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21 July 2023

By email only

Hong Kong Exchanges and Clearing Limited
Attention: response@hkex.com.hk

Dear Sir/Madam,

Re: HKEX Consultation Paper - Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework (April 2023)

AIA Group Ltd ('AIA') supports the Exchange's aim to enhance climate-related disclosures under the environmental, social and governance ('ESG') framework. We welcome the opportunity to respond to the proposals in the HKEX Consultation Paper "Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework" (the 'CP').

AIA values Hong Kong's position as a world-class international financial centre that attracts global capital. We believe that maintaining this position requires Hong Kong to be seen to have an appropriately high standard of reporting requirements comparable to other financial centres around the world. In this context, we would like to share our observations with respect to the Exchange's ESG reporting framework in relation to the work of the International Sustainability Standards Board ('ISSB').

We recognise the urgency of climate-related disclosures, and therefore understand and support the 'climate first' approach taken by the Exchange to enhancing disclosures under the ESG reporting framework. We also appreciate the Exchange's efforts to reference elements of the Sustainability Disclosure Standards issued by the ISSB. However, we believe that it is important to consider the broader objectives of the ISSB.

The ISSB developed IFRS S1 and IFRS S2 (together, the 'ISSB Standards') with the benefit of extensive market feedback and in response to calls from the G20, the Financial Stability Board and the International Organization of Securities Commissions (IOSCO), as well as leaders in the business and investor community. The ISSB Standards have been conceived as a comprehensive set of complementary standards. IFRS S1 includes principles intended to govern all sustainability-related disclosures, and is therefore an important foundation for applying the requirements of IFRS S2.

We note that the proposals under the CP primarily reflect elements of IFRS S2, modified in some cases to introduce optionality or reduce disclosures required. By comparison, the CP proposals do not specifically incorporate many of the features of IFRS S1. We believe that the ISSB Standards are more meaningful when taken together. For example, the guidance in IFRS S1 on the application of materiality, and on 'connected information' (such as linking ESG reporting to general purpose financial statements) is not fully reflected in the ESG disclosures as proposed in the CP, but would in our opinion enhance ESG reporting. More broadly, the focus of IFRS S1 is to provide decision-useful information for investors, which in turn is aligned with the Exchange's ESG reporting framework.

In the immediate term, we understand that the Exchange's 'climate first' approach to disclosure enhancement may require the specific requirements of IFRS S2 to be prioritised over the broader IFRS S1 principles. However, in the longer term we believe that the Exchange should aim to mandate compliance with the ISSB standards in full for certain listed entities. This would be of particular relevance to larger organisations with an international investor base; it may be appropriate for smaller domestic entities to provide more limited disclosures.

We therefore encourage the Exchange to make a clear public commitment to full adoption of ISSB standards. We believe that over the longer term this will offer several benefits, including the following: firstly, application of full ISSB standards will enhance ESG reporting generally for the reasons described above and as such should be supported; the public support for application and commitment by bodies such as the Exchange to adopt these at some point is critical to the international credibility of the standards.

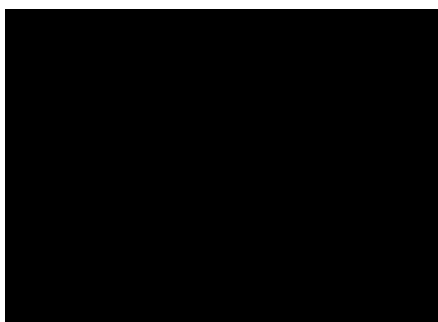
Secondly, such a commitment would give international investors comfort that ESG disclosures in Hong Kong will eventually align with high-quality internationally-recognised standards, comparable to other jurisdictions applying ISSB Standards. This in turn will support Hong Kong's credibility and status as an attractive destination for global capital, in line with the Hong Kong Government's stated aim of maintaining Hong Kong's status as an International Financial Centre. By contrast, indefinitely maintaining disclosure requirements that are specific to Hong Kong and not fully aligned to international standards may result in uncertainty among investors around comparability with reporting by international organisations listed elsewhere.

