

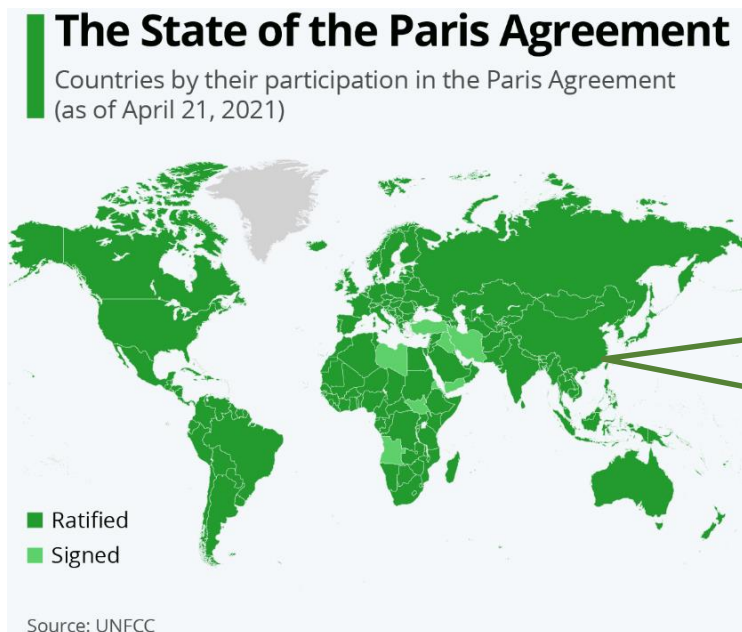


# Development of sustainable finance in Hong Kong: Policies, platform and opportunities

**26 Feb 2022**



- ❖ **Paris Agreement 巴黎協定 (2015):** Limit temperature rise, preferably to 1.5°C
- ❖ **Global and regional investment needs:** estimated US\$100–150 trillion globally in climate finance in the next three decades, US\$66 trillion of which is in Asia
- ❖ **Green financing 綠色金融:** Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development

