

Corporate Finance

HKEX launches a new Sustainable and Green Exchange

Introduction

On 18 June 2020, the Hong Kong Exchanges and Clearing Limited (“**HKEX**”) announced its plan to launch the HKEX Sustainable and Green Exchange (“**STAGE**”). STAGE is a first-of-its-kind platform in Asia which aims to act as a central hub for data and information on sustainable and green finance investments in the Asian region.

Objectives of STAGE

The major objectives of STAGE are to:

1. provide investors with access to a comprehensive database of sustainable and green investment options that are available on the securities markets;
2. promote securities issuers to increase visibility and awareness of their financial products that can meet sustainable and green standards;
3. provide investors and asset managers with easy access to information for investment due diligence, selection and monitoring of sustainable and green investments; and
4. connect stakeholders to innovative products, ideas and strategies from around the globe.

STAGE will initially act as a database of sustainable or green securities or financial products, which serves as an education and advocacy platform which helps to facilitate knowledge sharing and stakeholder engagement in relation to sustainable and green financing.

STAGE may be useful to various stakeholders. For instance, issuers may issue and promote their sustainable or green financial investment products through displaying their products on STAGE and asset managers may gather and use the information provided on STAGE to assist them in performing due diligence work on sustainable or green financial products. Further, investors may conduct research on sustainable or green financial products through STAGE and refer to the information provided in the platform to assist them in making investment decisions.

Eligibility of STAGE participants

In the initial phase, STAGE will provide a database of information on sustainability, green and social bonds, and exchange traded products related to environmental, social and governance (“**ESG**”) listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Issuers who would like to display their sustainable, green and social products on STAGE must

be listed on the Stock Exchange in accordance with Chapters 22 to 37 of the Rules Governing the Listing of Securities on the Stock Exchange. To encourage early participation, HKEX is currently inviting issuers to join STAGE without paying any fees.

Further, for bond issuers, it must complete the following steps before it can qualify to display their sustainable and green financial products on STAGE:

1. designate the classification of the bonds to be displayed (i.e. sustainability, green or social);
2. state the international standard or principles that the bonds adhere to;
3. submit a copy of the bond framework, which usually includes use of proceeds, projects selection, management of proceeds and reporting;
4. submit a copy of the external review of the bonds; and
5. submit annually a post-issuance report on allocation of proceeds and expected impacts, if any, during the tenor of the bonds.

HKEX partners with organisations and initiatives, including the Climate Bonds Initiative, the International Capital Market Association and the United Nations Sustainable Stock Exchanges in developing STAGE and in driving the sustainable and green finance agenda. It is estimated that compliance with the standards and principles of these entities will enable an issuer applying for display of their sustainable and green financial products on STAGE to satisfy step 2 above.

Looking forward

HKEX announced that STAGE would be launched as early as later this year. HKEX stated that it would further develop STAGE platform in response to the evolving market landscape, and over time would consider expanding its coverage to introduce more asset classes and product types, such as derivative products linked to relevant sustainability or ESG indices, as well as other sustainable and green financial products.

The upcoming launch of STAGE is a signpost to the recognition by the Hong Kong financial sector of the growing importance of sustainable development and its support for environmental protection. According to HKEX, green bond issuances in Asia-Pacific reached record-high in 2019, raising US\$18.89 billion, with Mainland China's green bond market alone accounting for US\$8.13 billion, and the cumulative amount of green bonds arranged and issued in Hong Kong reached US\$26 billion by the end of 2019. In light of the recent considerable growth of sustainable and green investment funding in Asia, it is hoped that Hong Kong will be able to ride on the growing activity in the Asian green bond market and promote itself as a green financial hub as HKEX gets a head start in building up STAGE.

Parties interested in sustainable and green financial investment products should therefore keep an eye on the development of STAGE.

To learn more about STAGE, please visit the official website at <https://www.hkex.com.hk/stage>.

For enquiries, please feel free to contact us at:

E: cc@onc.hk
W: www.onc.hk

T: (852) 2810 1212
F: (852) 2804 6311

19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong

Important: The law and procedure on this subject are very specialised and complicated. This article is just a very general outline for reference and cannot be relied upon as legal advice in any individual case. If any advice or assistance is needed, please contact our solicitors.

Published by ONC Lawyers © 2020