



羅兵咸永道

Hong Kong Exchanges and Clearing Limited
8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

14 July 2023

Dear Sir or Madam,

RE: Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework

We are responding on behalf of PricewaterhouseCoopers (PwC) to the Consultation Paper “Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework” (Consultation Paper).

We at PwC appreciate the efforts you (The Hong Kong Exchanges and Clearing Limited / HKEx) have taken in your extensive research and outreach to gather views from the market and absorb developments in international practices. We also appreciate the extensive effort you have spent on enhancing sustainability disclosures and how you have thoroughly considered the comments from the market.

We appreciate your starting point is the International Sustainability Standards Board’s (ISSB’s) IFRS Sustainability Disclosure Standards. You are also following the four-pillar structure under the Task Force for Climate-related Financial Disclosures (TCFD) and the IFRS Sustainability Disclosure Standard S2 “Climate-related Disclosures” Exposure Draft and as supplemented or modified by redeliberation (IFRS S2). This reflects your desire to ensure Hong Kong issuers can inter-operate with other sustainability standards, to the furthest extent practicable.

Your decision and timing to issue the Consultation Paper ahead of ISSB issuing the finalised IFRS S2 is commendable. Doing this will allow more time for issuers to familiarise themselves with the new requirements and the opportunity to consider the ISSB’s final IFRS S2.

We agree with your overall direction. However we do have some comments and suggestions. I will outline these below and elaborate on them in my answers to your consultation questions submitted via the online portal.

Global positioning and roadmap to convergence with ISSB standards

We understand you are proposing, after considering market feedback, certain interim provisions, which will be lapsed in 2026. We agree with these proposals. In addition, you are providing deviations from the ISSB standards. We believe some of these deviations, such as ‘referencing to other international ESG reporting frameworks such as SASB Standards and GRI Standards for industry-specific metrics’ and ‘climate-related considerations impact remuneration policy’, are well justified given the current timeframe and match the Hong Kong issuers’ specific circumstances at present.

However, other deviations, such as ‘disclosures relating to opportunities and anticipated financial effect’, could probably be mitigated simply by including them as ‘disclose if applicable’ or interim provisions. Please refer to our response to Questions 4, 6, 12, 14 and 17 for more information.

Following a roadmap with specific timeframe for full convergence with the ISSB standards will bolster Hong Kong’s status as one of the most advanced capital markets in the world.

We understand HKICPA has plan to adopt the IFRS Sustainability Disclosure Standards as the HKICPA’s sustainability reporting framework on a fully converged basis, and we encourage HKEx and HKICPA to provide clarity for companies in Hong Kong, with many have listed and non-listed companies, an effective way to make their ESG disclosures with a harmonised approach and how companies can apply this upcoming HKICPA’s sustainability reporting framework, once issued, in conjunction with the Proposed Appendix 27.

Concerns about deviations from IFRS S2

We understand that having taken into account the concerns expressed by the market, you intend to deviate from IFRS S2. I would like to share our views about some of these deviations, such as:

- *Making disclosures of information about climate-related opportunities and industry-based disclosures as optional*
- *Not requiring to disclose quantitative information relating to anticipated financial effects*

We would recommend that you make these disclosures mandatory but introduce interim measures to accommodate those companies not yet ready to disclose their information about climate-related opportunities and anticipated financial effects. The companies applying these interim measures should disclose their plans and timeframe for making their full disclosures. Please refer to Questions 4, 6, 12, 14 and 17 for more about this.

Key concepts included in IFRS S1

Even though you plan to guide issuers on disclosing comparative information for metrics and climate-related financial information (updating comparatives when historic estimates have changed), certain concepts in S1 may not be apparent in Appendix 27. Here are some concepts in S1 that require further guidance in Appendix 27:

- explanation of fundamental concepts like sustainability, materiality, significant vs. material
- the concept of reasonable and supportable information that is available at the reporting date without undue cost or effort
- exemption from the disclosure of commercially-sensitive information
- disclosures of judgements and estimation uncertainties that have the most significant effect.

Some of these concepts would provide further relief to application. We suggest that you consider ways to incorporate these concepts into Appendix 27 to the furthest extent possible. Please refer to our response to Question 27 for more on this.

