

PolyU ESG and Sustainable Finance Capability Building and Talent Summit

Panel 4: ESG Talent and Capability Building



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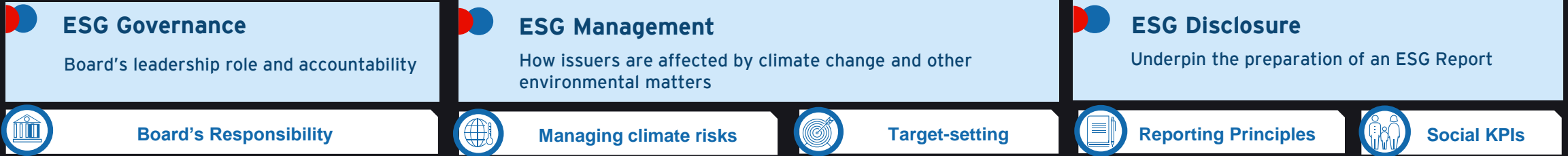


Evolving ESG Trend

Tightened disclosure requirements for listed companies under HKEX ESG Guide



In Dec 2019, upon Hong Kong Stock Exchange's review on the Environmental, Social and Governance reporting guide and related listing rules, **the requirements have further stepped up to support and improve company's governance, and to make more thoughtful disclosures on ESG-related policies, initiatives and metrics at obligation level.**



- ▶ In November 2021, HKEX published the **Guidance on Climate Disclosures** to facilitate companies' reporting in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations. Mandatory TCFD - alignment climate-related disclosures will be implemented in 2025.



Governance

The company's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material

Risk Management

How the company identifies, assesses, and manages climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Evolving ESG Trend

New regulatory guidelines issued by SFC and HKMA

- ▶ On **20 August 2021**, the **Hong Kong Securities and Futures Commission** (“SFC”) issued the Consultation Conclusions on the Management and Disclosure of Climate-related Risks by Fund Managers.
- ▶ On **30th December 2021**, the **HKMA** issued the **Supervisory Policy Manual (SPM) Module on Climate Risk Management (GS-1)** as a high-level guidance for **Authorized Institutions** (AIs) to implement climate resilience measures **by the end of 2022**.
- ▶ The SFC and SPM Module on Climate Risk Management are both developed with reference to **TCFD’s framework**. **Specific requirements** from the SFC and SPM Module on Climate Risk Management are as follows:

SFC Specific requirement		SPM Module GS-1
<ul style="list-style-type: none">▶ For asset managers (type 9 licensee)▶ Need to conduct relevance and materiality assessment▶ Large fund managers need to prepare plan for scenario analysis if useful for large fund managers▶ Large fund managers need to disclose fund level carbon footprint	<ul style="list-style-type: none">▶ Governance<ul style="list-style-type: none">▶ Board and senior management’s roles and responsibilities▶ Strategy<ul style="list-style-type: none">▶ Incorporate climate risk into strategy▶ Risk management<ul style="list-style-type: none">▶ Properly assess and monitor climate risks▶ Disclosure<ul style="list-style-type: none">▶ Make proper disclosure of the above	<ul style="list-style-type: none">▶ For banks (authorised institutions)▶ Integrate climate risk into risk appetite▶ AI should build capacity to measure climate risks through scenarios analysis and stress testing▶ First disclosure no later than mid 2023▶ Can leverage group level disclosure when appropriate

*large fund manager is AUM>HKD8bn or USD1bn

SFC's Timeline for Large Fund Managers



Convergence of Sustainability Reporting Frameworks

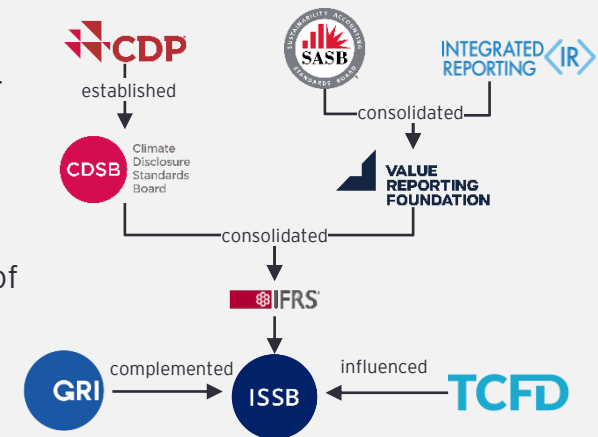
The **IFRS Foundation** establishing the **International Sustainability Standards Board (ISSB)** is a significant development in developing a global baseline of sustainability-related disclosure standards. The final standards covering general requirements for **sustainability-related financial information** and the **climate disclosure requirements** are expected to be issued **as early as possible in 2023**.



