

**Submitted via Qualtrics**

**Anonymous  
Company / Organisation  
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**Question 1**

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

Yes

**Please provide reasons for your views.**

The proposed disclosure requirements are consistent with an objective to implement TCFD-aligned climate-related disclosures by 2025 as announced by the Green and Sustainable Finance Cross-Agency Steering Group (the "Steering Group") and the carbon neutrality target by 2025 as set by the Hong Kong government. Upgrading the disclosure requirement to mandatory will send a signal to the market that HKEX is committed to aligning the climate-related disclosures with international standards and the regulatory developments in other jurisdictions, such as the UK, E.U., U.S., New Zealand, and Singapore.

While we note the importance of climate-related disclosures by the issuers, we would also identify that certain issuers will likely experience difficulties in data collecting and regulatory compliance across different jurisdictions and that this has the potential to increase compliance costs.

Based on paragraph 29 of the Consultation Paper, we note that HKEX is aware of issuers' concerns in implementing the ISSB Climate Standards, such as data unavailability, absence of standardised methodology in conducting scenario analysis or quantification of financial impacts and lack of technical knowledge and expertise. We further note that HKEX has sought to mitigate these difficulties and address the concerns of the issuers, by relaxing some of the disclosure requirements, such as disclosures on climate-related opportunities, maintaining internal carbon price, percentage of remuneration linked to climate related considerations and allowing issuers to apply other protocol prescribed by local legislation for measuring GHG emissions (see appendix III to the Consultation Paper).

In addition, the IFRS S2 Sustainability Disclosure Standard – Climate-related Disclosures ("IFRS S2") issued by the ISSB in June 2023 introduced the proportionality concept to allow an entity to explain the reasons why certain requirements are not met and provide alternative disclosures, such as the current and anticipated financial effect of climate-related risks and opportunities. In addition, IFRS S2 repeatedly emphasizes that data collection or analyzing data should be based all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort of a reporting entity.

While we generally agree to upgrade the disclosure requirement to mandatory, we do not disagree that HKEX could consider adopting a “comply or explain” approach with the principles and disclosure requirements under the ISSB Climate Standards with limited amendments. This has the potential to achieve higher market acceptance, and may enhance the regulatory disclosure of the issuers at a similar level to the mandatory disclosure approach with amendments / divergencies from the ISSB Climate Standards.

HKEX may want to review the effectiveness of the climate-related disclosures of the issuers in 2 to 3 years’ time and make subsequent amendments in 2 to 3 years’ time based on the continuous evolution of ESG disclosure standards, investor needs and readiness of issuers.

### **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.**

Disclosure of governance on climate-related issuers are important topics for investors. Further, such requirements are likely to result in issuers reviewing their governance on ESG policies and procedures and potentially undertake enhancements to those policies and processes on a regular basis.

We understand that HKEX will issue further implementation guidance on disclosure of the board’s and management’s role in assessing and managing climate-related risks and opportunities (see paragraph 49 of the Consultation Paper). It is likely that such guidance would be welcomed and HKEX may want to consider providing guidance across a range of different scenarios for issuers from various industry sectors and backgrounds, in order to support higher quality disclosures in line with the compliance obligations.

### **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.**

It can be meaningful for issuers to identify their specific climate-related risks in the ESG report.

HKEX may want to consider providing guidance on the materiality for climate-related risks for issuers from various industry sectors and backgrounds, in order to support higher quality disclosures in line with the compliance obligations.

**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 echo that not all issuers would have identified climate-related opportunities to pursue at this stage, and therefore, it should allow the issuers to have alternative disclosures on the plan and measures in identifying potential opportunities.

HKEX may want to consider broader alignment with global regulation standards on reporting and disclosure of climate-related opportunities. HKEX may also want to closely monitor the quality of disclosure on climate-related opportunities by issuers, and review the market readiness to mandatory disclosure on a regular basis.

**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.**

Application of the same set of metrics and targets for all issuers will be meaningful for investors and the market to assess the issuers' climate related risks and opportunities, while the issuers may benchmark themselves among the peers.

HKEX may want to consider the following as part of ensuring that the disclosure obligations are manageable from a compliance perspective: (1) making disclosure on climate-related opportunities optional; and (2) modifying the requirements associated with certain metrics in response to the market feedback as suggested by HKEX.

HKEX may also wish to consider providing guidance on information disclosure and target setting for issuers from various industry sectors and backgrounds, in order to support higher quality disclosures in line with the compliance obligations.

**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.**

Disclosure of transition plans is aligned with the IFRS S2 requirements and can be useful information for investors.

HKEX may want to consider taking into account those issuers that are likely to be less impacted by climate changes and allow the flexibility for such issuers to make disclosure where material risks and, where an issuer chooses to, opportunities have been identified.

**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.**

Requiring issuers to make meaningful disclosure on the climate-related targets may be beneficial for investors. We also concur that different issuers may be at different stages of their sustainability journey. Therefore, HKEX may want to consider issuing further guidance regarding setting of climate-related targets.

