Submitted via Qualtrics

WWF
Company / Organisation
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Question 1
Do you agree to upgrade climate-related disclosures to mandatory from "comply or explain"?

Yes

Please provide reasons for your views.

We welcome developments working towards the standardisation of mandatory corporate sustainability reporting.

WWF emphasises the need for comparable, consistent reporting, that is aligned to international best practices and existing science. We emphasise also that disclosure standards need to be forward looking, encompass the impacts and dependencies on climate and nature, and recognise the significant interdependencies between the two.

Making disclosure stronger and mandatory would allow:

- Transparency and comparability: provide consistent and standardised information, making it easier for investors and stakeholders to assess and compare climate-related risks and opportunities across different organisations and jurisdictions.

- Accountability and risk management: foster greater accountability for companies' environmental impact and encourage them to identify and manage climate-related risks more effectively

- Hong Kong to maintain its position as a leading global financial center and attract global capital flows.

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 recommend to include the following points in the existing requirements:

(b) mention explicitly disclosure of trainings and attendance, and capacity building on climate issues for all staff.

In addition, we also recommend including the following requirements:

- How climate related knowledge and expertise are considered in the appointment of board members, especially the sustainability committee, including in their fit and proper test and term of reference.

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.

Consider including following details:

c) Issuers should identify physical risks (e.g., extreme weather events, sea-level rise, resource scarcity), transition risks (e.g., policy and regulatory changes, shifts in market preferences and technology, legal and reputational risks).

(d) Quantify potential impact (exposure) of the company to climate risks, which can be cross-referenced to the requirement on climate scenario analysis and stress testing.

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?

No

Please provide reasons for your views.

According to TCFD, climate-related opportunities relate to "efforts to mitigate and adapt to climate change, such as resource efficiencies and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain".

As a result, the disclosure of climate-related opportunities should focus on the actual and planned efforts, and these disclosures should be made mandatory to provide investors with decision-useful information.

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.

Yes. However, more guidance and standardisation are needed for metric adoption by sector, to allow apple-to-apple comparison for each sector. For example, while many companies use CO2eq emission per revenue, some companies (eg. building sector) use CO2eq emission per floor area.

A science-based approach should be emphasised in requirements on process, applying a mitigation hierarchy and aligning to 1.5 degrees. Short-term targets in line with the objective to halve emissions by 2030 should be included, together with interim measurements and re-assessments to ensure the plan is executed adequately.

Refer to Q18 onwards for further elaboration.

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.

In addition, disclosure of transition plans and interim targets should be mandatory.

Transition plans should include disclosures on strategies for engaging with its entire value chain, peers, internals and the public, addressing its influence throughout the supply chain when setting out a decarbonisation strategy and to promote sustainability (as recommended by UK's Net Zero Transition Plan Task Force's Call to Evidence).

The benefits of such disclosures will enable entities to see how stakeholders have benefitted, but also allow for information on barriers and challenges to be relayed to government.

Governments have a critical role in creating the environment for decarbonisation and such disclosure processes can be a mechanism for this.

We recommend adding the following details:

a) Identify key areas and activities within the company's operations that contribute to highest emissions, and lay out strategies to decarbonize those areas.

b)Adaptation effort:

identifying and assessing the specific physical and transition risks they face, such as extreme weather events, sea-level rise, and changes in precipitation patterns. The disclosure should outline the company's plans and measures to build resilience and manage these risks, including infrastructure improvements, diversification of supply chains, enhanced disaster preparedness, and business continuity plans.

Mitigation effort:

Disclosure of measures to improve energy efficiency, transition to renewable energy sources, implement low-carbon technologies, optimize transportation and logistics, and reduce emissions across the value chain. The disclosure should provide information on specific projects, investments, and targets related to emissions reduction.

c)Provide more details on the resource allocated, including:

- Capex for climate-related initiatives and projects
- Opex associated with their climate transition plan
- Research and development (R&D)
- Climate-related financial commitments: green bonds, sustainability-linked loans,etc
- Incentives or subsidies they receive from governments or other entities to support their climate transition efforts
- Insurance coverage for climate-related events or other risk transfer mechanisms.

