

## **BritCham's Response to the HKEX Consultation Paper on Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework**

*Note: Respondents are asked to submit written comments by completing the [HKEX questionnaire](#).*

*Refer to **page 61-68** of the HKEX [Consultation Paper](#) when reviewing responses*

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**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\*:

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)

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### Questions

Question 1: Do you agree to upgrade climate-related disclosures to mandatory from “comply or explain”?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber supports the proposed upgrade of climate-related disclosures from “comply or explain” to mandatory. This approach is consistent with the exigency of the climate crisis, aligns with international best practice and is therefore needed for Hong Kong to maintain its position as a green finance hub.

The proposal is beneficial for both issuers and investors. It will encourage companies to include more climate considerations into their strategy and governance and help investors better assess the effect of climate-related risks and opportunities on a company.

The suggested interim provisions will help issuers implement changes that could be challenging for some organisations.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the introduction of new governance disclosures, such as on how a company’s leadership considers climate related risks and opportunities and risk management policies, as this will help investors make informed decisions.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree climate-related risks should be included as part of mandatory disclosure requirements, as this is critical to understanding broader business decision-making on climate-related matters.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that issuers may opt to disclose the actual and potential effects of climate-related opportunities they have identified in response to climate -related risks. Some flexibility on

opportunities may be needed for commercial reasons but this should align with the Exposure Draft IFRS S2 Climate-related Disclosures. The Exchange should consider providing further guidance on the format, and the level of detail etc. expected from issuers.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber agrees that an issuer should consider applicability of and disclose the metrics referenced under Paragraph 4 of Part D of the Proposed Appendix 27, including the transitional arrangements as proposed. There should be a distinction between physical (adaptation) risks and transition (mitigation) climate risks. Issuers and investors may benefit from a standardised set of emerging tools for quantifying climate-related risks, such as Climate Value at Risk (CVAR), Physical Climate Value at Risk (PCVAR) and Climate Transition Value at Risk (CTVAR).

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that disclosure of an issuer's response to climate-related risks be mandatory and that issuers can choose to disclose any climate-related opportunities as set out in paragraph 5 of Part D of the Proposed Appendix 27.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree issuers should disclose climate-related targets as set out in paragraph 6 of Part D of the Proposed Appendix 27, allowing investors to assess their transition plans.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that, for issuers who do not yet have climate-related targets in place, they should disclose their plan for setting targets so investors can understand how they intend to get to full disclosure.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the requirement for issuers to disclose progress towards climate-related targets annually as this allows investors to assess an issuer's progress in delivering on their targets.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that issuers should be required to assess and disclose the climate resilience of their business as this is an important part of enabling investors in their assessment. However, the Exchange should provide issuers with more clarity on the form this disclosure should take and the level of information expected.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that some form of climate related scenario analysis, tailored to the type and complexity of the business, should be required. Some forms of forward-looking information, particularly that of a financial nature, will inevitably be challenging to ascertain and we therefore recommend that sufficient flexibility is afforded to issuers to define a scenario

approach that works for their business. Further guidance for issuers on the preparation of disclosures and for investors on how to compare listed businesses would be beneficial.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber accepts that, in principle, issuers should be required to disclose current financial effects of climate-related risks and opportunities, but note that sufficient capacity building for accountants, legal and other special advisors and relevant stakeholders is critical for successful implementation. We recommend that the Exchange consider the provision of appropriate guidance, in consultation with the relevant professional service providers, and factor this into the implementation timeline.

It will be important that these professionals have the right capabilities and appropriate certifications, and it is worth considering how this is being done in other jurisdictions. Perhaps Hong Kong could also consider establishing a list of professional service providers in addition to the Big 4 accounting firms (e.g., the UK FCA has skilled person expert panels for regulated firms to select from by topic).

The Exchange should also provide issuers with more clarity on the form this disclosure should take and the level of information expected.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that qualitative disclosure during the interim period is appropriate, allowing issuers more time to ensure appropriate quantification.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that issuers should be required to describe the anticipated financial effects of their climate-related risks, and opportunities if this wish, and that this may be limited to a qualitative approach at this stage. It would be helpful if the Exchange were able to provide guidance on definitions and precise metrics.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that an interim period for full disclosure is appropriate. In this case, investors would benefit from an understanding of when the issuers intend to provide the information required in paragraph 11 of Part D of the Proposed Appendix 27.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that issuers should describe the process for determining, assessing, and mitigating climate-related risks, which will increase confidence in their risk assessment.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

Where an issuer opts to disclose climate-related opportunities we agree that a description of the process used to arrive at these opportunities is beneficial, as it is for risks.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the proposed approach for the disclosure of scope 1 and 2 emissions as this will enhance consistency and comparability of information for investors.

