



Green Way Forward 2023: “How can EU business support HK’s Green agenda?” Recommendations

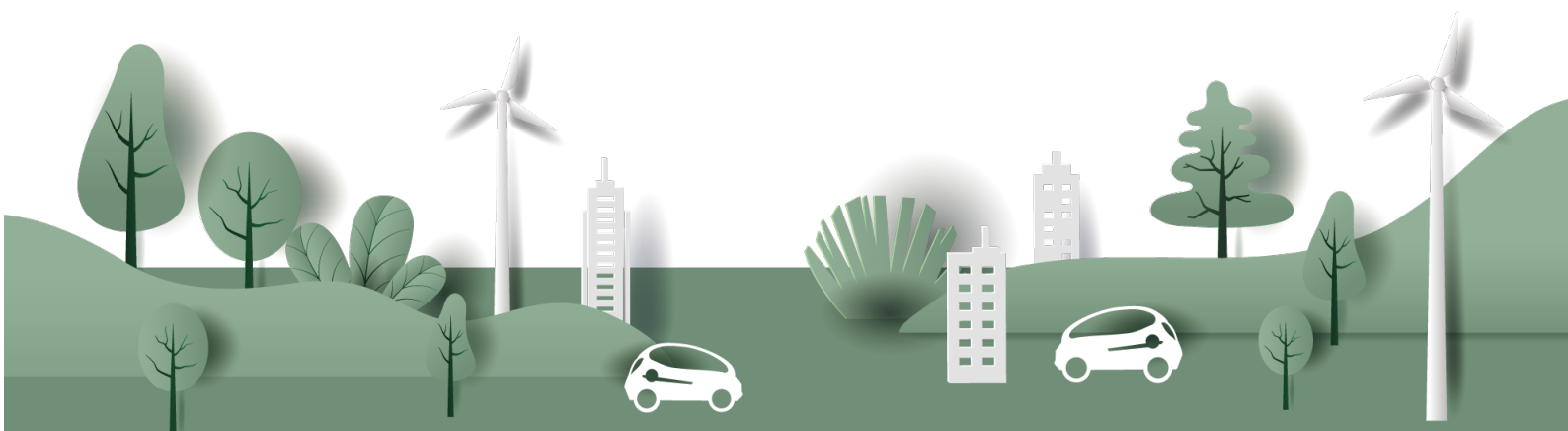
In view of promoting green business in finance, mobility and city as well as stakeholders involvement, the following recommendations are presented to Financial Secretary Paul Chan during the green dialogue on 16 March 2023:

I Finance

1. Support and facilitate ESG capacity building in Hong Kong through adapted academic curricula, ongoing training to professionals as well as attracting ESG experts from abroad.
2. Interoperability of taxonomies should be encouraged to ensure an efficient and sound sustainable finance market. The interoperability should focus notably on a common set of ambitious high-level targets and principles, clear purpose, usability and timeline.

II Mobility

3. Develop and implement – with industry - a holistic green transport plan for Hong Kong including charging infrastructure and battery recycling.
4. Develop a future-oriented type approval process geared towards a green transition to include implementation of new technologies, supporting sustainable and autonomous driving





