

Latest Developments of Green and Sustainable Finance (2nd half of 2022)

This policy update is prepared by the Policy Research and Dissemination Working Group of the Hong Kong Green Finance Association. To read more about the working group, visit:

<https://www.hkgreenfinance.org/working-group/policy-research-and-dissemination/>

1. Hong Kong

- **Hong Kong Exchanges and Clearing Limited (HKEX) launched the Hong Kong International Carbon Market Council:** On 5 July, HKEX launched the Hong Kong International Carbon Market Council (the Council) to explore carbon opportunities in the region. The Council, composed of several leading corporations and financial institutions, will gather insights from members on the development of an efficient and effective Hong Kong-based international carbon market, with best-in-class market infrastructure, products, and services.¹
- **The Securities and Futures Commission (SFC) published its Agenda for Green and Sustainable Finance:** On 2 August, the SFC published its Agenda for Green and Sustainable Finance to lay out further steps to support Hong Kong's role as a regional green finance centre. The SFC will focus on enhancing corporate sustainability disclosures; monitor the implementation and enhancement of sustainable finance measures; and identify appropriate regulatory framework for prospective carbon markets.²
- **The HKSAR Government released the Green Bond Report 2022:** On 31 August, the HKSAR Government released the Green Bond Report 2022, which details the allocation of the proceeds raised from green bond issuances and the expected environmental benefits of the projects financed on an annual basis. This year's Report includes the inaugural retail green bonds, which is the world's largest retail green bond issuance. So far, the HKSAR Government successfully issued government green bonds totalling close to US\$10 billion equivalent.³
- **The Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) launched the Sustainable Finance Internship Initiative:** On 12 October, the Steering Group launched the Sustainable Finance Internship Initiative (the Initiative) to create and promote local sustainable finance internships opportunities. The Initiative will offer students an opportunity to gain practical hands-on experience in the growing field sustainable finance, with The Hong Kong Monetary Authority, the SFC, the Insurance Authority, the Mandatory Provident Fund Schemes Authority and HKEX hiring sustainable finance interns. All internship positions will be centralised and listed at the Centre for Green and Sustainable Finance's internship repository.⁴
- **The Hong Kong Mortgage Corporation Limited (HKMC) published its Social, Green and Sustainability Financing Framework (SGS Framework):** On 17 October, HKMC set up its SGS Framework as the basis to structure and issue social, green and/ or sustainability bond(s) and asset-backed securities. The HKMC obtained a Second-Party Opinion from Sustainalytics, which is of the opinion that the SGS Framework is credible, impactful, and aligns with the Sustainability Bond Guidelines (2021), and Social Bond Principles (2021) and Green Bond Principles (2021) by the International Capital Market Association (ICMA).⁵

¹ https://www.hkex.com.hk/News/News-Release/2022/220705news?sc_lang=en

² <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=22PR59>

³ https://www.hkgb.gov.hk/en/others/documents/Green_Bond_Report_2022.pdf

⁴ <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2022/20221012e1.pdf>

⁵ <https://www.info.gov.hk/gia/general/202210/17/P2022101700719.htm>

- **HKEX launched Core Climate, Hong Kong’s international carbon marketplace:** On 28 October, HKEX launched Core Climate, a new international carbon marketplace that aims to connect capital with climate-related products and opportunities in Hong Kong, Mainland China, Asia and beyond. Core Climate will provide effective and transparent trading of voluntary carbon credits sourced from internationally certified carbon projects and verified against international standards, such as the Verified Carbon Standard by Verra. Between 28 October and 24 November, Core Climate recorded more than 40 trades, representing a total volume of approximately 400,000 tonnes of carbon credits.⁶
- **The HKSAR Government launched the Pilot Green and Sustainable Finance Capacity Building Support Scheme (the Pilot Scheme):** On 13 December, the HKSAR Government launched the three-year Pilot Scheme to encourage local eligible practitioners and prospective practitioners to participate in training related to green and sustainable finance. In the 2022-23 Budget, the Financial Secretary earmarked \$200 million for the Pilot Scheme to provide subsidies for the training and acquisition of relevant professional qualifications in sustainable finance. Since October 2022, the Pilot Scheme has been accepting applications for registration as eligible programmes. Nineteen applications registered as eligible programmes and the list of eligible programmes will continue to be updated. The Scheme is administered by the Centre for Green and Sustainable Finance.⁷
- **The Steering Group announced its collaboration with CDP to enhance data availability and sustainability reporting in Hong Kong:** On 20 December, the Steering Group entered a collaboration arrangement with CDP, a global non-profit that runs the world’s environmental disclosure system, to jointly enhance climate data availability and sustainability reporting in Hong Kong. The pair will focus on enhancing climate and environmental disclosure; support capacity building and upskilling; and facilitate data flow. A Climate and Environmental Risk Questionnaire for Non-listed companies/small and medium-sized enterprises (SMEs) is also developed as a first cross-sector reporting template designed for first-time reporting corporates in Hong Kong.⁸ To encourage participation, the Steering Group and CDP will arrange targeted capacity building sessions early next year and work with the financial institutions and industry bodies to deploy the questionnaire. The Steering Group will also launch a data portal to collect and allow financial institutions to access relevant corporate data, subject to consent.⁹

