

Submitted via Qualtrics

**Prudential Plc
Company / Organisation
Listed Company**

Question 1

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

Yes

Please provide reasons for your views.

With customers and investments in markets likely to feel the greatest impact of climate change, Prudential plc is supportive of the efforts of the Stock Exchange of Hong Kong Limited (the Exchange) to develop a framework on climate-related disclosures but one that is aligned to ISSB efforts and committed to achieving a global baseline for sustainability disclosures. The Exchange shares the ISSB's objective to maximise interoperability within corporate reporting, and help implement a global baseline of cost-effective, decision-useful standards. This would be an important step in discouraging potential fragmentation between local/regional entities and international standards; whilst of course acknowledging the need for balance between the development of local disclosure requirements and international efforts.

In proposing to enhance climate disclosure under its ESG framework, the Exchange is pursuing a milestone achievement in interoperable corporate sustainability reporting. If designed successfully, its implementation would place Hong Kong in a strong position towards spearheading a global baseline of cost-effective, decision-useful standards.

Nevertheless, the proposed alignment in its current form has raised questions within Prudential Plc in the following key areas:

1. Quantification of climate-related risks:
 - Quantifying the financial impact with a reasonable degree of confidence would be highly challenging, resource-intensive, and burdensome.
2. Comprehensive Scope 3 emissions reporting
 - Challenges related to carbon data quality, regularity, and accessibility would likely prevent listed companies from providing accurate and informative climate disclosures here.
3. Increased reporting burden for entities across numerous geographies, many of which are emerging markets
 - Prudential's approach to supporting the urgent need to reduce global greenhouse gas emissions is the just and inclusive transition, which focuses on ensuring no one – especially those in emerging markets – are left behind in the systematic shift towards a low-carbon economy. Faced with enhanced mandatory climate disclosures, entities within developing

markets would likely need greater interim duration to adjust, given their limited levels of preparedness.

In conclusion, Prudential is supportive of maintaining continued dialogue with the Exchange on these matters, to advance on areas of concern. It is understood that Hong Kong is interested in becoming a leader on sustainability disclosure. While Prudential is supportive, the currently proposed timing and scale of change would have rapid implications for numerous stakeholders across diverse jurisdictions, given these companies' varying levels of preparedness. We would seek consultation on next steps.

Question 1:

Prudential already has multiple disclosure obligations based on its legal domicile and its listing obligations. Having adopted our own TCFD processes internally at a Group level, Prudential recognises that the global direction of travel is towards mandatory disclosure. We consider that proportionality is an important concept that should be embedded in any mandatory scheme

We believe that we are growing our understanding of TCFD reporting processes year-on-year and will continue to strive to meet high standards. We also consider it important to acknowledge that there are aspects that are a challenge, particularly with operating footprint in emerging markets. We would like to ensure that the jurisdictions in our footprint are brought along on this disclosure journey, with outreach and capacity building running parallel to support this development.

We understand that Hong Kong Stock Exchange is seeking best practice in this space and are pleased to support processes that help this financial centre to consolidate its leadership role in green finance and regulation. The Hong Kong market is an important retail market and the nature of the disclosure obligations should also take into account the interest and views of the retail market. We consider that the material risk to the listed companies is the lens that should be overlaid to any mandatory disclosure.

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?

Please provide reasons for your views.

As part of Prudential's embedding of TCFD in our business we have identified this area as an important, and logical, next step to enhance existing ESG governance disclosure. We are supportive of the proposed offer of guidance to help understand the expectations of both the role of the board and management in assessing and managing climate-related risks and opportunities. However, it is important to consider a global baseline, particularly for multi-national organisations operating across different jurisdictions, where taxonomies and frameworks may vary.

We would encourage any guidance to recognise that understanding the business impact of climate-related risks and opportunities is a continuously developing area. This is especially the case when it comes to firms ensuring that they have the correct skills and competencies in place to oversee and respond to 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?

Please provide reasons for your views.

We recognise that requiring disclosure of climate-related risks currently forms a core element of our existing TCFD reporting which we endeavour to continue improving and developing over time. However, we would like to note that as a business operating in multiple jurisdictions, inadequacies in data, lack of existing climate-related disclosure and uncertainties on long term scales of some climate impacts currently present challenges which may become more difficult as we seek to quantify those risks and opportunities in the longer term. This is an industry-wide challenge, for which more collective work is required to understand the inputs and outputs required for climate-related risk analysis.

Thus we would support an overriding test of proportionality and practicality for the disclosures. If market participants are not satisfied with the detail then they can engage with the company on their concerns and ultimately have the power to vote at shareholder meetings or divest of their holdings.

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?

Please provide reasons for your views.

