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Who is championing sustainability in Southeast Asia? 11 votes

Sustainability experts tell us which countries in Southeast Asia will take the lead on sustainability.

by JILL WONG
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Resource-rich Southeast Asia is poised to take a lead on sustainability. Abundant sunshine, waterfalls, forests and vast agricultural land vulnerable to climate change provide the right mix of ingredients for the region to develop its sustainable menu of biodiversity awareness, renewable energy, food and water technology.

We asked sustainability experts which Southeast Asian countries they think will be at the forefront of sustainability.

Yoshihiko Kawashima, Invesco

Head of ESG, Asia ex Japan

Overall we believe that Singapore will be at the forefront of sustainability in Southeast Asia.

As a market with many international investors and regional offices, it arguably has the most advanced regulatory framework in the region. These include the Financial Institutions Climate-Related Disclosure Document issued by the Green Finance Industry Taskforce and the "Guidelines on Environmental Risk Management for Asset Managers" among others.

Singapore also plans to launch a global carbon exchange, Climate Impact X by the end of the year, which we expect will help reduce overall carbon emission as it will offer a platform to cater to the needs of different buyers and sellers of carbon credits.

One area where there may be room for development is that the Singapore Exchange does not prescribe any particular reporting framework for sustainability, although it does endorse several globally recognized frameworks. A unified standard may make cross-company comparison easier.

Other countries in Southeast Asia, especially Malaysia and Thailand, are also making great strides of their own. Malaysia's Bank Negara Malaysia has published a climate change taxonomy while Thailand's Securities and Exchange Commission has issued the Form 56-1 One Report, which will require listed companies to disclose further information on each company's business sustainability, corporate governance, and environmental and social footprint, including carbon emissions and human rights commitments.

Vernice Moh, London Stock Exchange Group

Managing director, Asean, data and analytics

Singapore has been making great strides to realise its vision as a leading hub for green finance in Asia and globally, and it has also been strengthening its own sustainability credentials in line with the Singapore Green Plan 2030.

The latest year-to-date data from Refinitiv, an LSEG business, shows that Singapore currently leads the Southeast Asia region with a 36.2% share of the sustainable bond market, followed by the Philippines and Indonesia.

Data is the critical foundation for the green economy and is instrumental in driving effective climate action. On this front, the Singapore Exchange is taking a lead in Southeast Asia by setting out roadmaps for mandatory climate-related financial disclosures by financial institutions and listed entities in the country.

To help Asia's sustainable finance ecosystem to flourish, committed and concerted effort across the public and private sector is required to maintain this positive momentum for the long-term. The Singapore government's efforts to catalyse innovation and deepen sustainable finance capabilities will ensure that the country will remain at forefront of sustainability in the Asean region.

Rong Ren Goh, Eastspring Investments

Fixed income portfolio manager

Singapore. The government has already laid out a comprehensive Singapore Green plan 2030 to advance Singapore’s national agenda on sustainable development. This is a multi-agency effort spearheaded by five ministries to mobilise a national sustainability effort focussed on reducing carbon emissions and building climate resilience.

Separately the country has unveiled a $100 billion plan as early as 2019 to mitigate the effects of climate change. This financial commitment is facilitating the development of a research ecosystem to deliver innovative solutions to mitigate complex climate-related risks such as rising sea levels.

Singapore is also leveraging on its strengths as a global financial hub to catalyse the growth of Green Financing in the region, to mobilise the massive capital required to deliver sustainability solutions.

The Monetary Authority of Singapore has set up a task force to establish disclosure standards and frameworks related to green finance, and has also introduced a green investment programme to seed and promote sustainable projects, and foster the growth of a strong and diverse ecosystem of green financing capabilities in Singapore.

Chitra Hepburn, MSCI

Head of Asia Pacific ESG client coverage

Singapore is leading the charge when it comes to sustainability, driven by regulation, rising awareness of climate-related issues, and more pressure from institutional and individual investors.

Investors and corporates alike have seen how extreme weather events have caused unprecedented damage to the planet and their assets. And the growing awareness of the urgency of the issue has incentivized many of them to take action.

