



WWF

SUSTAINABLE  
FINANCE  
REPORT

2019



UPDATE 2019

# SUSTAINABLE BANKING IN ASEAN

# ACKNOWLEDGEMENTS

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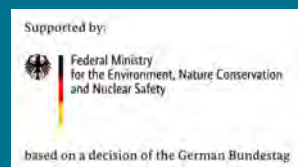
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WWF is one of the world's largest and most experienced conservation organizations, with over 5 million supporters and a global network active in more than 100 countries. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which people live in harmony with nature. WWF has worked with the finance sector for more than a decade via innovative collaborations that seek to integrate ESG risks and opportunities into mainstream finance so as to redirect financial flows to support the global sustainable development agenda. Our approach to sustainable finance leverages WWF's conservation expertise as well as our partnerships with companies on key issues such as water, energy, climate and food to drive sustainability. Positioned at the cutting-edge of sustainable finance internationally, WWF contributes directly to leading initiatives, including the European Commission's Technical Expert Group on Sustainable Finance and the development of an international green bonds standard. WWF also works directly with some of the largest asset owners in the world on decarbonizing investment portfolios. This has allowed us to strengthen lending and investment criteria for key industry sectors, provide insights and data on environmental and social risks, fulfil critical research gaps, help unlock innovations in sustainable finance products and convene key stakeholders to progress the sustainable finance agenda.

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# INTRODUCTION

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**Humanity is facing an existential threat. Our economies, our societies and our very survival depend on crucial ecosystem services such as the regulation of climate and air quality, and the provision of food, raw material and freshwater. These services are generated by natural capital assets which include forests, rivers, oceans, biodiversity and soils. Valued at US\$125 trillion per year,<sup>1</sup> or two-thirds more than annual global GDP, these services underpin all business activities and form the bedrock of our economies.**

However, unsustainable food, energy and infrastructure systems are causing climate change, pollution, over-exploitation of natural resources and land-use change, which are depleting these assets at an accelerating pace. This creates material risks to economic growth, resilience of the financial sector and socio-political stability.

Based on current national commitments, the world is set for an average warming of at least 3°C above pre-industrial levels, far beyond the 1.5°C targeted under the Paris Agreement. The recent Intergovernmental Panel on Climate Change (IPCC) report<sup>2</sup> was a grim wake-up call, outlining that CO<sub>2</sub> emissions need to fall by about 45% by 2030 in order to limit global warming to 1.5°C. Failure to do so may see us facing a climate crisis as early as 2040. Natural disasters caused by ecosystem disruption from human activities and climate change are estimated to cost more than US\$300 billion per year globally by 2030.<sup>3</sup> Insurers are already warning that a world where temperatures are 3-4°C higher is not insurable, leaving governments, businesses and societies to bear the full brunt of these costs.

The latest report<sup>4</sup> from the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) reinforced this sombre message, revealing the accelerating rate of biodiversity decline. The report highlighted that pollinator loss could result in risks to annual global crop output of up to US\$577 billion, which comes on top of the 23% reduction in the productivity of our global land surface that has already occurred due to land degradation. The potential consequences for food security are alarming. The loss of protection provided by coastal habitats (e.g. from mangroves) could also put 100-300 million people at increased risk from floods and hurricanes, the frequency and severity of which are exacerbated by climate change.

Southeast Asia is particularly vulnerable to physical impacts of climate change such as prolonged heat waves, more frequent and intense tropical storms and rainfall, sea-level rise<sup>5</sup> and water scarcity.<sup>6</sup> Climate change is projected to cause GDP to fall by up to 11% in ASEAN by 2100.<sup>7</sup> Biodiversity loss is also occurring at an acute pace in this region, with intact ecosystems already lost due largely to agricultural expansion<sup>8</sup>. Taken together, climate change and natural capital depletion will result in significant risks to economic and social development with massive implications for financial and socio-political stability in the region.

Although several planetary boundaries have already been transgressed,<sup>9</sup> we still have a chance to “bend the curve” and avoid hitting critical tipping points which may threaten humanity’s survival. This requires the private sector to take leadership and play a key role to limit negative environmental and social (E&S) impacts and operate within planetary boundaries.<sup>10</sup> Companies have already begun actively quantifying their exposure to climate-related risks with the 500 largest listed companies reporting almost US\$1 trillion at risk from climate impacts.<sup>11</sup> This could be just the tip of the iceberg as there remains an urgent need to expand the focus beyond climate to measure and mitigate natural capital risks.

