The Asian century will be a sustainable one
Introduction to sustainability

Why sustainability is Asia’s future
Sustainability in Asia Pacific

What is sustainable finance
An overview

Asia embraces renewables
Energy transition

Could China take pole position in electric vehicles?
Automotive developments

Selection of ING Asia Pacific sustainable finance deals
Expertise

Sustainability: the time is now
Leveraging momentum

Six reasons to embrace sustainability
Embracing sustainability

Our capabilities
Asia Pacific

Contact us
Asia Pacific

Our coverage
Global
Introduction to sustainability

The Asian century will be a sustainable one

The pace of development across much of Asia Pacific in recent decades is historically unprecedented: the region, and especially China, has been a critical driver of global economic growth. But everyone who lives in, or travels to Asia Pacific is aware of some of the challenges this growth has created. Air and water pollution are just the most visible signs of the impact that industrialisation and a growing consumer economy are having on the environment.

In the past, addressing sustainability challenges was widely considered to be an unaffordable luxury for emerging market countries. If that were ever true, it is certainly no longer the case. Indeed, Asia Pacific’s prosperity and continuing growth depend to a large extent on its ability to think about economic, environmental and social performance in an integrated way. Leveraging the opportunities created by the world’s move towards sustainability will be critical to the region’s future.

The United Nations sustainability development goals (SDGs) highlight the diverse nature of sustainability – the 17 goals span health and education, clean energy, inequality, responsible consumption and production, and action on climate change. Australia, China, Hong Kong SAR and Singapore are among the frontrunners in the region, in terms of introducing policies and incentives in support of these SDG targets.

Government initiatives, policies and frameworks are important to promote greater sustainability – and especially to support sustainable financing, encourage transparency and improve reporting. However, the engine driving Asia Pacific’s growth and the responsibility to make the region more sustainable lies with the corporate sector.

Awareness of sustainability among companies varies widely across Asia Pacific. Those companies that sell products to consumers in Europe and the US tend to be ahead of the curve; numerous scandals have made it clear that environmental pollution or poor working conditions in factories carry reputational risk and can have significant business consequences. Moreover, there is increasing awareness that sustainably-produced products can command higher margins.

At the same time, a growing number of investors are embracing sustainability by benchmarking their portfolios against environmental, social, and governance (ESG) indices or allocating part of their assets under management to sustainable investments. Green bonds have become an important source of finance, especially in China. ING has been a frontrunner in the development of sustainable finance in the region. As such, ING has been involved in many green bonds. In addition, ING has completed a number of sustainability improvement loans in the region, which link borrowing costs to sustainability improvements.

Progress in the corporate sector is being made. But a commitment to sustainability will require an evolution of the companies’ business models and a change in mindset to enable firms to prioritise sustainable long-term performance. This will not be a straightforward and easy journey, but one that we are ready to support our clients on. With the increasing global spotlight on sustainability, it is clear that economies in the Asia Pacific region will not focus solely on economic growth, but also growing in a sustainable manner.
Sustainability in Asia Pacific

Why sustainability is Asia’s future

Asia Pacific is at the beginning of a journey that will increasingly see environmental, social and governance factors considered alongside economic drivers when decisions are made by governments, corporates and citizens.

Sustainability is coming of age in Asia. While the diverse nature of the region from a development, economic and cultural perspective makes it difficult to generalise, there is a clear shift in attitudes among governments, corporates, investors and citizens. Until recently the main question about sustainability in the region was “Why bother?”. Now there is a recognition that sustainability is important. How has this change come about?

To a large extent, Asia’s rapid economic development has prompted a realisation that change is necessary. “The impact of failing to take account of sustainability is extremely evident across the region,” explains Herry Cho, Head of Sustainable Finance, Asia Pacific at ING. “For example, Asia Pacific is subject to worsening typhoons, tsunamis and other weather events while the pace of urbanisation and increasing air and water pollution are also more pronounced than in some other regions.”

Rob Carnell, Chief Economist and Head of Research, Asia Pacific at ING agrees that growing awareness of the downsides of rapid industrialisation and urbanisation is spurring change. “China, for example, is pursuing sustainability because a growing number of its citizens want a better environment and a more inclusive society. Given the importance of maintaining stability and progress, President Xi has made it clear that sustainability is a priority for the country.”

Political and regulatory leadership

The UN’s Sustainable Development Goals (SDGs) have been critical to raising the profile of Environment, Social and Governance (ESG) issues. All UN members, including those in Asia, signed up to the SDGs: many have subsequently developed strategies to address SDGs such as poverty, clean energy and pollution. In some instances, new legislation and regulatory controls have been introduced to help direct the economy towards more sustainable activity.

While the SDGs span a wide range of areas, there is significant focus on global warming, says Cho. “Singapore recently held Asia Pacific Climate Week, organised by the United Nations Framework Convention on Climate Change (UNFCCC), where country representatives gathered to discuss progress,” she notes. “Generally, it is clear that the SDGs have helped to create a unified language that enables governments, companies and others to discuss sustainability and its implications for business.”

