

Robert, Jon, Distinguished Speakers, Ladies and Gentlemen,

Good afternoon! It is my great pleasure joining you at  
Euromoney's 2<sup>nd</sup> Annual Asia Sustainable & Responsible Capital  
Markets Forum.

2. In the face of global challenges ranging from climate change to poverty, we see that social responsibility, corporate governance and environmental sustainability, are increasingly finding their rightful place in the world of investment. The COP 21 held in Paris at the end of 2015 presented a newly calibrated political ambition to combat climate change and embrace unleashed business opportunities in green finance. The adoption of the Paris Agreement, signed by 195 countries, requires that the signatories implement their national climate plans. And this demands finance on a huge scale. Since then, globally, green finance has been gaining

prominence among governments and regulators towards building a green and sustainable world economy. The annual global issuance volume of green bonds reached a record high of USD167.6bio in 2018, and has been rising in five consecutive years. In fact, global green bond issuance for 2019 Q1 increased by 42% over the same period last year to US\$47.9 billion, demonstrating a strong momentum.

3. Hong Kong is Asia's leading international financial centre. Under the recently published Global Financial Centres Index in March, Hong Kong ranks third in the world, and first in Asia. Indeed, Hong Kong's sound legal and regulatory system, a deep and liquid capital market, robust financial infrastructure and a wealth of financial intermediaries and talents, help maximize Hong Kong's potential in developing into a **regional green finance hub**. Green Finance is one of the current Administration's key policy priorities, and we have rolled out a series of measures to develop green finance in Hong Kong.

4. To demonstrate the Government's commitment in developing green finance, we have launch a Government Green Bond Programme with a borrowing ceiling of HK\$100 billion. Last month, the offering of the inaugural Green Bond issued under the Government Green Bond Programme was successfully completed. The inaugural Green Bond, with an issuance size of US\$1 billion and a tenor of 5 years, is a landmark transaction which sets an important new benchmark for potential issuers in Hong Kong and the region. Despite the recent financial market volatility, the Green Bond saw strong demand from global investors, attracting aggregate order size of more than 4 times the issuance size, allowing the final pricing to be tightened by 17.5 basis points from the initial price guidance.

5. Proceeds raised under the Programme will be credited to the Capital Works Reserve Fund to finance or refinance public works projects that provide environmental benefits and support the sustainable development of Hong Kong. In connection with the Programme, the HKSAR Government has published its

Green Bond Framework, which sets out how the green bond proceeds will be used to fund projects that will improve the environment and facilitate the transition to a low carbon economy. We believe that the Government green bond programme will help provide benchmark pricing for the market and encourage issuers and investors to arrange financing of their green projects through Hong Kong.

6. The development of green market infrastructure is as important as the innovation of green product offerings. The Hong Kong Quality Assurance Agency (HKQAA) launched its Green Finance Certification Scheme in January last year to provide third-party conformity assessments for issuers on their green debt instruments, covering both pre-issuance validation and post-issuance certification. The Certification Scheme supports the integral procedure of local green bond issuance and offers an additional channel for external review. Since inception, the HKQAA's Certification Scheme has completed 35 cases of

certifications for green bonds and green loans, which contributed to about USD7.7bio of funds raised.

7. Subsequently, the Government launched the Green Bond Grant Scheme in June last year to subsidise eligible green bond issuers in obtaining certification under the HKQAA's Green Finance Certification Scheme. The full cost of obtaining certification under the Green Finance Certification Scheme for eligible green bond issuances will be granted, up to a maximum of HK\$800,000 per bond issuance.

8. Recently we have seen green bonds gaining popularity and market traction in Hong Kong. In 2018, the aggregate size of green bonds issued in Hong Kong was US\$11billion, which is 237% more than that in 2017. In addition to local, Mainland and overseas enterprises issuing green bonds in Hong Kong, multilateral agencies such as the World Bank, the European Investment Bank and the Asian Development Bank have also made use of Hong Kong's platform to issue green bonds. In

March this year, the first ever green convertible bond for both the real estate sector worldwide and also Hong Kong issuers was issued in Hong Kong and were well received by international investors, particularly global green investors. According to the Climate Bonds Initiative's green bond trading venue league table, the Hong Kong Exchanges and Clearing Limited ("HKEX") was ranked 5th globally and 1st in Asia in 2018.

