



Proposed Enhancements of Climate-related Disclosures under HKEX ESG Reporting Framework

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Disclaimer

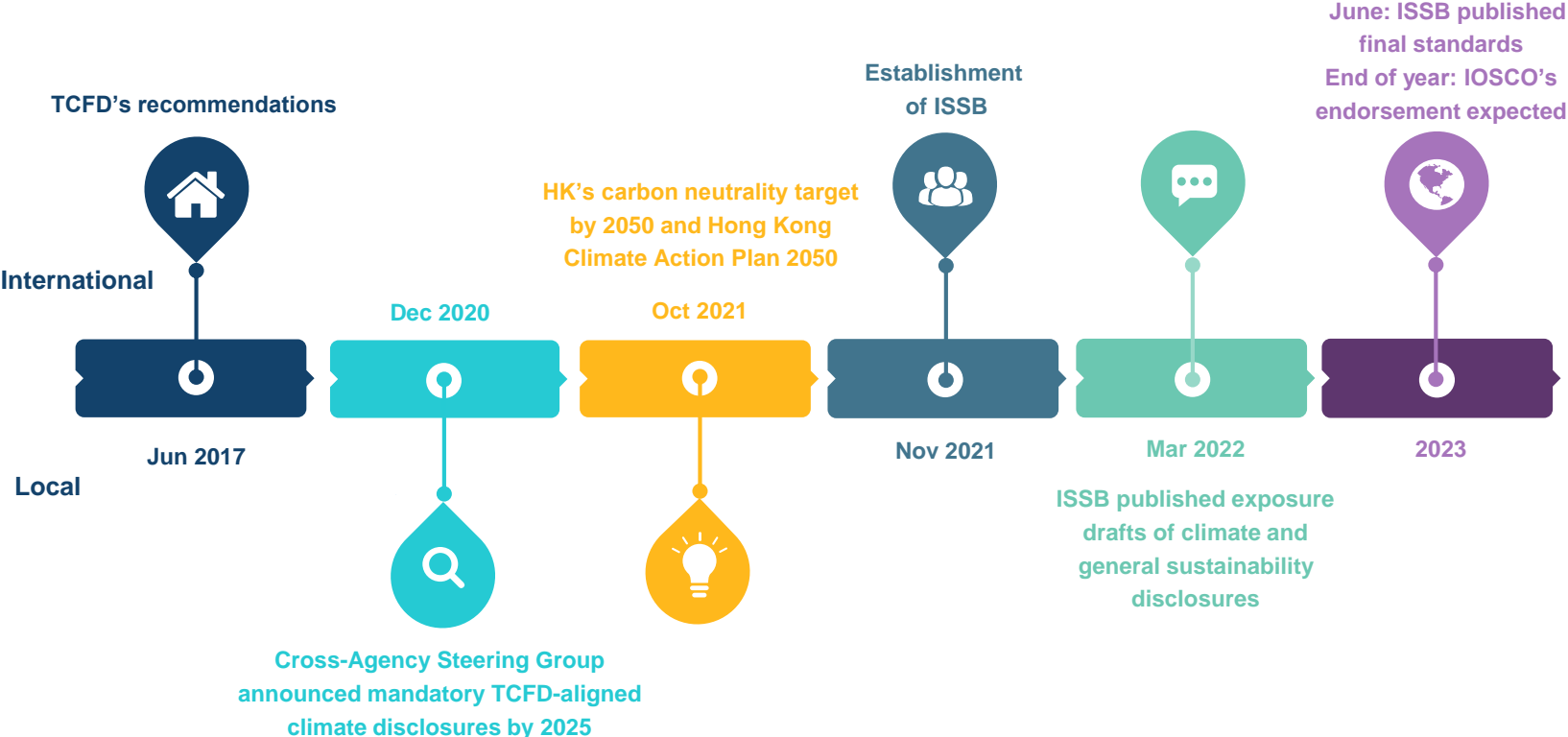
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Each issuer is unique and, as such, should develop its own steps and procedures for compliance with the Listing Rules in view of its special circumstances.



