

Submitted via Qualtrics

Teneo Asia
Company / Organisation
Other (please specify)

Question 1

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

Yes

Please provide reasons for your views.

Given the need to supply investors with relevant, clear and timely information as to the significance and impact of climate change on businesses, and the increasing mainstreaming and recognition of TCFD as the primary mechanism for climate related financial disclosures, we support the HKEx recommendation to move to mandatory reporting.

This proposal will send a clear signal to listed companies that it is important they give due consideration to disclosing how climate change impacts will be an increasing aspect of their businesses and that, most importantly, they must build in climate resilience and mitigation strategies to their overall business planning and to quantify the likely financial impacts of such decisions.

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.

In its consultation paper, HKEx gives a comprehensive exposition of why governance around climate risk and related issues is a vital function of a company's Board and its management. This marks an important move that will undoubtedly focus minds. We routinely see examples of where a listed company Board does not fully understand the importance of ESG as it relates to members' roles and responsibilities and there is a need for greater awareness and specific training in this regard. Good governance is a vital component in enabling companies to address climate related risks and opportunities. We believe that for some, this will be a challenging step and there will need to be seismic shift in the capacity building and skills required to meet the new obligations. Potentially this may (positively) impact the future composition of Boards and, in due course, we expect to see this requirement playing an important role in the further integration of ESG in overall corporate strategy. All in all, we believe this to be a positive and necessary move which will further strengthen Hong Kong business performance in ESG.

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.

This is in keeping with the increasing importance and mainstreaming of TCFD as global best practice and is a reasonable requirement.

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.

We endorse the proposed approach. It is often (wrongly) assumed that climate-related issues are solely risks, or negative in terms of impact. When formulating their climate change strategies, HK listed entities should not only identify and account for the risks they face both in terms of physical and transitional risk, but also the opportunities that may be realised as a result of undertaking a comprehensive analysis of overall climate risks. Such a move will increase the likelihood that HK listed entities identify such opportunities early on and potentially develop competitive advantage in capitalising on these opportunities.

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.

As climate related risks become increasingly material for businesses and important to stakeholders and investors, it is important that listed entities give as much context, clarity and detail around their chosen metrics when it comes to disclosures. The recommendation would raise the standard of transparency and, as in previous sections, will further enhance the quality and importance of climate related disclosures in Hong Kong.

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.

Given the importance of understanding and accounting for climate related risks, it is vital that issuers make every effort to identify and quantify such risks in a way that supports the needs of investors and other key stakeholders. Requiring such disclosures is therefore a welcome step.

We also support HKEx recommendation to encourage issuers to identify, disclose and capitalise on any climate-related opportunities as well.

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.

To enable investors and other stakeholders to scrutinise the credibility and ambition set out in issuers' climate action strategies and plans, it is necessary for issuers to also report on the formulation, methodology and, importantly, progress in meeting specific targets related to such strategies and plans. This will further lead to a more robust approach to target setting and will contribute to holding listed entities to account.

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.

Given the pressing challenges of climate change, it is essential that issuers play their part and make every effort to set credible, robust and challenging climate related targets and these should be an important aspect of overall climate action strategies and plans. Whilst we acknowledge the HKEx observation that HK listed entities are at different stages in their sustainability maturity, it is important that HKEx tracks and monitors those companies that have yet to set or disclose climate targets and that the HKEx takes action where appropriate should companies delay or fail to make alternative disclosures in a timely manner.

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.

We support this proposal with the caveat that, ideally, listed entities should provide sufficient context and detail to their plans disclosed in the most recent reporting period. Ideally, they should also provide historical information to enable investors, analysts and other interested parties to assess an issuer's entire progress in addressing climate related issues over the short, medium and longer term and to consider whether such plans or progress are sufficiently ambitious or rapid in nature.

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.

This is arguably one of the most important aspects of the changes proposed by HKEx. Given this is fundamental to ISSB and TCFD we concur with HKEx that a clear and comprehensive discussion on the issuer's climate resilience is paramount. Without it, investors will be unable to make important and strategic decisions regarding investments, levels of risk exposure etc.

Question 11**Do you agree to require issuers to apply a climate-related scenario analysis that is commensurate with the issuer's circumstances, and to require disclosure of information on climate-related scenario analysis as set out in paragraph 9 of Part D of the Proposed Appendix 27?**

Yes

Please provide reasons for your views.

As noted by HKEx, at this point in their sustainability maturity, many companies may lack the necessary experience or expertise to undertake a full climate-related scenario analysis. HKEx has been pragmatic in this situation and the recommendation to require issuers to disclose information on climate scenarios does not appear overly cumbersome or difficult to achieve, with a likely ratcheting-up over time. In our experience, the sooner a company starts to work on potential scenarios (and they can start small), the more refined and stronger their approach will become over time, making the company better able to identify and manage climate risks. We endorse the use of scenario planning which is a powerful tool and plays a key role in helping business to think through and plan how they may need to adapt their business models or operations in accordance with possible climate change scenarios.

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.

This raises the current standard of disclosures and we support the recommendation.

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.

