



**Thank you for your response to our “Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework”. It has been well received.**

Below is a summary of your responses

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**Thank you for taking the time to respond to the Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework (“Consultation Paper”)**

Please state whether your response represents the view of your company/organisation or your personal view:

**Company/Organisation view**

Personal view

Please provide the following information about your company/organisation. A statement on HKEX's privacy policy is set out in Appendix IV to the Consultation Paper.

Company/Organisation name\*:

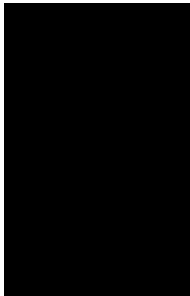
Peter Knaack

Company/Organisation type\*:

- Accounting Firm
- Corporate Finance Firm / Bank
- HKEX Participant
- Investment Manager
- Law Firm
- Listed Company
- Professional Body / Industry Association
- Non-governmental / Charitable Organisation
- Other (please specify)

Individual

Contact Person\*:



Name\*:



Job Title:

Phone Number\*:

Email Address\*:

Important note: All fields marked with an asterisk (\*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

### Disclosure of identity

HKEX may publish your identity together with your response. Respondents who do NOT wish their identities to be published should tick the box below, otherwise please click "Next":

I/We do NOT wish to disclose my/our identity to the members of the public.

### Question 1

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

- Yes  
 No

Please provide reasons for your views.

The upgrade from “comply or explain” to mandatory is critical. Climate-related risks are a material source of financial risks. Ensuring these risks are reported is vital to the sound functioning of a stock exchange and the allocation of capital it underpins. To that end, mandatory climate disclosures are key for several reasons: First, having every company report is essential for investors to analyze the opportunities and risks a company is exposed to in relation to climate change, and how it compares against its peers. As the consequences of climate change on business operations and the need to transition to a sustainable economy are entering the consciousness of a critical mass, reputational controversies and regulatory changes become potential transition risks for investors to consider. It is also crucial for investors to determine to what extent a company is aligned with the environmental considerations they want to reflect. As with assessments of other sources of risks that are integrated in firms’ financial statements, climate risks are part and parcel of investment decisions. Second, financial supervisors require accurate, comparable, and timely information about listed companies to supervise effectively. Mandatory and comprehensive disclosure across firms is key for supervisors to evaluate potential risks and implement regulatory measures before such risks materialize. It also gives supervisors tools to identify systemic risks and respond accordingly. Third, a company’s exposure and contribution to climate change is not only of relevance to investors and supervisors, but also to other stakeholders. Ensuring a firm’s multiple stakeholders have access to climate-related disclosures will bolster the smooth operation of Hong Kong’s financial market. Against this background, mandatory climate disclosures are key to preserving the Hong Kong Stock Exchange’s (HKEX’s) reputation as a leading marketplace and its attractiveness as a financial center. When all companies are required to disclose, those that had so far chosen not to comply but to explain need to provide empirical evidence for their previous position and are prevented from evading market discipline and public scrutiny. The new rules are also instrumental in creating an investment ecosystem that meets the interest of a new generation of investors who are increasingly concerned and attentive to the risks and opportunities associated with climate change.

## 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
- No

Please provide reasons for your views.

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### 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

No

Please provide reasons for your views.

The proposal requires listed firms to disclose scope 1, 2, and 3 emissions. Scope 3 emissions in particular are of high relevance to assess not only the climate risk exposure of firms, but also their contribution to climate change, a concept also known as double materiality. Public stakeholders, including leading stock exchanges, financial supervisors, financial institutions, and investors are increasingly demanding information regarding both exposure and contribution to climate change. By providing information on scope 3 emissions, firms listed on the HKEX can satisfy this demand for higher-quality information, improving risk management and attracting sophisticated investors. At the same time, nature loss and biodiversity risk are intrinsically linked to climate change, and the information needed to assess these risks is more specific and sophisticated than the environmental disclosures currently included in the “comply or explain” provisions in Part C of Appendix 27 (KPI A1–A3). The academic literature on biodiversity risk metrics is advancing rapidly, and investors and stakeholders increasingly demand information on a company’s exposure and contribution to both climate and nature risk to make informed decisions. It is thus recommended to add next-generation biodiversity and nature risk metrics to the existing ones in Part C of Appendix 27 under a comply or explain regime. The HKEX can use these measures to provide soft guidance to listed firms today, setting expectation for mandatory disclosure requirements to come in the future. HKEX should also communicate that it currently assesses the costs and benefits of making nature-related risk disclosures mandatory. This would signal to firms that the adjustment should be taken seriously.

### 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

No

Please provide reasons for your views.

The inclusion of climate-related opportunities may generate a more balanced understanding of the relationship between firms and climate change through both risks and opportunities. Companies may identify actual and potential opportunities resulting from early adaptation to climate change. Such efforts may spur innovation in climate-friendly business models and alter companies' exposure to and impact on climate change. Investors and stakeholders will be interested to know such information, as it may become consequential for a company's future financial standing. Including both risks and opportunities establishes a more comprehensive and impartial disclosure system, as it integrates both negative and positive effects. The optionality is adequate as companies may want to choose whether or when they want to publish such information in the case of commercial secrets.

