

ENHANCEMENT ON CLIMATE-RELATED DISCLOSURES UNDER HKEX'S ESG FRAMEWORK

Highlights

HKEX released a consultation paper on enhancing its ESG framework, with a **newly added Part D standardising mandatory climate-related disclosures**.

- **ESG Reporting Guide** will be renamed as the **ESG Reporting Code**
- New enhancement is expected to be effective for **financial year commencing on 1 January 2024**
- A **2-year interim period** is allowed for issuers to get prepared for fully complying with certain climate-related disclosures

Overview of the enhanced disclosures

Governance

- More detailed disclosures required for governance structure & management approach for climate-related risks and opportunities:
 - e.g. **who** are responsible for the oversight
 - e.g. **how and how often** the Board and its committees are informed about climate-related risks and opportunities

Strategy

- Comprehensive disclosures required for:
 - climate-related risks and opportunities
 - **transition plans** to manage the risks and opportunities identified
 - **scenario analysis** to measure the issuer's **climate resilience**
 - issuer's **current and anticipated financial effects**, including financial position, financial performance and cash flows

**** Interim provision (in short, a simplified version) is allowed for the disclosure of financial effects of climate-related risks and opportunities**

Expected Effort



The newly added Part D is about **80%** in length of the current ESG Guide.

More effort is expected to be put in relation to climate disclosure.

Attention

- Scenario analysis: Elements including **inputs, assumptions and methodology** are needed along with **projected impacts** on operation and strategy
- Only **current financial effect** has to be quantified where material, and should be listed as a **stand-alone item in the issuer's financial statements** in accordance with the requirements under HKFRS, IFRS, CASBE, or other financial reporting standard acceptable to HKEX

ENHANCEMENT ON CLIMATE-RELATED DISCLOSURES UNDER HKEX'S ESG FRAMEWORK

Risk Management

- Issuers must provide its **process** on assessing and managing risks with **relevant supporting tools**

Metrics and Targets

- Calculation of Greenhouse gas (GHG) emissions:
 - in accordance with either the **GHG Protocol** or protocol as required by local legislation
 - **include details for scope 3 emissions calculation**
- Disclosure of other cross-industry metrics:
 - **amount and percentage of assets OR business activities vulnerable to transition/physical risk and aligned with climate-related opportunities**
 - **amount of capital expenditure, financing OR investment deployed towards climate-related risks and opportunities**
- Disclosure of internal carbon price:
 - issuers who maintain an **internal carbon price** should disclose price details and application explanation
- Description of incentive action:
 - how climate-related considerations are incorporated into **remuneration policy**

Attention

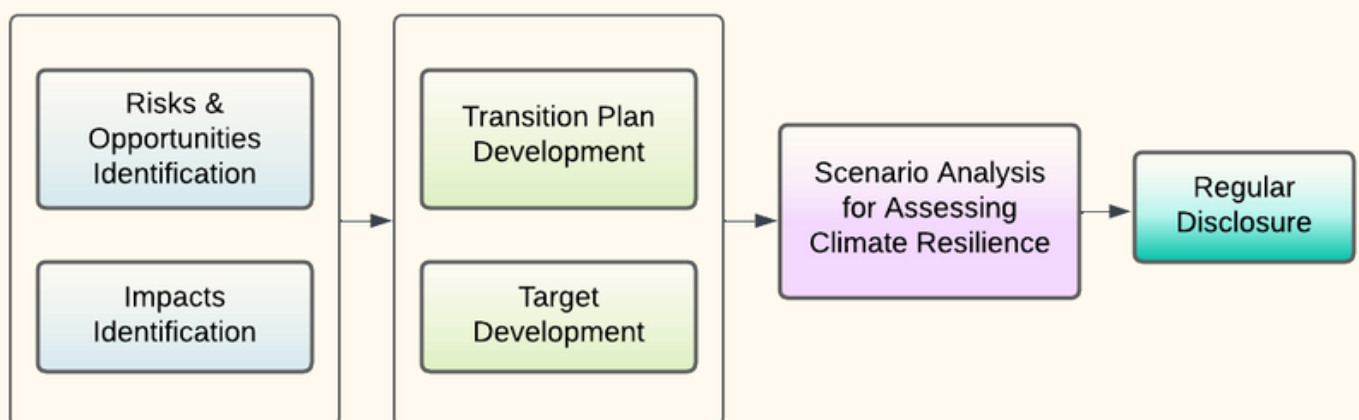
Early preparation for scope 3 emissions is recommended:

- **much more complicated** calculations than scopes 1 and 2
- **15 pillars** to be considered when generating scope 3 inventory according to the GHG Protocol

*** Interim provision (in simplified version with specific planning) is allowed for disclosing scope 3 emissions, assets or business activities vulnerable to risk(s) and opportunities, and capital deployment towards risks and opportunities.*

Simplified Demonstration

Oversight, Regular Review & Monitoring of Board & Management



*** The Consultation Paper is now inviting written comments on the changes proposed, or comments on related matters that might have an impact upon the changes proposed in this paper. You may submit your written comments **on or before 14 July 2023**.*

Contact Us

+852 2873 3612

esg@greenco-esg.com

www.greenco-esg.com

Rm 2106, 21/F, Futura Plaza,
111-113 How Ming Street,
Kwun Tong, HK



微信搜一搜

Q 勤創永續GreenCo

Disclaimer: This material has been simplified for understanding and is not exhaustive. This material cannot be relied upon to cover specific situations and the information in this material is not suggested to be used without obtaining specific professional advice. GreenCo and its directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance upon the information in this material or for any decision based on it.

For more information, please refer to the consultation paper published by the HKEX via: <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/April-2023-Climate-related-Disclosures/Consultation-Paper/cp202304.pdf>

Prepared by GreenCo ESG Advisory Limited. All rights reserved.