

Submitted via Qualtrics

Asia Investor Group on Climate Change (AIGCC)

Company / Organisation

Non-governmental / Charitable Organisation

Question 1

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

Yes

Please provide reasons for your views.

Yes, it is imperative that the climate-related disclosures should be made mandatory. Most other jurisdictions within Asia have also been shifting to mandatory climate-related disclosures within their own ESG frameworks. This includes Singapore, where the SGX announced mandatory TCFD aligned climate-related disclosures in stages from 2022, reaching full implementation by FY 2024. This move will allow Hong Kong to remain competitive while the recently launched ISSB standards are expectedly adopted by most major Asian jurisdictions.

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?

Please provide reasons for your views.

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.

Linking the information disclosure on impacts of company on people, planet, environment, and economy as it relates to the issuer's business model, strategy and cashflows, its access to finance and its cost of capital alone, will be seen as inadequate by several stakeholders. Disclosure standards should aim to keep up with the growing information needs of stakeholders that will rely on these sustainability disclosures to make important decisions regarding investments, regulations, compliance, etc. Easy access to the necessary information pertaining to the direct impact of corporates on the people, planet and environment would facilitate faster alleviation of these risks and address related climate concerns. Investors in Asia are

increasingly expecting companies to adopt a double materiality approach regarding assessing materiality for information disclosure.¹ Several investors have mandates that are more holistic, extending beyond creating financial value alone and will therefore need access to various kinds of non-financial data regarding the impact of the business on the environment and society to make crucial decisions to support sustainability and the net zero transition.

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.

In alignment with TCFD, consideration and disclosure of climate opportunities should be made mandatory. This would serve to help investors and other financial market participants, to assess and price climate-related risks and opportunities better.

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.

An internationally aligned baseline of standardized metrics and targets should be used to ensure comparability, both regarding the progress of the organization itself, and with other organizations. These should prioritize metrics that connect to real world impact. These should include a range of metrics that are cross sector and sector specific. Common taxonomies should also be provided wherever practicable.

Defining a common set of cross-sector and industry specific metrics helps to promote consistency and comparability between reporting entities and within entity reporting over time. This should not restrict entities using additional metrics which they deem relevant to their circumstances, but rather provides a consistent baseline of comparable information.

The disclosure of consistent industry metrics and corresponding targets for emissions-intensive sectors is relevant for investors. Government established sector emissions pathways and targets are a practical means for financial institutions to achieve real-world emissions reductions, incentivizing and pivoting capital support to companies with best carbon performances within their sector, and financing the global economy's transition to net zero.

Over time, metrics should be reviewed in consultation with the investment industry to determine which additional finance-sector metrics are most decision useful and would support comparability and a level playing field.

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.

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.

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.

Yes, it is important that HKEX listed companies should eventually get to the stage where they are making climate-related targets in order to build investor confidence in the market. While it is understandable that not all companies will have the capacity at this stage to be able to make such targets, requiring interim disclosures on work plan, progress and timetable in the interim will ensure that all listed companies build their capacity in a transparent and credible manner. Several resources are available to companies on how to meet investor expectations on climate targets. For example, this report by the Investor Group on Climate Change (IGCC) sets out clearly investor expectations for corporate transition plans through five broad principles:

- Set comprehensive, science-based quantitative targets across all material emission scopes.
- Outline a strategy to deliver targets, identifying enablers and disclose quantifiable impacts.
- Set sector-specific commitments and actions aligned with 1.5 °C decarbonisation pathways.

- Ensure investment commitments (capital expenditures) align with targets.
- Commit to annual transparent disclosure and monitoring with external verification.

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.

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.

Yes. Clear disclosure on material physical risks, alongside proposed and ongoing risk management and adaptation strategies, will be essential to increase investor confidence and ensure maladaptation is avoided.

The 2022 TCFD status report highlights that disclosure of the resilience of companies' strategies under different climate-related scenarios continues to have the lowest level of disclosure across the 11 recommended disclosures. Mandated standards and regulatory guidance can help to address these gaps.

