

accenture

Driven Forward:
APAC's
Tech-First
Road to
Sustainable
Finance



Summary

Driven by pressure from stakeholders and incentives from regulators, sustainable finance is gaining traction across the Asia Pacific region. Accenture commissioned Forrester Consulting to conduct a survey with 267 decision makers and influencers on sustainable finance initiatives in APAC. It shows that of the 79% who are working to implement relevant initiatives, nearly half say their firms had designated it as the top strategic priority.

The other major findings of our research include:

Megatrends

- **Rising up the agenda**

Five forces are driving initiatives in the region: stakeholders, regulations and policy, business factors, climate change and social responsibility. Among the stakeholders, customers and investors have the biggest influence. Increasingly stringent regulation and regional harmonisation will provide further momentum.

- **A drive for social responsibility**

Other drivers include Covid-19, hastening efforts to broaden financial inclusion, the increasingly visible effects of climate risk, spurring preventive action, and growing social unrest – each of which are prompting a greater focus on demonstrating social responsibility.

State of adoption

- **Sustainability efforts will be increasingly centralised**

Firms are moving towards a more top-down, centralised approach to sustainable finance. Whereas a federated approach – which involves embedding of sustainability across teams, but with a central team that coordinates the overall effort – is currently most common, over the next 12 to 24 months the majority will adopt a centralised approach.

- **Environmental priorities pursued with products, technology and policy**

Asia Pacific (APAC) banks and insurers have also set clear priorities in each of the environmental, social and governance (ESG) categories. The environmental focus areas are sustainable supply chain management and greenhouse gas (GHG) emissions. In an effort to address the former, firms are increasing investment in providing related products, but also banking on technology, with the development of relevant digital tools and solutions and improving data collection and reporting. They are taking a policy-first approach to GHG emissions, tightening internal policies and processes, in addition to investing in related products and using technology.

- **Banking on technology to tackle social and governance priorities**

Data security leads the social priorities, to which end firms are seeking to upgrade data practices and digital solutions. Also in focus are employee health and safety and quality and safety, which are also being pursued with technology solutions. Meanwhile, the topmost governance focus is systemic risk management, which is being tackled both through technology and incorporating the issue in internal risk management policies.



Challenges and opportunities

- **Short-term costs are hindering progress**

Potential loss of business and revenue due to ESG screening is categorised as challenging by 34% of respondents and very challenging by 27%. Other major challenges include a lack of clear understanding of current local and global regulations, lack of executive alignment on sustainability, lack of solid business cases and lack of data, resources, requisite infrastructure and executive commitment.

- **But there are clear business-boosting benefits**

Beyond the challenges, respondents see clear benefits from pursuing ESG initiatives, most significant of which are risk control (cited by 50%) and an expansion of revenue opportunities by developing new products and services for potential/existing customers (48%). It is also seen as a way to increase employee engagement and belonging (47%), and to improve brand image and reputation (46%).



Roadmap to sustainability

- **Change begins with awareness**

The majority of firms appear to be working with clients and business partners to raise awareness of ESG issues, manage risks and develop solutions, but many firms have yet to aggressively pursue such programmes. There is also room for improvement in implementing ESG principles; embedding relevant ESG issues in the decision-making process; and working with governments, regulators and other key stakeholders to promote widespread action.

- **A technology-first strategy**

Banking respondents identify technology infrastructure and services as the current top-priority area, followed by performance metrics and operational processes. Insurance respondents prioritise organisation structure, technology infrastructure and services and executive alignment.

Over the next 12 to 24 months, banks' focus is expected to shift to prioritise building ecosystems/partnerships, achieving executive alignment, and establishing proven business cases. Insurance firms will pivot to establishing performance metrics, achieving executive alignment and defining operational processes.

- **Meeting the demand to invest with impact**

Banks and insurers see massive potential in the rising demand for products that allow investors to do good as they do well. One-third is seeking to offer sustainable finance products – the most common internal initiative. Social impact investing products top the list of currently offered products and services, but over the next 12 to 24 months, the focus is expected to shift to sustainability impact investing products. Other products that could see strong growth in the region over the next two years include green and sustainability-linked loans, and green and climate bonds.

The road ahead is clear: sustainability will be increasingly woven into the organisational fabric of APAC’s banking, insurance and investment firms. More needs to be done to emphasise the broader opportunities created by adoption of sustainable finance initiatives, with awareness currently dominated by the traditional but limited benefits of risk control and improving brand image. Adopting a more purpose-led vision of sustainable finance would ultimately create deeper and more sustainable positive impact on individual organisations, societies and the environment.

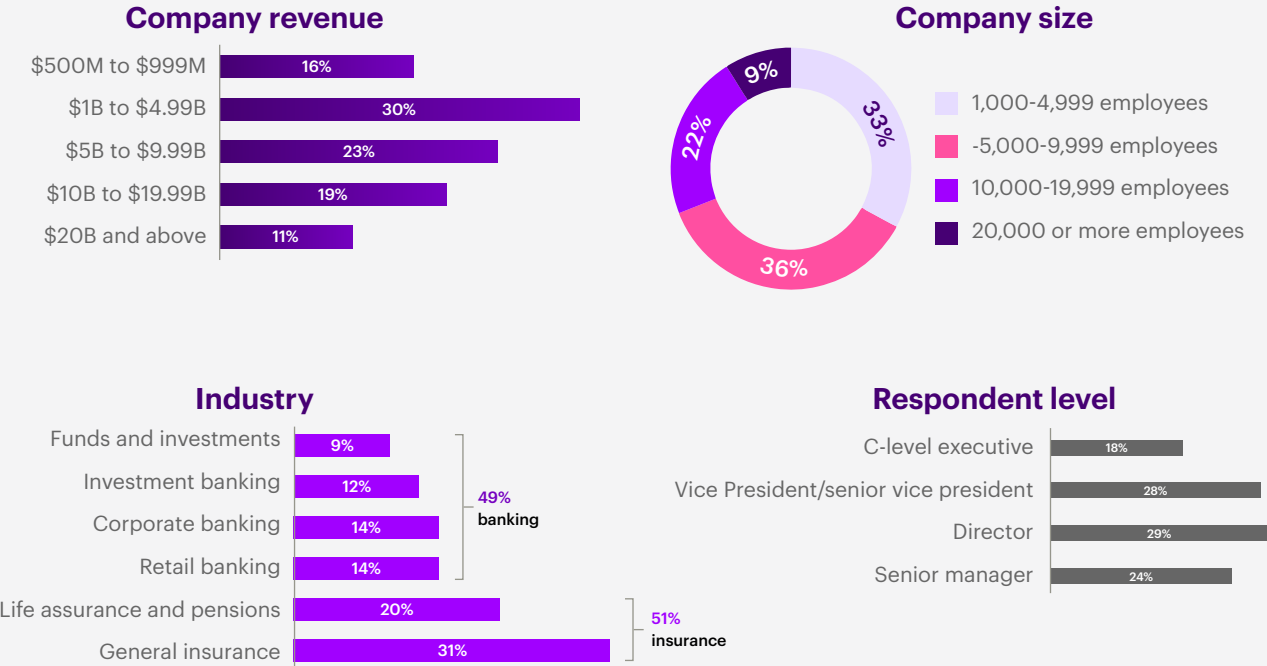
About the survey

The survey gathered responses from 267 individuals identified as decision makers and influencers on sustainable finance initiatives within banking and insurance firms across seven jurisdictions: Australia, Hong Kong, India, Japan, Malaysia, Singapore and Thailand.

