

SFST's speech at SFC Forum on Sustainability Disclosures: Developing a Local Ecosystem with World-class Regulation (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the SFC Forum on Sustainability Disclosures: Developing a Local Ecosystem with World-class Regulation today (November 13):

Julia (Chief Executive Officer of the Securities and Futures Commission, Ms Julia Leung), distinguished guests, ladies and gentlemen,

Good morning. It is my pleasure to welcome you all at the SFC Forum on Sustainability Disclosures. This platform, hosted by the Securities and Futures Commission (SFC), is designed to bring together thought leaders and industry experts to deliberate on the creation of a robust and effective ecosystem for sustainability disclosures.

In recent years, we've observed a significant shift in business paradigms across all sectors. The focus on sustainable development is no longer an option; it's a necessity for business continuity and success. The emphasis on this trend is reflected in a research report published just last month. The study reveals that about 65 per cent of enterprises in the Greater Bay Area have integrated green and sustainable development practices into their business operations. Moreover, about 70 per cent have expressed their intent to increase their usage of Hong Kong's green products and services over the next two years. The most encouraging fact is that the majority of these enterprises have reported a positive impact on their business operations due to the adoption of these green practices.

Investors, too, are becoming increasingly conscious of the impacts of climate change on their investments. They are seeking more accurate, consistent, and relevant information to understand how climate change influences business operations, assets, and financial conditions. Recognising this timely need, we believe this is the opportune moment for Hong Kong to establish an ecosystem for sustainability disclosures.

Rest assured that our commitment extends to establishing world-class regulation that aligns with global standards. On this, "The Chief Executive's 2023 Policy Address" announced our collaborative work with relevant financial regulators and stakeholders to develop a roadmap. This roadmap will guide the adoption of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (SDS) for Hong Kong's financial services, aligning them with international standards. A working group, chaired by the Financial Services and the Treasury Bureau and the SFC, with the participation of relevant financial regulators and major stakeholders, has

been set up to identify the elements that this roadmap should encompass.

In recent months, we've witnessed an acceleration in both local and international advancements towards sustainable development. Key among these is the Stock Exchange of Hong Kong Limited's consultation on enhancing climate-related reporting requirements, as well as the publication and endorsement by the International Organization of Securities Commissions of the final IFRS SDS. Marking another significant stride, the International Auditing and Assurance Standards Board has also initiated consultation on the draft International Standard on Sustainability Assurance (ISSA 5000).

This forum serves as a timely platform to raise awareness and build capacity for the industry on these developments, particularly on the IFRS SDS. Released in June this year by the International Sustainability Standards Board (ISSB), these standards aim to create a global baseline that cater to both investors and companies, thereby bolstering international capital markets. They represent an important step forward in ESG (environmental, social and governance) approaches, seeking to establish order amid the rapidly evolving landscape of sustainability disclosures. The Standards are designed to consolidate various existing disclosure frameworks and apply across industries, geographies, and accounting principles.

The IFRS SDS, structured around four content areas – governance, strategy, risk management, and metrics and targets, consolidates existing disclosure regimes and acknowledges diverse elements of frameworks and recommendations from other organisations. They have won widespread international support from investors, companies, policymakers, market regulators, and other parties including the G20 and G7 leaders. In addition to Hong Kong, a number of jurisdictions, such as Mainland China, the United Kingdom, Canada, Australia, Singapore and Japan, among others, have already signalled intentions to adopt the Standards.

The creation of a single, globally recognised set of investor-focused sustainability-related disclosures is truly a momentous development. It fosters the availability of transparent, comparable, and reliable sustainability information, which is vital for financial intermediaries and global investors to fulfil their obligations to stakeholders on carbon emissions reduction and meet regulators' requirements. As an international financial centre, Hong Kong needs to align its corporate sustainability-related disclosures with the global baseline. The provision of high-quality, internationally comparable sustainability disclosures is essential to climate risk evaluation and progressive business development.

As the COP28 conference is scheduled to commence on the 30th of this month in Dubai, United Arab Emirates (UAE), I eagerly anticipate the global dialogues and collaborations this event will inspire on sustainability disclosure. It will call on global partnership to advance the climate talks and drive action toward preserving our planet.