### 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  
 No

Please provide reasons for your views.

### 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  
 No

## Please provide reasons for your views.

It is important that investors and stakeholders are given the tools to assess to what extent listed companies are willing to deal with climate risks. The disclosure of current and anticipated changes to business model, strategy and resource allocation is important to make such an assessment, as is clear information on how transition plans will be resourced. The extent of anticipated change will determine investors' and stakeholders' understanding of the company's future regarding operations and financial risks. A mandatory requirement will continue to level the playing field and raise the bar of the quality of disclosures, preventing greenwashing attempts. The response to climate-related risks should be tied to specific targets as to make firms' commitments concrete and verifiable in Paragraph 5. Additionally, we recommend to add a subclause 5 (d) to capture "how firms' activities are aligned with their interim goals".

### 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
- No

Please provide reasons for your views.

Paragraph 6 of part D spells out the disclosure requirements for transition plans in a concise, encompassing, and actionable fashion. It is essential to require listed companies to not only disclose their climate-related targets, but also scope and objective of the target as well as the milestones and timeframe of attaining the objective. The funding of transition plans (in line with paragraph 5 of Part D) and the anticipated reliance on carbon credits are also important disclosures. At the same time, the following key information should be added to transition plans: First, the disclosures should include information on how remuneration of the board and management are linked to the extent interim targets are reached. Second, companies should disclose to what extent their expenditures for public deliberation (lobbying) either directly, or by engaging through industry associations, are aligned with their transition strategy. Such information will allow regulators and investors to see to what extent a listed firm reduces risk exposure or merely discloses transition plans to hedge against public controversies. Third, milestones and interim targets constitute a key part of a transition plan. Without them, transition plans will likely be ineffective and inconsequential. Thus, it is recommended to delete the formulation “(if any)” in 6(g) of Part D of Appendix 27. The milestone timeframe should be comparable across firms to grant investors and stakeholders the information they need to compare objectives and easy access to differentiate performance. As with standard practice of short-term, mid-term, and long-term corporate planning, these interim targets should present plans for, e.g., 2 years, 5 years, and 10 years, respectively. Fourth, it is essential that listed firms not only highlight their own targets but also those required by local authorities. For example, regulations for companies from other jurisdictions may vary substantially from those from Hong Kong. This will help investors and stakeholders to understand what the disclosed data mean in relation to local benchmarks.

### 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
- No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

Making scenario analysis commensurate with the issuer's circumstances is key to providing flexibility for issuers in developing scenarios of increasing complexity as they build capacity, and at the same time addressing investors' need to obtain key information on the range of possible futures of a listed company.

## 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  
 No

Please provide reasons for your views.

## 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  
 No

Please provide reasons for your views.

## 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
- No

Please provide reasons for your views.

### 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
- No

Please provide reasons for your views.

### 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
- No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

HKEX should consider certified third-party institutions to verify the disclosed information. As climate-related disclosure becomes mandatory, it is important for market participants and supervisors to trust that the disclosed information is accurate. For this purpose, it would be recommendable to identify key principles based on which an open list of certified third-party institutions can established.

### 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

No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

There should be a proportional approach to the quantification requirement, in particular for Scope 3. This includes members of a listed firm's supply chain, and clients in the portfolio of a listed financial institution, such as borrowers from a bank or investees of a private equity firm. Entities that fall under Scope 3 of a listed firm and that are subject to higher risks should be required to quantify the risks under more stringent conditions. As such disclosures involve costs in time and budget, there should be less onerous expectations for small and medium enterprises (SMEs) in sectors with low exposure to and impact on climate risk. In particular, SMEs in non-polluting sectors that are incorporated in middle- and low-income countries and part of a listed firm's supply chain or portfolio may be subject to a risk-based approach and simplified disclosure requirements to avoid financial exclusion.

### 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

No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

### 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
- No

Please provide reasons for your views.

### 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
- No

Please provide reasons for your views.

### 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  
 No

Please provide reasons for your views.

### 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  
 No

Please provide reasons for your views.

This is a key provision as it allows investors and stakeholders to assess the trajectory a company is pursuing to reduce its exposure to climate risks and seize related opportunities. Companies should comply with the original requirement and not be given an Interim Period. Given the lifetime of most assets that capital expenditure goes to, it is a core feature to understand risk exposure and the reduction of possible transition risks for a company. Furthermore, reporting on capex is a straightforward requirement since data is readily available.

### 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
- No

Please provide reasons for your views.

### 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
- No

Please provide reasons for your views.

### 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
- No

Please provide reasons for your views.

### 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

No

Please provide reasons for your views.

### 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

No

Please elaborate.

### Question 28

Do you have any comments regarding the topics/matters that we intend to give guidance on?

- Yes
- No

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

- Yes
- No

Please elaborate.

### 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
- No

Please share your views with us.

You are about to submit your response. If you would like to make any amendment prior to submission, you may navigate to the questions through the panel on the left (under the ≡ icon).

After submission, you can download a response summary in PDF format. If you would like to change your response after submission, please contact [consultationsupport@hkex.com.hk](mailto:consultationsupport@hkex.com.hk) by specifying the email address, contact person and phone number you have provided in this questionnaire.

Please click the "Next" button when you are ready to submit your response.

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