The respondents represented sizeable institutions, with the bulk of them falling within the US\$1 billion to US\$9.99 billion revenue range and having between 1,000 and 9,999 employees (Figure 1).

For the purposes of the survey, “sustainable finance” is defined as the inclusion of environmental, social, and governance (ESG) criteria in business or investment decisions for the long-lasting benefit of clients, partners, stakeholders, and society at large.

Figure 1: Profile of survey respondents



Source: Forrester Consulting

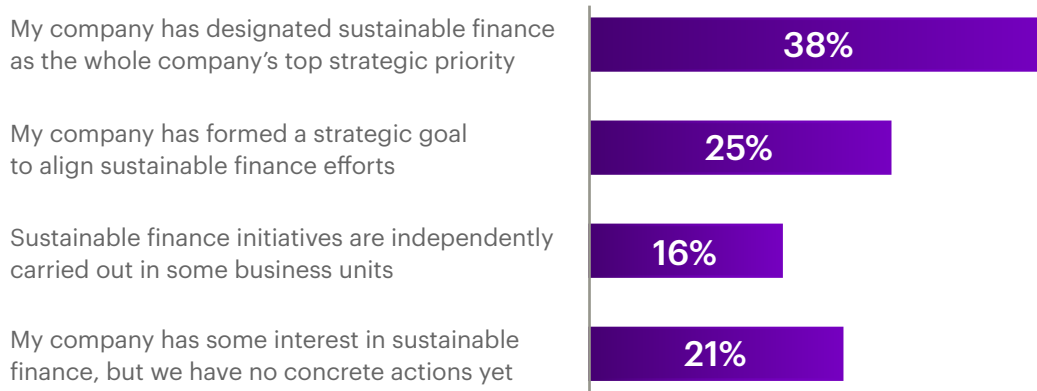
1. Pressure to adopt: the megatrends driving sustainable finance in APAC

Rising up the agenda

Sustainable finance is high on the agendas of financial institutions across the Asia Pacific region. Of the 79% whose firms are working to implement sustainable finance in some way, nearly half – 38% of the total – say their firms have designated it as the top strategic priority (Figure 2). Only 21% have yet to take concrete action, and none say they have no interest in such initiatives.

Figure 2: Sustainable finance strategy

Q: Which of the following best describes the current state of your organisation's sustainable finance strategy?



Base: 267 sustainable finance decision makers in financial services industry in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

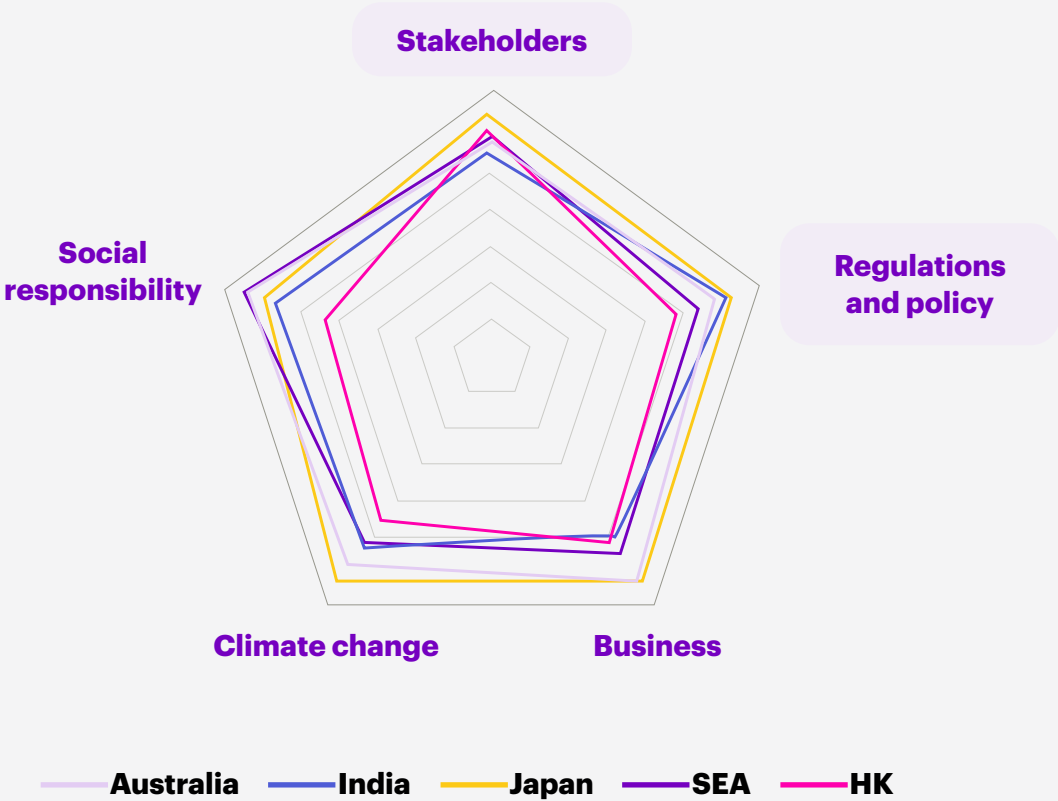


Investors and customers are the biggest influencers of change

These are among the results of a new survey conducted by Forrester Consulting on behalf of Accenture on the current state of sustainable finance adoption in APAC. The survey shows that sustainable finance initiatives in APAC are driven by five forces: stakeholders, regulations and policy, business factors, climate change and social responsibility (Figure 3).

Figure 3: Drivers of sustainable finance

Q1: How have the following megatrends impacted the implementation of your organization’s sustainable finance initiatives?
 (Showing % of “Critical impact” and “High impact”)



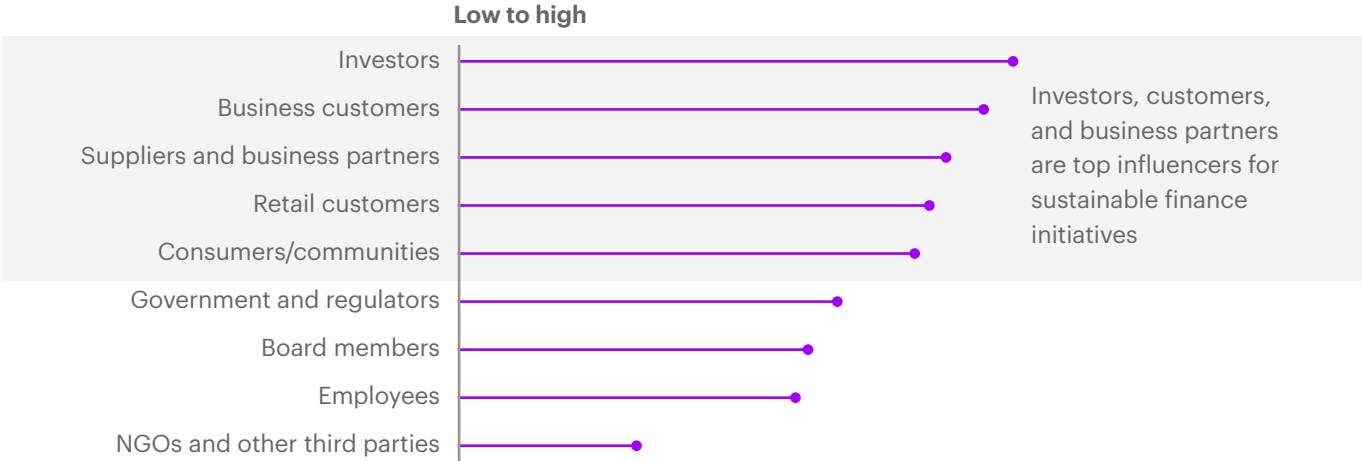
Base: 267 sustainable finance decision makers in financial services industry in APAC
 Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Stakeholders: consumers, employees, investors
Regulation and policy: UNSDG, PRI, PRB, PSI, local regulations and incentives
Business: opportunities and tech enablement
Climate change: physical and transition risks
Social responsibility: social unrest and inclusive finance

Of these, stakeholders exert the most sway. Among the various stakeholders, investors – in part, with a view to achieving long-term portfolio performance – provide the biggest push, followed by customers and business partners (Figure 4). Somewhat less influential are board members, employees and non-governmental organisations and third parties.

