

# Priorities for 2025 and Beyond

Climate change is the defining challenge of our era. As an international financial centre and Asia's sustainable finance hub, Hong Kong is committed to assuming a pioneering role in supporting sustainable development in Asia and beyond. In October 2024, the HKMA launched the Sustainable Finance Action Agenda (Action Agenda), outlining its vision in this regard, including where it is heading, when it endeavours to reach various milestones and how it expects the industry to collaborate on this sustainability journey. Through developing strategic policies, strengthening supervisory engagements and enhancing internal operations, the HKMA aims to fortify Hong Kong's financial sector and the HKMA itself against the perils of climate change, while catalysing the region's transition towards a more sustainable economy. The HKMA is also committed to amplifying its impact through active participation in international and regional dialogues, contributing to the formulation of green and sustainable finance policies and standards at both regional and global levels.

## Building a climate-resilient banking sector

As a banking supervisor, the HKMA focuses on enhancing the climate resilience of the banking sector and supporting banks in maintaining safety and soundness during their transition to net zero. Our key priority actions for 2025 include:

- conducting a new round of thematic examinations on banks' climate risk management practices and the third series of consultative sessions to review banks' implementation of the HKMA's supervisory requirements and further enhance their climate risk management capabilities;
- optimising the integration of climate risk stress testing into the HKMA's supervisor-driven stress testing framework;
- continuing the work of incorporating climate considerations into the HKMA's Supervisory Review Process;

- preparing the groundwork for formulating relevant regulatory requirements to implement the Pillar 3 disclosure framework for climate-related financial risks to be issued by the Basel Committee on Banking Supervision and the International Financial Reporting Standards – Sustainability Disclosure Standards (ISSB Standards) in the local banking sector;
- finalising a new Supervisory Policy Manual module, GS-2, to provide guidance to banks on transition planning; and
- sharing with the industry good practices on climate risk management and green fintech adoption.

In addition to our role as a banking supervisor, we also serve as an enabler to strengthen the green and sustainable finance ecosystem and support banks' financing of the transition. We have released Phase 1 of the Hong Kong Taxonomy for Sustainable Finance to provide the industry with a tool to identify green and sustainable economic activities and facilitate relevant finance flows. The development of Phase 2 of the Taxonomy has commenced, aiming to expand its coverage by introducing transition elements, adding new green activities, and incorporating the climate change adaptation objective. Additionally, building on the success of the FiNETech3 event in 2024 and the Green Fintech Competition in 2023, we will organise another green fintech event in 2025 to advocate for the adoption of green fintech solutions by banks.

## Enhancing the green and sustainable finance ecosystem

Hong Kong is well positioned to support the sustainable financing needs of the region. To reinforce this role, we will continue to assist the Government in implementing the Government Sustainable Bond Programme, which has an expanded scope that will cover sustainable projects, such as social projects. This will help deepen local green and sustainable bond market development and create a demonstrative effect for other potential issuers in the region.

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Additionally, we will continue to provide subsidies through the Green and Sustainable Finance Grant Scheme to encourage more borrowers in the region to utilise Hong Kong's financing platform for raising sustainable financing. We will also step up our outreach efforts to encourage more governments, institutions, and corporates from the Mainland and other regions to raise green funding in Hong Kong.

In parallel, we will continue our efforts to catalyse and support innovation in sustainable finance. This includes providing incentives to prospective issuers of digital green bonds through the Digital Bond Grant Scheme.

While markets increasingly demand high-quality sustainability disclosures from institutions and corporates, the capacity and readiness of different entities to make sustainability disclosures may vary, with some requiring additional guidance and support. To address this, we will continue our collaboration with other members of the Green and Sustainable Finance Cross-Agency Steering Group to make sustainability disclosures more approachable and inclusive. For instance, we will continue our efforts to enrich the climate disclosure toolkit for banks and their clients by providing easy-to-use reporting templates and supporting tools, explore the use of technology to further enhance the accessibility and usability of available data resources, and offer necessary training to the industry in partnership with key local industry associations.

Given the evolving nature of the sustainable finance landscape, there is a need to expand the local talent pool and fill knowledge gaps in Hong Kong as well as the broader region. Our key initiatives in 2025 include working with the banking industry to develop the training programme for the Professional Level of the Enhanced Competency Framework on Green and Sustainable Finance, and identifying further training needs of the industry through the upcoming study *Capacity Building for Future Banking, 2026–2030*. Additionally, we aim to step up the promotion of the Government-funded Pilot Green and Sustainable Finance Capacity Building Scheme in collaboration with key stakeholders and suitably reviewing the scope of the Scheme. On a regional scale, through the Alliance for Green Commercial Banks, we, along with the International Finance Corporation, will continue to collaborate on targeted initiatives in Asia, including conducting green finance research, publishing unique market insights, tailoring capacity building and training support, fostering community

engagement, facilitating potential green investment opportunities, and offering practical guidance to help banks develop their roadmaps to mainstream green finance.

### Investing responsibly

As a responsible investor, we are committed to achieving net zero emissions for the Investment Portfolio of the Exchange Fund by 2050 with the aim of supporting a whole-of-economy transition. We will continue to enhance the sustainability profile of the Exchange Fund's investments through a pragmatic and disciplined responsible investment approach, focusing on long-term portfolio resilience while exploring opportunities to deliver positive climate outcomes.

### Moving forward as a sustainable organisation

The HKMA is dedicated to setting a leading example in corporate sustainability efforts. With the accelerated net zero commitment announced publicly in the Action Agenda, our sustainability journey will continue to evolve by taking incremental and consolidating steps to embed environmental and social considerations into our strategies, risk assessments and reporting. Specifically, in 2025, we will conduct a double materiality assessment to better understand the potential financial and non-financial implications of climate change and other sustainability issues, ensuring that we focus on what matters. Moreover, we will step up our climate resilience and risk preparedness by carrying out energy audits and harnessing technological solutions to assess the material impact of climate risks on our office premises and operations. We support the Government's roadmap on sustainability disclosures in Hong Kong and are actively preparing to align our own disclosures with the ISSB Standards.

In 2025, we will continue to uphold our commitment to incorporating energy efficiency and reduction principles into the selection of data centres facilities for planned upgrade projects. We will also expand our digital initiatives to promote sustainability and efficiency, including the development of digital tools and platforms to support paperless processes, minimise waste, and enhance the overall digital experience for our staff, banks, and the public.