

SFC Forum on Sustainability Disclosures

Welcome remarks

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Good morning and welcome to the SFC Forum on Sustainability Disclosures. This is the first time the SFC has organised a forum on this theme. It speaks to the pertinence of sustainable finance to global financial markets and the SFC. And the lush green mountain outside indeed provides the perfect backdrop for this event.

I would like to first thank Secretary Hui, Ms Sue Lloyd and other distinguished panellists for agreeing to speak today. Also, thanks to you all with many representing listed companies for joining us and supporting this important initiative.

Today, global investors no longer only require financial information from investee companies. They also demand disclosures of comparable, clear, and consistent sustainability information. At the same time, banks and insurers increasingly require borrowers or insured persons to provide them with such information. Good-quality sustainability disclosure is now crucial in different parts of the financial system. It is not just for compliance or risk management. Rather, it is the bedrock of many financial activities.

In fact, as a regulator, I have not come across many instances where market participants have asked for more regulation. Sustainability disclosure is one such area where calling for a universal baseline standard has been strong. The good news is that the International Sustainability Standards Board (ISSB) published its two standards in June.

As an international financial centre, Hong Kong needs to adopt the ISSB Standards. Speaking the ISSB language is key to communicating sustainability concepts with local and international stakeholders. Not only because tremendous finance, business and economic opportunities will arise from the transition of Mainland China and Asia Pacific economies, where an estimated US\$66 trillion is needed, but also because this is absolutely necessary. Capital will simply bypass us if Hong Kong companies are not well versed in this international lingua franca, or fail to make proper disclosures to meet investors' and financiers' demand for information.

And now, this is where the rubber hits the road: how can we implement the ISSB Standards locally in Hong Kong? Fundamentally, all our policy design needs to strike a good balance between meeting international expectations and adequately considering local circumstances.

In other words, we must be pragmatic. Realistically, there is no "perfect" timing to act. We cannot wait until we are 100% prepared. Rather, we need a training plan to get ready for this marathon, and to pace ourselves on this long journey without losing sight of our ultimate goal.

Note: This is the text of the speech as drafted, which may differ from the delivered version.



At the International Organization of Securities Commissions (IOSCO), which is a network of over 130 securities regulators, I am a vice chair of its Sustainable Finance Task Force and co-chair of its Corporate Reporting Workstream. In that capacity, I led IOSCO's continuous discussion with the ISSB and detailed technical review in the past two years, to ensure that the ISSB Standards serve as an effective and proportionate global framework.

Indeed, the final ISSB Standards have built in proportionate measures and time-limited transitional reliefs. And we expect the Adoption Guide to be issued by ISSB will provide jurisdictions with further support in adopting, applying or otherwise being informed by these standards.

These measures are helpful as we think about implementation. But we also need to ensure our local rules and requirements are suitable for our markets. That is, they are attuned to our unique market structure as well as the preparedness and capabilities of the companies. For us to succeed, we must think beyond reporting standards and rules. We need to build the necessary sustainability disclosure ecosystem, and ensure we have the building blocks to facilitate reporting against international standards. This means we should also think about assurance to instill trust, data and technology infrastructure to promote efficiency and scale, as well as building skills and competencies for preparers and professionals alike.

Therefore we are hosting this forum today. From understanding the matters on hand, from the basics of why it is important for Hong Kong to align requirements with international benchmarks like the ISSB Standards, to taking stock of where we are now, particularly what our challenges are, and to finding appropriate steps and solutions together to meet our ambitions and capture opportunities along the way.

So, from our first forum today, I look forward to many more firsts on our green journey together. On that note, I hope you all have a fruitful event. Thank you.