

17 Dec 2020

Cross-Agency Steering Group Launches its Strategic Plan to Strengthen Hong Kong's Financial Ecosystem to Support a Greener and More Sustainable Future

The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) announced today (17 December 2020) its green and sustainable finance strategy for Hong Kong and five key action points.

The Steering Group acknowledges that climate change is a global issue which requires a global solution. In addition, other environmental, social and governance factors may also impact businesses. Since its establishment, the Steering Group has been stepping-up its ongoing effort to coordinate these issues in the financial sector across different agencies in Hong Kong, while supporting international initiatives and alignment. We welcome the announcement that Hong Kong will strive for carbon neutrality before 2050, and stand ready to support the strategies and measures that will come out of the updating of the Hong Kong's Climate Action Plan in mid-2021.

To enhance transparency on the way forward for Hong Kong, the Steering Group has developed a Strategic Plan, which sets out six key focus areas for strengthening Hong Kong's financial ecosystem to support a greener and more sustainable future in the longer term. These are:

1. strengthening climate-related financial risk management;
2. promoting the flow of climate-related information at all levels to facilitate risk management, capital allocation and investor protection;
3. enhancing capacity building for the financial services industry and raising public awareness;
4. encouraging innovation and exploring initiatives to facilitate capital flows towards green and sustainable causes;
5. capitalising on Mainland opportunities to develop Hong Kong into a green finance centre in the Guangdong-Hong Kong-Macao Greater Bay Area; and
6. strengthening regional and international collaboration.

The Steering Group has agreed to implement five near-term action points:

1. **Climate-related disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations¹ will be mandatory across relevant sectors no later than 2025.** Building on the existing requirements of listed companies to provide climate-related disclosures for financial years commencing on or after 1 July 2020, as well as initial steps taken with respect to banks and asset managers, we will take active steps to enhance climate-related disclosures of financial institutions including banks, asset managers, insurance companies and pension trustees, and increase the coverage

of mandatory disclosure as soon as practicable, so that more information on how companies and assets will be impacted by climate change is available in the financial markets to support informed capital allocation and promote market discipline.

2. **Aim to adopt the Common Ground Taxonomy²**, which will be developed by mid-2021 by the International Platform on Sustainable Finance (IPSF) Working Group on Taxonomies co-led by China and the EU. The Hong Kong Monetary Authority and Securities and Futures Commission have now also joined the IPSF.
3. **Support the International Financial Reporting Standards Foundation’s proposal to establish a new Sustainability Standards Board for developing and maintaining a global, uniform set of sustainability reporting standards.** We will also support complementary efforts by other standard-setting organisations to converge sustainability reporting standards globally. These initiatives, which should place sustainability reporting standards within a robust governance framework, could also lead to globally applicable independent assurance standards to enhance the reliability of information disclosed.
4. **Promote climate-focused scenario analysis** to assess the impacts on financial institutions under different climate pathways, such as through the pilot climate risk stress testing exercise for banks and insurers, and the use of scenario analysis by large asset managers. These initiatives are an integral part of our actions to require financial institutions to embed climate considerations into their business processes, including risk management, as well as an effective means to identify any gaps in data and know-how for future enhancement.
5. **Establish a platform to act as a focal point for financial regulators, Government agencies, industry stakeholders and the academia** to coordinate cross-sectoral capacity building, thought leadership and as a cross-sectoral repository of green and sustainable finance resources in addition to the Sustainable and Green Exchange ([STAGE](#)).

In formulating the Strategic Plan, the Steering Group has engaged with key stakeholders and industry practitioners. The Steering Group will continue to work with the financial sector and other stakeholders in developing and implementing specific policy initiatives.

Ashley Alder, Co-Chair of the Steering Group, Chief Executive Officer, SFC said:

“The concrete action points and long-term strategic plan published today represent Steering Group members’ joint efforts to take Hong Kong’s green and sustainable finance initiatives, especially those relating to climate change, to the next level. The private sector undoubtedly has a vital role to play in directing capital to activities which lower carbon emissions over time, and our plan is directed to mobilising significant volumes of private investment. Hong Kong’s plan will also have a major impact globally; the extremely large footprint and international significance of Hong Kong’s HK\$ 45.7 trillion capital markets means that they will play a critical role in the overall effort to reach net-zero goals.”

