



**The American Chamber of Commerce in Hong Kong  
Submission in response to the HKEX Consultation Paper on Enhancement of  
Climate-related Disclosures Under the Environmental, Social and Governance Framework**

**July 6, 2023**

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

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We support the proposal to upgrade climate-related disclosures from “comply or explain” to mandatory reporting. This is in line with international best practice. For investors, the proposal will help them assess the effect of significant climate-related risks and opportunities for a listed entity, helping sustain Hong Kong’s position as a green finance hub, as markets around the world strengthen their climate-related disclosures. For issuers, the proposal will encourage them to further integrate climate considerations into business strategy and governance processes. The suggested interim provisions and timetable help issuers make the transition in a carefully planned way.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We support introducing new governance disclosures to support businesses in implementing climate strategy and risk management. Such disclosures on how the Board and executive leadership consider climate-related risks and opportunities as well as risk management policies will help investors make more informed decisions.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.



The Chamber supports including climate-related risks as part of mandatory disclosure requirements, so that investors and lenders can understand broader business decisions on climate-related matters.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

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. Issuers should retain some flexibility over the timing and nature of such optional disclosures, such that their future business strategy is not compromised before execution.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We accept that an issuer should consider applicability of and disclose the metrics referenced under Paragraph 4 of Part D of the Proposed Appendix 27, including the transitional arrangements as proposed.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We would agree that disclosure of an issuer's response to climate-related risks be mandatory and that issuers be free to disclose any climate-related opportunities as set out in paragraph 5 of Part D of the Proposed Appendix 27. Companies that show a credible plan for transition will provide more confidence for investors.



**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	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 investors to assess the capability of the issuer's transition plan.
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**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber agrees that issuers who are yet to have climate-related targets in place should set out and disclose their work plan for setting such targets, so that investors can fully understand the intended process to move towards full disclosure.
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**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that issuers need to regularly disclose progress towards their climate-related targets; that will provide useful information for investors to assess an issuer's progress in delivering on their targets and goals.
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**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.



This is an important part of assessing climate-related risks for investors and we agree that issuers should be required to assess and disclose the climate resilience of their business so that investors can evaluate climate-related impacts on both assets and business strategy in general.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber accepts that issuers should apply a type of scenario analysis that is commensurate with the nature and complexity of their business. As the potential effect of climate-related risks and opportunities on an issuer’s cash flows, access to finance and cost of capital may be difficult to predict with certainty, climate-related scenario analysis may help. However, the Exchange is recommended to allow some flexibility to each issuer to define the scenario approach commensurate with the nature and maturity of its business model. Further guidance in this area would be helpful for issuers to prepare the disclosures and for investors to understand the scenarios, when comparing listed businesses. Where issuers encounter data gaps (eg limitations in data availability or accessibility) that prevent them from developing a comprehensive scenario analysis, additional guidance will be needed for the methodologies to be used in such situations.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

Whilst we agree in principle with the proposal that issuers should be required to disclose current financial effects of climate-related risks, it would be important to note that capacity building for analysts, accountants, legal advisors and other relevant stakeholders would also be crucial for the successful implementation of this proposal. The Exchange is therefore requested to look at providing appropriate guidance on how to conduct such an assessment and reach out to professional service providers on what is needed. Given the above, careful consideration should be given to an appropriate timeline to ensure robust implementation.



**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree that qualitative disclosure on financial effects during the interim period is appropriate to meet both investors expectation for increased transparency and the need for more time to allow issuers to ensure appropriate quantification.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree to require issuers to at least qualitatively describe the anticipated financial effects of their climate-related risks (and opportunities, where they wish to disclose these) considering that widely accepted unified methodologies for quantification are not yet available. More guidance on definitions and precise metrics from the Exchange would be welcome.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber agrees that an interim period for disclosing the anticipated financial effects of an issuer's climate-related risks (and, where they choose to disclose, opportunities) is needed. Issuers may want to provide a work plan to set out how they plan to reduce 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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

Issuers should describe the process for determining, assessing and mitigating climate-related risks; this will increase the credibility of the risk-based approach taken.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

Disclosure of the process to determine climate-related opportunities, if the issuer chooses to do so, should also include a description of the process used. We stress however, that disclosure of climate-related opportunities should remain optional for the issuer.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We support the proposed approach for the disclosure of scope 1 and 2 emissions. This will help ensure consistency amongst listed entities and provide comparator information for investors, noting that the Exchange does not force listed businesses to publish their strategy to capture business opportunities in other areas.

**(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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No



Please provide reasons for your views.