We note that ISSB requires the disclosure of planned use of carbon credits to offset emissions (in relation to emission targets and regulatory requirements) and makes the disclosure of purchased carbon credits optional (see paragraphs 36(e), B70 and 71 of IFRS S2). HKEX may also consider making carbon credits disclosures a requirement and provide guidance on disclosure of the use of carbon credits.

**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 one hand, allowing flexibility for different issuers that are at different stages of their sustainability journey, may allow those issuers time to prepare higher quality disclosures. On the other hand, the alternative disclosure will serve as an annual reminder for an issuer to make continuous effort on setting and disclosing the targets in accordance with the disclosed work plan and timetable.

HKEX may want to remind issuers to avoid boiler-plate style of disclosure so as to provide the market meaningful information.

**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.**

Disclosure of progress made in relation to climate-related targets is aligned with the IFRS S2 requirements. It allows different issuers that are at different stages of their sustainability journey to have more time to prepare higher quality disclosures.

HKEX may want to remind the issuers that the setting of climate related targets should continue to be on issuers' sustainability agenda, and be revisited by their management periodically. Issuer should avoid boiler-plate style of disclosure on the progression of target setting.

**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.**

Discussion of an issuer's climate resilience is aligned with the IFRS S2 requirements, and can be useful for investors to assess the issuer's ability to respond to the challenges brought about by climate changes, and evaluate whether the issuer's business model is sustainable amidst associated uncertainties.

IFRS S2 permits an entity to consider available skills, capabilities and resources when determining an appropriate approach to use for its climate related scenario analysis (see paragraph B.6 of IFRS S2). We concur with the HKEX that while some issuers may need more time to equip themselves with necessary knowledge and expertise to conduct a full-blown climate related scenario analysis, issuers should eventually gain the capabilities in providing quantitative analysis.

**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.**

Climate-related scenario analysis can be meaningful for investor to understand the climate-related risks of an issuer. We also understand that risks may vary from different issuers/industries. Therefore, we welcome the proposal to allow an issuer to apply such scenario analysis that is commensurate with its circumstances.

In addition, we understand that the HKEX will provide further explanatory notes and/or localized guidance in addition to the ISSB guidance on the selection of climate scenarios (see paragraph 91 of the Consultation Paper). We recognize that additional guidance may be helpful given the complexities associated with scenario analysis.

We also note that HKEX may allow an issuer to start with qualitative scenario narratives or storylines, and as the issuer gains experience, it will be able to apply greater rigour and sophistication in the use of data sets and quantitative models, and in arriving at the quantitative analysis.

**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.**

Disclosure of current and anticipated financial effects of climate-related risks and/or opportunities can be helpful for investors to understand the situation of an issuer.

We understand that the IFRS S2 introduces the proportionality concept for disclosure of financial effects. According to paragraphs 19 to 21 of the IFRS S2, an entity needs not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity, if the entity determines that those effects are not separately identifiable, or the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful, or it does not have the skills, capabilities or resources to provide that quantitative information. Such entity is required to explain why it is unable to provide quantitative information and shall disclose certain qualitative information instead. Given the overall objective of seeking to align with international standards, HKEX may want to consider following the same approach of the IFRS S2 and adopt the similar proportionality concept in the climate-related disclosure requirements.

Lastly, if there are any climate-related risks and/or opportunities that may have material impact on the financials of an issuer, this is likely to material information that needs to be disclosed in its annual report, if it is separately published from the ESG report. HKEX may want to emphasis such disclosure requirement 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?**

No

**Please provide reasons for your views.**

We suggest the HKEX to follow the IFRS S2 and adopt the proportionality concept as mentioned in our response to question 12 above.

However, we agree that quality disclosure on current financial effect of climate-related risks is important information for investors. We also support HKEX's adoption of the IFRS accounting standards where issuers are only required to quantify the effect of climate-related risks where the effect is deemed material. We welcome HKEX to issue further guidance on suggestions and illustrative examples on quantitative and qualitative disclosures.

#### **Question 14**

**Do you agree to require disclosure of anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities as set out in paragraph 11 of Part D of the Proposed Appendix 27?**

Yes

**Please provide reasons for your views.**

Disclosure of anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities can be useful information to investors. However, we note that HKEX proposes qualitative disclosure, while the IFRS S2 requires both quantitative and qualitative information, but allows qualitative disclosure in certain circumstances. We suggest the HKEX to follow the IFRS S2 and adopt the proportionality concept as mentioned in our response to question 12 above.

HKEX may also want to provide guidance to help investors to understand the requirements on current and anticipated financial effects.

#### **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?**

No

**Please provide reasons for your views.**

We suggest the HKEX to follow the IFRS S2 and adopt the proportionality concept as mentioned in our response to question 12 above.

However, disclosure on anticipated financial effect of climate-related risks can be important information for investors, and HKEX may want to remind issuers to ensure quality and meaningful disclosure in their ESG reports.



**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.**

The process of how an issuer identifies, assesses and manages climate-related risks may be a relevant consideration as part of understanding the issuer's overall management of risks.

HKEX may want to consider taking into account those issuers that are likely to be less impacted by climate changes and allow the flexibility for such issuers to make appropriate resource allocations in terms of compliance with such requirement.

