

CATCHING THE WAVE

HONG KONG AS A REGIONAL GREEN FINANCE HUB?

ALEX NG, CIO APAC

17 April 2018



BNP PARIBAS
ASSET MANAGEMENT

The asset manager for a changing world

Beyond Green, becoming a Responsible Investor

UK Green Finance Taskforce's report, *Accelerating Green Finance* has 10 themes

Theme 6: Clarify investor roles and responsibilities

- Relevant regulators should ensure **fiduciary duty** clearly states the importance of **ESG** (Environment, Social and Governance) issues.
- Government should require that the **Statement of Investment Principles** include statements on the extent to which **social, ethical and environmental issues** (including climate change) are considered.
- Investment advisors should ask clients about their sustainability preferences, and **investment funds** marketed directly to individuals should clearly state the **ESG impacts of the fund**.

Source: Principles for Responsible Investment, Green Finance Taskforce report: UK poised to become green finance leader, April 2018

Aligning finance with a 2°C world

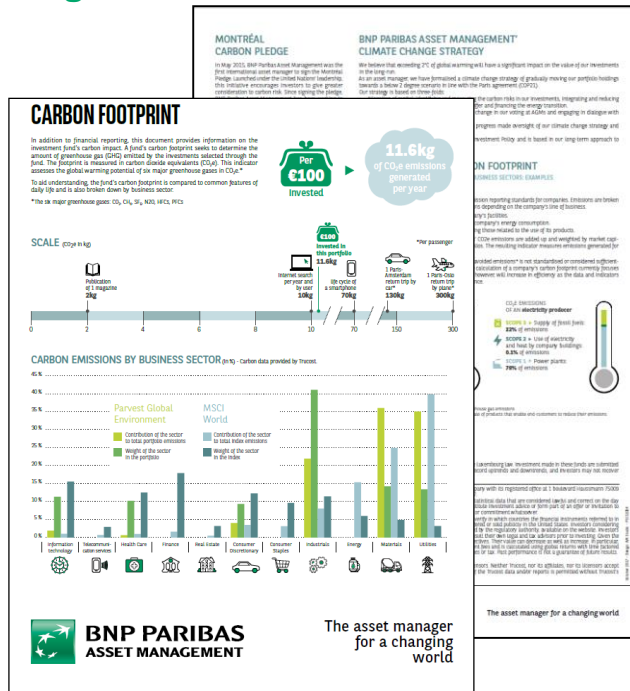
Article 173 of the **French Energy Transition** law came into force in August 2015. It requires **institutional investors** to disclose:

- Information on how **ESG criteria** are considered in their **investment** decisions
- The results of their **proxy voting activities** and their **ESG engagement** with companies
- How their investment policies align with the national strategy for energy and ecological transition (**risk assessment of climate change-related risk exposure & positive contribution of investments to a 2°C scenario**)

Accessed 17/7/17 http://www.hcmc.gr/aweb/files/tea_thesmiko_plaisio/files/DIRECTIVE%202016_2341%20ENG.pdf

Sample carbon and environmental impact reporting

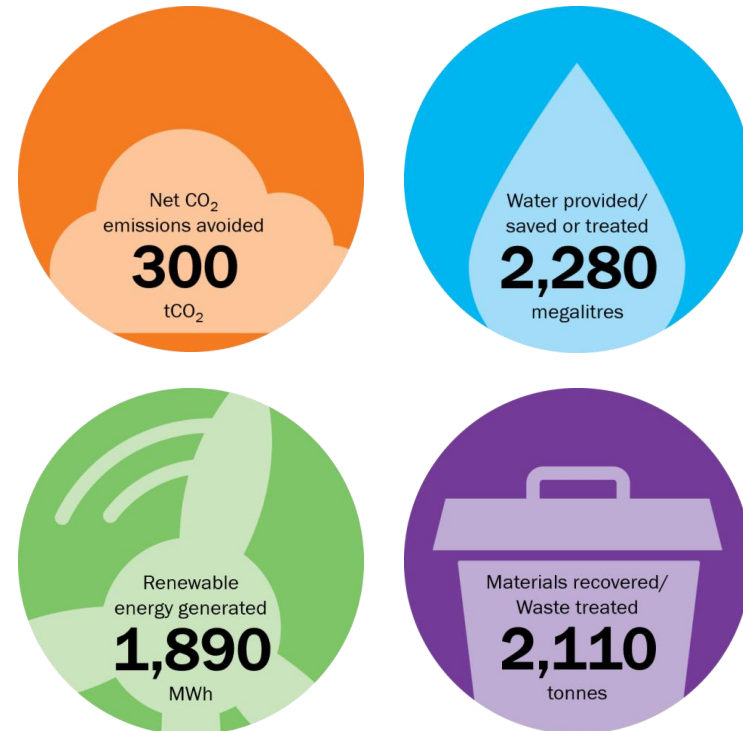
Sample equity fund's carbon footprint reporting



