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**Charltons  
Company / Organisation  
Law Firm**

**Question 1**

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

Yes

**Please provide reasons for your views.**

Yes. As the global business community progresses towards becoming a sustainable and decarbonised economy, it is now more important than ever to transition from a voluntary-basis to a more binding ESG framework for climate disclosures. As a leading international financial and IPO fund-raising centre, it is imperative that the HKEx's standards of climate-related disclosure are aligned with the most up-to-date and relevant international reporting standards. We therefore consider it necessary to move from a "comply or explain" approach to climate disclosure to mandatory requirements with the imposition of penalties for breach of the disclosure requirements to incentivise listed companies to comply.

We commend the HKEx for opting to lead by example in meeting investors' increasing interest in, and demand for, disclosure that is transparent, measurable and consistent. Further, we agree with the HKEx's approach of aligning disclosure standards and guidelines with ISSB standards and appreciate the consideration given to adjusting requirements according to the capabilities and resources available to Hong Kong issuers, particularly with regard to the availability of data from value chains and third party providers.

Nevertheless, we would like to express our concern in relation to the proximity of the proposed Effective Date. While we understand the HKEx's wish to improve disclosure standards promptly, we would like to see a buffer period of at least 6 months between the Effective Date and the start of the Interim Period to ensure that issuers have sufficient time to draft their plans of action for objectives to be achieved during the Interim Period.

**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.**

Yes. This disclosures will serve as a vital tool for investors in assessing issuers' commitment to addressing climate-related challenges and capitalising on climate-related prospects.

Investors are increasingly attributing value to comprehensive and meaningful disclosure of climate governance information, encompassing factors including board responsibility for and involvement in climate-related matters, the allocation of management duties, company officers' possession of the requisite skills and expertise, and how companies' compensation structure relates to climate considerations.

**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.**

Yes. Identifying climate-related risks and providing information on their nature, severity and potential impact on issuers' businesses over the short, medium and long term is critical for investors to determine whether to invest in particular issuers and their voting intentions on issuer transactions.

**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.**

Yes. We appreciate the consideration and leeway given to Hong Kong issuers to disclose climate-related opportunities only if they are confident in their ability to provide transparent and comprehensive answers.

**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. We consider it important that issuers turn their mind to whether industry-based disclosure requirements prescribed under other international ESG reporting frameworks could apply to them and that they have the option of providing disclosure according to those frameworks if they consider it appropriate.

**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.**

Yes. While we note that some issuers may face challenges in disclosing exact estimates of capital to be allocated to funding adaptation to climate-related risks, we believe that issuers and investors will greatly benefit from the clarity provided so long as issuers are allowed sufficient time to develop confidence in their ability to deliver this information.

**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.**

Yes. We appreciate the adaptation of the ISSB standards and provision of alternative disclosure of work plans and progress report for issuers that do not yet have specific and quantitative objectives and/or third party validation for their targets and relevant time horizons.

**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.**

Yes, as elaborated in our response to Question 7, we consider this to be a useful adaptation to the Hong Kong market context.

**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. Investors value the disclosure of issuers' progress in implementing their plans to counter climate-related risks. This information allows them to monitor and stay informed about issuers' progress in addressing the climate-related risks affecting issuers which is crucial to investors' investment evaluation.

**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.**

Yes. It is important that issuers and investors are informed about issuers' resilience to climate-change related developments. It is particularly important that issuers' have strategies in place to address the effects on their business of their transition to a lower-carbon economy and that these are disclosed to investors.

**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.**

Yes. We consider that a higher degree of compliance will be achieved if, as proposed, issuers can use a climate-related scenario analysis commensurate with their circumstances (e.g. their resources, extent of exposure to climate-related risks and opportunities and relevant skills) as is allowed under the ISSB Climate Standard.

**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.**

Yes, although we would request HKEx to clarify what it would consider to be a "material adjustment" to the carrying amount of assets (in paragraph 10(b)).

**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.**

Yes. Given the challenges issuers may face in gathering the necessary resources and conducting research to provide quantitative disclosures, we believe this is a necessary adaptation of the ISSB standards that will also help prevent any cases of greenwashing.

**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.**

Yes. This information plays a vital role in informing investors' and asset managers' investment decision-making, which will benefit issuers by proxy.

