Climate Governance Initiative Hong Kong

Part of Chapter Zero Alliance



Corporate Climate Governance in Hong Kong – An Initial Perspective

Climate Governance Initiative Hong Kong Chapter

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EXECUTIVE SUMMARY

Hong Kong's corporate climate governance landscape is evolving rapidly, underpinned by regulatory advancements and rising expectations of boards' responsibilities for key climate and nature decisions. While frameworks, disclosures, and regulatory expectations are increasingly well-established, what remains less visible is how these translate into boardroom practice. This inaugural report by the Climate Governance Initiative Hong Kong Chapter (CGI HK) provides an initial perspective on how climate governance is being practised in Hong Kong. It draws on the World Economic Forum's (WEF) 2026 Board Leadership for Growth and Resilience framework and insights from engagement with over 100 directors, executives and senior sustainability practitioners, shedding light on emerging board governance patterns on sustainability-embedded decisions.

Survey and focus group findings show uneven progress across the WEF framework. Risk identification and disclosure are relative strengths, supported by sustained policy leadership and guidance from the Hong Kong Exchanges and Clearing Limited (HKEX), Hong Kong Monetary Authority (HKMA), and the Securities and Futures Commission (SFC). Hong Kong's position as a leading sustainable finance hub also provides capital-market infrastructure that can support corporate transition at scale. The bigger gap is translating these strengths into boardroom decisions.

Six observations stand out:

- **Incentives are not yet aligned with climate outcomes.** Many companies have climate disclosures and policies in place, but few boards link executive compensation or performance evaluation to climate targets or transition outcomes. Across both the survey and focus groups, this is the most consistently identified governance gap.

- **Climate is still treated more as a compliance matter than a strategic priority.** Hong Kong's disclosure regime has put climate on the agenda of listed-company boards, but engagement often centres on meeting reporting requirements rather than asking what climate means for resilience, competitiveness and strategic positioning. The gap in greenwashing-risk perceptions between boards and sustainability teams also suggests that sustainability practitioners perceive reputational exposure more acutely than boards do.

- **Mandatory training has raised the baseline, but strategic judgement takes time to build.** HKEX's mandatory ESG and sustainability training requirement is a positive step. However, many directors still rely heavily on management teams or external advisers for climate-related analysis and decision support. Familiarity can be built through training; judgement develops through repeated exposure to real decisions.

- **Short-term commercial pressures often outweigh long-term climate considerations.** Board engagement deepens when climate investments can be expressed in familiar business terms, such as cost savings, brand value, resilience or market access. Without that connection, climate considerations can struggle to compete with near-term financial priorities.

- **Nature-related governance is at a nascent stage but growing in visibility.** Interviewees emphasised that government coordination, industry collaboration, and clearer regulatory direction, practical methodologies and peer learning could help companies build capability before expectations rise further.

- **Decision-grade data remains a challenge.** Companies report difficulty obtaining reliable climate-risk data, scenario analysis and transition-planning tools that are sufficiently localised to Hong Kong and regional business conditions. Even where boards are willing to act, gaps in usable data can limit the quality of decisions.

Taken together, the findings suggest that Hong Kong has raised the floor on climate disclosure; the next challenge is raising the quality and consistency of climate-related decisions. The recommendations translate the findings into actions for boards and companies, regulators and market participants:

For Boards and Listed Companies

1. **Incentive Alignment:** Link executive incentives to specific, measurable climate outcomes where these are material to the business. Equip Remuneration Committees with the climate expertise needed to set and assess those measures.

2. **Strategic Priority:** Treat HKFRS S1/S2 disclosure as the start of strategic engagement, not the endpoint. Add a recurring climate strategy discussion to the board calendar and express climate-related investments in familiar commercial terms.

3. **Board-Level Climate Competency:** Go beyond mandatory training by giving boards regular access to relevant expertise, including external advisers or advisory mechanisms where appropriate, and by applying climate scenarios to real business decisions.

4. **Communicate Climate-Financial Considerations in Board Decisions:** Make climate-related financial considerations explicit in major capital-allocation decisions and connect transition-plan commitments to actual investment choices.

5. **Nature Preparedness:** Begin practical TNFD LEAP exercises (Locate, Evaluate, Assess, and Prepare) before requirements become mandatory, including indirect exposure through supply chains and ecosystem dependencies.

For Regulators and the Public Sector

6. **Reward Strategic Climate Engagement:** Give companies greater confidence to make good-faith, forward-looking disclosures where methodologies are still evolving, and consider peer benchmarks or recognition mechanisms that reward credible climate governance.

7. **Set Forward Expectations:** Provide clearer guidance on board-level climate governance capabilities and a forward roadmap for TNFD-aligned nature disclosure.

8. **Extend Existing Data Infrastructure:** Build on Hong Kong's existing climate-data infrastructure so that it better serves non-financial companies and a broader range of asset types.

Hong Kong has built a strong foundation for climate disclosure. The next phase will be defined by how consistently climate considerations shape strategy, incentives and capital allocation in practice. This report offers an initial reference point against which that progress can be assessed.

CHAPTER 1
Introduction

Hong Kong's boards are navigating a climate governance landscape that has shifted materially in the past three years. HKEX's climate disclosure requirements, based on the International Sustainability Standards Board's (ISSB) standards, took effect for large-cap issuers in 2026.[1] In January 2026, the World Economic Forum (WEF) refreshed its Board Leadership for Growth and Resilience framework, reframing the board's role from risk monitor to growth architect. Together, these developments have raised the expectations of investors, lenders and global supply-chain partners.