Figure 4: Stakeholder influence

Q: Please rank the following stakeholders based on how much influence they have over your company’s sustainable finance initiatives.



Source: Forrester Consulting

Regulations and policy are also a major driver, though the approach to these is somewhat fragmented across the region.¹ While ESG disclosure requirements are now standard across APAC, the region’s markets generally lag those in the EU and UK when it comes to prudential regulations and green stress-testing.



¹ “Sustainable Finance in Asia Pacific: Regulatory State of Play”, Asia Securities Industry and Financial Markets Association (ASIFMA) and Herbert Smith Freehills, March 2020
 See: <https://www.asifma.org/wp-content/uploads/2020/03/sustainable-finance-in-asia-pacific.pdf>

Moreover, firms in APAC face an often-confusing landscape of disclosure frameworks, incentive structures, data collection methods and external assessments developed and implemented in various jurisdictions by both the public and private sectors. Given that many firms are active in several markets across APAC, they would clearly benefit from convergence to common frameworks, though some degree of flexibility and nuance will be required to accommodate local needs and differences.²

Broadly, local policy in APAC is more focused on providing incentives than compelling action. Both the [Hong Kong Monetary Authority \(HKMA\)](#)³ and [Monetary Authority of Singapore \(MAS\)](#)⁴ have launched green and sustainability-linked grant schemes. And Japan's central bank, the [Bank of Japan](#), has a new climate change strategy that could increase the availability of capital for green projects domestically and internationally.⁵

On the horizon: regulatory mandates and regional harmonisation

Such incentives, which appear to have accelerated in the wake of Covid-19, have made a strong impact on sustainable finance initiatives, according to 56% of survey respondents. But [sustainable finance initiatives in APAC](#) are likely to be increasingly led by regulatory mandate, with the region's central banks and regulators having expressed their determination to strengthen ESG disclosure and risk-assessment frameworks for investors and corporates, in addition to continuing to provide incentives to channel capital towards more sustainable outcomes.⁶

Another emerging driver is harmonisation across markets, particularly within the Association of Southeast Asian Nations (ASEAN), where financial regulators, central bank governors and policymakers have expressed an intention to create a level playing field within each country, but also throughout the region.⁷

² Ibid.

³ "HKMA announces guideline on the Green and Sustainable Finance Grant Scheme (GSF Grant Scheme)", Hong Kong Monetary Authority, 4th May, 2021

See: <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/05/20210504-4/>

⁴ "Sustainable Bond Grant Scheme", Monetary Authority of Singapore

See: <https://www.mas.gov.sg/schemes-and-initiatives/sustainable-bond-grant-scheme>

⁵ Bank of Japan, "The Bank of Japan's Strategy on Climate Change", July 16 2021

See: https://www.boj.or.jp/en/announcements/release_2021/rel210716b.pdf

⁶ Matthew McAdam, "Scaling up sustainable finance in Asia: highlights from PRI APAC Digital Symposium",

Principles for Responsible Investment, 22nd September, 2020

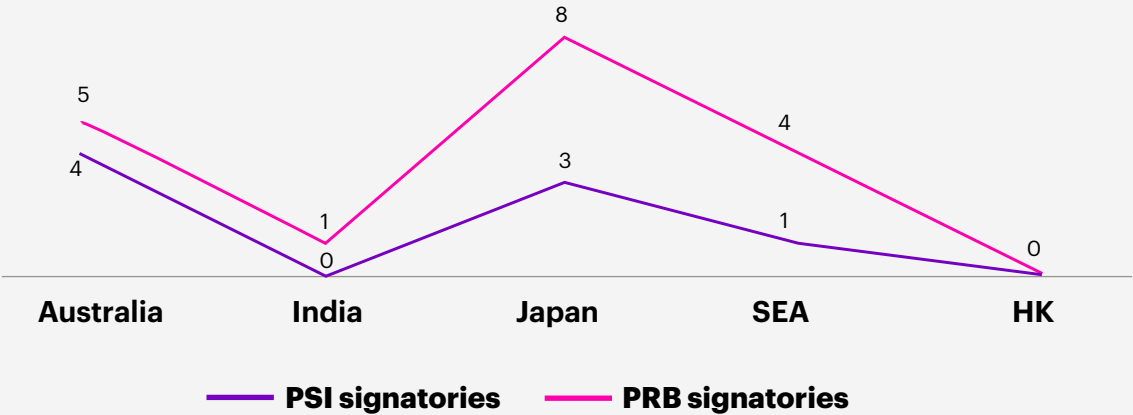
See: <https://www.unpri.org/pri-blog/scaling-up-sustainable-finance-in-asia-highlights-from-pri-apac-digital-symposium/6471.article>

⁷ Ibid.

International guidelines and alliances are additional key drivers of sustainable finance initiatives in APAC. The adoption of the United Nations’ Sustainable Development Goals (SDGs) in 2015, which provide a framework for UN-supported networks of financial institutions working to implement sustainability principles – including the Principles for Responsible Investment (PRI), Principles for Responsible Banking (PRB) and Principles for Sustainable Insurance (PSI) – has had a strong impact, according to 61% of survey respondents. Institutions in Australia and Japan are well ahead of the other markets in having joined such alliances. Of the survey respondents, Japan had the most PRB signatories and Australia the most PSI signatories (Figure 5).

Figure 5: Signatories to sustainable finance alliances

Number of signatories per market



Source: Forrester Consulting

In future, more local alliances working towards sustainability goals are likely, and these may push for more-stringent adherence to SDG principles than required by local regulations.

For example, while Australia has yet to adopt a net-zero carbon emissions target, 80 of its biggest banks, superannuation funds and insurance companies came together to form the Australian Sustainable Finance Initiative (ASFI) in 2019 to support the net-zero goal, as well as other SDGs. ASFI published a roadmap consisting of 27 recommendations last year, including a 2023 deadline for financial institutions and major listed companies to report according to the framework.⁸

⁸ Shruti Khairnar, “Australia Gets New 10-Year Roadmap on Sustainable Finance”, Regulation Asia, 4th December, 2020
 See: <https://www.regulationasia.com/australia-gets-new-10-year-roadmap-on-sustainable-finance/>



Covid, climate risk and social drivers of change

Throughout the region, there is consensus that the uncertainty and recession caused by Covid-19 has prompted financial institutions to increase their efforts to broaden financial inclusion and well-being, with 59% of all respondents stating this has had a strong impact.

This issue has clearly had an outsized influence on firms in Southeast Asia (represented in this survey by 52 respondents in Malaysia, Thailand and Singapore), where 67% said it has had a strong impact.

