

Submitted via Qualtrics

**CLP Holdings 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 Stock Exchange of Hong Kong Limited's (the Exchange) proposal to upgrade climate-related disclosures from "comply or explain" to mandatory. This is in line with international best practice and reflects the gravity of the climate crisis.

For investors, the proposal will help them assess the effect of significant climate-related risks and, where applicable, opportunities on an entity's enterprise value. This would be crucial to consolidating Hong Kong's position as a green finance hub, given that more and more markets around the world are strengthening their guidance or regulations on sustainability and climate-related disclosures.

For issuers, such disclosures will encourage them to further integrate climate considerations into their corporate thinking and business strategy by, for instance, establishing appropriate governance and risk management, as well as disclosing their climate strategy and metrics on how to measure related performance. This will ensure that publicly listed companies provide full, fair, and truthful disclosure about material climate risks and, where applicable, opportunities.

To help enhance the credibility of climate and broader sustainability-related information disclosed, the Exchange may also consider requiring issuers to obtain at least limited assurance for their disclosures in the next two to three years. To allow time for capacity building for both issuers and related service providers, this could be phased in according to company size and/or industry. Companies with larger market capitalisation and/or operating in higher-emitting industries could be subject to such a new provision first.

Also, the suggested interim provisions and period would facilitate issuers in making the transition. It would be helpful if there could be more specific guidance regarding what would constitute as the appropriate and expected level of "description" or qualitative disclosures.

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 introducing new governance disclosures as these are fundamental components for effectively implementing climate strategy and risk management. For instance, disclosures on how the Board and its committees consider climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management policies would help investors make informed decisions.

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 agree to include climate-related risks as part of mandatory disclosure requirements, given that this aspect is core to understanding broader business decision-making on climate-related matters. The proposed focus on the climate-related risks which could reasonably be expected to have a material effect on an issuer is also appropriate.

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 to make the disclosures of the actual and potential effects of any climate-related opportunities on issuers optional to provide flexibility for issuers in consideration of their business operations.

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 agree that as set out in paragraph 4 of Part D of the Proposed Appendix 27, an issuer should consider the applicability of and disclose the metrics referenced in paragraphs 13 to 22 also of Part D under “Metrics and Targets” when assessing and making disclosure of climate-related risks and opportunities.

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 requiring issuers to disclose their response 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. This could enhance corporate transparency while providing flexibility for issuers in consideration of their business operations.

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 agree that issuers should disclose climate-related targets as set out in paragraph 6 of Part D of the Proposed Appendix 27 to enable investors to judge the credibility of their 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 agree that issuers who are yet to have climate-related targets in place should disclose their work plan for setting such targets to enhance their transparency.

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 agree that issuers need to report progress made in the most recent reporting year in respect of plans disclosed in accordance with paragraph 7 of Part D of the Proposed Appendix 27. The progress reported would provide valuable information for investors to assess an issuer's credibility of delivering on its transition plans.

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 agree that issuers should be required to assess and disclose the climate resilience of their business strategy so that investors could evaluate potential climate-related impacts on the issuer's assets and business activities.

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 agree that issuers should apply scenario analysis that is commensurate with the complexity of the business. However, the effect of climate-related risks and, where applicable, opportunities on an issuer's cash flows, access to finance and cost of capital would likely be challenging to ascertain and get assured by an independent auditor, in particular if forward-looking information is sought. Further guidance in this area would be helpful for issuers to prepare the disclosures and for investors to understand the scenarios, when comparing listed businesses.

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 agree in principle with the proposal that issuers should be required to disclose current financial effects of climate-related risks and, where applicable, climate-related opportunities. However, it is noteworthy that capacity building for issuers, accountants and other relevant stakeholders would be crucial for the successful implementation of this proposal. Comprehensive guidance on how to conduct such an assessment would be needed, as would an appropriate timeline to ensure robust implementation.

Furthermore, it would be helpful for the Exchange to clarify as to where the proposed disclosures of current financial effects of climate-related risks and, where applicable, climate-related opportunities should be made, be it in the financial statements of the Annual Report and/or in the Sustainability/ ESG Report.

We would recommend that such disclosures should only be made mandatory in the financial statements in consideration that the Exchange also proposes issuers account for climate-related matters in the financial statements in accordance with the requirements under HKFRS, IFRS, CASBE or the alternative overseas financial reporting standard acceptable to the Exchange.

It is also recommended that the Exchange make assurance for such disclosures mandatory, in order to ensure robustness of the information conveyed to 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 agree that qualitative disclosure on financial effects during the interim period is appropriate, balancing the investor's expectation for enhanced transparency and the likely possibility that more time would be needed for issuers to ensure appropriate quantification.

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.

It would be appropriate to require issuers to qualitatively describe the anticipated financial effects of their climate-related risks and opportunities, where they wish to disclose the latter, at this stage, considering that widely accepted methodologies for quantification are not yet available. More guidance on how to assess the likelihood/ significance of climate-related risks and, where applicable, opportunities; how such disclosures should interrelate with relevant accounting standards; and how to define R&D expenditure, would be recommended to ensure the credibility of issuers' disclosures and their comparability.

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 agree that an interim period for disclosing the anticipated financial effects of an issuer's climate-related risks (and where they choose to disclose opportunities) is appropriate. In that case, issuers should provide a work plan to close the disclosure gap.

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 agree that issuers need to describe the process for determining climate-related risks. Without such disclosure, the risk assessment output itself would have lower credibility.

