The Hong Kong Chartered Governance Institute

Online Submission

The Stock Exchange of Hong Kong Limited (Exchange)

Consultation Paper on Enhancement of Climate-related Disclosures Under the Environmental, Social and Governance Framework

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[Unless the context requires otherwise, the terms and expressions used in this submission shall have the meanings set out under the Consultation Paper.]

About HKCGI

The Hong Kong Chartered Governance Institute (HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries, is the only qualifying institution in Hong Kong and the Mainland of China for the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications.

With over 70 years of history and as the Hong Kong/China Division of The Chartered Governance Institute (CGI), the Institute's reach and professional recognition extend to all of CGI's nine divisions, with about 40,000 members and students worldwide. The Institute is one of the fastest growing divisions of CGI, with a current membership of over 7,000, 300 graduates and 2,600 students with significant representations within listed companies and other cross-industry governance functions.

Believing that better governance leads to a better future, HKCGI's mission is to promote good governance in an increasingly complex world and to advance leadership in the effective governance and efficient administration of commerce, industry and public affairs. As recognised thought leaders in our field, the Institute educates and advocates for the highest standards in governance and promotes an expansive approach which takes account of the interests of all stakeholders.

Overall Support

From the applied governance perspective, we support the proposals under the Consultation Paper to address enhanced disclosures, especially mandatory climate change disclosures, to address climate change as one of the most pressing concerns of our day. Carbon neutrality, the Climate Action Plan, the activities of the Steering Group mentioned in the Consultation Paper, and undoubtedly many more initiatives to come are inevitable outcomes of climate change management, including associated physical and transition risks. All listed companies should provide disclosures regarding climate change as part of their purpose, sustainability, and resilience. Additionally, many listed companies looking to access finance, green and sustainable debt, and sustainability-linked loans need to make climate change disclosures as a fundamental criterion to seek these.

From a governance standpoint, we agree with the Exchange that companies must report on ESG issues, including climate change, in a high-quality, transparent, consistent, and comparable manner. We also support the ISSB's efforts to establish a global baseline for sustainability-related disclosure standards, including on climate change. However, we are particularly concerned with the unintended impact of Part D of the new Code in requiring mandatory disclosures beyond the ISSB Climate Standard requirements. For instance, under the ISSB Climate Standard, there may be flexibility in some circumstances to report on qualitative as opposed to quantitative disclosures even beyond the Interim Period. We appreciate that Hong Kong would want to be the best in class for mandatory climate change disclosures; however, this should be based on the ISSB Climate Standard as the global baseline. This issue impacts all listed issuers and IPO candidates.

We also note that, at some point, the Exchange should monitor developments relating to the discrepancy between the Code and the ISSB Climate Standard's mandatory climate-related disclosure requirements based on enterprise value (a single materiality concern) and impact (or double) materiality as set out under the Consultation Paper, especially as the rest of the Code is based off GRI which covers impact materiality.

In general, we concur that our laws and regulations must keep up with global advancements, represent stakeholder expectations, and allocate resources to a more sustainable future. We appreciate the Implementation Guidance and the Exchange's ESG Academy for their outstanding efforts. We look forward to Part D tracking ISSB Climate Standard and collaborating with the Exchange to promote ESG issues and establish associated governance best practices on climate change disclosures. These will consist of our certification and other training programmes.

Question 1: Do you agree to upgrade climate-related disclosures to mandatory from "comply or explain"? Please provide reasons for your views.

We support the upgrade of climate-related disclosures to mandatory from "comply or explain," particularly considering the following governance aspects. Upgrading climate-related disclosures to mandatory status reinforces governance by promoting board oversight, improving risk management practices, enhancing investor confidence, and aligning with global governance standards. These measures ensure that climate-related risks and opportunities are effectively addressed and integrated into the decision-making processes of listed issuers. Ultimately, this supports the development of a resilient and sustainable financial ecosystem in Hong Kong as a leading international financial centre.

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? Please provide reasons for your views.

We 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. The board's role in driving sustainability practices and incorporating sustainability into strategic planning is crucial for effectively managing climate-related risks and opportunities. While the proposal to introduce new governance disclosures aligned with the ISSB Climate Standard is acceptable at the initial stage, it is important to address the issue of single materiality versus double materiality in the long term. Harmonising reporting standards and consolidating provisions would ensure consistency, facilitate global comparability, and meet the expectations of institutional investors operating in regions with double materiality requirements, such as Europe.

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? Please provide reasons for your views.

