

Strategic Plan to Strengthen Hong Kong's Financial Ecosystem to Support a Greener and More Sustainable Future

As one of the defining issues of our time, climate change knows no borders and is a source of multiple risks affecting both the real economy and the entire financial system. These risks are approaching fast and increasingly being seen and felt around the world. Global challenges require a global solution. Addressing the impact of climate and environmental risks is a priority of governments and regulators and requires extensive global cross-disciplinary coordinated efforts. Here in Hong Kong, the Green and Sustainable Finance Cross-Agency Steering Group was set up in May 2020¹ to coordinate on these issues in the financial sector, while supporting international initiatives and alignment.

The challenges we face are enormous. But with immense challenges also comes immense opportunities. Hong Kong will do its part to make the world greener and a better place to live for future generations, and strive to achieve carbon neutrality before 2050.

But Hong Kong in and of itself is just a small part of the picture; as an international financial centre, there is a bigger role for Hong Kong to play. That is because finance fuels businesses and the economy. The Paris Agreement also recognises that finance plays a key role in the transition to a sustainable low carbon future. As a premier international financial centre, Hong Kong is well-equipped with a sound legal and regulatory system, deep and liquid capital markets, robust financial infrastructure and a wealth of financial intermediaries and talent. Strengthening Hong Kong's financial ecosystem to support a greener and more sustainable future can drive action in Hong Kong and beyond and contribute to the global agenda.

The Strategic Plan below sets out how Hong Kong will achieve this goal and consolidate its position as a leading green and sustainable finance and risk management centre, by strengthening the resilience and capabilities of our robust financial system, as well as by promoting market and product development and innovation whilst leveraging international collaboration and alignment to capture the enormous opportunities ahead. While climate change remains our top priority, we encourage market participants to also consider their approach to other environmental, social and governance (ESG) factors, which may also impact their businesses.

Hong Kong's commitment is clear. The time to act is now. We urge all of you to join us to take action collectively.

1. Strengthen the management of climate-related financial risks to consolidate Hong Kong's position as a global risk management centre

- **Acknowledge climate-related risks as a source of financial risks and implement measures to address them and build a climate-resilient financial system.** Take the lead and guide market participants to consider these risks as part of their governance, strategy, risk management and investment decision-making. Engage and collaborate with the industry and relevant stakeholders in managing climate-related risks as well as in addressing possible

¹ The Green and Sustainable Finance Cross-Agency Steering Group was set up in May 2020 with the aim of co-ordinating 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. It is co-chaired by the Hong Kong Monetary Authority and the Securities and Futures Commission, and members comprise 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.

hurdles and constraints. Integrate these risks into regulatory frameworks and supervisory expectations for financial institutions and listed companies.

- **Encourage asset owners, including public authorities, to take the lead in incorporating climate-related risks** when managing their own funds and selecting external asset managers.
- **Promote the use of tools to enhance understanding of the implication of climate change.** Explore and, if appropriate, facilitate the use of scenario analysis as a forward-looking assessment of financial and strategic resilience against different climate pathways.
- **Align with globally recognised standards, principles and taxonomies to assess sustainability and to avoid greenwashing,** taking into consideration the ongoing international efforts in harmonising taxonomies and setting standards. Explore the development of a local taxonomy for use across financial sectors in Hong Kong taking into account both global experience and local circumstances.

2. Promote the flow of climate-related information at all levels to facilitate risk management, capital allocation and investor protection

- **Further enhance climate-related disclosure and its communication among market players** such as banks, investment management firms and funds, insurance companies, pension trustees and listed companies. Encourage financial institutions to request climate-related disclosure from companies that they lend to, invest in or insure.
- **Support increased availability of and accessibility to standardised, relevant and credible climate-related data** to facilitate measuring financial impact and exploring relevant opportunities.

3. Enhance capabilities of market participants and raise awareness among the general public

- **Expand and strengthen Hong Kong's overall green and sustainable finance capabilities.** Support capacity building, training and nurturing of local expertise on green and sustainable finance to fill skill gaps and build up market knowledge. Encourage collaboration among government agencies, industry bodies, financial institutions, universities, research centres and relevant stakeholders. Explore potential initiatives to encourage take up of training courses and skill upgrades. Develop a cross-sectoral repository of green and sustainable finance resources for public access, in addition to the Sustainable and Green Exchange ([STAGE](#)).
- **Intensify market outreach initiatives** to raise awareness and enhance understanding of green and sustainable finance. Collaborate with the industry and relevant stakeholders to organise events to foster exchange of views and feedback.
- **Promote wider investors' awareness by strengthening collaboration among regulators, the Investor and Financial Education Council, industry practitioners and relevant stakeholders.** Publish and incorporate educational content in mass media and online channels, media interviews, public talks as well as social media.

4. Encourage innovation and explore initiatives to facilitate capital flows towards green and sustainable causes

- **Encourage greater take up in the green and sustainable finance market.** Explore potential initiatives to promote market development and enhance market infrastructure, as well as using supervisory processes and powers to enable a greener financial system.
- **Enhance the depth and breadth of the market and encourage product innovation and diversification.** Support, promote and facilitate the innovation, development and adoption of a growing range of green and sustainable financial products. Explore enhancement of listing and trading platforms for these products.
- **Explore utilising technologies such as big data, AI and blockchain to support green and sustainable finance development.** Engage technology companies, financial institutions, research centres and relevant stakeholders in Hong Kong, Mainland China and overseas to share knowledge and experience.

5. Capitalise on the opportunities presented by the Mainland to develop Hong Kong into a green finance centre in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA)

- **Leverage Hong Kong's strengths as an international financial centre in contributing to the national green development.** Encourage more Mainland 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.
- **Advance financial cooperation with the Mainland** to facilitate the national transition to a green, low-emission and climate-resilient economy. Strengthen collaboration with GBA authorities to create a vibrant green and sustainable finance ecosystem in the area, and to develop the GBA into a quality living area and a cluster of world-class cities with international competitiveness. Explore the development of a carbon market in the GBA.

6. Strengthen regional and international collaboration

- **Work with like-minded peers regionally and globally in promoting best practices in green and sustainable finance and tackling market constraints.**
- **Foster regional collaboration and a green and sustainable transition of the regional economy.** Explore ways to facilitate regional capacity building for financial institutions and undertake research to provide market insight and enhance discussion and coordination on relevant issues.

Co-chairs:

Hong Kong Monetary Authority
Securities and Futures Commission

Members:

Environment Bureau
Financial Services and the Treasury Bureau
Hong Kong Exchanges and Clearing Limited
Insurance Authority
Mandatory Provident Fund Schemes Authority