The IFRS Sustainability Disclosure Standards are the foundation of Appendix 27. In that context, if cross-industry requirements in Part D and/or the Implementation Guidance require further guidance, there should be an explicit statement requiring issuers to refer to the IFRS Sustainability Disclosure Standards (i.e., ‘shall apply’ or at least ‘shall consider’). Please refer to our response to Questions 18 and 27 for more on this.

While we agree HKEx’s climate-first approach, we encourage the HKEx to prioritise alignment with IFRS S1 following the integration of IFRS S2 into the Proposed Appendix 27, as well as staying close with other ISSB developments, such as the projects on biodiversity, human capital.

Our rationale for making these requirements mandatory

While we commend your readiness to respond to concerns expressed by the market, we recommend making these disclosures mandatory with interim measures for these reasons:

Firstly, information on opportunities is as useful as information relating to risks for users when forming their investment decisions.

Secondly, making it an interim provision rather than an optional disclosure would encourage issuers to enhance their disclosure performance and meeting investor expectation, after all, some companies have been disclosing this information.

Local implementation guidance

It is essential that local guidance that you publish should be as practical as possible for entities listed in Hong Kong with different sizes and industry focused. Also, there are application guidance and accompanying guidance issued by IFRS that we suggest HKEx to consider adopt some of them in the proposed Appendix 27. Please refer to our response to Question 28 for more on this.

Safe Harbour / Liability protection

It is widely acknowledged that data availability and quality are today's major challenges in providing sustainability information globally, for example, scope 3 emissions and scenario analysis rely on third-party data and involve estimates. To ease their concern on providing information, we would suggest that you work with the Securities and Futures Commissions (SFC) to consider incorporate similar provisions to encourage issuers providing high quality sustainability-related disclosures.

Assurance

Information that investors and the broader stakeholders rely on to make decisions should be as accurate and as timely as possible. Against this backdrop, it is also the trend globally for regulators to continue tighten their requirement on assured sustainability disclosures. We note that IFRS S2 has included languages indicating verified data is preferred and the recent consultation launched by the SGX has a timeline mandating on third party assurance over scope 1 and 2 emissions data. The prevailing Appendix 27 stipulates that 'issuers may seek independent assurance.....' on the information. We have the following suggestions for your considerations:

- have a roadmap as to when (and on what content) it would require mandatory assurance
- further enhance your current requirement from 'may seek independent assurance....' to "are encouraged to seek independent assurance...." and eventually to 'must seek", following the roadmap in the preceding paragraph
- Provide guidance on who can provide assurance service and what kind of quality characteristics must such service providers demonstrate initially and on an on-going basis and
- Whether you (or together with other standard-setting / regulatory bodies) would have an overall supervisory responsibility over these service providers to ensure quality is upheld. This would involve periodic review processes as an example.



Categorise/codify the disclosure expectations to provide clarity for issuers

Throughout the consultation paper, there are divergencies from IFRS S2 with different level of disclosure expectations:

- Alternative disclosure e.g. whether or not there is a climate target set – similar to comply or explain?
- Omission e.g. third-party data verification/sectoral guidance under climate-related targets, amount and percentage of climate-related remuneration
- Optional e.g. climate-related opportunities
- Disclose if applicable (e.g. internal carbon pricing)
- Interim provisions (e.g. scope 3 and quantified current financial effects)

We sense that some issuers may find it hard to follow the various levels of disclosure expectations. We suggest you consider providing clarity and possibly categorise the expectations into ‘mandatory’, ‘mandatory with interim provisions’, ‘disclose if applicable’ and ‘comply or explain’ with reference to the final IFRS S2.

Please find our detailed responses to each of the consultation questions in Appendix A to this letter. If you have any questions in relation to this letter, please do not hesitate to contact

[Redacted contact information]

Yours sincerely

[Redacted signature]

***** Responses of our online submission *****

Please provide the following information about your company/organization. A statement on HKEX's privacy policy is set out in Appendix IV to the Consultation Paper.