Key Elements	Structure	<ul style="list-style-type: none"> ▶ Same as TCFD's 4 pillars ▶ Governance, Strategy, Risk Management, Metrics and Targets
	Industry-specific Disclosure	<ul style="list-style-type: none"> ▶ Consider industry-specific disclosure topics in industry-based SASB Standards
	Scope 3 GHG Emissions Disclosure	<ul style="list-style-type: none"> ▶ Disclose Scope 3 GHG emission applying the current version of the GHG Protocol Corporate Standard
	Climate-related Scenario Analysis	<ul style="list-style-type: none"> ▶ Use climate-related scenario analysis to report on climate resilience and to identify climate-related risks and opportunities



- ▶ The ISSB's framework advances a general organisational convergence among some of the most widely used global standard-setting bodies.
- ▶ Value Reporting Foundation* alongside the CDSB has been consolidated into ISSB on 1 August 2022.
- ▶ The Global Reporting Initiative (GRI) has agreed to coordinate its future standard setting activities with ISSB to provide another set of non-mutually exclusive standard of international sustainability reporting



*The Value Reporting Foundation (VRF) is comprised by the SASB Standards and Integrated Reporting (IIRC) in 2020.

ESG Talent Required for Future Development

As ESG grows exponentially, we will need a strong and experienced talent pool to support the rapid development of the industry. As ESG encompasses broad set of issues and topics, various areas of expertise and talents will be needed to transform Hong Kong into a world-class ESG hub.

ESG Disclosure and Data	Carbon Market	Climate Change Strategy
<ul style="list-style-type: none"> ▶ Experience in ESG reporting standards and disclosure requirements ▶ Data analysts to facilitate digitalization, perform data manipulation, data visualization and potentially deployment of artificial intelligence 	<ul style="list-style-type: none"> ▶ Carbon auditors to assess carbon inventory and assist companies to manage their carbon performance ▶ Talents with experience in carbon management or carbon credit transactions ▶ Environmental engineers to assist with setting GHG reduction objectives and facilitate long-term decarbonization target 	<ul style="list-style-type: none"> ▶ Climate risk specialists to develop climate models, perform scenario analysis and climate change stress testing ▶ Financial modelling specialists to identify and assess the potential financial impact of climate-related risk
Green and Sustainable Products	Risk Management	
<ul style="list-style-type: none"> ▶ Green finance professionals to assist with classification of projects ▶ Second-party opinion (SPO) and green bond verifiers to provide credibility for green and sustainable products ▶ Finance talents with relevant professional qualifications 	<ul style="list-style-type: none"> ▶ Risk managers to incorporate ESG considerations into Enterprise Risk Management Framework. ▶ Supply chain management specialists to establishing protocols to identify, assess and mitigate environmental and social risks along the supply chain 	

ESG Talent Demand from the Greater Bay Area (GBA) perspective

Demand in future talents

ESG is a fast-changing industry. New standards, requirements and strategies are expected to emerge and evolve, calling for greater demand for ESG knowledge and professionals.

	Throughout GBA	Hong Kong	Other Regions of the GBA
Driving Force	<ul style="list-style-type: none"> ▶ Environmental protection and sustainable development is considered one of the development focus in GBA ▶ Tightening regulatory requirements from exchanges <ul style="list-style-type: none"> ▶ HKEX ESG Reporting Guide requires listed companies to report on ESG disclosure ▶ SZEX Social Responsibility Instructions to Listed Companies encourages Shenzhen's listed companies to report ESG-related disclosure 	<ul style="list-style-type: none"> ▶ Government's strategy of transforming Hong Kong into a green finance centre ▶ Increasing demand for green and sustainable finance, including sustainability-linked products by corporates, and green bonds issued by Hong Kong Government and Shenzhen Government ▶ Tightening disclosure requirements on ESG and climate-related information from HKEX, SFC and HKMA 	<ul style="list-style-type: none"> ▶ China Emission Trading System (China ETS) was launched in January 2021 ▶ Key Emitting Entities (i.e. power sector) are covered under ETS, covering 40% of national carbon emission
Implication on ESG talent	<ul style="list-style-type: none"> → Increasing demand for Board and management with ESG expertise to manage their ESG risks and ensure compliance → Increasing demand for ESG talents, who are familiar with ESG standards and guidelines, emissions, corporate governance, etc. 	<ul style="list-style-type: none"> → Hong Kong needs more green finance professionals who are well-versed in the classification of projects that would qualify for green finance → Increasing demand for climate risk specialists to perform scenario analysis and manage climate risk 	<ul style="list-style-type: none"> → The implementation of the ETS requires professionals in the compliance and voluntary market who know the carbon credit well → Increasing demand for carbon auditors, carbon management specialists and engineers to decarbonize corporates and the affected industries

ESG Talent Challenges and Road Ahead

Expanding ESG talent pool

ESG programmes in tertiary education

- ▶ To effectively expand the talent pool **ESG-related modules should be included in the university curriculum of relevant disciplines** including Environmental Science, Business Administration, Accounting and Finance, etc.
- ▶ Help cultivate ESG talents with different areas of expertise.

