

立法會
Legislative Council

LC Paper No. CB(1)1468/20-21
(These minutes have been seen
by the Administration)

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Panel on Financial Affairs

**Minutes of meeting held on
Monday, 6 September 2021, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Members present : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon WONG Ting-kwong, GBS, JP (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Kin-por, GBS, JP
Hon MA Fung-kwok, GBS, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Ir Dr Hon LO Wai-kwok, GBS, MH, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon LUK Chung-hung, JP
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Members absent : Hon Mrs Regina IP LAU Suk-ye, GBM, GBS, JP
Hon CHEUNG Kwok-kwan, JP

**Public officers
attending** : Agenda Item IV

Mr Joseph CHAN Ho-lim, JP
Under Secretary for Financial Services and the Treasury

Ms Candy LAU Li-yan
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)³

Mr Frank LEUNG Wai-yiu
Head (Banking Policy)A
Hong Kong Monetary Authority

Mr Kenneth HUI Wai-chi
Head (Market Development)
Hong Kong Monetary Authority

Attendance by invitation : Agenda Item IV

Ms Christine KUNG
Senior Director, Head of International Affairs and
Sustainable Finance
Securities and Futures Commission

Ms Linda YIU Yin-ping
Director, Intermediaries Supervision
Securities and Futures Commission

Ms Cecilia LIEW Yuen-yuen
Director, Corporate Finance
Securities and Futures Commission

Ms Grace HUI Suk-han
Head of Green and Sustainable Finance
Hong Kong Exchanges and Clearing Limited

Clerk in attendance: Ms Connie SZETO
Chief Council Secretary (1)4

Staff in attendance : Miss Sharon LO
Senior Council Secretary (1)9

Ms Sharon CHAN
Legislative Assistant (1)4

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I Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)1248/20-21 — Minutes of meeting on 5 July 2021)

The minutes of the meeting held on 5 July 2021 were confirmed.

II Information papers issued since the meeting on 9 August 2021

(LC Paper No. CB(1)1211/20-21(01) — Second Quarter Economic Report 2021 and the press release

LC Paper No. CB(1)1219/20-21(01) — The Quarterly Report of the Securities and Futures Commission (April to June 2021))

2. Members noted the information papers issued since the regular meeting held on 9 August 2021.

III Date of next meeting and items for discussion

(LC Paper No. CB(1)1267/20-21(01) — List of outstanding items for discussion)

3. Members agreed to discuss the following items proposed by the Administration at the regular meeting scheduled for 18 October 2021, at 8:30 am:

- (a) Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2021 Policy Address; and
- (b) Briefing on the work of Hong Kong Monetary Authority.

IV Development of green and sustainable finance in Hong Kong

(LC Paper No. CB(1)1267/20-21(02) — Administration's paper on Development of green and sustainable finance in Hong Kong)

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Briefing by the Administration

4. At the invitation of the Chairman, Under Secretary for Financial Services and the Treasury ("USFST") briefed members on the development of green and sustainable finance ("green finance") in Hong Kong. USFST said that the Administration had been stepping up its efforts over the years to enhance Hong Kong's position as a green finance hub in the region, and contribute to the Mainland's goal of achieving carbon neutrality before 2060 and that of Hong Kong before 2050. The Administration had also been collaborating with the financial regulators and the industry to further promote green finance by taking key initiatives including developing market infrastructure, enhancing regulation, strengthening capacity building and promotion, fostering international and regional collaboration, and actively integrating into the Mainland's overall development. For instance, in light of the encouraging market response to the green bonds issued in recent years under the Government Green Bond ("GGB") Programme, the Administration had doubled the borrowing ceiling of the GGB Programme to HK\$200 billion and planned to issue green bonds regularly in future. Furthermore, the Green and Sustainable Finance Cross-Agency Steering Group ("Steering Group") had been established in May 2020 to coordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green finance in Hong Kong and support the Administration's climate strategies. After promulgating its strategic plan in 2020 with six key focus areas and five near-term action points, the Steering Group further announced in July 2021 its next steps with focuses on developing standards on climate-related disclosure and sustainability reporting, exploration of carbon market opportunities and enhancing the work of the Centre for Green and Sustainable Finance.

Discussion

Development of green and sustainable finance in Hong Kong

5. Mr CHAN Chun-ying noted that the green bonds issued under the GGB Programme were mainly denominated in US dollars, and asked whether the Administration had any plan to issue Renminbi ("RMB")-denominated GGBs which would help strengthen Hong Kong's status as the global hub for offshore RMB business and if the Administration would consider liaising with the Mainland authorities with a view to simplifying the procedures for Mainland companies to issue green bonds in Hong Kong. He further enquired about the present position of the Green and Sustainable Finance Grant Scheme ("GSFGS") which had been established to subsidize eligible bond issuers and loan borrowers on their expenses on bond issuances and external review services.

