

Building a Climate- resilient Financial System



Climate change could pose risks to the financial system if not properly managed. The HKMA has been prioritising its efforts to strengthen the resilience of Hong Kong's financial system to climate-related risks, while contributing to Hong Kong's climate goals and the global sustainability agenda.

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Banking supervisor

Banks, through their day-to-day operations, are exposed to various climate-related risks, making it crucial to proactively manage these risks. At the same time, banks play a vital role in the financial system in channelling capital towards green and sustainable activities. As a banking supervisor, the HKMA is committed to strengthening banks' resilience to climate risks, enhancing their climate risk management capabilities, and accelerating their efforts to support the transition to a low-carbon economy.

Building climate resilience and supporting the transition

Banking for net zero

The HKMA continues to support the banking sector in achieving the goals set out in the Sustainable Finance Action Agenda (Action Agenda). Specifically, it has undertaken the following banking policy work.

Sustainable Finance Action Agenda *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



Goal 2

All banks to enhance transparency on climate-related risks and opportunities



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

In 2025, the HKMA consulted the industry on the draft Supervisory Policy Manual module GS-2 on "Transition Planning". This new module aims to support banks in enhancing their resilience to, and managing the risks associated with, the economy's net-zero transition. Based on feedback received, the HKMA has revised the draft guidelines for a second round of consultation.

The HKMA has also been keeping the Supervisory Review Process under review to take into account factors related to banks' effective management of climate-related risks, with the aim of incentivising banks to strengthen their risk management frameworks – including transition planning – thereby enhancing their resilience to climate-related challenges.

All banks to enhance transparency on climate-related risks and opportunities

The HKMA has been working towards aligning sustainability disclosure requirements with international standards, including the International Financial Reporting Standards – Sustainability Disclosure Standards (ISSB Standards) and the Basel Committee on Banking Supervision's disclosure framework for climate-related financial risks. In 2025, the HKMA advanced industry engagement to analyse the local sustainability disclosure landscape, assess key challenges, and identify sound practices across the industry.

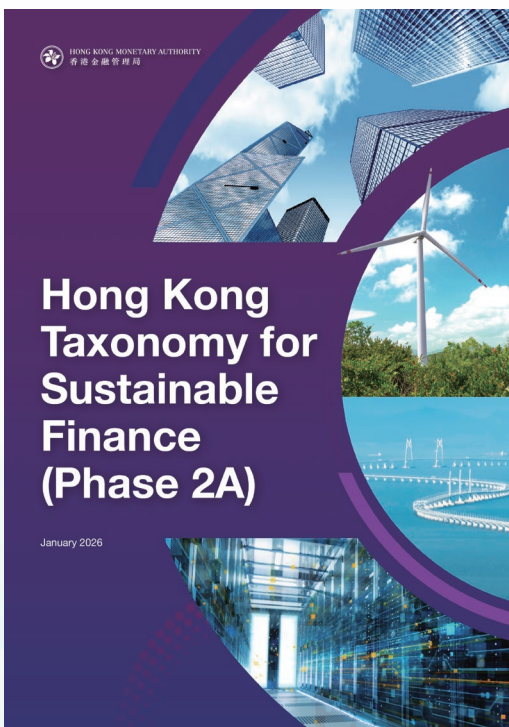
These insights will inform its policy formulation process, ensuring that the new disclosure requirements are aligned with global standards while being appropriately tailored to Hong Kong's market context.

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Publication of Phase 2A Hong Kong Taxonomy to scale up green and sustainable finance flows

Stimulating green and transition finance flow is key to advancing the Action Agenda. The HKMA has been developing the Hong Kong Taxonomy in phases to provide a robust and transparent framework for classifying economic activities that contribute to green and sustainable development, with the objective of facilitating green and sustainable capital flows and supporting the region's transition to a low-carbon economy.

In 2025, the HKMA worked on developing Phase 2A of the Taxonomy. Compared to Phase 1, launched in May 2024, Phase 2A expands coverage to additional sectors and activities, integrates transition elements, and introduces a new category on climate change adaptation. Referencing mainstream taxonomy standards, the Taxonomy also reflects local, Chinese Mainland and regional contexts, ensuring alignment with global investor priorities while meeting the practical needs of the local markets. Phase 2A was published in January 2026. Development of Phase 2B is underway, involving active engagement with a broad range of stakeholders.