Against this backdrop, the Climate Governance Initiative Hong Kong Chapter (CGI HK) launched this inaugural research to understand how climate governance is working in practice.[2] The research engaged over 100 senior practitioners, including 90+ survey responses from board directors, sustainability executives and governance professionals, together with three executive focus groups held in August and September 2025 with 25+ board and senior executive participants. Findings are assessed against the WEF's 2026 Guiding Principles for Climate and Nature Governance: four guiding principles (Oversight and Responsibility; Strategy; Risk and Opportunity; Disclosure and Transparency), supported by three foundations (Skills and Knowledge; Culture; Stakeholder Collaboration) (Figure 1).

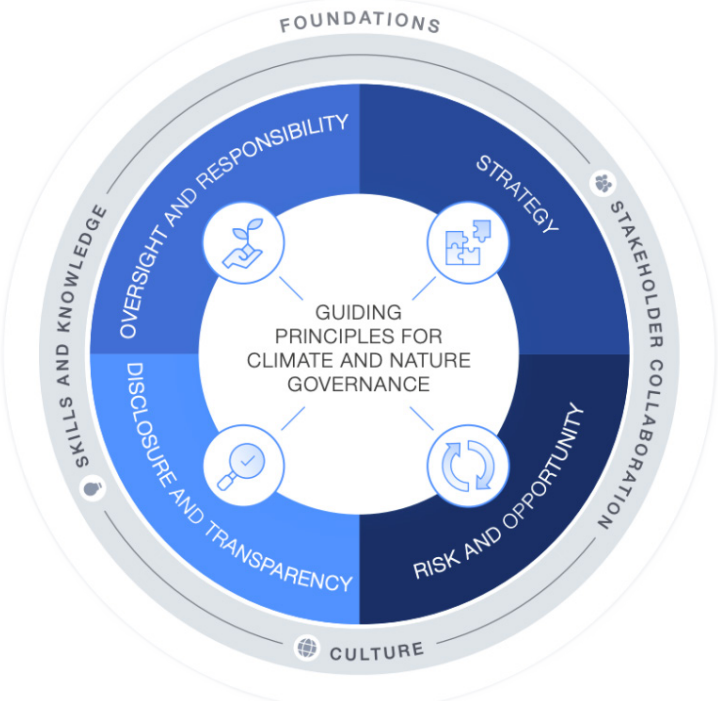


Figure 1: Guiding Principles for Climate and Nature Governance, World Economic Forum and Chapter Zero Alliance (2026) [1]

The research draws on 90+ survey responses and three executive focus groups conducted between August and September 2025. The findings are directional rather than statistically representative; the full methodology is set out in Chapter 3. This is a practitioner-oriented report intended to inform discussion and decision-making, not to score individual companies or boards.

Hong Kong starts from a position of strength: a well-developed climate policy framework, deep sustainable-finance markets, a growing practitioner community and a meaningful cohort of climate-governance leaders. Three gaps now stand out. For many boards, compliance has become the ceiling rather than the floor. The financial case for climate action is often not translated clearly into board-level decisions. And demand for decision-ready climate expertise is growing faster than supply. Closing these gaps should be a priority over the near to medium term.

[1] ISSB issued IFRS S1 (general sustainability) and IFRS S2 (climate-related) in June 2023, establishing a global baseline for sustainability- and climate-related financial disclosures. Hong Kong has adopted these standards as HKFRS S1 and HKFRS S2. HKEX's ESG Reporting Code (Appendix C2 of the Main Board Listing Rules, revised April 2024) operationalises these requirements for listed issuers: mandatory climate disclosure for Large-Cap Issuers from 1 January 2026, with HKEX signalling a consultation in 2027 on potentially mandating HKFRS S1/S2 reporting for listed PAEs from 1 January 2028.

[2] CGI HK is the Hong Kong member of the Chapter Zero Alliance, the global network of climate governance forums that equip non-executive directors to address climate as a board-level issue. The Alliance was established by the World Economic Forum in 2019. CGI HK is hosted by the Hong Kong Institute of Directors locally.

CHAPTER 2
Context – Hong Kong's Climate Governance Landscape

The Evolving Global Imperative

Since the 2015 Paris Agreement, the architecture for corporate climate disclosure has matured substantially. The Task Force on Climate-related Financial Disclosures (TCFD), originally voluntary, now underpins and is incorporated into the ISSB's IFRS S1 and S2 standards, which have been adopted across major capital markets, including Hong Kong, as a baseline for sustainability- and climate-related financial disclosure.[2] [3] Nature-related disclosure is following a similar path: the Taskforce on Nature-related Financial Disclosures (TNFD) framework, finalised in 2023, has seen growing voluntary adoption across companies and financial institutions.

Hong Kong's Position: Strengths and Challenges

Hong Kong enters this next phase from a position of relative strength. Four features are particularly important:

- **Policy leadership:** Climate-related rules and coordination led by HKEX, HKMA, the SFC, and the Green and Sustainable Finance Cross-Agency Steering Group give Hong Kong one of Asia's more developed policy frameworks for climate governance (see Sidebar A).
- **Green finance depth:** Hong Kong arranged USD 43.1 billion in international green and sustainable bond issuances in 2024. Recent policy developments, including Phase 2A of the Hong Kong Taxonomy for Sustainable Finance, are broadening the activities that can be supported by green and transition finance.
- **International connectivity: A**s a major gateway between Mainland China and global capital markets, Hong Kong sits at an important intersection between domestic and international climate-disclosure regimes.
- **Growing practitioner ecosystem:** HKEX's mandatory ESG training requirement, effective July 2025 under the Corporate Governance Code, and a growing pool of sustainability professionals with international qualifications provide a foundation for further board capability-building.

