

Submitted via Qualtrics

**Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Company / Organisation
HKEX Participant**

Question 1

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

Yes

Please provide reasons for your views.

Currently, the majority of companies provide limited information on climate-related risks in their daily operations. Mandatory disclosure requirements could ensure that the Issuers routinely consider climate-related risks in their business decisions. This would increase transparency and accountability in the disclosure of climate-related risks, enabling investors and stakeholders to better evaluate and assess Issuers' risks and opportunities, as well as their corresponding management.

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.

The disclosure can demonstrate the Board's commitment towards climate-related risks and provide greater transparency on the Board's involvement in overseeing climate risk-related issues, which could enhance the confidence and creditability of investors.

However, we suggest clearer guidance aided with examples from HKEX should be provided to facilitate a higher reporting quality. For example, regarding point 1(b) under Part D, what is considered "appropriate skills and competencies" from HKEX's perspective. It would be even better if training materials for the Board could be provided as, prevailingly, the Board members have limited knowledge and awareness towards climate-related risks.

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.

Under the mandatory disclosure requirement, we suggest HKEX should have clearer guidance on the definition of short-, medium- and long-term horizons. We note that these time horizons may be difficult to articulate as they might be different per industry and subject to companies' interpretations. Setting a minimum time horizon by industry would improve comparability. Also, linking the short-, medium- and long-term horizons to Issuer's capital allocation plans may further impose difficulties in the interpretation as Issuers tend to have a relatively narrow view of time in terms of their capital allocation plan. As such, we suggest HKEX to consider removing the "link to the issuer's capital allocation plans" requirement on the disclosure on 2(b).

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.

Climate-related opportunities may not apply to every Issuer, and optional disclosure leaves room for flexibility for Issuers. Disclosing the climate-related opportunities provides investors and stakeholders with valuable information to make informed decisions regarding the Issuer's potential for growth and resilience under climate change. From Issuer's perspective, showcasing their climate-related opportunities can provide a competitive edge to attract environmentally conscious consumers and institutional investors, which also serves as a motivation to enhance their climate risk management.

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.

The disclosure of metrics referencing to the "Metrics and Targets" part will enable the climate-related risks assessment and analysis more comprehensive and unified for investors' better understanding.

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.

Disclosing transition plans is another key component that enables stakeholders and investors to evaluate the issuer's ability to respond to their identified climate-related risks and assess the issuer's current and planned resources related to climate risks.

However, we suggest HKEX provide clearer guidance on the disclosure requirement in paragraph 5. In current wordings, it is unsure whether the issuer shall describe the mitigation efforts and resources plan for each short-, medium- and long-term horizon as stated in paragraph 2 or it is acceptable for an overall transition plan description.

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.

Setting climate-related and GHG emission targets allows a more quantitative assessment of the issuer's progress and dedication to managing climate risk and reducing GHG emissions. The current proposed guideline already covers most crucial items required regarding target setting. On top of it, we suggest including a requirement for issuers to disclose the frequency with which targets are reviewed and specify when the targets were last reviewed, as this information enables readers to evaluate the issuer's ability and determination to reach their targets. We also recommend HKEX consider requiring issuers to state reasons and follow-up actions if their targets cannot be met, which encourages issuers to review their target-setting process and seek alternative plans to meet their targets.

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 noted that some issuers' progress in ESG and climate-related risk management is lagging that it would be difficult for them to disclose the requirement as stated in paragraph 6 by 2025. Therefore, note 2 offers a flexible alternative for these issuers to disclose their work plan and timetable for target setting.

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.

Disclosing in a comparative approach aligns with the current reporting principles, while providing a more comprehensive assessment of the issuer's performance. Our observation indicates that many issuers' ESG reports already disclose KPI figures in a comparative format, which facilitates better understanding of changes over time and enables meaningful comparisons. Therefore, the requirement outlined in paragraph 7 is not expected to be new to most issuers.

Question 10**Do you agree to require discussion of the issuer's climate resilience as set out in paragraph 8 of Part D of the Proposed Appendix 27?**

Yes

Please provide reasons for your views.

The required disclosure enables investors to understand the current climate resilience of the issuer which is critical to analyse the corresponding impacts to issuer's business model and operations. However, paragraph 8(a) requires a clearer clarification on whether a quantitative or qualitative assessment is required, and that it may be challenging if quantitative disclosure is required regarding the identification of assets and business activities at risk, given that issuers have limited understanding on assessing the climate risk of an asset. We suggest a qualitative disclosure at this early stage of mandatory disclosure.

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.

Scenario analysis for significant climate-related risks and opportunities should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate-related risks. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

However, requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the

perspective of a number of issuers at this time. We have been discussing with our clients on this requirement, resulting a polarized attitudes towards the necessity of adopting scenario analysis that aligned with the latest international agreement (e.g.: the Paris Agreement) on climate change. The climate scenario analysis (especially physical risk) requires a large amount of climate data and resources depending on the methodology used, and this may be difficult for entities especially in some sectors and smaller entities with limited access or knowledge on related topics and unavailable of open-source data for developing themselves a scenario. To alleviate the burden on issuers, including smaller companies, it is recommended that HKEX provide relief by acknowledging that formal scenario analysis and related disclosures can be resource-intensive, require an iterative learning process, and may take multiple planning cycles to complete.

In addition, depending on the scenarios applied, issuers may produce varying results and analyses, which can decrease the comparability and relevance of the disclosed information. To enhance the usefulness of the information provided in Issuers' ESG reports for decision-making, we recommend developing a unified/commonly used methodology to assist issuers in preparing climate resilience disclosures that can be compared with peers or even across sectors.