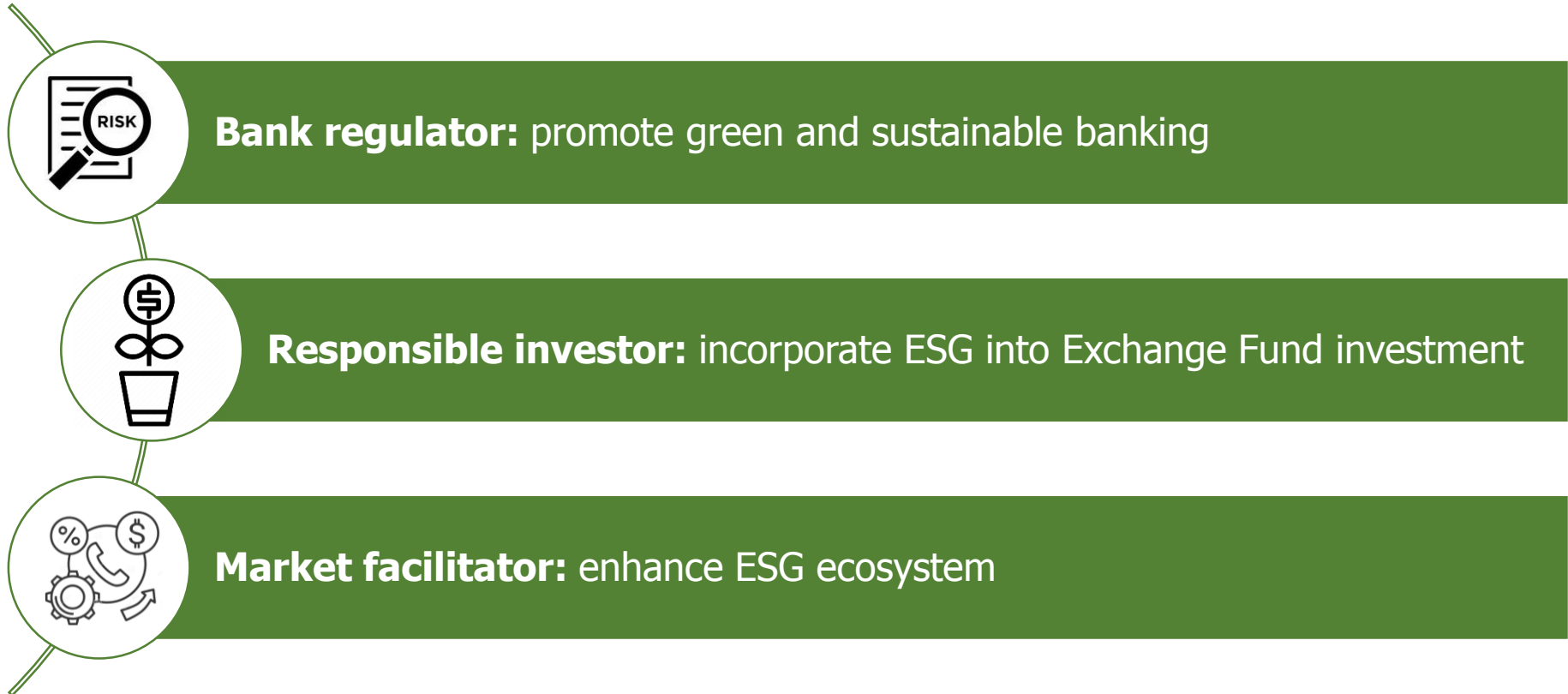


### **China (2030/2060)**

- Emissions to peak around 2030 and reach net zero by 2060

### **Hong Kong (2014/2050)**

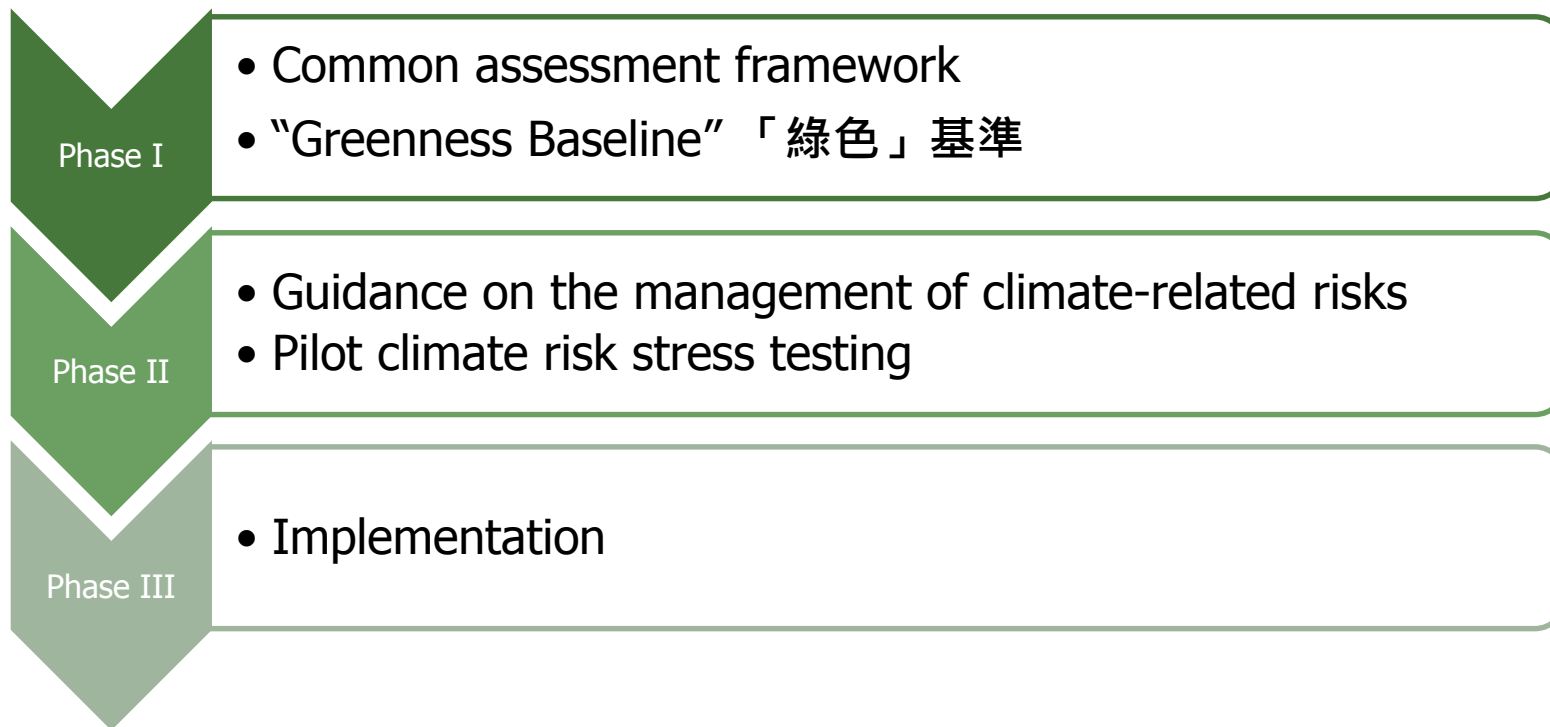
- Emissions peaked in 2014, and to reach net zero before 2050