We see the majority of private banks now looking to add climate solutions to their offerings which is fuelled by client demand as well as a strong sentiment within the sector to provide more sustainable solutions to end-clients.

The larger asset managers and asset owners in Singapore have committed to reducing carbon intensity and the sheer volume of investments into cleantech as well as disruptive technology over the last 12 months bears testament to this movement.

More importantly, we see the increasing regulatory focus on the management of climate-related risks and the disclosure of relevant data. At the same time, institutional and individual investors are keen to have complete transparency on what the climate change risks of their investments look like.

Xuan Sheng Ou Yong, BNP Paribas Asset Management

ESG and green bonds analyst

From our perspective, for any country to lead on sustainability, it needs a positive combination of policies, actions, and outcomes across various issues. Our Sovereign ESG scoring model considers more than 200 indicators across the environmental, social, and governance pillars. We also dedicate a material portion of a sovereign's ESG score to its climate ambition and the governance mechanism to achieve that ambition.

Some examples of positive observations include Singapore's decision to levy a carbon tax on industrial facilities, and investing in climate adaptation to deal with rising sea levels; Indonesia's sovereign green sukuks to finance low-emissions transportation and climate adaptation to higher frequency of natural disasters; Vietnam's policy to support roof-top solar installations.

It's crucial to respect the region's diversity in its many aspects – economic development history, population growth, governance mechanisms, etc. Importantly, the countries are at different starting points. What matters is how they achieve positive sustainability outcomes relative to their own starting point and potential.

Sandy Gwee, Nomura Research Institute

Principal consultant

Sustainability, in the context of lowering carbon footprint, has strengthened amongst major Southeast Asia governments in recent years.

Indonesia has the highest potential to contribute the largest renewable energy impact if it delivers on their government's ambitious 23% renewable energy target by 2025, since it is the largest power market in Southeast Asia.

Indonesia is also currently the largest carbon dioxide emitter in Southeast Asia, with an emission size of about 50% more than that of Thailand, the second largest emitter in Southeast Asia. As part of the UNSDG goal setting, Indonesia and Thailand have set carbon dioxide emission reduction targets of roughly 30-40% and 25-30% respectively from the business-as-usual level.

In addition, Vietnam, with an energy demand growth of about 10% per annum, has demonstrated a strong potential to be the poster child for renewable energy deployment in Southeast Asia. With attractive supportive policies such as feed-in-tariffs, it added nearly 5GW of solar power capacity in 2019 and more than doubled that capacity to an excess of 10GW in 2020 despite the covid-19 pandemic.

Markus Mueller, Deutsche Bank International Private Bank

Global head of chief investment office

There is not the one country – I believe that Southeast Asia will offer continuing opportunities in green infrastructure, especially in countries with large populations such as Indonesia, the Philippines and Vietnam. Affordable housing, clean energy and green tech and transport are just a few interesting sectors.

Regional policymakers however face challenges of providing environmentally sustainable development while satisfying the basic economic demands of these rapidly-growing societies. Prioritization will be needed to meet this challenge.

I think that a key priority for these economies will be reversing the degradation of oceans, given their populations' dependence on marine resources (and associated risks around rising sea levels). The region includes the Coral Triangle which is a highly biodiverse marine area and coastal fisheries are important.

Individual countries are already developing marine sustainability initiatives. Indonesia has been part of the high-level panel for a sustainable ocean economy and there is a lot of work being done on ocean conservation. Vietnam is keen to be a leader too.

Many marine issues (e.g. plastic pollution) need a regional as well as national approach. This is the reason why Deutsche Bank, which has a strong Asian business footprint, has been engaging with ORRAA (the Ocean Risk and Resilience Action Alliance). Healthy oceans remain key to Southeast Asia's economic development.

Sylvia Chen, Amundi

Senior sustainability officer

The economies of Southeast Asia are among the fastest growing regions in the world, but with its concentrated population, extensive coastlines, and dependence on natural resources for economic growth, the region is highly vulnerable to climate risks. Over the past few decades, the region has experienced extreme weather events such as flooding, drought, typhoons as well as higher temperature and rising sea levels.

