

Speech by SFST at Best Corporate Governance Awards 2019 Awards Presentation Luncheon (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr James Lau, at the Best Corporate Governance Awards 2019 Awards Presentation Luncheon this afternoon (December 5):

Patrick (President of the Hong Kong Institute of Certified Public Accountants (HKICPA), Mr Patrick Law), ladies and gentlemen,

Good afternoon. I had to miss your annual dinner last Monday but I am glad to be here today for the ceremony for the Best Corporate Governance Awards organised by the HKICPA.

The different categories of 26 awards are witnesses of many corporates striving very hard to achieve excellence in corporate governance. We are here to congratulate the winning companies but we do recognise the efforts and commitments of all participants.

Today I'd like to touch briefly on one aspect of global corporate governance, and that is sustainability and social responsibility. The United Nations Climate Change Conference, COP25, is meeting these two weeks in Madrid. They just issued a carbon tracking report yesterday that pointed to a rise in global carbon emission, notwithstanding commitments in previous conferences.

Sustainable development requires global efforts, and that includes us in Hong Kong. We are today in the 20th anniversary of the Awards and it is coincidental that it is called china anniversary, with a lowercase "c". China, with a capital "C", actually accords very high priority to sustainable development and social responsibility. When China was the G20 chair in 2016, it pushed very hard for the ratification of the COP21 Paris Agreement. But, on the contrary, a major G20 member has very recently started the process to withdraw from the Paris Agreement. Against this tide, Hong Kong still needs to play our role and our part for the greater global good. As the premier international financial centre in Asia, we have to shape our role as a regional hub for green finance through three different avenues.

First, we have issued guidance for environmental, social and governance (ESG) investment products as well as ESG reporting. In April, the Securities and Futures Commission (SFC) published guidance on enhanced disclosures for ESG investment funds in order to enhance transparency, comparability and credibility for their product offerings. As for ESG reporting for listed companies, the Hong Kong Exchanges and Clearing Limited published ESG guidance materials in May to improve issuers' disclosure of ESG activities and metrics. In September, the Hong Kong Green Finance Association published

guidelines on impact assessment for green bonds.

Secondly, the Hong Kong Monetary Authority (HKMA) set up in May the Centre for Green Finance under the Infrastructure Financing Facilitation Office as a platform for technical support for industry players in banking and finance. The HKMA has also decided in its management of the Exchange Fund to accord priority to green and ESG investments. The HKMA will continue to organise workshops to enhance green awareness and capacity building in Hong Kong.

The third point is about multilateral collaboration. In June, the HKMA joined the Network of Central Banks and Supervisors for Greening the Financial System to explore how to incorporate climate risk and other related factors in supervisory framework and macro surveillance work. The SFC will also be leading a working group for member regulators of the IOSCO (International Organization of Securities Commissions) in Asia-Pacific to consider recommendations for redirecting capital towards green and sustainable investments.

Let me close by just citing an example why Hong Kong, for its own sake, should champion sustainable development. Hong Kong is a low-lying coastal city and is susceptible to flooding from the rising sea level. The super typhoon Mangkhut that we saw in September last year caused serious and extensive damage to Hong Kong. The severe flooding we saw in Hong Kong and Macao is a dire reminder for all of us on the importance of sustainable development and, in this particular case, climate change. So, let us join hands and make this world a better and more sustainable one.

Thank you very much.