All these activities reflect the strengths of our financial market and the confidence that established global institutions place in Hong Kong as the region's green finance hub.

9. Of course, the development of sustainable & responsible capital markets is more than green bonds, and the HKSAR Government and our regulators are working on multiple fronts.

10. The HKEX requires its listed companies to report ESG information, and provides both written guidance and training on this and other sustainability-related topics. The ESG

disclosure requirements are stated in Hong Kong's Listing Rules. In its 2019-2021 strategic plan announced in Feb this year, HKEX stated that through establishing a new Board level CSR Committee, it will take a more strategic approach in its CSR activities, and will continue to enhance requirements for CSR & ESG reporting & disclosure by the listed companies and provide guidance on meeting disclosure and operational standards.

11. In fact, last month HKEX just launched an ESG Consultation to support and improve issuers' governance and disclosure of ESG activities and metrics. The proposals emphasize the board's leadership role and accountability in ESG and the governance structure for ESG matters. The consultation also seeks to highlight that materiality in respect of ESG is key to meaningful and concise reporting. The proposal to require disclosure on climate-related issues echoes the increasing international focus on climate change and its impact on businesses.

12. The Hong Kong Monetary Authority (HKMA) last month announced three sets of measures to support and promote green finance and sustainable banking in Hong Kong, and to collaborate with the industry and other stakeholders to combat climate change risks and develop green finance. These measures are namely: (1) Green and Sustainable Banking, (2) Responsible Investment, and (3) Capacity Building through establishing the Centre for Green Finance. I understand that Eddie has already touched on these HKMA initiatives this morning.

13. Another regulator, the Securities and Futures Commission (“SFC”) has been closely monitoring regulatory trends and developments on green finance in the Mainland and overseas. In June 2018, the SFC joined the United Nations Sustainable Stock Exchange Advisory Group, which is developing best practices on how capital market authorities can support the United Nations Sustainable Development Goals. Last September, the SFC announced its strategic



framework, with a fivefold action agenda, to contribute to the development of Hong Kong as a leading centre for green finance and to connect green finance flows between the Mainland and the rest of the world. This is in addition to CEO/SFC's ongoing participation at the G20 Sustainable Finance Study Group in his capacity as the Chairman of the Board of the International Organization of Securities Commissions ("IOSCO").

14. Earlier this year, the HKQAA has announced that it will be launching the Green Fund Certification Scheme to encourage more investors from the funds market to support green projects and industries, and organisations committed to making a contribution to the United Nations' Sustainable Development Goals. I understand that HKQAA with its technical committee are now finalizing the scheme, which is expected to be launch very soon.

15. Apart from being Asia's leading international financial centre, Hong Kong is also the largest offshore RMB center in the world, possessing the world's largest offshore RMB liquidity pool, while also processing over 75% of the world's offshore RMB payment transactions. Riding on the accelerating demand for green finance in the mainland and the Belt & Road region, Hong Kong is well-positioned to serve as a premier financing platform for such green projects in raising funds through issuing green bonds or green loans. In fact, under the "Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative" signed in December 2017, we have agreed to develop a green bond market on the basis of Hong Kong's platform by supporting qualified Chinese enterprises to raise funds through issuing bonds in Hong Kong for green projects relating to the Belt and Road Initiative. On the other hand, as promulgated by the Central Government in February this year, the Outline

Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area supports the development of Hong Kong into a green finance centre in the Greater Bay Area, and set up an internationally recognised green bond certification institution.

16. Ladies and gentlemen, Climate change is one of the major risks threatening the well-being of mankind. It must be tackled on a global basis and across different sectors of the economy. In fact, the HKSAR Government just signed the Green Bond Pledge earlier this year, becoming the first Asian signatory to the Green Bond Pledge. It demonstrates Hong Kong's commitment to incorporate low carbon, resilient and sustainable solutions into the planning and deployment of infrastructure projects, with the aim to reinforce the goals of the Paris Agreement. We will continue to work closely with you, industry practitioners and stakeholders, in developing and promoting financing activities for a sustainable cause.

17. On this note, I would like to thank Euromoney for organizing today's forum. I wish you all a very stimulating and fruitful afternoon. For our guests coming from abroad, a pleasant and an enjoyable stay in Hong Kong! Thank you.