

Submitted via Qualtrics

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Question 1

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

No

Please provide reasons for your views.

I do not agree that climate-related disclosures should form a mandatory part of the periodic reports of HKSE issuers.

It's a long-standing position in securities regulation that materiality is the standard for disclosure of information. I respectfully submit that the HKSE's proposal deviates from this principle. It is premised on the assumption that environmental considerations are often important to investment decisions and therefore material to all investors. I respectfully submit that this assumption is not correct. Modern financial theory posits that the market price of a certain stock is determined by the least risk-averse investor. It follows that climate-related information may not impact the trading price of a stock to the extent that would render such information material.

The Consultation Paper states that "the ISSB Standards, which are built on the TCFD Recommendations, are expected to become the global baseline for sustainability-related disclosures." I submit that this is also incorrect. In the US, the SEC's proposed rule amendments incorporating TCFD Recommendations (quoted in Appendix I to the Consultation Paper) had been subject to much criticism for its overbreadth and violation of the principle of materiality. I believe the same criticism is also relevant to HKSE's proposal.

In addition, to mandate the disclosure of climate-related information (especially scope 3 GHG emissions) for all companies would add to the compliance burden by requiring companies to prepare separate disclosures which may not be material to its investors. These costs will be ultimately borne by those not directly regulated by the HKSE, including the customers and the communities that HKSE issuers serve. The Stock Exchange should take its cost-benefit analysis for this proposal back to the drawing board.

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?

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No

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?

No

Please provide reasons for your views.

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.

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.

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.

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?

No

Please provide reasons for your views.

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?

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?

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?

No

Please provide reasons for your views.

Again, the relevance of "climate resilience" to an issuer will depend on the characteristics of the company and should be subject to a materiality threshold.

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?

No

Please provide reasons for your views.

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.

Depending on the materiality of the financial effect, risks (including climate risks) are already required to be disclosed at the moment under IFRS (see para 94 of the Consultation Paper). I do not see the justification for extending this beyond what is material.

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?

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?

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?

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?

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?

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?

No

Please provide reasons for your views.

It is stated that the Stock Exchange "considers upgrading the reporting obligation for scope 1 and scope 2 emissions to mandatory as a reasonable next step in our continuous journey to enhance ESG disclosure standards". This fails to explain the reason why more stringent disclosure requirements will necessarily achieve any tangible environmental benefit.

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.

The justification for disclosing Scope 3 GHG emission is even weaker. Please see my submission to the SEC on the same subject: <https://www.sec.gov/comments/s7-10-22/s71022-20129563-295831.pdf>

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.

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?

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?

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?

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?

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?

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?

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?

No

Please provide reasons for your views.

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?

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?

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?

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?

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?

No

Please elaborate.

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.

1. please refer to my submission to the SEC regarding the same topic: <https://www.sec.gov/comments/s7-10-22/s71022-20129563-295831.pdf>. Although the comments are mostly based on analysis of US securities law, the same principles apply in the context of policymaking in Hong Kong;

2. A detailed cost-benefit analysis should be conducted to determine if these proposals serve the purposes they're designed for. In particular, compliance cost is an important consideration for prospective issuers in their decision to become a public company. As a regulator, the Stock Exchange is urged to carefully balance the market's need for material information on the one hand, and the accessibility of the market, on the other.

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?

No

Please share your views with us.

