

Job Title:

Phone Number*:

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Important note: All fields marked with an asterisk (*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

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I/We do NOT wish to disclose my/our identity to the members of the public.

Question 1

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

- Yes
 No

Please provide reasons for your views.

We agree with The Stock Exchange of Hong Kong Limited's (the Exchange) proposal to upgrade climate-related disclosures from "comply or explain" to mandatory. Increased transparency aligns with the current state and/or trend of global developed capital markets practices. As issuers disclose all relevant climate risks and opportunities in a more standardized manner, stakeholders including investors will be able to make better informed decisions. The proposal will assist stakeholders including investors in determining how significant climate-related risks and opportunities will affect an entity's enterprise value. By establishing appropriate governance and risk management and by disclosing their climate strategy and metrics for measuring related performance, issuers will be encouraged to further integrate climate considerations into their corporate strategy and business practices. The Interim Period suggested will be helpful to provide issuers, especially the less resourced ones, with time to prepare for future, more detailed disclosure requirements. Given that more and more markets around the world are strengthening their guidelines or regulations on sustainability and climate-related disclosures, mandatory disclosures would be essential in securing Hong Kong's position as a significant green finance hub.

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

No

Please provide reasons for your views.

We agree to introduce new governance disclosures as climate governance is a crucial leadership input that is fundamental in driving effective implementation of climate strategy and related risk management. The disclosures can help stakeholders including investors in understanding the issuer's board role and commitment made towards decarbonisation of its operations, products and services. Proper climate governance involves board accountability and responsibility, command of the subject (climate), board structure, material risk and opportunities assessment, strategic and organisational integration, incentivization (e.g., tie remuneration to climate transition) and exchange of knowhow – these are broadly the eight climate governance principles established by the World Economic Forum (WEF) in 2019, and local chapters such as the Climate Governance Initiative Hong Kong Chapter (being the first in North Asia) are actively advocating and providing board level training in.

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

No

Please provide reasons for your views.

We agree to require mandatory disclosure of climate-related risks since this aspect is fundamental for stakeholders including investors to understand material effect on the financial health and resilience of the business of an issuer over the short-, medium- and long-term.

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

No

Please provide reasons for your views.

We disagree in making this as an optional disclosure. The actual and potential effects of climate-related opportunities should be made mandatory just as the effects of climate-related risks disclosures are mandatory. This information is important to stakeholders including investors in understanding whether an issuer is aware of and takes into consideration relevant climate-related opportunities to achieve climate transition to enhance the resilience of their business. The mandatory disclosure offers stakeholders including investors a more complete and/or balanced picture in assessing the overall climate effects on the financial health of an issuer.

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
 No

Please provide reasons for your views.

We agree that an issuer should consider applicability of and disclose the metrics referenced in paragraphs 13 to 22 of Part D of the Proposed Appendix 27 under “Metrics and Targets”. ISSB’s S2 pertaining to climate disclosure requirements (including relevant metrics) are likely to be adopted by many regulators globally, enabling stakeholders including investors worldwide in assessing to what extent the climate-related risks and opportunities disclosed by an issuer are credible and comprehensive. By considering the applicability of and disclose the relevant metrics, Hong Kong’s issuers can align with global disclosures standards that are on par with their global peers.

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
 No

Please provide reasons for your views.

We agree with making it mandatory for issuers to disclose how they are handling risks and opportunities (not opting to) related to climate change. Stakeholders including investors can gain a more comprehensive and balanced assessment of whether an issuer is embarking on a convincing climate transition plan.

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

No

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 stakeholders including investors to understand the challenges, short- to long-term goals based on the chosen climate scenario and ascertain the credibility of an issuer's climate 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

No

Please provide reasons for your views.

We agree that where an issuer has yet to disclose climate-related targets should make alternative disclosures. We suggest that the issuer explain the chosen climate scenario (even if not yet entirely science-based), their short and medium-term plans for setting such targets, as well as commitments and resources allocated to achieve those plans. The enhanced transparency can demonstrate to stakeholders including investors of the issuer's will in making climate transition.