<u>Question 7</u>
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.

We suggest HKEX to encourage the adoption of a science-based external validation of targets (e.g., target verification by science based target), and make reference to the sectoral guidance issued by the SBTi: https://sciencebasedtargets.org/sectors

In general, a transition plan need to also describe:

- The assumptions, significant limitations, constraints, and uncertainties in the transition plan, such as challenges regarding GHG emissions reductions of hard-to-decarbonize sectors.

- Additionally, it is important to mention that issuers should ensure their transition plans are credible, following principles, analysis, guidance and frameworks on what constitutes a credible corporate transition plan, such as CDP, ICMA, and OECD and the transition plan template proposed by EFRAG for the forthcoming European Sustainability Reporting Standards: https://www.efrag.org/lab6?AspxAutoDetectCookieSupport=1

In addition, carbon offsetting is not a substitute for emissions reduction, it is important to explicitly state that entities must follow a mitigation hierarchy (a clear requirement of established standards, including the SBTi), using carbon credits as a last resort option for residual emissions only and reporting these separately.

See also:
https://wwfint.awsassets.panda.org/downloads/beyond_science_based_targets___a_blueprint_for_corporate_action_on_climate_and_nature.pdf

Carbon offsets and avoided emissions should be explicitly

disclosed, but separately.

The IPCC has demonstrated that failure to actually reduce emissions in the real economy will have dramatic impacts on our society and planet, leading to irreversible impact on our way of life. At 1.5 degrees, we are already reaching the limits of adaptation in many of our natural ecosystems, reducing the viability of many of the solutions we may invest in now. This is why a reduction-first approach is necessary, limiting the expansion or new financing of fossil fuel projects, and then applying high quality carbon offsetting sparingly after reductions are achieved.

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.

On note 2:

Setting target as set out in paragraph 6 should be made mandatory for high emitting sectors issuers (as referred by SBTi), which include notably:

- Oil & gas upstream and midstream
- Coal mining
- Mineral and metal mining
- Power generation
- Aluminum
- Concrete/cement
- Chemicals
- Iron & Steel
- Aviation
- Shipping and trucking
- Automotive
- Real estate/construction
- Agriculture

Option to provide alternative disclosure may be given to sectors which are not climate critical.

Additional comment on Note 1:

Setting targets for A1.5, A1.6, A2.3 and A2.4 should not be made optional for the material sectors (based on the sectoral risk heat map by the IFC and WWF Biodiversity Risk Filter which was developed based on the ENCORE framework). Rather it should be made mandatory.

A1.5 (emission targets)

Mandatory for all high emitting sectors as listed out above

A1.6 (waste reduction targets)

Chemicals

A2.3 (energy use efficiency targets)

Concrete/cement

A2.4 (water efficiency targets)

- Agriculture
- Food and beverage production
- Electric energy production - combustion (biomass, coal, gas, nuclear, oil), geothermal energy
- Electric energy production - hydropower
- Fishing & aquaculture
- Paper & forest product production
- Metals and mining
- Textiles, apparel, & luxury good production
- Water utilities

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.

Yes. Disclosure of targets should also include:

- Requirement to report on climate-related targets on at least an annual basis, including any new targets

- The history of missed or overachieved targets

- A clear process for reviewing climate-related targets, at least every five years, and updating if necessary.

The above would allow for year-on-year comparison and tracking against peers and benchmarks.

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.

Suggest to integrate points (a)-(d) across other sections on business strategy, governance, risk management, financial planning, etc.

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.

On paragraph 9 (d), it is envisaged to require the use of 2°C or lower scenario as one of the scenario selections in the scenario analysis to align with the Paris agreement. WWF recommends the use of a 1.5°C scenario with no or limited overshoot.

According to the TCFD recommendation, it is also encouraged to employ two or three other scenarios, such as related to NDCs.

The choice of scenarios should be made explicit (low/ no overshoot according to IPCC), as well as the choice of model applied (IEA, One Earth Climate Model (OECM), other), and outlining of rationale for choice and for the implied assessment. This could be extended to biodiversity linked scenarios (fresh water, infrastructure, land use etc.).