# Bank regulator: promote green and sustainable banking



## Green and sustainable banking



- Adoption of consistent climate-related financial disclosures in line with TCFD recommendations across all relevant financial sectors by 2025

 HONG KONG MONETARY AUTHORITY 香港金融管理局		
Supervisory Policy Manual		
GS-1	Climate Risk Management	V.1 - 30.12.2021

This module should be read in conjunction with the [Introduction](#) and with the [Glossary](#), which contains an explanation of abbreviations and other terms used in this Manual. If reading on-line, click on blue underlined headings to activate hyperlinks to the relevant module.

#### Purpose

To provide guidance to AIs on the key elements of climate-related risk management; and to set out the HKMA's approach to, and expectations in, reviewing AIs' climate-related risk management.

#### Classification

A non-statutory guideline issued by the MA as a guidance note.

#### Previous guidelines superseded

This is a new guideline.

#### Application

To all AIs

#### Structure

1. Introduction
  - 1.1 Background
  - 1.2 Scope
  - 1.3 Legal framework
  - 1.4 Supervisory objectives
  - 1.5 Application and implementation
2. An overview of climate-related issues
  - 2.1 Climate-related risk drivers
  - 2.2 Unique characteristics of climate change and the implications
3. Governance

*In December 2021, the HKMA issued final guidelines on the management of climate-related risks by banks.*

# Responsible investor: incorporate ESG into Exchange Fund investment



## Responsible investment of the Exchange Fund

- ❖ Giving priority to green and ESG investments if the long-term return is comparable to other investments
- ❖ Increase ESG investment in public and alternative markets
- ❖ Embarked on ESG-themed mandates in equities investment
- ❖ Engage managers who demonstrate strong ESG capabilities and commitment



# Market facilitator: enhance ESG ecosystem



## Create demonstrative effect - Government Green Bond Programme 政府綠色債券計劃

- ❖ ~US\$7 billion green bonds have been issued so far to fund government green projects
- ❖ Doubled the borrowing ceiling of the Programme to HK\$200 billion for more green bond issuances
- ❖ Announced launch of inaugural retail green bond 綠色零售債券 for public participation last week

