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The Hong Kong Stock Exchange published its Net-Zero Guide for Business

As countries around the world are ramping up to announce their carbon neutrality commitments, the financial community are sparing no efforts in capturing this once-in-a-decade opportunity of green transformation. As part of its commitment to support a thriving sustainable finance ecosystem, the Stock Exchange of Hong Kong (HKEX) recently published the Practical Net-Zero Guide for Business for Hong Kong-listed companies (and any other corporations) looking for guidance and insights to plan their decarbonisation journey. As a sustainable finance pioneer in Asia, HKEX mandated all listed companies to disclose ESG-related information as far back as 2016 while it tightened requirements on key issues such as climate change and board oversights ever since. This latest [practical guide from HKEX](#) comes in handy as companies are looking to take a step forward to develop targets that align with the national/regional carbon neutrality targets.

HKEX's Net-Zero Guide helps companies understand their greenhouse gas (GHG) emissions in terms of emission sources and potential reduction solutions. It highlights the essential steps for businesses to develop a carbon neutrality pathway. It provides detailed guidance on identifying resources required to calculate and establish a carbon emission baseline, setting near-and long-term carbon emission reduction targets, identifying emission reduction potential, understanding different mitigation strategies to reduce emissions outside of the value chain, as well as understanding different net-zero strategies implemented by industry leaders. It is doing so by providing "Specific, Measurable, Attainable, Relevant and Time bound" targets (nicknamed SMART) that are basically the low-hanging fruits for companies to reach.

In addition to internal emissions, it also offers guidance on measuring and reducing emissions across the value chain (i.e. the so-called "Scope 3"), which is one of the most complicated areas of carbon accounting that has so far been largely overlooked by companies. More importantly, the document assists companies in understanding their respective national/regional carbon neutrality goal and setting a viable decarbonisation pathway that aligns with the government's targets.

- 1 Establish baseline for value chain emissions with well-defined boundaries
- 2 Set long-term net-zero commitment no later than 2050
- 3 Set near-term targets by SMART but preferably science-based
- 4 Identify Type I measures to meet SMART Targets
- 5 Identify Type II measures to meet Science-based Targets (SBTs)
- 6 Identify beyond value chain mitigation (BVCM) measures
- 7 Plan for neutralisation measures to counterbalance the impact of residual emissions
- 8 Choose a green strategy and refine the net-zero pathway

Source: HKEX – December 2021

As a responsible investor, JK Capital systematically analyses the decarbonisation efforts of our portfolio companies and communicates with them on this very topic on a regular basis. We understand that setting up a net-zero target is not an easy task. We believe this step-by-step guidance provided by HKEX is a useful toolkit for companies to kick-start their net-zero journey. Therefore, we have decided to incorporate this guidance document into our knowledge sharing and ESG engagement processes as part of our ESG stewardship efforts to support the long-term sustainable growth of our portfolio companies.

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