

AFRC CEO Ms Janey Lai's Keynote Speech at “Sustainable Finance: Driving Strategy and Market Change” seminar co-hosted by CPA Australia, CFA Institute, and PwC

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Good evening, everyone.

Firstly, I would like to express my sincere gratitude to CPA Australia and the CFA Institute for bringing us together, and to all of you for your presence during Hong Kong's International Financial Week.

Earlier, we heard about the architecture of sustainable finance – green taxonomies, reporting framework, transition plans — and these are all important pieces of the puzzle. And they work better if the information behind them is reliable.

Recent research published in *Nature* found that 58% of major US companies later revised their emissions disclosures. If the data is not reliable, even the best ecosystem may not be effective.

That is where assurance comes in — not as a box ticking- exercise, but as the trust layer that makes effective capital allocation possible. Today, I want to share why this matters, and why Hong Kong has a unique opportunity to lead in this area.

I. Why mandatory assurance

The challenge ahead is huge. The International Energy Agency estimates that clean energy investment must reach US\$4.5 trillion every year by 2030. That is more than twice today's levels.

Capital at that scale needs trust. We have made progress. Two years ago, half of Hong Kong's large companies voluntarily obtained assurance. Today, it is about two-thirds.

But voluntary adoption has limits. Without a mandatory baseline, companies obtain assurance over different disclosures. Assurance providers also apply different assurance standards and provide varied levels of assurance. Our framework aims to fix that.

Yet, it is clear that investors want assurance. A recent survey found 94% of US institutional investors want climate disclosures independently assured. Research across 44 countries shows assurance reduces the cost of equity. Assurance is not just good governance. It is good economics.

II. The "HOW": Three Principles

So let us turn to how we have designed the framework.

Last month, the AFRC issued our consultation paper on Hong Kong's Sustainability Assurance Framework.

We consulted with 27 stakeholder organisations beforehand, and their feedback was clear: support for the framework, especially in view that the proposals are centred on public interest, takes a practical phased approach, build capacity and promote inclusivity.

Let me share how these principles shape the proposals.

One, Public Interest. We begin where it matters most — large publicly accountable entities. Why start here? Because these entities have the most significant economic and environmental footprint. While the exact scope is pending further consultations by HKEX and relevant financial regulators, entities required to report using the Hong Kong Sustainability Disclosure Standards must obtain assurance.

Two, A Phased Approach. We propose starting with limited assurance on Scope 1 and 2 greenhouse gas emissions — simpler disclosures that are easier to audit and require a lower level of assurance. Today, over 90% of large caps listed issuers that obtain voluntary assurance already cover this scope, so the market has proven capacity.

From Year 5, the scope will expand to all mandatory disclosures, including Scope 3 emissions. This sequencing gives preparers time to strengthen data systems and allows assurance providers to scale their teams and deepen expertise. When we move to more complex disclosures, we do so from a position of strength.

Three, Capacity and Inclusivity. Today, assurance reports from our largest listed companies come from both CPA firms and non-CPA firms with strong expertise in sustainability. That diversity is a strength — but without consistency, it creates challenges. Different methodologies and oversight make it hard for investors to compare reports and trust the data.

Our proposal fixes this. We will keep diversity and build capacity, while ensuring quality. Both CPA auditors and accredited non-CPA providers that meet strict criteria can provide sustainability assurance.

But all assurance is proposed to follow **one standard** — the Hong Kong Standard on Sustainability Assurance 5000, aligned with international benchmarks. And all providers will be under **one regulator** for uniform oversight.

III. Conclusion: The Call to action

As I conclude, let me remind what is at stake.

Yes, we hear headlines about "ESG backlash". But behind the noise, institutional investors still care about climate risk, and companies continue to execute decarbonisation plans.

The fundamentals have not changed: climate change affects business operations and strategies, and long-term capital still seeks sustainable returns.

What has changed is trust. Investors now demand verified data and supportable targets - not empty promises. That makes assurance more critical than ever.

As the UN Secretary-General António Guterres reminded us at COP 30 in Brazil last November: *“The 1.5°C limit is a red line for humanity – it must be kept within reach.”*

For the AFRC, that means focusing on what we can influence: uniform assurance, comparable disclosures, and credible targets that investors can trust. Our proposed framework is a starting point – not the final word. With your input, we can make it practical, effective, and tailored to Hong Kong’s unique market, cementing our city’s role as a trusted international green and sustainable finance hub.

Thank you, and we look forward to receiving your feedback by the deadline on 30 March 2026.

Thank you very much and have a good evening.