Company/Organization name:

PricewaterhouseCoopers

Organization type:

Accounting Firm

Contact person:

Name: [REDACTED]

Job Title: [REDACTED]

Phone number: [REDACTED]

Email address: [REDACTED]

Disclosure of identity:

HKEX may publish your identity together with your response.

Yes / Agree

Question 1

Do you agree to upgrade climate-related disclosures to mandatory from “comply or explain”? Please provide reasons for your views.

Our response

Yes

We are responding on behalf of PricewaterhouseCoopers (PwC) to the Consultation Paper “Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework” (Consultation Paper). We at PwC appreciate the efforts you (The Hong Kong Exchanges and Clearing Limited / HKEx) have taken in your extensive research and outreach to gather views from the market and absorb developments in international practices. We also appreciate the extensive effort you have spent on enhancing sustainability disclosures and how you have thoroughly considered the comments from the market.

We appreciate HKEx developed the Proposed Appendix 27 for Hong Kong listed companies in aligning with the International Financial Reporting Standards IFRS S2 “Climate-related Disclosures” (IFRS S2). Your decision and timing to issue the Consultation Paper ahead of International Sustainability Standards Board (ISSB) issuing the finalised the IFRS S2 is commendable. Doing this will allow more time for issuers to familiarise themselves with the new requirements and the opportunity to consider the ISSB’s final IFRS S2.

We agree with your overall direction. However we do have some comments and suggestions. In summary:

Global positioning and roadmap to convergence with ISSB standards

We understand you are proposing, after considering market feedback, certain interim provisions, which will be lapsed in 2026. We agree with these proposals. In addition, you are providing deviations from the ISSB standards. We believe some of these deviations, such as *‘referencing to other international ESG reporting frameworks such as SASB Standards and GRI Standards for industry-specific metrics’* and *‘climate-related considerations impact remuneration policy’*, are well justified given the current timeframe and match the Hong Kong issuers’ specific circumstances at present.

However, other deviations, such as *‘disclosures relating to opportunities and anticipated financial effect’*, could probably be mitigated simply by including them as ‘disclose if applicable’ or interim provisions. Please refer to our response to Questions 4, 6, 12, 14 and 17 for more information.

Following a roadmap with specific timeframe for full convergence with the ISSB standards will bolster Hong Kong’s status as one of the most advanced capital markets in the world.

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While we agree HKEx’s climate approach, we encourage the HKEx to prioritise alignment with IFRS S1 following the integration of IFRS S2 into the Proposed Appendix 27, as well as staying close with other ISSB developments, such as the projects on biodiversity, human capital.

Local implementation guidance

It is essential that local guidance that you publish should be as practical as possible for entities listed in Hong Kong with different sizes and industry focused. Also, there are application guidance and accompanying guidance issued by IFRS that we suggest HKEx to consider adopt some of them in the proposed Appendix 27. Please refer to our response to Question 28 for more on this.

Safe Harbour / Liability protection

It is widely acknowledged that data availability and quality are today’s major challenges in providing sustainability information globally, for example, scope 3 emissions and scenario analysis rely on third-party data and involve estimates. To ease their concern on providing information, we would suggest that you work with the Securities and Futures Commissions (SFC) to consider incorporate similar provisions to encourage issuers providing high quality sustainability-related disclosures.

Assurance

Information that investors and the broader stakeholders rely on to make decisions should be as accurate and as timely as possible. Against this backdrop, it is also the trend globally for regulators to continue tighten their requirement on assured sustainability disclosures. We note that IFRS S2 has included languages indicating verified data is preferred and the recent consultation launched by the SGX has a timeline mandating on third party assurance over scope 1 and 2 emissions data. The prevailing Appendix 27 stipulates that ‘issuers may seek independent assurance.....’ on the information. We have the following suggestions for your considerations:

- have a roadmap as to when (and on what content) it would require mandatory assurance

- further enhance your current requirement from ‘may seek independent assurance....’ to “are encouraged to seek independent assurance....” and eventually to ‘must seek’, following the roadmap in the preceding paragraph
- Provide guidance on who can provide assurance service and what kind of quality characteristics must such service providers demonstrate initially and on an on-going basis and
- Whether you (or together with other standard-setting / regulatory bodies) would have an overall supervisory responsibility over these service providers to ensure quality is upheld. This would involve periodic review processes as an example.