These strengths coexist with several practical challenges:

- **Complex market composition:** Many HKEX-listed companies are domiciled outside Hong Kong, particularly in Mainland China, and operate across multiple jurisdictions. They therefore work with several regulatory reference points and often adopt group-level sustainability frameworks. This creates a complex governance environment in which Hong Kong's disclosure-led approach interacts with parent-company cultures, industrial policy and export-market requirements elsewhere. The result is a wide range of practice and recurring friction in translating climate expectations across borders.
- **Macroeconomic headwinds:** Higher interest rates, tighter liquidity and geopolitical uncertainty have increased pressure on boards to preserve capital, making it harder for longer-term sustainability investments to compete for attention and funding.
- **Strategic integration lags disclosure:** Disclosure frameworks have advanced faster than the integration of climate considerations into capital allocation, supply-chain decisions and executive accountability.

Sidebar A. Policy Context

Hong Kong's climate policy framework evolved significantly in the years leading up to this research. Key (non-exhaustive) developments include:

Key Milestones	Detail
Green & Sustainable Finance Cross-Agency Steering Group (2020)[4]	Coordination body spanning HKMA, SFC, HKEX, and Insurance Authority; publishes annual market development roadmap
HK Climate Action Plan 2050 (2021)[5]	The Hong Kong Government targets to achieve carbon neutrality before 2050, with interim target of 50% absolute emissions reduction before 2035 (vs 2005 baseline)
HKMA Physical Risk Assessment Platform (2024)[6]	Standardised climate scenario modelling tool available to authorised institutions
HKEX ESG Reporting Code - Enhanced Climate Disclosure Requirements (revised April 2024; effective January 2025)[7]	New climate requirements aligned with ISSB IFRS S2. Comply-or- explain for all Main Board issuers for financial years commencing on or after 1 January 2025; mandatory for LargeCap issuers (Hang Seng Composite LargeCap Index constituents) for financial years commencing on or after 1 January 2026. HKEX has signalled a consultation in 2027 on potentially mandating HKFRS S1/S2 reporting for listed PAEs from 1 January 2028
Roadmap on Sustainability Disclosure in Hong Kong (December 2024) and HKFRS S1/S2[8]	Financial Services and the Treasury Bureau's roadmap for adoption of ISSB-aligned standards by publicly accountable entities, including significant non-listed financial institutions. HKICPA published HKFRS S1 and S2 in December 2024, effective 1 August 2025, fully converged with ISSB standards. Large PAEs to adopt fully no later than 2028
HKEX Corporate Governance Code (revised December 2024, effective July 2025)[9]	Enhanced requirements including mandatory director training covering ESG issues and climate-related risks; strengthened board effectiveness, independence, and risk management provisions
HK Taxonomy for Sustainable Finance (Phase 1: May 2024; Phase 2A: January 2026)[10]	Developed by HKMA; classifies economic activities contributing to sustainability objectives; Phase 2A introduces structured transition categories for high-emitting sectors and expands sector coverage

[1] As of late 2025, over 700 organizations across 56 countries had committed to TNFD-aligned disclosure, a 46% increase from COP16 (November 2024). Source: Taskforce on Nature-related Financial Disclosures, TNFD Status Update (2025), available at https://tnfd.global/.

CHAPTER 3
Research Approach

Stakeholder Engagement

This research combined two complementary forms of engagement. A structured survey produced 92 valid responses from board directors, sustainability practitioners and prospective practitioners. Three executive focus groups held in August and September 2025 brought together a further 25+ senior leaders for in-depth discussion. Participants represented listed companies across the Hang Seng Index and broader HKEX universe, as well as financial institutions, professional services firms and sustainability specialists.

Survey Design and Sample

The survey covered 24 climate-governance items aligned with the eight-principle WEF framework (2019 edition), which were subsequently remapped to the updated 2026 seven-dimension structure for this report.[1] Responses used a five-point scale (1 = not at all accurate/ strongly disagree; 3 = moderately accurate/ neither agree nor disagree; 5 = extremely accurate/strongly agree). Given the sample size, the results are presented as directional indicators and interpreted alongside the focus-group findings, rather than as statistically representative of the full Hong Kong corporate universe.

Focus Groups

Three 90-minute focus groups were conducted under the Chatham House Rule and structured around six research questions aligned with the WEF governance framework. Discussions were transcribed and coded thematically.

Analytical Framework

Survey results were analysed by respondent segment (Board Directors; Sustainability Practitioners; Prospective Practitioners).[1] Given the sample size, the report focuses on relative strengths and development priorities rather than absolute scores. Focus-group findings are used throughout to help explain the patterns in the survey data.

This report uses the WEF's updated January 2026 climate governance framework as its primary structure, while preserving legacy principle labels from the 2019 edition where additional analytical clarity is needed.

[1] Quantitative findings in this report are based primarily on responses from board directors and sustainability practitioners, whose direct involvement in governance decisions provides the most representative view of current industry practice; prospective practitioner responses inform the broader dataset but are not the basis of specific figures cited.

CHAPTER 4
Key Findings and Observations

INSIGHTS FROM THE SURVEY

Relative Strengths and Development Priorities

Across the seven dimensions of the WEF 2026 framework, Hong Kong's results range from 'Developing' to 'Strong', reflecting uneven progress across the market.