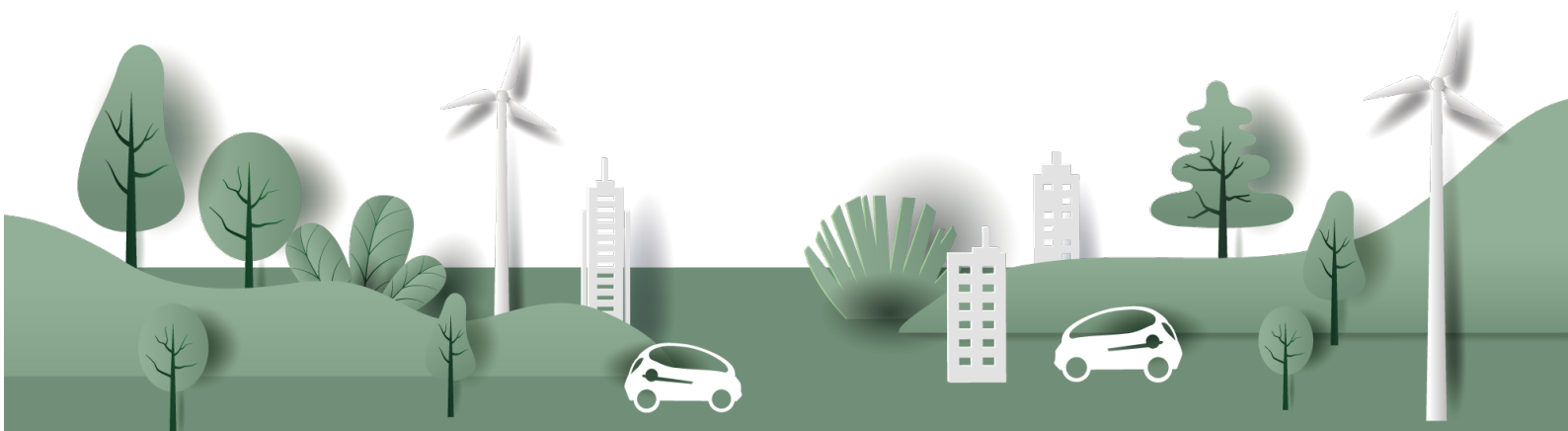
5. Build an infrastructure to support new energy development and supply for the aviation and maritime industry such as sustainable aviation fuel (SAF) and other forms of energy. This also to ensure a steady local supply of the SAF and other forms of renewable and sustainable energy at a reasonable cost.
6. Support and facilitate investing in the transition of Hong Kong to become an international green tourism hub.

III City

7. Promote circularity as a mindset, principle and overarching goal of the HK economy, for instance regarding waste management at estate level.
8. Promote asset valuation to reflect investments in energy efficiency, emission reduction and retrofitting.
9. Redirect public procurement more strongly to incentivize sustainable solutions and green investments.

IV Stakeholder involvement

10. Promote awareness on sustainability, climate solidarity and engagement by developing HK as a meeting hub for people of various professions, skills, generations and backgrounds to put forward and debate ideas and possible solutions towards solving the global climate crisis.





Annex

I Finance

The European Chamber of Commerce in Hong Kong
Sustainable Finance Working Group

Hong Kong SAR Government

Hong Kong, March 16th, 2023

Dear honorable Chief Executive and Government Ministers,

Over the past few years, Hong Kong significantly developed the financial flows related to sustainable activities as society bolstered its expectations for regulators, jurisdictions and companies to work together to address climate change, biodiversity and social justice. International efforts also assisted our local understanding of what is compatible with a sustainable future through the Intergovernmental Panel on Climate Change (IPCC). Finally, the rise of concerns regarding greenwashing has strengthened the focus on best-practice, innovation and impact-based outcomes regarding the transition to a low-carbon future.

As an international finance hub, Hong Kong's sound regulatory environment, operational efficiency and trade flows have been incredibly supportive of business innovation and economic development. We believe that the same resources will accelerate sustainable finance and scale the financing of the global energy transition towards the substantial financial investments needed to keep global warming below 1.5°C and restore biodiversity.

