

Latest Developments of Green Finance (2nd half of 2020)

This policy update is prepared by the Policy Research and Dissemination Working Group of the Hong Kong Green Finance Association (HKGFA)

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

1. Hong Kong

- **Financial Services Development Council (FSDC) released a new ESG report:** On 8th July 2020, FSDC released its new report titled *Hong Kong – Developing into the Global ESG Investment Hub of Asia*, advocating for strengthening Hong Kong’s role as the preferred ESG investment hub in the region.¹
- **Securities and Future Commission (SFC) launched a consultation on climate-related risks in funds:** The consultation, launched on 29th October 2020, proposed requirements for fund managers to take climate-related risks into consideration in their investment and risk management processes. The proposal was aimed to promote high-quality disclosures and respond to the growing demands for climate risk information in investment.²
- **HKGFA 2020 Annual Forum:** On 5th November 2020, HKGFA held its 2nd annual forum titled “Financing A Green and Inclusive Recovery”. Over 700 participants from Hong Kong and Mainland China joined the forum, including policy makers, regulators, financial institutions, companies and civil society. Discussions focused on what collective action is needed for Hong Kong towards a brighter future with a vibrant job market, prosperous economy and cleaner environment.³
- **International Finance Corporation (IFC) and Hong Kong Monetary Authority (HKMA) launched Alliance for Green Commercial Banks:** On 9th November 2020, the IFC and HKMA signed a new partnership to support commercial banks in Asia. This includes launching an Alliance for Green Commercial Banks and HKMA will serve as the founding member and first regional anchor for the Alliance. The HKMA and IFC will also jointly develop targeted initiatives and campaigns providing practical guidance for banks to revamp their existing green financial products and services.⁴
- **Council for Sustainable Development’s (SDC’s) Report on Public Engagement on Hong Kong’s Long-term Decarbonization Strategy advocated “net zero by 2050”:** On 13th November 2020, SDC published the *Report on Public Engagement for Hong Kong’s Long-term Decarbonization Strategy* in which a vision of achieving net zero by 2050 was proposed. In support of this strategic goal, the SDC has

¹ Press release: https://www.fsd.org.hk/sites/default/files/20200708_FSDC-releases-reports-on-ESG-and-Family-Office_EN.pdf;
Report highlights:

https://www.fsd.org.hk/sites/default/files/FSDC_Paper_No_44_Hong_Kong-Developing_into_the_Global_ESG_Investment_Hub_of_Asia_Infographic_Eng.pdf; Report:
https://www.fsd.org.hk/sites/default/files/FSDC_Paper_No_44_Hong_Kong-Developing_into_the_Global_ESG_Investment_Hub_of_Asia_Eng.pdf.

² Press release: <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=20PR104>; consultation paper: <https://apps.sfc.hk/edistributionWeb/gateway/EN/consultation/doc?refNo=20CP5>.

³ Press release: <https://www.hkgreenfinance.org/hkgfa-2020-annual-forum-financing-a-green-and-inclusive-recovery/>.

⁴ Press release: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2020/11/20201109-4/>,
<https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26062>.

put forward 55 recommendations across eight key areas, namely target; lifestyles; education, training and research; built environment; energy; transport; city planning and management; and finance.⁵

- **Hong Kong announced 2050 carbon neutrality goal:** On 25th November 2020, Chief Executive Carrie Lam announced Hong Kong’s 2050 carbon neutrality goal in her 2020 Policy Address. To this end, the government will also update the “Hong Kong’s Climate Action Plan” and set out more proactive strategies as well as measures to reduce carbon emissions.⁶
- **Hong Kong completed first interest rate swap linked to the UN SDGs:** On 30th November 2020, the New World Development Company Limited (NWD) and DBS Hong Kong (DBS) completed Hong Kong’s first-ever interest rate swap linked to the UN SDGs. Under this innovative solution, NWD is eligible to receive sponsorship from DBS to support social innovation projects, if they successfully generate at least eight business-to-business integration opportunities that contribute to the UN SDGs adopted by the New World Sustainability Vision 2030.⁷
- **Hong Kong Exchanges and Clearing (HKEX) launched Sustainable and Green Exchange (STAGE):** On 1st December 2020, HKEX launched STAGE, Asia’s first multi-asset sustainable investment product platform and an online product repository. At launch, STAGE features 29 sustainable-themed products from leading Asian corporates covering a variety of sectors including utilities, transport, property development and financial services as well as ESG-related exchange.⁸
- **Civic Exchange and HKGFA released two reports on green buildings:** The two reports, released on 8th December 2020, were results of the green building project collaborated between HK2050 is Now and the Greater Bay Area Green Finance Alliance (GBA-GFA). The reports analysed the similarities and differences between several Green Building Rating Systems (GBRSs) to understand whether existing GBRSs sufficiently facilitate decarbonisation in the building sector. Steps for the building industry to decarbonise were proposed including utilizing sustainable finance opportunities in Hong Kong.⁹
- **Green and Sustainable Finance Cross-Agency Steering Group announced its strategic plan:** On 17th December 2020, the Steering Group announced its green and sustainable finance strategy aiming at strengthening Hong Kong’s financial ecosystem to support a greener and more sustainable future. Six long-term focus areas and five near-term action points have been set out by the Steering Group.¹⁰