On paragraph 9 (h), HKEX should provide suggestions on the time frames used for scenarios, including short-, medium-, and long-term milestones instead of general “time horizon.” WWF recommends that short-term is defined as 1-2 years, mid-term 5 years and long term at least 10 years. Another option is to set milestones every 5 years (2025, 2030, etc) until 2050.

<u>Question 12</u>
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 recommend including the disclosure of climate-related insurance coverage and potential financial implications of uninsurable or underinsured climate risks.

In addition, disclosure should provide information on the methodology used for quantification, the assumptions made, and any limitations or uncertainties associated with the estimates.

<u>Question 13</u>
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.

Agreed that qualitative disclosures can communicate the company's commitment to addressing climate risks, as well as its strategies and actions in response to those risks (with sign off from the board).

Qualitative disclosures can provide a forward-looking perspective by describing the company's plans and strategies for managing climate risks in the future. This can include discussing ongoing initiatives, research and development efforts, or anticipated policy changes that may impact the company's risk management approach.

However, the Interim Period should be limited to a maximum of 1 year, in line with international practices (i.e. ISSB). The proposed 2-year interim period will be interpreted as business-as-usual, and contradicts the urgency for climate-related disclosures as highlighted in HKEX's consultation paper.

The climate emergency needs to be addressed with the political urgency it deserves and with the necessary financial resources, therefore companies are expected to invest and allocate resources for the collection and disclosure of all relevant sustainability data,

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.

Issuers should consider conducting sensitivity analysis to assess the potential impact of different climate-related risk scenarios on their financial performance. This involves testing the sensitivity of key financial indicators, such as revenue, profitability, cash flows, and asset valuations, to changes in climate-related factors.

Issuers should also disclose their financial strategies to the impact of climate risk, such as measures they have implemented to enhance their financial resilience in the face of climate-related risks. This includes strategies such as diversification of revenue streams, investment in climate-resilient infrastructure, adaptation measures, and risk management practices.

Please consider merging this paragraph or cluster this together with paragraph 10.

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.

The Interim Period is too long given the pressing need to address climate-related financial risks. While HKMA for full compliance with TCFD by 2025 for the financial sector, the current proposals would not require reports fully compliant with the new Rules to be produced in 2027.

While we recognise climate disclosures may present some challenges for SMEs, this should not be a reason to delay mandatory disclosure. Physical climate impacts are already financially material today. One possibility would be to take a phased approach, for example by prioritising larger issuers and allowing smaller issuers a longer lead time to assess and disclose risks.

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.

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.

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.

(a) Comments on disclosure of scope 1 & 2:

We agree to request issuers to provide all of those information already listed. We recommend adding the following:

Emission quantification: Companies should provide quantitative data on their Scope 1 and Scope 2 emissions, either in absolute terms or intensity metrics. Absolute emissions provide an understanding of the overall emissions volume, while intensity metrics can help assess emissions relative to company-specific metrics such as revenue, production output, or floor area, however the metrics used should be consistent with those recommended for each industry to allow comparability as explained in Q5.

Verification and assurance: WWF emphasises the need for sustainability disclosures to be reviewed and audited by independent verifiers with sustainability expertise who are free from conflict of interest, and from the list of trusted/approved auditors/verifiers and ESG rating and data providers from regulators. ESG rating and data providers and auditors/verifiers should also be regulated. Companies should at a minimum, disclose if their emissions data or targets have been independently verified or assured by a third party. This adds credibility and transparency to the reported emissions information.

In addition, we believe HKEX should restrict the use of methodologies to the GHG Protocol to avoid potential discrepancies in reporting and facilitate comparison. In addition, verification of all emissions data - not only carbon credits and offsets, should be recommended or mandatory.

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.

We recommend HKEX to restrict the use of methodologies to the GHG Protocol to avoid potential discrepancies in reporting and facilitate comparison.

We recommend that HKEX should provide technical guidance to issuers on how to identify and account for scope 3 emissions, including key parameters, and the proper sub-categories for different industries.