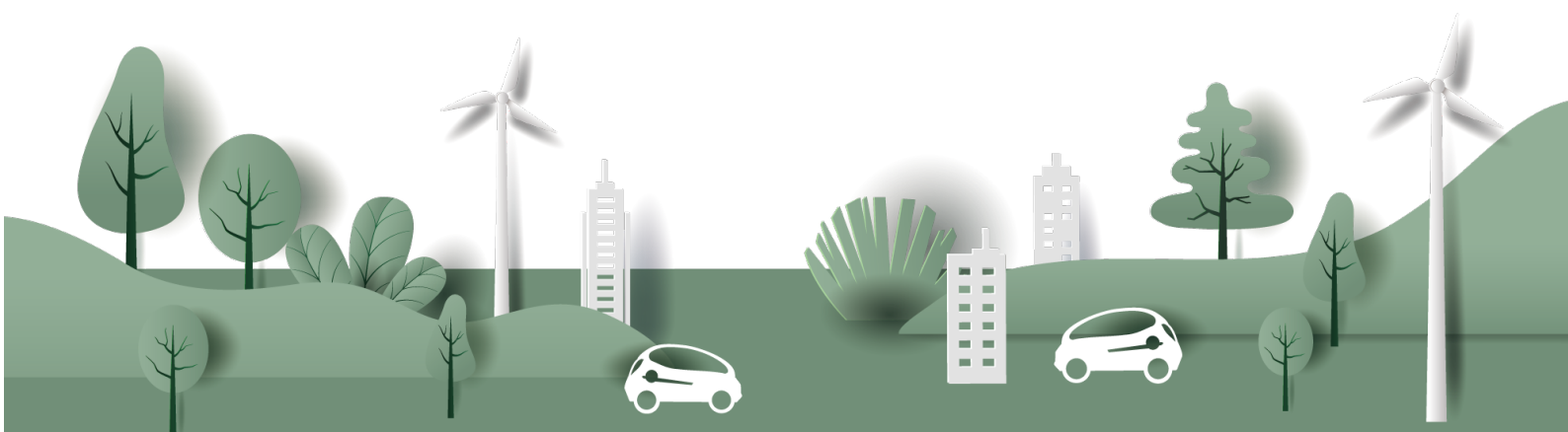
However, a global paradigm shift is needed. Transforming Hong Kong into a leading global sustainable finance hub and unlocking its potential requires development of talent and expertise as well as promotion of compatible and convergent approaches with regard to taxonomies and standards.

Raising the awareness of all

Below are a few high-level recommendations to foster ESG capacity building and talent in Hong Kong:

- The financial sector is one of Hong Kong's most powerful industries. The global financial industry has recognized the need to focus on financing the transition and has mobilized quickly with various products and offerings to encourage the shift. As a financial hub, Hong Kong could use this to achieve scaled sustainable activities well beyond its borders. To ensure the finance system remains competitive, there should be enhanced training for financial practitioners regarding sustainability and available to all. This includes

harmonization of training requirements for practitioners and development of career pathways that outline the required qualifications to perform various roles in the sector;