Regulators are also working to advance sustainability. China and Singapore were launch members of the Network for Greening the Financial System (NGFS), which Japan and Australia also recently joined. NGFS shares information among regulators and central banks about catalysing green finance and supportive macro-prudential changes. ASEAN is also stepping up: at its October 2018 annual capital markets forum it updated the ASEAN Green Bond Standards and introduced new ASEAN Social Bond Standards and Sustainability Bond Standards.

New business models

Asia’s growing commitment to sustainability is rooted in good business sense. “In the past there was a perception that making a commitment to improved ESG standards lowers returns on investment: ESG was seen as essentially charitable,” says Cho. “However, there is a growing appreciation that the adoption of sustainability standards has a positive correlation with increased profit, and in fact reduces risk.”
Sustainability has the potential to enhance profitability as demand for products with sustainable credentials grows. “Cost is no longer the pre-eminent criteria for some products,” explains Carnell. “Western consumers – and those in some Asian markets – now care about provenance and it’s valuable to be able to demonstrate a supply chain that does not include undesirable sustainability characteristics, such as deforestation or poor labour conditions.”

Sustainability also offers a way for China and other countries to move up the value chain. For example, while China’s auto industry has grown rapidly, production is still largely focused on joint ventures. Electric vehicles (EV) offer an opportunity to leapfrog the West and establish global EV brands. China’s scale and charging network give it an edge on the West; it is already the world’s largest EV producer.

China is also deriving geopolitical benefits from its commitment to sustainability, according to Carnell. “Sustainability offers China a way to demonstrate its growing global role as the US steps back from many areas,” he notes. “By aligning itself with the EU on the Paris Agreement as the US withdraws, China has gained international recognition as well as strengthening the renewables sector where China is a major equipment producer.”

Companies are the key
Asia is still in its infancy in terms of sustainability. The Hinrich Foundation Sustainable Trade Index 2018, which measures countries’ ability to support long-term economic growth, environmental protection, and strengthen social capital, shows that some fast-growing countries in the region have not done enough to mitigate air pollution and improve labour standards (although several middle-income countries, led by Sri Lanka, perform admirably).1

“There is a need for greater understanding in Asia about what sustainability means and how environmental and social factors are linked to long-term economic performance,” says Carnell. “It’s not just about separating your domestic recycling but being equipped to deal with future growth. It’s essentially about preparing economies to prosper and move to a high income bracket, which is especially relevant in some parts of Asia.”

Global bodies and national governments can do much to foster this understanding and create the backdrop for Asia’s move to sustainability. But ultimately it is the integration of sustainability into Asian companies’ business models that will drive change, according to Michael Niederberger, Head of Corporate Finance Asia at ING. As large companies in Asia increasingly adopt sustainable practices and reporting, others will follow suit creating a positive tipping point.

“Companies now see greater alignment between sustainability and profitability – it is not just about ticking corporate social responsibility boxes anymore,” says Niederberger. “Public relations and governance issues have also become more prominent, which elevates the importance of sustainability; and consumer behaviour, for example in the food sector and the choices consumers are making in food consumption, is driving a shift towards sustainability.”

As the business benefits become clearer, the pace of change will accelerate. “Companies are willing to bear the extra costs associated with establishing and operating an eco-factory, for example, if they can see the commercial gain,” says Carnell. “Likewise, as Asian companies recognise that it is not only necessary but profitable to recycle and reuse products they will develop the technology to do so; this is a region built on innovation and taking advantage of attractive market opportunities.”
Sustainability comes to the fore in corporate finance

Sustainable finance covers a wide range of themes and formats. The sector is growing rapidly and now includes green and social bonds – China was the world’s second largest source of green bonds in 2017 with US$37.1 billion in issuance – as well as green loans and sustainability improvement loans; there is also an expanding ESG-focused shareholder community.

ING is playing an important part in growing the sustainable lending market in Asia. In January 2018, it brought an innovative green bond to market for Singapore-based clean energy developer Sindicatum Renewable Energy to fund projects in India.

The bank is also helping to establish standards in the green loan market. In September 2018, ING was joint green loan coordinator for Olam International’s US$500 million revolving credit facility. The deal was the first sustainability-linked club loan deal in Asia and aligned Olam’s sustainability programme with more than 50 indicators in Sustainalytics’ rating report for the deal. Olam’s Co-Founder and CEO Sunny Verghese believes that his company’s sustainability-linked medium term club loan will serve as a catalyst in further developing sustainability-linked financing in the region. “This is a good example of how sustainable companies can become more successful and of how we can ‘do good’ and ‘do well’ at the same time,” he says.

In March 2018, ING broke new ground when it acted as sustainability coordinator for Olam International’s US$500 million revolving credit facility. The deal was the first sustainability-linked club loan deal in Asia and aligned Olam’s sustainability programme with more than 50 indicators in Sustainalytics’ rating report for the deal. Olam’s Co-Founder and CEO Sunny Verghese believes that his company’s sustainability-linked medium term club loan will serve as a catalyst in further developing sustainability-linked financing in the region. “This is a good example of how sustainable companies can become more successful and of how we can ‘do good’ and ‘do well’ at the same time,” he says.