WEF Dimension	Relative Performance*	Headline Observation
Guiding Principle 3: Risk and Opportunity	STRONGEST	Materiality processes are relatively mature, supported by regulatory pressure and formal risk-identification processes.
Guiding Principle 4: Disclosure and Transparency	STRONG	HKEX mandates have deepened disclosure; assurance remains nascent and nature-related disclosure is emerging.
Guiding Principle 2: Strategy	DEVELOPING	Climate appears in strategic planning at leading firms, but integration into capital allocation still lags.
Foundation 2: Stakeholder Collaboration	DEVELOPING	Supply-chain engagement is growing, but dialogue and outcome tracking need strengthening.
Guiding Principle 1: Oversight and Responsibility	DEVELOPING	Board accountability structures are in place, but incentive alignment remains a critical weak link.
Foundation 1: Skills and Knowledge	DEVELOPING	Mandatory training has raised the floor, but strategic climate judgement requires further development.
Foundation 3: Culture	NEEDS FOCUS	Awareness of climate risk has grown, but operational integration remains underdeveloped as short-term financial pressures dominate.

' Relative performance' shows how each dimension ranks against the others within the Hong Kong results. It is not an absolute score or a comparison with other jurisdictions.

Culture (F3) emerges as the clearest development priority. This WEF dimension covers incentives, tone from the top and behavioural reinforcement. Directors' responses suggest that awareness of climate risk has advanced faster than the incentives and management practices needed to reinforce it. This is why incentive alignment emerges as the report's most consistent governance gap.

Climate Action Sentiment Indicators

The sentiment questions reveal a clear gap between aspiration and implementation. 76 per cent of respondents agree that climate action is an opportunity and a driver of innovation (average 3.99/5), the highest-scoring item in the survey. By contrast, scores are lower for whether the board is taking sufficient climate action (3.49/5) and whether climate is central to business strategy today (3.58/5).

Perceptions of greenwashing risk also differ by respondent group. The statement that 'the risk associated with greenwashing is felt keenly by the board' scores 3.40/5 overall, but board directors rate it lower (2.94/5) than sustainability practitioners (3.45/5). The gap suggests sustainability teams perceive reputational exposure from climate claims more acutely than boards do.

Nature receives less board attention than climate. Agreement that 'nature action is seen as a priority by the board' scores 3.26/5 overall and 2.61/5 among board directors, the lowest sentiment score in the survey. Respondents also report a modest increase in board attention over the previous 12 months (3.32/5), suggesting awareness is rising from a low base.

Transition Planning Status

The transition-planning picture is mixed. Among board directors and senior sustainability executives:



report having published a transition plan over a year ago.



published a plan in the last year.

- Some additional companies have set climate targets but do not plan to publish a transition plan in the near term.
- A meaningful minority (particularly among non-listed companies) report no plans to set climate targets.

A transition plan matters because it is one of the mechanisms through which climate targets can be translated into capital allocation, operational planning and board accountability. The absence of a published plan does not by itself indicate weak governance, but it can make that connection harder to see and assess.

INSIGHTS FROM THE FIELD

Six themes emerged consistently from the focus groups and help explain the survey results.

Observation 1: Incentives are not yet aligned with climate outcomes

Survey and focus-group evidence converge on incentive alignment as the most consistently identified governance gap. Among board director respondents (n=20):



agree that executive remuneration structures include climate-related performance targets, the lowest-scoring of all 24 governance indicators.



agree non-financial incentives reflect progress in climate strategy.



actively disagree with that statement.



identified misaligned remuneration targets as a top barrier to faster climate action, one of the highest barriers named by boards alongside short-term commercial pressure.



agree executive compensation is tied to emissions reduction goals.



gave neutral "moderately accurate" ratings on the three remuneration items.

Directors therefore identify incentive misalignment more often than board education (10%) or board composition (10%) as a barrier to faster action. This suggests that the immediate gap is not only one of knowledge or governance structure, but also of management incentives.

Focus-group discussions help explain the pattern. Where climate targets exist, they often sit in sustainability-team scorecards or management KPIs rather than in the compensation frameworks of executives who make capital-allocation decisions. A board can endorse a climate strategy without changing the incentives that shape management behaviour. Participants repeatedly described a gap between commitments on paper and accountability in practice.

> “Incentivisation at the board level operates differently from individual executive incentives, and that most board directors are not personally incentivised on climate outcomes.”
>
> – Senior sustainability executive, real estate developer

A further issue is metric specificity. Roughly 30–45% of board directors selected the neutral response (score 3) across the three incentive-related survey items. That result should be interpreted cautiously, but focus-group discussions suggest that some companies refer broadly to "ESG performance" or "sustainability considerations" without specifying a measurable climate metric or a clear consequence for under-delivery. Broad language may satisfy a disclosure expectation without materially changing behaviour.

Observation 2: Climate is still treated more as a compliance matter than a strategic priority

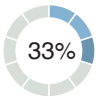
Climate has secured a place on Hong Kong boards' agendas, but more often through the regulatory door than the strategic one. Among board director respondents, the survey suggests that boards broadly recognise climate's importance, while integration into business strategy and decision-making remains less developed.



agree climate is an opportunity/innovation driver (highest-scoring sentiment item), but only 39% agree climate is central to business strategy today.



believe their board is taking climate actions sufficiently.



believe their board is leading peers.

Greenwashing risk perception gap:
28% of board directors vs 59% of sustainability practitioners.

