

New Climate Disclosure Requirements for Hong Kong Listed Companies

April 2023



On 14 April 2023, the Hong Kong Stock Exchange (HKEX) issued a [consultation paper](#) seeking views and comments on proposed changes to their [ESG Reporting Code](#). The proposals seek to enhance climate disclosures and are substantially aligned with the International Sustainability Standards Board (ISSB) [S2 Climate-related Disclosures](#).¹ Climate-related disclosures will move away from ‘comply or explain’ to mandatory disclosure. Comments on the consultation paper are due 14 July 2023. The HKEX issued an update in November 2023 announcing the deferral of the implementation to 01 January 2025.

The core content areas of S2: governance, strategy, risk management and metrics and targets are consistent with the Taskforce on Climate-related Financial Disclosures (TCFD), but adopt an industry-specific approach and metrics aligned with Sustainability Accounting Standards Board (SASB).

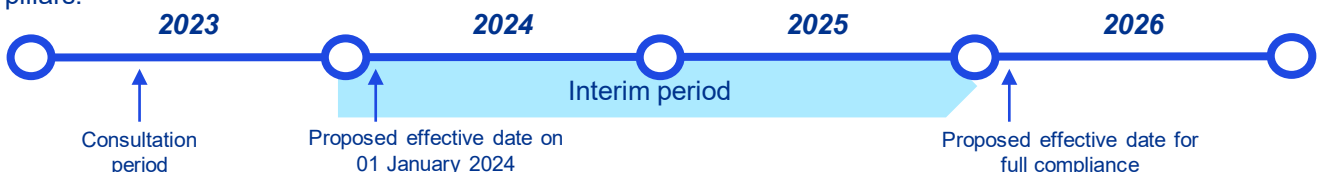
Note¹ The final version of S2 is expected in mid-2023



Comparing existing disclosure requirements against the proposal

	Governance	Strategy	Risk Management	Metrics & Targets
Current requirements	Board's oversight and governance, management approach and strategy, and how the board reviews progress made against goals and targets for material ESG topics	Significant issues which have impacted or may have impact and actions taken to manage them	<p>Process to evaluate, prioritise and manage issues (including risks to the business)</p> <p>Effectiveness of risk management and internal controls system</p>	<ul style="list-style-type: none"> Scope 1 and 2 greenhouse gas emissions Waste Energy consumption Water consumption Packaging materials used
Additional requirements	Board oversight of climate risks and opportunities, frequency of discussion	Significant risks and opportunities in the short-, medium and long-term to the business model, strategy and cash flow	Process to identify, assess, prioritise, monitor and manage	<ul style="list-style-type: none"> Scope 3 emissions Amount and % of assets or business activities vulnerable to physical risk, transition risk and those that align with climate opportunities Amount of capital deployed towards climate Internal carbon price if used How climate is factored into remuneration policy <p>Industry-specific metrics from other ESG standards are encouraged (GRI, SASB)</p>
	Consider climate in strategy oversight, major decisions and risk management	Low carbon transition plan supported by targets	Integration into overall risk management process	
	Oversight of target setting and progress, with links to executive remuneration	Climate resilience based on scenario analysis findings		
	Ensuring skills and competencies	Financial impacts		
	Role of management			

Subject to responses on the consultation, the revised rules will apply to ESG reports in respect of financial years commencing on or after 01 January 2025. To accommodate concerns around readiness of issuers to report, HKEX has proposed interim provisions* for quantitative disclosures within the strategy and metrics & targets pillars.



* Timeframe of the interim period based on HKEX's Consultation Paper issued on 13 April 2023

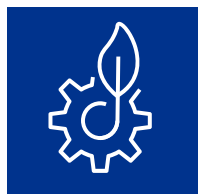


Working together to solve ESG Reporting challenges

We help clients be confident complying with HKEX ESG Reporting Guide as well as design and implement what is needed from a target operating model perspective to produce ESG-related metrics and disclosures on an ongoing basis.

When getting started, our Reporting Readiness Service helps companies understand current readiness to report and prioritise next steps under the HKEX disclosure requirements.

However, KPMG can assist companies with ESG reporting in a variety of ways and at different points along their reporting journey:



Standard interpretation and application

e.g. facilitating training and education, selecting and/or aligning reporting frameworks or metrics when complying with multiple frameworks, defining ESG metrics.



Initial assessment

e.g. conducting materiality assessments, peer benchmarking, content identification, development and structuring, conducting gap assessments and performing compliance reviews.



Designing and implementing the target operating model

e.g. setting your ESG reporting ambition, determining the impact on people, processes and technology, including designing and implementing future-proofed data strategies, creating implementation roadmaps as well as documenting policies and calculation methodologies.



Designing and executing climate-related processes

e.g. climate risk assessments, scenario analysis, carbon accounting and foot printing for scope 1, 2 and 3 emissions as well as target setting in accordance with accepted frameworks like SBTi.

Whether clients need assistance with what to report under the proposed requirements, or have broader ambitions surrounding how those metrics and disclosures are generated go-forward, KPMG's technical and functional expertise alongside proprietary tools and methodologies enable KPMG to accelerate and de-risk clients' ESG reporting journey.

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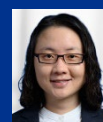
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