

Submitted via Qualtrics

KPMG
Company / Organisation
Accounting Firm

Question 1

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

Yes

Please provide reasons for your views.

Overall:

KPMG welcomes the opportunity to respond to the consultation paper on enhancement of climate-related disclosures under the ESG framework. Unless otherwise noted, terms used in our responses herein shall have the same meanings as those defined in the consultation paper.

We are in support of the proposal to enhance climate-related disclosures and the general direction of aligning with the ISSB Standards developed by the ISSB, which aims to deliver a comprehensive and global baseline of sustainability-related disclosure standards that meet the information needs of investors and other capital market participants. We believe that adopting this direction will help to maintain Hong Kong's competitiveness as an international financial centre by keeping with the international developments, meeting stakeholders' increasing expectations and channeling investments towards a more sustainable future.

We also concur with the Exchange's proposal to allow the Interim Period on current and anticipated financial effects of climate-related issues, scope 3 emissions and certain cross-industry metrics. We believe that the Interim Period is helpful to issuers which will take time to upgrade or expand processes and controls in order to provide reliable and quality disclosure.

As the consultation paper was released before the final IFRS S2 (hereafter referred to as "IFRS S2") is published, we recommend that the Exchange consider aligning with IFRS S2 when such alignments would enhance clarity, bring in additional guidance and reliefs. Please refer to our responses to questions 6 (responding to climate-related risks and opportunities), 12 (current financial effects), 14 (anticipated financial effects) and 18 (emissions).

For other differences from IFRS S2, we recommend that the Exchange consider and communicate its expectations on the roadmap to align with IFRS S2. As the ISSB also

published final IFRS S1 (hereafter referred to as “IFRS S1”) and will continue to issue other topic-specific standards, we also recommend the Exchange consider the possibility of a roadmap for wider sustainability reporting, including how to interact with HKICPA as sustainability reporting standard setter in Hong Kong.

The Exchange continues to allow issuers to refer to international framework as long as it includes comparable disclosure provisions to the provisions set out in Appendix 27. In this regard, we believe that an ESG report in compliance with IFRS Sustainability Disclosure Standards would also comply with Appendix 27. It would be helpful if the Exchange could consider making that clarification.

The Exchange’s proposals do not modify its position on assurance and issuers can continue to seek independent assurance. Investors need reliable information to make informed decisions and assurance plays an important role in enhancing credibility of the disclosures and increasing stakeholders’ confidence on the information, thereby upholding the trust in the capital market. As an increasing number of jurisdictions, such as the European Union, United States and New Zealand, are mandating assurance requirements, it is clear that the importance of assurance is growing. The IAASB has also approved the exposure draft of the new standard on sustainability assurance. Given the international trend towards assurance and the crucial role it plays in maintaining trust, we recommend that the Exchange consider imposing requirement for assurance and communicate a roadmap for implementation (such as a phase-in approach for information subject to assurance and level of assurance). This would enable issuers and assurance practitioners to plan their resources more effectively.

The Exchange’s proposals apply to issuers and require IPO applicants to comply with the same requirements in its first ESG report upon listing. Depending on the timing of listing (for example, very late in the financial year), a newly listed issuer may not have sufficient time to prepare the enhanced climate-related disclosures. We recommend that the Exchange consider providing temporary relief to newly listed issuers in their first ESG report and allowing them more time to implement the necessary controls and processes to prepare for high-quality and reliable disclosures.

Question 1:

We agree with the proposal to upgrade climate-related disclosures from “comply or explain” to mandatory. It is widely recognised that climate change has pervasive impacts and will affect most, if not all, entities. Mandating climate-related disclosures is a key step to generate comparable information that facilitate users to make informed decisions.

We recommend the Exchange provide further clarification of the definition of materiality and its applicability. The definition of “materiality” is not modified under the proposals, which based on paragraph 11(i) of Part A of Appendix 27, represents “the threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported.” This implies that the ESG report as a whole (including Part D) is targeted for use by a broader audience, not just investors and creditors, and encompasses non-financial materiality. However, Part D is intended to be in all significant respects in alignment with S2, which focuses on financial materiality for investors. Furthermore, the current draft of Part D references “investors” in several places (e.g. paragraphs 8, 11, and 15).

