

HKMA introduces key measures on sustainable banking and green finance

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

The Hong Kong Monetary Authority (HKMA) today (May 7) unveiled three sets of measures to support and promote Hong Kong's green finance development. In his opening remarks at the HKMA Green Finance Forum today, the Chief Executive of the HKMA, Mr Norman Chan, said that the HKMA will collaborate with the industry and other stakeholders to combat climate change risks and develop green finance.

"Climate change is one of the major risks threatening the well-being of mankind. It must be tackled on a global basis and across different sectors of the economy. How the banking and financial system operates will clearly have an impact on the way in which climate risk is managed or reduced. The HKMA, in support of the mission to reduce climate change risks and to achieve sustainable finance, will launch three sets of measures," said Mr Chan.

These measures include:

(1) Green and Sustainable Banking:

- i. Phase I – developing a common framework to assess the "Greenness Baseline" of individual banks. The HKMA will also collaborate with relevant international bodies to provide technical support to banks in Hong Kong to better understand the green principles and methodology in undertaking the baseline assessment;
- ii. Phase II – engaging the industry and other relevant stakeholders in a consultation on the supervisory expectation or requirement on Green and Sustainable Banking, with a view to setting tangible deliverables for promoting the green and sustainable developments of the Hong Kong banking industry;
- iii. Phase III – after setting the targets, implement, monitor and evaluate banks' progress in this regard.

(2) Responsible Investment: as the manager of the Exchange Fund, the HKMA will adopt a principle that priority can be given to Green and Environmental, Social and Governance (ESG) investments if the long term return is comparable to other investments on a risk-adjusted basis. Specifically, to support Responsible Investment, the HKMA:

- i. has already incorporated ESG factors in HKMA's credit risk analysis of bond investment;
- ii. has required external managers of the Hong Kong equity portfolios to comply with the Principles of Responsible Ownership promulgated by the Securities and Futures Commission in 2016 ;
- iii. has invested two tranches of US\$1 billion each in the Managed Co-lending

Portfolio Programme (MCP) run by the International Finance Corporation (IFC), with a substantial part of the MCP targeting sustainable investments across emerging market;

iv. will further grow the Exchange Fund's green bond portfolio, through direct investment in green projects or investment in green bond funds;

v. will participate in ESG-themed public equities investments through external managers in passive or active mandates targeting ESG benchmark index;

vi. will accord green accreditation as a predominant factor in investment in our real estate portfolio; and

vii. will consider an appropriate framework for disclosing information on the Exchange Fund's Green and ESG investing efforts without arousing market sensitivity in the process.

(3) Centre for Green Finance (CGF): Establish the CGF under the HKMA Infrastructure Financing Facilitation Office. It will serve as a platform for technical support and experience sharing for the green development of the Hong Kong banking and finance industry. Meanwhile, the CGF, together with the IFC, will co-organise the next Climate Business Forum in Hong Kong in early 2020. The Forum is the IFC's flagship event to discuss trends and business opportunities relating to climate change and sustainability.

The HKMA Green Finance Forum brought together over 120 representatives from key stakeholders in green finance including banks, asset managers, multilateral development agencies, professional service providers and green associations. The Forum featured panel discussions on policies, practices and prospects of ESG investment; as well as principles and practices relating to green and sustainable banking.