Technology companies such as Grab and GoTo Group are playing a key role in bringing financial services to the unbanked and underbanked in [Southeast Asia](#),⁹ while the region's banks are investing in non-financial companies to broaden financial access. A prominent example is [Kasikorn Line](#), a joint venture between a subsidiary of Thailand's Kasikornbank and messaging platform Line.¹⁰

Another way in which Covid-19 has accelerated sustainable finance initiatives in APAC is by increasing business opportunities in the field. This appears to be more prominent in APAC's insurance industry, with 61% of insurance respondents stating it has had a strong impact, compared to 56% of banking respondents.

Insurance and banking firms across the region also diverge somewhat in terms of their perceived need to manage climate change transition risk, with only 48% of banking respondents stating it has had a strong impact on their sustainable finance initiatives, compared to 57% of insurance respondents. In terms of the physical risks of climate change, however, there is not much to separate banking and insurance, with 56% and 58% of respondents, respectively, saying it has had a strong impact.

One more driver of sustainable finance is social unrest around the world having prompted a greater focus on demonstrating social responsibility, which 54% and 55% of banking and insurance respondents, respectively, indicate has had a strong impact.

⁹ Karen Lee and Diego Lingad, "Digital Growth and Financial Inclusion in Southeast Asia", 13th May, 2021

See: <https://www.csis.org/blogs/new-perspectives-asia/digital-growth-and-financial-inclusion-southeast-asia>

¹⁰ Suchit Leesaa-Nguansuk, "Kasikorn Line unveils Line BK services", 21st October, 2020

See: <https://www.bangkokpost.com/business/2005487/kasikorn-line-unveils-line-bk-services>

2. From intention to action: the state of adoption of sustainable finance in APAC

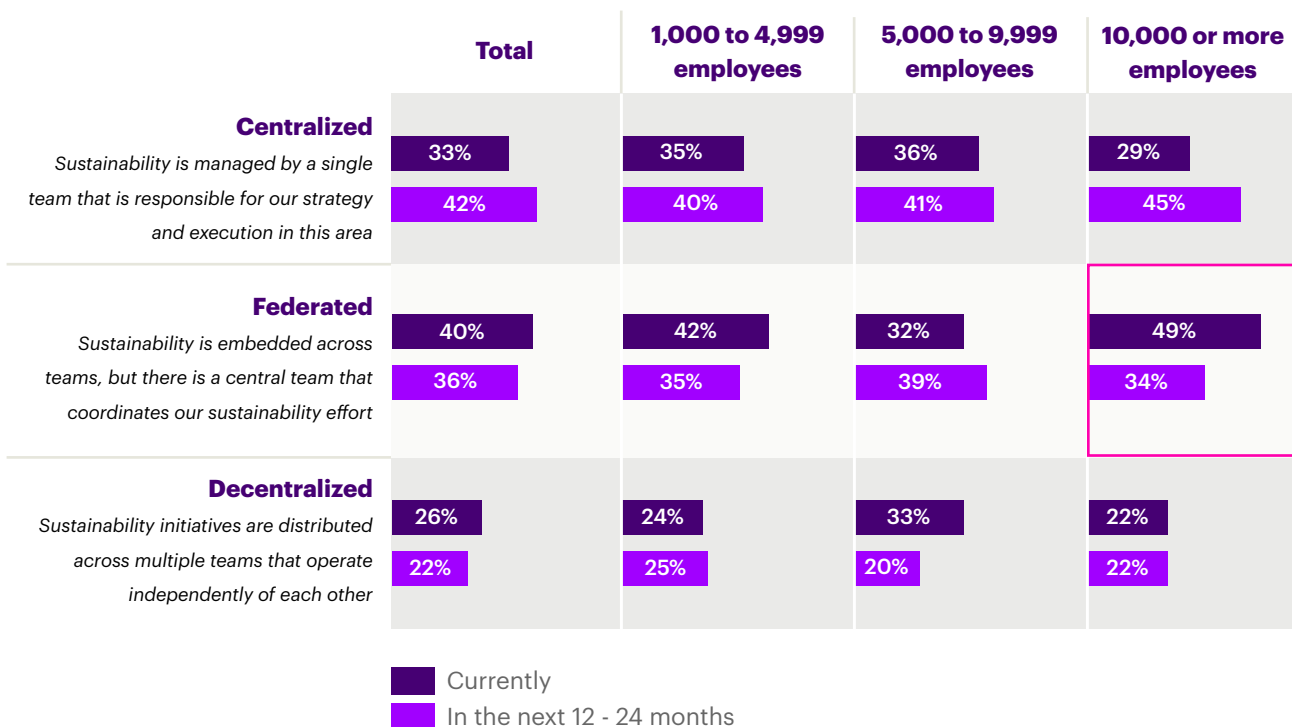
Moving to a centralised approach

Driven by the forces detailed above, the spread of sustainable finance across APAC has accelerated over the past year and a half. With the issue having become more prominent, firms are moving away from their hitherto diffuse and fragmented approach to it, towards a more top-down, centralised approach.

A federated approach, currently adopted by the largest proportion (40%) of respondents' firms, means the embedding of sustainability across teams, but with a central team that coordinates the overall effort (Figure 6). By contrast, a centralised approach, currently used by 33%, involves sustainability being managed by a single team that is responsible for the firm's strategy and execution in this area. Within the next 12 to 24 months, the centralised approach is expected to dominate, while use of the federated approach declines.

Figure 6: Moving towards a centralised approach

Q: Which of the following best describes your firm's approach to organising sustainable finance and/or ESG initiatives?



Base: 267 sustainable finance decision makers in financial services industry in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Environmental priorities: focus on supply chains and GHG emissions

Financial institutions across APAC have developed a fair degree of clarity around the priorities to be pursued using an increasingly centralised approach in each of the E, S and G categories.

Among eight environmental issues ranging from greenhouse gas emissions to waste and hazardous materials management, supply chain sustainability management was identified by the largest group as a priority, with 42% of insurance respondents and 28% in banking singling it out as a top five priority (Figure 7).

There are prominent examples of banks in the region having gone beyond managing their own [supply chain sustainability](#) to working to empower their clients to do the same. For instance, BNP Paribas in Singapore has launched the Sustainable Supply Chain Finance Framework as part of the MAS's Green and Sustainability-Linked Loan Grant Scheme.¹¹ The framework measures the sustainability performance of corporates across several indicators in their supply chain processes, providing more favourable terms to those with higher scores. And Bank of America has seen a significant uptick of interest from APAC clients in its [sustainable supply chain finance solution](#), with an expansion in focus to encompass social and governance considerations, in addition to the environmental.¹²

The reduction of greenhouse gas emissions is another shared priority among banking and insurance firms, although given the nature of these industries, curbing emissions poses less of a burden than in energy intensive industries. Meanwhile, banking firms could have something to learn from the insurance industry's focus on materials sourcing and efficiency, with 28% of respondents in the latter group indicating it is a top priority.



