

# Enhancing the Green and Sustainable Finance Ecosystem

To solidify Hong Kong's position as a leading regional green and sustainable finance hub, the HKMA has been stepping up its efforts in promoting market awareness and participation, providing the necessary infrastructure and catalysts, and supporting international initiatives and alignment with global standards.



# Enhancing the Green and Sustainable Finance Ecosystem

## Enriching the green and sustainable finance ecosystem

Throughout the year, the HKMA has been working closely with local and international partners to grow and enrich the ecosystem to promote further development of green and sustainable finance in Hong Kong.

FIGURE 1

### Alignment with Global Standards

- Promote best practices on climate risk management
- Mandate Task Force on Climate-related Financial Disclosures-aligned climate-related disclosures no later than 2025
- Align local requirements with IFRS Sustainability Disclosure Standards<sup>a</sup>
- Develop local green classification framework

### Market Development

- Issue Government green bonds on a regular basis
- Subsidise green issuance costs through grant scheme
- Build a new and thriving marketplace for green capital as an international carbon trading hub

### Ecosystem Enhancement

- Incentivise green and sustainable finance related trainings<sup>b</sup> and nurture young talent through internship opportunities<sup>c</sup>
- Establish a common portal for climate-related data
- Support corporate sustainability reporting
- Encourage development of green fintech solutions

### Collaboration and Communication

- Strengthen collaboration and regular engagement with local and global stakeholders
- Develop a dedicated website as one-stop shop for information and success stories in sustainable finance

#### NOTES:

- On 26 June 2023, the International Sustainability Standards Board published two International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.
- The Green and Sustainable Finance Cross-Agency Steering Group (CASG) launched the three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme in December 2022 to provide subsidies to market practitioners, students and graduates for the training and acquisition of relevant qualifications in green and sustainable finance.
- In October 2022, the CASG launched the Sustainable Finance Internship Initiative to enable students to deepen their understanding of sustainable finance and gain relevant work experience to prepare for a future career in this field.

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### Green and Sustainable Finance Cross-Agency Steering Group: a champion of green and sustainable finance market developments

The Green and Sustainable Finance Cross-Agency Steering Group (CASG)<sup>1</sup>, which is co-chaired by the HKMA and the Securities and Futures Commission (SFC), co-ordinates the management of climate and environmental risks to the financial sector, accelerates the growth of green and sustainable finance in Hong Kong and supports the Government's climate strategies.

The CASG has been making good progress since its establishment. In January 2024, the CASG announced the key initiatives to support Hong Kong in capitalising sustainable finance opportunities, with focus areas of work including sustainability disclosures, ecosystem enhancement, transition finance and green fintech. In particular, a working group on sustainability disclosures was established to develop a Hong Kong roadmap on adopting the IFRS Sustainability Disclosure Standards. The roadmap will comprise four key areas –

sustainability reporting, assurance, data and technology, and capacity building. In addition, a workstream on transition finance was formed to explore ways to support financial institutions and corporates in their transition planning and reporting.

The CASG has also stepped up efforts to enrich the sustainable finance ecosystem through cross-sector capacity building and data enhancement. Notably, on data, we have continued to promote the utilisation of the Climate and Environmental Risk Questionnaire for Non-listed Companies<sup>2</sup> launched by the CASG in collaboration with the CDP in 2022. The CASG will continue to keep abreast of the latest developments in the green and sustainable finance sector and enhance Hong Kong's role as a regional and global green and sustainable finance hub.