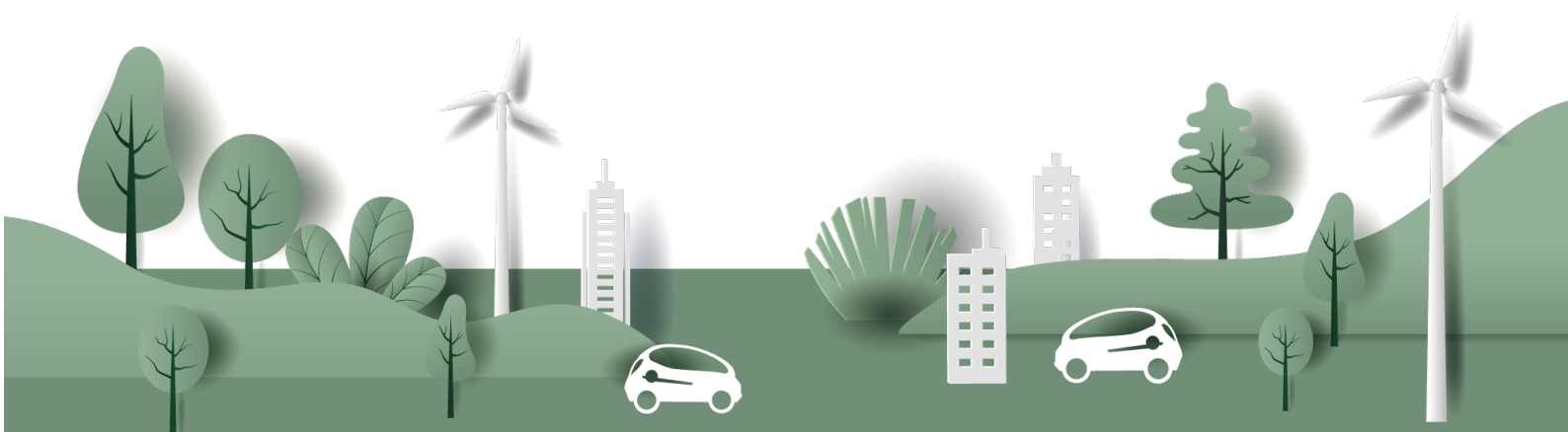


- Hong Kong has been attractive for issuers which apply sustainable financing tools to echo their sustainability strategies. Though, from market outreach perspective, it would be useful to engage more corporates from broader scope to build their understanding on sustainable finance and transition, which is critical to create a robust ecosystem.
- Awareness building on sustainability within the younger population needs to be accelerated including adapting the academical curriculum in primary and secondary schools.
- Higher education plays an important role in cultivating ESG talent, while different local universities have started developing ESG courses, more diploma, bachelor and masters courses are still needed. In addition, more teaching professionals are needed in order to deliver the increasing number of courses. We recommend the government to encourage and provide incentives for universities to (1) encourage teaching professionals to gain ESG qualifications and acquire ESG knowledge by attending ESG courses, and (2) invite overseas teaching professionals to come to Hong Kong, in order to exchange ESG views and knowledge with local teaching professionals.
- To enhance the competitiveness of Hong Kong as regional sustainable finance centre, Government can provide more incentive to compete for international talents. Referencing the current Technology Talent Admission Scheme, a “Green Talent Admission Scheme” may be considered to provide a fast-track arrangement for eligible financial institutions to admit non-local ESG talents (including in sustainable finance) to work in Hong Kong.
- Public policies have an important role to play in providing leadership and direction. Tone from the top is key and we recommend continuing to strengthen the government’s message (at its highest level) on climate adaptation, fair transition to a low carbon and resilient economy as a priority, to permeate the whole administration; and
- Deepening the awareness and literacy of Environmental, Social and Governance (ESG) matters among public officials at all levels can reduce knowledge fragmentation and increase unified strategies and synergies. This literacy should focus on the climate emergency, transition to a low carbon economy as well as how government policy can affect and influence change in this area.

Seeking interoperability of standards

Through the EU Taxonomy for Sustainable Activities, Europe has created a definition of “sustainable economic activities” that received consent from all circles and assists in directing financial flows towards sustainable activities. While its application is geographically limited to European borders, the proposal has gained considerable momentum and is accepted across all finance, industries, scientific and other society bodies as the cornerstone regulation to drive sustainable investments.

Several countries in Asia Pacific are developing their own taxonomy, Hong Kong included. As adoption of a taxonomy is becoming an industry (if not a regulatory) imperative to build market confidence in sustainable product, It is critical to seek a common language to attract international investments, create trust among market participants, reduce risk of greenwashing while addressing the local specificities.





In that context international cooperation is key and interoperability of taxonomies should be encouraged to ensure an efficient and robust sustainable finance market. As we recognize the complexity that improving interoperability and recognition regime establishment by each jurisdiction represents, we would like to highlight some key aspects for Hong Kong's government to consider when working on its own taxonomy:

