

LCQ10: Promoting environmental, social and governance development

Following is a question by the Hon Martin Liao and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (July 12):

Question:

Regarding the promotion of environmental, social and governance (ESG) development, will the Government inform this Council:

(1) given that while the Stock Exchange of Hong Kong Limited has since 2016 required Hong Kong-listed companies to disclose their ESG-related reports, a survey has pointed out that the standard of ESG disclosure of most Hong Kong-listed companies leaves much to be desired, with deficiencies in climate-related disclosures in governance, strategy, risk management, as well as metrics and targets, of the criteria adopted by the authorities in performing gatekeeping on the standard of ESG reports of these companies; whether actions have been taken to follow up on ESG reports of these companies for monitoring and evaluation; if so, of the details; if not, the reasons for that;

(2) as a survey has pointed out that only 10 per cent of the companies in Hong Kong have conducted an independent third-party assurance on their ESG reports to enhance their credibility, of the number of companies which have applied for conformity assessment services under the Green Finance Certification Scheme – ESG Fund (GFCS) since it was launched by the Hong Kong Quality Assurance Agency in 2020; whether the authorities will consider mandating companies to apply for conformity assessment under GFCS; if not, of the reasons for that;

(3) as it has been reported that the Securities and Futures Commission has indicated that a Hong Kong version of ESG standards will be introduced in the future, following the publication of the International Financial Reporting Standards Sustainability Disclosure Standards by the International Sustainability Standards Board at the end of last month, how the authorities will formulate such standards in a scientific way, and how such standards will align with those in force in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area, so that Hong Kong will be recognised by both overseas regions and the Mainland as the preferred ESG financing platform, thereby enhancing Hong Kong's status as a green and sustainable finance centre; and

(4) of the feedback of the working people to the Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme) since its launch, and whether the Government has assessed the effectiveness of the Pilot Scheme; whether it has plans to roll out more ESG talent training programmes?

Reply:

President,

Issues on environmental, social, and governance (ESG) and sustainable development are the foci of global attention. We are committed to promoting green and sustainable development and facilitating the matching of international capital with quality green projects, with a view to proactively contributing to the green transformation in the region, Asia and beyond.

In consultation with the Environment and Ecology Bureau, the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC), and Hong Kong Exchanges and Clearing Limited, the reply to the four parts of the question is as follows:

(1) In 2013, the Stock Exchange of Hong Kong Limited (SEHK) launched the Environmental, Social and Governance Reporting Guide (Guide). From 2016, the SEHK has under the Listing Rules required all listed companies to produce an ESG report annually and conducted periodic review of listed companies' ESG disclosures. In 2020, the SEHK introduced new requirements to the Guide, focusing on board governance and oversight of ESG issues, as well as consideration of risks of substantial climate change and actions to address them. The Guide provides that listed companies may seek independent assurance to strengthen the credibility of the ESG information disclosed.

In November 2022, the SEHK published a report of its latest review of ESG disclosures (Report), which showed that over 95 per cent of listed companies disclosed their boards' oversight and management approach on ESG matters; and 85 per cent of listed companies acknowledged the importance of climate-related risks and chose to make disclosures based on all new climate-related requirements. The Report recommended that listed companies could choose to obtain assurance for part(s) of their ESG reports or certain data (e.g. greenhouse gas emissions), and clearly set out the scope of assurance in the reports.

Listed companies are at different stages of their sustainability journey. Over the years, the SEHK has published a wide range of guidelines and training materials covering different topics (including climate disclosures, ESG management, etc.), providing directions for listed companies on their sustainability journey. The SEHK will continue to enrich the guidelines and materials, thereby helping listed companies build a more sustainable business and put ESG principles into practice.

(2) Currently, various third-party certification bodies in the market are providing ESG certification or verification services for corporates' reports or products. Corporates can seek suitable independent certification or verification having regard to their own business operations and considerations.

According to the information provided by the Hong Kong Quality Assurance

Agency (HKQAA), while the "Green Finance Certification Scheme – ESG Fund" has yet to receive application for certification services, its "Green and Sustainable Finance Certification Scheme" has been well received by the industry. The HKQAA will continue to promote these schemes to foster environmental protection, sustainable development, and responsible investment.

(3) The International Sustainability Standards Board (ISSB) published the International Financial Reporting Standards (IFRS) – Sustainability Disclosure Standards in June 2023, which aim at becoming the global baseline for corporate disclosure of climate and sustainability-related information.

We are considering aligning the local requirements with this global baseline in a gradual approach. As for listed companies, the SEHK released in April this year a public consultation document on the enhancement of climate-related reporting requirements for listed companies. The proposed new climate-related disclosure requirements take reference from the IFRS S2 Climate-related Disclosures Exposure Draft published by the ISSB in March 2022, as supplemented or modified by subsequent deliberations published by the ISSB. The consultation will close on July 14 this year. The SEHK's consultation conclusions will take into account market feedback and the final standards published by the ISSB.

In addition, we and the SFC co-hosted the Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Cooperation Meeting in April this year, with participation from Shenzhen, Guangzhou and Macao officials, to discuss and exchange views on potential cross-boundary initiatives to further strengthen the green and sustainable finance ecosystem, including corporate sustainability disclosure requirements aligned with global standards, interchange of emissions and ESG data, and capacity building.

As many listed companies in Hong Kong have sizable business operations and value chain exposures in the Mainland, the SFC has been maintaining communication with the China Securities Regulatory Commission to ensure that Hong Kong's approach is consistent with the Mainland's pace of regulatory development.

(4) Talent nurturing is crucial to strengthening industry competitiveness in green and sustainable finance. In this regard, we have implemented various measures to proactively expand the local talent pool.

We launched in December 2022 a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme (Pilot Scheme) with a total provision of \$200 million for application by market practitioners and related professionals as well as students and graduates of relevant disciplines. After completing eligible programmes or accomplishing relevant qualifications, applicants can apply for a subsidy of up to \$10,000.

The Pilot Scheme has since its launch received many enquiries and positive feedback. Currently, there are 36 eligible programmes and qualifications as provided by the professional and continuing education

schools of local universities, professional institutions, international training providers, etc, and the list will continue to be updated. As of early July 2023, 38 reimbursement applications have been approved, involving a total reimbursement amount of over \$220,000.

In addition, the Green and Sustainable Finance Cross-Agency Steering Group, formed by relevant Government Bureaux and financial regulators, launched the Sustainable Finance Internship Initiative (Initiative) in October 2022 to create more local finance internship opportunities for students, supporting the development of the green and sustainable finance talent pool in Hong Kong. The SFC, the HKMA, the Insurance Authority and the Mandatory Provident Fund Schemes Authority have issued a joint letter to encourage their respective constituents to join the Initiative.

We will continue to promote the development of green and sustainable finance in Hong Kong. We will also listen to the industry's views in formulating suitable strategies, with a view to strengthening Hong Kong's status as a green and sustainable financial centre.