It would be helpful to clarify the language to emphasize that Part D is intended to align with the financial materiality concept in IFRS S1 and IFRS S2. We recognize that some issuers may apply double materiality (financial materiality and impact materiality). We believe clarifying that Part D pertains to financial materiality does not preclude issuers from going beyond financial materiality and adopting double materiality.

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.

We believe that the new governance disclosures support evaluations of whether climate-related issues receive appropriate board and management attention and whether an entity is enabling oversight, assessment and management of climate-related issues.

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.

We agree with the proposal which enables users to understand material climate-related risks and how those risks could reasonably be expected to affect the entity.

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.

We agree with the proposal as this gives flexibility to issuers which are nascent in their climate-reporting journey. We also recommend that the Exchange communicate the roadmap to align with IFRS S2, which will assist issuers in planning their resources for future years.

In addition to the “Strategy” pillar, other pillars also contain disclosures relating to opportunities. The current wording may give rise to misunderstanding that an issuer is allowed to pick and choose the disclosures relating to opportunities. If an issuer opts to disclose opportunities, we suggest also disclosing information under other pillars as it relates to opportunities because those disclosures are inter-related and complement one another. For instance, the process used to identify, assess and manage climate-related opportunities under the “Risk Management” pillar gives context as to how the opportunities disclosed under the “Strategy” pillar are identified and assessed.

Separately, the current wording of the metrics relating to opportunities (amount and percentage of assets or business activities aligned with and capital deployed towards opportunities) in paragraphs 18 and 19 of Part D appear to require disclosure of such metrics regardless of whether an issuer opt to disclose opportunities. As mentioned in the above paragraph, these metrics will supplement understanding of the extent of the opportunities identified under the “Strategy” pillar and therefore we believe an issuer should disclose those when they opt to disclose opportunities.

Question 5

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.

We consider that this will facilitate understanding of the impact of climate-related risks and opportunities identified.

Question 6

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.

We support the proposal to require disclosure about how an issuer is responding to climate-

related issues, including transition plans and related targets. While the ISSB during its deliberations made it clear that mandating transition plans is outside their remit and therefore their objective is to set disclosure requirements to enhance the quality and consistency of these disclosures, we support the Exchange's proposal of requiring disclosure of the transition plans and the related targets as we believe that the transition plans will be relevant for many, if not all, the issuers. As Chinese Mainland and the Hong Kong SAR have committed to being carbon neutral by 2060 and 2050, respectively, many issuers should have established, or in the progress of establishing, transition plans. This disclosure also aligns with the TCFD guidance that organisations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy.

We recommend revising the current wording for clarification and better alignment with IFRS S2 for the following:

- The wording in IFRS S2 has been revised to distinguish between the requirements related to an entity's overall strategy and decision-making and the requirements specifically related to transition plan. We believe this is important in separating the disclosure of an issuer's transition plan from the wider climate-related responses to climate-related issues. For instance, an entity's response to its exposure to physical risks may be separate from its transition plan, which covers its responses to transition risks.

- IFRS S2 has also introduced a requirement to disclose the assumptions an entity made in developing its transition plan, and the dependencies on which the plan's achievement relies. We believe that this information should have been considered by an entity in developing its transition plan and so should not be onerous.

In addition, to reduce the risk of being accused of greenwashing or being exposed to litigation, we recommend that the Exchange clarify that the activities included in an issuer's disclosure of transition plans should clearly differentiate between activities that are either underway or otherwise committed, and any other elements of the plan. We also recommend guidance on the information to be disclosed for a transition plan. References can be made to resources such as TCFD's Guidance on Metrics, Targets and Transition Plans issued in 2021 and publications released by the Transition Plan Taskforce.

Question 7

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.

While the ISSB during its deliberations made it clear that mandating targets is outside their remit and therefore their objective is to set disclosure requirements to enhance the quality and consistency of these disclosures, we support the Exchange's proposal of requiring disclosure of targets as we believe that such proposal provides useful information in evaluating the effectiveness of how an issuer manages climate-related risks and opportunities. In addition, as Chinese Mainland and the Hong Kong SAR have set the carbon neutrality target, disclosing the targets enables users to evaluate to what extent an issuer is supporting the achievement of such jurisdictional targets and preparing itself to operate in the lower-carbon economy.