We believe it is sensible for issuers to opt to disclose the actual and potential effects of climate-related opportunities and we see some leadership from centres like Hong Kong across our footprint.

For example, maintaining the 'option' to disclose on 'suppliers and other parties in the value chain' where appropriate –and applicable - is sensible given that such reporting is dependent upon the public disclosure of those third parties.

However, we would like to ensure that climate-related opportunities are not lost under the necessity to disclose these risks. Capturing climate-related issues from an opportunity perspective can be helpful to take climate discussions from risk-focused to strategy- and impact-focused. To do so, it would be beneficial to receive further guidance on climate-related opportunities, particularly if in the future this recommendation would move from 'opt to disclose' to 'must disclose'.

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?

Please provide reasons for your views.

It is understandable that an issuer should consider the applicability of and disclose the metrics when assessing and making disclosure of climate related risks and opportunities. This is in line with wider TCFD progress.

It should however be noted that there remain data gaps which present challenges with quantification, and the potential need to use models, industry averages and benchmark data to address these gaps should be recognised.

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.

As this is in line with TCFD, we agree with the disclosure of how the issuer is responding to climate-related risks and, where an issuer chooses to, any climate related opportunities. Disclosing progress on addressing previously identified climate-related risks and opportunities is a natural extension of the process disclosures recommendations within the Risk Management section of TCFD. See also answers to Q4 and Q5.

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.

As this is in line with original TCFD recommendations, we are in agreement.

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?

Please provide reasons for your views.

We do agree that where an issuer has yet to disclose climate-related targets, it should be required to make the alternative disclosures, outlining key aspects such as the workplan, progress and timetable for setting and disclosing climate related targets. We suggest that this would be a useful step for many companies, not only listed companies.

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?

Please provide reasons for your views.

It is sensible to bring in a requirement to provide year-on-year progress of an issuers climate transition plan.

However, we do recommend that this additional reporting is aligned with existing ESG/transition plan reporting to avoid over-burdening financial institutions with reporting requirements.

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?

Please provide reasons for your views.

We see climate scenario analysis as an important tool to help assess the resilience of an issuer's business strategy, which is in line with broader TCFD recommendations. We would recommend to maintain flexibility as per ISSB in terms of using a method of climate related scenario analysis that "is commensurate with a company's circumstances"

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.

It is important to use scenario analysis that is commensurate with an issuer's circumstances given the disparity in resources and capacity across different issuers, especially for those operating in emerging markets.

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?

No

Please provide reasons for your views.

Although we recognise this to be an important area, we believe that there needs to be further work and public consultation on this topic.

We would also request that the HKSE provide specific guidance in terms of quality of, and confidence in, the assumptions and inputs into quantification of financial impacts and if they expect the result to be included into the financial statements. This includes guidance on how the HKSE classifies climate-related risks and opportunities as 'material', and how this may differ across companies depending on their size, location and industry.

With challenges surrounding data quality and availability, tools, methodologies and underlying assumptions, and the fact that climate-related scenario analysis is a long-term model, it is not currently an easy exercise for firms to do in practise. Recognising the HKSE's proposed interim period which would allow for qualitative disclosures, we would still recommend that rather than mandating quantification of the impact on financial statements at this time, there should be further consultation and flexibility to build in the necessary capacity and preparedness. We would like to better understand if this would be part of financial statement reporting or ESG reporting, and time frames to allow data quality to improve.

We strongly believe that for the time being, this should be an optional disclosure, until further guidance from HKSE can be given, with a view to make this mandatory in the future when the industry has higher confidence in the input assumptions and models used to make the quantification.

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?

Please provide reasons for your views.

Noting the challenges outlined in the response to Q.12, as per our concerns above, we would strongly recommend that this option be extended to longer than the Interim Period as it is currently defined. We would recommend further consultation.

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?

Please provide reasons for your views.

In line with the response to Q.12, we do not feel that the challenges previously noted currently facilitate an accurate, quantified financial impact assessment. Further consultation would be helpful.

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?

Please provide reasons for your views.

In line with the previous responses, we believe that the 'Interim Period' should be extended, to allow for higher-quality ongoing qualitative disclosure as industry-wide challenges around uncertainty in data and inputs/assumptions to climate-related modelling are addressed.

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.

It is sensible, and in line with TCFD, that issuers should describe the process for determining, assessing, and mitigating climate-related risks, which will increase confidence in their risk assessment. However, it may be helpful to build in some flexibility especially in relation to science based risk assessments in an emerging market context.

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.

It is sensible to allow issuers to opt to disclose the process used to identify, assess and manage climate-related opportunities if this is material to them and their stakeholders.

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.

It is a sensible approach for scope 1 and scope 2 disclosure.

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?

Please provide reasons for your views.