On the other hand, opportunities associated with climate mitigation and adaptation were estimated to be worth US\$2.1 trillion,<sup>12</sup> highlighting the benefits of actively addressing climate-related risks. In ASEAN, an estimated US\$3 trillion of green investments is needed from 2016 to 2030 in sectors such as infrastructure, renewable energy, energy efficiency, food, agriculture and land use.<sup>13</sup> Public sector financial institutions alone will not be able to finance the transition to low-carbon sustainable economies and seize all the major opportunities. The private finance sector must be the lifeblood of sustainable development that protects natural capital and must lend its full weight to ensure that we achieve resilience and prosperity for people and planet.



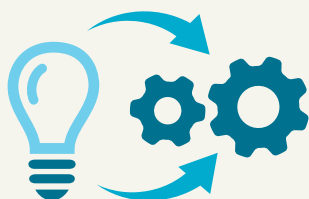
## CENTRAL BANKS AND POLICYMAKERS FEEL A SENSE OF URGENCY

In light of these challenges, financial supervisors and regulators are taking action. The European Union issued a series of regulations this year, following the European Commission’s March 2018 Sustainable Finance Action Plan.<sup>14</sup> Institutional investors are now expected to strengthen their sustainability practices and disclosures, by integrating environmental, social and governance (ESG) risks into their investment processes and disclosing both the financial impacts of the E&S risks they face and the impacts of their investments on ESG matters.<sup>15</sup> Similarly, in order to boost investor confidence and appetite in sustainable products and assets, work is underway to develop low-carbon benchmarks<sup>16</sup> to support greater transparency and comparability of ESG information for investors.

Underpinning the new regulations and ongoing development is the EU taxonomy,<sup>17</sup> a classification system that defines activities considered environmentally sustainable. The taxonomy is a major step towards harmonization across sustainable finance products and should facilitate investments into sustainable activities. In addition to having measurable positive impacts, activities should “do no significant harm” and comply with specific social safeguards, thereby reducing concerns over greenwashing. EU-based investors are expected to integrate this taxonomy into their investment decisions, leading to increased requirements around sustainability performance and transparency for listed companies and banks worldwide, including in Southeast Asia.

Another step change in global regulatory action on climate change and environmental degradation is the Network for Greening the Financial System (NGFS). This coalition of central banks and financial supervisors has stressed the importance of managing climate- and environment-related financial risks with its latest call for collective action.<sup>18</sup> The NGFS emphasizes the need to integrate sustainability factors into decision-making processes, and for consistency across climate and environmental disclosures in the financial industry. The 42-member network presently includes central banks and supervisors of China, Japan, Malaysia, Singapore and Thailand.

As one of the NGFS founding members, the Bank of England (BoE) has published several studies to analyse how physical and transition risks associated with climate change can cause systemic risks and threaten financial stability. The UK Prudential Regulation Authority (PRA) is the first regulator to publish its expectations<sup>19</sup> on how banks and insurers should manage climate-related risks. The PRA expects firms to take a strategic approach by embedding climate-related risks in governance practices, using scenario analysis in risk identification processes, and improving disclosures on climate-related financial risks.



## INDUSTRY-LED INITIATIVES PAVING THE WAY FOR FINANCIAL INSTITUTIONS TO ADOPT ESG INTEGRATION

The Task Force on Climate-related Financial Disclosures (TCFD) has strengthened the recognition of the need to manage and disclose material climate-related risks. As of June 2019, 374 financial institutions with US\$118 trillion AUM publicly support the TCFD recommendations. However, the current quality of disclosure on climate-related risk remains low. The 2019 TCFD Status Report<sup>20</sup> highlights the need for greater disclosure of “decision-useful” information for investors that provides them better clarity on the potential financial impact of climate-related issues on their portfolios. The Task Force encourages investors and other stakeholders to directly engage with companies to drive transparency and disclosure. Furthermore, the Task Force emphasizes that the management of climate-related risks and opportunities should be mainstreamed in companies and involve the executive management, risk and finance teams in addition to the sustainability and corporate responsibility divisions.

A key development for the banking sector is the publication of the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB)<sup>21</sup> issued in July 2019 after an initial consultation phase. The PRB will provide a standardized framework for sustainable and responsible banking with the aim to align the banking sector to the Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement. Signatories to the PRB will also be expected to report on their positive and negative E&S impacts and engage with their clients and stakeholders to promote sustainability. Among the 28 founding banks, Malaysian bank CIMB Group Holdings Berhad is the only ASEAN bank.

