

AFRC Chairman Dr Kelvin Wong's keynote speech at the HKIRA 10th Investor Relations Awards Ceremony

4th July 2024

Good afternoon, Eva, distinguished guests, ladies and gentlemen,

Firstly, I would like to congratulate the HK Investor Relations Association on their 10th IR Awards. It's an honor to be here today to celebrate the outstanding achievements of the investor relations practitioners and companies being recognized. Your achievements, dedication, and commitment have set a higher standard for the profession.

Investor relations is a vital link between companies and the financial community. IR professionals play a crucial role in shaping perceptions, driving strategic decisions and promoting long-term sustainability of businesses.

I see the role of auditors and IR professionals being closely intertwined, as both are integral to the financial ecosystem and can contribute synergistically to the overall growth and stability of the financial market.

Today, I want to convey three messages. First, Accuracy of financial information and audit quality. Second, Sustainability assurance. Third, Cultural and behavioural change.

#1: Accuracy of financial information and audit quality

The common objectives between auditors and IR professionals include ensuring the accuracy of information and the credibility of a company's financial profile. Financial transparency serves to enhance the integrity of the financial ecosystem. Both functions act as a bridge between the company and the investment community by providing timely, accurate and thorough information, to help investors make informed decisions.

Auditors play a crucial role in ensuring the accuracy of financial statements through their assurance work. This includes identifying potential risks that could impact a company's revenue and financial position, evaluating the effectiveness of a company's internal control to detect frauds, and exercising professional skepticism to challenge management and ensure the integrity and accuracy of the financial statements.

By following rigorous audit procedures, auditors help provide assurance to stakeholders that the financial information is accurate, reliable and in compliance with regulatory requirements. High-quality audits are a cornerstone that contribute to the trust and reputation of a company. They give greater confidence to IR professionals for their communications and efforts to attract investment and maintain market confidence.

As the regulator of the accounting profession, the AFRC is committed to upholding audit quality. Through a multi-pronged and holistic regulatory approach including inspection, investigation and enforcement, we aim to deter misconduct and prevent audit quality risks from escalating. This oversight safeguards the integrity and boosts investor confidence in the capital market.

The AFRC also dedicates resources towards engaging and educating the accounting profession to drive behavioural change and ensure that regulatory principles and policies are clearly understood and upheld. Maintaining a high standard of professionalism and integrity is integral to promoting financial stability.

#2: Sustainability assurance

Another important role that auditors and IR professionals play is the provision of non-financial information, with a particular focus on sustainability matters to the investment community. As you may know, with a growing focus on sustainability issues worldwide, including growing concerns over climate change and increasing ESG requirements, sustainability reporting bounds to contribute to long-term value creation.

With a robust corporate governance framework alongside credible, transparent and accountable sustainability reporting efforts, sustainability assurance plays a critical role. It provides independent verification of the reported information, which can help contribute towards a company's reputation, attract investment and foster innovation.

To this end, as one of the financial regulators which leads the development of a sustainability disclosure ecosystem in Hong Kong, the AFRC is committed to capacity building of the accounting profession. On one hand, we will drive the work on sustainability assurance by addressing the concerns around greenwashing and ensuring the credibility and reliability of such information. On the other hand, we will accelerate the development of skills for sustainability reporting and analysis to prepare for the new regime, as outlined in the Government's vision statement on developing the sustainability disclosure ecosystem in Hong Kong.

Sustainability assurance can facilitate meaningful dialogue and engagement with stakeholders to build trust and strengthen relationships. This is a powerful tool for IR professionals to demonstrate alignment with global trends and compliance, drive trust with stakeholders, and create long-term value for business growth.

#3: Cultural and behavioural change

The AFRC continually underscores the importance of establishing a culture focused on quality and setting the right tone at the top. This notion applies not only to the accounting profession, but to the wider financial community stakeholders as well.

The role of investor relations extends beyond communications of company performances. It is about fostering long-term relationships with key stakeholders, upholding ethical standards, and promoting corporate governance best practices within your company and for the profession. Like auditors, IR professionals assume the vital responsibility of protecting public interest and safeguarding the reputation of their company and the capital market at large. It is therefore important to uphold professional standards at the highest compliance levels.

Establishing and upholding a consistent tone of ethics and compliance throughout the organization, from the top down, is important to put these principles into practice. The AFRC also places great emphasis on a culture of lifelong learning, which is key to future-proofing the accounting profession through reskilling and upskilling.

As the financial landscape is undergoing a profound transformation with challenges brought by artificial intelligence, ESG, and climate change, the expertise of both the accounting and IR professionals needs to be enhanced to comprehensively analyze the related risks and their effect on company performances. Leveraging technology will be crucial to better understand company operations and improve performance.

In conclusion, in an increasingly interconnected world, investor relations is a strategic imperative for businesses and markets to thrive. We all have a key role to play in maintaining trust and confidence in the market. As we look towards the future of Hong Kong's financial landscape, let us recognise the pivotal role that IR professionals play in shaping a transparent, resilient and prosperous market environment.

The AFRC looks forward to working together with the IR professionals to build a healthy and conducive environment that stimulates financial market growth.

Thank you.