We agree to require the disclosure of climate-related risks as set out in paragraph 2 of Part D of the Proposed Appendix 27. Disclosing climate-related risks is essential for ensuring transparency, enabling informed decision-making, and promoting the integration of climate considerations into investment strategies. By providing detailed information on the risks issuers face and their potential impact, investors and stakeholders can better evaluate the resilience and sustainability of companies in the face of climate change and make more informed investment decisions.

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? Please provide reasons for your views.

We 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. By incorporating the disclosure of climate-related opportunities into their reporting, issuers can provide a comprehensive picture of their overall approach to climate change, encompassing both risks and opportunities. This holistic view allows investors and stakeholders to assess the issuer's resilience, strategic positioning, and potential for sustainable growth.

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? 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 as set out in paragraph 4 of Part D of the Proposed Appendix 27. The consideration and disclosure of metrics are crucial for enhancing transparency, comparability, and credibility in reporting climate-related risks and opportunities. By aligning with established metrics, issuers can provide standardised information that facilitates informed decision-making, supports industry-wide analysis, and promotes the integration of climate considerations into investment strategies.

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? Please provide reasons for your views.

We agree to require disclosure of how the issuer responds 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. The requirement to disclose how issuers respond to climate-related risks is essential for transparency, risk assessment, opportunity identification, credibility, and long-term value creation. It empowers stakeholders to make informed decisions and supports the overall goal of advancing sustainable and responsible business practices in the context of climate change.

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? Please provide reasons for your views.

We 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. The required disclosure of climate-related targets enhances transparency, aligns with best practices, facilitates awareness of statutory targets, promotes investor understanding, and ensures credibility in using carbon credits. It empowers investors and stakeholders to assess a company's commitment and progress in addressing climate change, ultimately driving the transition to a sustainable and low-carbon economy.

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? Please provide reasons for your views.

We 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. Acknowledging that issuers may be at different stages of their sustainability journey, allowing alternative disclosures provides flexibility and recognises that setting meaningful and achievable climate-related targets takes time. It encourages issuers to develop targets gradually while ensuring that climate-related target setting remains a priority. It fosters ongoing target-setting efforts, provides stakeholders with progress updates, and enables investors to assess an issuer's commitment to sustainability, supporting informed decision-making.

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? Please provide reasons for your views.

We support the requirement to disclose the progress made in the most recent reporting year regarding plans disclosed, as outlined in paragraph 7 of Part D of the Proposed Appendix 27. This disclosure enables stakeholders to track the company's implementation of transition plans and target achievements, promotes accountability, and facilitates informed decision-making by investors. It also allows management to monitor progress and make necessary adjustments. Overall, this requirement aligns with governance principles, promotes transparency, and demonstrates the company's commitment to effective climate change strategies.

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? Please provide reasons for your views.

We agree to require the discussion of the issuer's climate resilience as set out in paragraph 8 of Part D of the Proposed Appendix 27. This disclosure is important from a governance perspective as it enables investors and stakeholders to assess how effectively a company is managing climate-related risks and opportunities. By disclosing the implications of climate-related findings for the company's strategy, including its response to the anticipated effects of transitioning to a lower-carbon economy, issuers demonstrate their awareness of the challenges posed by climate change and their ability to adapt their business models accordingly. Moreover, disclosing significant areas of uncertainty considered in the analysis of climate resilience provides transparency about the company's risk assessment process and enhances trust and accountability.

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? Please provide reasons for your views.

We agree to require issuers to apply a climate-related scenario analysis that is commensurate with the issuer's circumstances and to disclose information on climate-related scenario analysis as set out in paragraph 9 of Part D of the Proposed Appendix 27. This requirement aligns with good governance practices by promoting transparency and accountability in assessing the potential impacts of climate change on the company's financial performance and position. Requiring issuers to disclose the scenarios used, their sources, and whether they align with the latest international agreements on climate change enhances comparability and facilitates informed decision-making by investors and stakeholders. Furthermore, the proposed approach to climate-related scenario analysis, which allows issuers to start with qualitative narratives and progress to quantitative information over time, recognises the need for capacity-building and expertise development. Incorporating suggestions of climate-related scenarios in the Implementation Guidance further enhances governance by providing a standardised framework for comparing and analysing issuers' climate-related scenarios. This promotes consistency and facilitates meaningful evaluations of the company's resilience to different climate change scenarios.

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? Please provide reasons for your views.

