

SFST's speech at 41st session of Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (English only) (with photos)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the 41st session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) organised by the United Nations Conference on Trade and Development (UNCTAD) in Geneva on November 6 (Geneva time):

Secretary-General Rebeca (Secretary-General of the UNCTAD, Ms Rebeca Grynspan), Director Li (Director of the Division on Investment and Enterprise, UNCTAD, Ms Nan Li Collins), distinguished guests, ladies and gentlemen,

Good morning. It is my great pleasure to join you at the 41st session of ISAR organised by the UNCTAD. The topic of this high-level panel, "Sustainability reporting frameworks and standards: from interoperability to full harmonization", is timely and highly significant, as accurate, consistent and relevant information about sustainability-related matters has become increasingly important for informed decision-making, risk assessment, transparency, and innovation in sustainable financing.

Hong Kong, China, as a premier sustainable finance hub channelling international capital to sustainable purposes, fully acknowledges the importance of sustainability disclosure. We have the vision and determination to develop a comprehensive sustainability disclosure ecosystem in Hong Kong, China to equip our enterprises with the communication in a common international language on sustainability issues in order to maintain competitiveness in the global supply chains, attract capital towards environmentally responsible projects, and contribute to worldwide efforts in building a sustainable future.

Hong Kong's commitment to aligning with ISSB Standards

The International Sustainability Standards Board (ISSB) published in June last year its first set of International Financial Reporting Standards (IFRS) – Sustainability Disclosure Standards (ISSB Standards) as the global baseline for entities around the globe to prepare comparable, consistent and reliable climate and sustainability-related information, and make sustainability disclosures focusing on the needs of investors and the financial markets.

Our commitment to aligning Hong Kong's sustainability reporting standards with the ISSB Standards is clear. Since the ISSB Standards were published, the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) announced in his Policy Address in October last year the policy measure that the HKSAR Government would work with financial regulators and stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards to align with international standards. In the 2024-25 Budget released in February this year, our Financial Secretary announced that the Financial Services and the Treasury Bureau (FSTB) and the Securities and Futures Commission (SFC) would formulate a roadmap and vision statement to assist companies and financial institutions in sustainability reporting and the analysis of relevant data, elucidating our vision of promoting green and sustainable finance.

Progress and actions taken

We have been taking proactive actions over the past year in advancing towards our goal adopting an ecosystem approach. In practice, we have set up a dedicated working group, which is co-led by the FSTB and the SFC, with members comprising financial regulators, the Hong Kong Exchanges and Clearing Limited (HKEX) and the Hong Kong Institute of Certified Public Accountants (HKICPA), to formulate the roadmap.

With the contribution from working group members, we published the vision statement in March this year, setting out the vision and approach of the HKSAR Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong, and our aim to be among the first jurisdictions to align the local sustainability disclosure requirements with the ISSB Standards.

As an interim step to enable listed companies to adopt the local sustainability disclosure standards for sustainable reporting in future, the HKEX published conclusions to its consultation on the enhancement of climate-related disclosures under its ESG (environmental, social and governance) Framework in April this year and introduced new climate-related disclosures requirements for implementation under a phased approach, having regard to the size of the company and nature of the disclosure, specifically Scopes 1, 2 and 3 of the Green House Gas (GHG) Emission and non-GHG disclosure requirements, from 2025 onwards. This has rendered Hong Kong one of the first jurisdictions to have announced new climate-related reporting requirements for listed companies that are based on the IFRS S2.

Assuming the role of the local sustainability reporting standard setter in Hong Kong, the HKICPA, in collaboration with Working Group members, has conducted extensive outreach and stakeholder engagement, including completion of a technical feasibility study in June this year on the application of the ISSB Standards in Hong Kong, China. With the feedback gathered, the HKICPA has developed Exposure Drafts for Hong Kong's sustainability reporting standards (Hong Kong Standards) in full alignment with the ISSB Standards and just completed a six-week public consultation a few weeks ago. The Hong Kong Standards are intended for cross-sectoral observance, including listed

companies and regulated financial institutions, such as banks, fund managers, insurance companies, and Mandatory Provident Fund (MPF) trustees. As set out in our vision statement, a phased implementation approach will be adopted, with application of the Hong Kong Standards prioritised for listed companies and regulated financial institutions. The HKICPA is currently considering the consultation feedback received with a view to issuing the final Hong Kong Standards by the end of this year with an effective date of August 1, 2025.

