

Submitted via Qualtrics

**Anonymous
Company / Organisation
Investment Manager**

Question 1

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

Yes

Please provide reasons for your views.

Agreed, emphatically. While not every climate-related risk or opportunity will apply to every company, or be material for every company, the same can be said about mandatory financial disclosures, yet all companies are expected to report on all financial metrics in IFRS whether or not they're material for that quarter, year, or company.

It's increasingly clear that exposure to physical risks can apply to any company, even if it's in a geography that isn't terribly vulnerable, in the age of global value chains. We know from experience that if companies make voluntary calls on materiality they are more likely to opt for calling something non-material. Moreover, we know that estimates of the potential losses from climate-related events are almost always extremely low when compared to what actual damages are, when experienced. All of this argues for making the disclosures mandatory, so that companies' judgments are not a factor in how much information is available to investors, who may have different views on materiality.

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 would also like to see here is a description of how companies provide for feedback and comments from shareholders on climate risks--besides simply having an investor relations function to field questions. Are there specific ways that shareholder can interact with the board regarding governance of climate risks and opportunities?

Also, climate lobbying by some companies is becoming an issue of increasing concern to global institutional investors. For this reason, we would also like to see companies to include a description in their ESG reports of any climate-related lobbying they have undertaken (if any) over the previous year and how this is aligned with their carbon-reduction commitments.

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.

However, we feel the Exchange should define short, medium, and long term. For example, for sell side analysts, "long term" can be as short as a year. It would be good for the exchange to set out the actual timeframes, rather than leaving the choice of what fits into what timeframe to individual companies.

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?

No

Please provide reasons for your views.

Agree some companies may have not identified opportunities at this stage but given the significance of climate-risk, issuers should be required to disclose with no option to opt-out.

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.

This will give investors more info as how the risks are measured.

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.

As we believe it gives investors more ability to assess the reliability and genuineness of any commitments to the low carbon transition.

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.

Target are important for investors to measure the commitments and track the progresses made by issuers. We also like the flexibility provided in this proposal.

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.

On the condition that there will be a specific time period for provision as commented above.

We would also like to note that offsets are different than avoided emissions. Most of the prose in this section is applicable to offsets, but not necessarily to avoided emissions. Given that there's no officially recognized definition and protocol for reporting on avoided emissions at the moment, it would be useful for this document to include at least some discussion of what attributes should be reported on, for avoided emissions. In particular, avoided emissions are all in the future, so they all have to be compared with some baseline, like, for example, RCP 4.5.

If the HKEX is going to suggest reporting on avoided emissions, perhaps it would be good to specify that whatever baseline is used to gauge avoided emissions be specified in the reporting: that is, an avoided emission is always going to have to be "additional" to whatever is assumed in some future scenario.

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.

Progress is important for investors to measure the commitments and track the progresses made by issuers.

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.

Climate resilience has been proved to be an important source of long-term profit-making of companies. However, we admit that resilience is a tough thing to get precise estimates for, as are future damages for some hypothetical event. There's a lot of evidence that damage estimates are often woefully low compared with actual costs. The Exchange may need to provide more guidance on this and track record the gap between previous disclosure and actual damages.

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 suggest some timeframes for complete analysis based on company size, like the US SEC's climate disclosure proposed rule does, giving longer runways for full reporting to smaller companies. For example, two more years for SMEs to fully report. So, 2027 for large caps and 2029 for SMEs.

If there's any mandatory scenario, we think it should be no lower than 2C.

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 expect that next step is for the financial effects to be verified or audited by a third-party.

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.

If companies cannot provide quantitative information for the time being, we require the qualitative disclosure to be clear and specific. Many Asian companies tend to make vague commitments and claims when making qualitative disclosures. Also, if some information is currently material, it should have been accounted for in the financial statements in line with HKFRS.

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, particularly with respect to things like heat. Studies have shown that heat saps productivity, and while the effects over one or two-year period may be immaterial they're cumulative, and can get consequential very fast.

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 understand the difficulties, and dependency on assumptions--but disclosures of what the assumptions are behind any forward-looking statements on anticipated effects is still quite useful reporting. If there's no reporting, not only do we not know what assumptions were used, we don't even know if the company has made any attempt to assess vulnerabilities and future costs.

This is another chicken-egg situation. We should ask companies to disclose so that all stakeholders could discuss if their projection models are reasonably set then improve from there.