Meanwhile, sustainability is becoming increasingly important to public and private equity, with socially responsible investing now accounting for more than $81 trillion in assets under management. Although just 282 of the 2,000 signatories to UN-supported Principles for Responsible Investment network were from Asia Pacific at the end of 2017, the region is enjoying the fastest growth in signatories, according to Cho. There are also encouraging signs at country level. In Japan, the government pension fund has committed to invest 10% of assets on an ESG basis. And South Korea’s teachers and government employee pension funds will no longer fund coal-fired power plants – a significant move in a country where coal represents an important part of the baseload.

The M&A world also has a growing appreciation of the benefits of sustainability, especially in terms of transparency, according to Niederberger. “When companies consider M&A strategies, deals must make strategic and financial sense, but sustainability also plays a larger role today alongside those other considerations. Companies now need to better quantify value-at-risk related to climate change and other ESG factors,” he explains. “Moreover, regulations in Asia increasingly emphasise environmental factors and their impact. This plays an important role in M&A due diligence: if target companies fail to meet acceptable standards, transactions can fail.”
An overview

**What is sustainable finance?**

What themes and formats are part of sustainable finance?

---

**GREEN BONDS**

Support projects like renewable energy or green buildings that meet the ICMA Green Bond Principles.

---

**SOCIAL BONDS**

Social bonds are based on the ICMA Social Bond Principles and fund projects that alleviate poverty such as basic infrastructure principles.

---

**GREEN LOANS**

Are similar to green bonds, with proceeds focused on projects such as clean transport, but are based on LMA Green Loan Principles and are distributed to banks rather than bond investors.

---

**SUSTAINABILITY IMPROVEMENT LOANS**

Can be used for any purpose. If the borrower’s sustainability improves – measured either by an external rating or internal targets – their borrowing costs fall.

---

**Five good reasons to consider sustainable finance**

1. It can be cheaper than traditional finance.
2. It helps companies to diversify their funding sources.
3. Demand for sustainable assets is growing among banks and institutional investors.
4. Sustainability provides an opportunity to enhance a company’s reputation among customers, shareholders, suppliers and other stakeholders.
5. Sustainability is becoming increasingly mainstream – sustainable finance helps companies to get ahead of the curve and align their operations with environmental, social and governance goals.
Energy transition

Asia embraces renewables

Growing opposition to nuclear power and increasing concern about climate change is bringing renewable energy into the mainstream in Asia.

Renewable power is gaining ground across Asia as governments across the region recognise the potential of alternative energy sources as a way to stimulate economic growth, drive technological innovation and cut pollution, which in some countries has become a major health and social problem.

"Energy sustainability is now heading closer to being mainstream for some countries in Asia," explains Erwin Maspolim, Head of Utilities, Power and Renewables, Asia Pacific at ING. "When you hear about developers working on coal power projects, these are usually protracted projects which are taking time to close for various reasons."

The renewables charge is being led by China, which invested more than $44 billion in clean energy projects in 2017, up from $32 billion in 2016. That put the country ahead of the US and Germany in Ernst & Young's global index for Renewable Energy Attractiveness (RECAI). India, ranked fourth in the survey, added more energy capacity from renewables than coal for the first time last year.

According to Maspolim, there has been a significant shift in opinion – primarily on environmental, health and safety, and technological grounds – in favour of renewables. "Governments, companies and the public now generally accept that carbon emissions need to be reduced," he says. "And post-Fukushima, there is a new acceptance of nuclear power’s potential risks. Meanwhile, renewables have become more efficient, which has lowered investment costs and accelerated uptake."

Many countries in Asia have enjoyed sustained economic growth in recent decades, prompted by socio-economic development and urbanisation. This has dramatically increased energy consumption. For example, in Southeast Asia, it nearly doubled between 1995 and 2015, growing at an average pace of 3.4%, according to a report by the International Renewable Energy Agency (IRENA). The agency estimates that demand will grow by an average of 4.7% a year to 2035.

For much of the past two decades, growing demand has been met by fossil fuels, with the commissioning of numerous coal-fired power plants since 2000 (although more lately natural gas has contributed the largest share of power generation in many markets). However, renewables have begun to gain ground and ambitious targets have been set: Southeast Asia is aiming for 23% by 2025, according to IRENA. In addition to the environmental benefits of renewables, energy security concerns are also increasingly motivating countries to adopt renewables.

The renewables mix varies in each country across the region, with many making use of location-specific advantages. For example, Indonesia is pushing forward with geothermal power development while Vietnam’s provinces with high solar energy yield such as Binh Thuan and Ninh Thuan are attracting developers keen to explore the opportunities for solar farming. Solar photovoltaic (PV) remains the most frequently installed technology, followed by wind.

New technologies are also making an impact. "Offshore wind has recently become a hot topic in Taiwan, awarding grid allocation to wind farm sites with a potential generating capacity of over 3GW to international and local power developers," says Maspolim. ING acted as a mandated lead arranger and financial modeling bank to...
Formosa 1, an offshore wind project in Taiwan, the first in Asia Pacific. ING is well positioned to support projects given its experience in the European offshore wind sector and its relationship with international developers.

As the example of offshore wind demonstrates, some aspects of the renewables market in Asia are currently less mature than in Europe. Nevertheless, Maspolim says that in some markets emerging technologies and concepts such as floating solar PV, floating offshore wind farm and distributed energy are being implemented or considered. Elsewhere, there is also a growing end-user preference for renewable energy. “Corporate electricity buyers are increasingly requesting green energy,” he says. “In addition, electricity retailers are also teaming up with mobile service providers and telecom operators to market green energy.”