¹¹ "Lifting the veil: the era of 'total visibility' in supply chains", BNP Paribas, 16th February, 2021



See: <https://cib.bnpparibas/lifting-the-veil-the-era-of-total-visibility-in-supply-chains/>

¹² "Industry Perspectives: Asia Pacific trade roars back", Global Trade Review, 8th June, 2021

See: <https://www.gtreview.com/news/sponsored-statement/industry-perspectives-asia-pacific-trade-roars-back/>

Figure 7: Environmental priorities

Q: Please indicate the priority of the following ESG factors for your organisation
(showing top 5 by industry)

Environmental factors	
 Banking	 Insurance
29% GHG emissions reduction	42% Supply chain sustainability management
28% Supply chain sustainability management	28% Materials sourcing and efficiency
28% Air quality improvement	26% Air quality improvement
25% Waste and hazardous materials management	25% GHG emissions reduction
22% Water and wastewater management	25% Mitigate physical impacts of climate change

Base: 267 sustainable finance decision makers in financial services industry in APAC




Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Investing in offering relevant products to clients is the most popular plan of action to address the issue of sustainable supply chain management (cited by 68%). But APAC’s financial institutions are also intent on upgrading internal capabilities in this regard, with developing digital tools and solutions and improving data collection and reporting the second and third most popular actions (Figure 8).

When it comes to cutting down on greenhouse gas emissions, tightening internal policies and processes to prevent and reduce emissions is the main plan of action (61%), followed by increasing direct investment in relevant products and developing digital tools and solutions.

Figure 8: Planned actions on environmental issues

Q: Please indicate which actions your organisation will take to accomplish these ESG priorities
(top three actions across respondents that identified priority)

 Supply chain sustainability management	 Greenhouse gas emissions reduction	 Air quality improvement
68% Increase direct investment in this ESG priority [product]	61% Tighten internal policies and processes to prevent/reduce practices that do not meet this priority [policy]	70% Increase direct investment in this ESG priority [product]
63% Develop digital tools and solutions [enablement]	56% Increase direct investment in this ESG priority [product]	61% Develop digital tools and solutions [enablement]
59% Improve data collection and reporting [enablement]	56% Develop digital tools and solutions [enablement]	55% Improve data collection and reporting [enablement]
N=95	N=72	N=71



Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Social priorities: data, health and safety

In line with ever-increasing demands from regulators and consumers to safeguard data, along with heightened threats from cyber criminals, data security is the top social priority among both banking and insurance firms in APAC (Figure 9), although a higher proportion of insurance respondents singled it out (32%) than did banking respondents (29%). Other major priority areas for both include employee health and safety, product quality and safety and customer privacy.

Figure 9: Social priorities

Q: Please indicate the priority of the following ESG factors for your organisation (showing top 5 by industry)

Social factors			
 Banking		 Insurance	
29%	Data security	32%	Data security
28%	Employee health and safety	27%	Product quality and safety
25%	Product quality and safety	25%	Employee health and safety
22%	Customer privacy	18%	Customer privacy
20%	Human rights and community relations (e.g., disaster rescue and relief)	18%	Human rights and community relations (e.g., disaster rescue and relief)




Base: 267 sustainable finance decision makers in financial services industry in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

By far the most popular route to addressing data security among financial institutions in APAC is to improve data collection and reporting (70%), followed by developing digital tools and solutions. These are also the most common approaches to dealing with both employee health and safety and product safety and quality (Figure 10).

Figure 10: Planned actions on social priorities

Q: Please indicate which actions your organisation will take to accomplish these ESG priorities (top three actions across respondents that identified priority)

 Data security	 Employee health and safety	 Product quality and safety
70% Improve data collection and reporting [enablement]	62% Improve data collection and reporting [enablement]	64% Develop digital tools and solutions [enablement]
63% Develop digital tools and solutions [enablement]	54% Increase direct investment in this ESG priority [product]	62% Improve data collection and reporting [enablement]
51% Increase direct investment in this ESG priority [product]	49% Develop digital tools and solutions [enablement]	54% Provide relevant products and services [product]
N=82	N=71	N=69

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Governance priorities: managing systemic risk



Management of systemic risk such as financial crises, recessions and pandemics is the top governance priority in both banking and insurance (Figure 11), though considerably more banking respondents (25%) singled it out than did insurance respondents (15%).

Japan is ahead of the curve on a system-wide scale in this regard, with the Bank of Japan, in conjunction with the country’s banking regulator, the Financial Services Agency, having conducted stress tests on its five biggest banks to assess their resilience amidst the fallout of the [Covid-19 pandemic](#).¹³

Management of legal and regulatory compliance and business ethics also top the governance agenda among banking respondents, whereas insurance respondents are more focused on critical incident and crisis management and competitive behaviour and anti-corruption mandates.

Figure 11: Governance priorities

Q: Please indicate the priority of the following ESG factors for your organisation
(top three actions across total respondents)

Governance factors	
 Banking	 Insurance
25% Systemic risk management (e.g., financial crisis, recession, pandemic)	15% Systemic risk management (e.g., financial crisis, recession, pandemic)
20% Management of the legal and regulatory compliance	15% Critical incident and crisis management
18% Business ethics	14% Competitive behavior and anticorruption mandates

Base: 267 sustainable finance decision makers in financial services industry in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021




¹³ Leika Kihara, “Japan eyes stress test on major banks to gauge impact of COVID-19”, *The Japan Times*, 6th October, 2020:
See: <https://www.japantimes.co.jp/news/2020/10/06/business/japan-stress-test-major-banks-coronavirus/>

It would appear that systematic risk management is best achieved using technology, given that 64% are developing digital tools and solutions to address it, while just over half plan to incorporate it in their risk management policy (Figure 12). There are also widespread plans to increase investment in providing products related to this area.

In order to manage legal and regulatory compliance, firms are turning to tightening relevant internal policies, improving data collection and reporting and developing digital tools and solutions. Upgrading data collection and reporting and developing appropriate digital tools are also the most popular plans of action to deal with critical incident and crisis management.

Figure 12: Planned actions on governance priorities

Q: Please indicate which actions your organisation will take to accomplish these ESG priorities (top three actions across respondents that identified priority)

 Systemic risk management	 Management of legal and regulatory compliance	 Critical incident and crisis management
64% Develop digital tools and solutions [enablement]	60% Tighten internal policies and processes to prevent/reduce practices that do not meet this priority [policy]	62% Improve data collection and reporting [enablement]
55% Incorporate in risk management [policy]	55% Improve data collection and reporting [enablement]	59% Develop digital tools and solutions [enablement]
55% Increase direct investment in this ESG priority [product]	55% Develop digital tools and solutions [enablement]	53% Modify existing or develop new business model [product]
N=53	N=42	N=34

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

3. Challenges and opportunities: where aspirations meet reality

Short-term pain, long-term gain?

Although the priorities are clearly defined, financial services firms in APAC face several challenges in pursuing sustainable finance initiatives. Chief among these seems to be the difficulty of balancing the significant short-term costs of these initiatives with their hard-to-measure long-term benefits. Potential loss of business and revenue due to ESG screening is categorised as challenging by 34% of respondents and very challenging by 27% (Figure 13).

Other major challenges include a lack of clear understanding of current local and global regulations, lack of executive alignment on sustainability, lack of solid business cases and lack of data, resources, requisite infrastructure and executive commitment.