Hong Kong Taxonomy for Sustainable Finance (Phase 2A)

Strengthening supervision of climate risk management and promoting capacity building

In 2025, the HKMA continued to strengthen its supervision of banks' climate risk management and provided further guidance to the banking industry to promote capacity building and enhance their resilience against the impacts of climate change.

Thematic examinations and consultative sessions to review banks' implementation of the HKMA's supervisory expectations on climate risk management

In 2025, the HKMA launched a new round of thematic examinations, expanding coverage to a new cohort of banks, to assess the robustness and adequacy of their climate risk management frameworks and practices against the supervisory expectations set out in the Supervisory Policy Manual module GS-1 on "*Climate Risk Management*".

The HKMA also conducted its third series of consultative sessions to evaluate banks' progress in implementing its climate risk management supervisory expectations across governance, strategy, risk management and disclosure. During these sessions, the HKMA gained insights into the challenges individual banks faced in implementing certain supervisory expectations, while also exchanging views with banks on recent developments in key climate-related areas, including transition planning, climate disclosure standards, and emerging initiatives to address nature-related risks.

Through these bilateral supervisory engagements, the HKMA delivered targeted feedback and recommendations to support banks in further enhancing their climate risk management capabilities.

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Thematic review of banks' integration of climate risk considerations into internal capital adequacy assessment process and capital planning

In 2025, the HKMA completed a thematic review to assess banks' progress in integrating climate risk considerations into their internal capital adequacy assessment process (ICAAP) and capital planning. The results were satisfactory, showing that many banks had leveraged their experience from participating in the HKMA's climate risk stress tests to begin incorporating climate-related risks into their ICAAP and capital planning ahead of the implementation of the relevant supervisory requirements on 1 January 2026. The HKMA also identified some good practices from the review and shared these observations with the industry.

Thematic review of banks' selling of green and sustainable investment products

In light of the continued market interest in green and sustainable investment products, the HKMA conducted a thematic review of banks' sale of such products in 2025 and issued a circular in December in the form of frequently asked questions, aimed at providing additional guidance and sharing good practices with banks to enhance customer experience while ensuring investor protection.

Sharing of sound practices on climate risk management and effective tools to support green transformation

In 2025, the HKMA published its key observations on general good practices adopted by banks in climate risk management, providing a reference for the broader industry to strengthen its climate risk management capabilities. Among the best practices are the adoption of quantitative frameworks to manage climate risks; proactive efforts to bridge climate data gaps through data-driven methodologies and questionnaires, thereby enabling the incorporation of more robust climate risk assessments into credit underwriting and decision-making processes; and the implementation of a holistic approach in managing the interplay between climate-related risks and traditional risk categories – such as operational, liquidity and market risks.

The HKMA also shared examples of practical tools that banks can implement to support the green transformation of their corporate customers, particularly small and medium-sized enterprises, under the overarching principle of prudent risk management. These tools include, for example, tailored advisory services to help clients set emission reduction targets; climate data collection templates to assist clients in reporting their operational climate data; and Greentech applications to help assess clients' sustainability profiles and enable the design of customised green and sustainable finance products to support their green transformation.

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Seminars to strengthen banks' capacity in climate risk management

In February, the HKMA organised the *Climate Risk Stress Test Forum*, bringing together more than 300 subject matter experts from banks and professional institutions to engage in in-depth discussions on climate risk assessment methodologies and best practices.

In October, the HKMA hosted the seminar *Managing Climate-related Financial Risks*, bringing together approximately 300 professionals from the banking sector to

exchange insights and practical experiences in managing climate-related financial risks. Four banks shared their respective approaches, detailing the frameworks and tools used to evaluate clients' climate risk profiles and support their net-zero transition.

These events served as interactive platforms to promote industry-wide knowledge exchange, foster collaborative learning, and strengthen banks' capacity in climate risk management.



Senior representatives from the HKMA and the banking industry participate in the *Climate Risk Stress Test Forum*



Ms Carmen Chu (centre), Executive Director (Banking Supervision), on stage with the distinguished speakers at the seminar *Managing Climate-related Financial Risks*

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Using technology in climate risk management and adopting green fintech solutions

To address the challenge of limited physical risk data and analytical tools for climate risk assessments, the HKMA developed the Physical Risk Assessment Platform. The Platform enables users to assess the potential impact of physical climate risks on residential and commercial buildings in Hong Kong under various climate scenarios. Following the launch of the beta version in 2024, the HKMA released the formal version in July 2025. As of December 2025, more than 100 banks had registered for the Platform, with over 1.3 million assets analysed.

