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**Submission on the Consultation Paper on Enhancement of Climate-related Disclosures  
under the Environmental, Social and Governance Framework  
Views from Business Environment Council Limited  
商界環保協會有限公司**

Over the last 31 years, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has played a leading role in advocating the business case for environmental excellence, given the importance of sustainable development to Hong Kong. Our members are committed to actively engage with regulators in Hong Kong such as Hong Kong Exchanges and Clearing Limited (“HKEX”) on issues related to environmental protection and sustainability.

Views expressed in this submission are those of BEC, in line with BEC’s Mission and Vision as well as policy position on relevant issues, but may not necessarily be the same as the views of each individual member. BEC is an independent charitable membership organisation comprising over 250 member companies from Hong Kong’s major holding companies to small and medium-sized enterprises.

In our submission, BEC supports HKEX’s close alignment with the IFRS S2 Climate-related Disclosures as this will drive issuers to establish their climate governance in accordance with international best practices. On the other hand, BEC also highlights the current capacity gaps in Hong Kong that may hinder issuers from fulfilling the requirements and suggests significant capacity building components will need to be introduced, on topics like climate-related scenario analysis, quantitative disclosures of current (and anticipated) financial effects, credible scope 3 emission assessment, and cross-industry and industry-based metrics. Please refer to our responses below

**Question 1:** *Do you agree to upgrade climate-related disclosures to mandatory from "comply or explain"?*

Yes. This will align with international expectation that businesses put climate change as forefront agenda. Through alignment of climate change with issuers' risks and opportunities, they can further enhance resilience, internal control and enterprise risk management, and strengthen business sustainability.

**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. This will ensure the board is composed of members who have appropriate competencies and skills to oversee climate-related risks and opportunities. Also, a climate-competent board can facilitate efficient decision making on major transactions and risk-related policies concerning climate change.

**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. Such disclosure practice will allow board members to identify potential risks in early stages, which will facilitate adjustment of strategy, as well as efficient resource and capital allocation, to reduce the costs of any unidentified risks caused by climate change.

**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?*

The proposal suggests issuers may opt to disclose climate-related opportunities due to the case that not all issuers would have identified climate-related opportunities to pursue at this stage. However, a major purpose of identifying climate-related risks and disclosing them is to inform issuers how to explore mitigation and adaptation solutions to help them achieve climate targets. Any benefits and opportunities should also be disclosed to demonstrate the business case of addressing climate change. BEC suggests HKEX takes a more progressive role in driving climate-related opportunities disclosure in Hong Kong, to allow more businesses to better understand opportunities related to climate change. An interim provision may be considered, or explanation may be required if not disclosing. This comment is also applicable to other questions below

regarding disclosure of climate-related opportunities.

**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. Issuers shall consider the applicability of and disclose the referenced cross-industry and industry-specific metrics. However, HKEX should also note that some of the metrics proposed are not easy to quantify and will require additional guidance upon disclosure implementation. Please also see BEC's comments regarding the Section of Metrics and Targets.

**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. Since risks are identified, there should be a response about how to tackle the identified risks and opportunities (BEC suggests a more progressive approach on disclosing climate-related opportunities as stated in Q4). The IFRS S2 Climate-related Disclosures ("IFRS S2") also suggests the inclusion of key assumptions and dependencies related to the transition plans, which the proposal should consider including.

**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. Paragraph 6 is in close alignment with IFRS S2 on climate-related targets. On the other hand, the current proposal opts not to include the clause of disclosing if a sectoral decarbonisation approach has been used for setting the target. Since the development of target setting standards (e.g. SBTi) is evolving to a level that is more sector-specific, BEC suggests keeping the option for issuers to disclose voluntarily if the target was derived using a sectoral decarbonisation approach.

**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. This can ensure all issuers will align with climate-related target disclosure within a timeframe

in a structured implementation manner.

**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. This can ensure readers can obtain the most updated progress of issuers in terms of their climate-related targets and performance, in order to make appropriate investment decisions.

**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. This requirement allows both investors and stakeholders to understand the readiness and level of preparation in addressing climate change.

**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. By performing scenario analysis, issuers can identify the scope, the breadth and depths of the risks. Per IFRS S2, the reporting period in which the climate-related scenario analysis was carried out should also be disclosed. In addition, a credible climate-related scenario analysis requires localised data and information. BEC expects HKEX's Implementation Guidance should address localisation of key assumptions such as those stated in IFRS S2 paragraph 22(b).

**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. The proposal is in close alignment with IFRS S2 and indicates availability of existing examples of quantifying and accounting for material financial effects arising from climate-related matters in financial statements. However, issuers may have concerns over potential issues of disclosing commercially sensitive information to meet expectations of quantifying financial effects. HKEX's Implementation Guidance should considering addressing such concerns (Paragraph BC40 of Basis for Conclusions: IFRS S2 also covers the cases of omitting commercially sensitive

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. The two-year interim period should allow enough time for issuers to practice and transition from qualitative to quantitative disclosures.

**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. Considering practices to analyse anticipated financial impact of climate-related risks and opportunities are still at early stage, a qualitative disclosure approach is welcome with periodic review in future. BEC also suggests HKEX's Implementation Guidance should provide further clarity or expectation level on qualitative disclosure.

**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. An interim arrangement allows issuers to prepare towards qualitative disclosure on anticipated financial effects. BEC welcomes the proposed clauses.

**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. The proposal is in close alignment with the risk management section of the IFRS S2. Such disclosure will align with the existing practice of internal control and enterprise risk management sections of corporate governance reports.

**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?*

Disclosure requirements of climate-related opportunities should be aligned with climate-related risks to ensure readers a full glimpse of climate-related disclosure of issuers. Please also refer BEC's comments on Question 4.

