

Submitted via Qualtrics

**Cathay Pacific Airways Limited
Company / Organisation
Listed Company**

Question 1

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

Yes

Please provide reasons for your views.

We support the proposed upgrade of climate-related disclosures from “comply or explain” to mandatory. Generally speaking, we believe that the proposal as outlined in the Consultation Paper would be mutually beneficial to both issuers and investors. The proposed approach aligns with international reporting standards and best practices and is therefore vital to achieving Hong Kong's ambition of being a green finance hub.

The suggested interim provisions will help provide issuers with adequate time to implement the proposed changes.

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.

We support the introduction of new governance disclosures, it is largely in-line with international practice and the TCFD and ISSB frameworks, as well as the current requirements as outlined in Appendix 27.

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.

We believe the disclosure of climate-related risks is critical to understanding the broader

business decision-making on climate-related matters. We are generally supportive of this proposal as it is in-line with international practice and the TCFD and ISSB frameworks. However, further clarification is required from the Exchange on the format of disclosure as well as the level of detail that issuers will be required to disclose, particularly in terms of any potential impact the risk may have.

For example, the Exchange should allow issuers to use a more flexible approach such as by disclosing risk and impact level through a rating scale (e.g., a 3-tier approach such as traffic light rating or high, medium, low) with accompanying description of the meaning of each tier, and how the assessment is linked to the issuer's enterprise risk management approach.

We expect this to be made clear (either in the Implementation Guidance referred to in Consultation Paper or in the CP itself). A lack of clear guidance in this regard would lead to confusion and inconsistent reporting in the market.

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 support the proposal that issuers may opt to disclose any actual and potential effects of climate-related opportunities they may have identified in response to climate-related risks. This proposal is in-line with international practice and the TCFD and ISSB frameworks. However, additional flexibility is required in terms of disclosure around potential opportunities given the inherent commercial sensitivity and confidentiality around such disclosure and to also align with the Exposure Draft IFRS S2 Climate-related Disclosures.

More guidance would also be required from the Exchange on the types of metrics they would consider as being of interest to investors in relation to measuring climate-related risks and opportunities.

We expect further guidance and clarifications to be made clear (either in the Implementation Guidance referred to in the Consultation Paper or in the CP itself).

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.

We generally support this proposal as it is in-line with international practice and the TCFD and ISSB frameworks. We agree that a business should consider the applicability and relevance of the metrics referenced under Paragraph 4 of part D of the proposed Appendix 27. However, additional guidance from the Exchange is required on the use of 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).

However, issuers should be given the flexibility, according to industry sector, to identify appropriate metrics and to disclose the reasoning behind their choice of metrics.

We expect further guidance to be made clear (either in the Implementation Guidance or in the CP itself).

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.

We support the proposal that disclosure of an issuer's response to climate-related risks be made mandatory and that issuers can choose (but is not obliged) to disclose any climate-related opportunities as set out in paragraph 5 of Part D of the Proposed Appendix 27. This proposal is largely in-line with international practice and the TCFD and ISSB frameworks, as well as the existing requirements as outlined in the current Appendix 27.

We expect the discretion around disclosure of opportunities be made clear (either in the Implementation Guidance or in the CP itself) to ensure consistency and avoid market confusion. Issuers should not be required to disclose what may amount to proprietary or commercially sensitive information.

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.

We support the proposal that issuers should disclose climate-related targets as set out in paragraph 6 of Part D of the Proposed Appendix 27. This proposal is in-line with international practice and the TCFD and ISSB frameworks, and it would allow investors to assess an issuer's transition plan.

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.

We support this proposal and the reasons set out in the Consultation Paper.

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 the proposal for issuers to disclose annually progress made towards their climate-related targets. It is also in-line with international practice and the TCFD and ISSB frameworks, as well as elements of the current Appendix 27.

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.

We support the proposal that issuers 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, further clarification is required from the Exchange on the form this disclosure would take, including without limitation, the content and the level of information issuers may be expected to make.

We expect this to be made clear (either in the Implementation Guidance or in the CP itself). A lack of clear guidance in this regard would lead to confusion and inconsistent reporting in the market.

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.

