

*2019 Global Engagement & Empowerment Forum on Sustainable
Development (GEEF)*


Analysis of corporate climate disclosures in the
Guangdong-Hong Kong-Macau Greater Bay Area from
the perspective of the Task Force on Climate-related
Financial Disclosures

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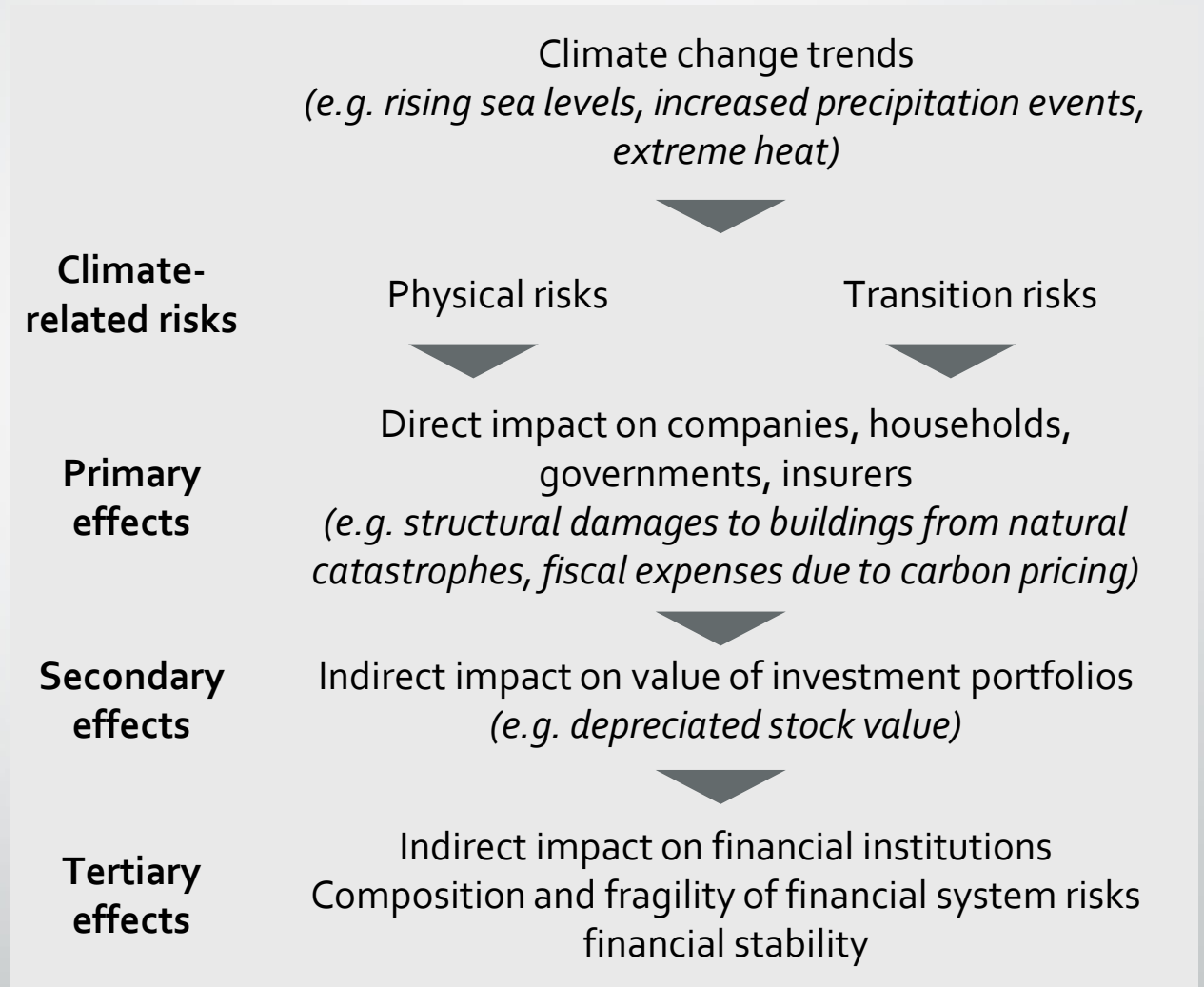