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6. USFST responded that green bonds issued in Hong Kong by both public bodies and private corporations in recent years had been denominated in various currencies in addition to US dollars, such as EURO and RMB. With the increase in the borrowing ceiling of the GGB Programme, the Administration would have more flexibility in piloting the issuances of GGBs involving a wider variety of currency denomination and tenor, as well as for funding a wider scope of green projects; thereby promoting further diversification of the local green bond market. As regards GSFGS, USFST advised that the Scheme was launched in May 2021, and was welcomed by the market. Over 10 applications had been received so far with some of them already approved. On the regulatory requirements for bond issuers from the Mainland, Head (Market Development), Hong Kong Monetary Authority ("H(MD)/HKMA") said that the Hong Kong Monetary Authority ("HKMA") had been liaising with the industry and the relevant Mainland authorities to facilitate the bond-issuing process. It was noted that local financial institutions had been getting more familiar with the relevant issuance requirements. HKMA would continue its collaborative efforts with the financial sector in promoting Hong Kong as an attractive bond-issuing platform for Mainland companies.

7. Ir Dr Hon LO Wai-kwok enquired about the Administration's work in promoting green finance to the general public, in particular that green finance was not only a capital-raising tool but also a positive contributor to a greener and more sustainable future for Hong Kong. He further suggested that the Financial Services and the Treasury Bureau should work with the Environment Bureau ("ENB") on promoting the benefits of green finance through various channels so as to enhance public awareness of the importance of taking concerted efforts in achieving Hong Kong's carbon neutrality goal.

8. The Chairman concurred that joint effort from the said bureaux was vital to the development of green finance in Hong Kong, and urged the Administration to step up its efforts in this area. Mr LUK Chung-hung opined that in addition to ENB, efforts of the Innovation and Technology Bureau should also be sought in promoting green finance.

9. USFST said that concerted efforts and cooperation from the relevant bureaux had been sought in developing green finance products and taking forward various green projects. ENB, for instance, was also a member of the Steering Group and the Steering Committee on the Government Green Bond Programme. The Administration also recognized the importance of publicizing the role of green finance in building a low-carbon economy, and noted that relevant courses and seminars had been conducted by universities and non-governmental organizations in this regard. It was anticipated that the Administration's plan to

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issue retail GGBs in 2021-2022 would further enhance public awareness about green finance and its benefits for Hong Kong.

10. Senior Director and Head of International Affairs and Sustainable Finance, Securities and Futures Commission ("SFC") remarked that the Investor and Financial Education Council had stepped up its capacity building on investor education initiatives on green finance through mass communications and stakeholder collaboration, including developing a dedicated webpage and publishing 15 relevant articles on topics relating to green finance. Head of Green and Sustainable Finance, Hong Kong Exchanges and Clearing Limited ("HGSF/HKEX") added that the Hong Kong Exchanges and Clearing Limited ("HKEX") had launched in late 2020 the Sustainable and Green Exchange, which was Asia's first multi-asset sustainable investment product platform. The Exchange currently featured over 70 sustainable-themed exchange traded products from issuers across a variety of sectors, and was conducive to connecting market participants, issuers and investors, and providing a one-stop shop for reliable green data and products.

11. H(MD)/HKMA added that HKMA had launched the Centre for Green and Sustainable Finance in 2021 to coordinate the efforts of financial regulators, Government agencies, industry stakeholders and the academia in strengthening capacity building, thought leadership and policy development relating to green finance. Two working groups had been established thereunder to develop strategies and roadmaps to promote capacity building and develop data repository and analytics capability on green finance.

Environmental, social and governance reports of listed companies

12. Mr Christopher CHEUNG pointed out that small and medium-sized listed companies had limited resources in meeting environmental, social and governance ("ESG") reporting standards, and asked if HKEX would implement measures to assist such companies in complying with the relevant requirements. Noting that HKEX conducted regular reviews on listed companies' compliance with the ESG reporting requirements, Mr CHEUNG sought details on the sample sizes of the reviews and the compliance situations identified.

13. HGSF/HKEX responded that HKEX had provided guidance materials on ESG for directors and report preparers including a guide for board and directors, a guide on how to prepare ESG reports, e-training materials, as well as the newly-launched ESG Academy webinar series. HKEX would continue to develop new guidance as appropriate to assist issuers with their ESG reporting complying with the latest international requirements. In supporting the efforts of major global rule-setting bodies and the International Sustainability Standards Board

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under the International Financial Reporting Standards Foundation to converge sustainability reporting standards globally, HKEX and SFC would collaborate with the Financial Reporting Council and the Hong Kong Institute of Certified Public Accountants to work on a roadmap to evaluate and potentially adopt the new standard.