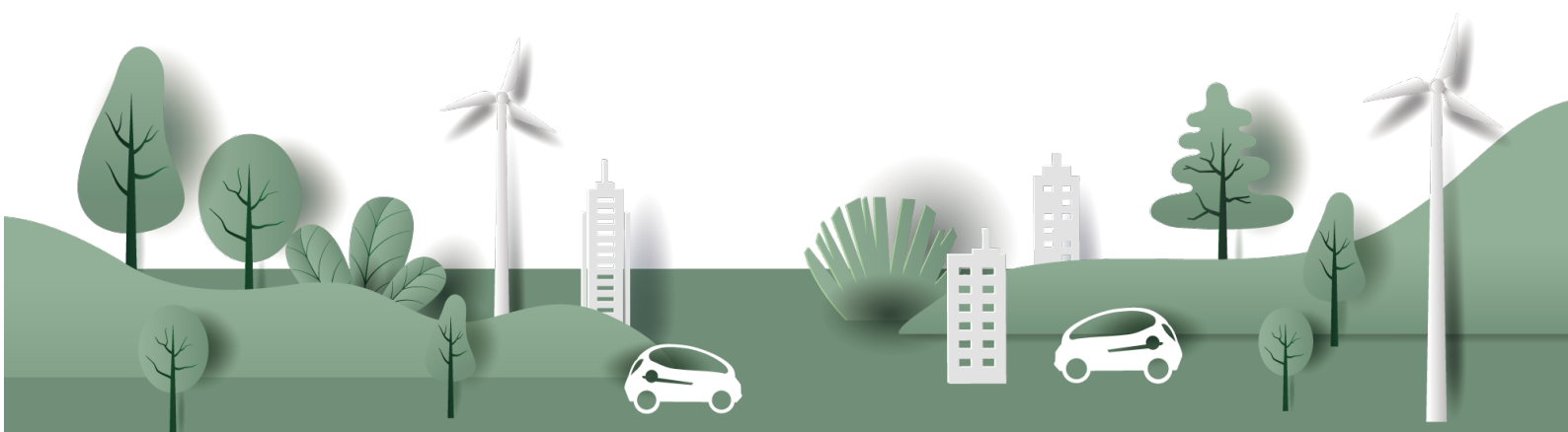
- Having the same objective will be essential to encourage EU institutions to finance and invest in sustainable projects also outside the EU and vice-versa. Such an exercise has the potential to help regulators identify which standards are applied in foreign countries and develop recognition schemes between jurisdictions;
- Using a common set of high-level principles with other taxonomies can help developing taxonomies that are interoperable. For example, the Do No Significant Harm (“DNSH”) is a principle that banks, verifiers, investors are using more and more to analyze sustainable proceeds. While we fully recognize the difficulty to apply the EU DNSH due to the strict reference to EU regulations, we hope that a similar principle is applied in Hong Kong;
- Recognizing the existence of different transition pathways, as starting points of various countries are not the same, one key principle for interoperability is that taxonomies are calibrated with the same ambitious high-level targets (e.g., Net Zero). The interim targets and pathways to those targets could however be tailored to specific regions and their economies;
- It is also key to accompany the highly carbon emitting companies towards lower emission business models and activities as well as to robustly frame such a transition based on scientific evidence;
To ease comparing with other taxonomies, clarifying certain aspects such as its purpose, the regulatory requirements tied to its application, its enforcement timeline or its impact on green themed financial products and services would be welcomed, as well as use-cases. The interoperability together with importantly usability are prerequisites for successful implementation of a taxonomy.
Providing a clear definition of what shall be considered as “Greenwashing”.

The Sustainable Finance Working Group of the European Chamber of Commerce in Hong Kong firmly believes collective action is critical to meet the global sustainability challenges. As such, our members are at the entire disposal of Hong Kong government to support its sustainability ambition.

We are confident that Hong Kong has a major role to play and can foster a tighter cooperation between Europe and Asia in building together more resilient and sustainable economies.

II Mobility

1. **Develop and implement – with industry - a holistic green transport plan for Hong Kong including charging infrastructure and battery recycling.**
 - a) Continuous allocation of adequate funding to ensure a comprehensive charging infrastructure covering public, semi-public and private charging solutions.
 - b) Make an early announcement regarding EV subsidy- and incentive-scheme planning beyond March 2024 to ensure an ongoing robust development of electric vehicle registrations.





- c) Central coordination for the planning and development of a High-Voltage Battery (HVB) recycling ecosystem, supported by an effective incentive system.
- 2. Develop a future-oriented type approval process geared towards a green transition to include implementation of new technologies, supporting sustainable and autonomous driving**
- a) Review and update of the current type approval regulatory framework, with special focus on latest state-of-the-art ADAS, HVB and VDU technologies.
 - b) Consider adopting the UNECE type approval regulations; a well-established and broadly accepted regulatory framework..
- 3. Build an infrastructure to support new energy development and supply for the aviation and maritime industry such as sustainable aviation fuel (SAF) and other forms of energy. This also to ensure a steady local supply of the SAF and other forms of renewable and sustainable energy at a reasonable cost.**

Hong Kong to provide the infrastructure to support the new energy development and supply for the aviation industry such as sustainable aviation fuel (SAF) and other form of energy. It is crucial to ensure a steady local supply of the SAF and other form of renewable and sustainable energy at reasonable costs.

