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The Hong Kong Institute of Directors
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Thank you for your response to our “Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework”. It has been well received.

[Re: The Exchange’s Consultation Paper
Enhancement of Climate-related Disclosures under the
Environmental, Social and Governance Framework](#)

Below is a summary of your responses

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Thank you for taking the time to respond to the Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework (“Consultation Paper”)

Please state whether your response represents the view of your company/organisation or your personal view:

Company/Organisation view

Personal view

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

Company/Organisation name*:

The Hong Kong Institute of Directors

Company/Organisation type*:

- Accounting Firm
- Corporate Finance Firm / Bank
- HKEX Participant
- Investment Manager
- Law Firm
- Listed Company
- Professional Body / Industry Association**
- Non-governmental / Charitable Organisation
- Other (please specify)

Contact Person*:

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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.

Disclosure of identity

HKEX may publish your identity together with your response. Respondents who do NOT wish their identities to be published should tick the box below, otherwise please click "Next":

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. A higher degree of transparency is in line with global developed capital markets practices. It will allow stakeholders especially investors to make better informed decisions, and secure Hong Kong's position as a climate-conscious international financial centre. The process of disclosures can help issuers become more aware of the climate risks and opportunities that impact their businesses and take timely action to address them. The suggested Interim Period and related provisions are appropriate to allow issuers reasonable time to collect necessary data and make the transition to align with the global decarbonization drive.

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 in driving effective implementation of climate strategy and related risk management. The disclosures can help stakeholders especially investors in understanding the position adopted and commitment made at the top towards decarbonization of a company's operations, products and services.

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 which have a 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 that it is an option to disclose or not the actual and potential effects of climate-related opportunities the issuers may have identified in response to climate-related risks. The actual and potential effects of climate-related opportunities should be made mandatory (same as risks) to provide a more balanced picture of climate effects on the financial health of an issuer. Without this information, only risks and the effects of the risks will be considered. Where the disclosures are mandatory, issuers will be prompted to more thoroughly assess climate-related opportunities leading to more holistic disclosure that will enhance transparency.

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 the applicability of and disclose the metrics when assessing and making disclosure of climate-related risks and opportunities. Hong Kong issuers can align with global standards with disclosures that are on par with their global peers who will most probably be disclosing such metrics as stipulated in IFRS S2 which is the focus of this present consultation.

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 opportunities and risks related to climate change. Stakeholders especially investors can gain a more complete understanding in issuers who present a convincing decarbonization 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 especially investors to understand the challenges and ascertain the credibility of their decarbonization 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 issuers who are yet to have climate-related targets in place should make alternative disclosures and explain their short and medium-term plans for setting such targets, as well as commitments and resources allocated to achieve those plans. The disclosures will enhance their transparency and allow stakeholders especially investors to better assess the will of the issuers in making their 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 especially investors to assess an issuer's credibility of delivering on its climate-related 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 especially investors could evaluate the ability of issuers to withstand potential climate-related impacts on their assets and business operations.

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 scenario analysis that is commensurate with the complexity of the business and an issuer's particular circumstances. The impact of climate-related risks and opportunities on an issuer's cash flows, access to finance, cost of capital, and potential revenue from climate-related opportunities are tied to the outcomes of chosen scenarios. For issuers to adequately prepare the disclosures and for stakeholders especially investors to understand the rationale behind chosen scenarios, clear guidance from HKEX would be beneficial, especially for 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 in principle with the proposal that issuers should be required to disclose current financial effects of climate-related risks and opportunities. The board and management should be fully aware of the potential effects of climate-related risks and opportunities on their company's financials. However, clear and comprehensive guidance from HKEX on the methodology and industry-relevant guidelines in conducting such an assessment would be needed for common-ground interpretation, and it would be especially beneficial to the less resourced issuers. Questions that arise from disclosures of climate-related effects on financials are: 1. Should such disclosures be made a part of the Annual Report which contains historical information of the previous financial year. 2. If so, does the relevant information requires a certain level of assurance audit? 3. If not being part of the Annual Report, what significance will there be in disclosing forward-looking material financial impact? 4. If the information is to be part of the Annual Report and yet no assurance is required, will it cause confusion and/or limited meaningful usage of such 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?

- 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 to be taken by the issuers in eventually providing data as required. More time is required to collect data and sort out the quantification methodology and the Interim Period can alleviate this pressure, especially 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. However, where widely accepted methodologies for such quantification are not yet available, qualitative descriptions should be acceptable for the time being. HKEX can provide clear guidance on the quantification methodology to benefit issuers, especially the less-resourced ones, and make clear that the forward-looking anticipated financial effects are not required to be included in the Annual Report.

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. Issuers can provide a credible plan over a defined time frame to close the disclosure gap.

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. Without such a description, it is difficult for stakeholders especially investors to assess the credibility and effectiveness of the climate-related risk management.

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.