Figure 13: Barriers to sustainable finance

Q: Please indicate the challenges that your company faces in pursuing sustainable finance

	Challenging	Very Challenging
Loss of business and revenue due to ESG screening	34%	27%
Lack of clear understanding of current local and global regulations	33%	25%
Lack of executive alignment on sustainability/ESG	33%	25%
Lack of solid business cases	39%	24%
Lack of adequate, reliable, and comparable data	35%	23%
Lack of capacity and resources to dedicate specifically to sustainability initiatives...	35%	23%
Current technology infrastructure cannot support the transformation efforts	32%	23%
Lack of executive commitment to sustainability/ESG	34%	22%
Lack of budget and funding to support ESG initiatives	36%	21%
Lack of talent and required skills for implementation	40%	20%
The complexity and enormity of the required transformation	40%	18%
Face resistance and suspicion internally of such initiatives	45%	17%

Base: 267 sustainable finance decision makers in financial services industry in APAC
 Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Local perspectives on global challenges

Concerns about these challenges vary by market. Overall, respondents in Hong Kong are least concerned about most of the challenges, followed by those in Southeast Asia. Respondents in Australia, India and Japan are most concerned, with those in Japan specifically much more concerned about lack of executive alignment (45%) than the average (25%), as well as lack of clear understanding of current local and global regulations (35% vs. the average of 25%).

Respondents in India are considerably more likely to categorise the inability of current technology infrastructure to support transformation efforts as very challenging than the average, and the same goes for lack of executive commitment.

In Australia, lack of solid business cases is seen as constituting a very challenging issue (38%) much more often than the regional average (24%), and loss of business and revenue due to ESG screening is also considered a bigger challenge than average.



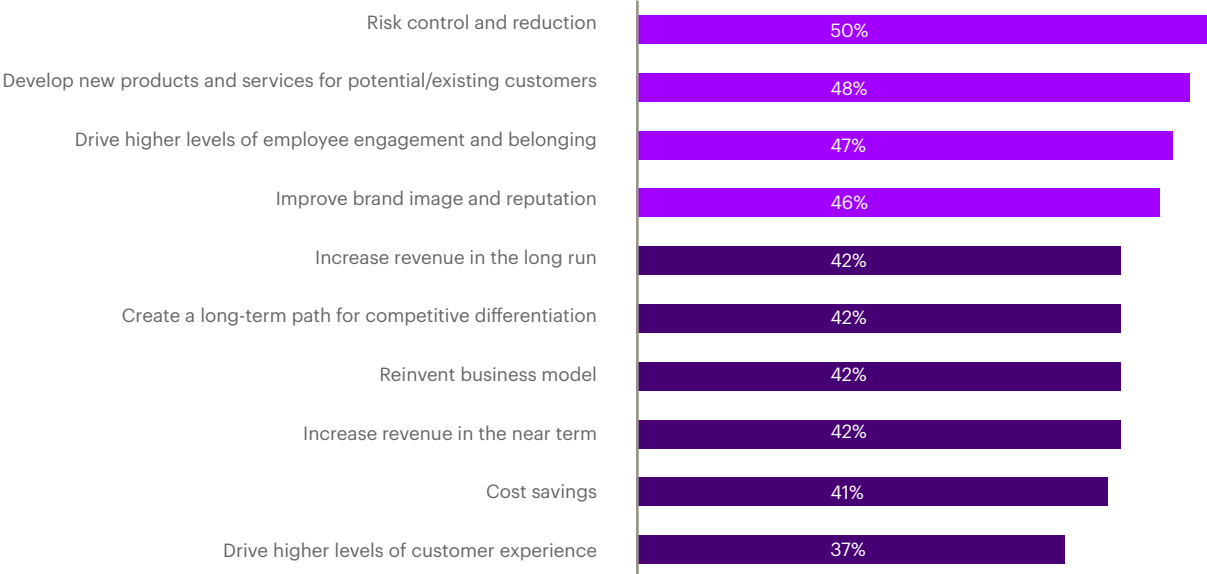
A win-win proposition

Beyond the challenges, respondents also see clear benefits from pursuing ESG initiatives (Figure 14), most significant of which are risk control (cited by 50%) and an expansion of revenue opportunities by developing new products and services for potential/existing customers (48%).

Investing in ESG initiatives is also seen as a way to increase employee engagement and belonging, and to improve brand image and reputation. In addition, respondents expected revenue increases, competitive differentiations, business model reinvention, cost savings and improved customer experience.

Figure 14: Benefits Brought by ESG Initiatives

Q: Please indicate which of the following are the top benefits you expect from sustainable finance initiatives



Base: 267 sustainable finance decision makers in financial services industry in APAC
 Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

4. Where technology can make the difference: the roadmap for sustainable finance

Change begins with awareness

Effecting change of any sort begins with awareness, and sustainable finance is no exception. The majority of firms appear to be working with clients and business partners to raise awareness of ESG issues, manage risks and develop solutions, with 33% of respondents agreeing and 27% strongly agreeing that they did this (Figure 15).

An example is [Japan's Mizuho](#), which promotes understanding of sustainability by offering training programmes, award programmes and in-house communication tools.¹⁴ But many firms clearly have yet to aggressively pursue such programmes, with 40% of respondents ranging from a neutral response to outright strongly disagreeing that they do so.

Similarly, there is room for improvement among APAC's financial institutions in regularly and publicly disclosing progress in implementing ESG principles; embedding relevant ESG issues in their decision-making process; and working with governments, regulators and other key stakeholders to promote widespread action on ESG issues. Although the majority of respondents agree or strongly agree their firms do this, that still leaves 45% or more who do not. Meanwhile, fewer than half agree or strongly agree that their firms set and publish targets where they can have the most significant impact.

Figure 15: ESG practices: a mixed record



Base: 267 sustainable finance decision makers in financial services industry in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

¹⁴ "Organisational Framework: Sustainability Promotion Structure", Mizuho
See: <https://www.mizuhogroup.com/sustainability/mizuhocsr/management/system>

A technology-first strategy

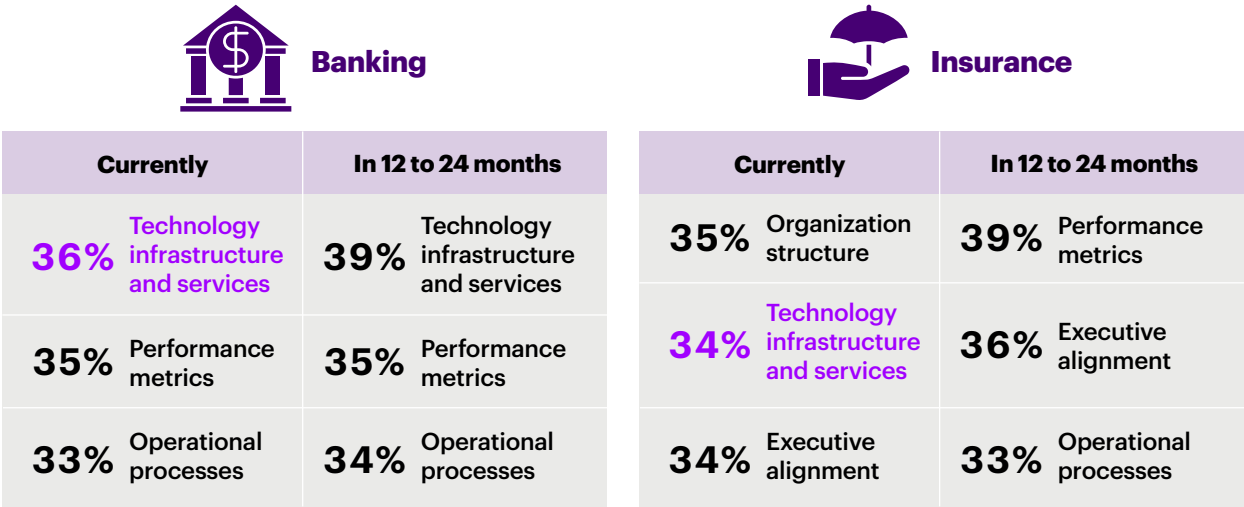
With the potential benefits of pursuing sustainable finance initiatives clearly in view, financial institutions across APAC have a decidedly technology-first strategy in mind to enable their implementation (Figure 16).

