

Responses to the Consultation Paper on the Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework

Reference to new Part D Climate-related disclosures	Related Consultation Question	Do you agree? (Yes/No)	Please provide reasons for your views
<p>Governance (Para 1)</p> <p>1. An issuer shall disclose:</p> <p>(a) the identity of any board committee or board members responsible for oversight of climate-related risks and opportunities;</p> <p><i>Note: Disclosures under this paragraph may also form part of the disclosures made pursuant to paragraph 13 of Part B above.</i></p> <p>(b) how the board ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities;</p> <p>(c) how and how often the board and its committees are informed about climate-related risks and opportunities;</p> <p>(d) how the board and its committees consider climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management policies;</p> <p>(e) how the board and its committees oversee the setting of, and monitor and review progress towards, targets related to significant climate-related risks and opportunities, including whether and how related performance metrics are included in remuneration policies; and</p> <p>(f) a description of management's role in assessing and managing climate-related risks and opportunities, including:</p> <p>(i) the scope of climate-related responsibilities and duties performed by management-level position(s) or committee(s);</p> <p>(ii) how the board's oversight is exercised over such management-level position(s) or committee(s); and</p> <p>(iii) whether dedicated controls and procedures are applied to the issuer's management of climate-related risks and opportunities.</p>	<p>2. Do you agree to introduce new governance disclosures focusing on climate-related issues as set out in paragraph 1 of Part D of the Proposed Appendix 27? Please provide reasons for your views.</p>		<ul style="list-style-type: none"> • We are concerned about item 1e, on how related performance metrics are included in remuneration policies. • What would be the impact of not disclosing whether or how remuneration policy is linked – will this be clearly stated in the implementation guide.

<p>Strategy (Para 10) – Finance effects of climate-related risks and opportunities</p> <p>10.(a) Describe and, where material, quantify the effect of climate-related risks and, where applicable, climate-related opportunities identified on the issuer’s financial position, financial performance and cash flows for the most recent reporting period; and (b) describe whether and how such risks and, where applicable, opportunities may result in a material adjustment to the carrying amounts of assets and liabilities reported in the financial statements within the next financial year.</p> <p><i>Notes:</i> (1) Issuers should account for climate-related matters in the financial statements in accordance with the requirements I1-14 under HKFRS, IFRS, CASBE or the alternative overseas financial reporting standard acceptable to the Exchange. (2) Where the quantitative information disclosed pursuant to paragraph 10(a) above is not expressed as a standalone item in the financial statements, the issuer shall explain how such information is reflected in its financial statements (e.g. identifying the relevant financial item).</p> <p><i>Interim provision</i> During the Interim Period, issuers who have yet to provide quantitative information pursuant to paragraph 10(a) above should provide qualitative disclosures.</p>	<p>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? Please provide reasons for your views.</p>	<p>No</p>	<ul style="list-style-type: none"> • There may be financial effects that are material to the company, but are not possible to quantify. As such, it would make it a difficult exercise for the issuer. • By linking data to the reporting year, it does not help investors to make decisions for the future.
<p>Strategy (Para 11) – Anticipated Financial Effects</p> <p>11. Describe the anticipated effects of climate-related risks and where applicable, opportunities identified on the issuer’s financial position, financial performance and cash flows over the short, medium and long term. This envisages disclosures on: (a) how the issuer expects its financial performance to change over the short, medium and long term, considering its strategy to address significant climate-related risks and opportunities; and (b) how the issuer expects its financial position to change over the short, medium and long term, considering funds (e.g. capital expenditure, R&D expenditure) required to pursue: - its current and committed plans; and - its planned sources of funding to implement its strategy to address significant climate-related risks and opportunities; and (c) how the issuer defines short, medium and long term.</p> <p>Interim provision During the Interim Period, issuers who have yet to provide information pursuant to paragraph 11 above should disclose: (1) information, to the extent reasonably available, that may enable investors to understand the aspects of the financial</p>	<p>13. Do you agree that during the Interim Period, where an issuer has yet to provide quantitative disclosures pursuant to paragraph 10(a) of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 10 of Part D of the Proposed Appendix 27? Please provide reasons for your views.</p>	<p>Yes</p>	<ul style="list-style-type: none"> • HKEX would need to be prepared that issuers might provide vague and generic disclosures.
<p>Strategy (Para 11) – Anticipated Financial Effects</p> <p>11. Describe the anticipated effects of climate-related risks and where applicable, opportunities identified on the issuer’s financial position, financial performance and cash flows over the short, medium and long term. This envisages disclosures on: (a) how the issuer expects its financial performance to change over the short, medium and long term, considering its strategy to address significant climate-related risks and opportunities; and (b) how the issuer expects its financial position to change over the short, medium and long term, considering funds (e.g. capital expenditure, R&D expenditure) required to pursue: - its current and committed plans; and - its planned sources of funding to implement its strategy to address significant climate-related risks and opportunities; and (c) how the issuer defines short, medium and long term.</p> <p>Interim provision During the Interim Period, issuers who have yet to provide information pursuant to paragraph 11 above should disclose: (1) information, to the extent reasonably available, that may enable investors to understand the aspects of the financial</p>	<p>14. Do you agree to require disclosure of anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities as set out in paragraph 11 of Part D of the Proposed Appendix 27? Please provide reasons for your views.</p>	<p>No</p>	<ul style="list-style-type: none"> • For 11a, we currently expect that we would disclose that we do not expect our financial performance to significantly change as a result of climate change over short, medium and long term, following our own business definitions and business strategies.
<p>Strategy (Para 11) – Anticipated Financial Effects</p> <p>11. Describe the anticipated effects of climate-related risks and where applicable, opportunities identified on the issuer’s financial position, financial performance and cash flows over the short, medium and long term. This envisages disclosures on: (a) how the issuer expects its financial performance to change over the short, medium and long term, considering its strategy to address significant climate-related risks and opportunities; and (b) how the issuer expects its financial position to change over the short, medium and long term, considering funds (e.g. capital expenditure, R&D expenditure) required to pursue: - its current and committed plans; and - its planned sources of funding to implement its strategy to address significant climate-related risks and opportunities; and (c) how the issuer defines short, medium and long term.</p> <p>Interim provision During the Interim Period, issuers who have yet to provide information pursuant to paragraph 11 above should disclose: (1) information, to the extent reasonably available, that may enable investors to understand the aspects of the financial</p>	<p>15. Do you agree that during the Interim Period, where an issuer has yet to provide information required in paragraph 11 of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 11 of Part D of the Proposed Appendix 27? Please provide reasons for your views.</p>	<p>Yes</p>	<ul style="list-style-type: none"> • NIL