ESG case competition

- ▶ ESG case competitions **encourage innovation** and allow student to **brainstorm and execute their ESG idea**
- ▶ Promote the exchange of ideas between students and businesses



Knowledge exchange

- ▶ Partitioners can share their **ESG experience and best practice through seminars and conferences**
- ▶ Raise ESG awareness across sectors



Promoting Individuals' ESG upskilling

- ▶ Various **ESG-related courses and certifications** are available currently.
- ▶ Association and firms such as HKGFA, HKICPA, and HKAEE organized course and webinars for partitioners each year.
- ▶ By **taking courses and obtaining certifications**, ESG practitioners can **keep themselves abreast of ESG development and remain competitive**.
- ▶ Recognized ESG certifications include:



Sustainability Reporting	<ul style="list-style-type: none"> ▶ SASB - Fundamentals of Sustainability Accounting (FSA) Credential ▶ GRI Professional certification program
Climate risk	<ul style="list-style-type: none"> ▶ GARP - Sustainability and Climate Risk (SCR®) Certificate
ESG and Sustainable Finance	<ul style="list-style-type: none"> ▶ CFA Institute - Certificate in ESG Investing ▶ EFFAS Certified ESG Analyst® (CESGA) certification ▶ ICSD - Certified ESG Planner CEP®
Environmental Management	<ul style="list-style-type: none"> ▶ Energy Institute - Certified Carbon Auditor Training Course

Collaboration with Poly U

Building a greener future with the Hong Kong Polytechnic University

In September 2021, EY and the Center for Economic Sustainability and Entrepreneurial Finance at the Hong Kong Polytechnic University signed a Memorandum of Understanding (MoU) on a partnership to build competence in green finance among the new generation and promote a sound development of ESG and green finance in Hong Kong through discussions and a broad spectrum of activities.




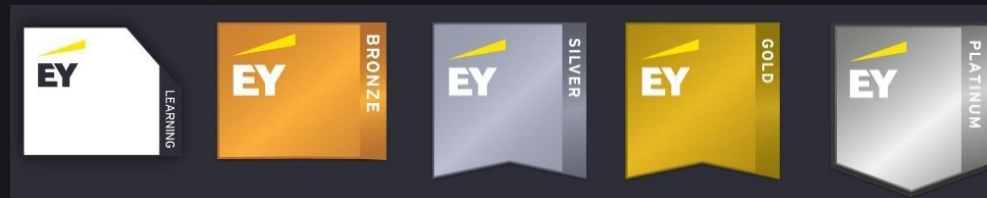
EY Badges, Masters in Sustainability

EY Badges

EY Badges is a global program to **upskill** our people **for the future**, which aims to empower EY people with **cutting-edge technology, transformational leadership and business knowledge** to succeed in digital transformation.

EY Badges are digital credentials that our people can earn and share:


- ▶ Enable career story sharing and career brand promotion in a safe and verifiable way
- ▶ EY issues digital certificates that can be shared and displayed digitally on social media
- ▶ The knowledge and skills of the certificate holder can be verified instantly by the browser



Creating Long-term Value through ESG
(previously known as 'Business Case for Sustainability')

In this sub-domain you will explore the growing need and prevalence of sustainability practices in business and gain the knowledge and confidence to argue the business case for sustainability.

Select a badge to continue
[Learning](#) | [Bronze](#) | [Silver](#)



Climate Change
(previously known as 'Climate Change and Sustainability')

In this sub-domain you will be introduced to climate change, what it is and its causes, what the long-term impacts are on the environment, business and society, and how they are responding, with a focus on low carbon transformation.

Select a badge to continue
[Learning](#) | [Bronze](#) | [Silver](#)

EY Masters in Sustainability

EY partnered with **Hult International Business School** to launch a **EY Masters in Sustainability** which has been designed to give EY professionals the opportunity to explore the **environmental, social, governance and economic risks and opportunities** underlying sustainability. Students will be equipped with the knowledge and strategies to recommend sustainable choices and create long-term value for our **clients, people, and society**.

