Growing Sustainable Finance in Asia

MAS’ Financial Policy for Inclusive Development
MAS developed a Green Finance Action Plan in 2019

- Strengthen financial sector resilience to environmental risks
- Develop green financial solutions and markets for a sustainable economy
- Build knowledge and capabilities in sustainable finance
- Harness technology to enable trusted and efficient sustainable finance flows
- Enhance climate-related disclosures and data

Support international and regional efforts across the 5 pillars e.g. Network for Greening the Financial System, International Platform on Sustainable Finance, ASEAN sustainable finance committees.
Progress made across all five GFAP pillars

Green Finance Industry Taskforce (GFIT) – formed in 2019

Industry-driven platform to accelerate green finance through the development of key market solutions and enablers

- **Strengthen Financial Sector Resilience**
  - Environmental Risk Management Guidelines
  - Stress-testing

- **Develop Markets & Solutions**
  - Grant Schemes for Bonds and Loans
  - Carbon trading & services hub
  - Sustainable exchange

- **Build Knowledge & Capabilities**
  - Sustainable Finance Skills Roadmap
  - Green Finance Centres of Excellence
  - Anchor sustainable service providers and FI teams

- **Harness Technology**
  - Project GreenPrint
  - Global FinTech Innovation Challenge
  - Grant Scheme for Green FinTech projects

- **Enhance Data & Disclosures**
  - Promote global baseline disclosure standard through IOSCO
  - Mandate climate-related disclosures for listcos and FIs
  - Industry-led taxonomy development
Green and Sustainability-linked Bonds and Loans are becoming mainstream

- Singapore is ASEAN’s largest market for green, social, sustainability, and sustainability-linked (GSSSL) bonds and loans
  - Accounted for nearly half of ASEAN GSSSL Bond and Loan issuances between 2016-2020
- Diversity of issuers and instruments have also increased
  - For example, first publicly-offered sustainability-linked bond by NTU

**Singapore is ASEAN’s largest green finance market**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>40.6%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>18.8%</td>
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<tr>
<td>Philippines</td>
<td>16.7%</td>
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<tr>
<td>Thailand</td>
<td>13.2%</td>
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<tr>
<td>Malaysia</td>
<td>8.9%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Source: Climate Bonds Initiative – ASEAN Sustainable Finance State of Market 2020

**Loans leading sustainable finance growth**

- **Bond Market:** ~USD$8 tn
- **2020**
  - 8% Green, social and sustainability bonds

- **Loan Market:** ~USD$3 tn
- **2020**
  - 6% GL & SLL

*Loan data aggregated based on public news sources

1 Figure consists only global syndicated loan vol.
Principles and standards have supported the growth of green financing

Overview of key lending instruments

Green, Social and Sustainability Bonds and Loans

➢ Proceeds earmarked to finance eligible green and/or social projects or activities
➢ First green bond issued in 2007 by the European Investment Bank
➢ Other green debt instruments including green loans and green sukuk; issuance of social and sustainability bonds and loans.

Sustainability-Linked Bonds and Loans

➢ Incentivise borrower’s achievement of sustainability performance targets; used for general corporate purposes
➢ First sustainability-linked bond issued in 2019 by Enel

Development of internationally-recognized principles for Green, Social, Sustainable, and Sustainability-linked Bonds and Loans

- Green Bond Principles: Updated in June 2021
- Social Bond Principles: Updated in June 2021
- Green Loan Principles: Updated in Feb 2021
- Social Loan Principles
- Sustainability-Linked Bond Principles: Updated in April 2021
- Sustainability-Linked Loan Principles: Updated July 2021
MAS’ grants support businesses to access sustainable finance

A) Sustainable Bond Grant Scheme

- More than S$11 billion of green, social and sustainability bonds have been issued in Singapore as at 31 Dec 2020
- Grant scheme
  - Is available to all corporates and financial institutions, including non-Singapore issuers
  - Defrays 100% of the cost of obtaining pre-issuance and post-issuance external reviews for green, social, sustainability and sustainability-linked bonds, up to S$100k

SBGS has supported a range of projects in the region:
- Developing **renewable energy** projects;
- Improving the **energy efficiency** of buildings
- Financing **social enterprises** aimed at helping under-represented women

There has been a good mix of local and foreign issuers

- Recent issuers include Star Energy Geothermal, OCBC, National University of Singapore and Ascendas REIT.
Banks also have key roles to play in financing the low carbon transition

B) Green & Sustainability-Linked Loan Grant Scheme

- **Increase accessibility of bank financing for green or sustainability objectives**
- **Support transition** of corporates to more sustainable business models
- **Strong ecosystem of independent assessment service providers** to provide verification of the sustainability credentials of such green financing

**GSLS defrays the expenses of engaging independent service providers to validate the green and sustainability credentials of:**

**Track A**

Green & Sustainability-Linked Loans

- **Facilitating Corporates’ Access to Green and Sustainability-Linked Loans**
- Eligible for all corporates globally
- Up to S$100,000 per loan over 3 years

**Track B**

Green & Sustainability-Linked Loan Frameworks

- **Encouraging Banks to Develop Green and Sustainability-Linked Loan Frameworks for SMEs and Individuals**
  - Green & Sustainability-Linked Loan Frameworks for SMEs & individuals: **90% co-funding**, capped at S$180,000 over 3 years
  - Other Green & Sustainability-Linked Loan Frameworks: **60% co-funding**, capped at S$120,000 over 3 years
Green and sustainability-linked loan frameworks reduce friction to bank financing

**Green & Sustainability-Linked Loan Framework**

- **Standardised criteria and processes** to streamline assessments of green lending to corporates
- **Reduce costs for corporates** to access loans as they need not develop, verify and maintain their own frameworks

**BNP Paribas Sustainable Supply Chain Framework**
- Aimed to engage with **large MNCs and their extensive supply chains** to adopt more sustainable practices
- Includes a KPI matrix that measures the sustainability performance of corporates in their supply chain processes
- Provides corporates with more favorable terms based on their sustainability performance

**OCBC SME Sustainable Finance Framework**
- **Targeted at SMEs** applying for green loans
- Applicable for SMEs involved in sustainable activities across eight Green Project Categories under the Green Loan Principles
- Examples of loans issued under the framework: Green Loan to Uniseal for green urban landscape solutions

**UOB Smart City Sustainable Finance Framework**
- Make sustainable financing more accessible to **companies across Asia** implementing solutions that contribute to the development of smart cities
- Eligible categories: Renewable energy; green buildings construction; energy efficiency; green transport; sustainable water management and treatment; waste management; climate change adaptation.
Green financing needs to continue to grow to meet climate targets

- Green financing needs to grow and become mainstream to support the low-carbon transition
- This is especially the case in ASEAN, which will require **US$200 billion** in annual green investments through 2030 to transition to a low-carbon future. *Source: Green Finance Opportunities in ASEAN*

- With the increase in sustainability-related financing, increased scrutiny of ESG claims
- To **mitigate risks of greenwashing**, need for **external reviews** to ensure adherence to internationally-recognised standards

- As the sustainable debt instruments space is **quickly evolving**, **regular reviews** ensure that the schemes continue to be **fit-for-purpose** to support the development and adoption of innovative financing solutions

- Grant schemes work in tandem with other enablers within **the green finance ecosystem** to support the low-carbon transition
- Development of **knowledge and capabilities** is essential – sustainability-related service providers; centres of excellence to conduct Asia-focused research and groom talent