We agree to require disclosure of the current financial effects of climate-related risks and, where applicable, climate-related opportunities. Companies need to provide transparency about how climate-related risks and opportunities impact their financial position, financial performance, and cash flows. Such disclosure enables investors to assess the financial implications of climate change on the company and make informed investment decisions. Quantitative information should be provided where possible, as it enhances the clarity and comparability of the disclosure.

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?

We agree that during the Interim Period, when an issuer has yet to provide quantitative disclosures, it should make interim disclosures as set out in the paragraph immediately following paragraph 10 of Part D. Understandably, some issuers may have limited knowledge or experience in quantifying the financial effects of climate-related risks and opportunities. However, interim disclosures in qualitative information can still provide valuable insights into how the company considers and manages climate-related factors. This allows stakeholders to gain a preliminary understanding of the company's approach to climate-related risks and opportunities while quantitative data is being developed. Please kindly better align, after the Interim Period, the ESG Reporting Code with the ISSB Climate Standard as the global baseline.

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? Please provide reasons for your views.

We agree to require disclosure of the anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities. While it is understandable that issuers may have concerns about the accuracy and reliability of forward-looking statements, providing qualitative descriptions of anticipated financial effects can still offer valuable insights to investors and stakeholders. It allows them to assess how the company considers and prepares for climate-related risks and opportunities in its financial planning and decision-making processes. Furthermore, disclosing anticipated financial effects can contribute to better risk management and long-term strategic planning, enabling investors to make informed investment decisions and allocate capital more effectively. Issuers can enhance their credibility and build trust with stakeholders by providing transparency on the potential impact of climate-related risks and opportunities.

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 interim disclosures as set out in the paragraph immediately following paragraph 11 of Part D of the Proposed Appendix 27? Please provide reasons for your views.

We agree that during the Interim Period, when an issuer has not yet provided the full information on the anticipated effects of climate-related risks and opportunities, it should make interim disclosures as outlined in the paragraph immediately following paragraph 11 of Part D of the Proposed Appendix 27. It is important to maintain transparency and keep stakeholders informed about the progress and intentions of the issuer regarding the disclosure of anticipated financial effects. The interim disclosures should provide relevant information that allows investors to understand the aspects of the financial statements most affected by climate-related risks and opportunities. Additionally, the work plan, progress, and timetable for making the required disclosure should be disclosed to demonstrate the issuer's commitment to fulfilling the disclosure requirements in a timely manner. Please kindly better align, after the Interim Period, the ESG Reporting Code with the ISSB Climate Standard as the global baseline.

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? Please provide reasons for your views.

We agree to require the disclosure of the issuer's process to identify, assess, and manage climate-related risks. Climate-related risks pose significant challenges to businesses, and investors and stakeholders must understand how companies address these risks. Disclosing the process used by the company to identify, assess, and manage climate-related risks provides transparency and allows investors to evaluate the company's risk management practices. It enables stakeholders to assess the company's preparedness and resilience in the face of climate change and make informed investment decisions. Moreover, such disclosure promotes accountability and encourages companies to develop robust risk management strategies in response to climate-related challenges.

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? Please provide reasons for your views.

We agree that issuers may opt to disclose the process used to identify, assess, and manage climate-related opportunities. Climate change presents not only risks but also opportunities for businesses. By disclosing the process used to identify, assess, and manage climate-related opportunities, companies can provide valuable information to investors and stakeholders about their proactive approach to capitalise on these opportunities. It demonstrates the company's ability to adapt its business strategies to leverage climate-related changes, such as renewable energy investments, innovative green technologies, or sustainable supply chain practices. This disclosure allows investors to assess the company's forward-thinking and potential for long-term growth in a sustainable and low-carbon economy. Furthermore, it promotes transparency and encourages companies to integrate climate-related opportunities into their overall management processes, fostering responsible and environmentally conscious business practices.

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? Please provide reasons for your views.

We agree with the proposed approach for disclosing scope 1 and scope 2 emissions. Scope 1 and 2 emissions are crucial indicators of a company's direct and indirect greenhouse gas emissions. Requiring mandatory disclosure of these emissions provides investors and stakeholders with important information to assess a company's carbon footprint and efforts to manage and reduce its emissions. It promotes transparency and accountability, allowing investors to evaluate the company's environmental performance and commitment to addressing climate change. Furthermore, standardised disclosure of scope 1 and 2 emissions enables comparability across companies, sectors, and jurisdictions, facilitating benchmarking and analysis of emissions reduction strategies.

(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?