⁶ https://www.hkex.com.hk/News/News-Release/2022/2211242news?sc_lang=en

⁷ <https://www.info.gov.hk/gia/general/202212/13/P2022121300609.htm>

⁸ <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2022/12/20221220-5/>

⁹ <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2022/12/20221220-5/>

2. Mainland China

- **China's Green Bond Standard Committee (GBSC) published the new Green Bond Principles:** On 29 July, China's GBSC published the new China Green Bond Principles to unify its national market under one standard. The principles largely align with international practices and reference to the Green Bond Principles by the ICMA. The Principles, for the first time, require that 100% of funds raised by green bond issued in China be used for green projects.¹⁰
- **The List of Climate Investment and Finance Pilots announced:** On 10 August, the Ministry of Ecology and Environment and eight other ministries announced the approval of 23 climate investment finance pilots. The pilot projects will inform a policy framework conducive to the development of climate investment and financing and support in the eventual expansion nationwide.¹¹
- **The Overall Plan for the Construction of the Chongqing Green Finance Reform and Innovation Pilot Zone issued:** On 19 August, The Overall Plan for the Construction of the Chongqing Green Finance Reform and Innovation Pilot Zone was issued by the People's Bank of China, the National Development and Reform Commission, and six other ministries and commissions, with the approval of the State Council of the People's Republic of China. Chongqing is the first municipality to unveil plans to create a green finance reform and innovation pilot zone and plays a significant role in promoting the green development of the Yangtze River Economic Belt. Six other Chinese provinces will launch similar pilot zone, including Zhejiang, Jiangxi, Guangdong, Guizhou, Xinjiang, and Gansu.¹²
- **The China Banking and Insurance Regulatory Commission (CBIRC) announced the Statistical Systems for Green Insurance Business:** On 10 November, the CBIRC released a notice on the Statistical Systems for Green Insurance Business, which calls for all insurance companies to contribute to the transition to a green economy by focusing on the concept of green development, grasp the definition and connotation of green insurance, and ensure high-quality statistical work of green insurance business. The CBIRC will continue to push guidelines on green insurance and promote the development of green insurance business.¹³
- **China and the IFRS Foundation signed a Memorandum of Understanding (MoU) to establish an International Sustainability Standards Board (ISSB) office in Beijing:** On 29 December, the Ministry of Finance of China, and the Trustees of the IFRS Foundation signed an MOU to establish a Beijing office of the IFRS Foundation. The Beijing office is established as a representative office, expected to open in 2023, with a focus in collaboration and cooperation with other IFRS Foundation offices around the globe. The office will lead and execute the ISSB's strategy for emerging and developing economies, acting as a hub for stakeholder engagement in Asia, facilitating deeper co-operation and engagement with stakeholders, and undertaking capacity-building activities for emerging economies, developing countries and SMEs.¹⁴

¹⁰ <https://nafmii.org.cn/ggtz/gg/202207/P020220801631427094313.pdf>

¹¹ https://www.mee.gov.cn/xxgk2018/xxgk/xxgk04/202208/t20220810_991388.html

¹² https://www.yn.gov.cn/ztgg/lqhm/lqzc/gbhqwj/202208/t20220831_246530.html

¹³ <http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1081027&itemId=925&generalType=0>

¹⁴ <https://www.ifrs.org/news-and-events/news/2022/12/IFRS-Foundation-and-China-MoF-sign-an-MoU-to-establish-an-issb-office-in-China/>

