

Green finance and its development in Hong Kong and the rest of the GBA

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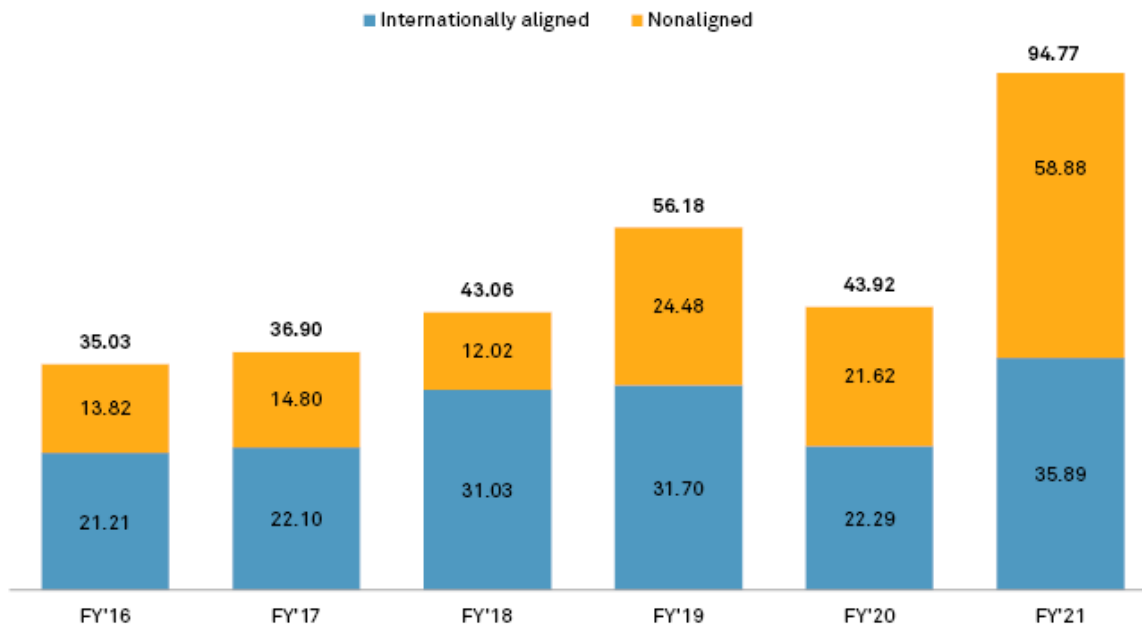
Hong Kong as the Regional Sustainable Finance and ESG Investment Hub

Green bond sector sprouting up in China

Robust expansion in China's green debt market

- China's green bond market has **soared to more than double** in a year, issuance raised from US\$43.9 bn to **US\$94.8 bn** in 2021
- According to Acuity Knowledge Partners, the issuance of Chinese green debt* is expected to grow further by **at least 80%** in 2022

Volume of Chinese green bond issuance (US\$ bn)