Source: BNP Paribas AM, March 2018

Note: a fund's carbon footprint will depend more on the sector allocation of investments than the carbon performance of the companies themselves

Sample environmental impact reporting of €10m investment in a thematic portfolio



Source: BNPP AM, Impax, March 2018. Impact of €10m invested in the strategy for one year. Based on most recently reported annual environmental data for holdings in the Impax Leaders strategy as at 31 December 2016. Methodology has been assured by Ernst & Young LLP. For further explanation of Impax's impact methodology (which is based on equity value) please see <http://www.impaxam.com/about-us/impact-investing>

Good sustainability practices matter for performance

Oxford University study based on over 200 academic studies

Percentage of the studies showing

90%



Cost of capital

Sound sustainability standards lower the cost of capital of companies

88%



Operational performance

Solid ESG practices result in better operational performance of firms

80%



Stock price performance of companies

Stock price performance of companies is positively influenced by good sustainability practices

Source: BNPP AM, University of Oxford, "From The Stockholder To The Stakeholder", March 2015

Asian market is growing; penetration is still low

Sustainable assets in 2016 (including ESG) and 2014-2016 growth

Canada
USD 1,086 bn
+49%

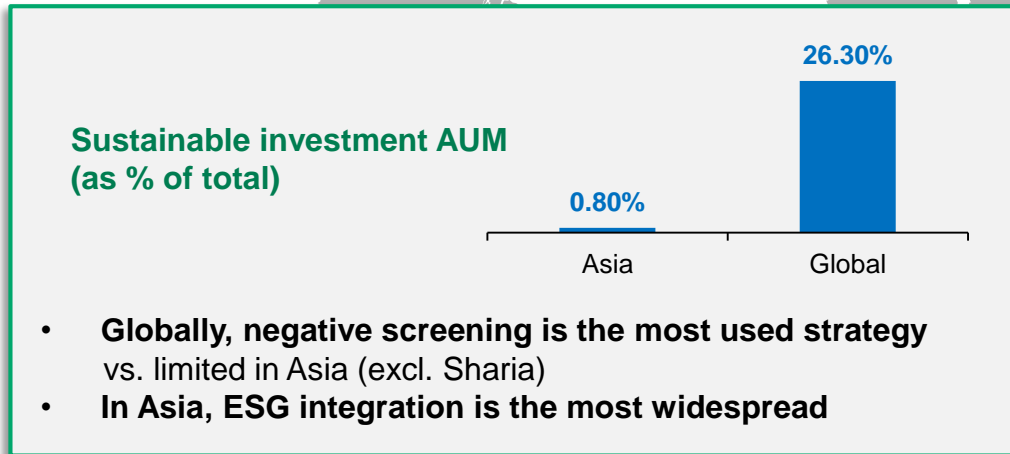
USA
USD 8,723 bn
+33%

Europe
USD 12,040 bn
+11%

Asia
USD 52 bn
+16%

Japan
USD 474 bn
+6690%

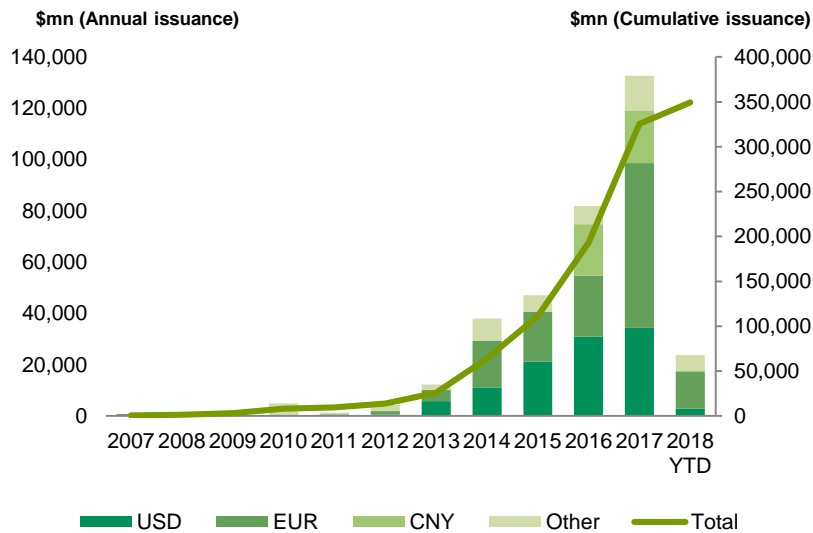
Australia
USD 516 bn
+248%



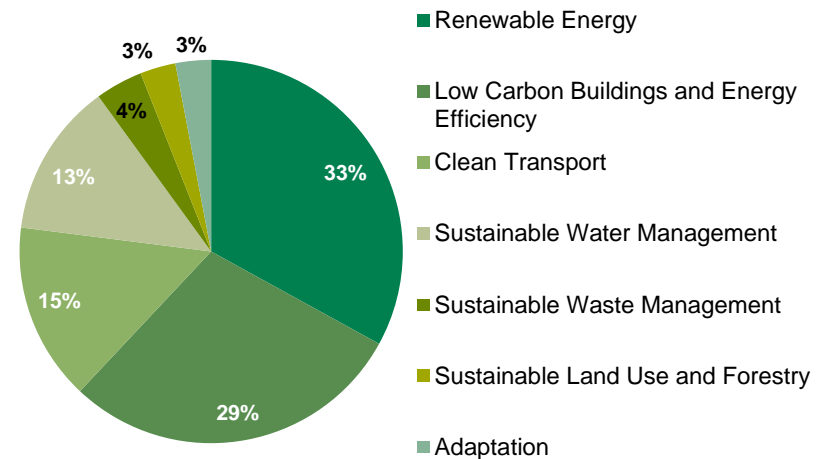
Source : Global Sustainable Investment Review 2016

Green Bond Market

USD 354bn of cumulative sustainable bond issuance



Green bonds 2017 use of proceeds breakdown



Source: Bloomberg, BNP Paribas, as of 05 March 2018.

Some recent promising developments in Hong Kong