We support the view that climate scenario analysis is an integral part of any issuer's approach to climate risk assessment. The use of climate scenarios is also in-line with international practice and the TCFD, CDP and ISSB frameworks.

Issuers should be encouraged to disclose opportunities at a high level in a directional manner. However, we oppose the proposal to disclose detailed forward-looking information, particularly financial information, as such information is commercially sensitive and proprietary in nature and is likely to be difficult to quantify. Therefore, the Exchange should give issuers flexibility to determine a scenario analysis approach that works for their business.

We expect further guidance from the Exchange on the preparation of disclosures and for investors on how to compare listed businesses (either in the Implementation Guidance or in the CP itself).

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.

We support the proposal to disclose current financial effects of climate-related risks and acknowledge that such disclosure is consistent with the requirements under TCFD and ISSB as it relates to disclosure of current financial effects of climate-related risks. The provision of the grace period is appreciated.

In terms of the proposal to disclose, where applicable, climate-related opportunities, clear guidance from the Exchange on the basis of assessment is required. Issuers should be encouraged to disclose opportunities at a high level in a directional manner. Issuers should be provided with clear guidance on what the Exchange would consider as “applicable” which the Exchange would acknowledge must be driven by the facts in each case.

However, for reasons stated elsewhere in our response, we oppose the proposal to disclose detailed forward-looking information, particularly financial information. We feel strongly that any requirement for issuers to disclose commercially sensitive and proprietary information will not only impose an unfair burden on HK-listed issuers but may also have an intended impact in making Hong Kong’s requirement more onerous when compared with other established markets.

Given the necessary capacity building for accountants, legal advisors and other relevant support functions and stakeholders, which will be required for successful implementation, the Exchange should provide appropriate guidance, in consultation with the relevant professional service providers and market participants and factor any input they may have into the Implementation Guidance and related timeline. We expect the Exchange to provide clear guidance on the form this disclosure should take, the methodology and level of information required. A lack of clear guidance in this regard would lead to confusion and inconsistent reporting in the market.

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.

We support the proposal that during the interim period, disclosure of qualitative information is appropriate, allowing issuers more time to ensure appropriate quantification.

Our response to Question 12 above is repeated here in respect of quantitative disclosures.

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.

We support the proposal to disclose anticipated financial effects of climate-related risks and acknowledge that such disclosure is consistent with the requirements under TCFD and ISSB frameworks as it relates to disclosure of current financial effects of climate-related risks.

When disclosing the financial impact of climate-related risks, additional guidance is required from the Exchange on the use of 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). In the absence of this guidance, issuers' metrics may vary, which would increase the difficulty in using such data for any meaningful comparisons.

In terms of the proposal to disclose, where applicable, climate-related opportunities, clear guidance from the Exchange on the basis of assessment is required. Issuers should be encouraged to disclose opportunities at a high level in a directional manner. However, for reasons stated elsewhere in our response, we oppose the proposal to disclose detailed forward-looking information, particularly financial information. We feel strongly that any requirement for issuers to disclose commercially sensitive and proprietary information will not only impose an unfair burden on HK-listed issuers but may also have an intended impact in making Hong Kong's requirement more onerous when compared with other established markets.

We urge the Exchange to allow more flexibility to issuers in selecting appropriate disclosures for their business i.e., using Carbon Value at Risk or % revenue at risk expressed through a 3-tier approach (e.g., traffic light rating or high, medium, or low) with accompanying explanation of each tier.

We also agree that this may be limited to a qualitative approach at the interim stage. However, as this could lead to disclosure of market sensitive information, clear guidance should be provided by the Exchange on the form this disclosure should take, and guidance on definitions

and 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?

Yes

Please provide reasons for your views.

We do not support the proposal to disclose climate-related opportunities for reasons set out in our response to Questions [12] and [14]. If, however, the Exchange introduces this disclosure requirement as set out in paragraph 11 of Part D of the Proposed Appendix 27, we agree that an interim window be included in the CP to allow issuers to establish the necessary processes to measure and track the data that would be required.

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.

We support the proposal to disclose the process for determining, assessing, and mitigating climate-related risks, and acknowledge that this is consistent with the TCFD recommendations and will increase investors' 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?

Yes

Please provide reasons for your views.

