

ACCA HK Annual Conference 2023

Shouldering social responsibility in solidarity

Dr Kelvin Wong, SBS, JP
Chairman, Accounting and Financial Reporting Council

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Setting the scene

Why does ESG matter?

Access to Capital

- Investors continue to pay attention to ESG matters. Sustainable funds were valued at US\$2.5 trillion in 2022¹, and despite capital markets volatility, net inflows to the market in 2022 remained positive.

¹ Information based on United Nations Conference on Trade and Development (UNCTAD), 2023. World Investment Report 2023: Investing in Sustainable Energy for All. © UNCTAD. https://unctad.org/system/files/official-document/wir2023_overview_en.pdf License: Creative Commons Attribution CC BY 3.0 IGO



Regulations are real!

- Governments and regulatory bodies worldwide are considering and implementing stricter ESG reporting requirements. It is time to be prepared to meet the evolving ESG regulatory requirements if not already done so.



Changes are accelerating

FORBES > MONEY

IOSCO Endorses ISSB Climate/ ESG Reporting Standards For Business

NEWS ARTICLE | 31 July 2023 | Directorate-General for Financial Stability, Financial Services and Capital Markets Union

The Commission adopts the European Sustainability Reporting Standards

Australian Government Reveals Climate Reporting Roadmap

- Singapore's Sustainability Reporting Advisory Committee recommends mandatory climate reporting for listed and large non-listed companies

Business / Banking & Finance

Launch of ISSB's global sustainability disclosure norms to improve corporate transparency, attract investments

Business

International Sustainability Standards Board opens Beijing office to bolster Asia capacity ahead of global standards launch

Government | Industry Insight | Government

Upcoming SEC climate disclosure rules bring urgency to ESG data strategy planning



Current state in Hong Kong



Hong Kong has achieved...



Carbon Neutrality before 2050

- The Chief Executive announced in the 2020 Policy Address to strive to achieve carbon neutrality before 2050
- “Climate Action Plan 2050” setting out the vision of “Zero-carbon Emissions · Liveable City · Sustainable Development”



Green and Sustainable Finance Cross-Agency Steering Group (CASG)

- To establish world-class regulation through alignment with global standards, on that a Hong Kong roadmap on adopting the IFRS Sustainability Disclosure Standards is to be developed as one of its key priorities



Proposed Listing Rules Climate-related Disclosure Enhancement

- Propose to mandate all issuers to make climate-related disclosures in their ESG reports based on the ISSB Climate Standard.



But still a long way to go...



Are companies ready?

- Only a small portion of listed companies are ready for full ISSB Climate Standards disclosures.



Does Hong Kong have adequate ESG talent?

- Sizable ESG skills gap in Hong Kong can be widely noted from different researches
- Upskilling for the profession is urgently needed



How about ESG / sustainability assurance?

- ESG / sustainability assurance is not yet made mandatory in Hong Kong
- Percentage of companies with ESG information assured is below world average

Accountants' role in ESG

Integration of material ESG factors into financial reporting

Integrating ESG factors into financial reporting

- ESG factors should not be regarded as a non-financial tick-the-box exercise. Material ESG factors have financial implications and should be disclosed properly to ensure stakeholders have all relevant, decision-useful information
- While there are no ESG specific accounting standards, businesses should still consider ESG factors when applying accounting standards.

Examples of consideration:



Will ESG/climate-related factors cause your company's inventories to become obsolete?



Will environmental regulations affect the expected useful lives of assets?

Preparing companies for ESG reporting



Preparing business for ESG reporting

Accountants now can serve as valued business partners, supporting businesses in achieving their ESG reporting objectives.

Reporting Standards

- Accountants are well-positioned to help businesses comprehend the reporting frameworks and support business in reporting.

ESG Data

- Accountants can leverage on the experience with data to help businesses establish robust processes to ensure ESG data is reliable, consistent and accurate.

Materiality assessment

- Accountants can contribute to business's materiality assessment to help contextualise ESG impacts and how these should be disclosed to assist stakeholder's decision making.



Supporting ESG assurance to raise confidence in reporting

- Accountants are naturally placed to assist businesses in comprehending and preparing for ESG assurance given their familiarity with assurance standards and requirements.

Get ready now!



Getting ready for the transition

- Accountants can play a vital role in to assist businesses in their journey towards ESG reporting readiness. These opportunities present a chance for accountants to maintain the relevance. Accountants need to get prepared to seize these opportunities.

Upskilling

- The AFRC, the profession, firms and accountants should work together to identify and close the skills gap.
- On this, the AFRC is prepared to work with professional bodies to build capacity and upskill the profession.

Cross-professional collaboration

- Accountants are familiar with engaging and collaborating with experts in various fields.
- When engaging experts, care must be taken to assess their competence, capability and objectivity, and to properly evaluate the appropriateness of the work. Same apply to ESG.