1. Introduction

Climate change: impacts on financial markets

"Stranded assets"

- US coal sector, e.g. Peabody Energy
- IEA estimations on fossil-fuel investments



Task Force for Climate-related Financial Disclosures (TCFD)

- G20 Finance Ministers and Central Bank Governors
- Financial Stability Board
- Voluntary, consistent, adoptable framework for climate-related financial disclosures
- Better inform asset pricing and capital allocation decisions



Task Force for Climate-related Financial Disclosures (TCFD) Recommendations

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy


The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities



2. Climate-related risks and opportunities in the Greater Bay Area

Climate-related risks and opportunities

- Physical risks
 - Chronic risks
 - Acute risks
- Transition risks
 - Policy and legal risks
 - Technology risks
 - Market risks
 - Reputation risks
- Opportunities
 - Resource efficiency
 - Energy source
 - Products and services
 - Markets
 - Resilience

Climate-related risks and opportunities

- Physical risks

- Chronic risks
- Acute risks



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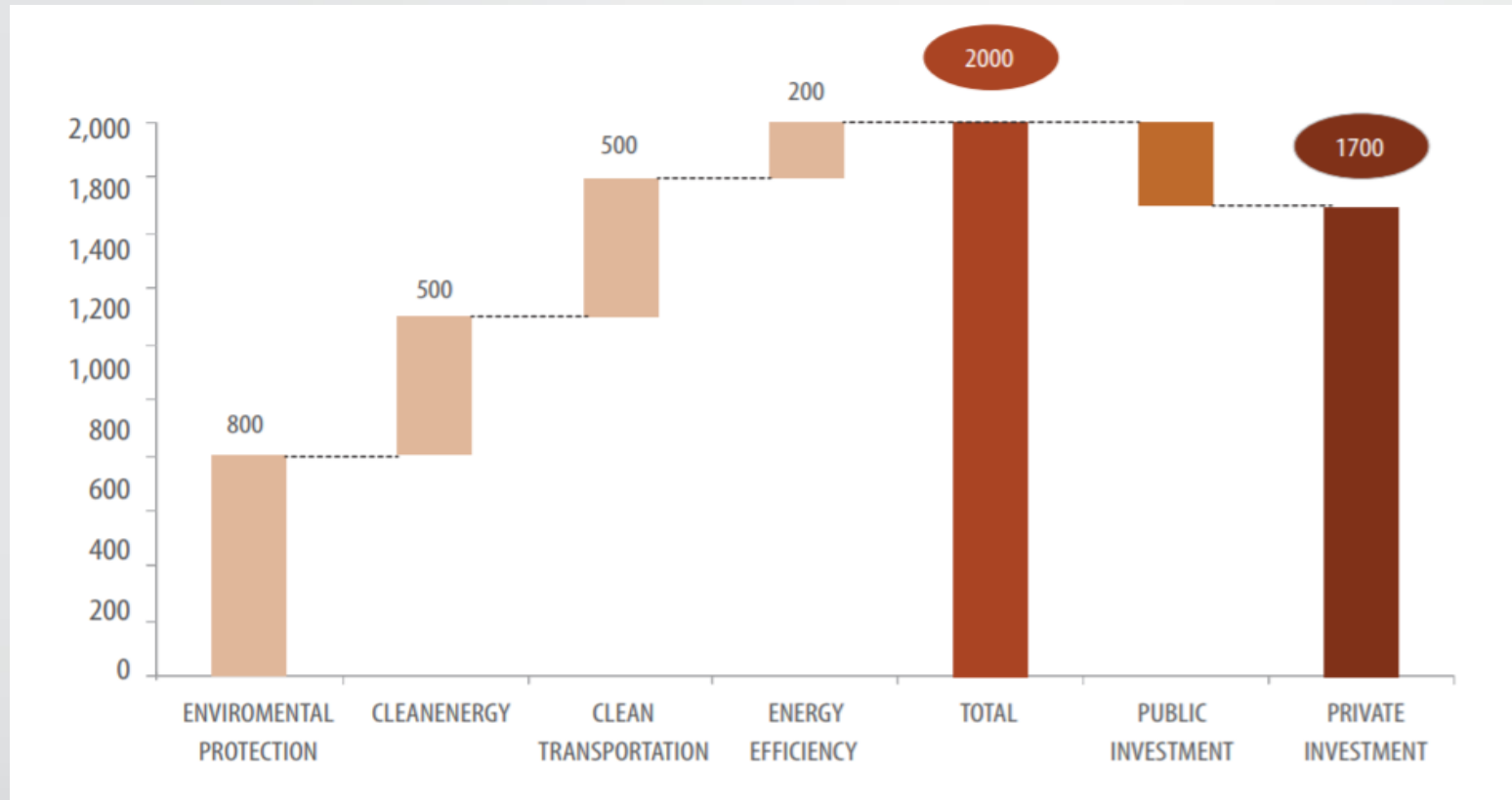
- Opportunities