Categorise/codify the disclosure expectations to provide clarity for issuers

Throughout the consultation paper, there are divergencies from IFRS S2 with different level of disclosure expectations:

- Alternative disclosure e.g. whether or not there is a climate target set – similar to comply or explain?
- Omission e.g. third-party data verification/sectoral guidance under climate-related targets, amount and percentage of climate-related remuneration
- Optional e.g. climate-related opportunities
- Disclose if applicable (e.g. internal carbon pricing)
- Interim provisions (e.g. scope 3 and quantified current financial effects)

We sense that some issuers may find it hard to follow the various levels of disclosure expectations. We suggest you consider providing clarity and possibly categorise the expectations into ‘mandatory’, ‘mandatory with interim provisions’, ‘disclose if applicable’ and ‘comply or explain’ with reference to the final IFRS S2.

Reasons for our response

We agreed with your proposal to upgrade the climate-related disclosures from "comply or explain" to “mandatory”, as we believe this would provide even greater transparency and consistency in reporting. It is important to ensure that our climate-related disclosures are effective in providing investors with the information they need to make informed decisions. This also reflects your desire to ensure Hong Kong issuers can inter-operate with other key capital markets, to the furthest extent practicable. And the upgrade will also remind issuers the importance of climate disclosures.

Moreover, setting the climate-related disclosures as mandatory is in alignment with the goal previously announced by the Hong Kong Green and Sustainable Finance

Cross-Agency Steering Group (CASG) to implement mandatory climate-related disclosures in alignment with the TCFD by 2025.

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.

Our response

Yes

We agree with your proposal. As the Consultation Paper explains, incorporating “Governance” requirements under IFRS S2 is a natural extension of the existing requirement.

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? Please provide reasons for your views.

Our response

Yes

We agree with your proposal. As the Consultation Paper explains, it is important for Hong Kong issuers to identify and disclose:

- the material climate-related risks they face
- their known or expected effect on their business models
- strategy and cashflows
- their ability to access finance and their costs of capital

over different time horizons.

This information is important for investors to formulate their investment decisions.

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? Please provide reasons for your views.

Our response

No

We have reservation with making this optional. When making investment decisions, investors see information on issuers’ climate-related opportunities as important as information on risks. Even though not all issuers will have identified climate-related opportunities yet, there are some that have already done so. Making this optional might discourage some of those that have collated the information from making this

disclosure. We suggest making the disclosure of opportunities mandatory and introducing an interim provision on climate disclosures.

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? Please provide reasons for your views.

Our response

Yes

We agree with your proposal. The metrics and targets set out in paragraph 4 of Part D of the proposed Appendix 27 forms an integral part of the issuers' climate-related risks and opportunities assessment process and should be considered and disclosed.

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? Please provide reasons for your views.

Our response

Yes

Like Question 3 above, we agree with your proposal to require the disclosure of transition plans relating to climate-related risks.

We have reservation on your proposal to make disclosure of climate-related opportunities optional, please also refer to our response to Question 4.

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? Please provide reasons for your views.

Our response

Yes

Except for certain items discussed in the succeeding paragraph, we agree with your proposal. As explained in the Consultation Paper, information on targets, whether voluntary or required by local legislation, allows issuers and their investors to monitor progress in implementing their transition plans.

We noted that the Proposed Appendix 27 has not adopted some disclosure requirements from the ISSB standard, such as:

- how the target compares with those created in the latest international agreement on climate change
- whether a third party has validated the target and the methodology for setting the target
- whether you have derived the target using a sectoral decarbonization approach

We understand these are deviated and customised for issuers and we have reservation on omitting these disclosures. We are aware that there are issuers that are ready to provide these disclosures and we suggest HKEx consider including this disclosure as a “disclosure if applicable” basis.

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? Please provide reasons for your views.

Our response

Yes

Note 2 to paragraph 6 of Part D to the Proposed Appendix 27 says “*issuers who do not provide information in relation to paragraph 6 above should disclose the work plan, progress and timetable for setting climate-related targets and making the relevant disclosure*”.