Blazing a trail for renewables financing in Asia

The rapid development of the renewable energy sector in Asia is increasing demand for finance, both for projects and M&A, highlighting ING’s global strength and expertise in the sector and region.

In January, Singapore-based clean energy developer Sindicatum Renewable Energy completed a green bond to fund projects in India. While the issue for the company, which was denominated in Indian rupees and had five and seven-year tranches, raised just $40 million, it broke new ground.

“Historically, smaller unrated renewable firms in the region have borrowed from local banks because it was impossible to raise sums below benchmark size in the international bond market,” explains Herry Cho, Head of Sustainable Finance, Asia Pacific at ING, which was sole mandated lead arranger for the deal.

By structuring the issue with a guarantee from GuarantCo, part of the multilateral Private Infrastructure Development Group, ING overcame these challenges; the sale was twice oversubscribed and generated an impressive book, including sovereign wealth funds. Sindicatum’s bond was the first international green bond guaranteed by GuarantCo.

The bonds, rated A1 by Moody’s and AA- by Fitch, were settled in US dollars and denominated in Indian rupees to eliminate FX risk for the borrower.

“We hope the deal will pave the way for further green bond issuance from renewables companies and other sustainable businesses from...
Asia, either guaranteed by GuarantCo or another third party guarantor.

“Renewables are a fast-growing sector in Asia and thus there’s a great opportunity,” comments Helge Muenkel, Head of Debt Capital Markets, Asia Pacific at ING.

According to Assaad Razzouk, CEO of Sindicatum Renewables, the transaction opens up the market for renewable companies to tap into investors’ demand for sustainable energy assets and will therefore accelerate the pace of investment in South and Southeast Asia, a region at the front line of climate change challenges.

Also, in January 2018, ING acted as underwriter and bookrunning mandated lead arranger for a $620 million equivalent dual-currency acquisition finance facility to Global Infrastructure Partners (GIP) for its $5 billion acquisition of Equis Energy, now known as Vena Energy. The acquisition is the world’s largest renewable energy generation acquisition to date and positioned GIP as a dominant renewable energy developer in Japan, Taiwan and Australia as well as across Southeast Asia.

“This deal is a showcase for everything that we are trying to do: leveraging our sector expertise and our network, while ticking the boxes of lead lending, distribution, collaboration and sustainability,” says Gerrit Stoelinga, CEO, Wholesale Banking Asia Pacific.

M&A activity in the Asian renewables sector has evolved in recent years, according to Michael Niederberger, Head of Corporate Finance, Asia, ING Wholesale Bank. “A decade ago, M&A deal flow was in the upstream part of the renewable energy value chain, such as cleantech suppliers vying for market leadership,” he says. “Over time, cleantech companies began to vertically integrate, the cost of operating renewable energy became more economically viable, and the downstream market, including solar and wind power generation, became more attractive to renewable energy developers, investors and more traditional power generation companies alike.”

As renewables have become increasingly viable on a standalone basis, there is an opportunity for industry growth, especially as more traditional energy players shift from coal to cleaner energy, and larger deals become possible, according to Niederberger. “In addition, the availability of bank finance for energy such as coal has decreased, which is helping to promote change,” he adds.

ING has advised on multiple renewables and environmental services M&A transactions in recent years including: the acquisition of a solar portfolio from Armstrong Asset Management by Citicore Power of the Philippines; the acquisition of a minority stake in East Water of Thailand by Manila Water; and the sale of a controlling stake in Medco Power Indonesia, the largest clean energy provider in Indonesia with a portfolio of geothermal, hydro and gas, by Saratoga Group of Indonesia. In 2016, ING advised Shanghai Electric Power on the acquisition of the Taralga wind farm in Australia from Banco Santander.
Automotive developments

Could China take pole position in electric vehicles?

Electric vehicles are transforming the auto market. China will be a crucial market for the technology and could produce future global leaders.

Electric vehicles (EV) have dominated headlines about the auto sector in recent years. Every announcement – from governments around the world committing to a timetable for phasing out internal combustion engines to plummeting diesel vehicle sales (especially in Europe) and excitement over new models at car shows – seems to give another boost to EVs.

However, while EVs are widely considered the technology of the future, the reality is more prosaic, according to Thorsten Mehltretter, Global Lead, Automotive at ING. “Globally, sales remain at a low level,” he says; high costs, limited charging infrastructure and consumer concerns about range anxiety continue to hold the market back. “Nevertheless, it is clear that the industry is moving towards an electric future because of regulatory change focused on emissions standards, which are becoming tighter all the time.”

The only way manufacturers will be able to meet new emissions targets is by significantly increasing EV volumes (in Europe, car makers had expected diesel engines to play a major role in CO2 emission reductions but the Volkswagen (VW) scandal has triggered a sharp decline in sales, meaning electric has become even more important). Currently, regulations focus solely on the environmental impact of EVs in terms of emissions rather than their broader implications (such as how EVs, and particularly their batteries, are manufactured and how the electricity which powers them is generated).

