

Cross-Agency Steering Group Launches its Strategic Plan to strengthen Hong Kong's financial ecosystem to support greener and more sustainable future

The following is issued on behalf of the Hong Kong Monetary Authority:

The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) announced today (December 17) 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 co-ordinate 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) recommendations (see Note 1) 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 July 1, 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 Taxonomy (see Note 2), 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 European Union. 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 co-ordinate 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.

Co-Chair of the Steering Group and the Chief Executive Officer of the Securities and Futures Commission, Mr Ashley Alder, 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."

Co-Chair of the Steering Group and the Chief Executive of the Hong Kong Monetary Authority, Mr Eddie Yue, 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."

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.

Note 1: The 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.

Note 2: Taxonomy 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.