*More information about the CASG can be found on its webpage*



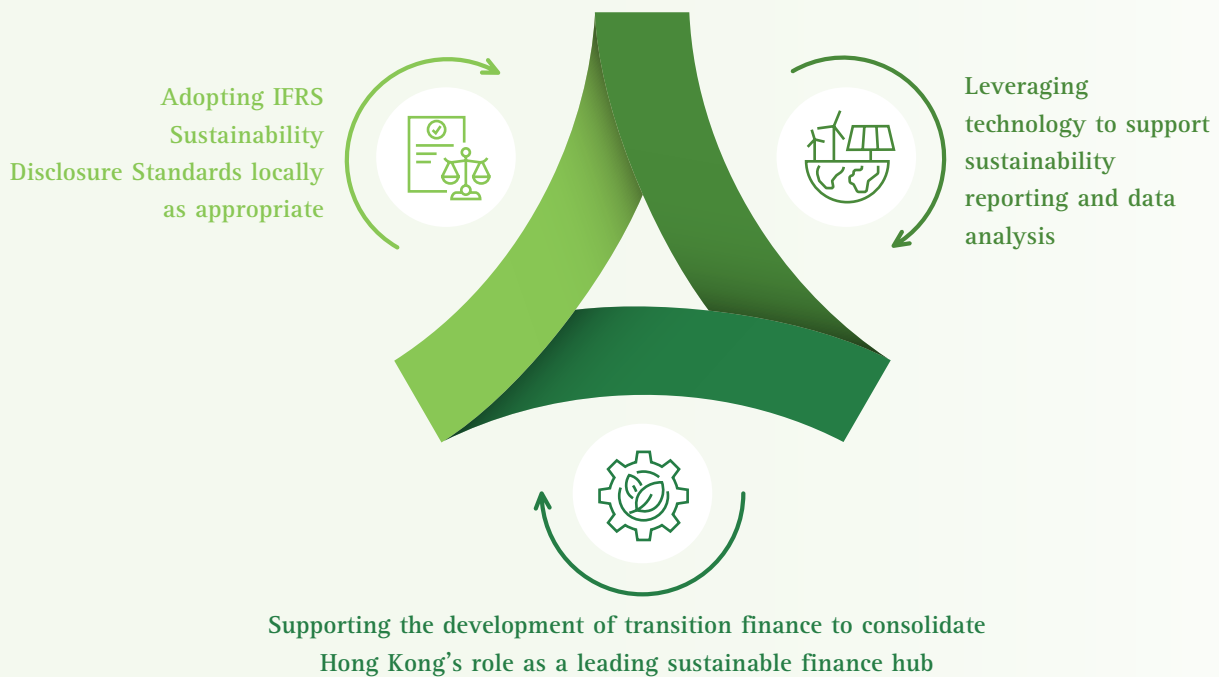
<sup>1</sup> Co-initiated by the HKMA and the SFC, the CASG was established in May 2020. The other CASG members include the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, Hong Kong Exchanges and Clearing Limited, the Insurance Authority, the Mandatory Provident Fund Schemes Authority and the Accounting and Financial Reporting Council.

<sup>2</sup> This Questionnaire was jointly developed by the Steering Group and CDP, an international non-profit organisation that runs the global environmental disclosure system for companies to aid corporates' sustainability reporting processes and raise their sustainability visibility to lenders, investors and supply chain clients so to better access sustainability financing. It will also facilitate financial institutions' collection and assessment of company-level data for risk assessment and relevant business decisions. Further details can be found here: <https://www.sustainablefinance.org.hk/en/data-technology/casg-non-listed-company-questionnaire-on-climate-and-environmental-risk>

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**FIGURE 2** The CASG's key initiatives for 2024

In January 2024, the CASG announced three new key initiatives to capture financing and investment opportunities from the Asia-Pacific region's low carbon transition.



### Subsidy scheme

To support capacity building for the industry, the Centre for Green and Sustainable Finance under the CASG administers the Government-funded Pilot Green and Sustainable Finance Capacity Building Support Scheme, which provides subsidies to practitioners, graduates and students to obtain green and sustainable finance-related training. As of December 2023, 46 international and local programmes have been registered as eligible training programmes under the Scheme, and over 560 reimbursement applications have been approved.

The HKMA also launched the Core Level of the new module on Green and Sustainable Finance under the Enhanced Competency Framework (ECF-GSF) for Banking Practitioners. The ECF-GSF aims to facilitate talent development and enhance the overall level of professional competencies of banking practitioners.

In 2024, the HKMA will continue to work with the banking industry to develop the Professional Level of the ECF-GSF to meet the rapidly growing demand for experienced green and sustainable finance practitioners.

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### Seminars and thematic workshops

To help financial institutions and corporates, especially small and medium-sized enterprises (SMEs), gain a better understanding of major climate and sustainability-related topics, including climate risk management, sustainability reporting, greenhouse gas emission calculation, and transition planning, the HKMA collaborated with relevant Government bureaux and departments, and global partners like CDP, Glasgow Financial Alliance for Net Zero (GFANZ)<sup>3</sup>, and Partnership for Carbon Accounting Financials (PCAF)<sup>4</sup> to organise a series of seminars and thematic workshops throughout the year, attracting participants from both the financial services and corporate sectors.



Mr Darryl Chan, Deputy Chief Executive (fourth from right), and Mr Kenneth Hui, Executive Director (External), then Head (Market Development) (second from left), at a joint seminar on sustainability reporting co-organised by the CASG and CDP in March

### Internship opportunities

For students, subsequent to the launch of the Sustainable Finance Internship Initiative in 2022, training sessions were conducted in January and February 2023 for interns and university undergraduates to deepen their understanding of sustainable finance.