statements that are most affected; and (2) the work plan, progress and timetable for making the required disclosure			
<p>Metrics and Targets (Para 13/14/15) – Greenhouse gas emissions</p> <p>13. Disclose absolute gross GHG emissions generated during the reporting period, expressed as metric tons of CO2 equivalent, classified as: (a) scope 1 emissions; (b) scope 2 emissions; and (c) scope 3 emissions</p> <p>14. Disclose the following information in relation to GHG emissions: (a) a statement describing the standard in accordance with which the issuer's GHG emissions have been measured, which must be either (i) the GHG Protocol; or (ii) the protocol that the issuer is required to use by local legislation for measuring GHG emissions; (b) the GHG emissions consolidation approach used: equity share, financial control, or operational control; and (c) a summary of specific exclusion of sources, facilities and/or operations with a justification for their exclusion</p> <p>15. In relation to scope 3 emissions, disclose: (a) the categories of significant upstream or downstream activities along the value chain that have been included in the calculation; (b) the basis for selecting such upstream or downstream activities; (c) the basis for its measurement of scope 3 emissions when it includes information provided by entities in its value chain; and (d) the reasons for omission if it excludes those GHG emissions in paragraph 15(c) above. Interim provision During the Interim Period, issuers who have yet to disclose all information in relation to scope 3 emissions should disclose: (1) information, to the extent reasonably available, that may enable investors to understand the issuers' relevant upstream or downstream activities along the value chain; and (2) the work plan, progress and timetable for making the required disclosure.</p>	<p><u>18(a).</u> 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? Please provide reasons for your views.</p>	No	<ul style="list-style-type: none"> We are concerned about the switch to GHG Protocol for the calculations, which will affect our baseline figures. HKEX should provide further guidance to companies who will need to make the switch from one formula to the other. Companies already making Scope 1/2/3 disclosures are being penalised now because of requested formula change, those who did not use the GHG Protocol would need to recalibrate their calculations. For the Company, this would mean that all calculations from the year we started reporting, will not longer be "accurate" due to formula differences. HKEX should also look into providing GHG Protocol-related courses as the emissions calculation is complex with multiple formulas and worksheets available within the GHG Protocol.
	<p><u>18 (b).</u> Do you agree with the proposed approach for the disclosure of scope 3 emissions and the related information as set out in paragraphs 13 to 15 of Part D of the Proposed Appendix 27? Please provide reasons for your views.</p>	No	<ul style="list-style-type: none"> For scope 3 emissions, we will require clarity from HKEX on whether industry carbon calculators, such as AWG Carbon Calculator, CASCADE or other aviation related metrics, can be used. If not, why?
	<p>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? Please provide reasons for your views.</p>	Yes	NIL

<p>Metrics and Targets (Para 20) – Internal Carbon Prices</p> <p>20. In respect of issuers who maintain an internal carbon price, disclose: (a) the price for each metric tonne of GHG emissions that the issuer uses to assess the costs of its emissions; and (b) an explanation of how the issuer is applying the carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis).</p>	<p>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? Please provide reasons for your views.</p>	<p>Yes</p>	<p>Yes – only issuers that maintain an internal carbon price should disclose.</p>
<p>Metrics and Targets (Para 21) – Remuneration</p> <p>21. Describe how climate-related considerations are factored into remuneration policy. This may form part of the disclosure under paragraph 1(e) above.</p>	<p>25. Do you agree with the proposed approach for the disclosure of how climate-related considerations are factored into remuneration policy as set out in paragraph 21 of Part D of the Proposed Appendix 27? Please provide reasons for your views.</p>	<p>No</p>	<p>Please see responses for question 2</p>
<p>Metrics and Targets (Para 22) – Industry-based metrics</p> <p>22. Issuers are encouraged to consider the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards, and make disclosures as they see fit.</p>	<p>26. Do you agree with the proposed approach for the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards as set out in paragraph 22 of Part D of the Proposed Appendix 27? Please provide reasons for your views.</p>	<p>Yes</p>	<p>Yes – agree that issuers are “encouraged” to consider industry-based disclosure requirement but it should not be made compulsory.</p>
<p>Implementation Guidance</p> <p>From HKEX: As mentioned in multiple occasions throughout this paper, we will provide implementation guidance on various topics to facilitate issuers' compliance with the new Rules. We welcome comments regarding the proposed topics/matters that we intend to give guidance on, as well as any particular topic/matter you consider further guidance to be helpful.</p>	<p>28. Do you have comments regarding the topics/matters that we intend to give guidance on? Is there any particular topic/matter you consider further guidance to be helpful? Please elaborate.</p>	<p>Yes</p>	<ul style="list-style-type: none"> • HKEX should also make clear who will review the ESG reports and how will it be reviewed. • HKEX should provide a list of certified gap analysis consultants that issuers can engage in assisting them to reach the new disclosure standards.

end