⁵ Press release: <https://www.info.gov.hk/gia/general/202011/13/P2020111300269.htm>; report: https://www.susdev.org.hk/download/report/council_report_e.pdf.

⁶ Press release: <https://www.info.gov.hk/gia/general/202011/25/P2020112500544.htm>; Policy address: <https://www.policyaddress.gov.hk/2020/eng/pdf/PA2020.pdf>.

⁷ Press release: https://www.dbs.com/newsroom/New_World_Development_Joins_Forces_with_DBS_Hong_Kong.

⁸ Press release: https://www.hkex.com.hk/News/News-Release/2020/201201news?sc_lang=en. STAGE platform: https://www.hkex.com.hk/Join-Our-Market/Sustainable-Finance/HKEX-STAGE?sc_lang=en.

⁹ Press release: <https://www.hkgreenfinance.org/event/hk2050-is-now-green-building-reports-launch-webinar/>; *Decarbonising Hong Kong Buildings* report: <https://civic-exchange.org/report/decarbonising-hong-kong-buildings-policy-recommendations-and-next-steps/>; *Green Building Rating Systems* report: <https://civic-exchange.org/report/green-building-rating-systems-energy-benchmarking-study/>.

¹⁰ Press release: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2020/12/20201217-4/>; Infographic: <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2020/20201217e4a2.pdf>; Strategic plan: <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2020/20201217e4a1.pdf>.

2. Mainland China

- **Green Bonds Endorsed Project Catalogue consultation:** On 8th July 2020, the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission jointly issued the second round of consultation on the draft of the *Green Bond Endorsed Project Catalogue (2020 version)*.¹¹ The first round of consultation was initiated in May 2020.¹² The 2020 version has removed “clean coal” from the list of activities labelled as green and introduced a unified national standard for green bonds in China.
- **GBA Green Finance Alliance (GBA-GFA) launched:** On 4th September 2020, the GBA-GFA, a collaboration between the HKGFA, the Green Finance Committee of Guangdong Society for Finance and Banking, the Green Finance Committee of Financial Society of Shenzhen Special Economic Zone, and the Macau Association of Banks, was launched in Guangzhou. The Alliance aims to promote research and incubate green investments that will benefit the GBA as a whole by leveraging green investment demands in Guangdong and green finance capacities in Hong Kong and Macau.¹³
- **GBA Green Supply Chain Financial Service Guide (Automotive Manufacturing Industry) released:** On 9th September 2020, the Guide was released by the Green Finance Committee of Guangdong Society for Finance and Banking at the launch of GBA-GFA. It is the first service guide on green supply chain finance in the GBA. It takes the automotive industry as an entry point and demonstrates a model for green supply chain finance to support the industrial chain’s green transformation and development.¹⁴
- **The first equity investment fund fully adopts ESG investment standards introduced in Mainland China:** On 19th September 2020, the first equity investment fund that fully adopts ESG investment standards was introduced by the Belt & Road Green Fund, which is managed by China Everbright Limited, at the annual meeting of the Green Finance Committee, China Society for Finance and Banking.¹⁵
- **China announced 2060 carbon neutrality target:** On 22nd September 2020, President Xi Jinping pledged to achieve carbon neutrality before 2060 at the 75th Session of the UN General Assembly.¹⁶
- **Consultation on measures of carbon trading issued:** On 28th October 2020, the Ministry of Ecology and Environment issued a consultation on the national measures for the administration of carbon

¹¹ Full text of the consultation: <http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/4052500/index.html>.

¹² The first round of consultation: <https://www.hkgreenfinance.org/draft-for-public-consultation-of-green-bond-endorsed-project-catalogue-2020-version/>.

¹³ Press release: <https://www.hkgreenfinance.org/greater-bay-area-green-finance-alliance-officially-launched-today/>.

¹⁴ Press release (Chinese only): <http://www.gzccex.com/jtdt/15682.jhtml>.