- Resource efficiency
- Energy source
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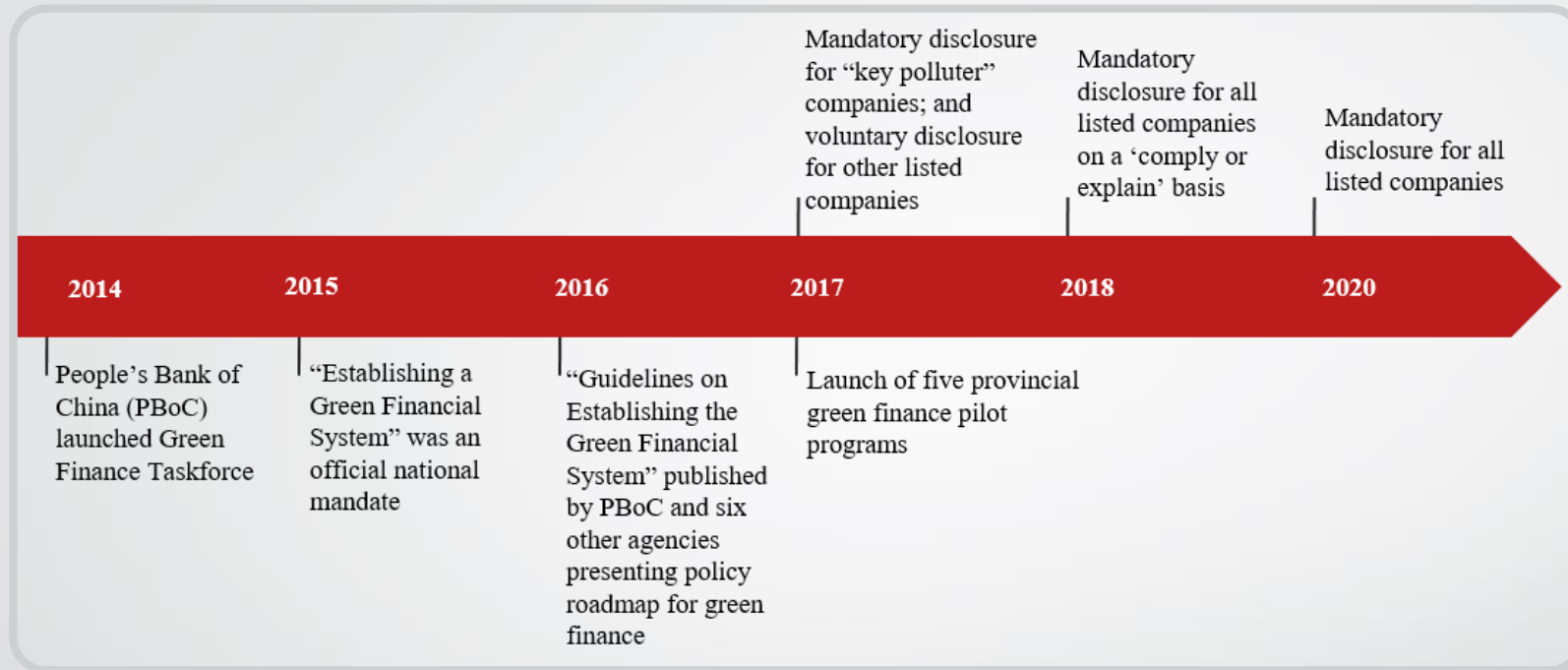


