

Submitted via Qualtrics

Hong Kong Green Building Council Limited
Company / Organisation
Other (please specify)

Question 1

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

Yes

Please provide reasons for your views.

Although some listed companies are not well-prepared for climate-related disclosures, such as unavailability of scope 3 emission data, absence of standardised methodology for conducting scenario analysis and lack of internal and external technical knowledge and consultants, cost considerations etc., the upgrade will help to speed up the climate-related disclosures in line with the international ESG development. HK will be in the leading position of global financial centres on ESG requirements.

There are several advantages for corporations to disclose climate-related risks and opportunities. Here are some of them:

- **Improved risk management:** By disclosing climate-related risks, corporations can better understand and manage their exposure to climate-related risks, such as extreme weather events, regulatory changes, and shifts in consumer preferences.
- **Enhanced reputation:** Disclosure of climate-related risks and opportunities can enhance a corporation's reputation as a responsible and forward-thinking company, which can attract investors, customers, and employees who value sustainability.
- **Increased access to capital:** Investors are increasingly interested in investing in companies that are taking steps to address climate change. By disclosing climate-related risks and opportunities, corporations can attract more investment capital.
- **Improved decision-making:** Disclosure of climate-related risks and opportunities can provide corporations with valuable information that can inform strategic decision-making, such as investments in renewable energy, supply chain management, and product development.

It would be helpful for HKEX to work together with different sectors to provide guidance for issuers to upgrade their climate-related disclosure. In this connection, HKGBC has recently launched the Climate Change Framework for Built Environment which serves as a good reference and guidance materials for the building sector to conduct physical climate risk assessment, improve adaptation and resilience and enhance related 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?

Yes

Please provide reasons for your views.

It will help the investors and relevant stakeholders to understand the issuers that they have already set up well-established governance processes and systems to monitor and manage climate-related risks and opportunities.

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.

Assessing climate-related risks can help the listed companies identify potential risks that may arise from climate change. It can also help companies develop robust and insightful climate scenarios and implement strategies to mitigate climate-related risks.

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.

It is agreed that the issuers may opt to disclose the actual and potential effects of climate-related opportunities. The flexibility will allow the issuers to consider the actual opportunities to them. In some cases, the opportunities from climate change may be insignificant and not worthwhile for detailed analysis. However, this could demonstrate how the company has integrated climate related risks and opportunities consideration into business strategy and planning process.

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.

Metrics can help the issuers to better understand and manage their climate-related risks and opportunities, and to identify emerging trends and issues that may impact their business. Disclosure of metrics can demonstrate a company's commitment to transparency and accountability by providing stakeholders with standardised and comparable information about the company's climate-related risks and opportunities.

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.

The disclosure will help the issuer to conduct a detailed and systematic review of the climate-related risks associated with their business operations as part of their risk management process and hence taking appropriate risk mitigation measures. Furthermore, the relevant stakeholders and investors can have a better understanding that the issuer has taken actions to address the climate-related risks.

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.

Establishing climate-related targets enables both the issuer and relevant stakeholders to effectively track the implementation of climate transition plans under the level of ambition the company set out to meet. By having well-defined targets, the issuer's board and management can strategically allocate resources and enhance their planning to successfully attain these goals and related KPIs.

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.

If the issuer will not disclose climate-related targets, the issuer should disclose the work plan, progress and timetable for setting the climate-related targets. It will help demonstrate to the relevant stakeholders that the issuer will set climate-related targets and implement the transition

plans according to the committed schedule.

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.

It will allow the investors and stakeholders to easily track the issuer's progress made in the implementation of its transition plans and achievement of targets set. Furthermore, it will help the management to monitor the progress.

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.

The issuers should disclose the climate resilience plans so as to demonstrate their preparedness and ability to manage the climate change impacts. Furthermore, climate resilience planning can help the issuers to better manage climate-related risks and opportunities. It will help the investors and stakeholders to understand about the issuer's strategy and preparation to address climate risks and enhance climate resilience.

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.

Scenario analysis helps issuers understand the potential risks and opportunities associated with different future scenarios. By considering a range of possible outcomes, issuers can identify vulnerabilities and develop strategies to mitigate risks or capitalise on opportunities. It will provide valuable insights for the issuer to make strategic decisions. The disclosure of issuer's climate resilient strategy under different scenarios will help the investors and stakeholders to understand how well the issuer is prepared for climate risks and climate resilience to gain greater confidence.

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.

By disclosing the financial effects of these risks and opportunities, businesses can demonstrate their understanding of climate-related issues and their preparedness to manage them. This information can help stakeholders and investors make more informed decisions about the financial viability and sustainability of a business in the face of climate change.

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.

If the issuer has difficulties with carrying out the quantitative risk assessment to the financial effects of climate related risks and opportunities, the qualitative disclosure will be a good starting point for the issuer to evaluate the financial impacts from climate change.

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.

The qualitative terms of the anticipated financial impact of climate-related risks of the business operations will help the investors and stakeholders to understand the issuer's climate related financial impacts to their operations. Furthermore, the issuer will have more confidence in preparation of qualitative disclosure.

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.

The issuer will have the flexibility to provide the relevant information on financial impacts of climate change. The issuer will have greater confidence in providing the relevant information. It will help demonstrate to the relevant stakeholders that the issuer will prepare to make the required disclosure according to the committed schedule.

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.

With the systematic climate-related risk management, the issuer can take proactive steps to mitigate risks and capitalise on the opportunities. This will also help the stakeholders and investors to have a better understanding on the issuer's overall risk management system on climate change including risk identification, assessment, risk management, etc.