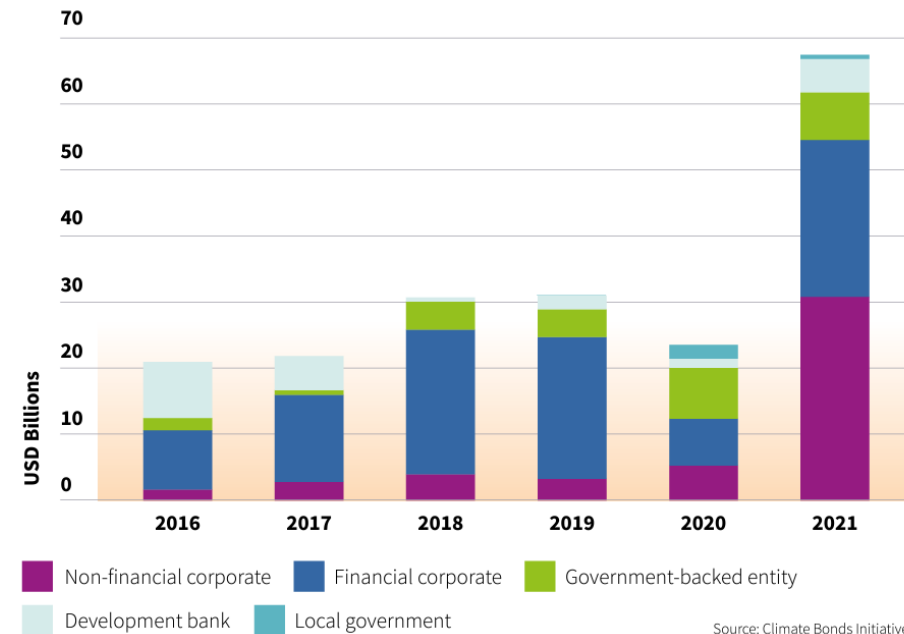


*including instruments that only meet local standards

Diversified mix of green bond issuers

- State-owned enterprises have been active issuers for green bonds recently. Pursuant to Climate Bonds Initiative, **11%** of green bond issuances were from government-backed entities in 2021
- Non-corporates (46%) were the major issuers in 2021, followed by issuance from corporates (35%)

Chinese green bonds by issuer type

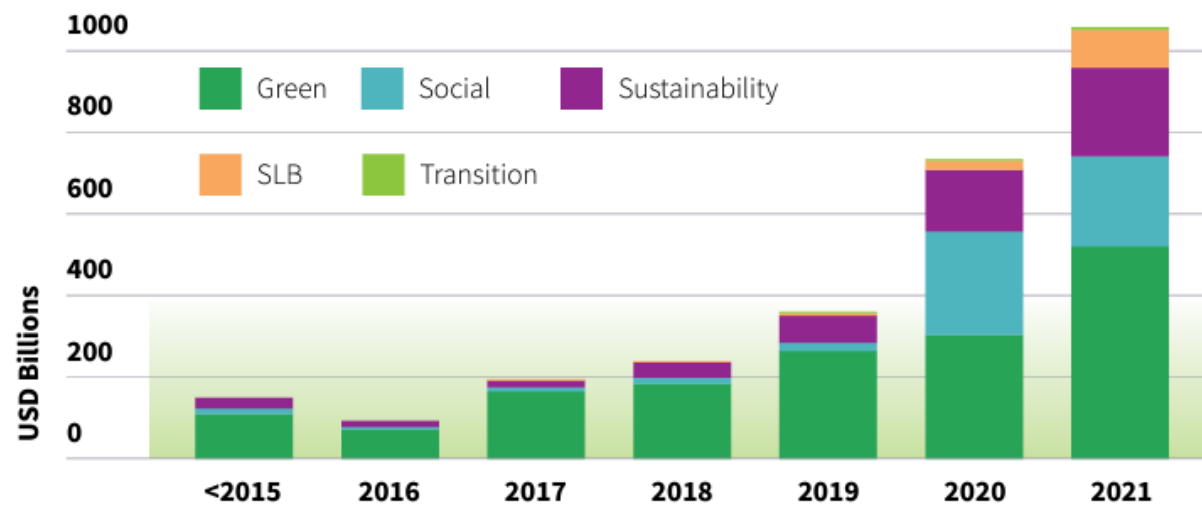


Source: Climate Bonds Initiative

Growing appetite for green label

Considerable demand for green bonds in the GBA

- Climate bonds captured GSS+ themed debt amounting to **almost USD1.1tn in 2021** in the global sustainable debt market.
- Prior to the COVID-19 pandemic, the GBA green bond market increased at a compound annual growth rate of **69%**
- **Green asset backed securities** remains a **common issuer type for green bonds in Guangdong** Cumulative issuance has been more than **US\$2.4bn** since 2016