Thirdly, commitment to ISSB Standards will give Hong Kong a more powerful and influential voice in the development of existing and future ISSB disclosure requirements. Lending support to the ISSB Standards would also improve the credibility of the ISSB itself.

In terms of timeframe, we understand the need for pragmatism given the uncertain and developing nature of ESG disclosures. It may therefore be appropriate for the Exchange to commit to eventual adoption of full ISSB Standards without a firm date. This would allow more flexibility around implementation and transition periods for certain aspects, particularly in relation to some of the more complex and challenging aspects of ESG reporting. One example of such flexibility is in the case of smaller companies, where an undefined date of application or a long transition period may be appropriate. Similarly it would allow flexibility around application of certain aspects of the standards, such as not requiring disclosure of Scope 3 emissions immediately.

We would be happy to meet with you to discuss our views in more detail.

Yours faithfully,
For and on behalf of
AIA GROUP LIMITED





Thank you for your response to our “Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework”. It has been well received.

Below is a summary of your responses

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An unfinished questionnaire will be automatically saved in your browser. It will be resumed when you open the questionnaire link in the same browser on the same device. Please contact consultationsupport@hkex.com.hk if you fail to retrieve your work in progress.

Thank you for taking the time to respond to the Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework (“Consultation Paper”)

Please state whether your response represents the view of your company/organisation or your personal view:

Company/Organisation view

Personal view

Please provide the following information about your company/organisation. A statement on HKEX's privacy policy is set out in Appendix IV to the Consultation Paper.

Company/Organisation name*:

AIA GROUP LIMITED

Company/Organisation type*:

- Accounting Firm
- Corporate Finance Firm / Bank
- HKEX Participant
- Investment Manager
- Law Firm
- Listed Company**
- Professional Body / Industry Association
- Non-governmental / Charitable Organisation
- Other (please specify)

Contact Person*:



Name*:

[Redacted Name]

Job Title:

[Redacted Job Title]

Phone Number*:

Email Address*:

Important note: All fields marked with an asterisk (*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

Disclosure of identity

HKEX may publish your identity together with your response. Respondents who do NOT wish their identities to be published should tick the box below, otherwise please click "Next":

I/We do NOT wish to disclose my/our identity to the members of the public.

Question 1

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

- Yes
 No

Please provide reasons for your views.

We acknowledge and are broadly aligned with the principle of reporting climate-related disclosures. However, we would recommend that for the time being the HKEX continue to apply the “comply or explain” provisions to climate-related disclosures outlined in Part D of Appendix 27. We believe that ESG strategies and reporting systems in Hong Kong are insufficiently mature to facilitate mandatory disclosures, and it will be some time before all issuers are ready to produce sufficiently reliable, consistently applied, and broadly understood disclosures to meet the characteristics of ‘useful information’. In addition, we understand that the lack of scalability for many of the disclosure requirements for small to medium-sized entities create an undue regulatory burden for some entities. In the longer term, it may be appropriate to require mandatory adoption for certain entities.

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

No

Please provide reasons for your views.

N/A

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

No

Please provide reasons for your views.