It’s impossible to predict which companies will dominate as the auto sector transitions to hybrids and EVs. Japanese companies such as Toyota and Nissan were early movers in the sector while Tesla has captured the world’s imagination and proved electric cars can be desirable to the public (though it has so far failed to scale up production). “All major auto makers have electrification strategies now,” says Mehltretter. “VW, for example, plans to launch 80 models by 2025.”

The fast-shifting shape of the auto market could create an opportunity for Chinese car makers. “While Chinese companies tend to be behind their global peers technologically, China has a huge domestic market, enabling its companies to build scale,” says Mehltretter. EV market share in China is in line with the global average. But sales volumes represent 43% of production worldwide; China currently has the largest number of EVs on the road with over 1.2 million units in operation.

Moreover, the government is pushing electrification strongly, using both supply and demand side measures, to better position its auto industry and combat chronic urban pollution. On the supply side, companies that manufacture or import more than 30,000 vehicles must obtain an energy vehicle score (linked to zero- and low-emission vehicles) of 10% in 2019 and 12% in 2020. “The government has also made it easier for local companies to cooperate with international players by lifting the bar on having more than two joint ventures,” says Mehltretter.

Demand-side measures designed to support EVs include an exemption from license-plate lotteries and registration fees that apply to cars with internal combustion engines in several major cities such as Beijing or Shanghai. China also provides monetary subsidies that, for a representative mid-sized car, amount to approximately 23% of the total EV price; lower than Denmark (49%) but higher than Germany (13%), for example.
“As well as supply and demand side support, one factor that could play an important role in making China a driving force in EVs is the public’s readiness to embrace new ideas, which was shown in a survey by PwC” says Mehltretter. “It shows that compared to the US and Germany, more Chinese say that the next vehicle must be electric and have autonomous and connectivity features.”

This enthusiasm for innovation could also have implications for the business models used to get EVs into the market. “Both manufacturers and startups are experimenting with a wide range of leasing and mobility models – the car-sharing divisions of Daimler and BMW (Car2Go and DriveNow) have recently announced a merger – but China’s scale, eagerness to adopt new ideas, and the difficulty of installing charging facilities in urban areas (where most people live in apartments with limited parking garages) could give new business models additional momentum,” says Mehltretter.

Mehltretter estimates that the total cost of EV ownership – including both upfront costs and ongoing fuel and maintenance – could reach parity with internal combustion engines in four to five years. “At that point, the scale benefits of China’s domestic market will begin to have a major impact and could help to turn its auto makers into global players at the forefront of the electric revolution,” he notes. “EVs could experience an acceleration of their growth in market share.”
Expertise

Selection of ING Asia Pacific sustainable finance deals

Green bonds
- Singapore USD 20m PHP Guaranteed Green Bond
- China EUR 1bn Senior Green Bond
- Singapore USD 500m Green bond Senior Unsecured FRN
- Singapore USD 40m INR Guaranteed Green bonds
- Singapore EUR 1bn Senior Unsecured Sustainability Bond
- China USD 1bn Senior Unsecured Sustainability Bond

Social bonds
- South Korea EUR 500m Social Covered Bond

Sustainability improvement loans
- Singapore USD 500m Sustainability Improvement Loan

Selection of ING Asia Pacific sustainable finance deals

The Asian century will be a sustainable one

Why sustainability is Asia’s future

What is sustainable finance?

Asia embraces renewables

Could China take pole position in electric vehicles?

Selection of ING Asia Pacific sustainable finance deals

Sustainability: the time is now

Six reasons to embrace sustainability

more information on ING in APAC
Leveraging momentum

**Sustainability: the time is now**

Companies around the world are making real progress on sustainability as they recognise that success is about more than just profit.

When Noble laureate Milton Friedman wrote in 1970 that “there is one, and only one, social responsibility of business – to use its resources and engage in activities designed to increase its profits”, he reflected the views of not just most businesses, but most people. The idea of firms promoting environmental and social responsibility was anathema just a generation ago. No-one thinks like that now. Instead, companies compete to trumpet their commitment to ethical supply chains, gender equality and carbon neutrality.

Almost 10,000 companies in 161 countries have signed up to the United Nations (UN) Global Compact to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals in support of achieving the UN’s Sustainable Development Goals by 2030. KPMG’s 2017 Survey of Corporate Responsibility (CR) Reporting shows that 93% of the world’s 250 largest companies by revenue produce CR reports.

To be sure, sustainability – considering economic, environmental, and social performance in an integrated way – still faces some challenges. Despite progress, many investors continue to ignore the benefits of a focus on sustainability on corporate performance. Meanwhile, the withdrawal of the US from the Paris Agreement on climate change has removed a powerful impetus for some companies to take action.

And, of course, not all sustainability talk is heartfelt: an industry has sprung up to help companies massage their sustainability credentials through ‘greenwashing’. Moreover, there have been plenty of ethics scandals in the past decade to remind us that sustainability has yet to permeate all boardrooms.

Nevertheless, the scale of change is heartening for those who believe sustainability is both good for the world and for business. The extent to which companies have assimilated the concept of sustainability is reflected by growing support among US corporates even as their government has turned against it.

**Evolution not revolution**

Sustainability is a broad and still evolving concept. Consequently, there are numerous overlapping (and sometimes contradictory) sustainability reporting tools, frameworks and standards – unlike financial reporting, for example.