The introduction of this requirement is likely to significantly increase the complexity of meeting the disclosure requirements set out in this consultation but, subject to the following comments, we agree with the overall approach to disclose scope 3 emissions. For issuers to disclose the categories of significant upstream or downstream activities along their value chain that have been included in their scope 3 emissions calculation will need consistency on the reporting approach across issuers, if comparable information is to be provided for investors. Over time, consistent and comparable reporting definitions will allow investors to better assess the issuer's environmental impact and 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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We support the proposed interim disclosure approach in respect of scope 3 emissions, to enable issuers to develop the internal systems for collating the relevant data. Given the complexity of this issue, the Exchange should further consult issuers on the likely extent of future timelines required for, say, staged implementation.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber supports the requirement to disclose the amount and percentage of assets or business vulnerable to climate-related transition risks. This will provide better risk assessment for investors on the issuer's long-term business strategy, taking transition risks into consideration.

**(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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No



Please provide reasons for your views.

We agree with the proposed interim disclosures as this will allow the issuer to collate the extensive quantitative data needed for longer-term disclosure, whilst giving investors an initial look at qualitative data.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	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 the physical risks of climate change. This will provide insight for investors on risk assessment and support issuers to develop a coherent long-term strategy, taking this into consideration.

**(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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the proposed interim disclosures as this will help investors understand the issuer's progress but allow the issuer time to collate the quantitative data needed for further disclosure. It will also facilitate time for additional capacity-building in the market to ensure that appropriate professional expertise is available to issuers to make such quantitative assessments.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.





Where issuers choose to disclose these, we agree with the proposed requirement to disclose the amount and percentage of assets or business aligned with climate-related opportunities, as long as this remains an ex-post (rather than ex-ante) evaluation of future business strategy to capture future business opportunities.

**(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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

Please see our comments above. We support the proposed interim disclosure if businesses choose to do so, as this may help investors evaluate the issuer's progress.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the proposed requirement to disclose the high level amount of capital expenditure, financing or investment deployed towards climate-related risks (and opportunities, where they choose to disclose these) to support an issuer's commitment to climate transition.

**(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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

The Chamber supports the use of interim disclosures as this will allow the issuer to collate the quantitative data needed, whilst still allowing investors to assess business progress.



**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?**

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No

Please provide reasons for your views.

The proposed clause requires issuers who maintain an internal carbon price to disclose the price and explain how it is being used in their decision-making. Since publication of this metric may allow non-listed competitors or potential suppliers when pricing their products or services to exploit the information for their own commercial gain, at a cost to the customers of the issuer, it is better not to make disclosure mandatory. Also, internal carbon prices of companies vary widely (even within the same sector) depending on each company's specific business context and regions. In addition, there aren't recognized external standards for such carbon prices or established consensus on thresholds that account for all costs of emitting carbon thus limiting the ability for investors to draw meaningful insight from such data.

**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?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please provide reasons for your views.

We agree with the overall approach to the disclosure of how climate-related considerations are built into remuneration policy, but this should allow for a manageable approach for implementation, whilst maintaining corporate accountability and transparency.

We suggest that HKEX include these disclosures but with scope for issuers to respond that these measures are not in place where applicable. Quantitative disclosures around climate-related executive remuneration provides assurance that there is a strong incentive / accountability system in place for execution of a company's climate strategy.

**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?**

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No



Please provide reasons for your views.

The Chamber's view is that, as the development of relevant international ESG reporting frameworks and ISSB's final standards is not yet complete and that the Exchange's proposal is that issuers are "encouraged to consider" the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards, this should not yet be introduced now but reviewed at a later stage, so as to avoid further realignment in future.

**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?**

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No

Please elaborate.

No comment.

**Question 28: Do you have any comments regarding the topics/matters that we intend to give guidance on?**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

**Is there any particular topic/matter you consider further guidance to be helpful? Please elaborate.**

<input checked="" type="radio"/>	Yes
<input type="radio"/>	No

Please elaborate.

We strongly suggest that the Exchange work with issuers to help provide additional more detailed guidance as the consultation process moves towards implementation. The changes mark a step up in the granularity of climate disclosures requested, which is likely to require material investment and upskilling for companies and investors to comply with (in terms of analysis/modelling). We suggest that HKMA considers the availability of talent within the sector and to consider how best to ensure that capacity building in the professional services sector takes place in order to provide the services issuers are likely to need in line with the timeframes suggested in this consultation.



**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?**

<input type="radio"/>	Yes
<input checked="" type="radio"/>	No

Please share your views with us.

We have no comments but on timing, please note our views on question 26 above.

ENDS