Further guidance on specific green financial products has also been issued to support financial institutions. In addition to the Green Loan Principles launched last year, the Loan Market Association (LMA) issued the Sustainability Linked Loan Principles<sup>22</sup> to serve as guidelines for lenders to encourage and improve the sustainability performance of borrowers through reduced interest rates. The concept of sustainability-linked loans has been adopted in ASEAN with the Singapore banks providing such loans to soft commodity players (Olam and Wilmar) and property development companies (CDL and Capitaland). The increase in sustainability-linked loans is indicative that banks are embracing opportunities by developing green financial products and services. Nevertheless, in order to reduce the risk of greenwashing, such products should be linked to science-based targets and measurable positive outcomes, in addition to incorporating robust E&S safeguards to mitigate potential negative impacts.

Another topic that has attracted significant attention in the past year is the plight of our oceans, caused primarily by climate change, pollution, overfishing and other human-induced impacts. These negative impacts will severely undermine the economic value of services generated by coastal and oceanic assets, estimated to be at least US\$2.5 trillion a year.<sup>23</sup>

In addition to providing food, the ocean sequesters 30% of global CO<sub>2</sub> emissions, absorbs 93% of added heat, provides coastal protection via coastal habitats and enables industrial activities such as transportation, fishing and energy production. Increasingly, financial institutions recognize the value of conserving our marine ecosystems and maintaining ocean health, and some have signed up to the Sustainable Blue Economy Finance Principles (SBEFP).<sup>24</sup> Launched in 2018 by WWF, the European Commission, the European Investment Bank and other partners, the SBEFP is the first ocean-specific framework created to mobilize financial institutions to recognize and support the sustainability of marine and coastal ecosystems.

Regional initiatives in the Asia Pacific region have also made progress this year with the launch of a US\$5 billion Asian Development Bank (ADB) Oceans Financing Initiative, designed in collaboration with WWF, as part of the ADB's Action Plan for Healthy Oceans and Sustainable Blue Economies.<sup>25</sup> The initiative will reduce technical and financial risks of projects and utilize financial market instruments, such as first-loss guarantees and credit-enhanced blue bonds, to support sustainable business opportunities that help achieve SDG 14 to conserve and sustainably use marine ecosystems.



## WHAT DO THESE GLOBAL DEVELOPMENTS MEAN FOR ASEAN BANKS?

Although many of these sustainable finance developments are occurring outside of ASEAN, they may impact ASEAN banks, for instance in the following ways:

- The successful syndication of loans originated by ASEAN banks may be impacted as global banks adapt to the changing sustainable finance regulatory landscape by increasing their minimum ESG requirements for borrowers.
- The EU investor disclosure regulations will increase the expectations of EU-headquartered investment firms around the sustainability performance and transparency of their portfolio companies. Listed companies, including banks in ASEAN, will be expected to better manage climate-related risks and disclose in line with TCFD recommendations. These new expectations will likely affect investors' perception, valuation and/or portfolio weighting of ASEAN banks.
- Demand for green financial products (e.g. green bonds, green loans and sustainable investment funds) underwritten or distributed by banks (including those issued by banks themselves) may be impacted, as investors will factor in the new EU Taxonomy, which is the building block of the new EU Green Bond Standard, future eco-labels and low-carbon benchmarks. Any inability to meet investor requirements would materially impact the demand for these products and ultimately impact banks and their clients.
- As the market for green financial products develops, regional banks may face increasing competitive pressure from their peers (including international banks) to create innovative products and strengthen their client relationships by supporting efforts to transition to a low-carbon and more sustainable economy.
- Banks may be able to capitalize on the changing landscape and tap into new pools of investors, or securitize existing green loans to unlock additional capital if they can credibly demonstrate that their standards for green financial products and general E&S risk management practices are in line with good international practices.



