



Sustainable Finance Action Agenda

Hong Kong to play a central role in supporting green and sustainable financing needs in Asia and globally



I. Banking for net zero

Goal #1: All banks to strive to achieve net zero in their own operations by 2030 and in their financed emissions by 2050

The banking sector plays a pivotal role in the economy's low-carbon transition. On the other hand, banks will face risks during the transition. As such, banks need to take swift and targeted actions to reduce financed emissions and phase out high-emission assets.

All banks should, in accordance with science-based pathways, strive to achieve net zero in their own operations by 2030 and in their financed emissions by 2050 with a view to supporting their clients and wider economy in the net zero transition.

In addition, tentatively from 2030, banks should start making available their transition plans to the HKMA regularly on a 'comply or explain' basis. The transition plans should consist of decarbonisation and financing targets, and clear action plans for achieving 2050 net zero ambition, including a plan for managed phase-out of financing for carbon-intensive assets. The transition plans should be Paris-aligned, robust, actionable and up-to-date.

Actions to be taken by the HKMA

- Support banks' efforts in the preparation of transition plans by:
 - providing further guidance, support and tools, including guidelines on transition planning and climate scenario analysis, guidance on the use of tools for climate risk management, taxonomy for green and transition activities, as well as seminars and workshops
 - reflecting the benefits of the transition planning efforts of banks when embedding climate considerations into the Supervisory Review Process
- Lead by example through efforts in achieving corporate sustainability:
 - establishing climate targets in corporate operations with reference to the Science-Based Targets initiative to achieve net-zero carbon emissions by 2030. These targets will be achieved through decarbonisation, energy saving, waste management, offsetting strategies, and the promotion of a sustainability culture



Goal #2: All banks to enhance transparency on climate-related risks and opportunities

Banks face increasing expectations from the market to make available accurate, consistent and relevant information about sustainability-related matters for managing risks and supporting investments. Banks should align their disclosures with international frameworks and standards, including the sustainability disclosure standards of the International Sustainability Standards Board published in June 2023 (ISSB Standards), and the Pillar 3 disclosure framework for climate-related financial risks to be issued by the Basel Committee on Banking Supervision (BCBS).

Actions to be taken by the HKMA

- In relation to the implementation of the BCBS's Pillar 3 disclosure requirements and the ISSB Standards, the HKMA will undertake relevant preparatory and supporting work, including analysing the current sustainability disclosure landscape and sharing banks' insights and good practices
- Based on the above preparatory work, the HKMA will consult the industry on the proposal setting out the timeline and approach to formulating regulatory requirements to implement the BCBS Pillar 3 framework and ISSB Standards



II. Investment in a sustainable future

Goal #3: Achieve net-zero emissions for the Investment Portfolio of the Exchange Fund by 2050

The HKMA prioritises ESG investments across all asset classes for the Exchange Fund, striving to achieve the net-zero target by 2050 and contributing to a sustainable economy more broadly. Since 2017, the weighted average carbon intensity (WACI) of the Fund's public equity holdings has decreased by 46%. Acknowledging that reliance on quantitative indicators alone may not promote effective short-term investment behaviour, the HKMA remains committed to an integration approach that emphasises the long-term sustainable value of investments.

Actions to be taken by the HKMA

To further move towards the 2050 net-zero target, we will continue to:

- Actively expand the scope and variety of its sustainable investments, particularly those supporting the theme of climate transition across public and private markets
- Incorporate ESG factors, with a specific focus on climate change and forward-looking transition considerations, into every investment decision



- Set clear ESG expectations in line with international standards and best practices, and require adherence from all external managers, direct investee companies and trade counterparties. For instance, we expect all investee companies, through active engagement by external managers, to fully account for climate change and develop credible transition plans that align with a net-zero pathway
- Endeavour to reduce WACI of its public equity holdings by 67% by 2030 from the 2017 level

Goal #4: Support transition in the region through investment

Recognising the urgency of transition in Asia and the substantial investment needs it entails, the Exchange Fund will deepen its dedicated focus on transition opportunities and mobilise stakeholders to actively support this effort through stewardship and engagement.