We sense the market need higher clarity in the different level of disclosure requirements and suggest you consider categorise the disclosure expectations into ‘mandatory’, ‘mandatory with interim provisions’, ‘disclose if applicable’ and ‘comply or explain’ if possible.

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? Please provide reasons for your views.

Our response

Yes

We agree with your proposal. As the Consultation Paper explains, the annual update of progress made allows investors and stakeholders to track the progress made in issuers’ implementation of transition plans and achievement of targets set.

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? Please provide reasons for your views.

Our response

Yes

We agree with your proposal. As the Consultation Paper explains, disclosure of climate resilience allows investors and stakeholders to assess how prepared issuers are in responding to challenges brought about by climate changes and evaluate whether issuers' business models are sustainable amid associated uncertainties.

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? Please provide reasons for your views.

Our response

Yes

We generally agree with your proposal to require issuers to apply climate-related scenario analysis commensurate with their circumstances, which is aligned with IFRS S2 requirements, and it could be useful information for investors.

We understand that the HKEx will provide implementation guidance to help issuers with different industries and different business scale to prepare for the disclosure requirements.

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? Please provide reasons for your views.

Our response

Yes

Disclosing how climate-related risks and opportunities could have current financial effects on issuers would enable investor to make more informed decisions. We note the concept of materiality and considerations of proportionality are included in IFRS S2. For example, para 19 in IFRS S2 mentions, "an entity needs not to provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity, if the entity determines that: (a) those effects are not separately identifiable, or (b) the level of measurement uncertainty involved in

estimating those effects is so high that the resulting quantitative information would not be useful.”; and IFRS S2 para 21 requires the issuer to explain why it has not provided the quantitative information. We suggest HKEx to consider incorporating similar concepts into the Proposed Appendix 27.

In addition, in the event that any climate-related risks and/or opportunities will have a material impact on the financials of an issuer, this should also be disclosed in the annual report of such issuer, in addition to the disclosure in the ESG report. We suggest that the HKEX emphasises such requirements in other parts of the Hong Kong Listing Rules, including Appendix 16 Disclosure of Financial Information.

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? Please provide reasons for your views.

Our response

Yes

We agree with the interim provisions you proposed in this regard. We acknowledge that it will take time for issuers to get acquainted with sustainability reporting.

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? Please provide reasons for your views.

Our response

No

Consistent with our response on Question 12, instead of asking issuers not to disclose quantitative information, IFRS S2 para 19-21 suggests various conditions which allows issuers to provide alternative disclosures when quantitative disclosure is not available. We suggest HKEx to consider incorporating similar concept into the Proposed Appendix 27.

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? Please provide reasons for your views.

Our response

Yes

We agree with the interim provisions you proposed in this regard. We acknowledge that it will take time for issuers to get acquainted with sustainability reporting.

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? Please provide reasons for your views.

Our response

Yes

We agree with your proposal. Disclosing how issuers manages their climate-related risks would enable investors to assess how and whether issuers have implemented adequate procedures for identifying, assessing, and managing these risks.

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? Please provide reasons for your views.

Our response

No

Consistent with our response to Question 4 above, we have reservations on your proposal to make disclosure of climate-related opportunities optional. Please refer to our response to Question 4 for more on this.

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? Please provide reasons for your views.

(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? Please provide reasons for your views.

Our response

Yes

We generally agree with your proposed approach for the disclosure of scope 1, 2 and 3 emissions.

In the finalised IFRS S2, there are number of application guidance in relation to GHG measurement, we suggest HKEx consider to include them in the Implementation Guidance that mentioned in the consultation paper (para 119) to facilitate issuers' understanding of relevant international frameworks/practices and their preparation of disclosures on GHG emissions.

Please also see our previous comment in relation to safe harbor protection.

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.

Our response

Yes

We acknowledge that it will take time for issuers to get acquainted with sustainability reporting. We agree with the interim provisions you proposed in this regard.

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.

(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.

Our response

Yes

We acknowledge that it will take time for issuers to get acquainted with sustainability reporting. We agree with the interim provisions you proposed in this regard.

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.

(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.

Our response

Yes

We acknowledge that it will take time for issuers to get acquainted with sustainability reporting. We agree with the interim provisions you proposed in this regard.