We support the proposal that where an issuer opts to disclose climate-related opportunities they should also provide a description of the process used to arrive at those opportunities. This proposal would bring the Exchange's disclosure requirement in-line with other best-in-class stock exchanges and is consistent with the requirements of TCFD.

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.

We support the proposal to disclose scope 1 and 2 emissions as this will enhance consistency and comparability of information for investors. It would also bring the Exchange's disclosure requirement in-line with other best-in-class stock exchanges and is consistent with the minimum disclosure expectations of global investors and financial institutions.

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.

We support the proposal for issuers to disclose their scope 3 emissions data and calculation processes. The Exchange should provide guidance on the use of global standards in emissions calculations with reference to global standards or initiatives (e.g., Greenhouse Gas Protocol). The Implementation Guidance should cover the extent of the disclosure (e.g., 67% of value chain emissions as per the Science Based Targets initiative (SBTi)).

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.

We support the proposal for interim disclosures (during the interim period) in respect of scope 3 emissions.

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?

No

Please provide reasons for your views.

We do not think this proposal is necessary or appropriate. Whilst a disclosure on the nature of the transition climate-related risks for the business is ISSB and TCFD aligned, we do not agree with the proposed metrics, which are difficult to measure (if quantifiable) and do not provide any useful basis for investors or issuers to assess climate-related risks, as they do not explain the financial impact of the risks.

We believe the disclosure of climate-related transition risks and their impact on the financial performance of issuers is already well covered by other proposals under the Consultation Paper. This proposal would create significant burden to issuers without the corresponding benefit to investors or other users of the information.

When disclosing the financial impact of climate-related risks, additional guidance from the Exchange is required on the use of 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). In the absence of clear guidance, issuers' metrics will vary which would increase the difficulty in using such data for any meaningful comparisons.

We urge the Exchange to provide more flexibility for issuers to select the appropriate disclosures for their business i.e., using Carbon Value at Risk or % revenue at risk expressed through a 3-tier approach (e.g., traffic light rating or high, medium, or low) with accompanying explanation of each tier.

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?

No

Please provide reasons for your views.

We do not support the proposal to disclose the amount and percentage of assets or business activities vulnerable to transition risks, for the reasons outlined in our response to Question 20(a) of this Consultation Paper which are repeated in this response. If, however, the Exchange were to introduce the disclosure requirement for paragraph 16 of Part D of the Proposed Appendix 27, an interim window to establish the necessary processes to measure and track the data would be necessary.

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?

No

Please provide reasons for your views.

We do not think this proposal is necessary or appropriate. Whilst a disclosure on the nature of the physical climate-related risks is ISSB and TCFD aligned, we do not agree with the proposed metrics, which are difficult to measure (if quantifiable) and do not provide any useful basis for investors or issuers to assess climate-related risks, as they do not explain the financial impact of the risks.

We believe the disclosure of climate-related physical risks and their impact on the financial performance of issuers is already well covered by other proposals under the Consultation Paper. The proposal under this Question 21(a) would create significant burden to issuers without any corresponding benefit to investors or the market.

When disclosing the financial impact of climate-related risks, additional guidance from the Exchange is required on the use of 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). In the absence of this guidance, issuers' metrics may vary, which would increase the difficulty in using such data for any meaningful comparisons.

We urge the Exchange to provide for more flexibility for issuers to select appropriate disclosures for their business i.e., using Carbon Value at Risk or % revenue at risk expressed through a 3-tier approach (e.g., traffic light rating or high, medium, or low) with accompanying explanation of each tier.

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?**

No

Please provide reasons for your views.

We do not support the proposal to disclose the amount and percentage of assets or business activities vulnerable to physical risks, for the reasons outlined in our response to Question 21(a) which are repeated in this response. If, however, the Exchange were to introduce the

disclosure requirement for paragraph 17 of Part D of the Proposed Appendix 27, an interim window to establish the necessary processes to measure and track the data would be necessary.

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?

No

Please provide reasons for your views.