We share the view of the ISSB that the requirement for disclosure of scope 3 emissions includes financed emissions. ISSB also indicated that it is looking at including facilitated emissions, resulting from the underwriting of capital market activities, in future disclosure requirements. We recommend that financial institutions should be required to disclose and set targets for reducing their facilitated emissions. This would enable HKEX to adopt a pioneering role.

We recommend that HKEX provide guidance on how financial institutions should calculate their financed and facilitated emissions. We suggest HKEX engage with the Partnership for Carbon Accounting Financials to discuss the weighting assigned to facilitated emissions. This would allow HKEX to establish itself as a market leader in this area.

For paragraph 15 (b) Comments on disclosure of scope 3:

All of the information mentioned is important to be disclosed by issuers. We recommend adding following elements as part of the information needed to be disclosed on scope 3:

- Categories of emissions: Companies should identify and disclose the different categories of Scope 3 emissions based on the Greenhouse Gas Protocol's Scope 3 categorization (e.g purchased goods & services, upstream transportation & distribution, use of sold products, etc).

- Methodology and boundary setting: Companies should describe the methodology used to calculate Scope 3 emissions, including the data sources, calculation approaches, and any estimation or allocation methods employed. The boundary setting should be clearly defined, specifying which activities and emissions sources are included in the disclosure.

- Key emission sources and hotspots: Companies should highlight the major sources of Scope 3 emissions within their value chain and identify the emission hotspots. This helps stakeholders identify areas where emissions reduction efforts or collaboration with suppliers and customers can have the most significant impact.

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.

The Interim Period should be limited to a maximum of 1 year, in line with international practices (i.e. ISSB). The proposed 2-year interim period will be interpreted as business-as-usual, and contradicts the urgency for climate-related disclosures as highlighted in HKEX’s consultation paper.

The climate emergency needs to be addressed with the political urgency it deserves and with the necessary financial resources, therefore companies are expected to invest and allocate resources for the collection and disclosure of all relevant sustainability data, including scope 3 emissions.

In addition, issuers should provide a high-level overview of the major emission sources within its value chain, even if precise emission data is not yet available. This could include categories such as purchased goods and services, transportation and distribution, use of sold products, waste generated, or other relevant emission sources.

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 recommend adding some more detailed explanations on the transition risks:

- Disclosure of how existing and potential future climate-related policies, regulations, or carbon pricing mechanisms may affect the company's operations, costs, or competitiveness

- Disclosure of changing consumer preferences and demands for low-carbon or sustainable products and services and their potential impact on the company's market position and revenue streams.

- Analysis of technological advancements, such as clean energy technologies or digital solutions, and their potential to disrupt the company's existing business models, products, or services.

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.

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 recommend adding some more detailed explanations on the physical risks:

- Description of the company's exposure to physical climate risks, such as extreme weather events, sea-level rise, or changing precipitation patterns, and their potential impacts on operations, supply chains, or assets.

- Assessment of the vulnerability of key facilities or infrastructure to climate-related hazards and the steps taken to enhance resilience.

<u>Question 21(b)</u>
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.

The Interim Period should be limited to a maximum of 1 year, in line with international practices (i.e. ISSB). The proposed 2-year interim period will be interpreted as business-as-usual, and contradicts the urgency for climate-related disclosures as highlighted in HKEX's consultation paper.

<u>Question 22(a)</u>
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.

We recommend adding the following example:

- Disclosure of research and development efforts for climate-friendly products and services that meet the growing consumer demand for sustainable solutions.

- Description of revenue growth potential through the development and sale of climate-friendly products and services.

- Disclosure of initiatives to optimise resource use, minimise waste generation, and promote circular economy practices.

- Explanation of cost savings achieved through energy efficiency measures, renewable energy adoption, or resource optimisation.

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.

The Interim Period should be limited to a maximum of 1 year, in line with international practices (i.e. ISSB). The proposed 2-year interim period will be interpreted as business-as-usual, and contradicts the urgency for climate-related disclosures as highlighted in HKEX's consultation paper.

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.

However, the Interim Period should be limited to a maximum of 1 year, in line with international practices (i.e. ISSB). The proposed 2-year interim period will be interpreted as business-as-usual, and contradicts the urgency for climate-related disclosures as highlighted in HKEX's consultation paper.

