



FROM NICHE TO NORM IN SUSTAINABLE FINANCE

An **ANZ-sponsored** roundtable – jointly held in Hong Kong, Singapore, Sydney and Auckland – heard investors and borrowers explore how to bridge various gaps in standards, data and regulation to make green, social and sustainability (GSS) debt more mainstream.

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Closing key gaps in data, standards and regulation is an essential step towards facilitating a lot of the expected growth in GSS issuance across Asia Pacific. And the potential for this looks ever promising, with investors and borrowers both focused on similar, complementary goals.

This reflects the greater comfort around potential regulation going forward, especially with a more supportive view from issuers.

Further, appetite to invest in, and also issue, GSS instruments is developing with climate-related and net-zero considerations in mind. A lot of organisations are already committed to the Paris agreement and have net zero targets – the next step is to back this up with a clear sustainability strategy.



Such views were also highlighted by the 100-plus respondents to the 5th annual ANZ / *FinanceAsia* survey. Overall, it showed market players to be increasingly focused and savvy around how they meet internal and external sustainability goals.

Opportunities look set to emerge across Asia. In Southeast Asia, for example, there has been a notable shift based on policymaking towards

tackling climate issues. Singapore, as a result, is moving towards being a sustainable finance hub with a clear green trajectory. Growth in sustainability-linked bonds (SLBs) to complement the sustainability-linked loan market seems the next step.

In Northeast Asia, meanwhile, a changing attitude towards sustainable finance bodes well for future issuance plans. With bold, politically led



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Investors are seeking more measurable outcomes to determine the attraction of different GSS instruments

decarbonisation commitments by China, South Korea and Japan, for instance, the questions are more about when and how the market will take off, rather than “if” it will.

MIND THE GAPS

In short, greater regulation and uniformity in standards would represent an important development in market practices to create a more even playing field in line with international standards. This would also help in managing greenwashing risk.

For many borrowers, fragmentation of the market has been a source of some frustration. This has arisen due to the inconsistencies in methodologies across ESG scoring providers as well as internal teams at various investors.

Resolving such issues, as well as expanding the tools available for borrowers, would inevitably fuel more GSS activity.

Another hurdle borrowers face is how to identify targets that not only meet criteria for sustainability-linked financing, but also offer them sufficient, relevant and up-to-date data and other information to assess the viability of the project. Finding the balance is tricky.

In sync with this, setting sustainability targets is also a factor that weighs on the market, as a result of the question marks over the availability of data and supply.

This inevitably affects investors, too. At the same time as sophistication among buyers is growing, they also want to know that a GSS instrument is backed up by a fulsome sustainability strategy.

In particular, investors are seeking more measurable outcomes to determine the attraction of a different GSS bond or loan. Whereas the general credit rating process has become very scientific over time, sustainable finance – by comparison – remains an artform.





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WHEN

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WHERE

ANZ offices in Hong Kong, Singapore, Sydney and Auckland

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Among additional challenges are the number of new issuers that investors have to assess, yet without the required transparency over the data. Being able to compare whatever data is available, to make informed decisions and also protect against greenwashing, are key areas of concern.

QUALITY OVER QUANTITY

Put simply, the focus for a growing number of asset owners and managers is finding a larger volume of good quality supply from companies that are truly embracing climate and transition risks as part of their investment strategy.

This is hard to achieve. To accurately identify the characteristics of the instruments from an issuer and then map that to investment objectives and required product standards is also weighing on the minds of investors.

To genuinely and transparently demonstrate the features of a sustainable portfolio is difficult, especially as the market moves beyond more vanilla green bonds towards SLBs or social bonds. ^{FA}

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