We are broadly aligned with the principle of disclosing climate-related risks as set out in the paragraph 2 of Part D of the Proposed Appendix 27. However, paragraph 2 of Part D of the Proposed Appendix 27 requires an issuer to “disclose its assessment of any climate-related risks reasonably likely to have a material effect on the issuer’s business model, strategy and cash flows, its access to finance and its cost of capital which may manifest in the short, medium or long term”. In practice, an entity may be exposed to risks that are not immediately identifiable, but whose existence or significance only become apparent sometime later with the benefit of hindsight, with the emergence of stranded assets with respect to coal related investments being a good example. Therefore, we are concerned that the current draft requirement to assess the significance of ‘all’ risks presents several challenges, including potential legal or other implications if actual sustainability-related impacts arise from risks that were not documented in previous ISSB disclosures. This may be the case even if those risks could not have reasonably been identified based on information available at the time of reporting. It may also incentivise preparers to reflect an overly extensive range of potential sustainability-related risks ‘just in case’, which in our assessment would significantly reduce the usefulness of disclosures. We recommend that the HKEX require that disclosures only reflect risks that can reasonably be identified based on information available at the time of reporting without undue cost or effort, which would align to the requirements of Appendix 27 and the final version of IFRS S1 “An entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort:....”. [IFRS S1.B6] In addition, while we support the principle that only climate-related risks are reasonably likely to have a material effect on the issuer’s business model, strategy and cash flows, its access to finance and cost of capital, which may manifest in the short, medium or long term, we note that the application of materiality to general purpose financial reporting is generally well understood (albeit subject to judgement). There is significantly less clarity and established practice in applying materiality judgments to sustainability-related financial disclosures, particularly in the context of our comments above regarding the potential for this to be subsequently judged within the context that includes hindsight which was not available at the time the judgment was applied. We have requested more extensive guidance and illustration on making materiality judgments in the context of Proposed Appendix 27, but would like to specifically encourage greater clarity on the frame of reference for quantitative materiality assessments, such as those required to comply with Paragraph 2 of Part D of the Proposed Appendix 27. It may be helpful to refer to the guidance on materiality in the final IFRS S1 (paragraphs 17 – 19 and B13 – B37).

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
 No

Please provide reasons for your views.

For the time being, it is reasonable to allow a choice of whether to disclose the effects of climate-related opportunities. In the longer term it may be appropriate to require disclosure for certain entities.

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
 No

Please provide reasons for your views.

N/A

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

No

Please provide reasons for your views.

Paragraph 5 of Part D of the Proposed Appendix 27 requires issuers to describe how they are responding to climate-related risks and, where applicable, any climate-related opportunities identified. The use of “where applicable” does not provide issuers with an explicit choice regarding whether or not to disclose information on climate-related opportunities. We would recommend the HKEX align the final wording of Appendix 27 with paragraph 3, “where applicable, an issuer may disclose...” as we believe this achieves the intended outcome more clearly. See also our response to question 4.

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

No

Please provide reasons for your views.

We believe that the requirements to disclose targets in paragraph 6 of Part D of the Proposed Appendix 27 is too restrictive. We would recommend giving preparers greater discretion in how to disclose progress in sustainability-related matters. By comparison, reporters are not typically required to disclose targets by financial reporting standards, or other guidance such as IFRS Practice Statement 1, Management Commentary (‘PS1’). Under PS1, reporters are permitted but not required to disclose targets when describing prospects, subject to certain additional requirements for disclosed or quantified targets such as explanation of assumptions. We believe that this model (further developed in the 2021 Exposure Draft issued by the IASB) would be more suitable to Appendix 27.

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

N/A

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

No

Please provide reasons for your views.

N/A

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

No

Please provide reasons for your views.

We support the principle of 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. However, we note that while the application of materiality to general purpose financial reporting is generally well understood (albeit subject to judgement), there is significantly less clarity and established practice in applying materiality judgments to climate-related financial disclosures, particularly in the context of our comments above (see Question 3) regarding the potential for this to be subsequently judged within the context that includes hindsight which was not available at the time the judgment was applied. We have requested more extensive guidance and illustration on making materiality judgments in the context of Proposed Appendix 27, but would like to specifically encourage greater clarity on the frame of reference for quantitative materiality assessments, such as those required to comply with Paragraph 10 of Part D of the Proposed Appendix 27. It may be helpful to refer to the guidance on materiality in the final IFRS S1 (paragraphs 17 – 19 and B13 – B37). Separately, it is unclear how issuers can attribute certain financial effects to climate-related risks or climate-related opportunities. For example, if the price of an energy stock reduces, there are no standards today which provide guidance for the determination of the valuation adjustment attributable to climate-related risk. We would request additional guidance on approaches to determining the current financial effect of climate-related risks and opportunities. Finally, Paragraph 10 of Part D of the Proposed Appendix 27 requires issuers to describe and, where material, quantify the effect of climate-related risks and, where applicable, climate-related opportunities identified on the issuers financial position, financial performance and cash flows for the most recent reporting period. The use of “where applicable” does not provide issuers with an explicit choice regarding whether or not to disclose information on climate-related opportunities. We would recommend the HKEX align the final wording of Appendix 27 with paragraph 3, “where applicable, an issuer may disclose...” as we believe this achieves the intended outcome more clearly. See also our response to question 4.