(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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber believes that this requirement increases the complexity of meeting disclosure requirements considerably, but we agree with the overall approach to disclosing scope 3 emissions. If issuers are to disclose the categories of significant upstream or downstream activities along their value chain that have been included in their scope 3 emissions calculation, the aim should be for this to be done in a consistent manner to maximise its utility to investors.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the proposed approach for interim disclosures of scope 3 emissions. Given the complexity, this is needed to allow issuers to develop the systems for collating the underlying data. It may be beneficial for the Exchange to seek further views from issuers on likely timescales in this area.

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?

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No

Please provide reasons for your views.

We only agree with the requirement to disclose the amount and percentage of assets or business vulnerable to transition risks, where this is a relevant metric for the business in question, as this requirement is likely to be challenging and highly subjective for some sectors. Further guidance on what constitutes a “significant” risk would be helpful.

Consideration should also be given to metrics, such as Modelled Annual Average Loss, Carbon Value at Risk or % of revenue at risk, which may be more useful for issuers and investors when evaluating businesses in many sectors.

(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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber agrees with the proposed interim disclosures as a way to provide investors with qualitative information during the Interim Period, whilst allowing the issuer to pull together the considerable quantitative data and input from relevant professional expertise needed for further disclosure, where relevant.

Question 21:

(b) 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?

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No

Please provide reasons for your views.

As above, for Question 20, we only agree with the proposed requirement to disclose the amount and percentage of assets or business vulnerable to physical risks, where this is a relevant metric for the business in question. This would provide investors with important details to aid in their assessment and encourage issuers to take physical risks into consideration, where relevant.

Consideration should also be given to metrics, such as Modelled Annual Average Loss, Carbon Value at Risk or % of revenue at risk, which may be more useful for issuers and investors when evaluating businesses in many sectors.

(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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber agrees with the proposed interim disclosures as a way to provide investors with qualitative information during the Interim Period, whilst allowing the issuer to pull together the considerable quantitative data and input from relevant professional expertise needed for further disclosure, where relevant.

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?

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No

Please provide reasons for your views.

We only agree with the requirement to disclose the amount and percentage of assets or business activities aligned with climate-related opportunities, where issuers choose to disclose opportunities and where this is relevant metric for the business in question.

As per our response on risks, above, the proposed metrics are likely to be difficult to measure for some businesses and/or not useful for investors in these cases. Consideration could be given to disclosure based on a relative scale of opportunities – i.e. high, medium, low.

(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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

As above, we agree with the proposed interim disclosures as they allow issuers to prepare and give investors available information in the interim.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber agrees with the proposed requirement to disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks (and opportunities, where relevant) as this demonstrates the issuer's commitment to executing its climate transition plan and provides investors with useful information to make their assessment. However, due to the risk of disclosure of market sensitive information, the Exchange should provide issuers with guidance on the format and level of information expected, as well as a taxonomy which can be used to identify climate-related capex expenditure.

(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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

As above, we agree with the proposed interim disclosures as they allow issuers to prepare and give investors available information in the interim.

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?

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No

Please provide reasons for your views.

The publication of details on internal carbon prices (beyond, whether an issuer uses an ICP and how it is used) may divulge commercially sensitive information. We recommend not to include this component in Part D of the Proposed Appendix 27. Issuers who do not face such commercial sensitivities and who wish to enhance their transparency by disclosing such information could still do so voluntarily.

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?

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the overall approach proposed for disclosure of how climate-related considerations are built into remuneration policy. The ability to take a flexible implementation approach is important, whilst maintaining corporate accountability and transparency.

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
<input checked="" type="radio"/>	No

Please provide reasons for your views.

We would suggest that this clause is not included as part of the Proposed Appendix 27 at this stage, as the development of international ESG reporting frameworks and ISSB's final standards are not yet complete. This avoids the potential need for further realignment in future and remains consistent with the fact that issuers are encouraged to consider these frameworks. The lack of specific guidance of how sector specific KPIs should be applied for diversified conglomerates, from either the international reporting frameworks or the Exchange, creates significant challenges for this category of business. Before ruling on this KPI, on behalf of these businesses, the Exchange should lobby for greater guidance to be provided by ISSB.

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
<input checked="" type="radio"/>	No

Please elaborate.

Not applicable.

Question 28: Do you have any comments regarding the topics/matters that we intend to give guidance on?

<input checked="" type="radio"/>	Yes
	No

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

<input checked="" type="radio"/>	Yes
	No

Please elaborate.

The Chamber recommends that more detailed guidance is made available by the Exchange, in the areas highlighted in our responses to the various questions in this consultation and informed through further engagement with issuers.

Ensuring sufficient capacity of relevant professional service providers are available to enable issuers to meet their disclosure requirements in a timely manner is critical and should be considered in the context of what an appropriate implementation timetable looks like.

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
<input checked="" type="radio"/>	No

Please share your views with us.

Not applicable.

ENDS