Actions to be taken by the HKMA

- The HKMA has been investing in a diverse range of activities crucial to the real-economy transition, including but not limited to renewable energy, energy-efficient real estates, innovative technologies and sustainable transportation. We will continue to engage with external managers to optimise opportunities driving the transition
- By anchoring investment funds dedicated to Asia's transition, the HKMA has robustly supported and mobilised external managers to finance sustainable development in the region. We will continue to actively seek and prioritise sound investment opportunities that foster Asia's transition and generate positive global impacts



III. Financing net zero

Goal #5: Develop Hong Kong into the go-to sustainable financing platform of the region and beyond

Hong Kong is well-positioned to support the sustainable financing needs of the region, thanks to our mature capital market, deep liquidity pool and world-class financial infrastructure. The HKMA will continue to encourage more borrowers, especially those from the Mainland and Belt & Road regions, to use Hong Kong to raise sustainable financing, and more local borrowers to raise financing in green format, with a target of having at least one third of all bonds issued in Hong Kong being sustainable.

Actions to be taken by the HKMA

- Provide subsidies to prospective issuers and stepping up outreach efforts
- Strengthen the demonstrative effect of the Government Sustainable Bond Programme



Goal #6: Catalyse innovation in sustainable finance

Leveraging Hong Kong's position as both a fintech and sustainable finance hub, the HKMA will continue to encourage and support green innovation in the financial markets, to facilitate the channelling of financing to sustainable projects and companies.

Actions to be taken by the HKMA

- Provide incentives to prospective issuers of digital green bonds
- Leverage the HKMA's work on fintech (e.g. Project Ensemble Sandbox) to encourage innovation by the private sector and test new features and use cases, such as better impact tracking
- Foster the development of local tech ecosystem and collaborate with international partners. For example, building on past collaborations such as Project Genesis, the HKMA will continue to work with the BIS Innovation Hub Centre in Hong Kong to explore further innovations in sustainable finance



IV. Making sustainability more inclusive

Goal #7: Support high-quality and comprehensive sustainability disclosures

High-quality sustainability disclosures of the full value chain as well as the financial sector are the bedrock of sustainable finance. But the capacity and readiness of different entities may vary. Some may require additional guidance and support. The HKMA will work together with other members of the Green and Sustainable Finance Cross Agency Steering Group (CASG) to make sustainability disclosures more approachable and inclusive.

Actions to be taken by the HKMA

- Enrich the climate disclosure toolkit for banks and their clients, with an easy-to-use reporting template and supporting tools
- Explore the use of technology to further enhance the accessibility and usability of available resources (e.g. data and disclosures tools on CASG website)
- Offer necessary training in collaboration with key local industry associations to make sustainability disclosures more inclusive
- Walk the talk by making high-quality sustainability disclosures in HKMA Sustainability Report in alignment with the latest global standards, including but not limited to climate-



related risks and opportunities in corporate operations, as well as plans and progress in achieving the climate targets

Goal #8: Close talent and knowledge gaps in sustainable finance in the region

The landscape of sustainable finance is constantly evolving. There is a need to expand the local talent pool and fill knowledge gaps in Hong Kong as well as the region.

Actions to be taken by the HKMA

- Equip the majority of relevant banking practitioners in Hong Kong with appropriate sustainable finance knowledge, specifically:
 - Identify further training needs in the upcoming study “Capacity Building for Future Banking 2026-2030”
 - Launch the Professional Level Enhanced Competency Framework for Green and Sustainable Finance
 - Make available more training programmes and courses in collaboration with relevant training institutes and professional bodies
- Enhance knowledge sharing with fellow authorities. For instance, the HKMA signed a Memorandum of Understanding with Dubai Financial Services Authority to enhance sustainable finance collaboration
- Leverage Hong Kong’s sustainable finance expertise to actively contribute to the capacity-building in EMDEs, through our well-established partnerships with International Finance Corporation (IFC), Glasgow Financial Alliance for Net Zero, Capacity-building Alliance of Sustainable Investment, etc. For instance, IFC’s Alliance for Green Commercial Banks, of which the HKMA is the first Regional Anchor, has organised a wide range of trainings, roundtable sessions, webinars, etc, benefitting around 8,000 participants