¹⁵ Press release: <https://www.everbright.com/en/news/everbrights-belt-road-green-fund-creates-equity-investment-flagship-brand-fully-adopts-esg>.

¹⁶ Full text of President Xi’s speech at the UN General Assembly: <https://www.chinadaily.com.cn/a/202009/23/WS5f6a640ba31024ad0ba7b1e7.html>.

emissions trading. The measures will replace the 2014 interim measures and provide technical and regulation guidance for the national and local carbon trading market.¹⁷

- **Shenzhen Special Economic Zone on Green Finance Regulation passed:** *Shenzhen Special Economic Zone Green Finance Regulation*, China's first regulation in green finance, was passed on 29th October 2020 and will be promulgated on 1st March 2021. The regulation clarifies the main responsibilities of financial institutions and green enterprises, stipulates the supervision and management measures of governmental departments and the central financial regulatory agency in Shenzhen. It provides an environment that is conducive to the development of green industries and established a pioneering model for the legislation development of green finance in the country.¹⁸
- **The Belt and Road Initiative (BRI) Green Development Institute launched:** On 1st December 2020, a high-level international think tank, the BRI Green Development Institute was established in Beijing. It aims to promote joint research on green development, climate change, biodiversity protection and green finance across the BRI regions.¹⁹ The Institute will also provide all-around support to the BRI International Green Development Coalition, a joint initiative by the Ministry of Ecology and Environment of China with its international partners. The Coalition was firstly proposed by President Xi Jinping in May 2017 at the BRI Forum.²⁰
- **China ESG Development White Paper released:** On 8th December 2020, *China ESG Development White Paper* was jointly released by the International Institute of Green Finance at the Central University of Finance and Economics and Sina Finance. The white paper provides a comprehensive analysis of ESG including its definition, indicator systems, financial products, and information disclosure policies etc. It serves as an important reference for ESG's promotion in the future.²¹

¹⁷ Full text of the consultation: http://www.gov.cn/hudong/2020-11/05/content_5557519.htm.

¹⁸ Full text of the *Shenzhen Special Economic Zone Green Finance Regulations* (Chinese only): http://www.szrd.gov.cn/szrd_zlda/szrd_zlda_flg/flfg_szfg/202011/t20201112_19355701.htm.

¹⁹ Press release: http://en.brigc.net/Pictures/202012/t20201201_102930.html.

²⁰ Overview of the BRI International Green Development Coalition: http://en.brigc.net/About_us/Overview/202009/t20200928_102502.html.

²¹ Press release (China only): <http://iigf.cufe.edu.cn/info/1017/1782.htm>.

3. Global Markets

- **European Commission launched the Platform on Sustainable Finance:** On 18th June 2020, the European Commission launched the Platform on Sustainable Finance in support of the adoption of the Taxonomy Regulation by the European Parliament. This platform serves as an advisory body composed of experts from the private and public sector. It will assist the Commission in the preparation of technical screening criteria for developing the taxonomy further and in developing its sustainable finance policies. At present, 50 members have been selected from more than 500 highly qualified applications for the Platform.²²
- **The World Bank published a guide for *Developing a National Green Taxonomy*:** In June 2020, the World Bank published *Developing a National Green Taxonomy: A World Bank Guide*. The guide addresses the need among financial market participants for clarity and transparency in what is understood and what qualifies as green. The World Bank Group recommends the principles and methodology for developing a taxonomy of environmentally sustainable activities.²³
- **India's mandatory Stewardship Code entered in force:** On 1st July 2020, India's mandatory stewardship code entered in force. The code is applicable to all funds and managers investing in listed Indian companies. It requires investors to monitor and engage investee companies, including on ESG issues, to define and disclose a stewardship policy and report on engagement with investee companies.²⁴
- **Russia's first Stewardship Code published:** On 15th July 2020, Russia's Central Bank published a stewardship code for institutional investors. The voluntary guidelines recommend the incorporation of ESG factors in investment decision making and engagement with investee companies to support responsible business conduct and sustainable development. The code also recommends disclosure of stewardship activities.²⁵
- **Japan's Task Force on Climate-related Financial Disclosures (TCFD) Guidance 2.0 published:** On 31st July 2020, the TCFD Consortium published the revised "TCFD Guidance" and announced it as the TCFD Guidance 2.0. Revisions in the TCFD Guidance 2.0 include industry-specific guidance and case studies.²⁶

²² Press release on the creation of the platform: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1112; the Platform: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en.

²³ Full text of the Guide: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/953011593410423487/.%20please%20accept%20our%20thanks%20for%20reviewing%20the>.