As noted in the consultation paper, this is in keeping with IFRS requirements and, whilst a general trend among issuers of a full quantification of financial impacts is still to develop, there is nonetheless an increasing expectation that quantitative information will eventually become the norm. It is therefore the right time to encourage issuers to start the process. HKEx has taken a pragmatic approach in allowing the use of interim disclosures which we support.

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.

Undoubtedly, it makes sense to understand a company's financial exposure to climate related risks. HKEx has rightly acknowledged the very real concerns of issuers in moving to forward-facing financial statements as required to disclose their climate-related risks, in sharp contrast to traditional financial reporting. We believe that HKEx has managed to strike a balance between giving investors and other stakeholders the information they need to make reasoned decisions around an issuer's financial exposure to climate risk and the needs of issuers themselves. However, we also caution that as this represents a major change in the nature of disclosures, it will take time for listed entities to become fully conversant in this type of reporting. Investors and analysts will need to exercise caution in interpreting such information, particularly in the initial reporting years.

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.

As in previous sections, we believe the HKEx has taken pragmatic steps to understand the impact of such changes on issuers, and the different stages of maturity in terms of sustainability among issuers, in giving them the ability to make interim disclosures.

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.

This raises the standard of disclosures, provides valuable context and granularity for investors and will add further credibility to allow stakeholders to understand how HK issuers identify, manage and mitigate climate risks.

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.

This is consistent with previous aspects of the consultation and we support the recommendation.

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.

Issuers in HK are already well versed in understanding and accounting for their scope 1 and 2 emissions. The new recommendation brings HK listed entities into alignment with ISSB and we do not believe this move will be unduly onerous.

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.

Undoubtedly, a best practice approach to measuring GHG emissions includes scope 3 and, as noted by HKEx, companies are increasingly seeking to understand and account for emissions within their value chains. However, the Exchange also acknowledges the challenges associated with scope 3 emissions. Our view is that HKEx proposals are in keeping with emerging practice and we support the approach.

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.

This underscores the increasing importance of scope 3 emissions and represents an appropriate approach.

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.

Given the importance of transition risks as part of a comprehensive approach to understanding, quantifying and addressing overall climate-related risk, it is desirable to require such disclosures in the new Appendix 27. Investors, in particular, need this information to make informed

decisions around the degree to which a company may be vulnerable to climate change and so this is a welcome step forward.

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.

HKEx has taken account of the time needed by some issuers to understand the implications of their exposure to transition risk. We therefore support the proposed interim disclosures.

Question 21(a)

Do you agree to require disclosure of the amount and percentage of assets or business activities vulnerable to physical risks as set out in paragraph 17 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

We support this recommendation. Increasingly, HK listed entities are making efforts to quantify their exposure to the physical risks of climate change. Increasingly we are seeing this information included in their annual sustainability reports or dedicated climate risk disclosures. Investors and other stakeholders need this information to make timely decisions around a company's overall climate risk exposure as part of their ESG performance in the round.

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.

This raises the quality of disclosure and seems a reasonable requirement.

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

Please provide reasons for your views.

Similar to reasons cited in other sections, this provides a welcome focus on those issuers that have not only identified their exposure to climate related risks, but that are also cognisant of the opportunities as part of the transition to a low carbon economy. The recommendation takes climate related disclosure in HK forward and we therefore support the proposals.

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.

Already covered in previous sections, this seems a reasonable requirement.

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.

We support this recommendation in principle as it underscores the need for transparency around issuers exposure to climate risk and the extent to which they are deploying capital towards climate related opportunities. This enables investors and other stakeholders to have relevant information as part of their decision making.

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.

The interim disclosure appears to be a reasonable requirement.

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.

We support HKEx in its efforts to place greater emphasis on climate related risks and opportunities as highlighted in the consultation document. We also encourage issuers to prioritise and provide more relevant, accurate and granular information around climate risks, in particular to meet the growing needs of investors and other stakeholders. In terms of carbon pricing, whilst disclosing an internal carbon price may be helpful for investors, issuers may be reluctant to provide significant details as this may be commercially confidential information, both in terms of specific carbon prices applied in an organisation and the extent to which this drives wider decision making. Going forward, we would encourage HKEx to work with listed entities to ensure that a balance is struck between transparency, having the necessary information and observing companies need to retain commercial /competitive information in some areas.

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.

This is a progressive step by HKEx and we support the recommendation on the grounds that there is increasing evidence to show the link between ESG performance and executive compensation. We agree with HKEx that this aspect could be included in the disclosures around governance and the role of the Board and management in decision making around climate related risks and opportunities.

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.

HKEx has sought greater alignment with emerging international best practice throughout this consultation and we broadly welcome the proposals. We concur with HKEXs recommended approach for industry based disclosures referencing GRI, SASB etc where feasible.

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?

No

Please elaborate.

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?

Yes

Please elaborate.

The rapid evolution of ESG in general and its growth in Hong Kong in particular implies that HKEx will need to continue to be proactive, pragmatic and offer guidance to listed entities as they seek to comply with the recommendations in the consultation. HKEx can play an important role as both a catalyst for change, an advocate for ESG and a supporter of overall good governance. Given the fast changing nature of international standards and codes on ESG, HKEx needs to play a role in ensuring that any changes which impact listed entities are fair and that companies are given relevant insights or training well in advance.

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.