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.

The TCFD's 2021 status report identified a lack of disclosure in the area of anticipated financial effects of climate-related risks and opportunities, as per the TCFD Recommendations. According to our discussions with clients, number of them have expressed concerns in this area, as it may be challenging to disclose the financial effects in practice, especially the anticipated effects.

As there is no widely accepted methodology for measuring such effects and determining the precise financial impact of a particular climate-related issue, such as: it may be difficult for a small companies to identify how a typhoon could have financial impacts on a building. This may require a large amount of data and longer time horizons associated with climate-related risks compared to business horizons, and it also requires significant judgement, which some sectors and small entities may need more time to determine the relationship between their climate risk and financial impacts. Our recommendation is for this consultation paper to clarify the meaning and provide detailed guidance on calculating financial effects. Such guidance may also help market practitioners to assess enterprise value or factor in ESG elements into the valuation.

Furthermore, to enable users of issuers' ESG reports to better utilize the disclosed information, consistency and comparability are key elements. Detailed guidance on calculating financial effects will be necessary to meet this requirement.

It is also recommended that the HKEX should define the meaning of "Significance" of the financial effects.

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.

See reply in question 12.

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.

See reply in question 12.

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.

See reply in question 12.

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.

In light of the adoption of climate-related disclosure requirement in current appendix 27 (Aspect A4: Climate change) since July 2020, most of our clients have developed their climate risk policy and assessment mechanism. Therefore, the requirement outlined in paragraph 12(a) is not expected to be new to most issuers and we believe that issuers should be confident enough to report their processes according to these requirements.

Moreover, the disclosure will provide detailed information that enable report users to understand the processes of the issuer uses to identify, assess, and manage climate-related risks and opportunities.

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.

See reply in question 4.

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.

In order to make the GHG emissions disclosed can be comparable between peers or even across sectors, it is suggested an emission factor inventory and methodologies by sectors (such as: 工业其他行业企业温室气体排放核算方法与报告指南（试行）) shall be provided to the issuers for calculating their emissions.

Question 18(b)

Do you agree with the proposed approach for the disclosure of scope 3 emissions and the related information as set out in paragraphs 13 to 15 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Question 24

Do you agree that where an issuer maintains an internal carbon price, it should disclose the information as set out in paragraph 20 of Part D of the Proposed Appendix 27?

Yes

Please provide reasons for your views.

Due to the development differences in carbon markets around the world, particularly in Europe and China, and carbon prices can significantly vary between markets. This can result in a high level of uncertainty in any projected internal carbon price, making it challenging to compare information. To tackle this issue, we suggest that HKEX provides guidance on appropriate carbon pricing methodologies to assist issuers in developing an internal carbon pricing mechanism within their operations. Such guidance can also help issuers to identify and mitigate the impact on the global climate from the operations.

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.

Remuneration policies serve as important incentives for organizations in achieving their goals and objectives, and can offer valuable insights into an organization's governance, oversight, and accountability when it comes to managing operational issues.

According to the report "Climate-related Financial Risk Factors in Compensation Framework" published by the Financial Stability Board, a frequently cited challenge in this area is

determining relevant and meaningful KPIs, which are typically used as inputs to determine compensation. Balancing financial and non-financial measures to manage stakeholder expectations is a challenge. Some of our clients have also expressed concerns in developing objectively measurable KPIs that are acceptable to all stakeholders. Including too many metrics to cover all aspects of climate or ESG may reduce the efficacy of their remuneration scheme. The challenge lies in selecting a few meaningful metrics from a wide range of possibilities. In addition, KPIs related to climate risk are still in their infancy, lack sophistication, and are continuously being refined. This results in targets being frequently revised, which may lead to metrics that are irrelevant or outdated.

Therefore, it is suggested that the HKEX should accept the issuers might continuously refining the KPIs considered in their remuneration policies with other disclosure conditions, like disclosure of on how the KPIs are set and describe the key assumptions and the mechanism that justify their robustness; or accept qualitative disclosure in this regard.

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.

It is important that listed companies have a unified, standardised framework for disclosing relevant information. SASB standards are industry-specific and GRI standards are sector-neutral which provides a more comprehensive, clear and higher transparent ESG report with greater flexibility and industry-specific information to stakeholders.

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.

It is possible that there may be some areas of ambiguity or unintended consequences due to the complexity of the language used or the differing interpretations on the provisions by different stakeholders. Hence, it is important that listening and receiving feedback from all related parties, as well as refer to other exchanges' ESG disclosure standards.

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.

HKEX could invite more practitioners or industry leaders from different sectors to participate in the process and organize regular seminars to gather more diverse views and expedite the implementation process. The opinions of non-listed company should also be considered, as they can help accelerate Hong Kong's response to climate change and carbon neutrality.

There could be more specification on the details of the disclosure, especially the financial effects of climate-related risks and opportunities, the definition of significant impact and its measurement methods, and the requirement for companies to put forward corresponding measures and the progress of implementation. Based on our replies in questions 11 and 12, we recommended the HKEX shall develop a unified/commonly used scenario analysis methodology to assist issuers in preparing climate resilience disclosures that can be compared with peers or even across sectors; and provide detailed guidance on calculating financial effects to help those issuers with limited access or knowledge on climate-related information and those issuers that are still or yet to develop a comprehensive climate risk management system to calculate the financial effects.

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.

The updates reduce duplicative reporting and has a particular focus on supporting smaller companies and emerging markets. It can be considered that proposing different ESG guidelines for companies on the Main Board and the GEM, so as to facilitate the preparation of ESG by companies in different industries, and to make it easier for stakeholders to read and understand ESG reports.