Southeast Asian countries have been pursuing sustainability goals and accelerating on their green recovery plans. However, countries are at different stages of development, and they face distinct sets of challenges and constraints in addition to advantages and opportunities available to them.

For example, Singapore, recognized as a financial and trading hub, has announced its plans to establish a carbon exchange and marketplace in extending its role to become a global carbon service center.

Another success story would be Vietnam. Thanks to the government’s policy mechanisms and related incentives, solar energy has gone from negligible role in its energy mix in 2017 to now the largest installed capacity in Southeast Asia.

Other countries in the region have also stepped up the efforts in reducing reliance on coal and shifting towards cleaner energy options.

What’s critical is that the region would not be able to succeed in achieving climate goals with any single country alone. It is a collective effort that we cannot afford any country to be left behind.

Danielle Welsh-Rose, Aberdeen Standard Investments

ESG investment director, Asia Pacific

ESG integration is rapidly gaining momentum amongst Southeast Asian investors, who are increasingly focused on companies' ESG performance. Many regulators are putting in place requirements or recommendations on corporate ESG disclosure, and joining global efforts to address the challenge presented by a lack of common, international ESG disclosure standards.

The Stock Exchange of Thailand is one of the region's leaders in this space, as are the Singapore Exchange and Bursa Malaysia. The proactive regulatory support will help build a more sustainable ESG eco-system in the region.

The pandemic has also led Southeast Asia governments to invest more in the region's sustainability and infrastructure needs, such as green infrastructure to support economic recovery.

The highly diverse Southeast Asia markets present investors with a wide spectrum of ESG risks and opportunities. Investors need to be mindful of different corporate approaches to issues such as climate change risk, biodiversity loss, human rights and labour risks, and governance issues including bribery and corruption.

To better manage these ESG risks, improvements in disclosure are important, but given that many gaps remain, being an active manager who is able to supplement disclosure with direct company engagement and analysis is vital.

Mervyn Tang, Schroders

Head of sustainability strategy, Asia Pacific

Sustainability is gathering momentum across the region, from regulators setting sustainable finance strategic roadmaps to asset owners increasingly integrating ESG into investment considerations.

Coordinated progress is beneficial for Asean as a whole, and initiatives coming out of Singapore are facilitating this.

One example is the development of a taxonomy of activities that can be considered green or have the ability to transition to green. The taxonomy aims to set robust standards to channel the flow of capital to sustainable activities like similar efforts globally, but in a manner compatible with the economic and social context of the region.

In addition, the launch of Climate X this year in Singapore will anchor the region's role in the global carbon credits market. Asean will be a key source for such credits, as it is home to nearly 15% of the world's tropical forests that play a critical role as carbon sinks. Better management and valuation of natural capital will be a growing regional and global priority.

Noting the accelerating pace of ESG adoption in Asean and more broadly across Apac, in October 2020, Schroders established a Regional Centre of Excellence for Sustainability in Singapore, which houses a team of ESG specialists and an education hub offering insights and training.

Pauline Ng, JP Morgan Asset Management

Portfolio manager, Asian equities

Asean is a diverse region, and each countries' sustainability journey is inherently disparate and multi-faceted. Singapore leads the bloc in sustainable finance issuance and is actively focused on climate change - championing a 'Green Plan' which encompasses a holistic roadmap with clear targets by 2030. As the region aims for a cleaner future, energy transition is underway. Collectively, Asean targets to integrate 23% of renewables into its energy mix by 2025. Vietnam and the Philippines are at the forefront of this shift. Elsewhere, at the governance level, Thailand and Malaysia rank among the highest in Asean in terms of board diversity.

Countries are also pivoting their economies to capture the wave of green capex. Indonesia has the largest nickel reserves in the world and has been proactive in anchoring EV battery supply chains onshore. Thailand also recently announced a joint venture with Foxconn to build EV plants in Thailand as part of a global open EV manufacturing platform.

Asean is pushing for sustainability in unison and momentum is definitely building.