### Use of technology

Recognising the potential of technology in closing the climate-related data gaps and improving data quality, the HKMA is working to enhance data accessibility and quality to enable informed decision-making and effective climate actions.

In February 2024, the CASG launched a series of enhancements to its website to offer a one-stop green and sustainable finance information hub for financial institutions, corporates and the general public. Key enhancements include an e-Portal for sustainability disclosure, greenhouse gas emissions calculation and estimation tools, and more centralised data and resources with user-friendly browsing and search functions.

During the Hong Kong Green Week, the CASG also organised the session themed “Green Fintech: Catalyst for Scaling Sustainable Finance” in conjunction with Cyberport and Invest Hong Kong, to showcase leading green innovation solutions and Hong Kong’s strengths in green technology.



<sup>3</sup> GFANZ is a global coalition of eight independent net-zero financial alliances whose members have committed to support the transition to net zero by 2050 and help achieve the objectives of the Paris Agreement.

<sup>4</sup> PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas emissions associated with their loans and investments.

# Enhancing the Green and Sustainable Finance Ecosystem

## Hong Kong Green Week – Finance Stream

The Hong Kong Green Week – Finance Stream took place between 26 February – 1 March 2024. More than 1,600 participants from close to 30 jurisdictions attended the various sustainability-themed events. The attendees represented financial institutions, corporates, central banks, international organisations, government agencies, academia, consulting firms, among others.

The anchor finance event of the Hong Kong Green Week was the Climate Business Forum: Asia Pacific (CBF), co-hosted by the HKMA and the International Finance Corporation. The CBF attracted more than 400 participants, including top decision makers in global business and finance, to discuss solutions to unlock climate financing in the Asia-Pacific. The two-day event covered a broad range of topics including energy transition, decarbonisation of heavy industries, circular economy, the future of sustainable finance, and new climate technologies in emerging and developing markets in the Asia-Pacific.

Riding on the CBF, institutions from the public and private sector organised more than ten roundtables, seminars, and networking events focusing on themes such as climate finance, carbon markets, electric vehicle supply chain, net-zero transition financing, green classification framework, and financing green development in the Belt and Road region. In addition, the HKMA and the International Monetary Fund co-hosted the Asia Climate Finance Roundtable on 29 February 2024, which explored the key steps to scale up climate finance and the role of central banks and regulators in managing climate risks.

The events above formed part of the HKMA's broader efforts to promote and enrich the green and sustainable ecosystem in Hong Kong, providing a platform for participants to spur new business development, exchange knowledge, and explore new opportunities to meet the Asia-Pacific region's climate financing challenges.



*Mr Darryl Chan, Deputy Chief Executive, delivers a keynote speech at the CBF*



*A panel discussion at the CBF*



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### Alliance for Green Commercial Banks: an initiative supporting regional green and sustainable finance development

The HKMA has also been actively supporting regional green and sustainable finance development. In November 2020, the International Finance Corporation and the HKMA launched the Alliance for Green Commercial Banks<sup>5</sup> to bring together financial institutions, banking industry associations, research institutions and innovative technology providers in the region to develop a community of green commercial banks.

The Alliance has hosted 22 training and roundtable sessions since March 2021, reaching over 7,300 participants globally across Asia Pacific, Europe, the Middle East, Africa, and the Americas. The Alliance's second thought leadership paper, *Defining An Ambitious Climate Strategy of Green Banking: A Case Study*, prepared in collaboration with the Crédit Agricole CIB, was published in October.

#### Highlights of 2023

The Alliance and Crédit Agricole CIB jointly launched the thought leadership paper titled *Defining An Ambitious Climate Strategy of Green Banking: A Case Study* in October.



More information about the Alliance and its latest initiatives can be found on its webpage

<sup>5</sup> The HKMA is the founding member and first regional anchor for the Asia Chapter.

# Enhancing the Green and Sustainable Finance Ecosystem

## Local and international collaboration: New partnerships in 2023

During the year, the HKMA Infrastructure Investment Facilitation Office joined the newly established Capacity-building Alliance of Sustainable Investment (CASI), as well as the Green Investment and Finance Partnership (GIFP) initiated by the Belt and Road Initiative International Green Development Coalition. The partnership with CASI and GIFP will help promote capacity building and knowledge sharing, and in turn, support the channelling of capital to green and sustainable projects in the Asian region and beyond.