Eddie Yue, Co-Chair of the Steering Group, Chief Executive, HKMA said:

“The Steering Group recognises the need and the urgency to tackle climate and environmental risk and transition to a more sustainable economy. Finance is key to driving that change. By consolidating our existing strengths and expertise and developing new and innovative capabilities, Hong Kong hopes to leverage on our role as an international financial centre to support Hong Kong’s 2050 carbon neutrality goal and mobilise capital towards driving sustainable action in this region. The Strategic Plan sets out our vision for this and the five key actions will move us further down this ambitious path. We hope that the industry will work with us to take this forward.”

Green and Sustainable Finance Cross-Agency Steering Group
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About the Green and Sustainable Finance Cross-Agency Steering Group

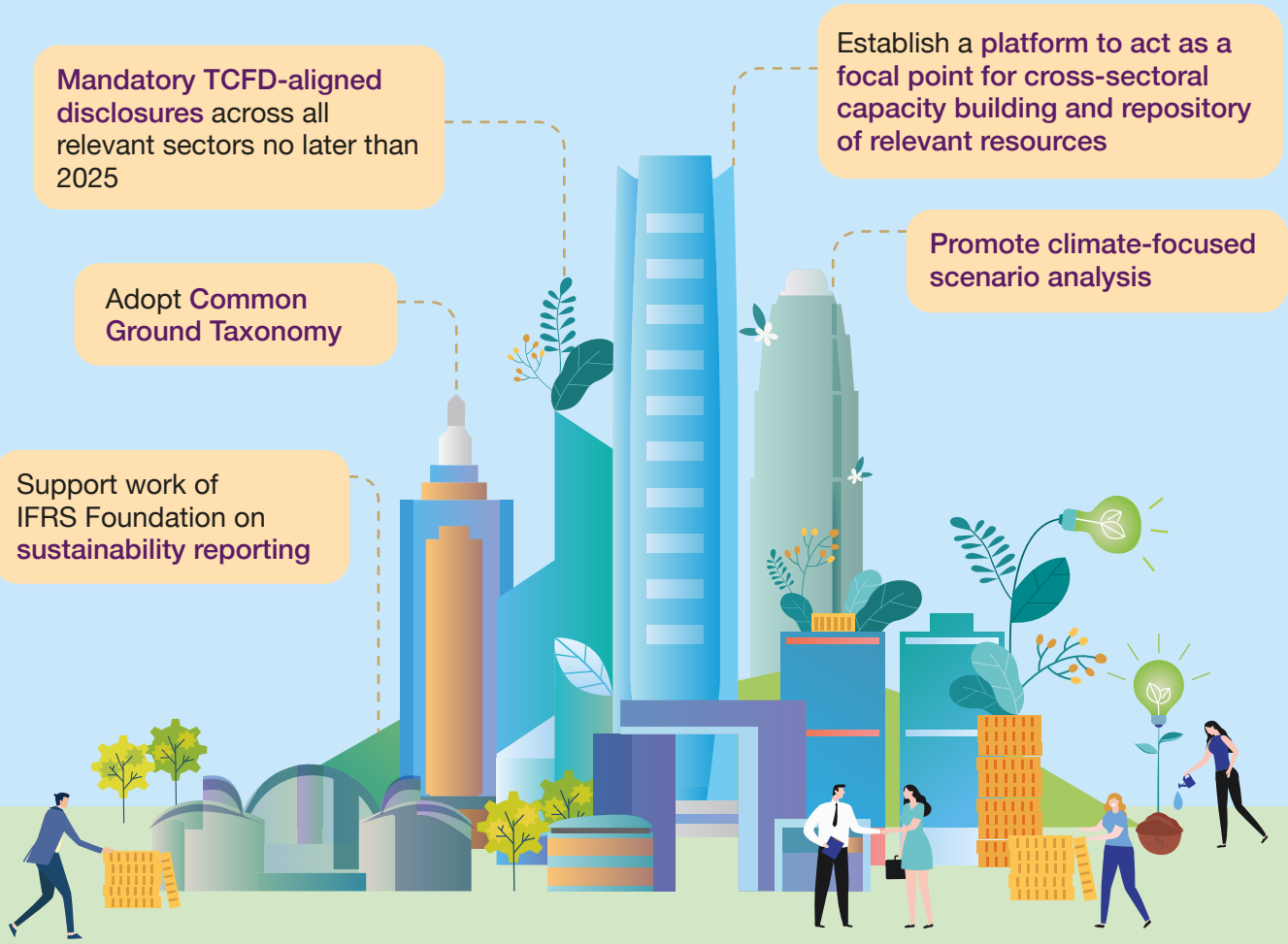
The Green and Sustainable Finance Cross-Agency Steering Group was set up in May 2020 and is co-chaired by the Hong Kong Monetary Authority and the Securities and Futures Commission, with members comprising the Environment Bureau, the Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Limited, the Insurance Authority and the Mandatory Provident Fund Schemes Authority. It aims to co-ordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government’s climate strategies.

