

PRI RESPONSE

PHASE 2A PROTOTYPE OF HONG KONG TAXONOMY FOR SUSTAINABLE FINANCE

Sept 2025

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To inform this paper, the following group has been consulted:

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Hong Kong Monetary Authority (HKMA) call for feedback on Phase 2A prototype of Hong Kong Taxonomy for Sustainable Finance.

ABOUT THIS CONSULTATION

The HKMA launched a [public consultation](#) on Phase 2A prototype of Hong Kong Taxonomy for Sustainable Finance, building on the publication of Phase 1 of the Hong Kong Taxonomy in May 2024. The HKMA is seeking feedback on the key enhancement made in this prototype, which includes expanded sector converge, increase in economic activities, transition elements and climate change adaptation objectives.

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KEY RECOMMENDATIONS

Sustainable finance taxonomies are crucial to ensure well-functioning financial markets that collectively contribute to climate and broader environmental goals. They help investors assess whether investments meet robust sustainability standards and align with policy commitments such as the Paris Agreement on Climate Change, the Sustainable Development Goals (SDGs) and national sustainability and climate change goals. They are also a cornerstone instrument of sustainable finance policy frameworks through their ability to provide a science- and evidence-based foundation for disclosure, stewardship and duty-based policies.

The PRI welcomes the Phase 2A prototype of Hong Kong Taxonomy for Sustainable Finance proposal by the HKMA, the design of which generally aligns with the PRI and World Bank [sustainable finance taxonomy implementation guide](#).

- The PRI supports the overall approach taken by the Phase 2A prototype of Hong Kong Taxonomy for Sustainable Finance to include transition elements. As the taxonomy aims to channel green and sustainable finance not only in Hong Kong but also across Mainland China and the wider Asia-Pacific (APAC) region, Hong Kong's role as an international financial centre makes this integration especially significant. To further enhance the credibility and effectiveness of the transition category, we encourage the taxonomy to prioritise sectors that are essential for the long-term transition *and* currently lack zero-carbon alternatives.
- The PRI welcomes the current taxonomy's reference to Hong Kong's Climate Action Plan 2050 and its alignment with the Paris Agreement, as well as the inclusion of climate change adaptation as a key environmental objective. Findings from [PRI's recent 1.5°C investor briefing](#) highlight that climate solutions, transition, and adaptation finance present strong opportunities for investors, particularly when supported by policy incentives. With regards to adaption, it would be valuable for the taxonomy to clarify its timeline for expanding the whitelist, as well as the sectors and criteria expected in the next iteration.
- As green and transition activities may create trade-offs with nature and social priorities, the PRI suggests including Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) criteria to ensure economic activities do not undermine these objectives.
- The PRI welcomes the taxonomy as a voluntary tool and stresses the need for market capacity-building. We recommend its gradual integration into use-of-proceeds instrument disclosure (e.g; green bonds), entity level corporate disclosure, corporate transition plans, stewardship practices, and public finance instruments. Taxonomy integration can also extend to broader sustainable finance tools, including sector-specific emission pathways, product labelling schemes, and sustainability-related financial disclosures, to ensure consistency, credibility, and effective support for Hong Kong's sustainable finance objectives, including the 2050 carbon neutrality goal.

DETAILED RESPONSE

The PRI welcomes the opportunity to respond to the consultation on the Phase 2A prototype of Hong Kong Taxonomy for Sustainable Finance (Hong Kong Taxonomy). Providing detailed feedback on the selection of sectors or the specific technical screening criteria outlined in section 3 of the consultation questions falls outside the remit of PRI's work and expertise. The PRI's response is therefore focused on selected questions in sections 1, 2, and 4.

SECTION 1: TAXONOMY DESIGN, STRUCTURE, AND SCOPE

Question D: What are your comments on the current scope and coverage of the Taxonomy? What other sectors, activities, environmental objectives, and elements, etc. would you recommend to be included in subsequent phases of the Taxonomy?

The Hong Kong Taxonomy generally aligns with the components PRI has formulated in a [sustainable finance taxonomy implementation guide](#) jointly published with the World Bank.

- **Objectives** which define the aims of the taxonomy.
- **Activity lists** which detail eligible economic activities in the most material sectors.
- **Performance criteria** which determine whether the eligible activities are aligned with the objectives of the taxonomy. Criteria should be defined for how economic activities can significantly contribute to the objectives of the sustainable finance taxonomy, as well as for ensuring that economic activities do no significant harm to any of the objectives. To be aligned with a sustainable finance taxonomy, an economic activity must significantly contribute to one its objectives, while doing no significant harm to any of the other objectives.

The PRI supports the Phase 2A prototype, which references Hong Kong's Climate Action Plan 2050 and aligns with the Paris Agreement, and welcomes the inclusion of climate change adaptation as an additional key environmental objective. Hong Kong can explore to further expand the objectives covered by the taxonomy, starting for instance with biodiversity protection and the promotion of circular economy.

In addition, given that green and transition activities may involve trade-offs with environmental and social objectives—and considering the taxonomy's importance in facilitating green and sustainable finance not only in Hong Kong but also in Mainland China and the broader APAC region—we recommend that the Hong Kong Taxonomy incorporates **Do No Significant Harm (DNSH)** and **Minimum Social Safeguards (MSS)** criteria to ensure that economic activities do not adversely affect other key sustainability objectives.