We agree with the proposed approach for the disclosure of scope 3 emissions. Scope 3 emissions, which encompass indirect emissions along a company's value chain, provide a comprehensive picture of a company's carbon footprint. Requiring disclosure of scope 3 emissions is essential to ensure transparency and accountability in assessing a company's overall greenhouse gas emissions. While it may pose challenges for issuers regarding data collection and calculation, it is crucial to encourage companies to consider and account for the emissions associated with their value chain activities. Providing investors and stakeholders

with information on scope 3 emissions enables them to evaluate the full extent of a company's environmental impact and its efforts to address climate-related risks.

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? Please provide reasons for your views.

We agree with the proposed approach for interim disclosures regarding scope 3 emissions during the Interim Period. Recognising the challenges in collecting and disclosing comprehensive scope 3 emissions data, allowing for interim disclosures provides a practical and reasonable approach. It encourages issuers to make meaningful disclosures during the Interim Period while providing transparency and signalling their commitment to comply with the full disclosure requirements in the future. The interim disclosures should include relevant information about the issuer's upstream or downstream activities along the value chain, allowing investors and stakeholders to gain initial insights into the issuer's value chain emissions and potential focus areas. Additionally, requiring issuers to disclose their work plan, progress, and timetable for making the needed scope 3 emissions disclosure promotes accountability. It helps stakeholders understand the issuer's commitment to enhancing their emissions reporting practices over time. Please kindly better align, after the Interim Period, the ESG Reporting Code with the ISSB Climate Standard as the global baseline.

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? Please provide reasons for your views.

We agree with the requirement to disclose 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. This disclosure provides important information for investors to assess a company's potential financial vulnerability due to transition risks, such as impairment or stranding of assets and changes in demand. It enhances transparency and allows stakeholders to evaluate the company's preparedness and resilience in climate-related challenges.

(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? Please provide reasons for your views.

We agree with the proposed interim disclosures during the Interim Period regarding the metric regarding transition risks as set out in the paragraph immediately following paragraph 16 of Part D of the Proposed Appendix 27. Providing a work plan, progress, and timetable for making the required disclosure allows issuers to demonstrate their commitment to comply with the disclosure requirements while also addressing data accuracy and credibility concerns. It provides meaningful information to investors and stakeholders during the transition period. Please kindly better align, after the Interim Period, the ESG Reporting Code with the ISSB Climate Standard as the global baseline.

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? Please provide reasons for your views.

We 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. This disclosure enables investors to understand a company's potential financial vulnerability due to physical risks, including asset impairment, changes in asset values, and costs associated with business interruptions. It enhances transparency and allows stakeholders to assess a company's ability to manage and adapt to physical climate risks.

(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? Please provide reasons for your views.

We agree with the proposed interim disclosures during the Interim Period regarding the metric regarding physical risks as set out in the paragraph immediately following paragraph 17 of Part D of the Proposed Appendix 27. Similar to the approach for transition risks, interim disclosures with a work plan, progress, and timetable provide issuers with time to familiarise themselves with calculation methodologies and address concerns about data accuracy and credibility. It ensures that meaningful information is disclosed while gradually allowing issuers to improve their reporting capabilities. Please kindly better align, after the Interim Period, the ESG Reporting Code with the ISSB Climate Standard as the global baseline.

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? Please provide reasons for your views.

We 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. This disclosure provides valuable insights into a company's position relative to its peers in capturing climate-related opportunities. It allows investors to assess the company's potential for revenue and profitability changes over time and its alignment with the transition to a low-carbon economy.

(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? Please provide reasons for your views.

We agree with the proposed interim disclosures during the Interim Period regarding metrics regarding climate-related opportunities as set out in the paragraph immediately following paragraph 18 of Part D of the Proposed Appendix 27. Requiring issuers to describe assets or business activities aligned with climate-related opportunities, along with a work plan, progress, and timetable, enables gradual compliance while ensuring stakeholders have meaningful information about the company's strategies and progress in capturing climate-related opportunities. Please kindly better align, after the Interim Period, the ESG Reporting Code with the ISSB Climate Standard as the global baseline.

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? Please provide reasons for your views.

We 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. This disclosure is crucial for investors to understand how companies are investing in addressing climate-related risks and opportunities. It provides insights into a company's commitment to building resilience, transitioning to a low-carbon economy, and capturing new opportunities.

(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? Please provide reasons for your views.

