

# HONG KONG **GREEN** AND **SUSTAINABLE** **FINANCE** SURVEY



**HKGFA**  
香港綠色金融協會  
Hong Kong Green Finance Association

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## About the Hong Kong Green Finance Association

Founded in September 2018, the Hong Kong Green Finance Association (HKGFA) is a platform that offers channels and opportunities to facilitate the development of green finance and sustainable investments in Hong Kong and beyond. It aims to mobilise public- and private-sector resources and talents in developing green finance policies, to promote business and product innovation within financial institutions. HKGFA's main goal is to position Hong Kong as a leading international green finance hub by providing greater access and opportunities for Hong Kong's financial institutions to participate in green financing transactions locally, in mainland China, and in markets along the Belt & Road Initiative. This is in line with the global trend of implementing the UN sustainable development goals and the Paris Agreement. Currently, the Association has members of over 100 financial institutions, companies, service providers and other key stakeholders.

# INTRODUCTION

Since the first green bond was issued in Hong Kong 5 years ago, the local green finance market has evolved tremendously with different incentives and policies implemented to attract a diversified pool of issuers and investors of green bonds. The Hong Kong Green Finance Association has launched a Green and Sustainable Finance Survey in September 2020 to solicit opinions from market participants and stakeholders on their thoughts of the state of the market, opportunities and barriers, as well as key drivers to further develop Hong Kong as a leading green and sustainable finance centre.

## KEY FINDINGS

1

Among issuers applied for the Green Bond Grant Scheme, over half has expressed satisfaction of the application experience.



>50%

2

Over half of the survey respondents are optimistic about the establishment of the Green and Sustainable Finance Cross-Agency Steering Group in May 2020 and the leadership it will bring.



>50%

3

Two thirds of respondents believe government support and leadership through policies and incentives to mobilise the market is key, as issuers and investors seek to overcome obstacles such as lack of relevant market infrastructure and inadequate financial incentives.



# Respondents Dynamics

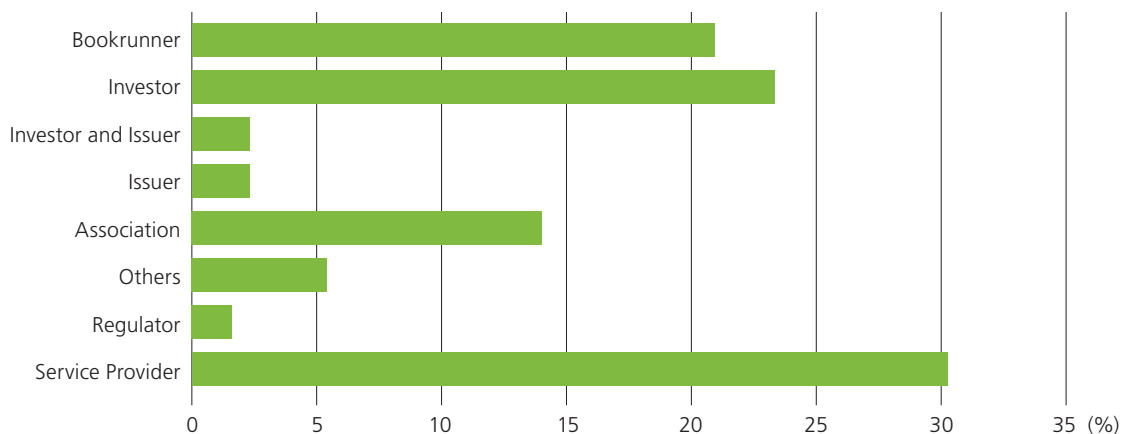
The survey covered 129 respondents across sectors and industries. One third of the respondents are Service Providers, followed by Investors and Bookrunners. Some intuitional respondents also play multiple roles, as both investors and issuers.

Among the respondents, over 80% have a base in Hong Kong. Market participants from China, Singapore, Australia, Netherlands, and United Kingdom also participated in this survey.

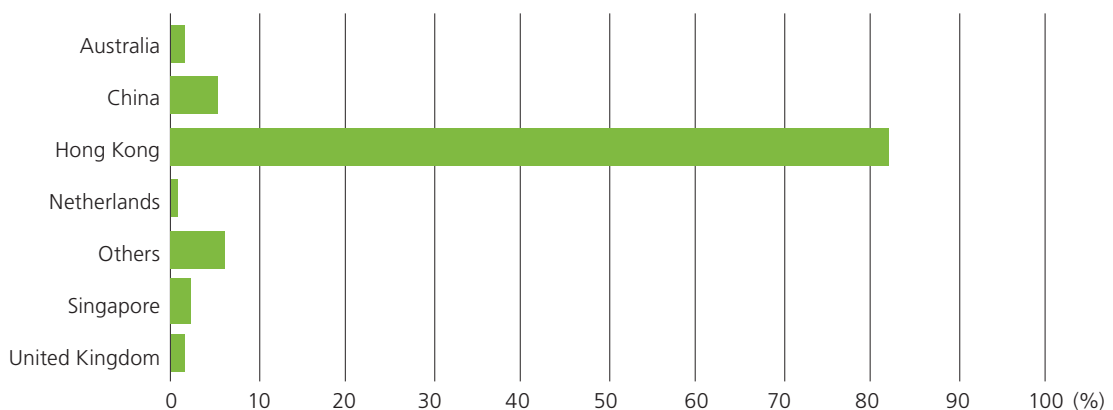
While we observed diversification as the respondents represented interests of 19 different industries, close to one-third are from the banking sector. Asset managers and asset owners are the second largest group, accounting for 17%, followed by non-governmental organisations (NGO) and non-profit organisations (NPOs) (16%), and business service providers (16%). Others sectors represented include insurance, technology, media, and telecom (TMT), industrials, real estate and the public sector.