- HKEx in 2016 upgraded the ESG guide to “comply or explain” for all listed companies.
- Principles for Responsible Investment (PRI): now 23 signatories from Hong Kong, 9 of which joined since 2017
- Hong Kong Green Finance Certification Scheme by the HK Quality Assurance Agency launched in 2016
 - HK announced a grant scheme in March to subsidise cost of green bond certification
- Hong Kong announced in its budget 2018/19 a sovereign green bonds programme with a borrowing ceiling of HKD 100 billion
- HKMA and the International Capital Market Association (ICMA) will co-host the Green and Social Bond Principles AGM and Conference in Hong Kong in Jun

Green Finance is more than just Green Bonds

Sustainable Thematic Equity	Mixed Assets	Fixed Income	Money Market	Structured & Indexed
BNPP Développement Humain (S)	BNPP L1 Sustainable Active Balanced	BNPP Obli Responsible	BNPP	BNP Paribas EASY Low
Parvest Global Environment (E)	BNPP L1 Sustainable Active Growth	BNPP Obli Etat	BNPP Mois ISR	Carbon 100 Europe
Parvest Human Development (S)	BNPP Comfort Sustainable	Parvest Sustainable Bond Euro		Theam Quant- Balanced Sustainable
Parvest Sustainable Equity High Dividend Europe (G)	BNPP Social Business France	Parvest Sustainable Bond Euro Corporate		Theam Quant – Equity
BNP Paribas Europe Dividende Responsible (G)	BNP Paribas Social Business Impact France	Parvest Sustainable Bond world Corporate		Europe Climate Care
Parvest Sustainable Equity Europe	FundQuest Ethis World	BNPP Sustainable Bond Euro Short Term		BNP Paribas EASY MSCI KLD 400 Social
BNPP Actions Europe Responsable	BNP Paribas B Strategy Europe SRI (Defensive, Neutral, Dynamic)	Parvest Green Bond		BNP Paribas EASY MSCI Emerging Markets SRI
BNPP Euro Valeurs Durables	BNP Paribas Portfolio FOF Dynamic, Balanced, Defensive			

- Thematic
- Transversal
- Best In Class



ENVIRONMENT



(E) : Environment , (S) : Social , (G) Governance

This is for illustration purpose only.

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