## INCREASING MOMENTUM IN ASEAN SUSTAINABLE FINANCE REGULATIONS AND SUPPORTING GOVERNMENT INITIATIVES

Increasingly, ASEAN financial regulators and policymakers are taking steps to create a level playing field within each country and across the region. ASEAN finance ministers and central bank governors have also acknowledged the importance of sustainable finance and urged financial institutions to incorporate ESG factors into their business strategy.<sup>26</sup>

The following countries have sustainable financing regulations or guidelines:





Following the adoption of the ASEAN Green, Social and Sustainability Bond Standards, the ASEAN Capital Markets Forum (ACMF) is currently developing a roadmap for ASEAN Sustainable Capital Markets<sup>34</sup> which will lay out a strategic approach towards developing sustainable finance in the region. Furthermore, the US\$1 billion ASEAN Catalytic Green Finance Facility,<sup>35</sup> launched by the ADB, ASEAN governments and major financiers in 2019, aims to increase green infrastructure investments in sustainable transport, clean energy and water systems across the region.

Recognizing the need to harness and amplify the power of the finance sector to create resilient economies that deliver on the SDGs and the Paris Agreement, WWF created the Asia Sustainable Finance Initiative (ASFI). ASFI is a multi-stakeholder forum that brings together industry, academic and science-based resources globally to support financial institutions in the region in implementing science-based ESG best practices. As part of the initiative, WWF uses the Sustainable Banking Assessment (SUSBA) framework to assess and benchmark banks in the ASEAN region based on their disclosures against ESG indicators.



## REGIONAL TRENDS BASED ON 2019 ASSESSMENT

This summary is an update on the third SUSBA assessment, covering the ESG integration performance across 35 ASEAN banks. We reviewed only publicly available, English-language disclosures in the form of 2018 annual reports, 2018 sustainability or CSR reports as well as information posted on corporate websites such as company policies, statements, investor presentations and press releases (last accessed on 9 July 2019).

The tables below feature a list of banks assessed and the regional-level results. Country-level results may be found in the appendix.

INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM
<ul style="list-style-type: none"> <li>■ Bank Central Asia Tbk (BCA)</li> <li>■ Bank Mandiri (Persero) Tbk (Mandiri)</li> <li>■ Bank Muamalat Indonesia Tbk (Muamalat)</li> <li>■ Bank Negara Indonesia Tbk (BNI)</li> <li>■ Bank Panin Tbk (Panin)</li> <li>■ Bank Pembangunan Daerah Jawa Barat dan Banten Tbk (Bank BJB)</li> <li>■ Bank Permata Tbk (Permata)</li> <li>■ Bank Rakyat Indonesia Tbk (BRI)</li> </ul>	<ul style="list-style-type: none"> <li>■ AMMB Holdings Berhad (Ambank)</li> <li>■ CIMB Group Holdings Berhad (CIMB)</li> <li>■ Hong Leong Bank Berhad (Hong Leong)</li> <li>■ Malayan Banking Berhad (Maybank)</li> <li>■ Public Bank Berhad (Public Bank)</li> <li>■ RHB Bank Berhad (RHB)</li> </ul>	<ul style="list-style-type: none"> <li>■ BDO Unibank, Inc (BDO)</li> <li>■ Bank of the Philippine Islands (BPI)</li> <li>■ China Banking Corporation (CBC)</li> <li>■ Metropolitan Bank &amp; Trust Company (Metrobank)</li> <li>■ Philippine National Bank (PNB)</li> <li>■ Security Bank Corporation (SBC)</li> </ul>	<ul style="list-style-type: none"> <li>■ DBS Group Holdings Limited (DBS)</li> <li>■ Oversea-Chinese Banking Corporation Limited (OCBC)</li> <li>■ United Overseas Bank Limited (UOB)</li> </ul>	<ul style="list-style-type: none"> <li>■ Bangkok Bank (BBL)</li> <li>■ Bank of Ayudhya (Krungsri)</li> <li>■ Kasikorn Bank (KBank)</li> <li>■ Krung Thai Bank (KTB)</li> <li>■ Siam Commercial Bank (SCB)</li> <li>■ Thanachart Bank (TBank)</li> <li>■ TMB Bank (TMB)</li> </ul>	<ul style="list-style-type: none"> <li>■ Bank for Investment and Development of Vietnam (BIDV)</li> <li>■ Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB)</li> <li>■ Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank)</li> <li>■ Vietnam Export-Import Commercial Joint Stock Bank (Eximbank)</li> <li>■ Vietnam Prosperity Bank (VPBank)</li> </ul>

# ESG INTEGRATION REGIONAL SUMMARY RESULTS

(AVERAGE PER INDICATOR FOR EACH COUNTRY)

**ASSESSMENT RESULTS EXPLAINED**

- Increase compared to last year
- Current result based on this year's assessment
- Decrease compared to last year
- Current result based on this year's assessment

