

SFST's speech at The HKIoD Silver Jubilee Celebration: Directors' Conference 2022 (English only)

Following are the closing remarks by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at The HKIoD (The Hong Kong Institute of Directors) Silver Jubilee Celebration: Directors' Conference 2022 today (September 21):

Moses (Dr Moses Cheng, Honorary President and Founder Chairman of HKIoD), Chris (Dr Christopher To, Chairman of HKIoD), distinguished guests, ladies and gentlemen,

Good afternoon and I am sure you all had an insightful and thought-provoking day. Today we have heard from world-class leaders with their best minds in leading their companies and I am glad that this conference offers us an opportunity to explore what it takes for us to stay resilient in times of challenges and adversities. I would like to thank our host, the Hong Kong Institute of Directors, who put so much work into making this conference a success.

In this post-pandemic era, the roles you play as directors have never been more important. I am pleased to see our concerted efforts to develop Hong Kong as a leading international financial and commercial centre are bearing fruits in terms of enhancing our corporate governance standard. On this front, the Government has a mission in mind to develop our market around two key themes – "Quality" and "Sustainability".

To begin with "Quality", the Government, financial regulators and the Hong Kong Exchanges and Clearing (HKEX) have all along strived to uphold our market quality and balance market development. In developing Hong Kong into a broader and deeper fundraising platform, we weigh equally the importance of maintaining a high level of investor protection. To this end, continuous efforts have been made to improve corporate governance of our listed companies and safeguard investors' interests.

In the past, in order to list in Hong Kong, an issuer incorporated outside Hong Kong must demonstrate that they were subject to the same shareholder protection standards at least equivalent to those of Hong Kong. With a view to streamlining and standardising the shareholder protection standards for all issuers, HKEX examined the provisions of company laws of relevant jurisdictions and formulated a set of core standards in establishing baseline protection for investors. Upon consultation with the market in March last year, a majority of the respondents considered that replacing the concept of "Recognised Jurisdictions" and "Acceptable Jurisdictions" with one common set of core standards for all issuers would impart clarity to the relevant requirements, facilitate compliance and promote consistency of

standards among all issuers. The streamlined requirements should also enhance efficiency for listing applications, thereby making Hong Kong a more attractive listing venue for prospective applicants.

With the general support of the market, HKEX adopted with effect from January this year a uniform set of 14 "Core Standards" for shareholder protections for all issuers regardless of their place of incorporation, thus providing the same level of protection to investors. Issuers such as secondary listed issuers are also required to publish "Company Information Sheets" in order to facilitate investors in understanding the differences between overseas requirements to which they are subject and the Hong Kong requirements. The Core Shareholder Protection Standards also cover, among others, notice and conduct of general meetings, shareholders' rights to remove directors, vote, speak and requisition a meeting, and appoint proxies or corporate representatives, etc.

At the same time, with a view to enhancing issuers' corporate governance and diversity practices, HKEX consulted the market on proposals to revise the Corporate Governance Code and related Listing Rules in April last year as well. The revised Corporate Governance Code and Listing Rules came into effect in January this year. Besides strengthening board independence and promoting gender diversity in the boardroom, the new listing rules also require companies to publish ESG reports together with their annual reports, considering the growing awareness of environmental, social and governance (ESG) issues.

Speaking of ESG, it brings me to the second key theme I would like to cover – "Sustainability". The Government has the mission in mind to capitalise on the fast-emerging global trend to green our market. To contribute to the goal of achieving carbon neutrality before 2060 in our country and before 2050 in Hong Kong, and elevate Hong Kong's position as a regional green and sustainable finance hub, we will continue to work in concert with our financial regulators and the industry to promote market development, align Hong Kong's regulatory standard with international best practices and foster talent development.

Over the last decade, we have allocated more than HK\$47 billion to various carbon reduction measures. In the next 15 to 20 years, the Government will be investing another HK\$240 billion to support a series of actions to combat climate change.

Under the Government Green Bond Programme, we have successfully issued Government green bonds totaling close to US\$10 billion equivalent since May 2019, which were all well received by international investors. We also issued the inaugural retail green bond of HK\$20 billion in May this year, and it was the largest retail green bond issuance across the globe so far. The introduction of the retail green bond has provided the public with a green investment choice and further promoted the development of the local retail bond market. We have already doubled the borrowing ceiling of our green bond programme to HK\$200 billion and will continue to issue green bonds having regard to market situations.

As at end July this year, the proceeds from the government green bonds issued have been used to finance a total of 45 green projects under four eligible categories including "Waste Management and Resource Recovery", "Green Buildings", "Water and Wastewater Management", and "Energy Efficiency and Conservation". Information on the allocation of the green bond proceeds is included in the Green Bond Report issued by the Government annually, to disclose the expected environmental benefits of the projects financed. The latest edition has recently been released in late August and I encourage you all to take a look.

To provide a green finance platform for governments and corporates around the globe and encourage more businesses and external reviewers to make use of Hong Kong as their green finance base, a new three-year Green and Sustainable Finance Grant Scheme was launched in May last year to provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review exercises. Over the year since its launch, over 130 applications have been approved, involving a grant amount of about HK\$130 million. To further support enterprises in obtaining green financing and thus facilitating their transition to low carbon and emission reduction, we have lowered the minimum loan size threshold from HK\$200 million to HK\$100 million in respect of applications for subsidies for covering external review costs under the scheme.

By capturing opportunities in green and sustainable finance, not only can investors and the public contribute to greening Hong Kong, but we can also share the fruits of sustainable development altogether. Going forward, we will spare no efforts in encouraging more entities to make use of Hong Kong's capital markets as well as financial and professional services for green and sustainable investment, financing and certification, with a view to greening our market and developing a more holistic ecosystem.

On this front, our Green and Sustainable Finance Cross-Agency Steering Group was established in May 2020 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.

Separately, HKEX signed memorandums of understanding with the Guangzhou Futures Exchange and the Guangzhou-based China Emissions Exchange respectively to explore co-operation opportunities in the green and low-carbon market. Moreover, Hong Kong's first carbon futures Exchange Traded Fund (ETF) was listed on the HKEX in March, which extends the coverage of Hong Kong-listed commodity ETFs to carbon credits, an important asset class in the global drive to achieve carbon neutrality.

Nurturing talent is equally important to further promote green and sustainable finance. Having regard to the new trend of developing a low carbon and sustainable economy, we plan to launch a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme in the fourth quarter of 2022. Under the scheme, subsidies will be provided for the

training and acquisition of relevant professional qualifications, so as to encourage practitioners and prospective practitioners in the financial and other relevant sectors to participate in training, expand our local green finance talent pool, facilitate the industry to enhance its resilience against climate risks and to seize the relevant opportunities. The estimated provision of the Scheme is HK\$200 million.

Ladies and gentlemen, I am sure we all had a fruitful day today having attended the conference and it's time for me to conclude here. I would like to thank the Hong Kong Institute of Directors again for organising this meaningful conference. In a bid to strive towards a "Quality" and "Sustainable" market for the industry and Hong Kong, the Government will continue to work jointly with different stakeholders and every one of you. Going forward, I look forward to working join hands with all of you and I believe with our concerted efforts, we can pave the way for a sustainable and brighter future for Hong Kong. Thank you.