3. Global Markets

- **The Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-Linked Bond Principles (the Principles) announced key publications and resources:** On 28 June, the Principles announced new and updated publications including new definitions for green securitisation, updated key performance indicators for Sustainability-Linked Bonds and new resources for climate transition finance. In support of market transparency and development, the new and updated publications and resources provides market participants and stakeholders with an essential reference for product standards, agreed terminology and technical consistency.¹⁵
- **The European Securities and Markets Authority (ESMA) published its Strategy for 2023-2028:** On 10 October, ESMA published its Strategy for 2023-2028 (the Strategy). The Strategy details long-term priorities and response mechanisms to future challenges and development, which include fostering effective markets and financial stability and strengthening supervision of the European Union’s financial markets, enhancing protection of retail investors, enabling sustainable finance, and facilitating technological innovation and effective use of data.¹⁶
- **The Platform on Sustainable Finance (PSF) published final report on the EU Taxonomy and the application of minimum safeguards:** On 11 October, the PSF published Final Report on Minimum Safeguards, which advises on the application of minimum safeguards in relation to the Taxonomy Regulation Article 3 and 18. The PSF also published another report on Data and usability of the EU Taxonomy. The reports will be analysed by the Commission.¹⁷
- **ISSB confirmed requirement to use climate-related scenario analysis:** On 1 November, the ISSB confirmed that companies are required to use climate-related scenario analysis to report on climate resilience and to identify climate-related risks and opportunities to support their disclosures. The ISSB also announced to provide application support to preparers including making use of materials developed by the Task Force for Climate-Related Financial Disclosures to provide guidance on how to undertake scenario analysis.¹⁸
- **The International Platform on Sustainable Finance (IPSF) published a report on transition finance:** On 9 November, the IPSF published a report on transition finance which develops a set of voluntary “Transition Finance Principles” to help markets plan and communicate about the transition, seek financing for it, provide appropriate financing, and eventually encourage a more vigorous transition. The IPSF’s “Transition Finance Principles” were also presented to the G20 Sustainable Finance Working Group (G20 SFWG) as input for the development of the G20 SFWG Transition Finance Framework, a core part of the G20 SFWG’s work plan for 2022.¹⁹
- **The International Organization for Securities Commissions (IOSCO) outlined next steps:** On 9 November, IOSCO presented actions it undertakes to protect investors by mitigating greenwashing in financial markets, to contribute to sustainability disclosure standards benefitting issuers and investors, and to promote well-functioning carbon markets.²⁰

¹⁵ <https://www.icmagroup.org/News/news-in-brief/the-principles-announce-key-publications-and-resources-in-support-of-market-transparency-and-development/>

¹⁶ <https://www.esma.europa.eu/press-news/esma-news/esma-announces-strategic-priorities-next-five-years>

¹⁷ https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en

¹⁸ <https://www.hkgreenfinance.org/issb-confirms-requirement-to-use-climate-related-scenario-analysis/>

¹⁹ https://finance.ec.europa.eu/system/files/2022-11/221109-international-platform-sustainable-report-transition-finance_en.pdf

²⁰ <https://www.iosco.org/news/pdf/IOSCONEWS669.pdf>

- **The Financial Stability Board (FSB) and Network for Greening the Financial System (NGFS) published Climate Scenario Analysis by Jurisdictions:** On 15 November, the FSB and the NGFS published a joint report outlining preliminary findings from climate scenario analyses done by financial authorities to assess climate-related financial risks. The report calls for greater cross-border cooperation, sharing knowledge and practices, in addition to the issuance of robust guidelines on how to conduct climate scenario analysis.²¹
- **27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27):** Between 6 to 20 November, the COP27 brought together more than 100 Heads of State and Governments and over 35,000 participants to work towards achieving the world's collective climate goals as agreed under the Paris Agreement and the Convention. The COP27 hosted a series of high-level and side-events, key negotiations, and press conferences, which concluded in a historic agreement to establish and operationalise a fund to help vulnerable countries deal with the loss and damage from climate impacts.²²
- **The European Financial Reporting Advisory Group (EFRAG) delivered the first set of draft European Sustainability Reporting Standards (ESRS) to the European Commission:** On 23 November, EFRAG submitted the first set of draft ESRS to the European Commission, which are an upcoming set of EU compliance and disclosure requirements to make corporate sustainability and environmental social governance (ESG) reporting within the EU more accurate, common, consistent, comparable, and standardized. The initial set of draft ESRS takes into consideration the feedback received from the public consultation held between April to August 2022. The ESRS will go into effect in 2023 and apply to an estimated 50,000 companies based in Europe.²³
- **PSF published a report on supplementary methodology and technical screening criteria:** On 28 November, PSF published a report on the technical screening criteria for the remaining four environmental objectives under the Taxonomy Regulation: sustainable use and protection of water and marine resources; transition to a circular economy; pollution, prevention, and control; and protection and restoration of biodiversity and ecosystem. The report is a supplement to the recommendation submitted by the Platform in March 2022. The European Commission will consider how to take the additional advice forward.²⁴
- **ISSB announced guidance and reliefs to support Scope 3 greenhouse gas (GHG) emission disclosures:** On 15 December, the ISSB announced a series of guidance and support to help companies embed and improve their processes for measurement and disclosure of Scope 3 GHG emissions. The announcement follows the ISSB's decision to include Scope 3 disclosure as set out in its draft Climate-related Disclosures Standard at its October 2022 meeting.²⁵

²¹https://www.ngfs.net/sites/default/files/medias/documents/climate_scenario_analysis_by_jurisdictions_initial_findings_and_lessons.pdf

²²<https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries>

²³<https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/EFrag+Press+release+First+Set+of+draft+ESRS.pdf>

²⁴https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en

²⁵<https://www.ifrs.org/news-and-events/news/2022/12/issb-announces-guidance-and-reliefs-to-support-scope-3-ghg-emissions/>