Key Developments in Climate-related Disclosure Regulation



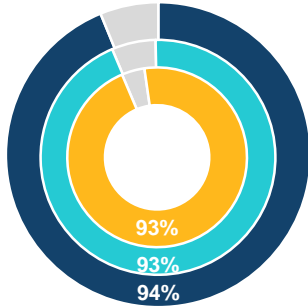
HKEX's ESG Journey



Current Climate Reporting Practices



Climate Disclosures Compliance



Climate change (average)

Over 85% of issuers chose to make disclosures



Scope 1 and scope 2 emissions

Some issuers disclosed a total figure for both scope 1 and scope 2 GHG emissions



Environmental targets (average)

Over 2/3 of issuers gave qualitative targets



Voluntary Disclosures

> 30%

Scope 3 -

Voluntary disclosures on limited type(s) of activities along the value chain

> 20%

TCFD -

Reference to or disclosures structured in accordance with TCFD recommendations

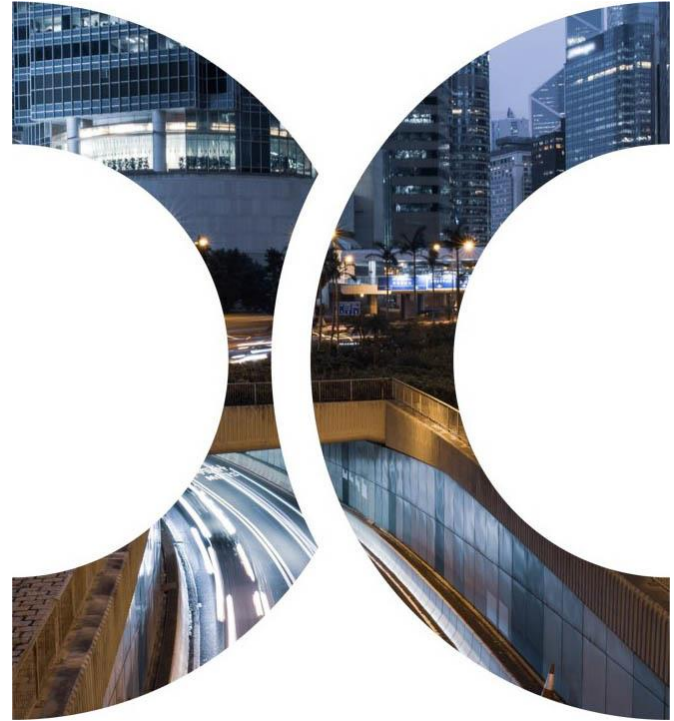
< 5%

Scenario analysis -

Issuers who adopted scenario analysis are generally more advanced in terms of climate reporting

Reasons for Enhancing Climate-related Disclosures

- To ensure that our ESG reporting framework continues to meet stakeholders' expectations and reflect international best practices
- To maintain Hong Kong's competitiveness as an international financial centre
- To achieve Steering Group's target to mandate TCFD-aligned climate-related disclosures by 2025
- To accelerate the building of resiliency and the sustainability journey of our issuers



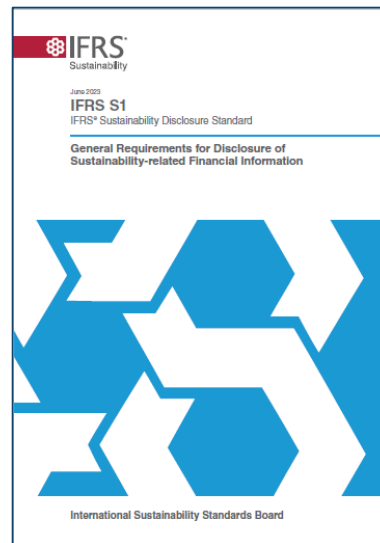
Factors Considered when Developing Our Proposals

- **HKEX's role:** market regulator (not standard-setter)
- Issuers' **familiarity** with existing ESG reporting framework which has been in place for 10 years
- Sustainability is a **journey**
- Start early to **build momentum** for development of HK's ecosystem



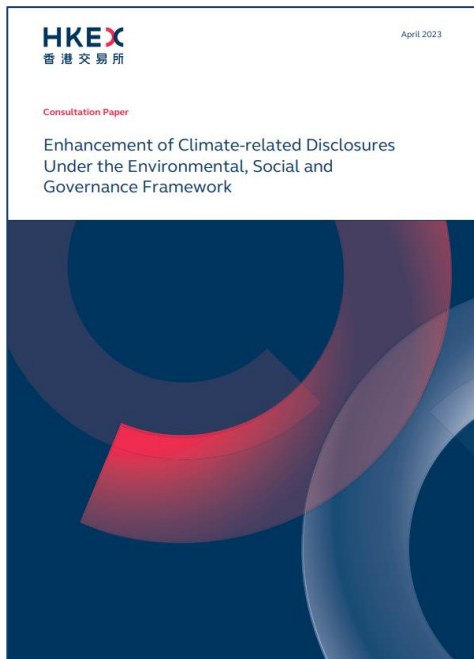
Our goal: smooth transition

Prepare the market towards the ultimate goal of sustainability reporting in accordance with the ISSB standards in full*



* Subject to (1) the establishment of a statutory standard-setter, (2) the adoption of the ISSB standards by such standard-setter in Hong Kong, and (3) the relevant legislation and/or regulations requiring sustainability reporting based on the ISSB standards (as adopted by the HK standard-setter).

