



## THE ISSUE

Environmental risks and opportunities are becoming increasingly important to financial decision-making. Some actors in the finance sector have made tremendous strides in their approach to incorporating environmental risks in their business models, and there is growing interest in the investment opportunities shaped within frameworks such as the Sustainable Development Goals (SDGs), the Paris Agreement, and the principles of a circular economy.

However, financial returns are still largely dependent on unsustainable consumption of natural resources and blind to environmental impacts. The finance sector at large does not have an adequate strategic response to the financial, business, and long-term sustainability risks caused by environmental issues. And, too few are taking advantage of the opportunities afforded by a longer term view of sustainability.

In Hong Kong, the green bonds market is at an early stage of development, with the territory's first green bond issued in 2015 and the first green issuance by a Hong Kong-domiciled issuer the following year. While the market has grown strongly since, reaching US\$11 billion in issuance in 2018, even including overseas issuers it comprised just 6% of global green bond issuance. While government and regulatory policy is supportive of this market development, support is relatively new, having crystallized only in 2018.

Though there has been no securitizations of green products in Hong Kong, we believe that products like green asset-backed securities (ABSs) or green collateralized loan obligations (CLOs) will be critical to increase the scale of fund flows toward investments with significant green impact.

## WHAT WE ARE DOING

WWF's efforts in environmental finance and capital markets include our work as a consultant to the Climate Impact Asia Fund. The fund was established by Milltrust (UK) and is managed by EISAL (HK), with WWF-Hong Kong providing environmental-related advisory services on the investment advisory committee.

The fund invests in leading Asian-listed companies that make a positive impact against climate change. Beyond climate action and the objective to maximize investor returns, the fund seeks to optimize its contribution to the wider United Nations Sustainable Development Goals. The fund will make significant fee-based donation of up to 40% to support WWF's conservation projects across Asia.

This initiative will increase the resources available for investments in environmentally positive projects, connect investment flows with measurable environmental impact, and expand the perceived range of mainstream green investments beyond renewable energy.

## OUR ASK

Our objective is to encourage a meaningful shift in global financial systems by increasing support for economic activities that can be sustained by our natural systems, and decreasing support for activities that undermine those systems. Using the familiar finance framework of risk and opportunity, we believe we can:

- influence finance to improve integration of environmental risks;
- encourage finance to deliver greater investment for sustainable development; and

- use the influence of finance in turn to drive sustainable practices through the rest of the economy.

WWF-Hong Kong engages with institutional investors, lenders, underwriters, and finance sector influencers in Hong Kong and Asia-Pacific to improve their integration of environmental risks and opportunities, guiding their decisions and actions taken to contribute to environmental and conservation outcomes.