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.

The issuer should have greater flexibility on how to disclose the processes used to identify, assess and manage climate-related opportunities. The overall risk management system is very complicated and difficult to disclose every part in details.

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.

To have better management of carbon emissions and understand their carbon footprint so as to

reduce emission, most issuers already have a data collection system in place and are disclosing scope 1 and scope 2 emissions. There are no particular challenges in this aspect.

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.

Calculating scope 3 carbon emissions is important for the issuers because it provides a more comprehensive picture of the company's carbon footprint and its contribution to climate change. This will help to enable the investors and stakeholders understand the issuer's carbon emissions from upstream or downstream activities along the value chain. The approach is in line with the international standards and GHG accounting protocol.

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.

Calculating scope 3 emissions can be a complicated process, as it requires gathering data from across the value chain and analysing the emissions associated with each activity. The interim provision will allow issuers to gradually collect data, calculate and report their scope 3 carbon emissions. The issuers should be relatively easy to comply with. It will help demonstrate to the relevant stakeholders that the issuer will make the required scope 3 disclosure according to the committed schedule.

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.

It will help the investors and stakeholders to understand the amount and percentage of business activities vulnerable to the transition risks by the issuer. The investors need to understand the potential transition risks associated with their investments for better risk management of their investment portfolio.

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.

It is comparative easier for the issuer to provide the description of the amount and percentage of assets or business activities vulnerable to transition risks instead of the quantitative disclosure that will be quite difficult for most issuers. It will help demonstrate to the relevant stakeholders that the issuer will prepare the related disclosure according to the committed schedule.

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.

It will help the investors and stakeholders to understand the amount and percentage or business activities vulnerable to the physical risks by the issuer. The investors need to understand the potential physical risks associated with their investments for better risk management of their investment portfolio.

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.

By providing this information, the issuer can demonstrate its understanding of the potential physical risks associated with climate change and its ability to manage these risks effectively. This can help to build trust and credibility with investors, customers, employees, and other stakeholders, and can also help to ensure the long-term sustainability of the issuer's operations and financial performance. It will also be comparative easier for the issuer to provide the description of the amount and percentage of assets or business activities vulnerable to physical risks instead of the quantitative disclosure that will be quite difficult for most issuers. It will help demonstrate to the relevant stakeholders that the issuer will prepare for the related disclosure according to the committed schedule.

Question 22(a)

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

Yes

Please provide reasons for your views.

It will help the investors and stakeholders to understand the amount and percentage of business activities aligned with climate-related opportunities by the issuer. The investors need to understand the potential climate-related opportunities associated with their investments for better risk management of their investment portfolio.

Question 22(b)

Do you agree with the proposed interim disclosures during the Interim Period in respect of metrics regarding climate-related opportunities as set out in the paragraph immediately following paragraph 18 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

It will be comparative easier for the issuer to provide the description of the amount and percentage of assets or business activities regarding climate-related opportunities instead of the quantitative disclosure that will be quite difficult for most issuers. It will help demonstrate to the relevant stakeholders that the issuer will prepare for the related disclosure according to the committed schedule.

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.

The disclosure of this information can demonstrate a company's commitment to addressing climate change and managing climate-related risks and opportunities. Furthermore, it can provide investors with valuable insights into a company's climate-related risks and opportunities, which can inform investment decisions. Investors can use this information to assess a company's exposure to climate-related risks and opportunities and to evaluate the effectiveness of the company's climate-related strategies.

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.

It will be comparative easier and with more confidence for the issuer to provide the description of the types of activities requiring capital expenditure, financing or investment towards climate-related risks and opportunities. The quantitative disclosure that will be quite difficult for most issuers. It will help demonstrate to the relevant stakeholders that the issuer will prepare for the related disclosure according to the committed schedule.

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.

Internal carbon price is a cost-effective mechanism to incentivise carbon reduction and establish long-term carbon reduction strategies. By disclosing their carbon pricing methodology and results, the issuer can provide stakeholders and investors with valuable information about their strategy to achieve the climate-related targets and how this is integrated into business decision making process.

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.

It is helpful to align the executive compensation with the issuer's climate-related targets and incentivise the executives to prioritise climate-related targets. It can help ensure that executives are held responsible for their decisions and actions related to climate change and that they are transparent about the organisation's climate-related risks and opportunities.

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.

The industry-based metrics provide a common framework for benchmarking and comparison across companies within the same industry. It is agreed that the issuers should have the flexibility whether to disclose the industry-based disclosure requirements. The issuers can consider the disclosure based on their unique circumstances and resources.

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.

No comments on the manner in which the proposed consequential amendments are drafted.

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.

- Relevant guideline on the climate-related scenario analysis as the requirements of HKEX and ISSB.
- Relevant guideline on the assessment and disclosures of financial effects of climate-related risks and opportunities.
- Some guidance on the calculation of scope 3 carbon emissions from upstream and downstream activities.
- Some guidance on the disclosure of industry-based metrics and cross-industry metrics such as assets or business activities vulnerable to climate-related risks and opportunities, etc.

Question 29

Do you have any feedback on the new developments announced by the ISSB subsequent

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to the publication of this paper that may impact on the proposals in this paper?

Yes

Please share your views with us.

Based on the Standards released on 26 June 2023, the wordings in the Standards have been simplified and clarified. The term absolute target has been removed (transition plans, 6(b)). HKEX should consider including a similar appendix to the Appendix B – Application guidance, as provided in the IFRS S2 Climate-related disclosures.