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.

Despite the difficulties of assessing risks and specifying what steps are being taken to manage risks, without information investors have no way to assess whether companies are even aware of these risks. We think the current level of disclosure made by HK-listed companies is inadequate for investors to assess if and how a company has been managing its climate-related risks.

Regulators in other jurisdictions are also upgrading their requirements. For example, some state PUCs in the US are requiring utilities to put in place physical risk plans, especially after climate-related events already cost one California utility dearly, when PG&E declared bankruptcy because of wildfire liabilities. The only reason we have them for utilities is because a regulator is requiring such disclosure.

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?

No

Please provide reasons for your views.

This should be a disclosure all issuers need to make as this is the first-step to manage climate-related 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?

Yes

Please provide reasons for your views.

Scope 1-2 should be mandatory for all issuers.

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 reckon it might be appropriate to establish longer runways for mandatory reporting to kick in for issuers with more complex scope 3 emissions.

HKEX typically does not take a sectoral/company size approach to introducing new rules. Instead it seeks to treat all issuers equally, arguing with some justification that if a company is big enough to be listed it should be able to meet the listing rules. But in this case, if the HKEX is willing to consider a sectoral-based phase in approach, maybe it could be applicable to sectors that produce more carbon emissions in this regard, such as finance, food, forestry, energy, construction, heavy industry?

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 think it might be worth considering different lengths of interim periods for large and small companies. In this case, though, it might be better to have longer periods for larger companies, or any industries with particularly complex 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?

Yes

Please provide reasons for your views.

Companies should provide the assessment methodology for investors to take into account.

However, it is not clear if the disclosure includes vulnerabilities in key nodes along the companies' value chains.

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.

This is material info for investors to measure the possible financial effects of transitional risk.

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.

Companies should provide the assessment methodology.

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.

Because this is material info for investors to measure the possible financial effects of transitional risk.

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.

However, we feel the definition of alignment needs to be more specifically disclosed by issuers.

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.

Similar to the last question, we feel the definition of alignment, hence how the metrics were chosen needs to be more specifically disclosed by issuers.

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 also think it would be better to have a return measure on such investments.

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.

This will be useful information to help investors understand how the capex is spent and how the horizon is determined.

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.

This is important info for investors to understand how significant the carbon prices are. Companies should also disclose how the prices are applied.

There are a few companies that already disclose internal carbon prices, but without knowing what they apply those prices to (like capex decisions) much of that could just be greenwashing-- like ExxonMobil's reported \$60/tonne carbon price, which apparently is applied to nothing important at the company.

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.

Yes, strongly agree. The link of remuneration is a big motivation for management/directors to take the targets set seriously. So far, we haven't observed this in most companies in Asia.

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.

Both GRI and SASB are tested standards to provide industry-based disclosure requirements and have already been widely used by leading HK-listed companies.

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.

We have noticed the apparent lack of coordination between HKEX and the Hong Kong Institute of Certified Public Accountants (HKICPA), which covers the HKFRS and formally charged with introducing ISSB standards into the city, in issuing this consultation. We understand that HKICPA will be undertaking its own consultation on ISSB in the coming months, with a view to releasing standards as soon as possible thereafter. We feel any differences between the HKEX and HKICPA requirements could create a degree of confusion in the market and reporting challenges for locally incorporated HK-listed companies that follow HKFRS.

We trust that HKEX, the Securities and Futures Commission, and the Hong Kong Government will clarify the relationship between these two sets of standards and the degree to which the new HKICPA standards are mandatory or voluntary.

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.

For the industry-based metrics, it is not clear if carbon offsets are used. If used, we would like to see information on their price, verification or assurance, permanence, leakage, and additionality. We also want to see if offsets or participation in voluntary carbon markets plays any role in transition plans, that those offsets be fully characterized in the terms aforementioned.

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 think this consultation is mostly consistent with the S2 conclusion just announced. In practice, we understand that HK companies need longer vesting period than US and European markets.

It is also worth highlighting that this consultation has not covered the IFRS S1 on General Requirements for Disclosure of Sustainability-related Financial Information. While we are encouraged by the HKEX's initiative to make climate reporting mandatory in Hong Kong. We believe international investors are also looking for HK to adopt both IFRS S1 and S2 as soon as possible. We look forward to commenting on a further amendment of the ESG Reporting Code in the near future once more coordination with the HKICPA is in place.