## Q1. How do you best identify the role of your organisation?

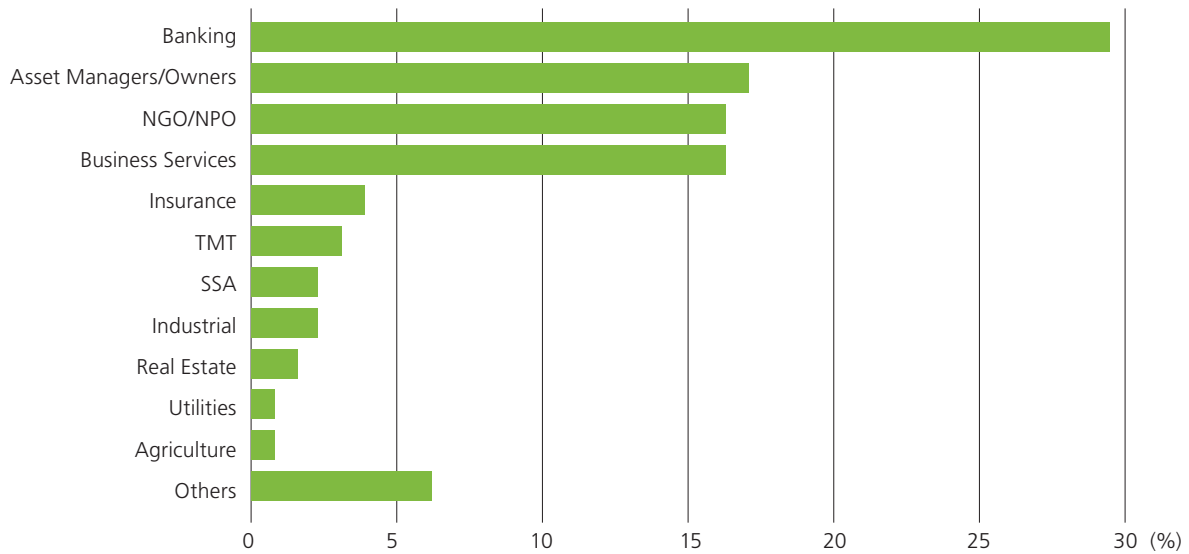
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## Q2. Participants Geographic Presence



### Q3. Participants Information Sector



## Hong Kong's Green and Sustainable Finance Market Drivers

On 15 November 2018, the Legislative Council passed a Resolution authorizing the HKSAR Government to borrow up to a maximum principal amount outstanding at any time of HK\$100 billion or equivalent under the Government Green Bond Programme (“GGB Programme”)<sup>#</sup>. As a consistent step to consolidate and develop Hong Kong’s position as a premier green finance hub regionally and internationally, the Financial Secretary announced in his 2020-21 Budget the plan to issue green bonds totalling HK\$66 billion (about US\$8.5 billion) in the next five years from 2020-21.

For Hong Kong to pave its way to a leading green and sustainable finance hub, over a half of the respondents endorse the significance of government leadership via legislative and financial incentives. Cohort of green and

sustainable finance professionals within the ecosystem based in Hong Kong is also a recognized factor, with 20% support.

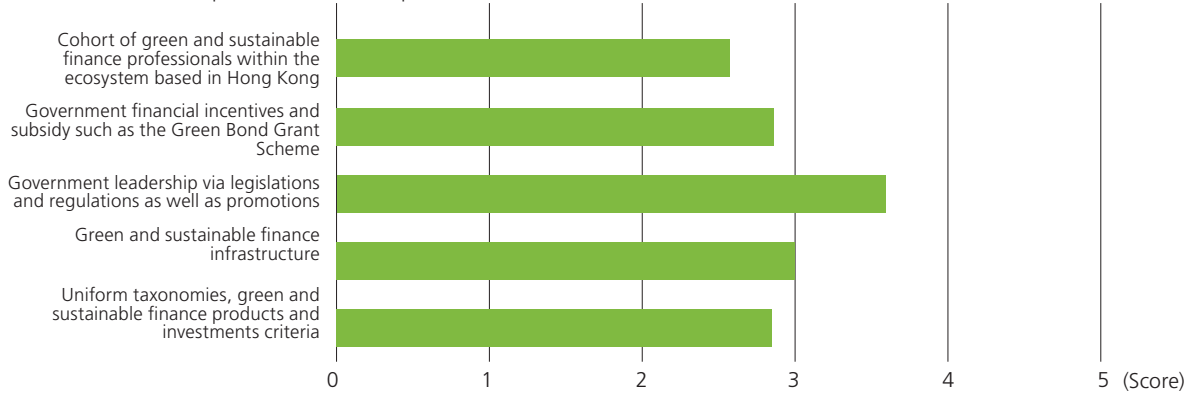
On the issuers side, availability of green or sustainable projects or investment opportunities is the most important consideration for a potential Green or Sustainable Bond issuance: 47% of the respondents recognize this as the top factor for their stance.

On the investors side, nearly a quarter of respondents regard risk and return of investment as the most important factor in their consideration of a potential green or sustainable bond investment. Out of seven other factors, the next most popular was certification obtained or taxonomy/standard aligned by a green or sustainable bond investment, with 23% support.