Banking respondents identify technology infrastructure and services as the top-priority area to enable their sustainability plans, followed by performance metrics and operational processes. Insurance respondents prioritise organisation structure, technology infrastructure and services and executive alignment.

Having the right tools and services in place is critical to capturing and measuring ESG activities accurately and reducing greenwashing. There are numerous initiatives to address this challenge: one example is a joint effort by [DBS, Singapore Exchange \(SGX\), Standard Chartered and Temasek](#) to launch a carbon exchange and marketplace that uses satellite monitoring, machine learning and blockchain technology to enhance the transparency, integrity and quality of carbon credits.¹⁵

Figure 16: Priority areas to implement ESG initiatives

Q: Please select the top three priority areas to enable your company’s ESG initiative implementation plan currently and in the next 12 to 24 months



Base: 267 sustainable finance decision makers in financial services industry in APAC
 Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

Looking a little further out, over the next 12 to 24 months, the banks’ focus is expected to shift to building ecosystems/partnerships, achieving executive alignment, and establishing proven business cases. Insurance firms, will pivot to establishing performance metrics, achieving executive alignment and defining operational processes.

¹⁵ “DBS, SGX, Standard Chartered and Temasek to take climate action through global carbon exchange and marketplace”, Temasek, 20th May, 2021
 See: <https://www.prnewswire.com/news-releases/dbs-sgx-standard-chartered-and-temasek-to-take-climate-action-through-global-carbon-exchange-and-marketplace-301296205.html>

Major initiatives: meeting demand

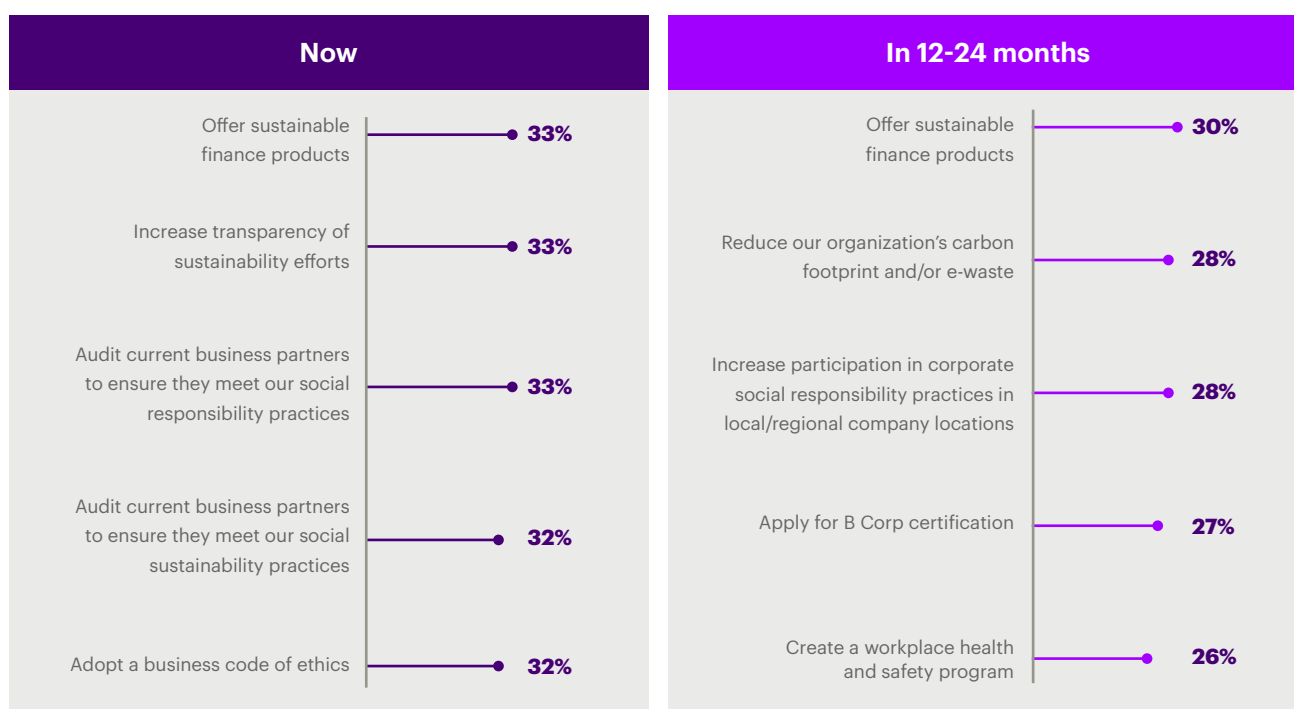
APAC’s financial institutions see the commercial opportunities in addressing sustainability concerns, with many working to provide relevant products and services. One-third of survey respondents are seeking to offer sustainable finance products (Figure 17), although the average is buoyed by respondents in the banking sector (42%), while the insurance sector lagged considerably (25%).

The gap is set to close over the next 12 to 24 months, however, as 31% of insurance respondents say their firms will focus on providing [sustainable finance products](#).¹⁶

Among these will be Malaysia’s CIMB, with CEO Samir Gupta recently observing that clients are keen to invest sustainably, but need more products. And [AXA Insurance in Singapore](#) has already made sustainable investment accessible to customers with ESG funds in its investment-linked plan fund offerings. These funds not only integrate sustainability in the investment process through negative screens, ESG integration and active ownership, but they also aim to contribute towards the SDGs.¹⁷

Figure 17: Current and Planned Sustainable Finance Initiatives

Q: To your best knowledge, which of the following internal initiatives is your organisation currently working on? What about in the next 12 to 24 months?



Base: 267 sustainable finance decision makers in financial services industry in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

¹⁶ Audrey Raj, “Clients keen to invest sustainably but need more products: CIMB”, Citywire, 11th January, 2021

See: <https://citywireasia.com/news/clients-keen-to-invest-sustainably-but-need-more-products-cimb/a14473490>

¹⁷ “AXA Insurance Makes Sustainable Investing Accessible to Customers with ESG Funds in its Investment-Linked Plan Fund Offerings”, AXA Insurance, 1st April, 2021

See: <https://www.axa.com.sg/latest-news/axa-insurance-makes-sustainable-investing-accessible-to-customers-with-esg-funds-in-its-investment-linked-plan-fund-offerings>

Increasing the transparency of sustainability efforts is also viewed as critical, as are auditing business partners to ensure they meet social responsibility and sustainability criteria, and adopting a business code of ethics. Over the next 12 to 24 months, 28% plan to work on a reduction in carbon footprint and/or e-waste, and 28% will increase participation in local corporate social responsibility practices.

Over the next two years, a significant proportion of firms also plan to apply for B Corp certification (a third-party validation of firms' environmental and social performance administered by the non-profit B Lab) and create a workplace health and safety programme.