Furthermore, the HKMA has continued to collaborate with relevant stakeholders to promote the adoption of green fintech solutions across banks and the broader financial services sector to support their climate risk management and net-zero transition. In September 2025, the HKMA organised the *2025 Green Fintech Competition* and *2025 Green Fintech Symposium*. The Competition attracted over 140 entries from 26 jurisdictions – more than a 60% increase compared to the inaugural event in 2023¹. The Symposium brought together approximately 500 in-person and online participants from a wide range of stakeholder backgrounds to discuss the latest trends, challenges and opportunities in green fintech adoption.

The multiple promotional initiatives over the past few years have driven substantial progress in Greentech adoption across the banking industry, increasing from 26% in 2022 to 45% in 2025². As banks increasingly recognise the potential of technology in managing climate-related risks and advancing sustainable finance, adoption of more advanced Greentech solutions is projected to double over the next three years (2026-2028).



Mr Eddie Yue, Chief Executive, opens the 2025 Green Fintech Symposium



Mr Arthur Yuen (second from right), Deputy Chief Executive, participates in a fireside chat at the 2025 Green Fintech Symposium



Mr Donald Chen (front row, seventh from right), Executive Director (Banking Policy); and Ms Carrie Leung (front row, seventh from left), Chief Executive Officer of the Hong Kong Institute of Bankers, together with representatives from supporting organisations, present awards to the winners of the 2025 Green Fintech Competition

¹ Winners of the *2025 Green Fintech Competition* were given the opportunity to showcase their winning solutions at the *2025 Green Fintech Symposium* and on several other occasions.

² Please refer to HKMA (2025), *Fintech Adoption: Progress and Future Directions*.

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Financial and monetary stability

Cognisant of the potential risks that climate change may pose to the financial system, the HKMA incorporates a broad range of climate-related considerations and scenarios into its analysis of financial risks and research studies to enhance its ongoing surveillance efforts.

Integrating climate-related risks into financial stability monitoring

The HKMA takes into account climate change in its ongoing monitoring of financial stability risks, and incorporates analyses of climate-related risks in various financial stability reports. Through its active participation in the workstream on Scenario Design and Analysis under the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), the HKMA contributes to enriching the climate scenarios that help central banks and supervisors assess the macroeconomic and financial impacts of climate change. In May, the NGFS published a set of short-term climate scenarios, providing a framework for central banks and supervisors to analyse the potential near-term impacts of climate change on financial stability and economic resilience.

On the research front, the HKMA has undertaken several applied research projects that examine the implications of climate change for the financial sector and the economy. The topics studied include corporates' exposure and resilience to climate-related physical risk³ and the influence of foreign direct investment on corporate environmental, social and governance (ESG) performance⁴. The findings from these research projects support the HKMA's ongoing monitoring and assessment of the financial stability impacts of climate change and ESG-related issues. These findings have also been shared with a wide range of stakeholders via various channels.

The Hong Kong Institute for Monetary and Financial Research (HKIMR), the research arm of the Hong Kong Academy of Finance, also facilitated knowledge exchange on sustainable finance by organising a joint seminar⁵ and publishing research studies on climate risk disclosure⁶, climate policy spillovers⁷, carbon emissions trading systems⁸, and corporate decarbonisation targets⁹. These studies have been shared with academic and policy communities both locally and internationally.

Integrating sustainability into the Liquidity Facilities Framework

The HKMA's Liquidity Facilities Framework serves as a collateral-based liquidity backstop, providing timely liquidity support to banks when needed. Sustainability considerations have been integrated into the evaluation of eligible collaterals under the framework.

³ Kong, Ying and Tang (2025), "Asia-Pacific corporates' exposure and resilience to climate physical risk", HKMA, *Research Memorandum*, 2025/09.

⁴ Tam (2025), "Exploring the bidirectional environmental, social and governance spillover effects in foreign direct investment", HKMA, *Research Memorandum*, 2025/06.

⁵ The seminar Green and Transition Finance Policy Evolution in China and the Impact of Pilot Zones was organised by the HKIMR in collaboration with the CFA Institute and the Hong Kong Green Finance Association.