<sup>#</sup> Government Green Bond Programme <https://www.hkgeb.gov.hk/en/greenbond/greenbondintroduction.html>

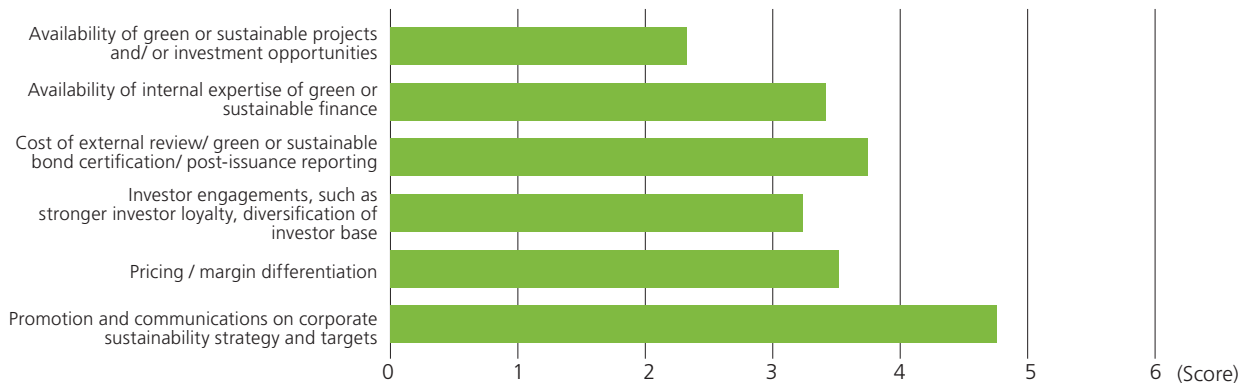
**Q4. Please rank below factors in the order of importance for Hong Kong to become a leading green and sustainable finance hub?**

(5 = most important, 1 = least important)



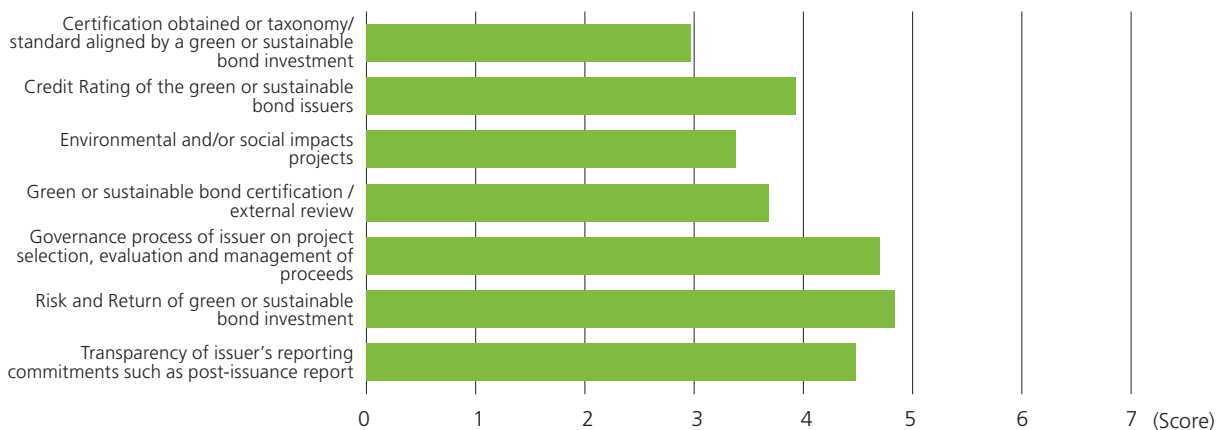
**Q5. Please rank below factors in the order of importance during your consideration of a potential Green or Sustainable Bond issuance?**

(for issuers only, 6 = most important, 1 = least important)



**Q6. Please rank below factors in the order of importance in your consideration of a potential Green or Sustainable Bond investment?**

(for investors only, 7 = most important, 1 = least important)



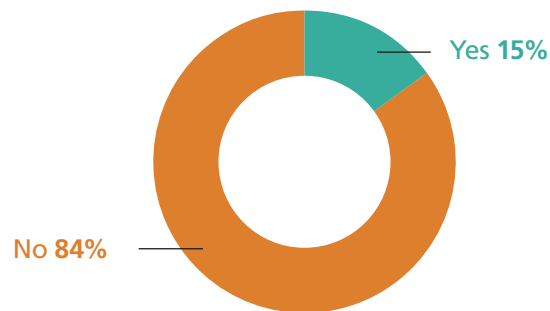
## Opportunities and Barriers

As at year end of 2019, a cumulative of over USD26bn of Green bonds have been arranged and issued in Hong Kong and over USD7bn Green Bond has been issued by Hong Kong issuers according to Climate Bonds Initiative (CBI).