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

No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

Paragraph 11 of Part D of the Proposed Appendix 27 requires issuers to disclose anticipated effects of climate-related risks and, where applicable, climate-related opportunities. The use of “where applicable” does not provide issuers with an explicit choice regarding whether or not to disclose information on climate-related opportunities. We would recommend the HKEX align the final wording of Appendix 27 with paragraph 3, “where applicable, an issuer may disclose...” as we believe this achieves the intended outcome more clearly. See also our response to question 4.

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

N/A

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

No

Please provide reasons for your views.

We acknowledge and are broadly aligned with the principle that Scope 3 emissions are an important component of sustainability-related information, and that its disclosure would be useful to investors and other stakeholders. However, we question whether these disclosures are sufficiently reliable, consistently applied and well understood to ensure that they are considered to be useful information for our stakeholders in their current state. We also agree in principle with applying the GHG Protocol or equivalent protocols prescribed by local regulations for measuring GHG emissions to define and measure GHG emissions, as it is important for the HKEX to build on existing frameworks to avoid duplication and unnecessary use of time and resources. For GHG disclosures specifically, we would suggest clarifying whether references to the GHG Protocol include the “Technical Guidance for Calculating Scope 3 Emissions”, which is a measurement supplement to the Protocol. We would also request that the HKEX consider the cost-benefit trade-off of mandatory collection and disclosure of material Scope 3 emissions, and further ask that the HKEX clarify its expectations over the coverage of disclosed Scope 3 emissions. As it is currently worded, the application of materiality to the cross-industry metrics may not be well understood. For example, not all categories of scope 3 GHG emissions data are material for all entities. A significant proportion of our investments, in common with many other insurers, are in government and government agency debt. As at 31 December 2021, approximately 35% of our policyholder and shareholder investments were invested in government or government agency debt across all our markets amounting to over USD 85 billion. It is unclear how Scope 3 emission disclosures should be measured and compiled for investments issued by governments (e.g. sovereign bonds) and similar entities. The “Global GHG Accounting & Reporting Standard for the Financial Industry” issued by the Partnership for Carbon Accounting Financials (‘PCAF’), which includes guidance on emissions financed by investments, specifically does not address sovereign bonds (together with certain other investments such as derivatives). We recommend that the HKEX consider measurement issues for Scope 3 emissions relating to such investments as part of its workplan, with the objective of incorporating further guidance into the HKEX standards. By their nature, Scope 3 disclosures rely fully on information relating to and provided by third parties. In practice, it is not possible to obtain such third-party information for a given reporting period within the timeframe required to prepare disclosures under the HKEX standard. Therefore, we suggest the HKEX address this potential lag between obtaining third party information and preparing sustainability-related disclosures by explicitly allowing for this timing difference in the HKEX requirements, subject to appropriate disclosure on the basis of preparation.

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

While we broadly aligned with the proposed disclosure requirement set out in paragraph 16 of Part D of the Proposed Appendix 27, we note that “vulnerable” is not a defined term, which could lead to inconsistent interpretations and application among the listed entities, resulting in a lack of comparability. We encourage the HKEX to define “vulnerable” and to provide additional guidance on how to determine whether assets or business are vulnerable to transition risks. For example, clarifying that the disclosure relates to assets which are “vulnerable” in the financial reporting period, or “vulnerable” over a forward-looking time horizon (e.g. short, medium, long term).