We recommend issuers to describe capex related to climate change mitigation and adaptation, such as investments in renewable energy infrastructure, energy-efficient technologies, or climate-resilient facilities.

The affectation of capex is essential to understand whether a company is taking the appropriate steps to reach its climate goals and manage related risks. The indicators should be strengthened to clearly enable investors to identify:

- Whether the company is investing or/and plans to invest in the future in high carbon infrastructures and activities, notably those related to the production, transport, storage and transformation of fossil fuels;

- Whether the company is investing in "sustainable" activities - as defined by Hong Kong's forthcoming green taxonomy - excluding any activities tied to the fossil fuel sector.

This indicator should be provided for the short, medium and longer term.

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.

No. There is no justification to allow companies not to fully report on planned capex. Companies should provide full transparency to stakeholders on their capital deployment, including any environmentally/socially harmful activities such as fossil fuel expansion.

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.

In line with the ISSB Climate Standard, this should be made mandatory. This is necessary to account for the potential evolution of emissions regulations in the future, and to price-in some of the externalities of companies' activities.

It is by promoting the use of carbon pricing that the market will become more sophisticated. HKEX has previously spoken about its ambition to build a leading carbon market, and this is an opportunity to move towards that goal.

We recommend HKEX to provide more examples of internal carbon pricing use case to attract more issuers of using it, such as:

- Incorporating the internal carbon price in project pay-back calculations to make the case for capital investments in renewable energy or energy efficiency projects;

- Analysis of how sales of energy-intensive products and services could be constrained and where new energy-efficient products can create competitive opportunities;

- Internal carbon price as a cost allocation mechanism within the organisation.

Business units or departments are accountable for the carbon emissions they generate, and the internal carbon price is used to allocate costs accordingly. This promotes accountability and encourages internal stakeholders to seek emissions reduction opportunities and optimise their operations.

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.

In addition to the proposed approach, we recommend adding further details and examples, such as:

- Board and management remuneration should be tied to the company's interim targets of their transition plan through ambitious KPIs, these interim targets should also be comparable across sectors.

- The company introduces a long-term incentive plan that includes climate-related performance share units/bonus.

- The remuneration/bonus/share units are tied to the achievement of specific climate-related milestones relevant to the respective staff KPI, such as increase of renewable energy investments, energy efficiency improvements, number of climate friendly products developed, number of customers engaged on green products, etc.

Remuneration policies can be a powerful tool for encouraging leadership on climate change. By linking executive compensation to performance on climate-related issues, companies can create an incentive for management to incorporate climate considerations into their business strategies and to place more weight on their management of climate issues.

Without mandatory disclosure of the amount and percentage of remuneration linked to climate targets, it is impossible to assess whether it provides a real incentive. Such disclosures would also aid comparability across issuers.

Issuers should also disclose the share of remuneration tied to factors related to an increase in production or any other factor that could contribute to a rise in GHG emissions.

<u>Question 26</u>

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.

Following industry-based disclosure would allow companies to:

- Focus on the specific and material risks and opportunities relevant to their sector. A one-size-fits-all approach may not capture the unique risks and opportunities faced by different sectors.

- Promote consistency and comparability among companies within the same sector.

<u>Question 27</u>

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.

<u>Question 28</u>

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.

The HKEX ESG framework should recognise the many aspects of nature loss that drive climate change and that managing nature loss is critical to achieving net zero.

A synergised reporting framework can achieve this, recognising nature's contribution to mitigation and adaptation, and pre-empting how this will change in decades to come. This is also required so that decarbonisation trajectories manage further impacts on nature.

The IPCC Scenarios that limit global warming to 1.5 degrees rely heavily on cost-effective natural solutions to sequester carbon and maintain resilience, as is reflected in over 84% of revised NDCs submitted in 2021, which mention the need for nature based solutions to climate change. We need to move towards an economy that operates within planetary boundaries in order to achieve our net zero goals, and requirements on disclosures need to reflect nature's contributions to climate mitigation, future resilience and risk management.