Despite the growth of green and sustainable bond market activities in Hong Kong, significant barriers remain. [While 15% of the respondents reported experience in issuing green bonds in Hong Kong,]

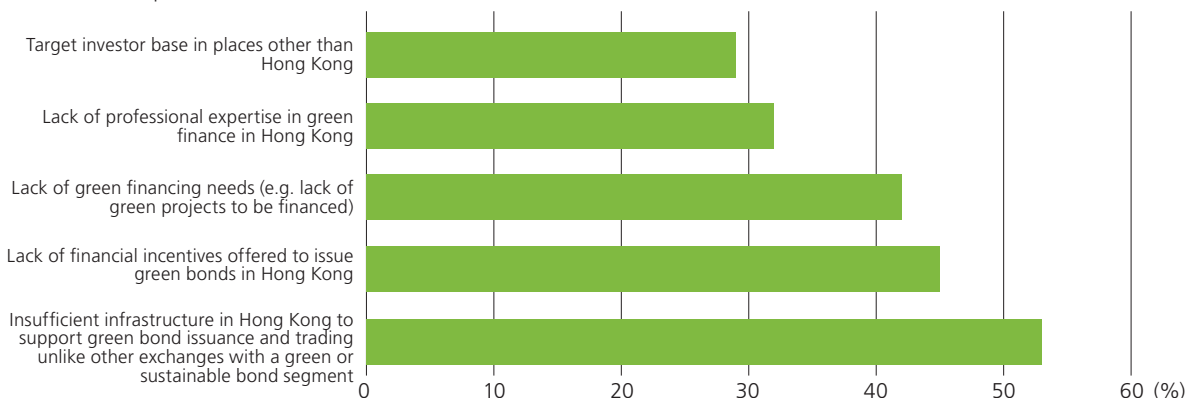
The lack of market infrastructure in Hong Kong is the chief obstacle that issuers identify. Over 50% of those report obstacles see infrastructure in Hong Kong to support green bond issuance and trading as insufficient, unlike other exchanges with a green or sustainable bond segment. Financial incentive is also a significant issue: 45% see it as inadequate. Issuers also tend to see the lack of green financing needs, e.g. lack of green project to be financed — the third-ranking obstacle overall.

### Q7. Have you ever issued green bond(s) in Hong Kong?



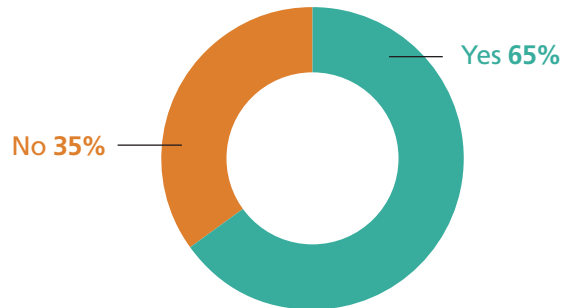
### Q8. What is/ are the reason(s) for not issuing a green bond in Hong Kong?

(Optional to choose more than 1)

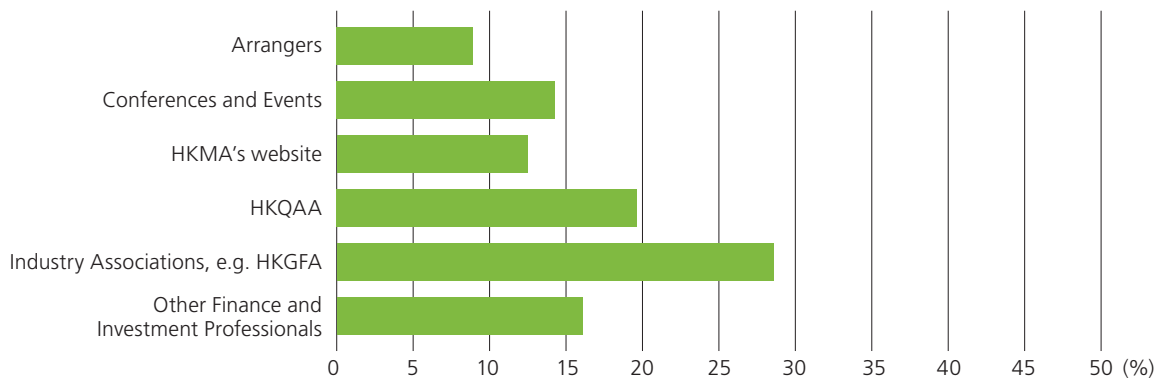


# Green Bond Grant Scheme

## Q9. Are you aware of the GBGS?



## Q10. How did you find out about GBGS?



Close to two thirds of the survey participants are aware of the FSTB-led Green Bond Grant Scheme ('GBGS') through industry associations such as the Hong Kong Green Finance Association (HKGFA) which subsidises eligible green bond issuers in obtaining certification under the Green Finance Certification Scheme (GFCS) established by the Hong Kong Quality Assurance Agency.

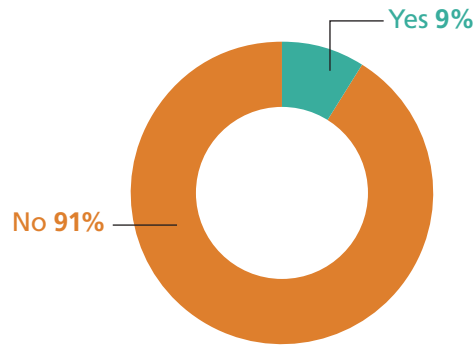
Among issuers participated in the survey but have not applied the GBGS, majority has expressed the reasons being their

unfulfillment of at least one of the criteria, i.e. by the choice of external reviewer (HKQAA's GFCS), location of listing and arranging activities (Hong Kong), issuance size (minimum HKD 500 million in equivalent), or type of financial instruments (green bond).

Among issuers participated in the survey and applied for the GBGS, nearly half has expressed their satisfaction with the processing time with the extent of information requested for their applications being just appropriate.



