

HKEX Announced Consultation Conclusion on Climate Disclosures

On 19 April 2024, the Stock Exchange of Hong Kong Limited (the Exchange) announced the consultation conclusion on climate disclosure requirements and published the “Implementation Guidance for Climate Disclosures under HKEX ESG reporting framework” to assist issuers to comply with the New Climate Requirement.

The change of climate disclosures applies to all listed issuers in the Exchange and the changes will be effective for the financial years commencing **on or after 1 January 2025**.

The key points of the changes are summarised below:

1. Amendments to Listing Rules (Main Board Listing Rules and GEM Listing Rules):

- Upgrade from “ESG Guide” to “ESG Code”.
- Introduce the new climate-related disclosure requirements (Part D of Appendix C2).
- Emphasising climate disclosure should focus on 4 core pillars (Governance, Strategy, Risk Management and Metrics and targets)
- Detail and enhance requirements on disclosing GHG emissions, energy usage, climate resilience measures, climate risk and opportunities management and financial effect (current and anticipated)

2. Implementations are in a phased approach with implementation reliefs:

- **Phased Approach** (only **limited to** disclosure obligations under **Part D** of Appendix C2)

	Large Cap Issuers	Main Board listed issuers*	GEM listed issuers
Scope 1 & Scope 2 GHG emission	Upgrade to “Mandatory disclosure” (Financial years commencing on or after 1 January 2025)		
New Climate Requirement (other than Scope 1 & Scope 2 GHG emission)	<u>2 stages</u> Comply or explain (Financial years commencing on or after 1 January 2025) Mandatory disclosure (Financial years commencing on or after 1 January 2026)	Comply or explain (Financial years commencing on or after 1 January 2025)	Voluntary disclosure ** (Financial years commencing on or after 1 January 2025)

* not including Large Cap Issuers

** GEM issuers shall continue to make climate-related disclosures pursuant to Aspect A4: Climate change of Part C of the ESG Code on a “comply or explain” basis.

- There would be **no interim provision** nor **interim period** as **implementation reliefs** are introduced.
 - **Reasonable Information Relief**
Use of reasonable and supportable information without undue cost or effort.
 - **Capabilities Relief**
Consider the listed issuer's skills, capabilities, and resources.
 - **Commercial Sensitivity Relief**
Exemption from disclosing commercially sensitive climate-related opportunities.
 - **Financial Effects Relief**
Allow disclosure of qualitative instead of quantitative financial information where certain conditions are met.

These proposed changes aim to enhance the quality, consistency, and comparability of climate-related disclosures in Hong Kong's financial sector. By aligning with international standards and providing relief options, issuers are encouraged to disclose relevant information without undue burden. The phased approach allows for a smooth transition, ensuring issuers have ample time to adapt their reporting practices.

Looking ahead, we believe the Exchange will continue to keep an eye on global ESG reporting trends and seek ways to better align the ESG code with international and global ESG reporting standards. This commitment not only enhances Hong Kong's green finance credentials but also positions it as a leader in sustainability practices.

Source: HKEX

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