⁶ Zhang (2025), "The Real Effects of Climate Disclosure: Evidence from Insurance Products", HKIMR, *HKIMR Working Paper*, No. 05/2025.

⁷ Ho, Wong, and Lo (2025), "Cross-Border Effects of Climate Policies on Bank Lending: Insights from Foreign Bank Branches in Hong Kong", HKIMR, *HKIMR Working Paper*, No. 06/2025.

⁸ Cao and Zhang (2025), "Carbon Emissions Trading and Stock Price Informativeness: The International Evidence", HKIMR, *HKIMR Applied Research Paper*, No. 01/2025.

⁹ Jiang (2025), "Corporate Decarbonisation Targets, Stock Performance, and Investment", HKIMR, *HKIMR Working Paper*, No. 07/2025.

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International collaboration

The HKMA actively participates in international and regional forums on addressing climate risk and mainstreaming sustainable finance. Through these engagements, it contributes to international and regional policy dialogues while also gaining insights to strengthen the climate resilience of Hong Kong's financial system.



Financial Stability Board (FSB)

The HKMA actively engages in the FSB's efforts to address climate-related financial risks. This includes promoting consistent and comparable climate-related disclosures, operationalising the analytical toolkit for monitoring climate-related vulnerabilities, and contributing to the FSB's evidence-based analysis of climate-related financial risks.

The HKMA is a member of the FSB's Climate Vulnerabilities and Data Working Group (CVD), which is tasked with analysing climate-related vulnerabilities and developing tools to monitor them across sectors and jurisdictions. In 2025, the CVD conducted a deep-dive study on how abrupt asset repricing due to climate shocks could affect the financial system. The HKMA also participated in the FSB's Transition Plans Working Group (until January 2025), which published a report to enhance the conceptual understanding of how transition plans by financial and non-financial firms interact with climate-related financial risks.



Basel Committee on Banking Supervision (Basel Committee)

The HKMA participates in the Basel Committee's work to address climate-related financial risks to the global banking system, including the Task Force on Climate-related Financial Risks, which adopts a holistic approach to addressing relevant risks spanning regulatory, supervisory and disclosure-related elements. In 2025, the Basel Committee published a voluntary framework for disclosing climate-related financial risks for jurisdictions to consider. It will also pursue further analytical work on the financial impacts of extreme weather events on banks.



Bank for International Settlements (BIS)

The HKMA participates in the BIS Innovation Network, which explores technological solutions to help banks identify, measure and monitor their exposures to climate-related risks.

The HKMA is also a member of the BIS Asian Climate Network, where experts from Asian central banks exchange views, share progress, and disseminate knowledge on climate and environmental sustainability policies.



Network of Central Banks and Supervisors for Greening the Financial System (NGFS)

The HKMA is a member of the NGFS, which aims to share best practices and contribute to the development of climate and nature-related risk management in the financial sector, as well as mobilise mainstream finance to support the transition towards a sustainable economy. The HKMA serves as a member of the NGFS Steering Committee and actively participates in NGFS workstreams and task forces relating to supervision, scenario design and analysis, central bank net-zero initiatives, and nature-related risks. Notably, the HKMA serves as a co-chair of the Workstream on Supervision, which aims to advance the integration of climate-related and environmental risks into supervisory frameworks and practices.

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International Platform on Sustainable Finance (IPSF)

Together with the Securities and Futures Commission, the HKMA represents Hong Kong in the IPSF, which has developed the Common Ground Taxonomy and is actively promoting transition finance.

The HKMA is exploring participation in selected IPSF initiatives to enhance the interoperability of global taxonomies.



Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)

The HKMA is a member of EMEAP, where climate and environmental risk is a key strategic priority. The HKMA serves as the Champion of the Interest Group on Sustainable Finance within EMEAP's Working Group on Banking Supervision, which promotes information sharing on various aspects of climate risk management.

The HKMA also actively participates in EMEAP's Working Group on Financial Markets, which promotes investment in green bonds through the Asian Bond Fund initiative.

Furthermore, at the EMEAP Monetary and Financial Stability Committee, the HKMA shares its knowledge on climate-related issues with fellow authorities by leading a research project that examines the impact of climate-related factors on global greenfield foreign direct investment.



Other research-related initiatives

The HKMA participates in a climate research initiative under the International Banking Research Network, which analyses the cross-border effects of climate policies on bank lending.