We would like to seek more clarity on this area, given both the ambiguity and importance of scope 3 emissions. Prudential is looking to deepen our own work in this area, but there remains uncertainty across the industry in the availability and quality of scope 3 data, which makes this difficult. The Exchange also notes that only approximately only one-third of issuers have started to make voluntary scope 3 disclosures – which speaks to the challenges that many are having with obtaining and disclosing this data.

We would seek further guidance and clarification of expectations around scope 3 measurement and disclosures, for example how the Exchange defines 'significant' upstream or downstream activities. We would like to reiterate that this topic is particularly difficult for businesses operating across emerging markets where the relevant underlying jurisdictions do not mandate disclosure.

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.

Based on industry preparedness, this is a sensible approach for the interim disclosures in respect of scope 3 emissions during the interim period. As per our response in Q18 regarding scope 3, we want to again reiterate the need for flexibility and guidance regarding scope 3 emissions.

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?

Please provide reasons for your views.

In line with previous comments and concerns about the difficulties in quantifying climate-related risks and the potential impacts of these risks, we would request further consultation on this particular topic. There are significant challenges to measuring and disclosing the amount of asset or business activities vulnerable to transition risks, and results may vary widely between and even within industries, depending on their data quality, inputs, assumptions, and modelling techniques.

There are also significant challenges for businesses operating across varying emerging market jurisdictions. We would encourage that it be limited to material assets and activities – consistent with the IFRS existing determination only. We would seek further clarification on for instance what constitutes a “significant risk”.

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?

Please provide reasons for your views.

In the interim, it would be useful to be able to provide a description of the assets or business activities identified to be vulnerable to transition risks. However we believe that due to the challenges highlighted in Q20 and earlier questions, that this interim period should be extended while further clarification and guidance can be provided on the quantification of climate-related risks and vulnerabilities.

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?

Please provide reasons for your views.

See response to Question 20. We seek further clarification in this area.

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?

Please provide reasons for your views.

We believe that due to the challenges highlighted in Q20 and earlier questions, that this interim period should be extended while further clarification and guidance can be provided on the quantification of climate-related risks and vulnerabilities.

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?

Please provide reasons for your views.

See response to question 20. We seek further clarification and consultation in this area.

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?

Please provide reasons for your views.

We believe that due to the challenges highlighted in Q20 and earlier questions, that this interim period should be extended while further clarification and guidance can be provided on the quantification of climate-related opportunities.

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?

No

Please provide reasons for your views.

We would seek further clarification on this area, recognising that although this is an important area, disclosing the amount of capital expenditure, financing or investment deployed towards climate related risks and opportunities is difficult to do and may present as a high burden to reporting companies. We would request further guidance from the Exchange on specific expectations as to how this should be done.

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?

Please provide reasons for your views.

As above, the proposed interim disclosures appear sensible, as they allow issuers to prepare and give investors available information in the interim.

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?

No

Please provide reasons for your views.

No, we do not agree that this 'must' be disclosed, however we would be supportive of companies disclosing their of an internal carbon price as an option, if they believed it was materially relevant for their investors.

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?

Please provide reasons for your views.

Noting that the Exchange recognises the range of factors involved in determining remuneration packages, the flexibility proposed for this is sensible.

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?

Please provide reasons for your views.

We would suggest that further consideration is given to this particular aspect, whilst the industry looks to enter a transition period between current state ESG reporting, and future state in alignment with ISSB. We would support greater guidance to be provided from both ISSB and therefore HKSE on expectations around the type and volume of additional industry-specific metrics that would be required, in the absence of specific guidance of how sector-specific KPIs and metrics should currently be applied.

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?

Please elaborate.

We would like to raise the issue of reporting burden. This is one area we would like to seek more clarity, in particular around the level of detail which will be required and timings. Market participants will be anxious about the potential reporting burden and we would like to balance this ambition with pragmatism. We suggest that guidance could be provided on how to handle

the transition towards ISSB-aligned disclosures so that the interim period can be appropriately utilised to increase preparedness, whilst minimising reporting burden as much as possible.

Question 28

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

Yes

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

Yes

Please elaborate.

As highlighted throughout our response, we believe that further guidance would be helpful on the following topics:

- Financial quantification of climate-related risks and opportunities, including:
 - o Methodologies, processes, and assumptions
 - o Determination of materiality and significance
 - o Overall processes and expectations, including the method and location of disclosures
- Scope 3 measurement and disclosure
- Guidance on the transition from current-state ESG reporting frameworks to reduce reporting burden

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.

Acknowledging that the general trajectory towards a set of globally-recognised and standardised ESG disclosures is positive, we strongly believe that guidance and flexibility is necessary for smooth implementation by issuers, particularly for those who operate across multiple jurisdictions and within emerging markets.