**Q11. Have you applied to the GBGS?**

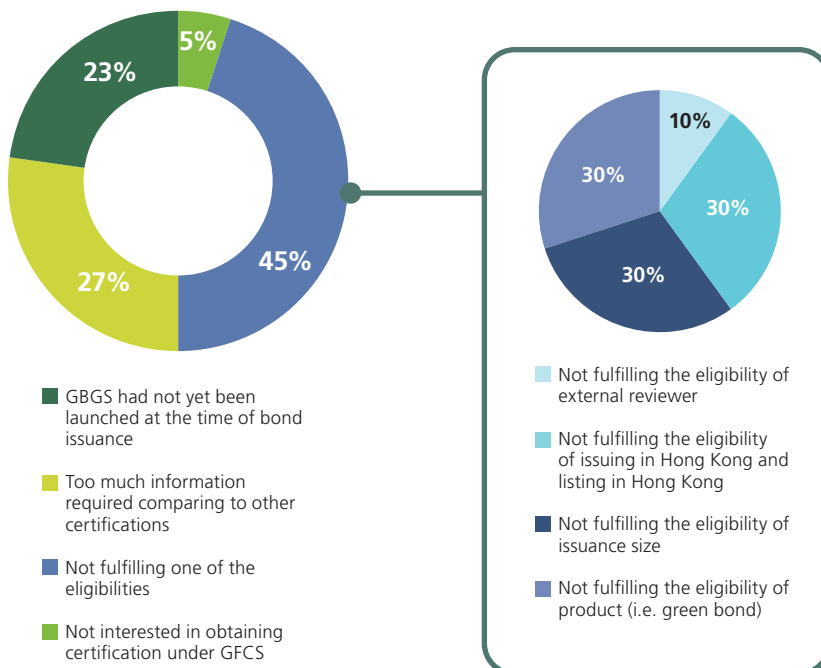


Based on the feedback from the survey participants and current scope of the GBGS, the Government may explore the possibility of the expansion of the eligibility for the current GBGS to include any external reviews done based on internationally or regionally recognised principles, standards, taxonomy or frameworks. This can take the form of a second opinion, verification, third party certification, or green bond rating (separate from the issuer’s ESG rating).

List of Commonly Accepted international and regional principles and guidelines
ICMA’s Green Bond Principles
CBI’s Climate Bonds Standards
EU Green Bond Standards
PBoC’s Green Bond Guidelines
China NDRC’s Guidelines
ASEAN Green Bond Standards

**Q12. What is/ are the reason(s) for not applying the GBGS?**

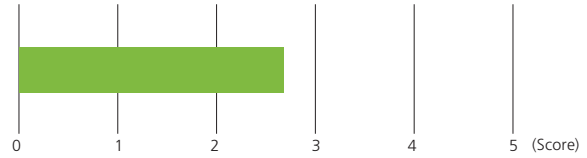
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On top of green bonds, there are other sustainable bond option for issuers to consider. Since the first sustainability-linked bond issued by the Italian energy Group Enel in 2019, the green finance market has evolved with more innovative products emerging. Hence, a lot of participants believe the expansion of the GBGS to cover other products such as sustainability-linked bonds and transition bond and sustainability bonds would be beneficial.

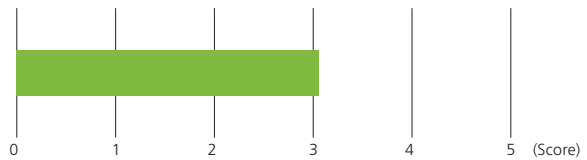
**Q13. How would you rate the processing time of your application?**

(1 = least satisfied, 5 = very satisfied)



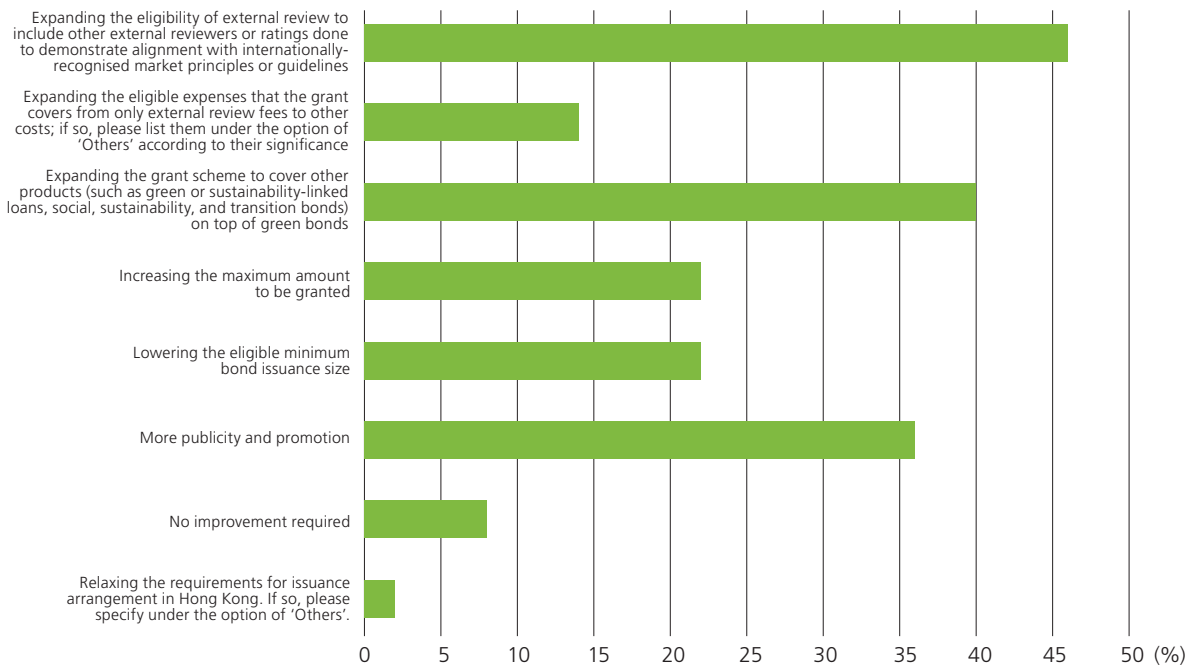
**Q14. How would you rate the processing time of your application?**