¹The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information. The TCFD recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

²Taxonomy in this context generally refers to a system that classifies economic activities that are considered environmentally sustainable. The Common Ground Taxonomy will provide transparency to all investors and companies by constituting a unique common reference point for the definition of investments that are considered as environmentally sustainable across relevant IPSF jurisdictions.

Hong Kong's Green and Sustainable Finance Strategy

To support a greener and more sustainable future



Risk Management

Strengthen the management of climate-related financial risks to consolidate Hong Kong's position as a global risk management centre



Disclosure

Promote the flow of climate-related information at all levels to facilitate risk management, capital allocation and investor protection



Capacity Building

Enhance capabilities of market participants and raise awareness among the general public



Innovation

Encourage innovation and explore initiatives to facilitate capital flows towards green and sustainable causes



Mainland Opportunities

Capitalise on the opportunities presented by the Mainland to develop Hong Kong into a green finance centre in the Guangdong-Hong Kong-Macao Greater Bay Area



Collaboration

Strengthen regional and international collaboration



Strategic Plan to Strengthen Hong Kong's Financial Ecosystem to Support a Greener and More Sustainable Future

As one of the defining issues of our time, climate change knows no borders and is a source of multiple risks affecting both the real economy and the entire financial system. These risks are approaching fast and increasingly being seen and felt around the world. Global challenges require a global solution. Addressing the impact of climate and environmental risks is a priority of governments and regulators and requires extensive global cross-disciplinary coordinated efforts. Here in Hong Kong, the Green and Sustainable Finance Cross-Agency Steering Group was set up in May 2020¹ to coordinate on these issues in the financial sector, while supporting international initiatives and alignment.

The challenges we face are enormous. But with immense challenges also comes immense opportunities. Hong Kong will do its part to make the world greener and a better place to live for future generations, and strive to achieve carbon neutrality before 2050.

But Hong Kong in and of itself is just a small part of the picture; as an international financial centre, there is a bigger role for Hong Kong to play. That is because finance fuels businesses and the economy. The Paris Agreement also recognises that finance plays a key role in the transition to a sustainable low carbon future. As a premier international financial centre, Hong Kong is well-equipped with a sound legal and regulatory system, deep and liquid capital markets, robust financial infrastructure and a wealth of financial intermediaries and talent. Strengthening Hong Kong's financial ecosystem to support a greener and more sustainable future can drive action in Hong Kong and beyond and contribute to the global agenda.

The Strategic Plan below sets out how Hong Kong will achieve this goal and consolidate its position as a leading green and sustainable finance and risk management centre, by strengthening the resilience and capabilities of our robust financial system, as well as by

¹ The Green and Sustainable Finance Cross-Agency Steering Group was set up in May 2020 with the aim of co-ordinating the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies. It is co-chaired by the Hong Kong Monetary Authority and the Securities and Futures Commission, and members comprise the Environment Bureau, the Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Limited, the Insurance Authority, and the Mandatory Provident Fund Schemes Authority.

promoting market and product development and innovation whilst leveraging international collaboration and alignment to capture the enormous opportunities ahead. While climate change remains our top priority, we encourage market participants to also consider their approach to other environmental, social and governance (ESG) factors, which may also impact their businesses.

Hong Kong's commitment is clear. The time to act is now. We urge all of you to join us to take action collectively.