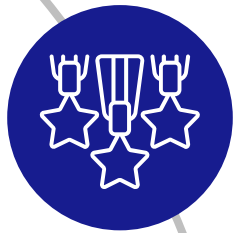


Remember to:
1/ apply professional skepticism; and
2/ identify the right experts

AFRC's actions

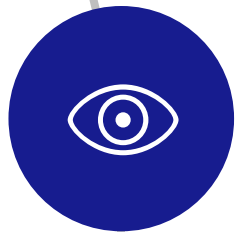
AFRC's objectives

At AFRC, a regulator of the accounting profession, we have developed a sustainability roadmap and action plan to steer our efforts towards enhancing the quality of financial and sustainability reporting and promoting the healthy development of the profession. Our objectives of our roadmap are as follows:



High-quality audits which are climate risks integrated

- Establish a baseline understanding on the current maturity level and identify areas that require support
- Ensure integration and disclosure of climate risks in audits



Mandatory assurance on sustainability disclosures from listed companies

- Lead and shape the regulatory regime for sustainability assurance in Hong Kong
- Uphold the quality of sustainability assurance in Hong Kong



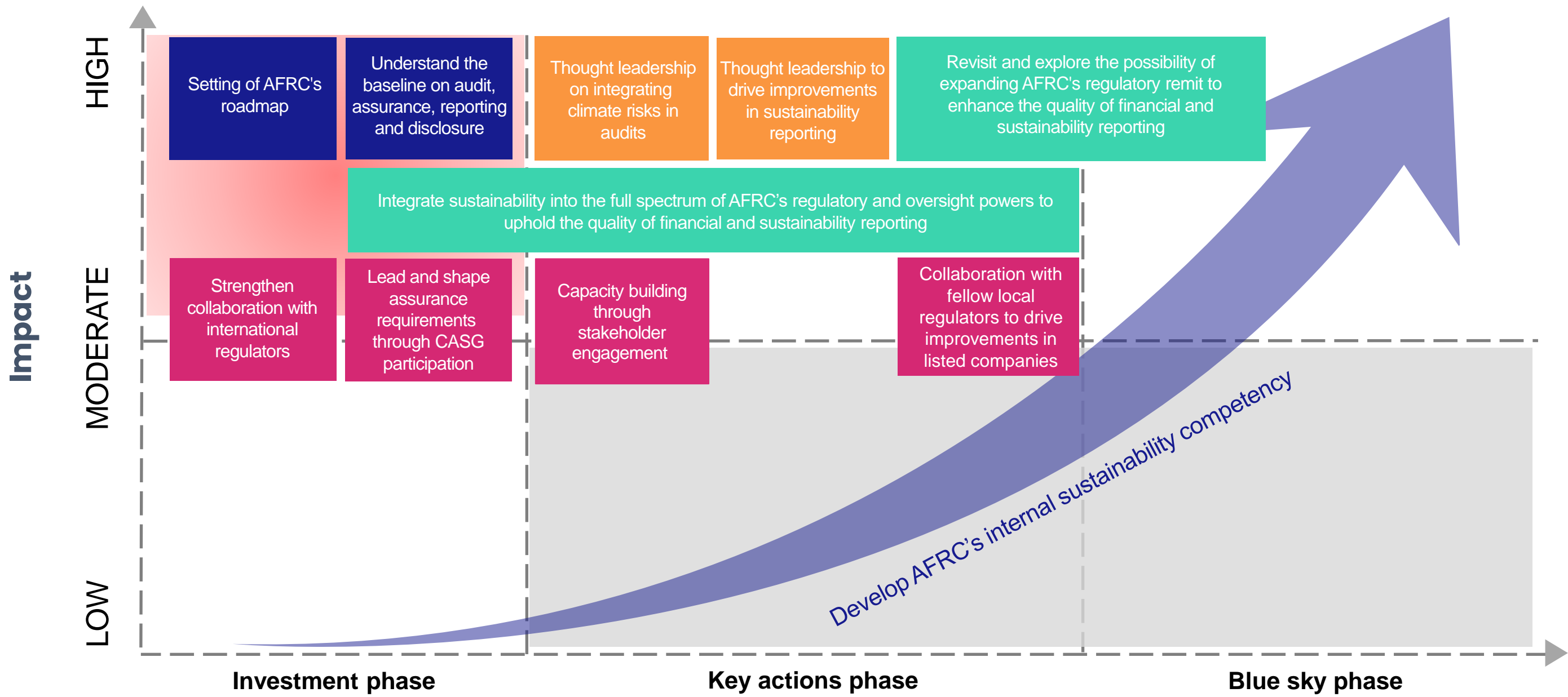
Readily available and high-quality sustainability information and disclosures by listed companies that are auditable and assurable

- Ensure companies integrate climate considerations into their operations and systems, starting with financial reporting
- Drive improvements to enable the disclosure of high-quality and useful sustainability information by listed companies

AFRC's key actions and their impact

Legend

- Strategic overview
- Thought leadership & resources
- Integrate and expand AFRC's functions
- Dialogue and collaboration



Highlight of our key actions



Baseline survey

To gain a comprehensive understanding of the readiness of auditors and listed companies, and the assurance market.



Thought leadership

To enhance awareness and competency of auditors and listed companies in the integration of climate risks in audits



Regulatory collaboration

To drive local adoption of ISSB



Work with the industry

To build capacity with other professional bodies

Thank you

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