Roadmap on full adoption of the ISSB Standards in Hong Kong

In addition to the above progress made, we are working at full steam on finalising the roadmap. As announced by our Chief Executive in his Policy Address last month, we will launch the roadmap on the full adoption of the ISSB Standards in Hong Kong this year. The roadmap will provide a transparent and well-defined pathway on sustainability reporting for businesses in Hong Kong, as well as sufficient time for making preparations for the pragmatic implementation of the Hong Kong Standards. Apart from sustainability reporting which I have already covered, the roadmap will also comprise three other key areas, namely sustainability assurance, data and technology, and capacity building, which are essential building blocks of a comprehensive ecosystem to support implementation of the Hong Kong Standards. Let me share with you our development directions and the measures that are already in place.

Sustainability assurance

We recognise that assurance helps build credibility and reliability of reported sustainability-related information. The HKSAR Government and financial regulators will promote sustainability assurance to enable credible implementation of sustainability disclosure in Hong Kong. Local sustainability-related assurance and ethics standards will be developed, taking account of the latest global developments including relevant discussions at the International Auditing and Assurance Standards Board and International Ethics Standards Board for Accountants. The Accounting and Financial Reporting Council (AFRC) will be involved in driving the development of sustainability assurance in Hong Kong. The AFRC will host its inaugural Regional Regulatory Forum in early December, where regulators in Asia and beyond will discuss, among other things, the implications of sustainability reporting for the industry.

Data and technology

We understand that the availability of relevant data is considered by some stakeholders as one of the challenges for sustainability reporting. We will continue with our efforts in facilitating better sustainability disclosures and enhancing the quality of data through promoting the use of technology-driven solutions, which will enhance efficiency and reduce cost for preparers and users of sustainability-related disclosures, as well as enable comparability and interoperability of disclosures across sectors and markets. To this end, we have already rolled out a number of innovative measures to improve data availability and support data collection and

reporting. For example:

(i) We launched in as early as 2022 a climate and environmental risk questionnaire for non-listed companies and small and medium enterprises to assist their sustainability reporting processes and raise their sustainability visibility to lenders, investors and supply chain clients. It also enables financial institutions' collection and assessment of company-level data for risk assessment and relevant business decisions. We further rolled out this year a digital version of the questionnaire to facilitate reporting and support broader consent-based data sharing between corporates and financial institutions.

(ii) In collaboration with the Hong Kong University of Science and Technology, we launched a publicly accessible greenhouse gas emissions calculation and estimation tools this year to aid sustainability reporting by corporates and financial institutions in Hong Kong, help companies manage their environmental footprint and encourage market participants to improve sustainable business practices.

Looking forward, we will continue to promote the development and use of green and sustainable financial technology solutions. As supporting measures, we published the Prototype Hong Kong Green Fintech Map last March to provide one-stop information on the current status of our more than 50 green fintech companies in Hong Kong and related services. Subsequently in June, we launched a brand new Green and Sustainable Fintech Proof-of-Concept Funding Support Scheme to provide early-stage funding to support technology companies or research institutes conducting green fintech activities to collaborate with local enterprises to co-develop new projects in the market that seek to address the industry pain points. One of the key areas covered in the Scheme is ESG Disclosure, Compliance & Regulatory Reporting. Recognising the tremendous potential AI (artificial intelligence) has in assessing climate risk, formulating sustainability goals and incorporating them in the decision-making process, we issued last Monday the Policy Statement on Responsible Application of Artificial Intelligence in Financial Market with a view to facilitating and enabling responsible AI adoption in the financial services industry at large, among firms of all sizes.

Capacity building

Last but not least, we are keen to enhance capacity building to support the industry and companies in their sustainability disclosure journey. In particular, financial regulators, the HKEX and the HKICPA, have been organising various seminars and engagement activities as well as publishing publicity and training materials on sustainability-related topics since 2021. We will continue to promote alignment with the ISSB Standards and support capacity building efforts locally, regionally and internationally through organising various engagement activities, publishing training materials on sustainability-related topics; providing training programmes, etc, to nurture trained sustainable finance professionals covering preparers, reporting and assurance professionals, and sustainability-related service providers. We have in our talent list experienced financial professionals in ESG to bring

in overseas experts to settle in Hong Kong to enrich ours domestically. The HKSAR Government will also continue to support industry capacity building through the Pilot Green and Sustainable Finance Capacity Building Support Scheme launched in 2022.

Closing remarks

To some, the global demand for sustainability disclosure may be posing obligations on enterprises. To me, just as clearly stated in the title of our vision statement "Turning Obligations into Opportunities", I believe we can turn these obligations into opportunities to propel our development of green and sustainable finance to new heights and, equally importantly, contribute to the global efforts in promoting a sustainable future. We are exerting our efforts to build an ecosystem through getting the three "Ps" right, namely the right Policy steer with commitment, the right Pull Factors with incentives and the right People with expertise.

The HKSAR Government will continue to collaborate with financial regulators and stakeholders to proactively develop Hong Kong's sustainability disclosure ecosystem. I would also encourage all of you to stay tuned to the launch of our roadmap soon. Thank you.