## Examples of eligible categories of green projects





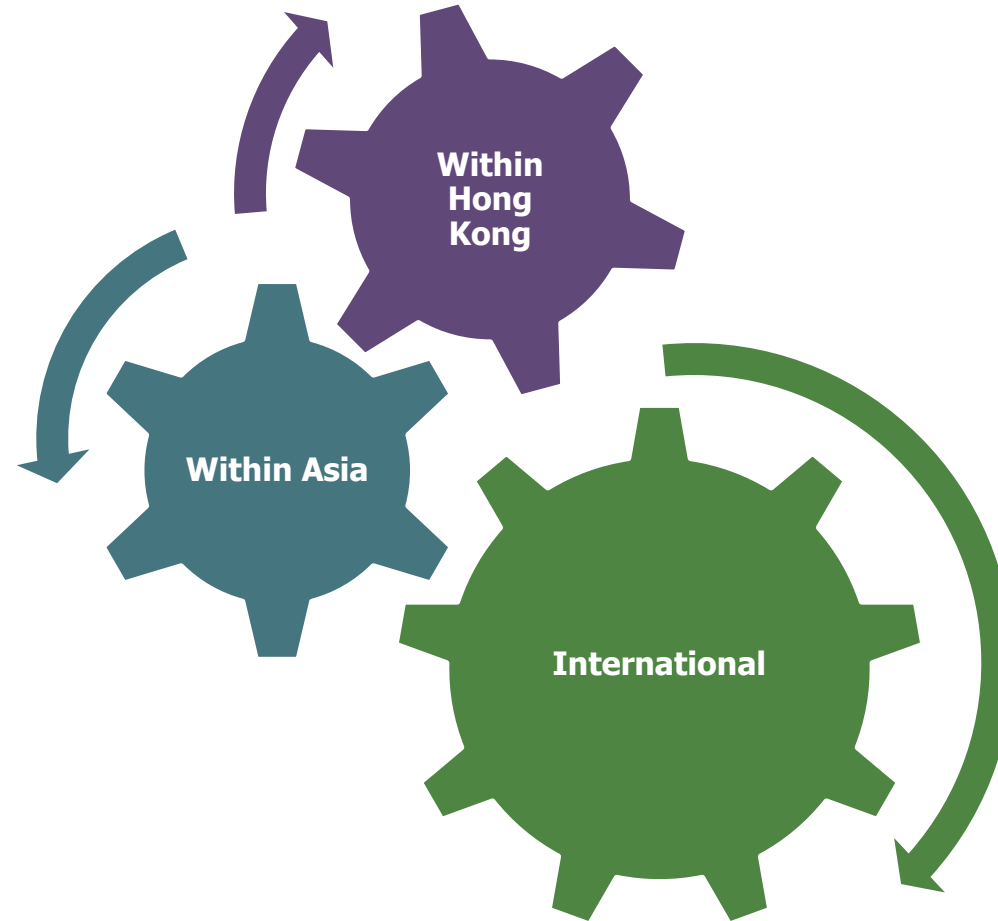
## **Lower the additional cost of “going green” - Green and Sustainable Finance Grant scheme**

- ❖ Provides subsidy for eligible bond issuers and loan borrowers to cover their expense on bond issuance and external review services

## **Capacity building and data - Centre for Green and Sustainable Finance (GSF Centre) under Cross Agency Steering Group**

- ❖ A cross-sector platform to coordinate the efforts of financial regulators, Government agencies, industry stakeholders and academia in capacity building and policy development
- ❖ Serves as a repository for relevant data and resources
- ❖ Recommendations on capacity building and data

# Collaboration with External Parties





# Collaboration with Government and regulators: Cross-Agency Steering Group



## Dec 2020:

- ❖ Released Hong Kong's Green and Sustainable Finance Strategy and 5 immediate action points to enhance transparency on the way forward for Hong Kong

## Dec 2021:

- ❖ Announced the progress made and the way forward to advance Hong Kong's position as a leader in green and sustainable finance:
  - ❖ GSF Centre;
  - ❖ Taxonomies, climate-related disclosures and sustainability reporting; and
  - ❖ Carbon market opportunities.



# Looking beyond Hong Kong: global and regional collaboration



- ❖ **Asia:** Serving as the **first regional anchor for the Asia Chapter of IFC Alliance for Green Commercial Banks**
- ❖ **International:** Coordination with **like-minded peers globally**



**International Platform on Sustainable Finance**



*Vivek Pathak, IFC Regional Director for East Asia and the Pacific attended the signing ceremony of the cooperation agreement on Alliance for Green Commercial Banks in Nov 2020.*



**Thank you**