

Priorities for 2024 and Beyond

Climate change risks and other sustainability concerns are global in nature. In 2024, the HKMA will continue to seek to play a leading role, through our policies and our own operations, in ensuring the financial sector in Hong Kong, and the HKMA itself, are resilient to the risks from climate change and are supportive of the transition to a more sustainable economy. By actively participating in international and regional forums, the HKMA also looks to contribute to the formulation of green and sustainable finance policies and standards regionally and globally.

Building a climate-resilient banking sector

As a banking supervisor, the HKMA will work to further strengthen the climate resilience and risk management capabilities of the banking sector. Specifically, our key priority areas on the agenda are:

- ▶ To conduct a new round of thematic examinations on banks' climate risk management practices and a new series of consultative sessions, as part of the review of banks' progress in implementing the supervisory requirements on climate risk management;
- ▶ To continue the work in incorporating climate considerations into the HKMA's Supervisory Review Process;
- ▶ To complete the second round of the sector-wide climate risk stress test, provide guidance to participating banks throughout the exercise, and share with the industry observations and lessons learnt from the exercise;
- ▶ To enhance sustainability disclosures, including working with local authorities to align relevant requirements with the global baseline of the International Sustainability Standards Board's standards, as well as preparing to adopt the Basel Committee on Banking Supervision's Pillar 3¹ framework on climate-related financial risks; and

- ▶ To share with the industry guidance on best practices on transition planning.

To foster healthy growth of banks' green and sustainable investment product offerings, the HKMA will continue to keep abreast of local and international market and regulatory developments, and engage with the industry to ensure that proper selling processes are adopted.

In addition, the HKMA also serves as an enabler to enhance the green finance ecosystem and support banks' financing of the transition. We will issue the local taxonomy soon and continue our efforts by expanding its coverage to include more activities, such as transition activities. Meanwhile, we will also continue to explore the use of technological solutions that may assist banks in identifying, measuring and monitoring climate risk exposures. One example is the cloud-based platform which we will be launching soon to facilitate banks' physical risk assessment. To enhance capacity building, we will also develop the Professional Level of the Enhanced Competency Framework on Green and Sustainable Finance in 2024.

Enhancing the green and sustainable finance ecosystem

Hong Kong is well-positioned as a regional and international sustainable finance hub. To advance this role, the HKMA is supporting the Government in implementing the 2023 – 24 Budget initiative to expand the scope of the Government Green Bond Programme to cover sustainable finance projects with a view to deepening the development of the local green and sustainable bond market, in addition to attracting more green financing activities including transition finance to Hong Kong through the Green and Sustainable Finance Grant Scheme. We will also continue to encourage more governments, institutions and corporates to raise green funding through Hong Kong, and explore potential synergies between green finance and technology. In parallel, we will continue to help implement the Government-funded Pilot Green and Sustainable Finance Capacity Building Support Scheme to expand Hong Kong's green finance talent pool.

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As co-chair of the Green and Sustainable Finance Cross-Agency Steering Group (CASG), we continue to work in close collaboration with other agencies to co-ordinate cross-sectoral policies and efforts in promoting the development of green and sustainable finance in Hong Kong. In particular, the CASG will focus on three main areas of work in 2024, including sustainability disclosures, technology adoption and transition finance.

In another priority, through the Alliance for Green Commercial Banks, the HKMA and the International Finance Corporation will continue to jointly launch targeted initiatives in the Asia region, including undertaking green finance research, providing unique market insights, tailoring capacity building and training support, and providing practical guidance to help banks develop their own roadmaps to mainstream green finance. We will also endeavour to deepen our partnerships with the Glasgow Financial Alliance for Net Zero, the Capacity-building Alliance of Sustainable Investment and the Green Investment and Finance Partnership in 2024.

Investing responsibly

As a responsible investor, the HKMA is committed to achieving net-zero emissions for the Investment Portfolio of the Exchange Fund by 2050. We will continue to strengthen the sustainability profile of the Exchange Fund's investments through our three-pronged responsible investment approach, ensuring portfolio resilience as we progress along the net-zero journey. Recognising the need for transitioning the entire economy in meeting the Paris Agreement goals, we are refining our net zero strategy to put particular emphasis on assets that can deliver positive climate outcomes in the real world, while taking into account the investment objectives of the Exchange Fund.

Moving forward as a sustainable organisation

As an environmentally-friendly organisation, the HKMA's decarbonisation strategy will continue to evolve, so as to reflect latest market, regulatory, technological and other climate-related developments. As a further step to strengthening the HKMA's climate resilience and risk preparedness, we will explore the feasibility of applying technological solutions to assess the impact of physical risks on our office premises. In addition, we will continue to actively engage our staff in our sustainability journey, including awareness campaigns to promote sustainable habits and optimising office processes and practices. Besides, the HKMA will continue to maintain consistent, efficient and sustainable procurement practices, including evaluation of suppliers' ESG practices during selection and contract renewal.

Building on the green data centre accreditation in 2023, the HKMA is committed to upholding the specified certification standards. Specifically, in the regular data centre facility upgrades, while keeping up with the latest technological developments, we will also integrate green designs and practices. Meanwhile, we will continue to reduce electronic waste through technology adoption and convergence, in addition to actively modernising our internal systems to enhance efficiencies and minimise potential risks.

Finally, in the social focus areas, the HKMA will promote more community work opportunities for our colleagues in addition to working with the industry to advance financial inclusion and financial literacy, and promote awareness of financial scams in different segments of the community.