The greenwashing-risk perception gap deserves attention because it is the widest divergence between board directors and sustainability practitioners in the sentiment questions. Sustainability practitioners sit closest to disclosures, Scope 3 calculations, transition plans and external communications, and may therefore encounter reputational exposure from overstated or unsubstantiated claims more directly. Board directors report lower sensitivity to the issue. This does not by itself show that boards are unconcerned about greenwashing, but it suggests a difference in how prominently the risk is perceived. Where that pressure is weaker, companies may have less internal impetus to go beyond minimum reporting requirements.

The focus groups provide a practical explanation for this pattern. Across all three sessions, participants described climate as receiving most board attention around the compliance and reporting cycle, with less time devoted to its strategic implications.

> Some companies will just stop at some framework or preliminary level. They want to show they are pioneers, but never going too deep.
>
> – Manager, professional services firm

> People just think [climate disclosures] are good to have, but don't understand the real meaning behind it, or how it affects the companies directly.
>
> – Partner, accounting and advisory

One participant described a perceived asymmetry for early movers: companies that disclose more voluntarily may face greater scrutiny, while peers that remain at the regulatory minimum attract fewer questions. Whether or not this dynamic is universal, it helps explain why some companies may be cautious about moving beyond minimum requirements.

> The more you disclose on a voluntary basis, the more questions you get. If you did it voluntarily, you get 10 times more questions because no other institutions disclose. They will put a regulatory risk lens on you, and issue compliance breach tickets.
>
> – Senior sustainability executive, financial institution

Observation 3: Mandatory training has raised the baseline, but strategic judgement takes time to build

Mandatory ESG training for directors under the revised HKEX Corporate Governance Code, effective 1 July 2025, was widely viewed in the focus groups as a positive development. It creates a baseline for board climate literacy. The harder question is how quickly that familiarity translates into strategic judgement. Because the survey was conducted shortly after the requirement took effect, the results below are best read as a baseline rather than an assessment of the policy's effectiveness.



board directors agree their board engages in semi-annual or more frequent climate training sessions; 50% disagree.

Training-related items score noticeably higher among sustainability practitioners than among board directors, suggesting structured programmes are gaining earlier traction at the practitioner level.



board directors disagree that directors receive regular semi-annual briefings on climate science, policy, and market trends.

Boards continue to rely heavily on management teams or external consultants for climate-related analysis, instead of embedding independent specialist knowledge at the governance level.

The more important distinction is between awareness and judgement. Mandatory training can build familiarity with climate concepts and disclosure terminology, but it does not by itself equip a board to challenge scenario assumptions, assess the financial materiality of a transition plan or evaluate a capital-allocation decision. That judgement develops through repeated application to real choices. Peer learning, access to specialist advice and direct exposure to live climate-related decisions can complement formal training.

> The first stage is to understand what sustainability is, and how it affects the company. The second level is to know about the numbers.
>
> – Partner, accounting and advisory

Focus-group participants also pointed to structural factors that slow the introduction of climate expertise into the boardroom. Hong Kong boards often draw from financial, legal and operational backgrounds, while relatively low turnover can limit the pace at which specialist perspectives are added. A phased cap on independent non-executive director tenure, under which INEDs serving more than nine years cease to be treated as independent, applying to a majority of each issuer's INEDs by the first AGM held on or after 1 July 2028 and to all INEDs by the first AGM on or after 1 July 2031, may create opportunities over successive appointment cycles [11]. Participants also discussed advisory boards or similar mechanisms as one way to give boards and management access to independent climate expertise without relying solely on board appointments.

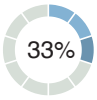
> What we are seeing in other countries is using the advisory board as a way to address sustainability - bringing in experts in sustainability and matching them with the executives from the company, focusing on the issue and having a debate that brings things to the table.
>
> – Energy Industry Board Director

Observation 4: Short-term Commercial Pressures Often Override Long-Term Climate Considerations

Across all three focus groups, participants returned to a common tension: under earnings pressure, tighter liquidity and geopolitical uncertainty, near-term commercial priorities can outweigh longer-term climate considerations unless the latter are expressed in financial terms. Conventional hurdle rates may not fully capture longer-duration benefits such as resilience, supply-chain risk reduction or preparedness for future regulation.



board directors agree that capital-allocation decisions are informed by climate scenario analyses, while 55% actively disagree (the lowest-scoring strategic integration item in the survey).



board directors cite short-term commercial pressure as a top barrier to faster climate action, one of the highest barriers alongside misaligned remuneration targets.

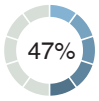
Across the survey, strategic-integration items score below the corresponding sentiment items. In other words, boards' stated recognition of climate is ahead of the decision processes that would systematically reflect it in capital allocation.

A clear business case can change that dynamic. Focus-group participants consistently described deeper board engagement when climate investments were linked to familiar commercial outcomes such as cost savings, brand value, tenant retention or market access. One participant cited green building certification as an example: stronger occupancy and tenant retention among international clients helped turn sustainability performance into a board-level argument for further investment.

> [The company] has a higher occupancy rate than comparable buildings, despite similar rentals. Multinational tenants prefer green building certificates, energy and water efficiency. This can increase brand value and establish better trust with tenants over time.
>
> – Manager, sustainability consulting

Observation 5: Nature-related governance is at a nascent stage but growing in visibility

Nature is at the earliest stage of board engagement among the topics covered in this report. Boards increasingly recognise it as an emerging issue, but survey and focus-group evidence suggests that awareness has not yet translated into routine business practice. Participants frequently cited the absence of regulatory requirements as one reason.



board directors report having no nature-related targets or action plans, and no plans to develop any. Only **20%** have a nature action plan in place.