**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.**

This is in line with the rationale of optional disclosures on the actual and potential effects of climate-related 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.**

As stated in the Consultation Paper, issuers are well prepared for disclosure of the scope 1 and scope 2 emissions, and 90% of the issuers have disclosed such information in their ESG reports under the current "comply or explain" regime (see paragraph 112 of the Consultation Paper).

**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.**

The collection of data for the purposes of disclosing scope 3 emissions is complex. While there are authoritative standards relating to scope 3 emissions – such as the relevant GHG Protocol – such standards in themselves acknowledge that these methodologies were not designed for the purpose of enabling comparable reporting between different companies. As such, any approach needs to recognize the challenges that companies may face in connection with collecting and reporting on scope 3 emissions and provide the necessary flexibility for companies (and their value chains) to build the requisite knowledge and capacity in this area.

We welcome HKEX to issue guidance on further information on the GHG Protocol and to other common national schemes, so as to facilitate issuers' understanding of relevant international frameworks/practices.

**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.**

Please see our response to question 18(b) above. In this context, HKEX may want to consider the timing of the application of any disclosure obligations.

**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.**

The amount and percentage of assets or business activities vulnerable to transition and physical risks can be useful information for investors to understand the situation of an issuers.

However, some issuers may want to maintain discretion to disclose materially impacted portfolios and given the lack of a rigorous methodology and concern with disclosure obligations impacting competitiveness.

HKEX may want to provide a clear guidance on materiality of the risks will be provided for the issuer to identify the relevant risks and assess the possible impacts, and consider if certain exemptions of disclosure may be allowed.

**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.**

As different issuers may be at different stages of their sustainability journey, the proposed interim disclosure will allow issuers to have more time to prepare the required disclosure.

**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.**

Please refer to our response to question 20(a) above.

**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.**

Please refer to our response to question 20(b) above.

**Question 22(a)**

**Do you agree to require disclosure of the amount and percentage of assets or business**

**activities aligned with climate-related opportunities as set out in paragraph 18 of Part D of the Proposed Appendix 27?**

No

**Please provide reasons for your views.**

Such information can be useful for investors. However, issuers may opt to disclose the climate-related opportunities under the current draft Part D of Appendix 27. Therefore, it should also be given the choice whether to make quantitative disclosure of the amount and percentage of assets or business activities aligned with such opportunities.

**Question 22(b)**

**Do you agree with the proposed interim disclosures during the Interim Period in respect of metrics regarding climate-related opportunities as set out in the paragraph immediately following paragraph 18 of Part D of the Proposed Appendix 27?**

No

**Please provide reasons for your views.**

Please refer to our response to question 22(a) above.

**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.**

The amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities can be useful information for investors to understand the situation of an issuer. However, it should also be given the choice whether to make quantitative disclosure of the amount and percentage of assets or business activities aligned with such opportunities.

HKEX may also want to consider any learnings from international developments to implement taxonomies (such as the UK, Canada, Singapore, and Japan). In addition, we understand that an ESG or sustainability taxonomy has been or is being adopted, or is under consideration in a number of jurisdictions. The Hong Kong Monetary Authority (“HKMA”) with support by the Climate Bonds Initiative, published a discussion paper on Prototype of a Green Classification Framework for Hong Kong on 30 May 2023. HKEX may want to consider work with HKMA on implementation of a similar set of standards.

**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.**

As different issuers may be at different stages of their sustainability journey, the proposed interim disclosure will allow issuers to have more time to prepare the required disclosure.

HKEX may want to reiterate that the issuers should continuously enhance its disclosure and avoid boiler-plate language.

**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.**

Internal carbon pricing can be a useful tool for an issuer to assess the financial implications of climate-related risks and opportunities. However, requiring issuers that maintain an internal carbon price to provide detailed disclosure concerning its use may induce registrants to avoid using internal carbon pricing and similar tools to mitigate their compliance burden.

**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.**

Paragraph 21 proposes to disclose the climate-related considerations in determining the remuneration policy for executive management only. We also observe that HKEX expects the board of an issuer to have oversight of climate matters. Therefore, HKEX may want to allow the KPIs to take account of climate-related matters in the context of the remuneration of both the Board and executive management.

**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.**

We note that the HKEX has taken into account factors such as the current readiness of issuers for the industry-based metrics.

The disclosure requirements within the SASB Standards and GRI frameworks have been used by a number of companies as part of their voluntary disclosures to date. HKEX may want to reflect on the importance of these standards and the extent to which they have been integrated into ISSB's. Meanwhile, HKEX could revisit this approach in 2 to 3 years' time based on the continuous evolution of ESG standards, investor needs and readiness of issuers.

**Question 27**

**Do you have any comments regarding whether the manner in which the proposed consequential amendments are drafted will give rise to any ambiguities or unintended consequences?**

Yes

**Please elaborate.**

Please see our response to questions 2, 3, 5, 7, 11, 18(b) and 20(a) above.

**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.**

Please see our response to questions 2, 3, 5, 7, 11, 18(b) and 20(a) above.

**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.**

Please see our response to questions 1, 12-15 above.