1. Strengthen the management of climate-related financial risks to consolidate Hong Kong's position as a global risk management centre

- **Acknowledge climate-related risks as a source of financial risks and implement measures to address them and build a climate-resilient financial system.** Take the lead and guide market participants to consider these risks as part of their governance, strategy, risk management and investment decision-making. Engage and collaborate with the industry and relevant stakeholders in managing climate-related risks as well as in addressing possible hurdles and constraints. Integrate these risks into regulatory frameworks and supervisory expectations for financial institutions and listed companies.
- **Encourage asset owners, including public authorities, to take the lead in incorporating climate-related risks** when managing their own funds and selecting external asset managers.
- **Promote the use of tools to enhance understanding of the implication of climate change.** Explore and, if appropriate, facilitate the use of scenario analysis as a forward-looking assessment of financial and strategic resilience against different climate pathways.
- **Align with globally recognised standards, principles and taxonomies to assess sustainability and to avoid greenwashing,** taking into consideration the ongoing international efforts in harmonising taxonomies and setting standards. Explore the development of a local taxonomy for use across financial sectors in Hong Kong taking into account both global experience and local circumstances.

2. Promote the flow of climate-related information at all levels to facilitate risk management, capital allocation and investor protection

- **Further enhance climate-related disclosure and its communication among market players** such as banks, investment management firms and funds, insurance companies, pension trustees and listed companies. Encourage financial institutions to request climate-related disclosure from companies that they lend to, invest in or insure.
- **Support increased availability of and accessibility to standardised, relevant and credible climate-related data** to facilitate measuring financial impact and exploring relevant opportunities.

3. Enhance capabilities of market participants and raise awareness among the general public

- **Expand and strengthen Hong Kong's overall green and sustainable finance capabilities.** Support capacity building, training and nurturing of local expertise on green and sustainable finance to fill skill gaps and build up market knowledge. Encourage collaboration among government agencies, industry bodies, financial institutions, universities, research centres and relevant stakeholders. Explore potential initiatives to encourage take up of training courses and skill upgrades. Develop a cross-sectoral repository of green and sustainable finance resources for public access, in addition to the Sustainable and Green Exchange ([STAGE](#)).
- **Intensify market outreach initiatives** to raise awareness and enhance understanding of green and sustainable finance. Collaborate with the industry and relevant stakeholders to organise events to foster exchange of views and feedback.
- **Promote wider investors' awareness by strengthening collaboration among regulators, the Investor and Financial Education Council, industry practitioners and relevant stakeholders.** Publish and incorporate educational content in mass media and online channels, media interviews, public talks as well as social media.

4. Encourage innovation and explore initiatives to facilitate capital flows towards green and sustainable causes

- **Encourage greater take up in the green and sustainable finance market.** Explore potential initiatives to promote market development and enhance market infrastructure, as well as using supervisory processes and powers to enable a greener financial system.
- **Enhance the depth and breadth of the market and encourage product innovation and diversification.** Support, promote and facilitate the innovation, development and adoption of a growing range of green and sustainable financial products. Explore enhancement of listing and trading platforms for these products.
- **Explore utilising technologies such as big data, AI and blockchain to support green and sustainable finance development.** Engage technology companies, financial institutions, research centres and relevant stakeholders in Hong Kong, Mainland China and overseas to share knowledge and experience.

5. Capitalise on the opportunities presented by the Mainland to develop Hong Kong into a green finance centre in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA)

- **Leverage Hong Kong's strengths as an international financial centre in contributing to the national green development.** Encourage more Mainland entities to make use of Hong Kong's capital markets as well as financial and professional services for green and sustainable investment, financing and certification.
- **Advance financial cooperation with the Mainland** to facilitate the national transition to a green, low-emission and climate-resilient economy. Strengthen collaboration with GBA authorities to create a vibrant green and sustainable finance ecosystem in the area, and to develop the GBA into a quality living area and a cluster of world-class cities with international competitiveness. Explore the development of a carbon market in the GBA.

6. Strengthen regional and international collaboration

- **Work with like-minded peers regionally and globally in promoting best practices in green and sustainable finance and tackling market constraints.**
- **Foster regional collaboration and a green and sustainable transition of the regional economy.** Explore ways to facilitate regional capacity building for financial institutions and undertake research to provide market insight and enhance discussion and coordination on relevant issues.

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Co-chairs:

Hong Kong Monetary Authority
Securities and Futures Commission

Members:

Environment Bureau
Financial Services and the Treasury Bureau
Hong Kong Exchanges and Clearing Limited
Insurance Authority
Mandatory Provident Fund Schemes Authority