- 4. Support and facilitate investing in the transition of Hong Kong to become an international green tourism hub.**

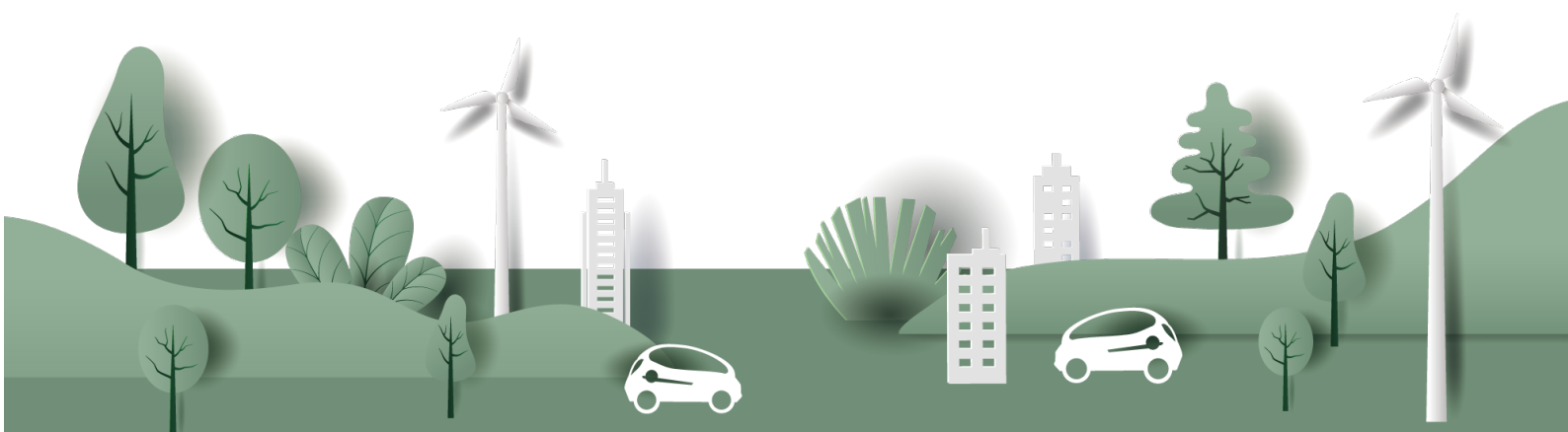
A long-term plan from the government to support and facilitate investing in the transition to a sustainability hospitality destination with funding and incentives for HK's position as an international green tourism hub.

III City

- 5. Promote circularity as a mindset, principle and overarching goal of the HK economy, for instance regarding waste management at estate level.**

A more circular economy will help reduce the volume of waste to be handled in buildings and make waste sorting for recycling more efficient (e.g. via better design of products and packaging). Circularity in construction and materials (including the use of recycled materials) and in the handling of demolition waste, as well as extended lifecycle of equipment within buildings will improve green performance of buildings.

Collection and sorting of waste could be improved in residential, office and industrial buildings. It could be integrated at the design stage of buildings and during their lifespans. Coordination between stakeholders, including developers; building management; start-ups and waste handlers and recyclers.





6. Promote asset valuation to reflect investments in energy efficiency, emission reduction and retrofitting.

Green performances should be comprehensively incorporated into building valuation. Professionals (valuers; developers; investors; agents) should be properly trained for this purpose and public awareness (including buyers & owners) should be supported. Data transparency, access to information for the public and professionals and the

reporting of green features, including via common standards, at building and unit level should be strengthened. To support “green valuation”, public action should also aim at (1) incentivising green building features and increasing the “cost” from the absence of green features; (2) upgrade requirements on energy efficiency and renovation of buildings; (3) improve energy efficiency of electric equipment.

7. Redirect public procurement more strongly to incentivize sustainable solutions and green investments

To improve leaving standards and avoid future cost of climate mitigation, new buildings and infrastructures should be sustainable from the start. Public procurement rules and practices in Hong Kong should further encourage sustainable solutions, including for announced large development projects.

Foreign investments can be key in supporting Hong Kong’s carbon neutrality and environmental objectives and in bringing innovative green solutions. The SAR should develop a comprehensive strategy to attracting the most sustainable investments and companies from abroad – across the board. Bringing innovative firms and talent would also promote growth and economic development.

8. Green Procurement

Sustainable procurement by adopting sustainable and ethical supplier management practices. This includes working with suppliers to ensure that they adopt sustainable practices that focuses on the environment throughout the procurement process and on-going supplier management with initiatives such as using renewable energy, reducing waste, and sustainable sourcing.