This can make it hard for corporates to report sustainability efforts in a way that makes comparison with peer companies – or past performance – straightforward. “There is a risk that sustainability becomes just a story and that the facts disappear,” explains Fran Leedham, head of environment and sustainability at car maker Jaguar Land Rover (JLR), which is owned by India’s Tata Motors. “We’ve had fact-based reports in the past that are impossible to absorb.”

But a lack of clarity over standards shouldn’t stop companies demonstrating their commitment to sustainability. Transparency, measurement and evaluation are valuable in themselves and should be at the heart of efforts to improve sustainability. Differing standards and reporting practices simply place greater importance on how information is communicated; JLR, for example, now more clearly defines the audience for its sustainability information so that it can be tailored accordingly. Investors get analytics and data while consumers are targeted with high-level stories, according to Leedham.
This flexibility enables companies to create their own sustainability narrative. One company that has done this exceptionally well is French cosmetics and skincare giant L’Oréal, the world’s largest beauty company. Its most recent sustainability goals – to reduce its environmental footprint by 60% and source 100% of its raw materials from renewable sources – have credibility because of its track record. The company has “a responsibility to lead” given the scale of the challenges facing the world, according to Alexandra Palt, chief sustainability officer.

As early as 1995, L’Oréal created an eco-toxicology laboratory to measure and model the impact of products on ecosystems and on biodiversity; and in 2003, it became a signatory to the UN Global Compact. Efforts to meet its 2020 targets have been rigorously tracked. By 2016, water use at plants and distribution centres was down 48%, carbon dioxide emissions were 67% lower, and waste had fallen 35%. Additionally, 54% of products – incorporating more than 1,500 raw materials from 100 countries – are now sourced renewably.

**Counteract the negatives**

One effective strategy when communicating sustainability is to focus on issues that resonate with customers or have even been perceived as negatives in the past. For example, Swedish retail company H&M places great emphasis on working conditions and a fair living wage, which some might think at odds with its emphasis on fast and cheap fashion. “To secure future business it is essential for H&M to conduct democratic worker representatives elections; 2,882 people – 40% of which were women – were elected.

The company goes well beyond what might be expected: it engages in dialogue with local governments to develop legal frameworks for improved industrial relations and with factory owners to implement well-functioning wage management systems. Perhaps most impressively, the company trains workers about their rights and facilitates the democratic election of employee representatives through trade unions or worker committees.

In an industry where exploitation and unsafe conditions are rife: H&M has the statistics to back up its claims to sustainability. In 2017, 100% of the garment manufacturer units in Bangladesh producing for H&M conducted democratic worker representatives elections; 2,882 people – 40% of which were women – were elected.

**Celebrate the advances**

Sustainability is a marathon, not a sprint: it’s not possible to change business models if true sustainability is to be achieved. That doesn’t mean that the world should be content with the progress being made. As well as making incremental progress through improved water and energy use or improving conditions for labour in developing countries, the world needs innovative thinking if human beings are to prosper beyond this century.

H&M’s approach works because it involves a commitment that clearly reflects a deeply held world view: it recognises that success is about much more than just profitability. H&M fosters improved workplace dialogue and industrial relations – where freedom of association is respected, workers’ representatives have a voice and trade unions can negotiate and bargain collectively.

The company goes well beyond what might be expected: it engages in dialogue with local governments to develop legal frameworks for improved industrial relations and with factory owners to implement well-functioning wage management systems. Perhaps most impressively, the company trains workers about their rights and facilitates the democratic election of employee representatives through trade unions or worker committees.

In an industry where exploitation and unsafe conditions are rife: H&M has the statistics to back up its claims to sustainability. In 2017, 100% of the garment manufacturer units in Bangladesh producing for H&M conducted democratic worker representatives elections; 2,882 people – 40% of which were women – were elected.

**Celebrate the advances**

Sustainability is a marathon, not a sprint: it’s not possible to change business models if true sustainability is to be achieved. That doesn’t mean that the world should be content with the progress being made. As well as making incremental progress through improved water and energy use or improving conditions for labour in developing countries, the world needs innovative thinking if human beings are to prosper beyond this century.

Precision-targeted pesticides delivered by robots might sound like science fiction but could dramatically reduce harm to the environment. And smart thinking, such as the 11th Hour app in Singapore that that guides users to restaurants and food stalls with discounted menu items at the end of the day, could help avoid to avoid food waste. Ultimately, companies will need to move to circular business models if true sustainability is to be achieved.

Responsibility does not rest solely with corporates either. Governments have a major role to play, both in informing the public and creating a framework for discussion and improvement. With luck, we’ll soon see more far-sighted measures like Sweden’s 50% tax cut for repairs to items like clothes, shoes and bicycles to encourage more sustainable consumption. Moreover, if real change is going to occur, we all need to understand the impact we have on the world – and ensure our consumer choices reflect that knowledge. As the recent outcry over marine plastic pollution demonstrates, individuals, companies and governments can react swiftly when presented with compelling evidence. For the wellbeing of the world, we must be similarly far-sighted and proactive in relation to the myriad other sustainability challenges facing the world.