**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.**

Yes. We consider this adjustment of the ISSB standards to be appropriate for Hong Kong issuers.

**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.**

Yes. Assessment and mitigation measures for climate-related risks are critical for investors to understand the issuer's objectives and plans and aids investor analysis of their own long term investment plans.

**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.**

Yes, for reasons similar to those provided in the response relating to Paragraph 3 of Appendix 27.

**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.**

Yes. Direct GHG emission disclosure and readily available information on indirect emissions from electricity, steam and heat generated for issuers' consumption must be transparent for investors' and financial analysts' consideration, particularly given the wide adaptation of these measures by other jurisdictions.

**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.**

Yes, provided that due consideration is given to creating an exception so that, after the Interim Period, issuers are only required to provide information to the extent that it is available. We consider that this will be necessary for issuers that face obstacles in procuring the data required to make transparent and comprehensive disclosure of Scope 3 emissions, particularly since they may not be able to gather relevant information from third parties involved in the upstream/downstream activities in the value chain. We would therefore suggest approaching the 31% of respondent issuers that have made voluntary disclosures with a view to assessing and sharing their methods.

**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.**

Yes. As mentioned previously, we consider that many issuers will require time to develop the capacity to provide quantitative disclosures pertaining to climate-related information. We therefore support the adoption of the proposed interim disclosures during the Interim period.

**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.**

While we believe the Interim Period requirements to be appropriate, we recommend further clarification of whether issuers can propose their own set of limits to the scope and definition of assets or business activities vulnerable under “transitional risks” based on their respective industries and the guidance provided by the ISSB.

**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.**

Yes. Our reasons are similar to those given in the response to Question 13 regarding the adjustment of ISSB standards to the Hong Kong market.

**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.**

For reasons similar to those stated in our response to Question 20(a), we consider the Interim Period requirements to be appropriate. However, we would welcome further clarification of whether issuers can propose their own set of limits to the scope and definition of assets or business activities vulnerable under “physical risks”.

**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.**

Yes. Our reasons are the same as those given in our response to Question 20(b).

**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.**

No. We do not agree with this proposal. It should be left to the issuer’s discretion as to whether to disclose the volume and proportion of asset and business activities that correspond to climate-related opportunities, as per the Metrics & Targets Section. This approach aligns with the relevant requirements specified in the ‘Strategy and Risk Management Section’. Of course, the issuer must first identify and assess climate-related opportunities to accurately quantify the volume and proportion. We recommend that HKEX provides additional clarification on this matter.

**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.**

Yes, we agree to the Interim measures.

**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.**

Yes. We agree subject to issuers being allowed to set their own metrics for their respective industries. We would also request that HKEx consider sensitivities regarding the public disclosure of capital expenditure deployed on addressing climate-related risks.

**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.**

Yes, we agree with the interim provisions.

**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.**

Yes. The use of internal carbon pricing is valuable for banks and investors seeking insights into the integration of decarbonisation endeavours into business determination.

**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.**

Yes. We appreciate the proposed adaptation to the Hong Kong market and the exclusion of quantitative disclosure of climate-related remuneration, at least for the initial period.

**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.**

Yes. Again, we appreciate the adjustment to the Hong Kong market and believe it is too early to require mandatory disclosures given that industry-specific parameters are not yet agreed. We hope that this will be revised once confidence in industry-specific guidelines and parameters has been developed.

**Question 27**

**Do you have any comments regarding whether the manner in which the proposed consequential amendments are drafted will give rise to any ambiguities or unintended consequences?**

Yes

**Please elaborate.**

Paragraph 13 of the Consultation Paper encourages IPO applicants to consider the proposed climate-related disclosure obligations and take the necessary steps to ensure their compliance after listing, once the new Rules are implemented. We understand from this that IPO listing applicants are expected to proactively prepare for post-listing compliance requirements, including the enhanced climate-related disclosures outlined in the ESG Framework. We would welcome the HKEX's clarification of whether IPO applicants are required to include additional climate-related disclosures in their prospectuses, going beyond the current requirements relating to material ESG risks specified, for example, in GL86-16.

**Question 28**

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

No

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

No

**Please elaborate.**

No, other than the areas mentioned in the above responses, including our responses to Questions 3, 11, 20, 21 and 27.

**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.**