(1 = least satisfied, 5 = very satisfied)



**Q15. How do you think the GBGS can improve?**

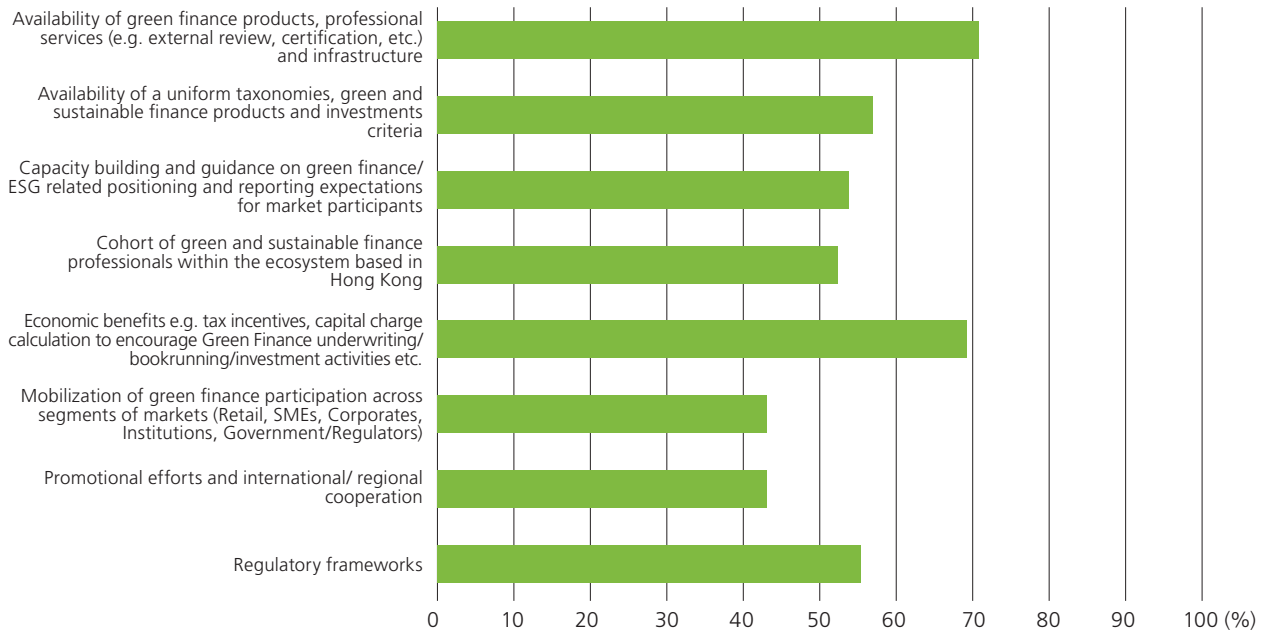
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# Beyond Green and Sustainable Bonds

## Q16. Which of the following(s) will contribute to the continual development of Hong Kong as an international green and sustainable finance center?

(Optional to choose more than 1)



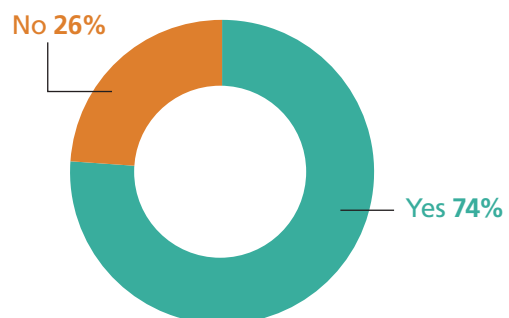
As Hong Kong continues to excel to become an international green and sustainable finance centre, the availability of a comprehensive ecosystem of green finance products such as ESG funds and green ETFs, professional services (e.g. external reviewers, service providers) and infrastructure will be vital. Survey participants also believe economic benefits such as tax incentives and capital charge calculation, that can encourage green finance underwriting, bookrunning and investment activities, will encourage individuals and corporates to commit to this global climate goal significantly.

In addition to the diversity of products, governmental and regulatory support would also be essential for Hong Kong to achieve its status as a green and sustainable finance hub. In this regard, do we need a local green taxonomy for Hong Kong or the region amid

the already established EU taxonomy and Chinese green catalogue? Will new standards confuse instead of clarifying?