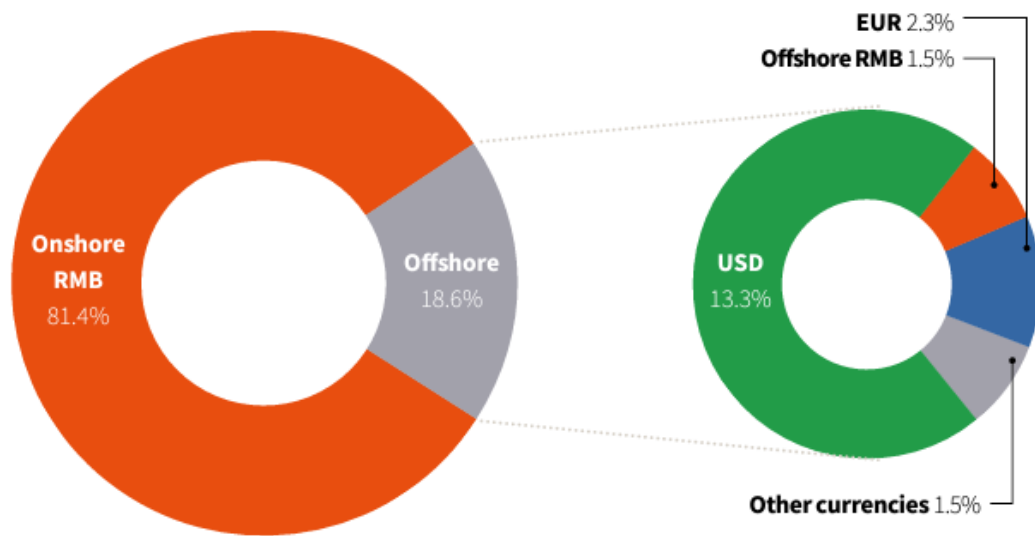


China-related green bond issuances benefit offshore markets

China continues to be a key offshore green bond issuers in the world

- **18.5% of China's green bonds** were issued in the offshore markets
- In 2021, onshore issuance soared to US\$55.5 billion, a 208% increase compared to 2020; offshore issuance increased by 79% to US\$12.6 billion

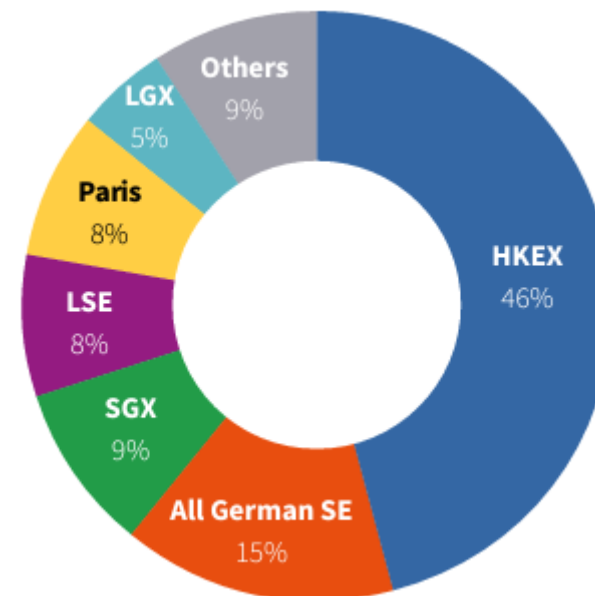
Currency denominations of Chinese green bonds in 2021



Hong Kong has been an offshore financing centre for Mainland

- **Hong Kong Exchange remained the largest listing venue** for Chinese offshore green bonds, accounting for 46% of the total offshore volume in 2021
- All German SE was the second largest offshore market for Chinese deals, with Singapore Stock Exchange being the third

Listing venue of Chinese offshore green bonds



A cluster of ESG stakeholders in Hong Kong

Asset owners

Asset owners in public and private sectors, including pension funds and sovereign wealth funds, are increasingly integrating ESG strategies in their investment portfolios