- [www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html](http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html)
- [www.fastcompany.com/1069080/how-loreal-is-turning-itself-into-a-sustainability-leader](http://www.fastcompany.com/1069080/how-loreal-is-turning-itself-into-a-sustainability-leader)
- [www.sustainability.hm.com/en/sustainability/about/about/ceo-message.html](http://www.sustainability.hm.com/en/sustainability/about/about/ceo-message.html)
Embracing sustainability

Six reasons to embrace sustainability

Making the leap to a more sustainable way of operating can deliver benefits to companies’ reputations, business plans and finances. Just like individuals, companies’ motivations are complex. Many genuinely want to address ethical issues and engage with a wider range of stakeholders. They recognise that power brings responsibility.

Corporates are also aware that addressing environmental, social and governance (ESG) issues offers multiple benefits. So what are the advantages of embracing sustainability?

1. Meeting public expectations
   One of the main drivers for companies to improve sustainability is a desire to align themselves with customers and the public. Consumers once expected companies to focus purely on profit. Now there is a broad belief that companies should behave responsibly; 56% of 2018 Edelman Trust Barometer respondents believe that companies that only think about themselves and their profits are bound to fail.
   A recent example of how pressure from the public can drive change is plastic pollution in the world’s oceans. While this problem has steadily worsened for years – a report by the World Economic Forum (WEF) and the Ellen MacArthur Foundation claims that there will be more plastic than fish in the sea by 2050 if current trends aren’t reversed – it recently gained momentum.
   In response, leading companies including L’Oréal, Mars, Coca-Cola, Unilever and Nestlé announced they are working towards using 100% reusable, recyclable or compostable packaging by 2025. “As a consumer goods industry, we need to go much further, much faster, in addressing the challenge of single-use plastics by leading a transition away from the linear take-make-dispose model of consumption, to one which is truly circular by design,” explains Paul Polman, CEO of Unilever.

2. Avoiding bad news
   Companies’ eagerness to keep the public onside can lead to rapid shifts in corporates’ strategies. A number of major consumer-focused companies, such as Coca-Cola, Procter & Gamble and Unilever withdrew from platforms such as Facebook, Twitter and YouTube because of concerns that their ads were appearing alongside offensive content and fake news. Facebook’s communications and public policy chief, Elliot Schrage immediately pledged to do more, recognising that the company has “under-invested in preventing abuses”.

   Corporates’ fear of alienating the public is also being successfully exploited by canny pressure groups eager to nudge companies to up their sustainability game. For example, China Labor Watch has helped to highlight the mistreatment of workers at companies that supply leading tech firms such as Apple and more recently exposed alleged mistreatment of workers at a factory in China that manufactures Amazon Kindle e-readers and Echo Dot smart speakers.
Recruiting and motivating employees
Organisations with robust corporate social performance (CSP) are more attractive as employers, which should boost long-term performance. David Jones, professor of management at the University of Vermont suggests that CSP informs “three signal-based mechanisms that ultimately affect organisational attractiveness: job seekers’ anticipated pride from being affiliated with the organisation, their perceived value fit with the organisation, and their expectations about how the organisation treats its employees.”

That view is confirmed by ING’s experience, according to Mark Milders, head of ING investor relations. “Our sustainability standpoint is crucial to recruiting people to the firm,” he says. “Millennials in particular don’t want to join companies associated with pollution or low ethical standards: they care about social and environmental issues; it is a real theme in job interviews and how they select whom they’d like to work for”

A strong commitment to reducing inequality, through employee ownership for example, can be a powerful motivator for existing employees. Studies have shown that employee ownership helps companies focus on long-term objectives rather than short-term targets. Moreover, companies with some employee ownership are more resilient and productive while employees are more satisfied and customers trust them more.

A study of companies with employee stock ownership plans (ESOP) by US organisation the National Center for Employee Ownership shows that they grow faster than regular companies. Indeed, ESOP companies grow fastest when ownership is combined with worker participation in decision-making. “Most people work better when they enjoy what they’re doing,” say Corey Rosen and Michael Quarrey, authors of the study. “Our data suggest that employees enjoy their work most when they feel they have some say about the conditions of their workday.”

Rewards for good behaviour
Ethical investment is now big business. More than 1,700 investment managers have signed up to the UN’s Principles for Responsible Investment, representing almost US$70 trillion in asset under management. By meeting the investment criteria for such a large and growing pool of investors a company can broaden its potential shareholder base.

“THERE IS NO SHORTAGE OF EVIDENCE THAT SHOWS A RELATIONSHIP BETWEEN ESG RISK AND FINANCIAL OUTCOMES,” notes Audra Stundzaitė, senior credit analyst at investment manager Hermes. “Indeed, a plethora of academic and financial studies attest (that) well-governed companies with minimal or positive impacts on society and the environment tend to have lower costs of capital than their less-sustainable peers.”

ING has made that relationship explicit with its sustainability improvement loans, which require borrowers to meet specific sustainability rating criteria and reward them for rating improvements during the lifetime of the loan.

In November 2017, ING converted part of agribusiness group Wilmar International’s US$150 million revolving credit facility into the first bilateral sustainability improvement loan in Asia. In March this year, ING acted as the sustainability coordinator of agri-business company Olam’s US$500m sustainability-linked revolving credit facility – the first sustainability-linked club loan deal in Asia and ING’s eleventh sustainability improvement loan.
“We believe that companies that deliver on sustainability today are the winners of tomorrow, that’s why sustainability is a part of every conversation we have with clients,” explains Leonie Schreve, head of ING Sustainable Finance.