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
 No

Please provide reasons for your views.

See response to question 20A.

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
 No

Please provide reasons for your views.

While we are broadly aligned with the proposed disclosure requirement set out in paragraph 16 of Part D of the Proposed Appendix 27, we note that “vulnerable” is not a defined term, which could lead to inconsistent interpretations and application among the listed entities, resulting in a lack of comparability. We encourage the HKEX to define the meaning of “vulnerability” and to provide additional guidance on how to determine whether assets or business are vulnerable to physical risks. For example, clarifying whether the disclosure relates to assets which are “vulnerable” in the financial reporting period, or “vulnerable” over a forward-looking time horizon (e.g. short, medium, long term).

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
 No

Please provide reasons for your views.

See response to question 21A.

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
 No

Please provide reasons for your views.

We understand and appreciate the intent of the proposed disclosure is to help investors and regulators understand the extent to which an organisation is aligning its business with climate-related opportunities. However, we are concerned that entities will encounter significant operational challenges in meeting this requirement. For example, because asset-level data and product offerings can change annually, an entity may need to conduct comprehensive climate scenario analysis annually to determine the amount and percentage of assets or business activities aligned with climate-related opportunities, which may result in undue significant costs and administrative burden. In addition, while issuers may reasonably integrate climate risk in asset or business level decisions, integrating opportunities is an uncommon business practice likely taking place over multiple functions, requiring significant operational effort. Separately, the current wording of paragraph 18 appears to require disclosure of such metrics regardless of whether an issuer opts to disclose climate-related opportunities, which we believe gives rise to an internal inconsistency within the proposed rules. As these metrics will supplement understanding of the extent of the opportunities identified under the “strategy” pillar, we believe an issuer should disclose these metrics only when they opt to disclose climate-related opportunities. See also our response to question 4. Over the longer-term, as companies’ processes for evaluating climate-related opportunities mature, it may be appropriate to require such disclosure for certain entities.

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
- No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

We understand and appreciate the intent of the proposed disclosure to help investors and regulators understand the issuer's financial commitment to climate-related risks and opportunities. However, while issuers may conceive action plans to respond to climate-related risks and opportunities (e.g. a transition plan), we believe that it will require significant operational effort and cost to identify, measure and disclose all capital expenditure, financing or investment committed to executing such action plans. Separately, the current wording of paragraph 19 appears to require disclosure of such metrics regardless of whether an issuer opts to disclose climate-related opportunities. As these metrics will supplement understanding of the extent of the opportunities identified under the "strategy" pillar, we believe an issuer should disclose these metrics only when they opt to disclose climate-related opportunities. See also our response to question 4. Over the longer term, as companies' processes for evaluating climate-related risks and opportunities mature, it may be appropriate to require such disclosure for certain entities.

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

N/A

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
 No

Please provide reasons for your views.

N/A

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

No

Please provide reasons for your views.