Reflecting back on COP27 held in Egypt last year, it's evident that the landscape of sustainability disclosure has evolved significantly. The ISSB's

publication of the Sustainability Disclosure Standards (SDSs), which we're discussing today, stands as a prominent milestone.

This July, the Abu Dhabi Global Market (ADGM) rolled out its Sustainable Finance Regulatory Framework, comprising the region's most comprehensive ESG disclosure requirements and a regulatory framework. This is designed to accelerate the transition of the UAE to net zero greenhouse gas emissions. These measures resonate with the ADGM's steadfast commitment to green transformation, creating a harmonious backdrop as the UAE gears up to host COP28. The immediate implementation of these new regulations also highlights the pressing need to promote the green agenda, not only within Abu Dhabi and the UAE, but globally as well.

In the midst of these strides, I eagerly await what comes next. Hong Kong, as an international financial centre, a global offshore Renminbi (RMB) business hub and a global asset and wealth management centre, will play a significant role of green transformation in the region, Asia and beyond. Our role is facilitated by the alignment of international capital with high-quality green projects.

Given the dedication of the Middle East and countries along the Belt and Road to green transformation, I foresee a wealth of co-operative opportunities. For instance, in September, I visited Qatar and Egypt, inviting them to explore the possibility of issuing Renminbi-denominated green, blue or social bonds in Hong Kong, so as to bring in more international capital interested in green and sustainable finance through our market.

Alongside sustainability disclosure, we have taken a multipronged strategy to propel low-carbon transformation and promote green and sustainable finance in Hong Kong. This strategy is framed around three pillars: establishing ambitious targets, leveraging our robust financial markets, and nurturing a proficient talent pool.

Our goal is bold and clear: to halve carbon emissions by 2035 and achieve carbon neutrality by 2050. To this end, we capitalise on Hong Kong's robust financial infrastructure and leverage it as a platform for green investment and financing, such as issuing government green bonds. Since 2019, the Hong Kong Special Administrative Region (HKSAR) Government has issued some US\$24 billion worth of government green bonds, including two mega-scale triple-currency offerings denominated in RMB, Euro and US dollars in January and June this year, marking the largest ESG bond issuance in Asia.

We also aim to expand the capacity of Core Climate, the international carbon marketplace, and persist in our pursuit of collaborations that will help evolve Hong Kong into a global market for high-quality voluntary carbon credits. Recent development, such as the Ministry of Ecology and Environment's announcement of the China Certified Emissions Reductions relaunch last month, is encouraging. This official relaunch is expected to inject new vitality into the carbon market in our country. It also sets the stage for exploring potential collaborations in carbon finance, thereby

unveiling opportunities that could cultivate synergy and significantly contribute to our country's green transformation.

On capacity building, we will continue to encourage the participation of market practitioners and related professionals in training through the Pilot Green and Sustainable Finance Capacity Building Support Scheme.

Another critical focus area is green fintech which holds a prominent position on our priority list. To better integrate our advantages in green finance and fintech, we will launch a dedicated proof-of-concept subsidy scheme for green fintech in the first half of 2024. The new scheme will promote the development of technological solutions and provide early-stage funding support for pre-commercialised green fintech, conducive to expanding the green fintech ecosystem and developing Hong Kong into a green fintech hub.

Furthermore, we are actively engaging with relevant stakeholders to develop and publish a Green Fintech Map to raise the profile of firms in this sector and support the development of green fintech in Hong Kong.

Ladies and Gentlemen, the HKSAR Government will continue to work closely with you all, the market practitioners and relevant stakeholders in our collective pursuit of sustainable development. Today's forum is designed to harvest market insights and opinions on the cornerstone elements of Hong Kong's sustainability disclosure ecosystem. This includes discussions on the pivotal role of Hong Kong in supporting regional transition needs and strategies to optimally leverage our connectivity with the Mainland. The dialogues will offer insights to guide policy formulation by the relevant authorities and contribute to Hong Kong's sustainability roadmap. I am confident that today's conference will be both enlightening and productive for everyone present. As we prepare to delve into these significant discussions, may I also wish you all a thriving and sustainable future. Thank you.