SECTION 2: TAXONOMY METHODOLOGY

Question A: On climate change mitigation, what are your comments on the classification framework, such as the principles and definitions for each category (i.e. Green Activity, Transition Activity, Transition Measure)? Is the framework credible, usable, and clear?

The PRI welcomes the taxonomy's clear distinction between "green" and "transition" activities, anchored in alignment with the globally recognised Paris Agreement 1.5°C goal. The framework is logical, practical, and provides a useful basis for application. We recognise the importance of robust criteria for transition activities, and in that regard encourage the taxonomy to prioritise sectors that are essential for the long-term transition *and* currently lack zero-carbon alternatives. We also highlight that a clear

commitment to a timeframe for periodic review of the taxonomy categorisation and sunset dates is beneficial.

Question B: On climate change adaptation, what are your comments on the adaptation framework, such as the core principles and proposed adapting measures? What are your views on the development of subsequent phases, including the approach for classification and scope of activities?

On climate change adaptation, the PRI welcomes the inclusion of adaptation as a core objective in Hong Kong's sustainable taxonomy. A key challenge from an investor perspective is that adaptation opportunities are often less visible: while sectors such as flood defence and water management are clear, many resilience measures are embedded within broader infrastructure or real estate projects rather than existing as stand-alone "adaptation" activities.

We encourage the taxonomy to further build on the *adapting-measures focused* principle, which usefully highlights sub-components of activities rather than requiring entire activities to qualify on their own. The pragmatic approach to use a whitelist should not, however, limit the potential to include adaptation measures that can demonstrate impact based on criteria.

The whitelist is also currently limited to the water sector, which is narrow. It would therefore be valuable for the taxonomy to clarify its timeline for expanding the whitelist, as well as the sectors and criteria expected in the next iteration. Without such clarity, the current narrow scope may limit its practical application. Areas that were raised by signatories include health, floods, typhoons and heat stress.

SECTION 4: TAXONOMY IMPLEMENTATION

Question A: What are your suggestions on how the Taxonomy could be used in Hong Kong? What use cases do you consider should be prioritised?

The PRI welcomes the decision to introduce the taxonomy as a voluntary tool at this stage. It is essential to ensure that market participants understand its use through appropriate capacity-building initiatives. We support the provision of further guidance on how the taxonomy can be applied under both existing and emerging regulations within Hong Kong's current sustainable finance policy framework. We also welcome and support the more detailed background that is provided in the 'Taxonomy in the Policy Context' section (page 9) of the current public consultation paper.

The PRI highlights the opportunity to embed a sustainable finance taxonomy within the following policy frameworks. Such requirements could be introduced gradually, for both corporates and financial institutions, beginning with the more straightforward areas (e.g., green bond issuances) and following capacity-building efforts:

- **Public finance instruments:** The taxonomy could be applied in the structuring of Hong Kong government green bonds, infrastructure financing, or sovereign bond issuances, ensuring alignment with climate and sustainability objectives.
- **Disclosure provisions:** The taxonomy could be embedded into the [ESG Reporting Code](#) issued by HKEX, enabling issuers to disclose the amount and percentage of assets or business activities aligned with taxonomy-defined climate-related opportunities. Mandating its use would improve consistency and enhance the credibility of these disclosures.

- **Transition plan provisions:** The taxonomy could serve as a reference point for financial planning within corporate transition plans, supporting the city's ambition to achieve carbon neutrality by 2050 as outlined in its Climate Action Plan 2050.
- **Stewardship instruments:** The taxonomy could also complement stewardship practices, in tandem with consideration of a potential government-issued stewardship code such as the [Principles of responsible ownership](#) issued by the Securities and Futures Commission of Hong Kong (SFC), by providing investors with a consistent framework to assess company alignment with transition and sustainability goals.

The PRI also notes that sustainable taxonomies can be considered as part of a broader suite of sustainable finance instruments which should ideally be designed to be coherent with such taxonomies, and include:

- **Sectoral emission, technology and investment pathways**, such as four sector specific plans that were issued under the umbrella of Climate Action Plan 2050.
- **Labelling schemes for financial products**, which can align with the taxonomy where the objective focuses on increasing capital flow toward sustainable activities.
- **Sustainability-related financial disclosure**, especially in disclosure sections regarding financial planning and transition plans.

PRI, finally, underscores the need that taxonomies and broader sustainable finance frameworks will most efficiently support the achievement of climate mitigation and adaptation goals if they are embedded in a whole-of-government approach for the economic transition.

Question B: Given that the Taxonomy is a voluntary tool at this stage, what actions or support do you think regulatory agencies can provide to increase its adoption?

- **Provide supervisory guidance** and eventually embed the taxonomy into disclosure frameworks and relevant stewardship guidelines
- **Offer capacity-building programmes** for issuers, investors, and verifiers to ensure consistent application.
- Consider a phased approach: voluntary uptake initially, followed by gradual regulatory embedding into disclosure and labelling rules.

Question C: How often would you like to see updates and expansions to the Taxonomy? Are there specific sectors or activities that you consider should be prioritised for more frequent updates?

The PRI supports a dynamic design principle and encourages appropriately timed updates and expansions to the Taxonomy. Updates that are too frequent risk overwhelming users, while updates that are too infrequent may fail to keep pace with rapid technological developments.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Hong Kong Monetary Authority further to improve a sustainable finance taxonomy in Hong Kong.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org