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

No

Please provide reasons for your views.

We agree that issuers are required to disclose progress and provide narratives to explain misalignments. The progress report can prompt the issuers to be aware of shortfalls and gaps, and hence take appropriate action to address them. The progress reports will allow stakeholders including investors to assess an issuer's credibility of delivering on its climate 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

No

Please provide reasons for your views.

We agree that issuers should be required to assess and disclose the climate resilience of their business strategy. Stakeholders including investors will be better informed to evaluate the ability of issuers to minimise or recover from potential climate-related impacts on their 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
 No

Please provide reasons for your views.

We agree that issuers should apply climate-related scenario analysis that takes into consideration the complexity of the issuer's business and circumstances. However, it would probably be difficult to make valid assumptions to determine and obtain assurances regarding the effects of climate-related risks and opportunities on an issuer's access to finance, cost of capital, cash flows, and asset value, especially where forward-looking information is involved. For issuers to prepare the disclosures and for stakeholders including investors to comprehend the scenarios, clear and detailed guidance relevant to each industry would be beneficial especially to the less resourced issuers.

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
 No

Please provide reasons for your views.

We agree that issuers should be required to disclose current financial effects of climate-related risks and opportunities. The board and management of an issuer should be fully aware of potential effects of climate-related risks and opportunities on their firm's financials. We welcome clear and comprehensive guidance with case studies from HKEX on the methodology and industry-relevant guidelines in conducting such an assessment so that the resulting disclosures are more comparable among industry peers. The guidance would be especially beneficial to the less resourced issuers. Several questions may arise from disclosures of climate-related effects on financials, for instance, 1. Should such disclosures be made as a part of the Annual Report and hence require a certain level of independent assurance or audit? What extent of methodology descriptions should an assurance consultant provide? 2. If no independent assurance is required for such information, what credibility is there in the disclosed material financial impact? 3. If the information is to be part of the Annual Report (AR), will it cause confusion and/or limited meaningful usage of such information, since information in the AR is backward-looking while the future expected financial effects are forward-looking and subject to uncertainty?

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
 No

Please provide reasons for your views.

We agree that qualitative disclosure on financial effects during the Interim Period is appropriate, since such disclosures will provide the direction take by the issuers in eventually providing data as further disclosures be required. It can help alleviate pressure that arise from collecting and verifying the necessary relevant date, sort out the quantification methodology and for assurance providers to build up capacity. This is especially helpful for the less-resourced issuers.

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
 No

Please provide reasons for your views.

We agree that issuers are required to disclose anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities. Yet, given that widely accepted methodologies for quantification are not yet available, it would be appropriate to require issuers to at the very least qualitatively describe, as an interim measure, the anticipated financial effects of their climate-related risks and opportunities and how those might arise. We welcome explicit direction on quantification, including defining various reporting metrics such as Capex and R&D expenditure that are counted towards climate-transition.

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
 No

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 opportunities is appropriate. During this interim time period, issuers should provide short- and medium-term plans on how they intend to arrive at full disclosures.

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

No

Please provide reasons for your views.

We agree that issuers need to describe the process for determining climate-related risks and related risk management process to ensure the effectiveness of the process, hence also enhance the credibility of the climate risk disclosures.

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

No

Please provide reasons for your views.

Disclosure of the process to determine climate-related opportunities should be mandatory just as climate-related risks are, so that consideration of both risks and opportunities would support a proper assessment. However, we understand that material climate physical and transition risks to each industry can be rather similar and there are scenario analysis and other tools to assess them, whereas opportunities that are available to each industry and each issuer can vary significantly over time and the process or tools to assess them can be very different. We welcome detailed guidance for a proper assessment that can be based on a reasonable approach to ensure climate-related opportunities are managed, and equal consideration should be applied to both risks and opportunities. The guidance will be especially useful to the less-resourced issuers.

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

No

Please provide reasons for your views.