We recommend that the Exchange consider aligning the wording regarding the information to be disclosed and location of the related requirements in IFRS S2.

Question 8

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.

We consider that the Exchange's proposal will provide flexibility to those issuers which are in the process of establishing meaningful targets, e.g. science-based targets, and determining its plans to achieve those.

Please also refer to our response to questions 6 and 7.

Question 9

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 agree with the proposal which facilitates users' understanding and evaluation of the progress and performance.

In line with paragraph 4 of Part D of the Proposed Appendix 27, we recommend consideration of making connections to the metrics referenced in paragraphs 13 to 22 to describe progress made.

Question 10

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.

We support the proposal which facilitates users' understanding of an issuer's climate resilience given the uncertainty and complexity of the likelihood, magnitude and timing of climate-related risks affecting the businesses.

We recommend that the Exchange consider aligning the wording with IFRS S2 which has enhanced clarity.

Question 11

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.

We agree with the use of scenario analysis that is commensurate with an issuer's circumstances. As the most significant effects of climate change are likely to emerge over the medium or longer term and their timing and magnitude are uncertain, we believe that scenario analysis is an effective way to appropriately consider how climate-related risks and opportunities may evolve and the potential implications under different conditions.

We recommend that the Exchange consider aligning the wording with IFRS S2 which has enhanced clarity and provided additional guidance.

Question 12

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.

We agree with the proposal on disclosure of current financial effects of climate-related risks and, where applicable, opportunities. In evaluating whether the current financial effects are material, we recommend aligning the definition of materiality with that in IFRS S1, which may not necessarily result in the same materiality threshold used in the current year's financial statements.

IFRS S2 clarifies the concept of "unable to do so" and provides additional guidance as to when an entity needs not provide quantitative information and if so what to be disclosed instead. We recommend aligning the wording with IFRS S2 as we believe that these efforts in IFRS S2 provide more clarity and relief to issuers which are nascent in its climate reporting journey.

In addition to the materiality definition as mentioned above, we also recommend incorporation of or reference to other principles in IFRS S1 which are likely to be particularly relevant to disclosure of financial effects. These include disclosures about key judgements and measurement uncertainty, how to deal with changes in estimates and errors, when disaggregation is needed and connections with financial statements.

Question 13

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.

We agree with the proposal which gives more time to issuers to prepare for the quantification. In particular, an issuer may need to enhance its financial reporting process to identify components (e.g. components of an asset) that are attributable to climate-related risks or, where applicable, opportunities.

Please also refer to our response to question 12.

Question 14

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.

We agree with the requirement to disclose anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities.

IFRS S2 introduces concept of “reasonable and supportable information without undue cost or effort” and consideration of skills, capabilities and resources to address proportionality challenges. It also clarifies the concept of “unable to do so” and provides additional guidance as to when an entity needs not provide quantitative information and if so what to be disclosed instead. We recommend aligning the wording with IFRS S2 as we believe that all these efforts in IFRS S2 provide more clarity and relief to issuers which are nascent in its climate reporting journey. With the Interim Period provided by the Exchange (see question 15), we believe that adopting IFRS S2 wording smooths the pathway of progressing towards IFRS S2.

We also recommend incorporation of or reference to certain principles in IFRS S1 which are likely to be particularly relevant to disclosure of financial effects. These include materiality definition, disclosures about key judgements and measurement uncertainty, how to deal with changes in estimates and errors, when disaggregation is needed and connections with financial statements.

Question 15

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.

We agree with the approach which gives issuers more time to get prepared. Scenario analysis is commonly used to inform anticipated financial effects. Providing Interim Period can allow issuers to get familiar with scenario analysis and enhance the methodology and data inputs, where needed, to generate information on anticipated financial effects.

Please also refer to our response to question 14.

Question 16

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 agree with the disclosure requirement. We believe that such disclosure facilitates understanding of how the climate-related risks described under the “Strategy” pillar are identified, assessed and managed, thereby supporting evaluation of the sufficiency of an issuer’s overall risk profile and adequacy of its risk management activities.