ESG INTEGRATION PILLARS AND INDICATORS		INDONESIA	MALAYSIA	PHILIPPINES	SINGAPORE	THAILAND	VIETNAM	AVERAGE
PURPOSE	1. Sustainability strategy and stakeholder engagement							
	2. Participation in sustainable finance initiatives and policy advocacy with regulators							
POLICIES	3. Public statements on specific ESG issues							
	4. Public statements on specific sectors							
PROCESSES	5. Assessing ESG risks in client & transaction approvals							
	6. Client monitoring and engagement							
PEOPLE	7. Responsibilities for ESG							
	8. Staff E&S training and performance evaluation							
PRODUCTS	9. ESG integration in products and services							
PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level							
	11. Disclosure of ESG risk exposure and targets							

KEY: Fulfilled Improved No Change Regressed Unfulfilled

## KEY FINDINGS



**1. Most banks now recognize that ESG risks and opportunities lie within their own lending portfolios and can impact their businesses.** Only a handful of ASEAN banks are not embracing sustainability as a core business strategy. All but two banks refer to sustainability in their strategy, whilst only four banks do not recognize that their ESG footprint lies beyond their own internal operations. 25 out of 35 banks identify responsible financing and/or climate change as material to their business activities, compared to 17 banks last year.



**2. Banks are engaging with stakeholders on responsible financing and climate change, with civil society increasingly being considered a key stakeholder group.** 18 banks compared to 14 last year disclosed the types of stakeholders they engage with on ESG issues. 16 banks have started to engage with NGOs and civil society to understand the ESG impacts of their business activities, compared to nine last year. However, ASEAN banks can do more to engage with regulators and policymakers on sustainable finance topics to participate in the development of sustainable banking regulations, as only 11 banks disclosed active involvement in this.



**3. High-level leadership statements need to be bolstered by the inclusion of sustainability criteria in board terms of reference in order to have a foundation for good governance of ESG issues.** 22 banks mentioned ESG factors in the leadership statement and 20 banks assigned oversight of ESG integration to board and/or senior management, indicating that ESG is at the top of the executive agenda. However, boards are not fully activated, with only 12 banks assigning ESG responsibility to their boards and two banks incorporating ESG-specific criteria in the terms of reference of nominating, remuneration or audit committees.



**4. The ESG policy frameworks used by most banks need to be strengthened with robust standards for effective management of E&S risks.** While the number of banks that have recognized the high risks associated with certain industries and have developed sector-specific requirements has doubled since last year (14 vs 7), only five banks require their clients to commit to international standards and certification schemes such as the IFC Performance Standards and RSPO.



**5. Banks are not fully integrating E&S risk management into their client and transaction approval and monitoring processes, which may result in unexpected and unmitigated risks.** Of the 22 banks that have standardized frameworks for E&S risk management, not all banks elaborated on the steps taken to assess and monitor their clients. For instance, just eight of these banks require clients that are not compliant with E&S policies to implement time-bound action plans to mitigate these risks.



**6. Banks are investing more in ESG resources and training, however accountability is key to ensuring the training is put into practice by all three lines of defence.** 11 banks compared to four last year now report having dedicated ESG teams and 17 banks trained staff on E&S policies and implementation processes, up from 13 last year. However, there is limited inclusion of sustainability-related criteria in key performance indicators, with only four banks disclosing such practices, which may result in a lack of accountability for ESG risk management.

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**7. ASEAN banks are not fully leveraging the opportunities related to the transition to sustainable food, energy, infrastructure and transportation systems.** None of the banks are proactively identifying clients who need support to transition to more sustainable business models. 18 banks have developed green financial products and services for clients, with the majority focussing on renewable energy and green buildings. There remains a financing gap in the other sectors. Further, only three banks set targets to increase their share of green financing and only one bank specifically allocates capital to finance activities with positive environmental impacts.

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**8. ASEAN banks may not be aware of the extent of climate-related risks embedded in their portfolios and do not have a strategy to manage these risks.** Only two banks reviewed and disclosed their portfolio exposure to climate-related risks, while two other banks have developed a climate strategy. As a result, banks may not understand in which sectors they have the highest concentration of climate-related risks. For instance, only three banks have stopped financing new coal-fired power plants and have no-deforestation commitments, to tackle the two largest drivers of GHG emissions in ASEAN. Banks are not disclosing carbon-related metrics, as recommended by TCFD with only one bank disclosing the GHG emissions of a subset of its portfolio.