We agree with the proposed approach for the disclosure of scope 1 and 2 emissions. As a result, the reports will become more uniform, and stakeholders including investors will be better able to make informed decisions using comparable information.

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

No

Please provide reasons for your views.

We agree with the suggested approach for disclosing scope 3 emissions. Stakeholders including investors will be able to assess the environmental impact and associated risks of an issuer more accurately if issuers are required to publish the categories of major upstream or downstream activities along their value chain that have been accounted for in their scope 3 emissions estimate. With this proposed modification, it is anticipated that the issuer's reporting methodology will be even more consistent, allowing stakeholders including investors to make better informed decisions based on industry-relevant comparable information.

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
 No

Please provide reasons for your views.

We agree with the suggested approach for the interim disclosures in respect of scope 3 emissions during the Interim Period, to enable issuers the time to communicate and establish workable plans with their upstream and downstream counterparties, collect and verify the relevant data, establish proper data control systems, and make disclosures in a trackable, industry-relevant, and presumably progressive manner.

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
 No

Please provide reasons for your views.

We agree with the suggested requirement to disclose the amount and percentage of assets or business activities vulnerable to transition risks. This will provide more granular and important details for issuers to develop a coherent, long-term business strategy that takes transition risks into account, as well as for stakeholders including investors to better make risk assessment and for issuers. However, a simple percentage without details of time horizon and translation to foreseeable financial effects could render the information less useful.

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
 No

Please provide reasons for your views.

We agree with the proposed interim disclosures as this will enable stakeholders including investors to review the qualitative data and track issuer's climate transition progress during the Interim Period. It allows the issuer reasonable time to collect and verify relevant quantitative data needed for more detailed 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
 No

Please provide reasons for your views.

We agree with the proposed requirement to disclose the amount and percentage of assets or business activities vulnerable to physical risks. This will provide important information for stakeholders including investors to conduct proper risk assessment, and for issuers to develop a long-term, coherent business strategy, taking physical risks into consideration. However, "the amount and percentage of assets or business activities" on its own may still be inadequate for proper assessment. We suggest that a percentage of revenue and value of asset at risk be given along an explanation of the chosen climate scenario.

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
 No

Please provide reasons for your views.

We agree with the proposed interim disclosures as this will enable stakeholders including investors to review the qualitative data during the Interim Period, track the issuer's progress and understand how the metric may change due to external change in circumstances or chosen climate scenarios. It will allow the issuer reasonable time to collect and verify quantitative data needed for more detailed 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
 No

Please provide reasons for your views.

We agree with the proposed requirement to disclose the amount and percentage of assets or business aligned with climate-related opportunities, as this would provide relevant information for stakeholders including investors as to how well an issuer is aligning its business decisions and establishing sound strategy that take into account climate-related considerations and opportunities that may arise.

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
 No

Please provide reasons for your views.

We agree with the proposed interim disclosures as this will allow investors and financiers to track the issuer's progress on climate issues, review the qualitative data during the Interim Period and understand any changes in circumstances that may affect metrics of climate-related opportunities. It will give the issuer reasonable time to collect and verify the quantitative data needed for more detailed 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
 No

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 information enables stakeholders including investors to gauge an issuer's commitment to budget for decarbonisation in their operations, products and services, and demonstrate a more credible climate transition plan.

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
 No

Please provide reasons for your views.

We agree with the proposed interim disclosures as this will enable stakeholders including investors to review the qualitative data during the Interim Period and track an issuer's progress in capital deployment that pertains to climate transition. It also allows the issuer reasonable time to collect and verify the quantitative data needed for detailed 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?

- Yes
 No

Please provide reasons for your views.

