

**FOR IMMEDIATE RELEASE**

## **HKQAA's Green Finance Certification Scheme - Green Fund Encourage More Investors from the Fund Market to Support Green Economy**

*(25 September 2019, Hong Kong) Hong Kong Quality Assurance Agency (HKQAA) announced the kick-off of its new initiative, the Green Finance Certification Scheme - Green Fund, which provides third-party conformity assessments on green fund, encourages more investors from the fund market to contribute to green economy, in response to the Securities and Futures Commission's (SFC) Strategic Framework for Green Finance.*

Although different investment industry stakeholders have been responding to the rising global demand to incorporate green or environmental, social and governance (ESG) objectives into financial products so that capital would be directed to projects or companies that bring positive impact, there are still issues related to consistency, transparency and sufficiency of disclosure. Environmentally sensitive investors are expecting a higher disclosure standard for the green-related performance of financial products so that they can make informed investment decisions. SFC also published guidance on enhanced disclosure for green or ESG funds on 11 April 2019.

As the Green Fund market is expected to grow, HKQAA developed the **Green Finance Certification Scheme - Green Fund** to respond to stakeholders' needs and raise awareness of green initiatives in the fund market. HKQAA will also continue to support SFC's *Strategic Framework for Green Finance*. The Scheme aims to encourage more investors from the fund market to support green projects and industries as well as organisations committed to making a contribution to the United Nations' Sustainable Development Goals (SDGs).

### **Develop the Scheme with Reference to International Standards**

The Scheme extends from covering green bonds and green loans to green funds. In the development process, HKQAA is drawing reference from a number of widely-acknowledged and important documents. These include: Circular to management companies of SFC-authorized unit trusts and mutual funds – Green or ESG funds of SFC; Clean Development Mechanism of United Nations Framework Convention on Climate Change (UNFCCC); Principles for Responsible Investment of United Nations; SDGs of the United Nations; Sustainability Rating and Research of HKQAA; European SRI Transparency Code of European Sustainable Investment Forum (Eurosif); Asset Management Association of China – Green Investment Guidelines (for trial implementation).

### **Core Elements and Requirements of Certification**

The Scheme will apply the core methodologies of a measurable qualitative approach and adopt SDGs for assessing positive environmental impact. The core elements of the Scheme include Fund Objectives, Management of Fund, Green Asset Evaluation and Selection, Green Asset Monitoring, Information Disclosure and Reporting, and Engagement & Active Ownership.

Funds that aim at the certification are expected to meet all the requirements of the core elements. For example, the fund's objective shall address to at least one Environmental Target and corresponding Environmental Dimensions of Sustainable Development of 17 SDGs defined by United Nations Environment Programme. The investment approach adopted by the management company shall fulfill the corresponding requirements on net asset value or establish measurable indicators for the positive impact. A monitoring mechanism shall also be established for on-going monitoring of the investment portfolios against the objective and the response taken when there are environmental incidents. Moreover, the funds have to disclose the related information based on the framework set out in the HKQAA Environmental Method Statement.

The Scheme is designed to enhance the transparency of the green investment process by making clear to investors how the fund's green assets are evaluated, selected and managed. Improving and aligning green disclosure standards across funds through marketing and educational efforts will support a more informed investment decision-making process, allowing investors to choose funds whose values align with theirs.

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### **HKQAA Background**

HKQAA is a non-profit organisation established by the Hong Kong Government in 1989. As one of the leading conformity organisations in the Asia-Pacific region, HKQAA is committed to providing certification and assessment services. Through knowledge sharing and technology transfer, HKQAA helps enterprises enhance management performance and competitiveness.

### **Promoting Sustainable Finance through Experience and Knowledge**

In addition to introducing world-class management systems, HKQAA has launched a wide range of innovative services to cope with increasingly diversified market demands and the growing need for sustainable development, bringing benefits to the community. HKQAA has developed diverse services and has ample experience in the fields of social responsibility, environmental protection, sustainability and responsible investment:

- HKQAA is **the only Hong Kong organisation accredited as the Designated Operational Entity (DOE)** by the Executive Board of the Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change (UNFCCC) to deliver CDM validation and verification services (since 2011);
- Since 2014, HKQAA has been providing assessment and rating services on listed companies' sustainability performance for the **Hang Seng Corporate Sustainability Index Series**;
- Since 2017, our expert has been nominated by the **Innovation and Technology Commission of the HKSAR Government** and the **China National Institute of Standardization** respectively to directly take part in the technical committee of ISO/TC 207/SC 4 and the working group of **ISO/TC 207/SC 4/ WG 7** to develop **ISO 14030 Green Debt Instruments – Environmental performance of nominated projects and assets**;
- Since 2018, HKQAA has been admitted as an **Observer of the Green Bond Principles (GBP) under the International Capital Market Association (ICMA)**, taking part in the development of international standards on Green Finance;
- Since 2018, HKQAA has been an **approved verifier under the Climate Bonds Standard**;
- In December 2018, our expert was nominated by the Innovation and Technology Commission of the HKSAR Government to directly take part in the technical committee for ISO/TC 322, which is developing the **ISO standard for sustainable finance**.

### **Strategic Partnerships to Foster Exchange within the Industry**

In order to promote the development of green finance in the region, HKQAA has signed Memoranda of Understanding (MoU) with a number of organisations with a view to exploring more collaboration opportunities, including:

- International Finance Corporation, a member of the World Bank Group
- Shaanxi Provincial Local Financial Supervision and Administration
- Guangzhou Municipal Local Financial Supervision and Administration
- Bureau of Financial Affairs, Huadu, Guangzhou
- Administrative Committee of Chan-Ba Ecological District
- The Authority of Qianhai
- Shanghai Zhixin Low-Carbon Technology Research Center
- The CECEP (Hong Kong) Investment Co. Ltd.
- GuangDong Financial Association

Please visit <http://www.hkqaa.org> for further information.