it may be possible for an issuer to quantify the costs and expenses incurred to implement certain measures in response to a climate risk identified. However, it may be impracticable for the issuer to identify the financial impact of a climate risk as a whole as the risk may not have had an actual impact on the issuer.

2. Second, even if an issuer attempted to quantify the financial impact of a climate risk, for example as a provision of credit loss, it may not be able to do so accurately or in a meaningful manner. We believe that such quantification involves significant management judgment and estimation, and is also subject to inherent uncertainty. We do not think that the market (issuers, investors or professional parties) has currently reached a consensus on the methodologies for quantifying the financial impact of climate risks. Therefore, the methodology used by issuers may be determined internally and vary significantly, and therefore may not be comparable or meaningful to investors.

3. Lastly, we believe that the timing for requiring issuers to include such analyses in its disclosures can be reconsidered. Because issuers may need lead time to adjust their financial recording systems to identify relevant costs and expenses, and it may not be practicable for them to identify such items for historical periods. As such, depending on when the Proposed Appendix 27 is put into effect, issuers may be given the option to start making such disclosures for the then-current financial year.

**<u>Question 13</u>**
**Do you agree that during the Interim Period, where an issuer has yet to provide quantitative disclosures pursuant to paragraph 10(a) of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 10 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

**<u>Question 14</u>**
**Do you agree to require disclosure of anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities as set out in paragraph 11 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

In principle, we agree that issuers should inform investors of how it expects climate-related risks and opportunities to affect its business financially. However, we note the difficulty in quantifying the financial effects of climate-related issues and, in some cases, assessing whether a risk or opportunity will have a net positive or negative financial impact. In discussions with our clients on the financial impact of certain regulatory changes on their business, we often observe that the impact is unpredictable. While certain costs increase in response to the change, other costs may decrease over time. Similarly, price of goods may decrease but volume may increase, leading to uncertainty in the overall effect on revenue. We are concerned that issuers will face the same challenges in making these assessments for ESG matters, as so many factors and variables may impact the end result. Acknowledging the Exchange's objective to balance issuers' concern on data accuracy and the need for transparency, we consider qualitative disclosures of anticipated financial effects of climate-related risks and opportunities to be a starting point.

**<u>Question 15</u>**
**Do you agree that during the Interim Period, where an issuer has yet to provide information required in paragraph 11 of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 11 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

**<u>Question 16</u>**

**Do you agree to require disclosure of the process an issuer uses to identify, assess and manage climate-related risks as set out in paragraph 12(a) of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We support this proposal for a critical reason: as the proposal requires the issuers to describe their process to identify, assess and manage climate risks, it prompts companies to reassess and reorganize their risk management measures. This proposal encourages the formulation of more comprehensive and robust risk control policies aimed at ESG aspects. Such policies can mitigate the company's losses when faced with various risks related to ESG, as well as enhance their social responsibility and environmental awareness.

**<u>Question 17</u>**

**Do you agree that issuers may opt to disclose the process used to identify, assess and manage climate-related opportunities as set out in paragraph 12(b) of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We endorse the proposal to allow companies to disclose the process used to identify, assess and manage climate-related opportunities, primarily because climate change presents a double-edged sword for some companies. On the one hand, it poses certain risks, but on the other hand, it also signifies opportunities for growth. For investors and stakeholders, understanding the future opportunities for a company is just as vital as recognizing potential risks. This is because these factors heavily influence the company's stock price, valuation, and future business growth.

**<u>Question 18(a)</u>**

**Do you agree with the proposed approach for the disclosure of scope 1 and scope 2 emissions and the related information as set out in paragraphs 13 to 14 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree with this proposal for several reasons:

1. As 90% of the issuers have disclosed scope 1 and 2 emissions in their ESG reports, requiring such disclosure will not incur additional costs for the vast majority of companies.

2. The standards currently in place (i.e. the GHG Protocol and the protocol prescribed by local legislation for measuring GHG emissions) are quite flexible. Companies, especially those that have not yet disclosed their scope 1 and 2 emissions, can choose widely accepted standards within their industry and country. While this might increase their compliance costs, it will benefit the companies' long-term development given these are becoming increasingly accepted by the public. Enhancing such disclosures can help companies plan and evaluate their operations from climate-related perspectives.

For investors and stakeholders, requiring companies to disclose their GHG emissions using the same standard allows for better comparison when valuing companies. This uniformity in disclosure will facilitate more accurate and fair evaluations, which are crucial for informed investment decisions.

**Question 18(b)**

**Do you agree with the proposed approach for the disclosure of scope 3 emissions and the related information as set out in paragraphs 13 to 15 of Part D of the Proposed Appendix 27?**

No

**Please provide reasons for your views.**

We believe there is room for improvement concerning disclosure requirements on scope 3 emissions. While the Exchange can encourage companies to make disclosures on scope 3 emissions, mandating such disclosures may subject issuers to practical difficulties.

1. These requirements demand that companies have a comprehensive understanding of their value chain, both upstream and downstream. Not only must companies understand key emission activities along the chain, but they also need sufficient bargaining power, much more than what required for their daily operations, to have suppliers and customers provide them with relevant emission information. It is possible that for certain issuers, even if the Stock Exchange mandates disclosures, this information is unattainable.