In August 2023, GFANZ announced the establishment of its Hong Kong Chapter, which will help support net-zero efforts of financial institutions both locally and in Mainland China. The HKMA plays an advisory role to assist in GFANZ's efforts.

## Green finance solutions: Channelling capital to green the real economy



52.1 US\$ billion

Green and sustainable debt issuance  
in Hong Kong (2023)

## Green and sustainable bonds

To demonstrate the Government's determination to combat climate change, and the commitment to promoting green finance and developing Hong Kong into a more sustainable and liveable city, the Government Green Bond Programme was launched in 2018. The HKMA assists in implementing green bond issuance under the Programme.

A total of around US\$25 billion equivalent of green bonds, comprising institutional and retail bonds, have been issued so far with the proceeds allocated to over 70 green Government projects, such as green buildings, waste management and resource recovery, energy efficiency and conservation, amongst others.

To enhance the transparency and accountability of the Programme, annual Green Bond Reports have been published, with details on the allocation of the green bond proceeds and expected environmental benefits.

The Government continued with its regular institutional green bond issuances in the 2023-24 financial year, issuing around US\$6 billion equivalent of green bonds in June. The triple-currency issuance covered US dollar, euro and renminbi tranches in multiple tenors, which was well received and attracted a wide spectrum of investors, achieving close to US\$30 billion equivalent in orders. In particular, the renminbi tranches were expanded from a combined RMB10 billion from the January issuance to RMB15 billion, with the additional issuance of a new 10-year renminbi tranche, which helped to extend the Government's renminbi yield curve and continued to enrich offshore renminbi product offerings. The global investors' enthusiasm for the Government's green bonds demonstrated their recognition of Hong Kong's commitment towards green and sustainable development.

In October, the Government issued the second batch of retail green bond, worth HK\$20 billion, to further facilitate market development and promote financial inclusiveness. The issuance offered members of the public an investment opportunity with steady returns so that they can also participate in, and benefit from, green finance development in Hong Kong.



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Riding on the success of the inaugural tokenised issuance in February 2023, the HKMA assisted the Government to issue a second tokenised institutional green bond in February 2024. This issuance achieved new breakthroughs in broadening investor participation via existing market infrastructure and streamlining the issuance process by issuing in digitally native format. Also, key green bond documentation including the issuer's Green Bond Framework and relevant third-party review reports is embedded in the digital assets platform, enhancing transparency and accessibility of information. These demonstrate enhanced feasibility for similar future issuances by market participants.



29.9 US\$ billion

Largest arranging hub for Asian international green and sustainable bond issuances (2023)

To provide the industry with credible and handy market information, the HKMA continues to collaborate with the Climate Bonds Initiative and the International Capital Market Association (ICMA) respectively, to release annual reports featuring the Hong Kong and regional green debt markets. According to the ICMA report, Hong Kong continued to be the largest centre for arranging international green and sustainable bond issuances in Asia, with a total issuance volume of US\$29.9 billion in 2023, equivalent to more than one-third of the regional total.

The Shenzhen Municipal People's Government issued its third offshore municipal government bonds in Hong Kong in September. The total issuance of RMB5 billion included RMB2.1 billion of green bond, and RMB2 billion of social responsibility bond. In the same month, the People's Government of Hainan Province also conducted its second issuance of RMB5 billion offshore bonds in Hong Kong, comprising RMB1 billion of blue bond, RMB3 billion of sustainability bond, and RMB1 billion of biodiversity-themed green bond. These issuances reaffirmed Hong Kong's unique role in facilitating green and sustainable capital flows between the Mainland and the rest of the world, and its long-standing status as the premier fund-raising platform in the region.

### Green and Sustainable Finance Grant Scheme

The HKMA continues to promote and administer the Government's Green and Sustainable Finance Grant Scheme launched in 2021, and leverages the scheme to encourage related professional service providers, including green advisors and external reviewers, to build or expand their presence in Hong Kong. The Scheme has been well received by the industry. As of end-2023, the Scheme has benefited over 340 green and sustainable debt instruments with a total underlying issuance volume of around US\$100 billion, in support of the issuers' efforts to ensure and demonstrate adherence to relevant international standards.

The Financial Secretary announced in the 2024-25 Budget to extend the Scheme by three years to 2027, and to expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's financing platform as they move towards decarbonisation.

#### Green and Sustainable Finance Grant Scheme

##### Launched in May 2021

Subsidised **>340** green and sustainable debt instruments issued in Hong Kong, with underlying volume totalling around **US\$100 billion** (as of end-2023)



##### Extension announced in 2024-25 Budget

To extend by **3 years** to 2027

To cover **transition bonds and loans**