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.

If issuers opt to disclose any climate-related opportunities, it is recommended that they also report 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 in order to facilitate investors and other stakeholders' understanding of the significance and management of the disclosed opportunities.

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 agree with the proposed approach for the disclosure of scope 1 and 2 emissions. This will develop consistency amongst reporting entities and provide comparable information for investors.

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 proposed approach for the disclosure of scope 3 emissions, focusing on the categories significant to an issuer's operations. Requiring issuers to disclose the categories of significant upstream or downstream activities along their value chain that have been included in their scope 3 emissions calculation will help investors and other stakeholders better assess the issuer's environmental impact and related risks. Further consistency on the issuer's reporting approach will also be expected with this proposed change, providing comparable information for investors.

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 agree with the proposed approach for the interim disclosures in respect of scope 3 emissions, to enable issuers to develop the internal systems for collating the relevant data.

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.

We support the proposed requirement to disclose the amount and percentage of assets or business activities vulnerable to transition risks. This will provide important details for investors on risk assessment and for issuers to develop a coherent, long-term business strategy, taking transition risks into consideration. There should be further guidance on the measurement basis for the amount and percentage of assets or business activities vulnerable to transition risks, for example, book value, revenue or energy capacity in the case of power companies, and how these should be defined.

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.

We agree with the proposed interim disclosures as this will help investors and other stakeholders track the issuer's progress and review the qualitative description during the Interim Period while allowing the issuer to collate the quantitative data needed for further 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 the proposed requirement to disclose the amount and percentage of assets or business activities vulnerable to physical risks. This will provide important details for investors on risk assessment and for issuers to develop a coherent, long-term business strategy, taking physical risks into consideration. There should be further guidance on the measurement basis for the amount and percentage of assets or business activities vulnerable to physical risks, for example, book value, revenue or energy capacity in the case of power companies, and how these should be defined.

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.

We agree with the proposed interim disclosures as this will help investors and other stakeholders track the issuer's progress and review the qualitative description during the Interim Period while allowing the issuer to collate the quantitative data needed for further disclosures.

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.

We support the proposed requirement to disclose the amount and percentage of assets or business activities aligned with climate-related opportunities, as this would provide guidance for investors on the extent to which an issuer is aligning its business with climate considerations. There should be further guidance on the measurement basis for the amount and percentage of assets or business activities aligned with climate-related opportunities, for example, book value, revenue or energy capacity in the case of power companies, and how these should be defined.

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.

We agree with the proposed interim disclosures as this will help investors and other stakeholders track the issuer's progress and review the qualitative description during the Interim Period while allowing the issuer to collate the quantitative data needed for further disclosures.

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 would substantiate an issuer's commitment to execute a climate transition plan in monetary terms and provide key information for investors' assessment of the issuer's approach.

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 agree with the proposed interim disclosures as this will help investors and other stakeholders track the issuer's progress and review the qualitative description during the Interim Period while allowing the issuer to collate the quantitative data needed for further disclosures.

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?

No

Please provide reasons for your views.

As the proposed clause only requires issuers who maintain an internal carbon price to disclose the price and explain how it is being used in their decision-making, it would be more equitable to simply not include this component in Part D of the Proposed Appendix 27. The issuers who wish to enhance their transparency on business decision-making by disclosing such information could still do so voluntarily without this proposed requirement. Furthermore, introducing such a mandatory requirement may detract issuers from instituting an internal carbon price in the first place, given the additional disclosure burden and the potentially market sensitive information such disclosure may entail.

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 agree with the proposed approach for the disclosure of how climate-related considerations are built into remuneration policy, as it allows for a flexible approach for implementation while maintaining corporate accountability and transparency.

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.

As it is proposed that issuers are just encouraged to consider the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards, we would suggest not including this clause as part of the Proposed Appendix 27. According to IFRS S2 Climate-related Disclosures and its accompanying documents announced by the ISSB in June 2023, the SASB Standards only form the basis of the accompanying Industry-based Guidance on Implementing IFRS S2 but not included in IFRS S2 itself. As stated by the ISSB, this industry-based guidance has been derived from the SASB Standards while it is not part of IFRS S2. The Exchange may consider incorporating and/or cross-referencing to the guidance accompanying IFRS S2 in its implementation guidance for Hong Kong issuers where appropriate.

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.

Not applicable.

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.

To facilitate issuers' disclosures and help provide comparable, consistent information for investors, we would appreciate further guidance on the following topics:

- Quantitative disclosures of an issuer's current and anticipated financial effects of material climate-related risks and, where applicable, opportunities;
- Quantitative disclosures of an issuer's amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities;
- How issuers should prepare "forward looking" statements, and ensure that the statements will be well substantiated or based on the reasonable belief and analysis of issuers' management;
- Disclosures of the climate-related scenario analysis used to assess the effect of climate-related risks and, where applicable, opportunities on an issuer's business model, strategy and cash flows, its access to finance and its cost of capital, and the resilience of its strategy and business model; and
- Regarding interim provisions, further guidance on what would constitute as the appropriate and expected level of "description" or qualitative disclosures.
- The Exchange may also consider providing guidance on assurance of climate and sustainability-related information. Both issuers and related service providers could benefit from capacity building in this area.

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 look forward to updates from the Exchange on how the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information will be dealt with for Hong Kong issuers, and whether further amendments to Appendix 27 can be expected in the near future.