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14 July 2023

Dear Sirs

**Consultation Paper on Enhancement of Climate Disclosure under Existing ESG Framework**

**Introduction**

We refer to the Consultation Paper on the Enhancement of Climate Disclosure under Existing ESG Framework (the "**Consultation Paper**") issued by the Hong Kong Exchange (the "**HKEX**") on 14 April 2023. Unless otherwise defined, terms used in this letter shall have the meaning ascribed to them in the Consultation Paper.

We welcome the HKEX's proposals to mandate all listed companies to make climate-related disclosures in their ESG reports, and introduce new climate-related disclosures. We appreciate that it is the Hong Kong SAR's mission to align with the International Sustainability Standards Board Climate Standard, which was built on the principles of the recommendations of the Taskforce on Climate-related Financial Disclosures (the "**TCFD**"). HKEX's proposals mark a significant milestone in achieving mandatory TCFD-aligned disclosures by listed companies by 2025. This will also bring consistency in respect of the ESG climate-related disclosure requirements amongst listed companies, financial institutions authorised by the Hong Kong Monetary Authority and fund managers regulated by the Securities and Futures Commission in Hong Kong.

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*Impact on enforcement / greenwashing*

We agree that specific, measurable standards should be articulated, such that companies are better able to understand their obligations and fulfil them.

In terms of greenwashing, if standards are "measurable, verifiable and credible" (as stated in para 75 of the Consultation Paper) then this will certainly mitigate greenwashing risk. If the HKEX can provide further concrete examples of what this entails in practice in the Implementation Guidance, then companies are more likely to be in a position to comply.

The same request would apply in respect of other areas where compliance may be more difficult to quantify – for example, climate resilience and risk management.

On the enforcement front, we would appreciate additional guidance and clarity in relation to how the SFC and HKEX intend to jointly regulate this space, noting for example that the additional disclosure requirements may lead to potential issues under section 277 or 298 of the Securities and Futures Ordinance, but correspondingly there may be Listing Rules breaches arising from inaccurate or misleading disclosures.

Furthermore, does the HKEX presently have any views regarding potential consequences for companies and directors as a result of non-compliance with the revised standards, particularly during the earlier period of post-implementation, such as a transition period during which potential non-compliance may be dealt with by way of further guidance and dialogue, rather than immediate enforcement action?

Yours faithfully