## RECOMMENDATIONS



### WE RECOMMEND ASEAN BANKS TO:

- **Engage with stakeholders** such as:
  - **regulators** to co-create sustainable banking guidelines/regulations;
  - **investors** to articulate sustainable banking strategies;
  - **science-based organizations** to gain deep insights on key E&S issues;
  - **relevant ministries and government agencies** to drive stronger collective action on climate change and other ESG issues.
- **Develop and/or strengthen climate-related and natural capital risk strategies.**
  - Assess their lending portfolio to determine the level of alignment with the objectives of the Paris Agreement;
  - Commit to the Science Based Targets initiative (SBTi) and work towards setting targets to align their portfolio;
  - Disclose in line with TCFD recommendations, including on portfolio-level exposure to climate-related risks, forward-looking scenario analysis, and measures taken to reduce exposure to climate-related risks;
  - Expand the portfolio-level assessments and disclosure to cover natural capital risks.
- **Use science-based standards, asset-level data and geospatial tools to manage climate-related and natural capital risks and align portfolios to planetary boundaries.** Develop robust issue- or sector-specific policies that require clients to comply with multi-stakeholder sustainability standards and targets. Use asset-level data and geospatial tools to assess risks associated with climate change and natural capital degradation and measure impacts of the bank's financing activities.
- **Strengthen systems-level governance and accountability. Ensure the board has formal oversight** of the ESG strategy and distribute responsibilities for the various aspects of sustainability to different board committees by including sustainability criteria in the terms of reference of audit, nomination and remuneration committees. Integrate sustainability considerations into group-wide key performance indicators, as well as in staff appraisal processes, to create accountability at all levels.
- **Empower board members, senior management and staff** by providing training on ESG issues and making it mandatory at all levels – board, senior management and all staff. Tap into available capacity building resources such as training workshops, research and online tools provided by the ASFI.



### WE RECOMMEND ASEAN BANKING REGULATORS AND BANKING ASSOCIATIONS TO:

- **Strengthen existing banking regulations and guidelines** by requiring banks to adopt science-based standards and targets, and align their portfolios with planetary boundaries.
- Strengthen mandatory **requirements around disclosure** of ESG information by banks, in particular on the **TCFD recommendations and extend these to cover natural capital risks.**
- **Join the Network for Greening the Financial System (NGFS)** for peer-to-peer sharing on best practices related to the inclusion of climate- and environment-related considerations in microprudential and macrofinancial frameworks.
- **Require banks to include in the board of directors' terms of reference, clear roles and responsibilities to manage climate-related and ESG risks.** Require sustainability criteria to be included in the terms of reference of audit,

nomination and remuneration committees so as to distribute responsibilities for aspects of sustainability across the board. Make **training programmes mandatory** for boards, senior management and all staff.

- **Initiate stress-testing of the resilience of the financial sector (financial stability)** to climate- and environment-related risks. **Make it mandatory for regulated banks** to assess their exposure to climate- and environmental-related risks, based on **forward-looking scenario analysis**, and take measures to align their portfolios with the objectives of the Paris Agreement and other planetary boundaries.
- **Support the development of an enabling environment** to accelerate the shift of financial flows towards more resilient and sustainable activities, e.g. through differentiated capital requirements and financial incentives, as well as encouraging the development of green/brown taxonomies and standards for green financial products.
- **Work with science-based organizations to build regulators' own capacity** on sustainability issues and to create robust regulatory frameworks and taxonomies.



#### **WE RECOMMEND SHAREHOLDERS OF ASEAN BANKS TO:**

- Ensure their **shareholder power** is used to drive **progress on the above recommendations** for ASEAN banks by:
  - **engaging** with banks bilaterally and **collectively with other investors**;
  - **supporting** banks to develop robust E&S policies and strategies;
  - actively **voting** on ESG issues in portfolio banks.
- Engage with regulators, stock exchanges and banking associations to encourage more prescriptive and robust regulations for financial institutions. This should include requiring disclosure against the TCFD recommendations and expanding the focus of regulations to encompass broader natural capital risks and impacts.