Three-fourths of the survey participants agreed to the necessity of a local standard or taxonomy with further explanations. Whilst a uniformed approach can help set

## Q17. Do you think a local green/ social/ sustainability taxonomy/ standard/ guideline is required for Hong Kong or the region?



clear baseline for the classification and best practices in sustainable finance for Hong Kong and the region, such standards or taxonomy should not be reinvented. Instead, they should

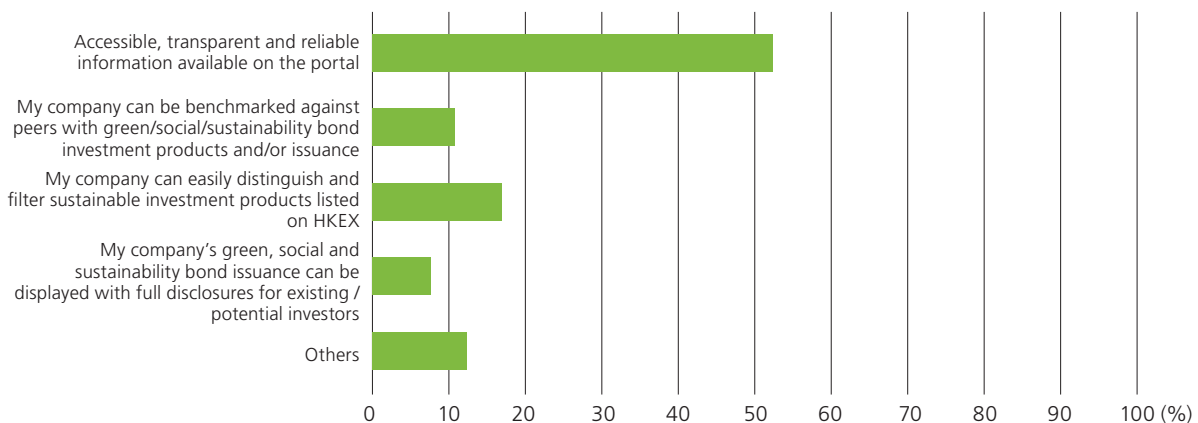
align to the common design of the existing taxonomies or standards that is sufficiently localized for key sectors to guide Hong Kong to transit into a low carbon city.

Selected Common Explanations for answering Yes	Selected Common Explanations for answering No
Local taxonomy suited for local businesses/ sectors but aligned to international taxonomies	Perhaps can align with existing national best practices
It would help but may add yet more regulatory burden	The objective should be to align with and harmonise with global standards
Industry-specific technical standards/taxonomy in local landscape will be beneficial to low-carbon transition of Hong Kong companies	Can adapt others Better to support the effort in the China-EU taxonomy harmonisation

Currently, the European Union and China have already agreed to co-lead a working group on green taxonomies within the International Platform on Sustainable Finance (IPSF); the working group will develop a 'common ground taxonomy' by mid-2021 to showcase overlaps between catalogues of environmentally friendly investments. It will be critical for Hong Kong to follow closely the development and further align the existing practices to it in the future to keep relevancy.

**As part of the regulatory support, the HKEX will launch the Sustainable and Green Exchange (STAGE)<sup>#</sup> by the end of 2020 in Hong Kong aiming to provide greater information, access and transparency on a wide range of sustainable, green and social investment products.** STAGE is expected to benefit all market stakeholders especially issuers and investors: with potential mandatory pre- and post-issuance disclosures available, investors believe they can make better decisions based on the publicly available and credible information provided by the issuers that have been verified.

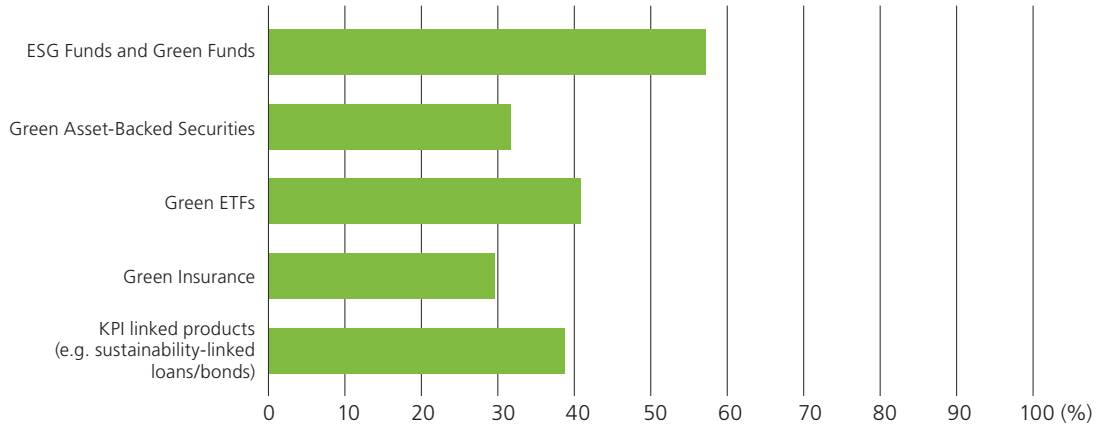
**Q18. How do you expect to benefit from the newly announced and to be launched Sustainable and Green Exchange by HKEX?**



<sup>#</sup> "The Sustainable and Green Exchange (STAGE) <https://www.hkex.com.hk/eng/stage/index.htm>"

**Q19. Beyond green bond, what other green and sustainable financial products should be further promoted in Hong Kong for more vibrant market development?**

