



Summary of FSDC Industry Exchange Series Make an IMPACT!

Panellists

- Mr Joseph H.L. Chan, Under Secretary for Financial Services and the Treasury, The Government of Hong Kong SAR
- Ms Ronie Mak, Managing Director, RS Group
- Ms Maud Savary-Mornet, Senior Advisor, South East Asia, The Global Impact Investment Network (GIIN)
- Mr Michael Salvatico, Head of Asia Pacific ESG Business Development, S&P Global Market Intelligence

Moderator

- Dr Au King-lun, Executive Director, Financial Services Development Council

Discussion summary

Hong Kong, being the international financial centre of Asia and the World's largest offshore Renminbi centre, is committed to developing green and sustainable finance. The HKSAR Government and regulators have introduced a wide range of sustainable finance initiatives in 2020, e.g.

- The Green and Sustainable Finance Cross-Agency Steering Group, established in May, announced a strategic plan in December (<https://www.sfc.hk/-/media/EN/files/ER/Strategic-Plan-20201215-Eng.pdf>)
- The White Paper on Green and Sustainable Banking was published by the HKMA in June (<https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2020/20200630e1a1.pdf>)
- The Consultation on climate-related risks in funds was issued by the SFC in October (<https://apps.sfc.hk/edistributionWeb/api/consultation/openFile?lang=EN&refNo=20CP5>)



- The HKEX Sustainable and Green Exchange “STAGE” was launched in December
(https://www.hkex.com.hk/Join-Our-Market/Sustainable-Finance/HKEX-STAGE?sc_lang=en)

Given China is the second largest country of green bond issuance (with 80% issued onshore), Hong Kong is well positioned to help develop China’s offshore green bond markets especially for RMB denomination. With Hong Kong servicing as a platform for the financing and certification of green projects in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), it can also support Chinese enterprises to raise funds for green projects related to the Belt and Road Initiative.

- ✚ Hong Kong is therefore uniquely positioned to become a leading Sustainable and Impact Finance Centre in the region!

Sustainability requires Impact Investing which has been a fast growing market, according to the GIIN 2020 survey
(<https://thegiin.org/research/publication/impinv-survey-2020>),

- At 17% CAGR over the past 10 years
- USD 715 billion AUM with APAC accounting for 25%
- Popular sectors are Financial Services (i.e. microfinance), Energy, Healthcare Innovation, Food and Agriculture as well as Education especially on Technology as a critical conduit for basic services across sectors.



It has been vastly proven that ESG and IMPACT investment can achieve market based returns where trade-offs are not necessarily the case based on Ronie's first-hand experience. There is a broad range of products across the capital spectrum that investors can choose from to achieve the desired risk and return outcomes. The 3 driving factors for success in IMPACT investing are:

- The “Need” to invest for sustainability
 - The “Fear” of not finding the right expertise
 - The “Desire” to make a difference
- ✚ Impact Investments do generate positive sustainability impacts and financial returns.

While we have many metrics to measure investment returns, the IMPACT MEASUREMENT space is currently like an alphabet soup!

- There is an increasing call for a standard and comparable measurement framework such as The Impact Management Project (<https://impactmanagementproject.com/>)
- The UN SDG (<https://sdgs.un.org/goals>) and IRIS/IRIS+ (<https://iris.thegiin.org/>) systems are also commonly used by impact investors to measure, manage and optimize impact.
- The recent consultation by IFRS to assess appetite for a set of global sustainability reporting standards is an important development in this area (<https://cdn.ifrs.org/-/media/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf>)



Many institutional and sophisticated investors are now including impact investing in their investment strategies. The demands for good quality information and data are rising rapidly as a result. The three key factors identified by Michael for successful sustainability investments are

- “Measure” data with accuracy and reliability
- “Report” information with transparency and consistency
- “Manage” business with adaptability and sustainability

In conclusion, a close Public Private Partnership is required to develop a vibrant ecosystem for sustainability and impact investing. Hong Kong has made a promising start with supporting policies and regulations, long term investments in market infrastructures and talent development. Hong Kong with its deep capital pool and abundant market opportunities, has every opportunity to become a regional hub for sustainable and impact finance.

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