IFRS S2 introduces an additional requirement to describe whether and how it uses climate-related scenario analysis to inform the risk management process. We recommend that the Exchange consider aligning the disclosure with IFRS S2. Since an issuer is required to conduct scenario analysis under paragraph 9 of Part D of the Proposed Appendix 27, we believe that this should not create an additional burden to issuers.

Question 17

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.

Please refer to our response to question 4.

Question 18(a)

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 the proposed approach.

IFRS S2 has clarified the wording with respect to scope 1 and scope 2 emissions. We recommend aligning with the wording in IFRS S2, which will enable consistent interpretation and understanding of the relevant HKEX and ISSB requirements. In addition, the current drafting in paragraph 14(c) of the Proposed Appendix 27 requires disclosure of a summary of specific exclusion of sources, facilities and/or operations with a justification for their exclusion, which may inadvertently convey a message that an issuer is allowed to choose which sources,

facilities, operations to be included in its emissions measurement other than reason of materiality.

We also recommend incorporation or reference to certain principles in IFRS S1 which are likely to be particularly relevant to the emissions information. These include materiality definition, disclosures about key judgements and measurement uncertainty, how to deal with changes in estimates and errors and when disaggregation is needed.

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?

Yes

Please provide reasons for your views.

We agree with the proposed approach. There is increasing recognition that scope 3 emissions are a critical component of an entity's carbon footprint. Information on scope 3 emissions would help users assess an entity's exposure to climate-related risks and opportunities, in particular those associated with transition to a lower-carbon economy.

With respect to scope 3 emissions, IFRS S2 introduces reliefs, clarification of wording, application guidance and additional disclosure requirements about financed emissions as compared with the exposure draft.

We recommend that the Exchange adopt the reliefs, e.g. allowing an entity to use greenhouse gas emissions information from entities in its value chain for a reporting period different from the entity's with certain criteria, and not requiring disclosure of facilitated emissions.

We also recommend that the Exchange adopt IFRS S2 wording, including incorporating the relevant application guidance in its Implementation Guidance. This helps ensure consistent understanding and interpretation of the relevant HKEX and S2 requirements.

For additional disclosure requirements about financed emissions, we recommend adopting IFRS S2 disclosure requirements in this regard. As financed emissions are within the scope of scope 3 emissions, entities with material financed emissions will have to prepare the relevant information as part of their process of preparing for the disclosure of scope 3 emissions. With the Interim Period provided by the Exchange (see question 19), we believe that adopting IFRS S2 wording smooths the pathway of progressing towards IFRS S2.

Please also refer to our response to question 18(a) relating to incorporation of or reference to certain principles in IFRS S1.

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?

Yes

Please provide reasons for your views.

We agree with the proposed approach which gives more time to issuers in defining the data required and engaging with other entities in the value chain and upgrading the reporting system and process.

Please also refer to our response to question 18(b).

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 support the disclosure of the metric. We believe that this metric facilitates understanding of an issuer's exposure to transition risks described under the "Strategy" pillar and evaluation of the progress in managing those risks.

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 agree with the proposed interim disclosures which aims to address the investors' need for the information and preparers' concern on data and methodology to arrive at the quantitative estimate.

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 support the disclosure of the metric. We believe that this metric facilitates understanding of an issuer's exposure to physical risks described under the "Strategy" pillar and evaluation of the progress in managing those risks.

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 agree with the proposed interim disclosures which aims to address the investors' need for the information and preparers' concern on data and methodology to arrive at the quantitative estimate.

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?

No

Please provide reasons for your views.

The current wording suggests that disclosure of climate-related opportunities is required, which does not align with the Exchange's proposal to allow issuers to opt to disclose climate-related opportunities. We recommend that the Exchange clarify its intention to align with other information regarding climate-related opportunities.

In addition, we believe that if an issuer opts to disclose climate-related opportunities, they should make all relevant disclosures. Please refer to our response to question 4 for details.

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?

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No

Please provide reasons for your views.

Please refer to our response to question 22(a).

