

SFST's keynote speech at MPF Symposium (English only)

Following is the keynote speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the MPF Symposium on "Green Finance and Sustainable Investing" today (February 24):

Ayesha (Chairman of the Mandatory Provident Fund Authority (MPFA), Mrs Ayesha Macpherson Lau), YC (Managing Director of the MPFA, Mr Cheng Yan-chee), distinguished guests, ladies and gentlemen,

Good afternoon. It is both an honour and a privilege to address you today at the MPF Symposium on "Green Finance and Sustainable Investing". I extend my gratitude to the Mandatory Provident Fund Authority for convening this important gathering, bringing together industry leaders, esteemed professionals, and dedicated stakeholders. We stand at a pivotal moment, united by a shared purpose: to explore how finance can serve not only as a cornerstone for retirement protection, but also as a transformative force for the future of our planet.

In recent years, the global community has awakened to the profound urgency of climate change – a challenge that transcends borders and generations. The rising tide of extreme weather events and their far-reaching socio-economic consequences compel us to act with resolve and foresight. As an international financial centre of dynamism, Hong Kong is poised to lead this charge, harnessing the power of capital to propel the world towards a low-carbon future.

The Government has made an unwavering commitment to achieve carbon neutrality before 2050 and to halve Hong Kong's carbon emissions by 2035. These are not mere aspirations but a call to action. Through a sustained series of initiatives, we have fortified our resolve to advance green and sustainable finance – efforts that have not only accelerated Hong Kong's emergence as a preeminent hub for sustainable investment, but also underscored our pivotal role in the global transition to a greener economy.

Hong Kong: Asia's vanguard in green finance

The financial sector has emerged as a formidable conduit to direct global capital toward sustainable ends. Hong Kong, with its stature as Asia's premier international financial centre and a beacon of sustainable finance, stands uniquely equipped to spearhead this transformation. Our capital markets have set a gold standard in green and sustainable finance, offering a rich tapestry of investment opportunities that resonate with two "Ps", both "purpose" and "profit".

As of December last year, the Securities and Futures Commission has authorised over 220 ESG (environmental, social, and governance) funds,

managing assets valued at approximately HK\$1.2 trillion – a testament to the vibrancy of our market. Between 2021 and 2023, Hong Kong consistently led the region in arranging green and sustainable bonds. In 2023 alone, the total issuance of green and sustainable debt surpassed US\$50 billion, with green and sustainable bonds accounting for US\$30 billion, or 37 per cent of the regional total. These figures are not just statistics; they reflect the magnetic appeal and robust capacity of our markets to finance projects that safeguard our planet.

The Government has been a steadfast champion of this cause. Since launching the Government Green Bond Programme in 2019, we have issued green bonds equivalent to HK\$220 billion, channeling vital resources into sustainable infrastructure and innovation.

Pioneering progress through innovation and partnership

Our commitment to green and sustainable finance is not static; it is a dynamic pursuit propelled by innovation and collaboration. In 2021, we introduced the Green and Sustainable Finance Grant Scheme, a forward-thinking initiative that subsidises bond issuers and loan borrowers for expenses related to issuance and external reviews. By lowering financial barriers, this scheme empowers businesses to embrace sustainable financing, amplifying their contributions to a greener tomorrow.

With sustainable development gaining heightened worldwide awareness, it has become vital to ensure that investors and other market participants have accurate, consistent and relevant information about sustainability-related matters for managing risks and supporting investments. We therefore published in March last year a vision statement to set out the vision and approach of the Government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. We then launched in December last year a roadmap on sustainability disclosure in Hong Kong, setting out Hong Kong's approach to require publicly accountable entities (PAEs) to adopt the ISSB Standards (International Financial Reporting Standards–Sustainability Disclosure Standards). It provides a well-defined pathway for large PAEs to fully adopt the ISSB Standards no later than 2028.

Also, we are cultivating a thriving green fintech ecosystem to position Hong Kong as a global leader in this frontier. To better integrate fintech with green finance, and accelerate the green transformation of the economy, we will actively expand the green fintech ecosystem and develop Hong Kong as a green fintech hub. We launched in March last year the Prototype Hong Kong Green Fintech Map, which is developed together with relevant stakeholders, to provide one-stop information on the current status of green fintech companies operating in Hong Kong and related services, with a view to raising the companies' profile. We are now developing the official Hong Kong Green Fintech Map with the industry, which will be published in the first half of this year.

The resilience of the MPF System

Now let's turn our attention to reflect on the performance of our MPF System. Under the leadership of Ayesha, the system delivered last year an average annual net return of 8.6 per cent, culminating in a total net asset value approaching HK\$1.3 trillion at the year end. This achievement underscores the resilience and adaptability of our system – qualities that have defined the MPF System over its two-decade legacy.

Since its inception in 2000, the Equity Fund and Mixed Assets Fund, comprising nearly 80 per cent of total MPF assets, have posted average annualised net returns of 4.3 per cent and 4.0 per cent respectively, outpacing inflation over the same period. These results affirm the system's capacity to weather economic cycles and also deliver enduring value to scheme members. Looking ahead, the MPF System remains a bedrock of retirement security, empowering members of the public to pursue their financial aspirations with more confidence and stability post-retirement.

MPF's leadership in sustainable investing

Climate change and socio-economic shifts present unprecedented challenges – and opportunities – that demand we wield finance as a force for good. This convergence of prosperity and purpose is not optional; it is imperative.

The MPFA has been a champion in this domain, embedding sustainable investing in its mission and guidance for the industry. While we celebrate last year's strong performance, we recognise that the work of enhancing the MPF System is perpetual. A critical focus has been mitigating environmental, social, and governance risks – risks to which pension funds, with their decades-long horizons, are acutely exposed.

In 2021, the MPFA issued the Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds. This framework has guided trustees in integrating ESG considerations into their investment and risk management strategies and disclosing these efforts to scheme members. Trustees now report their sustainable investing progress in annual governance reports, fostering transparency that empowers members to align their investments with their values.

Beyond disclosure, we are diversifying MPF portfolios by integrating sustainable instruments – vehicles that not only finance ESG initiatives but also enhance risk-adjusted returns. We have established a pioneering mechanism to prioritise the allocation of institutional green bonds to Mandatory Provident Fund schemes. As of September last year, MPF funds invested HK\$600 million in Government green bonds, representing a 50 per cent increase before the arrangement was put in place. This dual-purpose initiative advances our environmental agenda while bolstering the long-term sustainability of our pension system, a synergy of social responsibility and ecological stewardship.

A call to collective action

Our dialogue today must transcend this symposium, igniting enduring change in our communities and the MPF ecosystem. Hong Kong will continue to innovate, expand, and diversify, forging a vibrant ecosystem that serves both local, regional and global investors. Your wisdom and contributions are indispensable as we elevate this market and cement Hong Kong's legacy as a global leader in green finance and retirement protection.

Thank you.