

**The Hong Kong Institute of Directors
Annual Dinner cum
Presentation of Directors Of The Year Awards 2023**

‘Transform for a Better Tomorrow’

23 November 2023

Remark by Guest of Honour – Dr Kelvin Wong, Chairman, AFRC

Good evening Christopher, Moses, Carlye, fellow members, distinguished guests, ladies and gentlemen,

It is my honour and privilege to stand before you tonight at the HKIoD annual dinner. The occasion provides us a great platform to recognise the Awardees for the excellent work they have accomplished and celebrate their achievements. And in this context, I want to talk about a topic that is highly relevant to us all and essential for our collective future: the transformation to a better tomorrow.

Financial reports are the backbone of an efficient financial market. As an international financial centre, it is imperative that Hong Kong should have effective and internationally aligned auditor regulatory regime so that investor’s interest can be duly protected. As a regulator, the Accounting and Financial Reporting Council’s principal role is to ensure quality reporting of company information so as to enhance decision making of users.

A well-informed market is the best regulator. Therefore, company directors have a pivotal and primary responsibility of upholding financial reporting quality to ensure trust and confidence from the public toward its reporting and governance.

‘Transform for a better tomorrow’ is a very well-set and thought-provoking theme. The accelerating pace of technological change is causing individuals and societies to experience a sense of disorientation and anxiety toward their work, life, relationships and personal identity.

A better tomorrow is never a windfall. It takes great courage and determination to challenge the status quo, break conventions and embrace transformations before we can live and experience a better tomorrow.

So, in the context of sustainability, what does it mean to the corporate leaders? What do we need to transform? And who can take us through the transformation journey? These are what I wish to share with you tonight.

To answer the last question first. Who can take us through the transformation journey? The answer is clear and here. Yes, the Directors and therefore, all of us here.

In the context of today's theme and my dual role as both company director and financial regulator of accountants, I want to focus on 4 key points. Mindset and business strategies, talent development, sustainability, and upholding governance.

Transformation # 1: Mindset and business strategies

The Board of Directors are ultimately responsible for the long-term success of an organisation. With heightened expectations on corporates to fulfill their social responsibilities that would ultimately contribute to the common good of mankind, it is not enough for directors, as the oversight body of an organisation, to only care about making profit.

Nowadays, directors need to transform from their traditional short-term profit-driven mindset to embrace a long-term perspective that recognises the interdependencies between financial success, social progress, and environmental stewardship. Directors must acquire sustainability literacy and equip themselves in order to discharge their fiduciary duty.

In the oversight role, directors need to set the right tone from the top and ensure that management develops the same mindset, with which they can (i) critically assess the risks; (ii) design and implement appropriate strategies to address such risks and (iii) embed them into their decision making and long-term growth strategies.

By so doing, directors will be able to lead their organisations to a land of opportunities where they can earn public trust from investors and raise fund in the capital markets. The awardees tonight are exemplary models of the TRANSFORMERS for a better tomorrow.

Transformation #2: Talent development

Education and training are the most important investments in human capital. As Gary Becker, the Nobel Prize winner of Economics says, you

can't separate a person from his knowledge, skills and experience! Hence, it is highly commendable that the Institute has been persistently advocating and promoting directors training in the past 25 years. However, there is still much we can do, between directors and regulators, to ensure that director's training and its scope are conducive to enhancing director's performance.

Transformation # 3: Sustainability

Sustainability reporting has emerged as a powerful mechanism for organisations to communicate their sustainability efforts and demonstrate accountability to stakeholders. Investors and consumers are increasingly relying on sustainability reporting to assess the business viability, ethical standards, environmental and social impacts of an organisation.

To tell a good story about the sustainability efforts and outcomes, it is critically important for directors to ensure that the appropriate infrastructure, processes, systems, KPIs, data and assurance are in place for transparent and accurate disclosure.

In a 2023 survey by the Hong Kong Institute of Certified Public Accountants regarding ESG assurance in Hong Kong, only 7.5% of December 2022-year-end listed companies obtained ESG Assurance. In other words, the remaining 92.5% ESG reports were unassured. This is way below the world average of one-third as surveyed by the International Federation of Accountants (IFAC) in 2022. HK's survey reflects the phenomena that "wait and see" attitude is conspicuous. As company directors, it is your undeniable duty to ensure your companies are well prepared for this transformation.

A year ago when we talked about sustainability, there was still no unified framework or global standards. It is encouraging to see that some progress has been made in June this year, with the International Sustainability Standards Board (ISSB) issuing its inaugural standards - IFRS S1 and S2.

In this standards transformation process, directors are responsible to ensure your companies are ready, both skills and competence, when the localised standards are implemented.

Transformation # 4: Upholding governance

Almost all governance failure stemmed from “Obedience to authority” and “Bystander Phenomena”. All the top 10 global accounting scandals, Enron, Worldcom, Lehman Brothers, Madoff, just to name a few, involved companies with excellent record of success before they collapsed. These failures stem from the nature of human behaviour – greed and fear. Greed of the CEOs in expropriation and fear of their staff to stand up and say no! A failure in governance, I argue, is a failure to uphold governance by those who were in charge of the governance role.

Management Guru Peter Drucker advocates that the best way to predict the future is to create it. Though we stand at the precipice of a new era, we have a choice for tomorrow. We can either continue with business as usual, or we can embark on a transformative journey towards a better future. The decision rests with each and every one of us, but it is the collective action of leaders like you that will shape the destiny of our society.

I want to close my remarks with a question. What would you like your legacy to be if you could write your own heading on your own tombstone? Professor Noam Chomsky, a 94-year-old world renowned and prominent academia, gave this answer during a recent interview - “He tried his best.”. As directors, you are not only the defender of law and the promoter of governance, collectively, you are the creator of our tomorrow!

Once again, I wish to express my hearty congratulations to all the awardees for their great achievements in corporate governance and sustainability. I would also like to convey my sincere thanks to the Hong Kong Institute of Directors for bringing us such a wonderful and meaningful annual event since 1997. I wish all of you enjoy a great evening!

Thank you!