Question 23(a)

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 support the disclosure of the metrics. We believe that these metrics facilitate understanding of the financial impacts of climate-related risks and, where applicable, opportunities described under the “Strategy” pillar. Please refer to our response to question 4 relating to disclosing all information relevant to opportunities if an issuer opts to disclose opportunities.

Question 23(b)

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 agree with the proposed interim disclosures.

Question 24

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 the proposed approach. As set out in our response to question 1, we recommend that the Exchange communicate its roadmap to align with IFRS S2, which will assist issuers in planning their resources for future years.

Question 25

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 with the proposal. As set out in our response to question 1, we recommend that the Exchange communicate its roadmap to align with IFRS S2, which will assist issuers in planning their resources for future years.

Question 26

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.

We agree with the proposed approach which gives relief to issuers as it is expected that issuers will first focus their efforts on preparing for the cross-industry metrics.

We recommend that the Exchange communicate the roadmap to align with IFRS S2, which will assist issuers in planning their resources for future years.

Question 27

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?

Yes

Please elaborate.

In addition to the consequential amendments set out in the consultation paper, we appreciate clarification in respect of the following:

(a) Definition of materiality in paragraph 11(i) and 14 of Part A as set out in our response to question 1 and with reference to the materiality definition set out in IFRS S1.

(b) Incorporation of key principles in IFRS S1 which will enhance the consistency across issuers. In addition to materiality and the key principles set out in our responses to questions 12, 14, 18a and 18b, we recommend that the Exchange consider incorporating or referring to the principles relating to connected information, value chain and quality of information.

Question 28

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?

Yes

Please elaborate.

In addition to the guidance proposed in the consultation paper, we appreciate guidance on the following:

(a) Assessing materiality, including

- Application of financial materiality in disclosing the information required by Part D of the Proposed Appendix 27.

- Clarification of the role of stakeholder engagement. Paragraph 14 of Part B of the Appendix 27 requires a description of, or an explanation on, the application of materiality reporting principle, which includes, if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the stakeholder engagement. Stakeholder engagement may be a useful tool for identifying topics for disclosure under other sustainability reporting frameworks, climate-related risks or opportunities and potentially material information under IFRS Sustainability Disclosure Standards. However, it cannot be assumed that it will identify all such risks and opportunities and all material information. For example, other stakeholders may not have an interest or sufficient knowledge in the effect of climate on a company's prospect. We appreciate guidance in this regard.

(b) Information to be disclosed in a transition plan. Please refer to our response to question 6.

(c) Clarification of when the financial effects can be described as "climate-related" because in many cases, a climate-related risk or opportunity will be only one of the drivers behind an activity. Inappropriately attributing activities to climate-related risks or opportunities may lead to accusations of greenwashing.

(d) How an issuer can define the threshold of being "vulnerable" in the metrics about assets or business activities "vulnerable" to physical and transition risks.

(e) How an issuer can define the threshold of being “aligned with” in the metric about assets or business activities “aligned with” climate-related opportunities.

(f) How to provide decision-useful, instead of generic, information. As set out in its 2022 status report, while the TCFD is encouraged by the progress in disclosing climate-related financial information, it remains concerned that not enough companies are disclosing decision-useful climate-related financial information and this may hinder investors’ efforts to appropriately assess and price climate-related risks. For instance, as mentioned in our response to question 16, the disclosure under “Risk Management” pillar facilitates understanding of risks and opportunities identified under the “Strategy” pillar and support users in evaluating and determining whether the company has appropriate process in place to understand and address climate-related risks and factors the knowledge into the strategic and financial plans.

Question 29

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?

Yes

Please share your views with us.

In general Part D of the Appendix 27 aligns with ISSB Climate Standard. As set out in our responses to the questions above, we recommend that the Exchange align with IFRS S2 as it relates to clarification, additional guidance and reliefs and structure.

With respect to differences between the proposals in the consultation paper and IFRS S2 which are likely to require significant efforts from issuers which are at the nascent stage (e.g. relating to climate-related opportunities), we recommend that the Exchange consider adoption of those requirements after further consultation with the market. We also recommend that the Exchange communicate its roadmap to fully align with IFRS S1 and IFRS S2. This will assist issuers in planning their resources for future years.