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.

(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.

Our response

Yes

Nonetheless it the disclosure of the amount and percentage of assets and business activities aligned with climate-related opportunities should be on a “where applicable” basis and be consistent with the respective requirements in para 9-12 in Proposed Appendix 27..

We acknowledge that it will take time for issuers to get acquainted with sustainability reporting. We agree with the interim provisions you proposed in this regard.

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.

(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.

Our response

Yes

We acknowledge that it will take time for issuers to get acquainted with sustainability reporting. We agree with the interim provisions you proposed in this regard.

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? Please provide reasons for your views.

Our response

Yes

We agree with your proposal. When issuers maintain an internal carbon price, that information is useful for investors when making decisions.

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? Please provide reasons for your views.

Our response

Yes

We agree with your proposal. We agree that it may not be practicable to quantify the actual percentage or amount of remuneration linked to a particular factor. In order to remain converged with ISSB Standards, we suggest HKEx may consider to include this disclosure to be “as applicable”.

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? Please provide reasons for your views.

Our response

Yes

We believe the industry-based disclosure will be helpful to investors. We understand that IFRS S2 has substantially adopted the SASB Standards, and the market may take time to get ready these specific disclosures, we do not disagree to position the disclosure as optional.

In addition, instead of simply encouraging issuers to consider these industry-based disclosures, HKEx could consider including these disclosure as ‘disclose if applicable’ and allow some issuers to disclose these metrics when they are ready.

As a continued journey to enhance climate-related disclosures, we suggest the HKEx revisiting the approach periodically based on the continuous evolution of ESG disclosures, issuers' maturity and investor needs.

Question 27

Do you have any comments regarding whether the way the proposed consequential amendments are drafted will give rise to any ambiguities or unintended consequences? Please elaborate.

Our response

Yes

Climate disclosure requirements for IPO applicants

According to the Consultation Paper, IPO applicants “are expected” to disclose material ESG risks and information in their prospectuses. The Guidance Letter 86-16, and it contains certain broad guidelines and we recommend you provide clarify to the extent of ESG disclosures required for IPO applicants, such as what specific information and metrics listing candidates are required to provide.

IFRS S1 requirements

Certain other reliefs currently available in S1 is not incorporated into Appendix 27 may not be made available to issuers. Please refer to Question 1 for our response.

Quantification of climate-related opportunities

There are inconsistencies of requirements in relation to the climate opportunities disclosures. Please refer to Question 22(a) for our response.

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.

Our response

Yes

We understand you are planning to incorporate implementation guidance as part of the proposed Appendix 27. We would like to suggest that this implementation guidance and any illustrative examples you provide should cover the following areas:

- GHG Measurement (Scope 1, 2 and 3)
- Scenario analysis
- Quantification of assets and activities vulnerable to physical and transition risks and their financial effects

- Assessment and presentation of current and anticipated financial effects of climate risks
- Data collection – the principles and approach to ascertain data accuracy and to address the issue of data availability (particularly the data availability of counterparts at subsidiary level could be limited)
- Climate-related target – comparative information in the event of target revision and number of years of comparative information to be disclosed
- Clarification of the materiality consideration
- Governance – the role of management and board
- Clarification of the materiality assessment under IFRS Accounting Standards and the other parts of Appendix 27

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.

Our response

Yes

In the finalised IFRS S2, there are plenty additional information provided, such as application guidance, accompanying guidance and basis of conclusion. We suggest HKEx to consider incorporating the relevant and useful information that could help issuers preparing their disclosures.

We acknowledge that Appendix III to the Consultation Paper already includes a comparison from the proposed Appendix 27 to the ISSB standards. Given that the structure, format, and level of detail of Appendix 27 are different from the IFRS Sustainability Disclosure Standards, and given IFRS S2 has now been issued, we recommend HKEx to provide more guidance for issuers to understand the connections between the Proposed Appendix 27 and Final IFRS S2, including a comparison against not only the IFRS S2 standards but also the accompanying information such as accompanying guidance and basis of conclusion, when applicable. This would also help issuers understand their readiness on the IFRS S2 disclosures and to refer to the IFRS S2 when necessary.