We agree with the proposed interim disclosures during the Interim Period regarding the metric regarding capital deployment as set out in the paragraph immediately following paragraph 19 of Part D of the Proposed Appendix 27. Requiring issuers to provide a work plan, progress, and timetable for making the required disclosure allows for a gradual transition towards full compliance. It acknowledges the challenges in collecting accurate data and ensures stakeholders have information on the company's efforts and plans regarding climate-related capital deployment. Please kindly better align, after the Interim Period, the ESG Reporting Code with the ISSB Climate Standard as the global baseline.

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? Please provide reasons for your views.

We agree that where an issuer maintains an internal carbon price, it should disclose the information set out in paragraph 20 of Part D of the Proposed Appendix 27. Disclosing the internal carbon price allows investors and stakeholders to assess the company's understanding of climate-related risks and opportunities and its integration of climate considerations into decision-making processes. It provides transparency regarding how the company assesses the financial implications of emissions and adjusts strategies accordingly. This disclosure enhances governance by promoting accountability and demonstrating the reasonableness and effectiveness of the company's plans and strategies.

Question 25: Do you agree with the proposed approach for the disclosure of how climate-related considerations are factored into remuneration policy as 36 set out in paragraph 21 of Part D of the Proposed Appendix 27? Please provide reasons for your views.

We agree with the proposed approach for disclosing how climate-related considerations are factored into remuneration policy as in paragraph 21 of Part D of the Proposed Appendix 27. Linking executive remuneration to performance on climate-related issues can incentivise management to incorporate climate considerations into their decision-making and business strategies. While quantifying the exact percentage or amount of remuneration linked to climate-related factors might not be practical, disclosing how climate-related considerations are factored into the remuneration policy provides transparency and allows stakeholders to evaluate the company's commitment to addressing climate change. This disclosure promotes better governance by aligning executive incentives with climate goals and emphasising managing climate-related issues.

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? Please provide reasons for your views.

We agree with the proposed approach for the industry-based disclosure requirements prescribed under other international ESG reporting frameworks, such as the SASB and GRI Standards, as set out in paragraph 22 of Part D of the Proposed Appendix 27. Encouraging issuers to consider these industry-based disclosure requirements provides flexibility while promoting the disclosure of industry-specific information. It recognises the evolving nature of international ESG reporting frameworks and allows issuers to draw on established standards relevant to their industries. This approach enhances governance by facilitating consistent and comparable reporting within industries and ensuring stakeholders have access to industry-specific information to assess companies' performance and risks related to climate change.

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? Please elaborate.

Regarding the proposed consequential amendments to Appendix 27, they seem to have been drafted clearly and comprehensively. The proposed changes to Paragraph 2, Paragraph 8, and Paragraph 12 address the necessary updates resulting from introducing new climate-related disclosure requirements in Part D of Appendix 27. These amendments aim to reflect the inclusion of the new mandatory disclosure requirements, provide clarity on adopting international ESG reporting guidance, and emphasise the inclusion of climate-related policies and performance in the directors' report. Based on the information provided, it does not appear that the proposed amendments would give rise to any ambiguities or unintended consequences. However, it is always important to consider feedback from stakeholders to ensure that the amendments are interpreted and implemented correctly.

Question 28: Do you have any comments regarding the topics/matters that we intend to give guidance on? Is there any particular topic/matter you consider further guidance to be helpful? Please elaborate.

The offer to provide implementation guidance on various topics is commendable, as it will help facilitate issuers' compliance with the new Rules. To provide effective guidance, covering topics such as data collection methodologies, reporting formats, integration of climate-related risks into financial reporting, measurement of social and governance factors, and aligning ESG disclosures with internationally recognised frameworks would be beneficial. Additionally, it would be helpful to provide guidance on establishing internal control mechanisms, ensuring the accuracy and reliability of disclosed information, and addressing any potential challenges or complexities that issuers may face during the implementation process. Soliciting stakeholder feedback and conducting thorough consultation processes can further identify areas where additional guidance may be required.

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? Please share your views with us.

It is recommended to closely monitor the ISSB's updates and consider aligning the Listing Rule amendments with the finalised ISSB Standards to ensure consistency and harmonisation between the two frameworks.

If there are any questions, please feel free to reach out to Ellie Pang FCG HKFCG(PE), Chief Executive, HKCGI or Mohan Datwani FCG HKFCG(PE), Deputy Chief Executive, HKCGI at 2881 6177 or research@hkcgi.org.hk.

Yours sincerely,

For and on behalf of
The Hong Kong Chartered Governance Institute

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