Green & Sustainable Finance
From vision to market practice

綠色及可持續金融
從願景到市場實踐

VOLUME 1

上冊

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Contents

Volume 1

目錄

上冊

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Foreword

Green and sustainable finance: Evolving and mainstreaming

Hurricanes, floods, droughts, bushfires... the increasing frequency of extreme weather events around the world points to the devastating effects of the climate crisis and the need for immediate global action.

In recent years, global and regional leaders have made commitments to tackle climate change. Asia's three biggest economies, China, Japan and Korea, which together emit around one third of all global carbon emissions (according to 2018 data compiled by the International Energy Agency), have made some brave carbon neutrality commitments. In late 2020, Chinese President Xi Jinping said the country aims to peak carbon emissions before 2030 and achieve carbon neutrality before 2060. The Hong Kong Special Administrative Region (HKSAR) government has also committed to carbon neutrality by 2050. And many other nations, though not all, have made similar pledges.

As the global community works towards achieving the goals set out in the Paris Agreement and the United Nations Sustainable Development Goals, capital markets have a key role to play in the smooth transition to a low-carbon, climate resilient economy.

Such a transition requires huge investment — USD 90 trillion by 2030 according to the United Nations. It also requires an ever-innovative financial system, a robust ecosystem of Green and Sustainable Finance (GSF) products and services, and a supportive regulatory environment.

The business case for sustainable business practices, and sustainable finance, is becoming stronger day by day. Today, an increasing number of investors are factoring in environment, social and governance (ESG) considerations, driving the growth of ESG investment and providing funds for sustainable development. The number of signatories to the United Nations-supported Principles for Responsible Investment (PRI) increased from 1,295 institutions in 2016 to 3,513 institutions in 2020, while assets under management increased from USD 86.3 trillion to USD 103.4 trillion.

Many sustainable and green investments have a long-term horizon, and their objectives and revenue structures may be different from those in the traditional economy. To facilitate the growth of GSF we need to promote knowledge sharing, develop a robust product ecosystem, and establish frameworks and standards for market practices.

As the locus of financial market infrastructure, exchanges play an important role in supporting the formation and development of GSF. Hong Kong Exchanges and Clearing Limited (HKEX) functions to promote product innovation, information disclosure, and market liquidity, as well as connecting companies with investors and other stakeholders.

The development of GSF and ESG investment is uneven across global markets. Demand for sustainable investment is skewed, with Europe accounting for 34%-53% of the global total during 2016 to 2020, according to the Global Sustainable Investment Alliance. The world's first green bond was issued in Europe in 2007, but there was not a comprehensive policy framework for green bonds until 2019.

In Asia, the sustainable finance journey is still in its early days. Countries such as China have been driving regional change with strong commitments and innovative solutions. The People's Bank of China estimated that the infrastructure investment required could reach RMB 100 trillion to RMB 200 trillion by 2060. To support these targets, China adopted a top-down approach and was the first economy in the world to develop a comprehensive policy framework for green finance, launched in 2016.

Turning to Hong Kong as an example: As one of the world's leading international financial centres, Hong Kong is strongly positioned to lead Asia's sustainable finance transition. Hong Kong is now the largest asset management market in the region, the largest offshore liquidity pool for Renminbi in the world, and one of the largest capital raising centres in the world. With its world-class business infrastructure, sound regulatory environment, diversified pools of capital, liquidity, investors, financial products, and professional expertise, the Hong Kong market's role as a super-connector between China and the rest of the world will allow it to play a leading role in Asia's, and the globe's, green finance transition.

Following the announcement by the HKSAR government of its carbon-neutrality target, the Cross-Agency Steering Group for Green and Sustainable Finance was established to support these developments. The government had also previously announced a HKD 100 billion green bond programme in 2019, one of the world's largest government issuance schemes.