2. Even if the counterparties across the issuer's value chain are cooperative, they may need to incur additional costs for accounting and standardizing their GHG emissions. Mandatory disclosure by the Exchange may significantly increase these companies' operating costs and expenses, which may exceed reasonable regulatory requirements.

3. Given that pursuant to paragraph 15(c) of the proposed rules, issuers are allowed to disclose the reasons for omission if they exclude GHG emission information provided by entities in their value chains, the current mandatory disclosure requirements for scope 3 emissions may not achieve the intended purpose of the Exchange, which, we understand, is to prevent companies from artificially “reducing” their GHG emissions by outsourcing certain business activities to external parties.

**Question 19**

**Do you agree with the proposed approach for the interim disclosures in respect of scope 3 emissions during the Interim Period as set out in the paragraph immediately following paragraph 15 of Part D of the Proposed Appendix 27?**

No

**Please provide reasons for your views.**

Please refer to our responses to question 18(b) for our opinions on the proposed approach for the disclosure of scope 3 emissions and the related information. In light of the above, we agree with the Stock Exchange’s approach to allow issuers to make interim disclosures during a two-year Interim Period. However, we believe it worth reconsidering to require issuers to disclose the work plan, progress or timetable for making the required disclosure given the practical difficulties in collection of data.

**Question 20(a)**

**Do you agree to require disclosure of the amount and percentage of assets or business activities vulnerable to transition risks as set out in paragraph 16 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree with this proposal as it provides investors with more quantifiable information, serving as a more direct tool for comparing different companies within the same industry.

**Question 20(b)**

**Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding transition risks as set out in the paragraph immediately following paragraph 16 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We support this proposal as the interim disclosure requirements offer companies some time in fulfilling the compliance requirements, while also providing investors and stakeholders with relevant and meaning information about the company’s ESG framework. However, we suggest that the Exchange, when providing illustrative examples of these metrics, strive to include as many different industry disclosure methods as possible. For industries not covered, it is recommended that practical operational methods are suggested to facilitate compliance for companies across diverse sectors, ensuring a smooth transition and effective adherence to the proposed disclosure requirements.

**Question 21(a)**
**Do you agree to require disclosure of the amount and percentage of assets or business activities vulnerable to physical risks as set out in paragraph 17 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree with this proposal as it provides investors with more quantifiable information, serving as a more direct tool for comparing different companies within the same industry.

**Question 21(b)**
**Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding physical risks as set out in the paragraph immediately following paragraph 17 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We support this proposal as the interim disclosure requirements offer companies time in fulfilling the compliance requirements, while also providing investors and stakeholders with relevant and meaning information about the company's ESG framework. However, as discussed in question 20(b), we suggest that the Exchange strive to include as many different industry disclosure methods as possible.

**Question 22(a)**
**Do you agree to require disclosure of the amount and percentage of assets or business activities aligned with climate-related opportunities as set out in paragraph 18 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree with this proposal as it provides investors with more quantifiable information, serving as a more direct tool for comparing different companies within the same industry.

**Question 22(b)**
**Do you agree with the proposed interim disclosures during the Interim Period in respect**

**of metrics regarding climate-related opportunities as set out in the paragraph immediately following paragraph 18 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We support this proposal. However, as discussed in question 20(b), we suggest that the Exchange strive to include as many different industry disclosure methods as possible.

**<u>Question 23(a)</u>**
**Do you agree to require disclosure of the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities as set out in paragraph 19 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree with this proposal as it provides investors with more quantifiable information, serving as a more direct tool for comparing different companies within the same industry

**<u>Question 23(b)</u>**
**Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding capital deployment as set out in the paragraph immediately following paragraph 19 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We support this proposal. However, as discussed in question 20(b), we suggest that the Exchange strive to include as many different industry disclosure methods as possible.

**<u>Question 24</u>**
**Do you agree that where an issuer maintains an internal carbon price, it should disclose the information as set out in paragraph 20 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree with this proposal. In addition, we suggest that for companies that maintains an internal carbon price, the Exchange may recommend disclosure of how the internal carbon price is determined or to provide its calculation formula. These additions would offer investors and stakeholders a clearer understanding of the companies' environmental footprint and its approach to carbon pricing.

**<u>Question 25</u>**
**Do you agree with the proposed approach for the disclosure of how climate-related considerations are factored into remuneration policy as set out in paragraph 21 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

We agree that the Exchange can encourage companies to make such disclosures if climate-related considerations are factored into remuneration policy. However, we believe it necessary to make clear that this does not mandate that climate-related considerations be factored into remuneration policy. Pursuant to paragraph E1.2(b) of the Listing Rules, it is under the purview of the remuneration committee to "to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives." It is important for the remuneration committee to maintain its independence in assessing the issuer's remuneration policy.

**<u>Question 26</u>**
**Do you agree with the proposed approach for the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards as set out in paragraph 22 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

**<u>Question 27</u>**
**Do you have any comments regarding whether the manner in which the proposed consequential amendments are drafted will give rise to any ambiguities or unintended consequences?**

No

**Please elaborate.**

No further comments in this regard.

**<u>Question 28</u>**
**Do you have any comments regarding the topics/matters that we intend to give guidance on?**

No

**Is there any particular topic/matter you consider further guidance to be helpful?**

No

**Please elaborate.**

**<u>Question 29</u>**
**Do you have any feedback on the new developments announced by the ISSB subsequent to the publication of this paper that may impact on the proposals in this paper?**

No

**Please share your views with us.**