Consultation on Enhancing Climate-related Disclosures



* Including financial effects of climate-related risks and opportunities, scope 3 emissions and certain cross-industry metric

Key Proposals



1. with interim provisions
2. with interim provisions for scope 3 emissions

Information that allows evaluation of whether significant climate-related risks and opportunities have received appropriate board and management attention

Current Requirements



Board's oversight of ESG issues



Board's ESG management approach and strategy



How board reviews progress made against ESG-related goals and targets

Proposed Additional Requirements



Identity of governance body



How the board is informed of climate-related issues



Availability of appropriate skills and competencies



Consideration of climate-related risks and opportunities



Management's role

Impact of material climate-related risks and opportunities on issuer's business operations, business model and strategy, and issuer's responses

Current Requirements



Board's ESG management approach and strategy in managing ESG issues



Significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them

Proposed Additional Requirements



Climate-related risks and opportunities



Transition plans



Climate resilience



Financial effects of climate-related risks and opportunities

Transition plans



Actions

- Changes to issuer's business model, strategy and resource allocation
- Adaptation and mitigation efforts



Targets

- Targets set by issuer for transition plans
- GHG emission targets required by local legislation

Where no information re targets is provided:



Work plan



Timetable



Progress

for setting and disclosing climate-related targets

Where carbon credits are used to achieve GHG emission targets:



Gross emission targets



Intended use of carbon credits



Net emission targets



Type of carbon credit



Third party credit verification or certification scheme

Climate resilience: Information that enables understanding of issuer's capacity to adjust strategy, business model and operations to climate-related uncertainties

Climate-related scenario analysis that is
"commensurate with a company's circumstances"



Implications on issuer's strategy
(e.g. response to anticipated effects during
the transition to a lower-carbon economy)



Extent of assets and business activities
at risk covered by strategy, mitigation
actions and/or investments



How climate-related scenario
analysis was conducted

Financial effect: Impact on issuer's financial position, financial performance and cash flows

Financial Effects	Disclosure	Interim Provisions
Current	Qualitative, but quantitative where material	Allow qualitative disclosures
Anticipated	Qualitative	Disclose: <ul style="list-style-type: none"> Information that enables understanding of the aspects of financial statements that are most affected Work plan, progress and timetable for full disclosure



Process that issuer uses to identify, assess and manage climate-related risks and opportunities

Current Requirements



Evaluation and management of material ESG-related issues



Effectiveness of risk management and internal control systems

Proposed Additional Requirements



Impact of assessment of climate-related risks



Priority of climate-related risks



Management of climate-related risks



Integration to risk management



Change in process

Metrics that issuer uses to measure, monitor and manage significant climate-related risks and opportunities, and assess performance

Current “C or E” Environmental KPIs



Scope 1 and 2 GHG Emissions



Hazardous and non-hazardous waste



Energy consumption



Total water consumption



Total packaging material used for finished products

Proposed Additional Requirements



Scope 1, 2 and 3 GHG emissions



Cross-industry metrics



Internal carbon price
(where maintained)



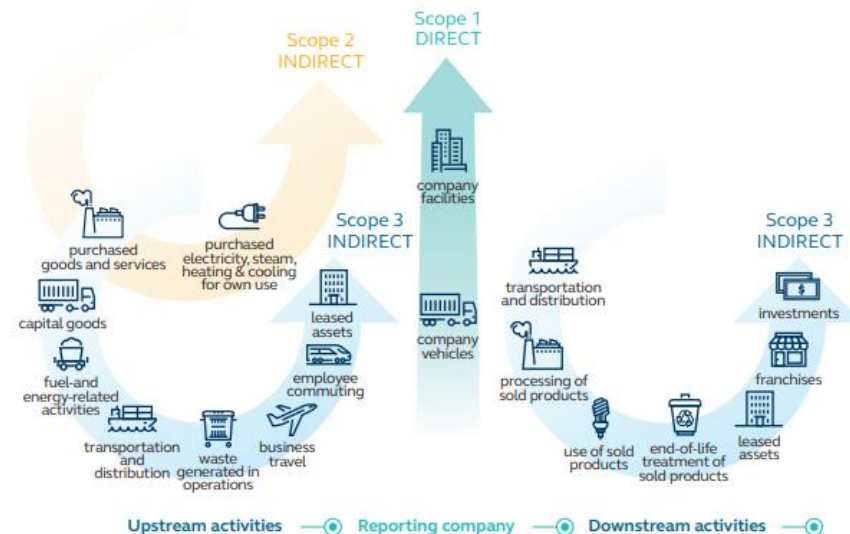
Remuneration

GHG emissions: Information that enables evaluation of issuer's carbon footprint and transition plan