Intent to invest with impact

Social impact investing products top the list of currently offered sustainability products and services (Figure 18), providing capital for businesses creating social benefits across the region. One of the forerunners in this effort was the [Japan Social Impact Investment Foundation \(SIIF\)](#), set up by Nippon Foundation in 2017.¹⁸

Over the next 12 to 24 months, the focus is expected to shift to sustainability impact investing products (cited by 37%). Among these is a €100 million fund launched by the [European Investment Bank and India's largest lender, SBI](#), to invest in Indian small- and medium-sized enterprises that provide solutions for clean energy, electric vehicles, efficient use of raw materials, and water and circular economy projects in the country.¹⁹

¹⁸ Amanda Kee, "Making Sense of Impact investing in Asia", AVPN, 20th September, 2019

See: <https://avpn.asia/blog/making-sense-impact-investing-asia/>

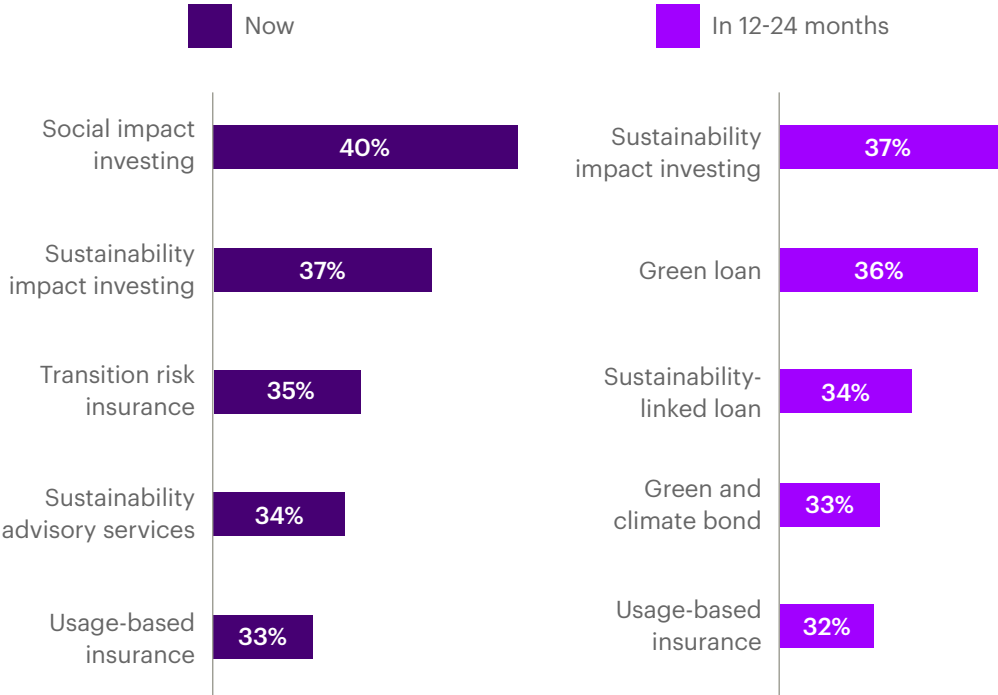
¹⁹ "India: New €100 million EIB and State Bank of India private sector climate action initiative launched at EU-India Leaders Meeting", European Investment Bank, 7th May, 2021

See: <https://www.eib.org/en/press/all/2021-154-new-eur100-million-eib-and-state-bank-of-india-private-sector-climate-action-initiative-launched-at-eu-india-leaders-meeting>

Other products that could see strong growth in the region over the next two years include green loans, sustainability-linked loans, and green and climate bonds (each cited by around one-third of respondents). The demand is certainly there: [ESG bond issuance in APAC](#), which has already accelerated to a record US\$69 billion in the first five months of 2021 – more than double the amount in same period last year²⁰ – could experience even further strong growth over the next two years.

Figure 18: Current and Planned Products and Services

Q: Which of the following types of services/products does your organisation currently provide? What about in 12 to 24 months?



Base: 267 sustainable finance decision makers in financial services industry in APAC

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture, July 2021

²⁰ Scott Murdoch, "Asia's ESG bond issuances hit record \$69 bln this year, no let-up seen", Reuters, 8th June, 2021
 See: <https://www.reuters.com/business/sustainable-business/asiyas-esg-bond-issuances-hit-record-69-bln-this-year-no-let-up-seen-2021-06-07/>

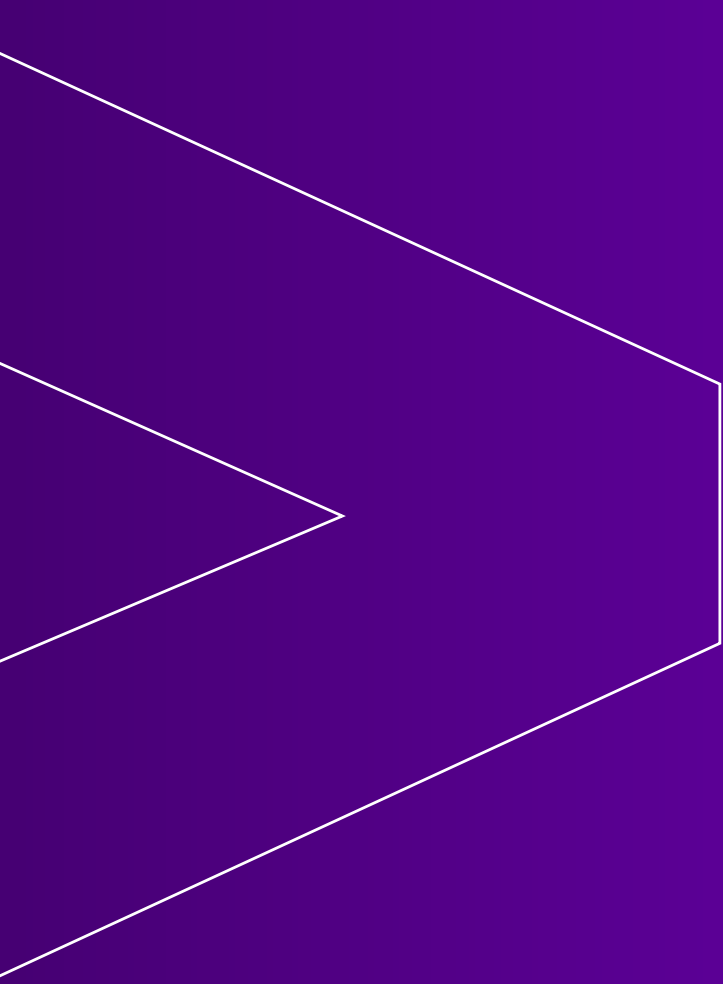


The road ahead

Given the confluence of more defined global and regional policies and regulations, rising consumer awareness and increasing ESG-related risk factors, APAC's banks, insurance companies and investment firms are facing more focused pressure to adopt sustainability initiatives. The road ahead is clear: sustainability will be increasingly woven into their organisational fabric and incorporated in their products, policies and processes.

Building the requisite tech infrastructure will be integral to that endeavour and should help overcome remaining challenges such as demonstrating business value, measuring progress and standardising reporting. But the results of this survey also demonstrate that raising awareness and encouraging a shift in mindset is crucial, considering the inertia also created by concerns over short-term revenue loss, a lack of understanding of global regulations and shortfall of executive alignment.

More also needs to be done to emphasise the broader opportunities created by adoption of sustainable finance initiatives, with awareness currently dominated by the traditional benefits of risk control and improving brand image. As firms seek to increase understanding and transparency of sustainability practices internally and among partners, there will no doubt be a shift in focus away from these tangible yet short-term benefits towards a more purpose-led vision of sustainable finance in the region. Ultimately, this will allow the sector to create a deeper and more sustained positive impact on individual organisations, societies and the environment.



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