- Nature priority sentiment is the lowest-scoring sentiment item in the entire survey (2.61/5 among board directors vs. 3.11/5 for the equivalent climate item, 'climate action is seen as a priority by the board').
- Respondents marginally agree that the board's attention on nature has increased over the past 12 months (3.02/5 among board directors). Awareness is rising from a low base.

The dominant framing in Hong Kong boardrooms has been the direct operational lens, such as emissions and habitat impacts of the company's own operations. On that measure, exposure looks low. For many Hong Kong companies, particularly in financial services, real estate, and consumer goods, the majority of nature-related exposure sits indirectly: in supply chains, lending portfolios, and dependencies on ecosystem services, such as water and land use.

Hong Kong's Environment and Ecology Bureau published the latest Biodiversity Strategy and Action Plan (BSAP) in December 2025. Priority Action 2.3 encourages businesses to disclose biodiversity-related risks, dependencies and opportunities, reflecting growing policy attention to corporate nature-related disclosure.. The TNFD framework asks companies to consider both direct impacts and dependencies on nature. As expectations develop, companies that currently view nature only through direct operational impacts may need to examine indirect exposures they have not previously measured.

Hong Kong's urban density was frequently cited as a contextual factor. Because many corporate operations are located in already-developed areas, biodiversity can feel remote from day-to-day business. For companies whose exposure runs mainly through supply chains or ecosystem dependencies, that perception can delay recognition of nature as a business risk and opportunity.

> "The literacy of understanding nature's impact is not there with companies yet."
>
> – Senior sustainability executive, real estate developer

A small number of participants, mainly from hospitality and real estate, had begun TNFD pilot exercises and described them as instructive but relatively isolated. These early exercises are building useful institutional knowledge, but broader adoption would benefit from stronger peer-learning channels, practical methodologies and clearer regulatory signals.

> "Compared to climate, nature is non-moving at all. Many corporations deep-dived into TNFD pilot studies before, but not deep enough. People are not paying enough attention to the metrics of nature."
>
> – Head of ESG, asset management firm

Observation 6: Decision-grade data remains a challenge

Across all three focus groups, participants highlighted a shortage of reliable, locally calibrated climate data and decision-support tools that boards can readily use in governance and investment decisions.



board directors cite "lack of relevant climate/nature data for board discussions and decisions" as a top barrier to faster climate action

The data gap is felt more sharply by directors than by sustainability practitioners (19% versus 14%), most acutely where governance decisions are made

The issue is not a lack of frameworks. Global standards such as ISSB S2 and TCFD provide reporting structure, while Hong Kong-specific resources have expanded. HKMA's Physical Risk Assessment Platform offers high-resolution physical-risk analysis for residential and commercial buildings; the Cross-Agency Steering Group-HKUST partnership provides free GHG calculation and estimation tools; and the GSF Data Source Repository brings together more than 40 public data sources for climate-risk analysis.

The more specific gap is usability and coverage. Many resources are concentrated in the financial sector or designed for technical practitioners rather than non-financial corporate boards making decisions across diverse assets and supply chains. Focus-group participants highlighted two recurring issues: methodologies developed for European supply chains may not translate well to China-linked manufacturing and sourcing relationships; and locally calibrated physical-risk tools focused on residential and commercial buildings do not yet cover all the industrial, logistics and supply-chain assets that non-financial companies need to assess.

Several participants described commissioning bespoke physical-risk assessments at significant cost. One cited a cost in the millions of Hong Kong dollars for a single asset-level assessment, only to find that results could not be compared consistently across the broader portfolio. The practical problem is therefore not simply access to data, but access to decision-grade information that can be integrated into an enterprise-wide view of risk.

> “There are tools that are widely used and applied in Europe that do not work when Asian or Chinese data is applied.
>
> – Partner, accounting and advisory ”

CHAPTER 5
The Way Forward

In response to the findings presented here, the following six priority areas are offered as directional guidance for companies, regulators, and market participants in Hong Kong.

Recommendation 1: Align Incentives with Climate Outcomes

Observation 1 identifies incentive alignment as the most consistent governance gap in the research. Where climate performance is material to the business but absent from executive incentives, commitments can remain disconnected from management accountability.

For boards and companies

— institutionalise climate-linked compensation where it is material:

- Embed specific, measurable climate KPIs in long-term and annual incentive plans where appropriate, moving from broad ESG language to defined and verifiable metrics with clear accountability for delivery.
- Equip Remuneration Committees with the climate capability needed to set and assess those measures. Members may benefit from targeted training or access to expert advice, including through the advisory mechanisms discussed in Recommendation 3.

For regulators and the market

— create external reference points that make credible climate-linked pay more visible:

- Consider a Hong Kong climate-governance peer benchmark or recognition mechanism with a clear methodology, including visibility on credible climate-linked compensation. A useful benchmark can help shift the question from "why should we move first?" to "how do we compare with peers?"
- Encourage investor stewardship on climate-linked pay where climate performance is financially material. Shareholder engagement and voting can reinforce accountability, particularly among institutional investors with their own climate commitments.

Recommendation 2: Shift Climate from Compliance to Strategic Priority

Observation 2 shows that climate is present on board agendas primarily as a disclosure topic, while strategic integration remains less developed. The gap in greenwashing-risk perceptions between boards (28%) and sustainability teams (59%) reinforces the case for stronger board-level discussion of climate-related reputation, legal exposure and business positioning.