We do not think this proposal is necessary or appropriate. Whilst a disclosure on the nature of the climate-related opportunities is ISSB and TCFD aligned, we do not agree with the proposed metrics, which are difficult to measure (if quantifiable) and do not provide any useful basis for investors or issuers to assess climate-related opportunities, as they do not properly explain the financial impact of the opportunities. For example, a high percentage of assets or business units within the company may have climate-related opportunities, however, these opportunities may only represent a relatively low revenue-generating potential, rendering any comparison potentially misleading.

We urge the Exchange to provide more flexibility in terms of disclosure around potential opportunities given the inherent commercial sensitivity and confidentiality around such disclosure and to also align with the Exposure Draft IFRS S2 Climate-related Disclosures. Flexibility could include disclosure by rating the scale of the opportunities through a 3-tier approach (e.g., traffic light rating or high, medium, low.) with accompanying explanation.

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?

No

Please provide reasons for your views.

We do not support the proposal to disclose the amount and percentage of assets or business activities aligned with climate-related opportunities, for the reasons outlined in our response to Question 21(a) which are repeated in this response. If, however, the Exchange were to introduce the disclosure required for paragraph 18 of Part D of the Proposed Appendix 27, an interim window to establish the necessary processes to measure and track the data would be necessary.

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 agree with the proposed requirement to disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities, as this provides evidence of the issuer's commitment to executing its climate transition plan and provides the market with useful information to make their assessment.

However, due to the risk of disclosing 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. As issuers in Hong Kong may have operations in other jurisdictions, the Exchange should allow flexibility for the issuers to determine the form of taxonomy to be used.

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.

We support the proposal that if the Exchange were to introduce the disclosure required for paragraph 19 of Part D of the Proposed Appendix 27, an interim window to establish the necessary processes to measure and track the data would be necessary.

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 the proposal to disclose whether an issuer maintains an internal carbon price.

However, the publication of details on internal carbon prices (beyond, whether an issuer maintains an internal carbon price and how it is used) would involve the disclosure of proprietary and commercially sensitive information. We therefore recommend not to include this component of Question 24 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?

Yes

Please provide reasons for your views.

We support the proposal to encourage issuers to consider the industry-based disclosure prescribed under other international ESG reporting framework and that issuers may, on a voluntary basis only, disclose the relevant metrics that they use to assess executive pay. We agree that any disclosure must be done on a voluntary basis only, as it would allow issuers to take a flexible approach to implementation, whilst maintaining corporate accountability and transparency.

We expect the voluntary nature of this disclosure to be made clear (either in the Implementation Guidance or as a recommendation in the Proposed Appendix 27) and will be reflected correspondingly in Paragraph 1(e) of Part D of the Proposed Appendix 27.

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?

No

Please provide reasons for your views.

We do not think this proposal is necessary or appropriate and should not be included as part of the Proposed Appendix 27 at this stage, as the development of international ESG reporting frameworks and ISSB's final standards is 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.

We believe that whilst industry specific metrics can add value to climate-related risk assessment, this should be left to the individual issuer to define what is material to their business, so they should be free to apply industry specific KPIs where relevant.

In addition, it should be noted that there is a lack of specific guidance on how sector specific KPIs should be applied for diversified conglomerates (for example how would materiality and boundary setting work in relation to the industry specific KPIs), from either the international reporting frameworks or the Exchange, thereby creating further confusion and challenges for a significant number of issuers in Hong Kong. Before any conclusion can be reached on this proposal, we would strongly encourage the Exchange to lobby for greater guidance from 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

Please elaborate.

Please refer to our responses to other Questions raised.

Question 28

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

Yes

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

Yes

Please elaborate.

We recommend that a more detailed set of guidance is made available by the Exchange, in the areas highlighted in our responses to the Consultation Questions. This guidance should be informed through further engagement with issuers, industry groups, as well as international ESG reporting frameworks, who can explain the practicalities and challenges associated with capturing specific KPIs.

Ensuring that sufficient capacity of relevant trained professional service providers is available to help guide and enable issuers to meet their disclosure requirements in a timely manner is critical and must be taken into consideration by the Exchange in determining what an

appropriate implementation timetable should look like. We expect further guidance and consideration from the Exchange on this issue which will affect the market as a whole, as well as the desirability of Hong Kong as a listing venue.

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

Please share your views with us.

We do not envisage any specific issue, provided that sufficient time is given to issuers to become compliant, and the adoption is run consecutively.