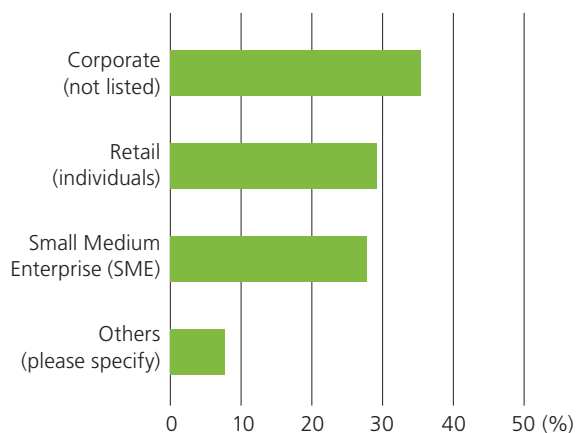
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**Key to further develop the market and maintain Hong Kong's competitiveness as the leading green and sustainable finance hub**

While green and sustainable finance activities in Hong Kong have been mainly driven by financial institutions and listed corporates, respondents are keen to see further support to grow the market in almost all segments, which include private corporates, small and medium enterprises (SMEs), individuals, and others such as asset owners and managers and non-governmental organizations (NGOs).

**Q20. Green and sustainable finance has been led by larger financial institutions and listed corporates, what other market segment should be further supported to grow green and sustainable finance in Hong Kong?**



Key to further develop the market and maintain Hong Kong's competitiveness as the leading green and sustainable finance hub

The Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) initiated the establishment of the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group). Other members are the Environment Bureau, the Financial Services and the Treasury Bureau (FSTB), Hong Kong Exchanges and Clearing Limited (HKEX), the Insurance Authority (IA) and the Mandatory Provident Fund Schemes Authority (MPFA). The Steering Group agreed to provide strategic direction, with a focus on regulatory policy and market development, to bolster Hong Kong's position as a leading green and sustainable finance centre in Asia and globally. It will also facilitate regional cooperation, including in the Guangdong-Hong Kong-Macao Greater Bay Area. The Steering Group has set up two work streams: to study and address cross-sectoral regulatory issues, and to coordinate cross-agency market development efforts.

When asked about their expectation following the establishment of the Green and Sustainable Finance Cross-Agency Steering Group, 58% of respondents are optimistic about the leadership it will bring to establish strategic policies and directions, enhance collaboration among stakeholders, accelerate awareness and scale up Hong Kong's green and sustainable finance market. Moreover, 45% of respondents who is positive about the Steering Group establishment are expecting pivotal developments in the adoption and implementation of policies and guidelines.

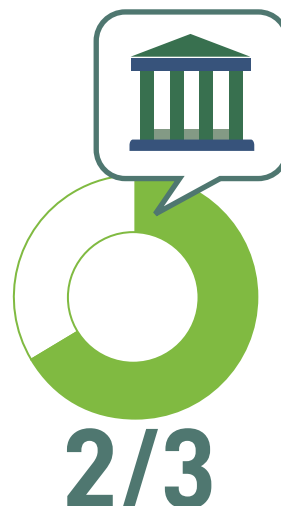
This is also echoed in their recommendations to make Hong Kong the leading green and sustainable finance hub in the region and internationally, as two thirds of respondents believe government support and leadership through regulations and incentives to mobilise the market is key. A number of respondents are also keen to see enhanced regional and international cooperation, and initiatives of other global green financial hubs in terms of policy support, talent development and taxonomy adoption.

#### Q21. Expectations following the establishment of the Green and Sustainable Finance Cross-Agency Steering Group



Over half of the survey respondents are optimistic about the establishment of the Green and Sustainable Finance Cross-Agency Steering Group in May 2020 and the leadership it will bring.

#### Q22. Recommendations to make Hong Kong the leading green and sustainable finance hub in the region and internationally



Two thirds of respondents believe government support and leadership through policies and incentives to mobilise the market is key, as issuers and investors seek to overcome obstacles such as lack of relevant market infrastructure and inadequate financial incentives.

### Q21. Selected expectations following the establishment of the Green and Sustainable Finance Cross-Agency Steering Group

We hope to provide more policy and resource support for the development of green finance

Liaise with tax authority to provide tax benefit for green financing which could differentiate with plain vanilla bond

To better stimulate sustainable and green finance development in regulations, standards/taxonomy development

More incentives and a push on taxonomy and regulation

I expect this will accelerate the adoption of ESG initiatives the region

More education material for green and sustainable financing

Enhanced public and private sector partnership to raise awareness (particularly in relation to, and expansion of, sustainability indices), promote products, enhance transparency and disclosure

To lead ground breaking initiatives that helps develop the ESG investor base in Asia and the region, starting with the HKMA Exchange Fund, and MPFs in Hong Kong

### Q22. Selected recommendations to make Hong Kong the leading green and sustainable finance hub in the region and internationally

Enforcement of reporting requirements on HKEx, to ensure HK's credibility is maintained

Launch green retail bond by government to draw attention to the public on green event

Top-down regulatory requirements, standard/taxonomy alignment with both China and EU, and incentives to both corporates and financial institutions are important

Get more companies involved, promote ESG as not just a buzz word but by real action and support like in parts of Europe

Build a user-friendly and robust data management system

– Work with other regional and international financial markets to create cross-geographic tools, standards, and opportunities. Work with Singapore, China, UK and EU in particular.

- Clear government guidance and support in related industries (building/construction, recycling) to encourage more green projects as a starting point
- Government built infrastructure to support circular economy

– Can use the United Nations and IFC to facilitate this

- Invest in people across all levels (academics, finance, construction)
- Offer tax incentives for corporates, funding for start-ups
- Most importantly, lead by example