In addition to the guidelines set out in paragraph 8, we also recommend that HKEX include language to communicate how companies should be required to disclose a quantitative assessment in addition to a qualitative one, if applicable. This is stipulated by the ISSB requirements for companies to inform stakeholders on a company's "resilience of its strategy and business model in relation to its sustainability-related risks."

When adopting the new standards, it has been pointed out that companies newly starting their sustainability journey may benefit from quantitative criteria, as it requires less resource maturity capability.

While the paragraph covers this requirement to understand the company's resilience in terms of strategy and mitigation actions, emphasizing both a qualitative and quantitative assessment can better align HKEX's disclosure requirements with those of ISSB standards.

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.

Yes. Build on ISSB baseline for scenario analysis disclosure through standards and guidance. As a starting point, this should: promote use of standard scenarios such as IEA and NGFS scenarios and make clear that typically scenario analysis should include at a minimum 1.5°C scenario, a 1.5°C to 2°C scenario, 3+°C scenario and 4+°C scenario and require disclosure of rationale for bespoke scenarios.

Develop domestic climate scenarios and supporting data required for climate risk assessment and disclosure at a sector and regional level. Scenarios should cover both transition and physical risks (including both chronic and acute physical impacts). Scenarios utilized should be aligned with best practice global scenarios to support comparability.

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.

Yes, it is important for companies to assess and provide public access to this data, in alignment with TCFD.

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.

Yes, in the interim period, having access to even qualitative data would enable investors to understand and compare the extent to which companies are assessing and incorporating climate-related risks.

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.

Yes, it is important for companies to assess and provide public access to this data, in alignment with TCFD.

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.

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.

Yes, the requirement clearly reflects that of ISSB standards. However, the risk management approach in the HKEX disclosure does not include a requirement for companies to explain how an entity uses climate-related scenario analysis to identify relevant risks. As this is one of the risk management processes listed in the ISSB standards, we recommend including this in the requirements to best align with ISSB disclosure guidelines.

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.

While the requirement in paragraph 12(b) makes such disclosure appear to be optional, the ISSB standards clearly require companies to make such disclosures. Understanding the process used to identify, assess and manage climate related opportunities, would serve to build credibility of the climate-related opportunities data put out by companies.

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.

Yes. However, the option to apply protocol prescribed by local legislation for measuring GHG emissions may lead to difficulties in comparability of data. We would advise prescribing the applicability of an internationally aligned protocol such as the GHG Protocol Corporate Accounting and Reporting Standard for measuring scope 1 and 2 emissions.

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.

Yes, requiring companies to understand the emissions associated with the various activities along the value chain is necessary, especially as this is a central feature in the newly released ISSB standards, which stipulate that companies will be required to report their Scope 3 emissions. However, the option to apply protocol prescribed by local legislation for measuring GHG emissions may lead to difficulties in comparability of data. We would advise prescribing the applicability of an internationally aligned protocol such as the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. for measuring scope 3 emissions.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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?

Please provide reasons for your views.

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.

It should be noted that the requirements for internal carbon pricing under the TCFD is far more comprehensive than what is set out in paragraph 20. It should include the following:

- Assumptions made about how carbon price(s) would develop over time (within tax and/or emissions trading frameworks);
- Geographic scope of implementation;
- Whether the carbon price would apply only at the margin or as a base cost;
- Whether the price is applied to specific economic sectors or across the whole economy, and in what regions;
- Whether a common carbon price is used (at multiple points in time) or differentiated prices; and
- Assumptions about scope and modality of a CO2 price via tax or trading scheme.

While it is understandable that maintaining an internal carbon price has not been mandated at this stage keeping in mind the absence of a mature carbon market in Hong Kong, where it is available, the above-mentioned disclosures should be required.

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.**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.

While it is important that the HKEX encourages the adoption of internationally recognized standards where it doesn't have domestically developed ones, companies would benefit from a

clear guide on the available standards, and their salient features. It should be noted that SASB currently does not provide any cross-industrial metric (those applied consistently across all industry).

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?

Please elaborate.

Question 28

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

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

Please elaborate.

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?

Please share your views with us.