

## FEATURED INSIGHT

# Extension of director's duty to consider climate change risks and ESG considerations

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Hong Kong regulatory bodies have taken detailed and specific steps to bring climate change risks to the attention of corporate boards, reshaping how directors discharge their duties.

The duties owed by company directors have always required them to act in the best interests of the company and to exercise reasonable care, skill and diligence. What is changing is the scope of information a reasonably diligent director is expected to weigh. Hong Kong's regulatory bodies have taken detailed and specific steps to bring climate change risks, and environmental, social and governance (ESG) considerations more broadly, squarely within the matters a board must actively address.

## From voluntary disclosure to board responsibility

The Stock Exchange of Hong Kong has progressively strengthened its ESG reporting framework, moving climate-related disclosures from a voluntary, best-efforts exercise towards mandatory, board-level accountability aligned with international standards. Listed issuers are increasingly expected to identify the climate-related risks and opportunities relevant to their business, assess their financial impact, and explain how the board oversees them. The effect is to treat climate risk not as a peripheral sustainability matter but as a governance and financial risk that falls within the director's core decision-making remit.

## What this means for directors

A director who fails to consider material climate-related risks may now find it harder to argue that they discharged their duty of care. In practice this means boards should ensure they have access to reliable climate and ESG data, integrate these risks into strategy and risk-management processes, and document how the board has considered them. Where directors lack the relevant expertise, the prudent course is to seek it, whether through training, dedicated board committees or external advice.

## A wider trend

Hong Kong's approach mirrors a global recalibration of directors' duties, in which climate and ESG considerations are increasingly framed as financially material rather than purely ethical. Companies that embed these considerations into board agendas, risk registers and disclosure processes will be better protected against both regulatory scrutiny and the prospect of shareholder claims. For directors, the message is direct: climate change and ESG are no longer matters they may consider, but matters they are expected to.

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