#### **WWF/ASFI CAN SUPPORT THE ASEAN BANKING SECTOR IN THE FOLLOWING WAYS:**

- **Build capacity of boards/senior management, and the three lines of defence on ESG issues, global sustainable finance landscape and regulations, risk management tools and sustainability standards.**
- **Advise banks on the use of science-based standards, targets, tools and portfolio-wide assessments/scenario analysis** so as to manage risk and align portfolios with the objectives of the Paris Agreement and other planetary boundaries.
- **Work with financial institutions to develop green/blue financial solutions** that have measurable impacts, science-based criteria and appropriate safeguards in place to minimize potential negative E&S impacts. This will support banks to capture business opportunities and mobilize capital to meet the significant financing needs for the transition to a sustainable, low-carbon economy.
- **Measure and benchmark progress against regional and international peers, identify areas for improvement, and highlight best practices** in ESG integration via tools such as the SUSBA online platform ([susba.org](https://susba.org)). This is useful for banks, investors, regulators and banking associations to drive faster progress.
- **Support banks in understanding increasing expectations from international investors** around ESG issues as well as the implications for ASEAN banks of impending sustainable finance regulations at both the national and EU levels (see page 7). WWF also engages with investors and has developed a specific ESG integration assessment framework for fund managers (RESPOND).



# INDONESIA ESG INTEGRATION DISCLOSURE RESULTS

**ASSESSMENT RESULTS EXPLAINED**

- Increase compared to last year
- Current result based on this year's assessment
- Current result based on this year's assessment
- Decrease compared to last year

ESG INTEGRATION PILLARS AND INDICATORS		BCA	MANDIRI	MUAMALAT*	BNI	PANIN	BANK BJB	PERMATA	BRI	AVERAGE
1) PURPOSE	1. Sustainability strategy and stakeholder engagement									
	2. Participation in sustainable finance initiatives and policy advocacy with regulators									
2) POLICIES	3. Public statements on specific ESG issues									
	4. Public statements on specific sectors									
3) PROCESSES	5. Assessing ESG risks in client & transaction approvals									
	6. Client monitoring and engagement									
4) PEOPLE	7. Responsibilities for ESG									
	8. Staff E&S training and performance evaluation									
5) PRODUCTS	9. ESG integration in products and services									
6) PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level									
	11. Disclosure of ESG risk exposure and targets									

\*Bank Muamalat's 2017 Sustainability Report was used for the assessment as the 2018 Sustainability Report had not been issued in English by 9 July 2019.

**KEY:** Fulfilled Improved No Change Regressed Unfulfilled



# MALAYSIA ESG INTEGRATION DISCLOSURE RESULTS

### ASSESSMENT RESULTS EXPLAINED

- Increase compared to last year
- Current result based on this year's assessment
- Current result based on this year's assessment
- Decrease compared to last year

ESG INTEGRATION PILLARS AND INDICATORS		AMBANK	CIMB	HONG LEONG	MAYBANK	PUBLIC BANK	RHB	AVERAGE
1) PURPOSE	1. Sustainability strategy and stakeholder engagement							
	2. Participation in sustainable finance initiatives and policy advocacy with regulators							
2) POLICIES	3. Public statements on specific ESG issues							
	4. Public statements on specific sectors							
3) PROCESSES	5. Assessing ESG risks in client & transaction approvals							
	6. Client monitoring and engagement							
4) PEOPLE	7. Responsibilities for ESG							
	8. Staff E&S training and performance evaluation							
5) PRODUCTS	9. ESG integration in products and services							
6) PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level							
	11. Disclosure of ESG risk exposure and targets							

KEY: Fulfilled Improved No Change Regressed Unfulfilled





# THE PHILIPPINES ESG INTEGRATION DISCLOSURE RESULTS

**ASSESSMENT RESULTS EXPLAINED**

- Increase compared to last year
- Current result based on this year's assessment
- Decrease compared to last year

ESG INTEGRATION PILLARS AND INDICATORS		BDO	BPI	CBC	METROBANK	PNB	SBC	AVERAGE
1) PURPOSE	1. Sustainability strategy and stakeholder engagement							
	2. Participation in sustainable finance initiatives and policy advocacy with regulators							
2) POLICIES	3. Public statements on specific ESG issues							
	4. Public statements on specific sectors							
3) PROCESSES	5. Assessing ESG risks in client & transaction approvals							
	6. Client monitoring and engagement							
4) PEOPLE	7. Responsibilities for ESG							
	8. Staff E&S training and performance evaluation							
5) PRODUCTS	9. ESG integration in products and services							
6) PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level							
	11. Disclosure of ESG risk exposure and targets							

