

# Chief Executive's Message

Climate change is affecting all aspects of life and there is a role for everyone to play in mitigating its impact. At the HKMA, we have been devoting significant effort in supporting Hong Kong's climate goal and contributing to a more climate resilient and sustainable world. This year, the HKMA is issuing its first standalone *Sustainability Report 2022*, following the inaugural report published as an integral part of the *Annual Report 2021*. Through this report, I hope readers can gain a more in-depth understanding of our strategy and priorities, from strengthening the climate-resilience of Hong Kong's banking system and growing the green finance ecosystem, to being a responsible investor and a sustainable organisation.

During the year, we have made notable progress in promoting sustainability across the HKMA's key functions. While you will read about our specific measures and initiatives in the rest of the report, let me highlight a few key developments below.

## Strengthening climate resilience

Banks are exposed to climate risks in their day-to-day operations. As a bank supervisor, the HKMA has taken concrete steps to strengthen banks' climate resilience. In 2022, we developed a two-year plan to embed climate risk considerations into our supervisory processes, and looked to harnessing the power of technology to help banks assess the impact of physical risks. As banks' green and sustainable product offerings continued to grow, we also shared with the industry examples of good practices for managing these products to facilitate banks to build up their climate risk management capability.

The HKMA actively participates in various collaborative efforts in tackling climate risks and mainstreaming sustainable finance. Locally, we have been working with other financial regulators through the Green and Sustainable Finance Cross-Agency Steering Group (CASG)<sup>1</sup> on a local green classification framework that will increase transparency across financial markets and enable consistent policy making on green finance. Internationally, we are actively involved in several groupings and networks to contribute to policy dialogues on addressing climate change and its impact on financial stability.

## Solidifying Hong Kong's position as a regional green and sustainable finance hub

Hong Kong is well-positioned to support the Asian region's green and sustainable financing needs. In 2022, despite a difficult year for the global bond market, Hong Kong continued to see a strong growth in green and sustainable debt issuance, rising by 42% to US\$80.5 billion, and was the largest centre<sup>2</sup> for arranging Asian international green and sustainable bond issuances. Among the issuers were the Shenzhen Municipal People's Government and the People's Government of Hainan Province, which reaffirmed Hong Kong's unique role in facilitating green and sustainable capital flows between the Mainland and the rest of the world.

This vibrancy of the green bond market in Hong Kong is also attributable to the Government Green Bond Programme. Since 2019, the HKMA has assisted the Government in issuing nearly US\$16 billion worth of green bonds, with the proceeds allocated to over 40 green Government projects, including green buildings, waste management and resource recovery, energy efficiency and conservation. We have also assisted the Government in achieving two "firsts". The Government's HK\$20 billion inaugural retail green bond issued in May 2022 was the world's largest retail green bond at issuance. In another first, the Government's inaugural tokenised green bond issued in February 2023 was the first tokenised green bond issued by a government globally. It also marked an important milestone in combining the bond market, green and sustainable finance as well as fintech.

For the healthy development of the climate finance ecosystem as a whole, standards, data and talent are all indispensable elements. The development of these multiple elements require co-ordinated efforts, and the HKMA has been joining hands with other authorities, regulators, academia and the financial sector, mainly through the co-ordination of the CASG. Besides the development of a local green classification framework as mentioned above, the

<sup>1</sup> The CASG is co-chaired by the HKMA and the Securities and Futures Commission. Other CASG members are stated in the *Green and Sustainable Finance* chapter on page 13.

<sup>2</sup> According to "The Asian International Bond Markets: Development and Trends" Report of the International Capital Market Association.

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CASG is also advancing work on capacity building and data availability, notably through the establishment of the Centre for Green and Sustainable Finance. In addition, the CASG is also making progress in other areas, including mandatory climate-related disclosures and carbon market opportunities.

### Investing responsibly

In 2022, the HKMA further stepped up the Exchange Fund's responsible investment momentum, notably by setting a 2050 net-zero emissions target for the Exchange Fund's Investment Portfolio. At the same time, we refined our risk management efforts with an aim to bolster the Exchange Fund's climate resilience and long-term risk-adjusted returns. Also recognising the opportunities that climate change can bring about, we made significant efforts to expand the Exchange Fund's sustainable investments, targeting opportunities that support climate transition and mitigate climate change, which can in turn enhance long-term portfolio returns.

As at the end of 2021, the weighted average carbon intensity of the Exchange Fund's public equities portfolios was reduced by 43% compared to the 2017 level. In fact, the Exchange Fund's exposure to carbon-intensive assets is persistently lower than that of the broader market. Through stepping up our ongoing efforts on integration, active ownership and collaboration, with a clear focus on portfolio decarbonisation and transition, we will continue the positive momentum in achieving the net-zero target.

### Sustainable HKMA

Within our organisation, the Corporate Social Responsibility and Sustainability Committee, which I chair, steers the HKMA's sustainability strategies. Our approach is underpinned by the three pillars of environment, people and social responsibility. In this respect, we aspire to promote a green workplace and advocate greener solutions in society; nurture a healthy and inclusive workplace as a responsible and caring employer; and give back to society, in addition to advocating financial literacy and financial inclusion.

In 2022, we achieved double-digit reduction on a per-capita basis across our greenhouse gas emissions, total energy consumption and total paper consumption, compared with the 2015 level when we started to track our carbon footprint. More importantly, we have drawn up a roadmap to reach the target of net-zero by 2050. In the nearer term, we aim to eliminate Scope 1 emissions completely and reduce Scope 2 emissions by 63% by 2030, using 2015 as the base year.

### HKMA's sustainability path forward

Undoubtedly, combatting climate change and promoting sustainability require consistent and collaborative effort. The HKMA is acutely aware of the need to lead by example, and will carry on our work with like-minded peers and international organisations on this important global agenda. The next section provides an overview of our near-term plans and priorities across our key functions.

Achieving net-zero emissions by 2050 is a daunting task and we are determined to do our very best. We are confident that together with our colleagues, the financial sector and the community, we are well placed to meet the climate challenges ahead.



**Eddie Yue**  
Chief Executive