We disagree that issuers may opt to disclose the process used to identify, assess and manage climate-related opportunities. Disclosure of the process to determine climate-related opportunities should be mandatory, on the same grounds as risks, so that consideration of both risks and opportunities would allow stakeholders especially investors to conduct a proper assessment of the issuers. However, material climate-related risks to each industry can be rather similar and the scenario analysis and other tools to assess them are available, while opportunities that are available to each industry and each issuer can vary significantly, and the assessment methodology is highly dependent on various internal and circumstantial factors. HKEX can provide clear guidance for a proper assessment that can be based on a reasonable approach to ensure that equal consideration is given to both risks and opportunities. This will be especially beneficial to issuers with less resources.

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 suggested approach for disclosing emissions in scopes 1 and 2, since disclosures of issuers will become more standardized and stakeholders including investors will have referenced to arrive at 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 disagree with the suggested approach for disclosing scope 3 emissions. Since some issuers have over a thousand suppliers, the requirement 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 makes it an onerous exercise. Clear guidance for collecting relevant information in a simplified manner and a meaningful Interim Period allowed are needed if issuers are to disclose Scope 3 emissions as proposed.

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 over an extended Interim Period in respect of scope 3 emissions, to enable issuers the time to communicate and establish work plans with their upstream and downstream counterparties, develop an internal system for gathering and validating the relevant data, and make disclosures in a trackable, comparable 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 proposed requirement to disclose the amount and percentage of assets or business activities vulnerable to transition risks. Yet, issuers are to be further encouraged to provide more granular and important details on the anticipated effects on the assets and business activities in question, for stakeholders including investors to make proper risk assessments, and for issuers to develop an appropriate business strategy that addresses transition risks.

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 during the Interim Period as this will allow stakeholders especially investors to review the qualitative disclosure during the Interim Period to gauge the issuer's progress, while allowing adequate time for the issuer to gather and validate 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 vulnerable to physical risks. This will provide important details for stakeholders especially investors to make proper risk assessment on the issuers. However, 'the amount and percentage of assets or business activities' may lead to insufficient information when comparing an issuer with its peers. More importantly, the anticipated financial effects on such assets and business activities can provide better basis for assessment.

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 especially investors to review the qualitative disclosure during the Interim Period, and track the issuer's progress and change in circumstances while allowing the issuer reasonable time to gather and validate 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 especially investors as to how well an issuer is aligning its business decisions with climate-related 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?

- Yes
 No

Please provide reasons for your views.

We agree with the proposed interim disclosures as this will enable stakeholders especially investors to review the qualitative disclosure during the Interim Period and track the issuer's progress and change in circumstances. This also allows the issuer reasonable time to gather and validate the quantitative data needed for 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 especially investors to gauge an issuer's commitment to execute a 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 especially investors to review the qualitative disclosure during the Interim Period and track an issuer's progress. It also allows the issuer reasonable time to gather and validate 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.

Issuers deem an internal carbon price as sensitive information that competitors can take advantage of, and have to disclose whereas others could simply declare not having one would put them under additional, potentially unfair scrutiny. At such time that external carbon pricing, such as a carbon tax or a price derived from an Emissions Trading System, is mandatory issuers can define a relationship between the real and internal carbon pricing. When internal carbon pricing is a mandatory practice required in Hong Kong, it is reasonable that at that time Internal carbon pricing disclosure is to be made mandatory. Where external carbon pricing is voluntary, disclosure of an issuer's internal carbon pricing should also be voluntary.

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 climate-related holistic targets and/or specific KPIs can enhance individual ownership in decarbonization and demonstrate 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.

Referencing an international ESG reporting framework could provide better clarity. For instance, ISSB adopts SASB to promote relevant industry materiality considerations as a global baseline; issuers would be able to identify material impact relevant to their industries when they address all the metrics under SASB.

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, while the majority of Hong Kong issuers have been referencing GRI. Where SASB is favoured in the revised Appendix 27, issuers will need clearer guidance as to how to apply materiality assessment based on SASB. This is especially essential to support the less resourced issuers in complying with an unfamiliar standard.

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.

Suggestions have been made in the answers above. Of particular significance are methodology to quantify financial effects as well as to gather meaningful data for Scope 3 emissions.

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 that the proposals made for revising Appendix 27 which makes reference to IFRS S2 alone does not conflict with IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) which was published on 26 June 2023 along with IFRS S2. 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 mindset change in issuers, substantial climate knowhow at the board and executives level, and useful tools for the preparation of disclosures. HKEX can provide clear guidance on best practices, pragmatic guidance and training. We note that Singapore and Malaysia require mandatory training of board directors in climate and ESG matters. A minimum required hours or programs in mandatory board training around climate risks and opportunities with specific use cases for each sector and/or industry, well-structured and delivered by highly qualified training facilitators who themselves are company board members, will be very helpful for board directors in Hong Kong.

You are about to submit your response. If you would like to make any amendment prior to submission, you may navigate to the questions through the panel on the left (under the ≡ icon).

After submission, you can download a response summary in PDF format. If you would like to change your response after submission, please contact consultationsupport@hkex.com.hk by specifying the email address, contact person and phone number you have provided in this questionnaire.

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