**KEY:** Fulfilled Improved No Change Regressed Unfulfilled



# SINGAPORE ESG INTEGRATION DISCLOSURE RESULTS

**ASSESSMENT RESULTS EXPLAINED**

- Increase compared to last year
- Current result based on this year's assessment
- Current result based on this year's assessment
- Decrease compared to last year

ESG INTEGRATION PILLARS AND INDICATORS		DBS	OCBC	UOB	AVERAGE
1) PURPOSE	1. Sustainability strategy and stakeholder engagement				
	2. Participation in sustainable finance initiatives and policy advocacy with regulators				
2) POLICIES	3. Public statements on specific ESG issues				
	4. Public statements on specific sectors				
3) PROCESSES	5. Assessing ESG risks in client & transaction approvals				
	6. Client monitoring and engagement				
4) PEOPLE	7. Responsibilities for ESG				
	8. Staff E&S training and performance evaluation				
5) PRODUCTS	9. ESG integration in products and services				
6) PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level				
	11. Disclosure of ESG risk exposure and targets				

**KEY:** Fulfilled Improved No Change Regressed Unfulfilled



# THAILAND ESG INTEGRATION DISCLOSURE RESULTS

**ASSESSMENT RESULTS EXPLAINED**

- Increase compared to last year
- Current result based on this year's assessment
- Current result based on this year's assessment
- Decrease compared to last year

ESG INTEGRATION PILLARS AND INDICATORS		BBL	KBANK	KRUNGSRI	KTB	SCB	TBANK	TMB	AVERAGE
1) PURPOSE	1. Sustainability strategy and stakeholder engagement								
	2. Participation in sustainable finance initiatives and policy advocacy with regulators								
2) POLICIES	3. Public statements on specific ESG issues								
	4. Public statements on specific sectors								
3) PROCESSES	5. Assessing ESG risks in client & transaction approvals								
	6. Client monitoring and engagement								
4) PEOPLE	7. Responsibilities for ESG								
	8. Staff E&S training and performance evaluation								
5) PRODUCTS	9. ESG integration in products and services								
6) PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level								
	11. Disclosure of ESG risk exposure and targets								




KEY: Fulfilled Improved No Change Regressed Unfulfilled



































































# APPENDIX: COUNTRY-LEVEL RESULTS



## VIETNAM ESG INTEGRATION DISCLOSURE RESULTS

**ASSESSMENT RESULTS EXPLAINED**

-  Increase compared to last year
-  Current result based on this year's assessment
-  Decrease compared to last year

ESG INTEGRATION PILLARS AND INDICATORS		BIDV	EXIMBANK	VCB*	VIETINBANK	VPBANK	AVERAGE
1) PURPOSE	1. Sustainability strategy and stakeholder engagement						
	2. Participation in sustainable finance initiatives and policy advocacy with regulators						
2) POLICIES	3. Public statements on specific ESG issues						
	4. Public statements on specific sectors						
3) PROCESSES	5. Assessing ESG risks in client & transaction approvals						
	6. Client monitoring and engagement						
4) PEOPLE	7. Responsibilities for ESG						
	8. Staff E&S training and performance evaluation						
5) PRODUCTS	9. ESG integration in products and services						
6) PORTFOLIO	10. ESG risk assessment and mitigation at portfolio level						
	11. Disclosure of ESG risk exposure and targets						

\*Vietcombank's 2017 Annual Report was used for the assessment as the 2018 Annual Report had not been issued in English by 9 July 2019.

**KEY:**  Fulfilled  Improved  No Change  Regressed  Unfulfilled

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# ABBREVIATIONS

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<b>ADB</b>	Asian Development Bank
<b>ASFI</b>	Asia Sustainable Finance Initiative
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>AUM</b>	Assets under management
<b>ESG</b>	Environmental, social and governance
<b>E&amp;S</b>	Environmental and social
<b>GHG</b>	Greenhouse gas
<b>IPBES</b>	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>NGFS</b>	Network for Greening the Financial System
<b>OJK</b>	Financial Services Authority of Indonesia
<b>PRA</b>	Prudential Regulation Authority
<b>PRB</b>	Principles for Responsible Banking
<b>PRI</b>	Principles for Responsible Investment
<b>SBEFP</b>	Sustainable Blue Economy Finance Principles
<b>SDGs</b>	Sustainable Development Goals
<b>UNEPFI</b>	United Nations Environment Programme Finance Initiative
<b>SBTi</b>	Science Based Targets initiative
<b>SUSBA</b>	Sustainable Banking Assessment
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures



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