The link between the impacts of human activities on nature, and climate change is recognised by multiple central banks, and global initiatives. The NGFS highlighted the risks of biodiversity and ecosystem loss to financial stability. Central banks like De Nederlandsche Bank, Banque de France and Bank Negara Malaysia, have already published studies on their market's dependency and impact on nature, with all of them identifying the climate and nature link. Integrating relevant disclosures under a synergised framework for decarbonisation can better manage trade-offs, ensure long-term resilience and ensure that decarbonisation planning is more holistic.

We recommend HKEX to follow international best practices on sustainability reporting standards and requirements, i.e. the EU-ESRS and the Task-force on Nature Related Disclosures (TNFD). For biodiversity and ecosystem, HKEX shall make reference to EU-ESRS E4 and/or TNFD, for example, require issuers to disclose:

- transition plan on biodiversity and ecosystems;

- material impacts, dependencies, risks and opportunities in relation to biodiversity and ecosystems and their interaction with governance, strategy, risk management and metrics and targets;

- processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities, such as TNFD's LEAP framework;

- policies related to biodiversity and ecosystems, including sector-specific policies where appropriate;

- biodiversity and ecosystems-related actions and the resources allocated to their implementation;

- targets related to biodiversity and ecosystems;

- metrics related to drivers of biodiversity loss, and state-of-nature; and

- potential financial effects from biodiversity and ecosystem-related impacts, dependencies, risks and opportunities.

In addition, we recommend that HKEX provide guidance on:

1. Credible transition plan:

- How to set a credible target including interim target

- How to verify a target

- How to conduct baseline assessments

- How to form a transition plan

- How to audit and monitor a transition plan

- Building on existing best practices and guidance on the issue, as mentioned above.

2. Climate scenario analysis

- Understanding different climate scenarios and choosing the right one for issuers

- Data needed for the analysis

<u>Question 29</u>
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.

Overall, we recommend ISSB to develop standards that go beyond climate, apply Double

Materiality and require reporting on key impact data and ensure climate-related disclosures are sufficiently granular to be meaningful.

Double Materiality:

WWF recommends that the ISSB specify the inclusion of all impact and dependency-related information that may significantly affect people and nature, in addition to those that may cause material risks to the enterprise in its definitions of sustainability-related information.

The definition of sustainability-related financial disclosures by the IFRS fails to consider the importance of all impacts of an entity on the environment and society, by focusing solely on material risks to enterprise value. Missing the impact materiality is missing half of the picture, hence it’s materially insufficient, and it’s not conducive to the achievement of the Paris climate Agreement and the Global Biodiversity Framework in a timely manner. Amending this definition is vital to prevent fragmentation, and ensure that investors are provided with consistent and comparable information to identify best practice, and ensure entities are looking at managing long-term risks.

Concretely, the ISSB needs to build on the GRI and EU-ESRS approaches to adequately amend (i.e. complete) the definition of sustainability-related financial disclosures.

Climate-Nature Nexus:

In addition, WWF recommends that the ISSB demonstrate the overlaps between environmental and climate reporting clearly.

Risk reporting is a future-proofing exercise. What is not considered a risk now can and will quickly escalate to become one in the future, leading to inevitable policy interventions to protect declining resources. The anticipation of future (and we argue, inevitable) risks that may arise from today’s impacts on the environment and climate is important in proactive, rather than reactive, planning and is most useful for investors. Failing to adopt an integrated approach will prolong issues already well documented in the climate and environmental reporting space – fragmentation, lack of cohesion and lack of comparability. It will also prevent the many entities with dependencies on natural resources from having to provide multiple sustainability reports at once.

Our recommendation is in line with the global reporting trajectory, including those of the GRI, the EU-ESRS, EU SFDR and TNFD. Corporates can set up targets using methodologies developed respectively by the SBTi and STBN.

A global baseline needs to be comparable and verifiable, forward looking and integrated. The IFRS Standards must serve to create this global baseline for users to comparably assess their financial choices, and link the entity's impacts in terms of carbon emissions and broader impacts on nature to its materials risks.

Lastly, since the ISSB standards were only published on 26-June, and with this consultation closing on 14-July, we recommend a submission extension for feedback on the latest IFRS S1 and S2 being issued, or publish a separate consultation, to allow more time for the market to digest and provide more meaningful feedback.