We support the aim of the HKEX to build on established sustainability reporting frameworks with a reasonable degree of maturity such as the TCFD Recommendations and the SASB industry-specific disclosures. However, we note that there may be a need to consider further developments to cater for as broad a range of potential preparers as possible, and in particular to allow for differences across industries. AIA operates primarily as a life and health insurer where the business is exposed to mortality, longevity, and morbidity risks. The connection between climate change and these risks, especially in Asia, is currently unclear and lacks empirical support for its existence and magnitude; financial models for these risks to derive climate impact on enterprise value presents challenges which erodes the usefulness and relevance of such analyses for users. This is partly because the links between sustainability-related developments and factors such as life expectancy or rates of disease may be unclear, indirect or interrelated with other factors and risks. In the context of property and casualty (P&C) insurance, the correlation between climate change and its physical manifestations such as global warming and severe weather events, and the financial impact of such events on P&C insurance business benefits from a longer documented history and significantly more robust scientific backing. As P&C insurers (and their reinsurers) are primarily concerned with the coverage of liability and property protection from such events caused by climate change, we posit that the quantification of climate risks is aligned to the nature of P&C insurers but currently less relevant and reliable for life and health insurers. To address these specific challenges facing life insurers, it would be useful to have further clarity on the approach to climate resilience disclosures in situations where there is limited data and/or observable correlation between climate developments and financial impact – for example, to help preparers determine whether they are ‘unable to’ use climate-related scenario analysis, and what alternative techniques would be appropriate. The industry-based disclosure requirements proposed by SASB seem more relevant to P&C insurers. We strongly support development of distinct disclosure requirements for life and health insurers and P&C insurers. To address the aforementioned issue and to avoid a “tickbox-mentality” – for example by simply going through a long list of disclosure requirements, we would suggest that the industry specific disclosures are finalised as indicative and not as mandatory for all insurers. This is aligned with a principles based approach that reflects the particular circumstances of each insurer / reinsurer. As the SASB standards have been incorporated into ISSB S2 and could potentially be improved upon by the ISSB, HKEX should consider whether to refer to the ISSB S2 Industry-based Guidance instead of, or in addition to, SASB.

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
 No

Please elaborate.

Please refer to our response to Question 3 and our recommendation that Appendix 27 require that disclosures only reflect risks that can reasonably be identified based on information available at the time of reporting without undue cost or effort.

Question 28

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

- Yes
 No

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

- Yes
 No

Please elaborate.

The list below outlines our comments regarding the topics/matters which we would appreciate additional guidance on: – Regarding materiality, we would encourage greater clarity on the frame of reference for quantitative materiality assessments such as those referred to in our responses to questions 3 and 12; – Approaches to determining the current financial effect of climate-related risks and opportunities as referred to in our response to question 12; – Applicable guidance for calculating scope 3 emissions, including sovereign bonds and whether “Technical Guidance for Calculating Scope 3 Emissions” is applicable as referred to in our response to question 18.b; – A definition of “vulnerable”, specifically how an issuer can identify and measure assets or business activities “vulnerable” to physical and transition risks as referred to in our responses to questions 20.a and 21.a;

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?

- Yes
- No

Please share your views with us.

With regards to the new developments announced by the ISSB, we would like to outline the below items: Consistent with our commentary provided in response to ISSB's S1 and S2 exposure drafts, AIA questions the incorporation by reference of pronouncements and disclosures by other standard setters or entities (extracted below). These comments remain valid following the finalization of ISSB S2. In our view, it is reasonable for users and preparers to expect that the ISSB standards should be clear and comprehensive in their own right and that all requirements under the standards should be articulated within those standards directly. This ensures that the disclosure requirements (including any subsequent changes) are subject to the consistent and robust due process – that is one of the strengths of the ISSB. We are concerned that incorporating disclosure requirements by cross-reference may result in preparers being subject to disclosures proposed or made by parties that fall outside the scope of the ISSB (and potentially not subject to the same due process), which in turn may have unintended consequences or present challenges when stating compliance with the ISSB standards. This issue will also become exponentially bigger as more ISSB standards are produced in the future. While we understand the urgent need to develop and issue the ISSB standards, we believe that the longer-term goal of the ISSB should be to incorporate all disclosure requirements (and related measurement guidance) into the standards themselves. This would be in line with the approach taken to the TCFD recommendations, which have been incorporated directly into the ISSB EDs with appropriate modifications, rather than incorporated by reference. If this is not considered practical in the short term, we would recommend that any cross-referenced disclosures should not be mandatory, and that preparers should have discretion in whether to refer to such sources.

You are about to submit your response. If you would like to make any amendment prior to submission, you may navigate to the questions through the panel on the left (under the ≡ icon).

After submission, you can download a response summary in PDF format. If you would like to change your response after submission, please contact consultationsupport@hkex.com.hk by specifying the email address, contact person and phone number you have provided in this questionnaire.

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