For boards and companies

— treat HKFRS S1 and S2 disclosures as the start of strategic engagement, not the endpoint:

- Add an annual "strategic climate review" to the board calendar, a recurring discussion of how climate has shaped strategic decisions in the prior year. This converts climate from a reporting deliverable into a recurring strategy conversation.
- Include reputational and legal risks associated with greenwashing in director education, alongside the technical ESG training already required by HKEX.
- Express climate-related investments in familiar commercial terms in board papers — for example, cost savings, resilience, brand value or market access — so their strategic relevance is visible alongside the disclosure obligation.

For regulators and the market

— create confidence for good-faith, forward-looking disclosure:

- Provide clearer guidance on the distinction between inadequate compliance and good-faith forward-looking disclosure that goes beyond minimum requirements.
- Consider regulatory safe harbours for forward-looking disclosures where methodologies are still evolving, particularly transition plans, Scope 3 emissions and nature-related disclosures.
- Consider a Hong Kong-specific recognition mechanism that distinguishes strategic climate engagement from minimum compliance and makes credible practice more visible to investors, clients and the wider market.
- Continue HKMA-SFC-HKEX coordination on climate-risk monitoring and resilience so that companies receive a coherent set of signals across the local regulatory framework.

Recommendation 3: Build Board-level Climate Competency Beyond Training

Observation 3 shows that mandatory ESG training has established a baseline of awareness, but boards also need decision-ready judgement at the moments that matter. Only 35% of directors report semi-annual or more frequent climate training, while board turnover means specialist expertise will take time to deepen organically.

For boards and companies

— complement training with mechanisms that build judgement:

- Provide regular access to specialist climate and sustainability expertise, whether through external advisers, an advisory board or another mechanism suited to the company. The objective is not simply more technical knowledge, but better challenge of assumptions in strategy, risk and investment decisions.
- Use upcoming board-renewal cycles as an opportunity to strengthen climate capability. Nomination committees can consider relevant climate or sustainability experience alongside the other skills required by the board, drawing on professional networks and qualification programmes where useful.
- Build climate scenarios into regular board education rather than treating them as a stand-alone training topic. Apply scenarios to actual decisions such as capital allocation, supply-chain restructuring and M&A.

For regulators and the market

— clarify forward expectations for board-level climate capability:

- Develop voluntary guidance on what effective board-level climate governance capability can look like, while allowing for different business models and board structures. Any evolution toward more formal expectations should be signalled with sufficient lead time.

Recommendation 4: Make Climate-Financial Debates Deliberate and Visible at Board Level

Observation 4 shows how short-term commercial pressures can crowd out longer-term climate considerations. The practical gap is often not recognition of climate risk, but a business case that allows the board to evaluate it in familiar financial terms.

For boards and companies

— make climate-related financial considerations a visible part of major decisions:

- Make material climate-related financial trade-offs explicit in board papers and decision records when commercial priorities and sustainability outcomes may conflict. The aim is to make the rationale visible, not to prescribe a single decision.
- Require major capital-allocation proposals to address relevant climate-related financial considerations, such as cost savings, brand value, market access, supply-chain resilience and regulatory preparedness.
- Connect transition-plan commitments to capital expenditure decisions. Capital-allocation papers should identify material consistency or tension with the transition plan, while annual disclosure can explain how actual investment compares with the plan's assumptions.

For regulators and the market

— make the climate business case easier to construct and evaluate:

- Provide practical guidance and sector case studies showing how climate-related financial considerations can be reflected in board decisions, including capital allocation, M&A and strategic planning.
- Encourage investor stewardship that asks specifically about the linkage between transition plans and capital allocation.

Recommendation 5: Build Nature Governance Preparedness, Anchored in Hong Kong's Biodiversity Strategy and Action Plan (BSAP) 2035

Observation 5 shows that nature governance is still at an early stage. The lesson from climate disclosure is useful: capability takes time to build. With BSAP 2035 now in place, companies have enough direction to begin learning before any future mandate requires a mature response.

For boards and companies

— begin building nature capability before requirements become mandatory:

- Begin TNFD LEAP exercises (Locate, Evaluate, Assess, Prepare) at portfolio or operations level. Companies do not need full TNFD-aligned disclosure capability to start; much of the value comes from learning where material dependencies and exposures sit.
- Assess indirect nature exposure through supply chains, lending portfolios and ecosystem-service dependencies. For many Hong Kong companies in financial services, real estate and consumer goods, significant exposure may sit outside direct operations.

For regulators and the market

— give companies a clearer planning horizon for nature-related disclosure:

- Set out a public-sector roadmap for the evolution of TNFD-aligned disclosure, anchored in BSAP 2035 and Kunming-Montreal Target 15. The trajectory need not become mandatory immediately; clearer signalling would help companies plan capability-building and investment.
- Work with sector regulators and industry bodies to identify nature-related risk hotspots, such as water dependency, biodiversity-sensitive supply chains and ecosystem-service exposure, so companies have clearer signals on where to focus first.
- Support locally relevant TNFD methodologies and case studies through public-private partnerships, drawing on Hong Kong's universities and the TNFD Knowledge Hub.

Recommendation 6: Build Locally Calibrated Climate and Nature Data Infrastructure

Observation 6 identifies data as an active governance constraint: 19% of board directors cite a lack of relevant climate and nature data as a top barrier. Hong Kong's financial-sector infrastructure has expanded substantially, but equivalent decision support is less developed for non-financial companies and a broader range of asset types.

For boards and companies

— make data limitations explicit and manageable:

- Document material data limitations in board climate-risk assessments rather than allowing uncertainty to remain implicit.
- Where bespoke assessments are commissioned, require methodologies that can be applied consistently and compared across the company's asset base wherever practicable.