3. Climate-related corporate disclosures in the Greater Bay Area



Green finance investment gap

- Green Finance Taskforce
- Need to mobilise domestic and international private investment



Green finance policy package

- Environmental disclosure regulatory regime
 - China-UK TCFD Pilot Group

Methodology: companies analysed

- Hang Seng Stock Connect Big Bay Area Composite Index
- Top 250 companies by market capitalisation
- TCFD-identified high climate risks sectors

TCFD Sector Group	TCFD Sector	Number of companies analysed
Financials	Banks	5
	Insurance	1
Non-Financials	Agriculture, food and forest products	3
	Energy	3
	Materials and Buildings	18
	Transportation	5
Total		35

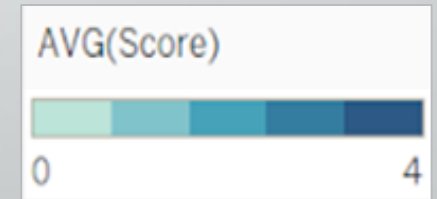
Methodology: scoring

- Documentary analysis
- Scoring against 11 TCFD recommendations

Level of disclosure		Disclosure characteristics*
0	Non-disclosure	No reference to information specified by respective TCFD recommendation
1	Limited disclosure	Minimal and/or indirect reference to information specified by respective TCFD recommendation
2	Limited, material disclosure	Minimal and/or indirect reference to information specified; and the core element of the respective TCFD recommendation indicated as material to stakeholders
3	Detailed disclosure	Detailed and/or direct reference to information specified by respective TCFD recommendation
4	Detailed, material disclosure	Detailed and/or direct reference to information specified; and the core element of the respective TCFD recommendation indicated as material to stakeholders
*Include both qualitative and quantitative disclosure of information		

Findings: overall level of disclosure

TCFD Core element	Financials		TCFD Sector Group / TCFD Sector Non-Financials			
	Banks	Insurance	Energy	Transportation	Materials and Buildings	Agriculture, food and forest products
Governance	2	4	2	3	2	2
Strategy	0	1	1	1	0	0
Risk Management	2	4	2	1	1	2
Metrics and Targets	2	1	2	1	2	2



Findings: by corporate profiles

Geography of operations

- *Corporate reporting priorities*
- *E.g. priorities in physical / transition risks*

Stock exchange listed

- *HKEx guidelines and regulations*
- *HKEx-listed companies outperformed others*
- *Especially Metrics and Targets*