**Question 18:** *(a) Do you agree with the proposed approach for the disclosure of scope 1 and scope 2 emissions and the related information as set out in paragraphs 13 to 14 of Part D of the Proposed Appendix 27?*

Yes. Majority of issuers have been disclosing scope 1 and 2 emissions in their ESG reports in accordance with existing Appendix 27.

*(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. Progressive scope 3 emissions tracking and reduction are keys for business sector to achieve collective climate targets. Internationally there is push for early adoption of managing scope 3 emissions, while ISSB has approved one-year relief from providing scope 3 emissions.

**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. The two-year interim period should allow enough time for issuers to prepare for scope 3 emissions disclosure. HKEX's Implementation Guidance should later provide further clarity or expectation level on qualitative disclosure as specified in the interim provision.

**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?.*

Whilst this cross-industry climate-related metric is required by IFRS S2, according to Basis for Conclusions: IFRS S2, descriptions of the cross-industry metric categories in IFRS S2 are in most cases intentionally non-specific to enable an entity to identify appropriate metrics. To guide issuers

in applying the metric (which is more generically presented here) more specifically and with financial implication, the HKEX Implementation Guidance needs to provide more illustrative examples, e.g. like those from the Illustrative Guidance of IFRS S2 and An Introduction to Responsible Investment – Climate Metrics of UNPRI. HKEX may also need to provide guidance on how the metric is related to and useful for the quantification of financial effects of climate-related risks in paragraph 10 and 11 of the proposal.

*(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. The inclusion of interim provision allows issuers enough time to define and adopt specific metrics.

**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. Whilst this cross-industry climate-related metric is required by IFRS S2, according to Basis for Conclusions: IFRS S2, descriptions of the cross-industry metric categories in IFRS S2 are in most cases intentionally non-specific to enable an entity to identify appropriate metrics. To guide issuers in applying the metric (which is more generically presented here) more specifically and with financial implication, the HKEX Implementation Guidance needs to provide more illustrative examples, e.g. like those from the Illustrative Guidance of IFRS S2 and An Introduction to Responsible Investment – Climate Metrics of UNPRI. HKEX may also need to provide guidance on how the metric is related to and useful for the quantification of financial effects of climate-related risks in paragraph 10 and 11 of the proposal.

*(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. The inclusion of interim provision allows issuers enough time to define and adopt specific metrics.

**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. Whilst this cross-industry climate-related metric is required by IFRS S2, according to Basis for Conclusions: IFRS S2, descriptions of the cross-industry metric categories in IFRS S2 are in most cases intentionally non-specific to enable an entity to identify appropriate metrics. To guide issuers in applying the metric (which is more generically presented here) more specifically and with financial implication, the HKEX Implementation Guidance needs to provide more illustrative examples, e.g. like those from the Illustrative Guidance of IFRS S2 and An Introduction to Responsible Investment – Climate Metrics of UNPRI. HKEX may also need to provide guidance on how the metric is related to and useful for the quantification of financial effects of climate-related opportunities in paragraph 10 and 11 of the proposal.

*(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. The inclusion of interim provision allows issuers enough time to define and adopt specific metrics.

**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. Such disclosure requirement allows issuers and investors to continuously monitor the financials efforts put into addressing climate-related risks and opportunities across reporting years.

*(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. This allows issuers to start the stock-take process of measuring the capital deployment towards climate-related risks and opportunities.

**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. The practice of internal carbon pricing remains very few in Hong Kong, therefore an optional disclosure for issuers with an internal carbon price is applicable.

**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. It is understood that it might be challenging to quantify remuneration package inked to climate-related considerations. On the other hand, issuers should also have the option to supplement their remuneration policy with quantitative figures if they wish to.

**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?*

IFRS S2 requires an entity to disclose industry-based metrics and produced the consolidated Industry-based Guidance. However, IFRS S2 makes it clear that it is not necessary to apply the particular metrics in the guidance, given concerns of the completeness of the guidance and whether some proposals would be relevant or applicable internationally. In the proposal, issuers are not mandated but encouraged to disclose industry-based metrics. Whilst industry-based metrics can add value, a lot are still in development stage, BEC suggests flexibility should be left to individual issuers to apply industry specific KPIs where relevant. In addition, for conglomerate issuers with diverse industry portfolios, further guidance will need to be provided.

**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?*

NA.

**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?*

Considering the capacity needs for issuers in Hong Kong, the following topics are considered more helpful:

- Disclosure guidance on the use of carbon credits;
- Disclosure guidance on the use of climate-related scenario analysis as well as key assumptions taken;
- Quantitative disclosures of current (and anticipated) financial effects of climate-related risks and opportunities;
- Scope 3 emission factors and credibility;
- Practical examples of cross-industry metrics on transition risks, physical risks, climate-related opportunities and capital deployment;
- Reference sources on industry-based metrics;
- Expected details on qualitative disclosures and interim provisions.
- Handling of commercially sensitive information needed to fulfil financial disclosure requirements.

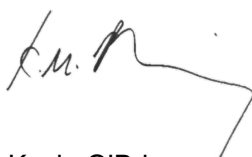
**Question 29:** *Do you have any feedback on the new developments announced by the ISSB subsequent to the publication of this paper that may impact on the proposals in this paper?*

ISSB is set to take over the monitoring responsibilities of TCFD from Financial Stability Board since 2024. HKEX should continue to follow up subsequent development and/or revisions.

Apart from IFRS S2 Climate-related Disclosures, HKEX should also study IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and make comparison with the current Environmental, Social and Governance Reporting Guide.

For queries related to the submission please contact our Chief Executive Officer, Mr. Simon Ng at [simonng@bec.org.hk](mailto:simonng@bec.org.hk).

Yours sincerely,



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Business Environment Council Limited