²⁴ India's stewardship code: https://www.sebi.gov.in/legal/circulars/dec-2019/stewardship-code-for-all-mutual-funds-and-all-categories-of-aifs-in-relation-to-their-investment-in-listed-equities_45451.html.

²⁵ Russia's stewardship code (Russian only): https://www.cbr.ru/statichtml/file/59420/20200715_in_06_28-111.pdf.

²⁶ Press release: https://tcfd-consortium.jp/en/news_detail/20081201; full text of the TCFD Guidance 2.0: https://tcfd-consortium.jp/pdf/en/news/20081201/TCFD_Guidance_2_0-e.pdf.

- **The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) released two publications promoting the Environmental Risks Analysis (ERA) in the financial industry:** On 10th September 2020, NGFS published *Overview of Environmental Risk Analysis by Financial Institutions* and *Case Studies of Environmental Risk Analysis Methodologies*.²⁷ The *Overview* explains how environmental risks translate into financial risks, and reviews the tools and methodologies for ERA used by financial institutions. The *Case Studies* document present an in-depth discussion of the tools and methodologies for ERA using examples from over 30 organizations.
- **New Zealand announced mandatory climate risk reporting:** On 15th September 2020, New Zealand announced to introduce a mandatory climate-related financial disclosure regime, making it the first country in the world to do so.²⁸
- **European Commission launched a consultation on sustainable corporate governance:** In October 2020, the European Commission started a consultation seeking stakeholders' views with regard to the sustainable corporate governance initiative.²⁹
- **The International Platform on Sustainable Finance (IPSF) launched a new international taskforce on sustainable finance taxonomies:** IPSF published its annual report in October 2020, in which a taskforce on sustainable finance taxonomies has been set out. The taskforce will be co-chaired by China and the EU working to “comprehensively compare existing taxonomies” to “identify commonalities and differences in their respective approaches, criteria and outcomes”. The result will be summarised in “Common Ground Taxonomy” by mid-2021, providing transparency and increasing cross-border green capital flows.³⁰
- **European Green Deal set as the top priority in the European Commission’s 2021 work programme:** On 19th October 2020, the European Commission published its 2021 work programme. The programme sets European Green Deal as its top priority which includes various initiatives related to sustainable finance, including the “Fit for 55%” package, the EU Green Bond Standard, the deepening of the Capital Markets Union and the Sustainable Corporate Governance legislation.³¹
- **The UK positioned itself at the forefront of green finance in its future plans for financial services:** On 9th November 2020, Chancellor of the Exchequer Rishi Sunak announced the UK government’s future plans for financial services in which the UK positioned itself as the global leadership in green finance.³²

²⁷ Press release: <https://www.ngfs.net/en/communique-de-presse/ngfs-promotes-environmental-risk-analysis-financial-industry>.

²⁸ Press release: <https://www.beehive.govt.nz/release/new-zealand-first-world-require-climate-risk-reporting>.

²⁹ Consultation:
<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12548-Sustainable-corporate-governance/public-consultation>;
sustainable corporate governance initiative:
<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12548-Sustainable-corporate-governance>.

³⁰ IPSF 2020 Annual Report:
https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/international-platform-sustainable-finance-annual-report-2020_en.pdf.

³¹ Press release: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1940.

³² Press release: <https://www.gov.uk/government/news/chancellor-sets-out-ambition-for-future-of-uk-financial-services>.

- **The UK published *A Roadmap towards mandatory climate related disclosures*:** In its future plans for global green finance leadership released on 9th November 2020, the UK announced its intention to make TCFD-aligned disclosures mandatory across the economy by 2025. The UK Taskforce’s Interim Report, and accompanying roadmap, sets out an indicative pathway to achieving the ambition.³³
- **European Central Bank (ECB) published *Guide on climate-related and environmental risks*:** On 27th November 2020, ECB published *Guide on climate-related and environmental risks* setting out ECB’s expectations for banks on managing and disclosing risks under current prudential rules.³⁴
- **Monetary Authority of Singapore (MAS) published *Guidelines on Environmental Risk Management for Banks*:** The *Guidelines* was published on 8th December 2020 and it sets out MAS’s expectations on environmental risk management for all banks, merchant banks, and finance companies.³⁵

³³ Interim Report and Roadmap:

<https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcf-taskforce-interim-report-and-roadmap>.

³⁴ Press release: <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201127~5642b6e68d.en.html>; full text of the Guide:

<https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf>.

³⁵ Full text of the Guidelines: <https://www.mas.gov.sg/regulation/guidelines/guidelines-on-environmental-risk-management>.