	Current Requirement	Proposed Requirement
Scope 1 & 2 emissions	Comply or explain	Mandatory
Scope 3 emissions	Voluntary	Mandatory (with interim provisions)

Disclose:

- Information that enables understanding of issuer's value chain activities
- Work plan, progress and timetable for full disclosure



Source: GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard, WBCSD & WRI

Cross-industry metrics: Information that enables understanding of issuer's exposure to climate-related risks, and the integration of such considerations into business strategy



Transition/ physical risk

Assets or business activities vulnerable to transition/physical risk



Capital deployment

Capital expenditure, financing or investment deployed towards climate-related risks and opportunities



Climate-related opportunities

Assets or business activities aligned with climate-related opportunities



Remuneration

How climate-related considerations are factored into remuneration policy



Internal carbon price

Internal carbon price and how it is applied in the issuer's decision-making (where such is maintained)

Interim provisions:

- Describe assets or business activities vulnerable to or aligned with such risks or opportunities, or that require capital expenditure
- Disclose work plan, progress and timetable for full disclosure

Tips for Issuers



Enhancement

Identify **gaps with internal policies and practices** for planning system enhancements



Strategy

Integrate **climate risks and opportunities considerations** into strategy and decision-making process



Collaboration

Collaborate between all levels and teams within the company



Risk Management

Adopt practices to **reduce carbon emissions** and **control climate change**



Stakeholder Engagement

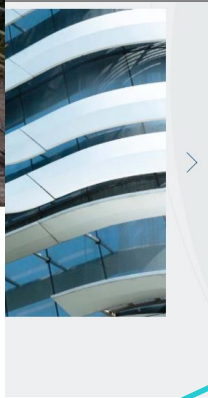
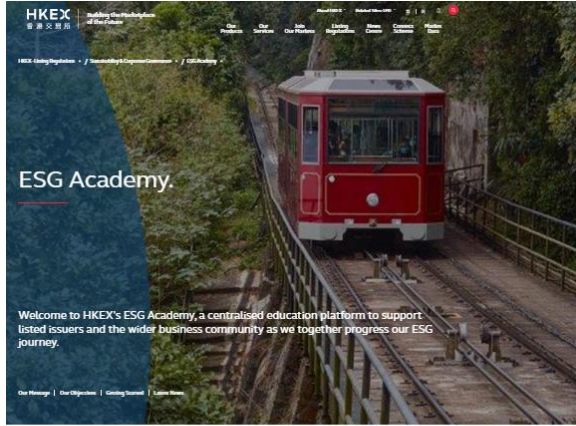
Identify **value chain activities** to be included for reporting, and commence **data collection**



Development

Keep abreast of **latest development** and provide regular training

One-stop ESG platform – ESG Academy



“ ESG performance is an important measure of a company's resilience and effective risk management. In supporting ESG adoption and development across our listed issuer community, the Exchange plays a key role as catalyst, facilitator and enabler in the long-term sustainability of our markets.”



Katherine Ng
Head of Listing, HKEEX



Our Rules and Regulations.

ESG Academy serves as a guiding compass for the broad business, and investor community, helping them to develop a clear understanding on the evolving ESG requirements.

[Learn More >](#)

Our Guidance Materials.

ESG Academy assists listed issuers in the exploration of the themes and trends that are defining the future of ESG, helping them to construct a solid roadmap for integrating ESG considerations into their business strategies.

[Publications and Training >](#)

[ESG in Practice >](#)

[External Resources >](#)

Publication and Training

Assist listed issuers to integrate ESG considerations into business strategy

Guides



[Guidance on Climate Disclosures PDF >](#)

Webinars



[Decarbonisation Along the Value Chain >](#)

Reports



[2022 Analysis of ESG Practice Disclosure PDF >](#)

ESG in Practice

Encourage peer learning from best practices of other issuers



External Resources

References to external ESG frameworks, standards and guidance

[ESG Frameworks](#)

[Reference Materials by topics](#)

[ESG-related Initiatives](#)

ESG Frameworks.

The following is a non-exhaustive list of external frameworks, standards and guidance for market practitioners seeking guidance on best practice.



Thank you!