For regulators and the market

— build on existing infrastructure to widen access to decision-grade data:

- Adapt the model of HKMA's Physical Risk Assessment Platform, currently focused on banks and buildings, to support relevant non-financial corporate use cases and a broader range of asset types, in coordination with HKEX, HKICPA and Hong Kong's research universities.
- Build on existing GHG calculation and estimation tools, including those offered through HKUST, with sector-specific implementation guidance for non-financial companies, particularly in sectors where Scope 3 data remains difficult to obtain and use.

CHAPTER 6
Conclusion and Next Steps

Many of the most immediate levers identified in this report do not require a new institutional architecture. They are governance practices and behaviours that boards, sustainability practitioners and regulators can begin to strengthen within the next planning cycle.

For Corporate Boards and Listed Companies

Building on the disclosure and ESG-training baselines already in place, boards can start with three practical questions:

- Ask the Remuneration Committee how climate performance is reflected in executive incentives where it is material to the business, and what would need to change for the link to become substantive.
- Make the relationship between major capital-allocation decisions and the climate assumptions in the company's transition plan explicit, so that a previously implicit choice becomes visible and discussable.
- Where the board lacks relevant climate expertise, establish a practical mechanism — such as an advisory board or access to independent specialists — to bring that knowledge into climate-related strategy and investment decisions.

For the Sustainability Practitioner Community

- Practitioners can add the most value by translating climate risk into the financial and strategic language boards already use: typhoon exposure into insurance costs, transition risk into cost of capital, or nature dependency into supply-chain risk. Practitioners who have run TNFD pilots, designed climate-linked incentives or built locally calibrated risk assessments hold practical knowledge that can help the wider market. Sharing that experience through industry forums and peer networks can accelerate learning across the community.

For Public Stakeholders and Regulators

The Green and Sustainable Finance Cross-Agency Steering Group has built a substantial base of frameworks and tools. This research points to three areas where further support could have outsized value:

- Greater clarity and, where appropriate, safe harbours for good-faith forward-looking disclosure that goes beyond the regulatory minimum.
- Extension of locally calibrated data infrastructure, currently concentrated in the financial sector and focused mainly on residential and commercial buildings, to non-financial companies and a broader range of assets.
- A clearer forward trajectory for TNFD-aligned disclosure anchored in BSAP 2035, giving companies a more predictable basis for building nature-governance capability.

Looking Forward

Progress will depend on these actions reinforcing one another. Better data without stronger board capability will have limited effect; stronger capability without incentives or a clear business case may not change decisions. The governance gaps are connected, and the response should be as well.

Hong Kong has built a strong foundation for climate disclosure. The next phase is harder: turning disclosure into decisions, incentives and capital allocation. Progress will depend less on adding new frameworks than on embedding climate considerations into how boards govern the business.

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APPENDIX 1
Detailed Research Methodology

A.1 Research Design

The research used a mixed-methods design, combining quantitative survey data with qualitative focus-group findings. Survey data provides directional benchmarks against the WEF framework; focus-group evidence provides context and practitioner perspectives that help interpret those results and inform the recommendations.

A.2 Survey

The survey comprised four modules: (1) Respondent profile; (2) WEF Principle assessments (24 items, 1–5 Likert scale); (3) Climate sentiment indicators (12 items); and (4) Open-ended challenges and recommendations. The scoring scale: 1 = not at all accurate / strongly disagree; 2 = slightly accurate / somewhat disagree; 3 = moderately accurate / neither agree nor disagree; 4 = very accurate / somewhat agree; 5 = extremely accurate / strongly agree.

Parameter	Detail
Collection Period	June – September 2025
Total responses received	114
Valid responses	92 (81%)
Board directors (INED / NED / ED)	21 (23%)
Senior sustainability executices (CSO-level)	29 (31%)
Junior/ prospective sustainability practitioners	42 (46%)
Principal industries	Financials, Real Estate, Consumer, Services, Transport, Energy, TMT
Listing status	Marjority HKEX Main Board listed or affiliate thereof

A.3 Focus Groups

Three sessions were conducted between August and September 2025 under the Chatham House Rule. Each lasted 90 minutes. Discussions were transcribed verbatim and coded thematically using the WEF framework dimensions as primary codes, supplemented by themes that emerged during analysis.

Six core research questions structured all sessions:

1. Where do climate and nature stand in your organisation's agenda today versus one year ago?
2. Where do boards feel most equipped, and where do they perceive the greatest challenges?
3. What motivates your company to incorporate nature and climate into its strategic and governance framework?
4. What overall capabilities are expected to address climate risk and opportunity?
5. What are the best practices observed regarding identified challenges?
6. What changes do companies want to pursue in climate and nature governance in Hong Kong in the next 24 months?

A.4 Analytical Approach

Survey data was analysed using descriptive statistics and segmented by respondent type. Principle-level scores were calculated as simple means of the underlying item scores. Given the sample size, the report presents relative assessments rather than absolute scores. Focus-group evidence was used to interpret and test the survey patterns where possible.

The WEF 2026 framework remapping was conducted by aligning original survey items (designed for the legacy eight-principle structure) to the new seven-dimension framework (four guiding principles and three foundations). Where items map ambiguously, both framework labels are preserved in the analysis.

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Focus Group Facilitators

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Focus Group Participants

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Climate Governance Initiative Hong Kong

Part of Chapter Zero Alliance

Climate Governance Initiative Hong Kong Chapter

Website: https://www.climate-cgi.hk/
E-mail: info@climate-cgi.hk

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