Looking more broadly, sustainable finance is a key strategic priority in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), with Hong Kong functioning as its international green finance hub. With a population of 86 million, the GBA region represents a new economic powerhouse with a key role to play in GSF. In September 2020, the HKSAR government joined forces with other GBA governments to form the Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Alliance, with the aim to promote research and incubate green investments that will benefit the region.

As a regulator, market operator, and a corporate, HKEX has a critical role to play in the global sustainability journey. The HKEX Group's responsibility as a regional change agent is notable: providing the framework, guidance, transparency and access to resources for the long-term development of a robust sustainable finance ecosystem.

As a regulator with oversight for over 2,500 listed issuers, HKEX supports a framework and guidance for ESG disclosure, application and implementation, through listing rules and market education. As a market operator, the organisation promotes transparency, access to resources, and growth opportunities for issuers and investors, and supports a range of sustainable finance products. HKEX is also a passionate global advocate for GSF, driving market dialogue and policy change to position Hong Kong as a sustainability leader.

As a listed company, HKEX is committed to leading by example as a corporate champion in sustainability. As part of our commitment to accelerating the transition to a net-zero global economy, HKEX has recently joined the Glasgow Financial Alliance for Net Zero (GFANZ) and the Net Zero Financial Service Provider Alliance.

The development of global green finance has come a long way, but there is still much work to be done. Current challenges include the lack of universal classification standards; the availability and quality of ESG data; the diverse business practices of product labelling and potential misconduct such as greenwashing; and the limited spectrum of ESG investment products and risk management tools. HKEX encourages all stakeholders to work together to resolve these challenges for the development of GSF and ESG in the long run.

HKEX has prepared this book to bring together some of the world's leading institutions and experts in the field of GSF, and to introduce a selection of the latest market innovations and practices. We hope that this book will help all market participants, including issuers and investors, to better understand GSF and ESG investment, and implement them more extensively.

BA Shusong
Chief China Economist
Hong Kong Exchanges and Clearing Limited

November 2021

前言

綠色及可持續金融：不斷演變、漸成主流

颶風、洪水、旱災、山火等極端天氣事件頻頻在全球各地發生，氣候危機的破壞性影響有目共睹，全球採取應對行動實在刻不容緩。

近年來，全球及區內領導人紛紛就應對氣候變化作出承諾。亞洲三大經濟體——中國、日本及韓國——均已果斷作出多項致力達致碳中和的承諾（根據國際能源署編製的 2018 年數據，三國合共佔全球碳排放總量約三分之一）。於 2020 年年底，中國國家主席習近平表示，中國將力爭於 2030 年前實現碳達峰，於 2060 年前實現碳中和。香港特別行政區（香港特區）政府亦承諾於 2050 年前實現碳中和。許多其他（雖非所有）國家亦先後響應支持，相繼作出類似承諾。

隨着全球各國均致力實現《巴黎協定》所訂的目標及《聯合國可持續發展目標》，資本市場對促進經濟順利向低碳、靈活應對氣候變化的模式轉型，亦扮演着重要角色。

這個經濟轉型需要巨額投資——根據聯合國資料，於 2030 年前這方面須耗資 90 萬億美元。這轉型亦需要一個不斷創新的金融體系、蓬勃的綠色及可持續金融產品及服務生態圈，以及相關監管環境的推動支持。

同時，可持續營商實踐與可持續金融對企業的發展亦越見重要。如今，越來越多投資者在作出投資決定前都會考慮環境、社會及管治（Environment、Social、Governance，簡稱 ESG）方面的因素，推動了 ESG 投資的增長，並為可持續發展提供了資金。聯合國支持的《責任投資原則》的簽署機構數目已由 2016 年的 1,295 家增加至 2020 年的 3,513 家，而其管理的資產總值亦由 86.3 萬億美元增加至 103.4 萬億美元。

許多可持續及綠色投資都具有長遠視野，其目標及收益結構可能有別於傳統經濟。為促進綠色及可持續金融的發展，我們需要推廣知識共享、建立強大的產品生態圈，以及制定有關市場常規的框架及標準。