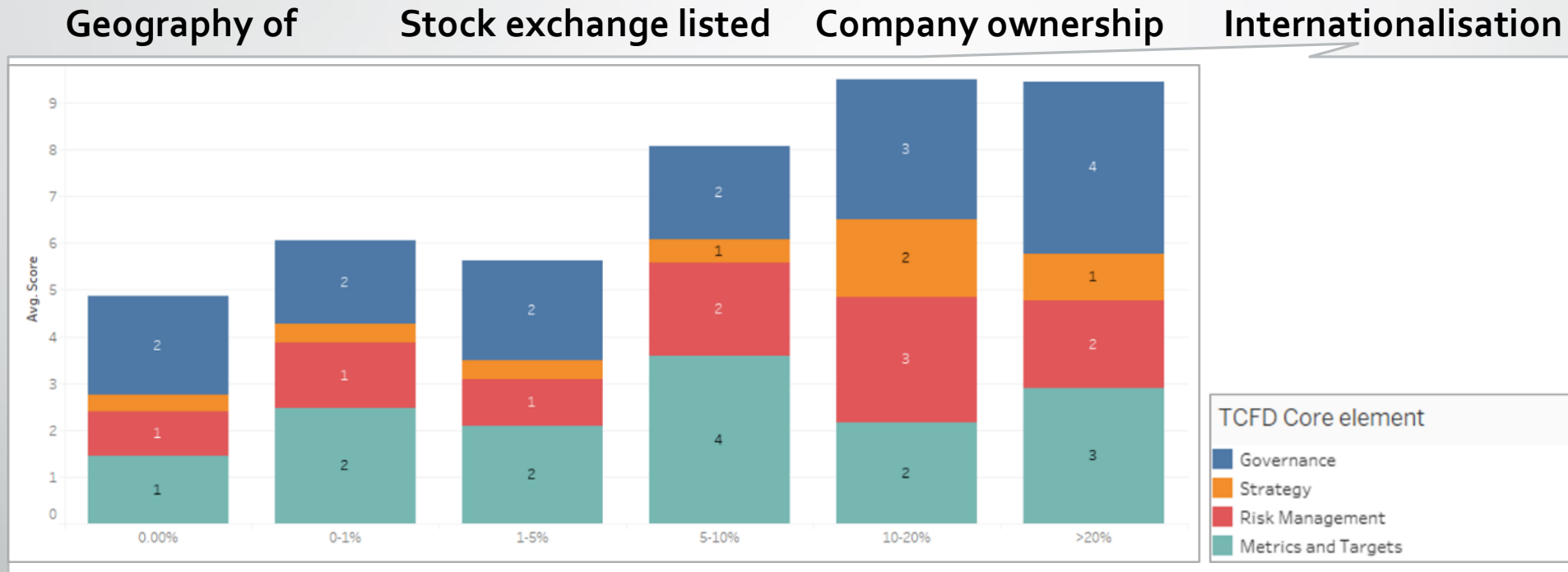
Company ownership

- *By shareholder of largest proportion of shares*
- *State-owned companies mandate publication of CSR reports*
- *Foreign-owned companies outperformed others*

Internationalisation

- *By percentage of overseas sales*
 - *More internationalised companies outperform others*
- *More exposure to international climate-related risks and opportunities*

Findings: by corporate profiles



Discussion

- China is an emerging market for climate-related disclosures
- Leading behaviours in climate-related disclosures may have spill over effects
- Hong Kong remains a primary means for companies to access international capital markets

- ❖ *Weak disclosures overall*
- ❖ *Corporate awareness of climate-related risks and opportunities*
- ❖ *Regulatory regime for climate-related disclosure*
- ❖ *Globalisation of the Chinese economy*
- ❖ *Compatibility of international reporting standards to Chinese national standards and convergence to professional culture*

Discussion

- China is an emerging market for climate-related disclosures
- Leading behaviours in climate-related disclosures may have spill over effects
- Hong Kong remains a primary means for companies to access international capital markets

- ❖ *Market leaders and TCFD Supporters*
- ❖ *Social practice theory*
- ❖ *Diffusion of corporate reporting behaviour e.g. uptake of voluntary disclosure standards*

Discussion

- China is an emerging market for climate-related disclosures
 - Leading behaviours in climate-related disclosures may have spill over effects
 - Hong Kong remains a primary means for companies to access international capital markets
- ❖ *Hong Kong and Macau as "among the 'miracle creators' of (China's) development"*
 - ❖ *Hong Kong's role in development of the Greater Bay Area as a regional economic powerhouse*
 - ❖ *Hong Kong's Strategic Framework for Green Finance*



4. Conclusion



Limitations of this project

- Small sample size
- Desktop review sole approach for data collection
- Geographical scope restricted to the Greater Bay Area
- Other considerations e.g. legal liabilities, professional capacity for climate-related disclosures

Key takeaways

- Climate threats are material risks to companies and investors
- There is a gap in what companies are reporting and what investors need to know for better informed decisions on capital allocations and asset pricing in the face of climate risks
- GBA companies need to align their disclosures to the TCFD Recommendations to comply with international pressures of reporting climate-related risks and opportunities
- TCFD is a critical instrument to ground green finance in China as well as to accelerate the trajectory of globalisation



Thank you