

Green finance

Hong Kong is uniquely situated to contribute to global developments in green finance and the creation of a green financial ecosystem. Building an environmentally-friendly, low-carbon and climate change-resilient economy will be essential for a sustainable future.

During the year, we collaborated with regulators, the industry and other stakeholders to promote our initiatives to help develop Hong Kong as a leading green finance centre. In September 2018, we published our *Strategic Framework for Green Finance*, setting out a five-pronged strategy which goes beyond Hong Kong's current focus on green bonds and is aligned with global market and regulatory developments.

We launched a dedicated section on our website in May 2019 to provide information, including circulars, statistics and resources, related to this strategy as well as other green finance initiatives in Hong Kong.

Corporate disclosure

To allocate capital efficiently, investors must have the best information about the potential financial risks which climate change poses to businesses. As our top priority, we have been working with Hong Kong Exchanges and Clearing Limited (HKEX) to improve listed companies' reporting of environmental information, with an emphasis on climate-related risks and opportunities.

The SFC signed up as a supporter of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), which help companies identify and report the potential financial impact of climate-related risks and opportunities on their businesses. HKEX recently updated its guidance on environmental, social and governance (ESG) reporting, taking into account the TCFD recommendations.



Chief Executive Officer Mr Ashley Alder at the European Commission's High-Level Conference on Sustainable Finance

Photo: European Commission

ESG investing

Green asset managers have to do more than simply claim that they take ESG into account. To help us consider ways for asset managers to make clear to investors how environmental and climate-related risks are factored into their investment processes and risk assessments, we conducted a survey of the ESG investment practices of asset managers and asset owners. The results will be considered along with global developments when we formulate new policies.

Green-related investments

We have seen a notable increase in the number of applications we receive for funds with a green or sustainability focus. To foster the development of these fund products in Hong Kong, we issued a circular to provide guidance which will make disclosures by SFC-authorised green funds more transparent and comparable. We will also feature a central database of these funds on the SFC's website to increase their visibility.

In addition, we work closely with HKEX to develop and promote the listing and trading of green financial products including bonds, indices and derivatives. HKEX is also developing a green finance regime which will enable environmentally-aligned companies to obtain sustainable financing at a lower cost.

International cooperation

We actively participate in international initiatives with the aim of building a global, coordinated approach to green finance and promoting Hong Kong as a global green finance hub. Hong Kong is well placed to complement mainland China's comprehensive framework for green finance and to connect green finance flows between the Mainland and the rest of the world. Our strategic framework accords with the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area.

We are part of the Network for Greening the Financial System, which aims to strengthen global efforts to enhance the financial system's role in managing risks and mobilising capital for green and low-carbon investments in line with the goals of the Paris Agreement. Within the United Nations Framework Convention on Climate Change, the Paris Agreement, which came into force in 2016, calls for making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

The SFC also takes part in the International Organization of Securities Commissions' Sustainable Finance Network and the Advisory Group of the United Nations Sustainable Stock Exchanges Initiative. Our Chief Executive Officer Mr Ashley Alder participated in the European Commission's High-Level Conference on Sustainable Finance in March 2019.

In May 2019, we hosted a high-level regulatory meeting in Hong Kong for senior officials from the Mainland, Hong Kong and the European Union to discuss the harmonisation of green finance efforts and standards.



¹ See Corporate Social Responsibility on pages 84-91.



Ms Julia Leung, Deputy Chief Executive Officer and Executive Director of Intermediaries, addresses the Hong Kong Chinese Enterprises Association

Financial education

Raising investor awareness of green finance and related investment matters is another part of our agenda and we work with the Investor and Financial Education Council (IFEC) to achieve this. IFEC launched a dedicated web page on The Chin Family website to introduce green finance to the general public.

Greening the SFC

To support green investments, our Investment Committee enquires in detail how and to what extent the external managers of our financial reserves incorporate ESG principles into their investment and risk analysis processes. Inside the organisation, we step up our green practices and promote awareness of the importance of environmental protection¹.