

Norman Chan: Welcome remarks - 2018 Green and Social Bond Principles Annual Conference

Welcome remarks by Mr Norman T L Chan, Chief Executive of the Hong Kong Monetary Authority, at the 2018 Green and Social Bond Principles Annual Conference, Hong Kong, 14 June 2018.

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Financial Secretary, Martin, distinguished guests, ladies and gentlemen,

1. Welcome to the 2018 Green and Social Bond Principles Annual Conference, co-organised by the Hong Kong Monetary Authority (HKMA) and the International Capital Market Association, supported by the Hong Kong Financial Services Development Council.
2. Today's conference is the flagship event in the world of green finance, and rightly so. Since the publication of the Green Bond Principles (GBP) in 2014, it has become the de facto global standard for green bond issuance. These days, a majority of the green bonds issued globally follow the GBP framework, and many major markets base their local green bond standards on the GBP. In this Conference, we will have the opportunity to hear more about the latest enhancements to the GBP, and how green standards have been developing in different parts of the world.
3. Today's conference is notable also because of its location. As Martin said, it is the first time that the conference is held in Asia. Looking at the turnout, it is a good choice. I am not just referring to over 900 registered attendees – this is clearly impressive. I am also referring to the geographical mix, with a large showing from Asia, in addition to delegates from Europe. This is a testament to the rapid growth of the green bond market in region.
4. Indeed, over the past few years, the green bond market has grown exponentially, including the green bond market in Hong Kong, and we are very pleased about this development. For many years, the HKMA has been working to promote the development of the Hong Kong bond market. Today, Hong Kong is the third largest bond issuer in Asia ex-Japan, behind only the Mainland of China and South Korea.
5. The HKMA plays more than just the promoter role in green finance. As many of you may know, the HKMA is the investment manager of the Exchange Fund. With assets under management over USD500 billion at the end of last year, we are one of the world's largest asset owners. The HKMA has been very supportive of responsible investment, and has incorporated environmental, social and governance, or ESG, principles into our investment processes. Our disclosure rules would not allow me to give too many details. Suffice to say that items from green bonds to renewable energy projects such as wind farms feature in our portfolio.
6. As a long term investor, the HKMA considers risk and return over a long horizon. We believe looking at an investment proposal through the ESG lens would complement our normal risk-return analysis, and help unveil the long-term value and risk of an investment.
7. In particular, we invest in green because we see it as a driver of long-term value, in addition to wanting to do the right thing. Contrary to some perception that investing in green undermines return, our experience shows that many green investments that are good for the environment can also be good for investors over the long term. I see the application of green and ESG in investment as just another balancing act that investors have to perform. Exactly where and how to draw the line depends on the specific circumstances at hand. While some green bonds may produce slightly lower yield or returns as compared with the conventional bonds, I truly believe that time has come for asset owners to take a more progressive and proactive stance in supporting green finance. I don't think there is much disagreement amongst the stakeholders on whether green finance can make a difference in promoting long-term environmental sustainability. The big question is whether the

stakeholders, especially the asset owners, be they pension funds or sovereign wealth funds, want to make a difference by taking concrete steps to invest in green finance. We in the HKMA are prepared to play our part and I sincerely hope our peers will join us in owning and pursuing the goal of supporting green finance.

8. Ladies and gentlemen, we have today a rich agenda and the presence of many distinguished speakers. I hope that this will be a successful conference and all of you will have a fruitful and productive discussion.
9. Thank you very much.