Asset and wealth managers and product owners

Asset and wealth managers and product owners (e.g. banks) uncover opportunities, identify risks and generate appealing returns for asset owners and other clients through incorporating ESG factors into their investment strategies and ongoing engagement with investee companies



Investee companies

Enhanced ESG disclosure/ reporting is becoming a commonplace among companies of different sizes, partly due to new regulatory requirements but also enhanced risk-adjusted returns, lower funding costs, and new sources of capital

Government and financial regulators

A combination of 'carrots and sticks' (i.e., incentives and regulations) has been a common approach adopted by governments and regulators in different markets, and Hong Kong is no exception

Academia, civil society organisations and other stakeholders

Universities, non-governmental organisations and professional bodies collaborate to enhance ESG capacity-building. A cluster of stakeholders, including services providers such as index compilers, is critical in ensuring ESG standards and needed support are in place

Rich ESG/ green product offerings in Hong Kong

Supply led by the government and corporates

US\$57 bn

Green and sustainable debt instrument arranged and issued in HK (2021)

The international bonds totalled US\$31.3 billion, contributing one third of the Asia market

US\$34.6 bn

ESG bonds issued in HK (2021)

90 ESG related bonds were issued by 2021; four times of the amount in 2020 (HK\$67 bn raised by 18 issuers)

21%

Composition of ESG bonds to total bond offerings in HK (2021)

The composition of ESG bonds to total bond offerings: China (18%), APAC (15%)

100+

ESG funds in HK (June 2022)

Authorised by SFC

Government issuance supported green bond market growth in 2021, with four times YoY growth



Examples –

Non-financial corporate:
Shimao Group Holdings
(USD748m)

Financial corporate:
Gaw Capital Partners-led consortium
(USD682.4m)

HKSAR Government's green bonds offering

November 2021

- The successful offering of US\$3 bn worth of green bonds, **denominated in US dollars (USD) and euro (EUR)**, under the Government Green Bond Programme.
- The offering comprises three tranches of **US\$1 bn 10-year, EUR1.25 bn 5-year, and EUR500 mn 20-year**
- **The longest euro-denominated green bond issued by an Asian government to date**, setting an important new benchmark for potential issuers in Hong Kong and the region

January 2021

- **The 2nd batch of the Government green bonds** totaling US\$2.5 bn was issued
- Among which the **30-year tranche was the longest-tenor USD-denominated government bond in Asia** and the world's largest US dollar government green bond deal

May 2019

Offered 1st inaugural green bond with an issuance size of US\$1 bn and a tenor of 5 years

May 2022

- The 1st inaugural retail green bond was issued on May 18, 2022, and listed on the Stock Exchange of Hong Kong on May 19, 2022
- The final issuance amount of the inaugural retail green bond is **HK\$20 billion**.



Launch of first inaugural retail green bond

- On 14 April 2022, the HKSAR Government announced the relaunch of the subscription arrangement for the government retail green bond. It was issued on 18 May 2022, and listed on the Stock Exchange of Hong Kong on 19 May 2022
- The objective is to allow Hong Kong residents to:
 - Contribute to greening Hong Kong; and
 - Share the fruit of the sustainable development of Hong Kong through participating in the green and sustainable finance market
- Use of proceeds:
 - Used exclusively to finance or refinance green projects that fall under one or more of the “Eligible Categories”
- Eligible categories of projects and examples:
 - Waste management and resource recovery (e.g. The Organic Resources Recovery Centre)
 - Water and wastewater management (e.g. Water Intelligent Network)
 - Green buildings (e.g. New Acute Hospital at Kai Tak Development Area)
 - Renewable energy
 - Energy efficiency and conservation
 - Pollution prevention and control
 - Nature conservation/ biodiversity
 - Clean transportation
 - Climate change adaptation



20 billion
Issuance size



3 years
Tenor



2.5%
Min. interest rate

Thank you

Contacts

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