14. On the reviews on listed companies' ESG reporting requirements, HGSF/HKEX pointed out that HKEX conducted periodic reviews of listed companies' reporting performance in accordance with the ESG Reporting Guide, with samples randomly selected from large, medium and small-sized issuers. After each review, HKEX published a report on ESG Disclosure Review which analyzed the findings and made recommendations for improvement. She said that listed companies' compliance with the ESG reporting requirements had been generally satisfactory.

15. In order to encourage new economy companies to integrate ESG considerations in their decision-making process, Mr Holden CHOW enquired whether the Administration would consider facilitating listing applications by companies which had good ESG performance.

16. HGSF/HKEX remarked that HKEX had amended listing rules to attract the listing of new economy companies (i.e. the listing reform), and the Steering Group had engaged stakeholders and industry practitioners, including start-ups, in formulating facilitative measures for all businesses to strive for better ESG disclosure and performance. Regarding incentives currently available to green bond issuers and loan borrowers, USFST said that recent researches conducted by the Hong Kong Academy of Finance had revealed that green bonds could, on average, enjoy a lower cost of borrowing and reach a broader range of potential investors as compared to conventional bonds, and thereby constituting a commercial incentive for green bond issuers in itself. The Administration had also provided subsidies to eligible bond issuers via GSFSGS to cover their expenses on external review services and the issue of bonds, which in turn had encouraged the issuance of green bonds.

17. Mr LUK Chung-hung expressed concern over the risk of greenwashing by companies. He asked what preventive measures were in place to reduce such risk and whether the relevant regulators had identified deceptive green finance products which did not conform with environmental principles.

18. The Chairman stressed the importance to ensure listed companies' compliance with the ESG requirements in order to protect investors, and enquired about the actions by the Administration/regulators to counteract false information on bonds.

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19. USFST said that the Administration attached importance in ensuring all information disclosures and transactions in the financial market were in compliance with the relevant laws and regulations, and responsible regulators would follow up any illegal act or breach of regulations.

20. As regards the risk of greenwashing, USFST advised that currently there were different green bond standards and guidelines issued by various international organizations, which could serve as reference for green bond issuers and investors to meet their different needs. The Steering Group had been working with the global community in developing a set of globally-aligned standards for green finance. For instance, The Steering Group aimed to adopt the Common Ground Taxonomy, which was being developed by the International Platform on Sustainable Finance in alignment with the relevant regulatory standards in the Mainland and the European Union. The Steering Group had also agreed to mandate climate-related disclosures aligned with the Task Force on Climate-related Financial Disclosures framework across relevant financial sectors by 2025.

Carbon market opportunities

21. Noting that the demand for carbon trading in the local market was limited, Mr CHAN Chun-ying asked whether the Administration would consider co-operating with the Mainland in setting up a cross-boundary carbon trading mechanism, so as to facilitate Hong Kong's participation in the national carbon trading market as a member city of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). The Chairman raised a similar question.

22. Mr MA Fung-kwok enquired about the Mainland's current position in, as well as existing and planned measures for, meeting the national carbon neutrality goal. He also asked how Hong Kong could capitalize on the Mainland carbon market opportunities.

23. HGSF/HKEX said that China's first official national emissions trading scheme ("ETS") embarked in Shanghai in July 2021. As ETS initially involved only the power sector (i.e. a selected group of Mainland carbon emitters with state-assigned carbon emission quotas), the trading volume had been constrained by a lack of other/foreign participants. There were also no options/futures products in the national ETS. While it was difficult for Hong Kong to establish its own compliance carbon market, there were potentials for Hong Kong to develop into a voluntary carbon trading centre for the region and the world.

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24. USFST and HGSF/HKEX advised that the Steering Group had set up a Carbon Market Work Stream ("CMWS"), co-chaired by SFC and HKEX, to assess the feasibility of developing Hong Kong as a regional carbon trading centre while strengthening collaboration in the Greater Bay Area and exploring other opportunities presented by both the compliance carbon market and the voluntary carbon market in China and overseas. In this regard, HKEX had recently signed a memorandum of understanding with the Guangzhou Futures Exchange for exploring strategic cooperation in developing carbon finance products in both onshore and offshore carbon markets. CMWS had also been studying the recommendations put forward by the Taskforce on Scaling the Voluntary Carbon Markets on developing a high-integrity regime for voluntary carbon markets. It was CMWS' target to complete its feasibility study by the end of 2021.

V Any other business

25. There being no other business, the meeting ended at 11:47 am.

Council Business Division 1
Legislative Council Secretariat
10 November 2021