We disagree if the internal carbon price as a single price data is required from the more progressive issuers who deploy it. Issuers deem an internal carbon price, expressed as quantitative figure, as sensitive information that competitors may be able to take advantage of. When required to disclose this price data whereas others could simply declare not having one would put them under potentially unfair additional scrutiny. At such time that external carbon pricing, such as a price derived from a compliance Emissions Trading System or a carbon tax, is mandatory in Hong Kong, the issuers can define a relationship between the market carbon price and internal carbon pricing, e.g., a future price curve may be inferred and a range may be considered for the various internal applications – such as internal transfer pricing and return on green investments. Mandatory disclosure of the internal carbon price will be appropriate then. When external carbon pricing is voluntary in Hong Kong, disclosure of an issuer's internal carbon pricing should also be voluntary. Without making the disclosure mandatory, the issuers who deploy an internal carbon price can still voluntarily disclose it.

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
 No

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, since aligning remuneration with achieving overall climate-related targets and/or specific KPIs can enhance individual ownership throughout the company, which is conducive to effective climate transition as well as demonstrating transparency and accountability.

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
 No

Please provide reasons for your views.

We agree that referencing an international ESG reporting framework that is being adopted by the issuer provides better clarity. Given that ISSB adopts SASB to promote relevant industry materiality considerations as a global baseline, the issuer shall at least address all the industry-relevant metrics under SASB in detail. As many issuers in Hong Kong have been referencing GRI standards, voluntary cross indexing between SASB and GRI will be helpful for stakeholders including investors to make comparison of the issuer's past sustainability disclosures.

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
 No

Please elaborate.

SASB is the framework adopted by ISSB, the general backbone of this consultation. Issuers who are now using GRI will need clear and detailed guidance around SASB. IFRS S1 and S2 have just been published on 26/6/2023 and issuers will need time to evaluate their own systems and capacity to fully adopt any meaningful part of it. Currently, 96% of stock exchanges use GRI standards as ESG reporting guidance reference while 79% of them use SASB. (Source: <https://sseinitiative.org/esg-guidance-database/>) To the best of our knowledge, the majority of Hong Kong listed issuers who reference an ESG reporting standard usually cite GRI. Due to the lesser familiarity of the new SASB standard that ISSB references and HKEX is inclined to aligned with, issuers will need explicit guidance as to whether GRI is accepted as a reference standard instead of SASB in the revised HKEX Appendix 27, otherwise there will be plenty of confusion and time-consuming adaptation to be made. Even ESG consultants themselves are building capacity to advise on fast changing global and local reporting requirements, while SMEs will be disproportionately disadvantaged due to resource constraints. Please refer to response to Q12 in regard to whether financial impact information in relation to climate risks and opportunities should be included in the Annual Report and the assurance that may be required.

Question 28

Do you have any comments regarding the topics/matters that we intend to give guidance on?

- Yes
 No

Is there any particular topic/matter you consider further guidance to be helpful?

- Yes
 No

Please elaborate.

To facilitate issuers' disclosures and help provide comparable, consistent information for stakeholders including investors, we would appreciate clear and explicit guidance including case studies as mentioned throughout the responses to the above questions.

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
 No

Please share your views with us.

Further considerations shall be made to ensure IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) do not conflict with proposals made for revising Appendix 27 which refers to IFRS S2 only. We note that IFRS S2 is based on TCFD framework and SASB industry materiality. There is also a need to ensure Inter-applicability of SASB across jurisdictions consultation by IFRS. Successful adoption of the new Appendix 27 code is likely to depend on several factors, and most importantly the adoption of the 8 Climate Governance Principles established by WEF in 2019. Board directors are advised to deepen & broaden their climate knowhow, assume accountability, and establish effective board structure for transparent and useful climate-related disclosures. The availability of tools for preparation of disclosures are also key. In addition to tools, issuers will need to reference best practices and receive pragmatic guidance and training. We suggest consideration should be given to require mandatory training of board directors around climate risks and opportunities, with specific use cases for each sector or even industry. With EU CSRD's assurance requirement, specifically on climate-related disclosures especially on quantitative disclosures, HKEX could give consideration for a phased in approached, e.g., moving from limited assurance in 3 years to full assurance in 5 years from the time of first publication of climate-related disclosures under the revised Appendix 27.