Complying with regulation
While many corporates are taking a proactive approach to sustainability, government pressure and regulation can be an important spur for change. For example, in April the UK became one of the first countries in the world to implement mandatory gender pay gap reporting (in this instance for companies with 250 or more employees). Given the media and public attention given to companies with the greatest gender pay gaps, it seems likely that companies will now prioritise the issue.

As importantly, regulation has raised the profile of gender inequality within companies and helped them to appreciate related issues, such horizontal and vertical segregation where women can’t progress in their career and are over-represented in low paid, low prospect jobs. “Publishing our gender pay gap has allowed us to understand the reasons for the gap and hold ourselves accountable,” says Laura Hinton, executive board member and head of people at PwC. “For example, we know that a sizeable part of our pay gap is a result of having fewer women in senior positions, so this is an area where we continue to focus our efforts. We’re also challenging our recruitment processes, making more senior jobs available on a flexible or part-time basis, and have introduced a return to work programme.” Regulation can also play an important role in elevating the importance of Corporate Responsibility itself. KPMG’s Survey of Corporate Responsibility Reporting 2017 shows significant increases in CR reporting since 2015 in countries such as New Zealand (+17 percentage points) and Taiwan (+11 percentage points) where new reporting regulation or stock exchange requirements have been introduced.

However, companies should not rely primarily on regulation as a driver for sustainability; other factors described in this article such as reputational or financial benefits are equally important. Fortunately, many corporates recognise this. While the Trump Administration has withdrawn the US from the Paris Agreement on climate change, corporate America remains largely committed to measures aimed at reducing global warming as a result of greenhouse emissions. Almost 1,900 US corporates (ranging from Apple and Adidas to Campbell Soup and Geely-owned Volvo) alongside hundreds of elected officials, investors and other leaders have signed up to the We Are Still In campaign, which supports climate action to meet the Paris Agreement.

- newplasticseconomy.org/news/11-companies-commit-to-100-reusable-recyclable-or-compostable-packaging-by-2025
- www.reuters.com/article/us-unilever-marketing/unilever-threatens-online-ad-cuts-to-clean-up-internet-idUSKBN1FW12Z
- https://www.researchgate.net/publication/262524446_Why_Are_Job SEEKERS_Attracted_by_Corporate_Social_Performance_Experimental_and_Field_Tests_of_Three_Signal-Based_Mechanisms
- hbr.org/1987/09/how-well-is-employee-ownership-working
- www.hermes-investment.com/uki/blog/perspective/fuelling-change-pemex-esg-analysis-matters-credit-decisions/
Asia Pacific

Our capabilities

Sectors
Commodities, Food & Agriculture
Diversified Corporates
Energy
TMT & Healthcare
Transportation, Logistics and Automotive
Financial Institutions
Real Estate, Infrastructure & Contractors

Lending and Transaction Services
Diversified Lending
Structured Diversified Lending
Sustainable Finance
Structured Export Finance
Structured Acquisition Finance
Transaction Services

Strategic Products
Corporate Finance
Debt Capital Markets
Capital Structuring & Advisory
Syndicated Finance

Financial Markets
Treasury
FX, MM & Derivatives
Equity and Credit Derivatives
Research

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Australia</th>
<th>Mainland China</th>
<th>Hong Kong SAR</th>
<th>India</th>
<th>Indonesia</th>
<th>Japan</th>
<th>South Korea</th>
<th>Malaysia</th>
<th>Mongolia</th>
<th>Philippines</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Thailand</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified Lending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structured Diversified Lending</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainable Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structured Export Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structured Acquisition Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Finance Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working Capital Solutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCM (serviced in Europe)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Capital Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Structuring &amp; Advisory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndicated Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Asia Pacific

**Contact us**

**Asia Pacific**

Gerrit Stoevinga  
Regional Head, Asia Pacific  
gerrit.stoevinga@asia.ing.com

**Mongolia**

Erik Versavel  
Country Representative, Mongolia  
erik.versavel@asia.ing.com

**South Korea**

Jong Hoon Hyun  
Country Manager, South Korea  
jonghoon.hyun@asia.ing.com

**Japan**

Leo van Stijn  
Country Manager Japan  
leo.vanstijn@asia.ing.com

**India**

Probal Banerjee  
Head of Corporate Clients, India  
probal.banerjee@asia.ing.com

**Thailand**

Stephen Briones  
Chief Representative Officer & Head of Clients, Thailand  
stephen.briones@asia.ing.com

**Philippines**

Hans B. Sicat  
Country Manager, Philippines  
hans.b.sicat@asia.ing.com

**Hong Kong SAR**

Aart Jan den Hartog  
Country Manager, Greater China & Mongolia  
Chief Representative, Hong Kong SAR Branch  
aart.jan.den.hartog@asia.ing.com

**Beijing**

Liu Yuan Yuan  
Branch Manager, Beijing  
yuanyuan.liu@asia.ing.com

**Shanghai**

Arthur Zou  
Branch Manager, Shanghai  
arthur.zou@asia.ing.com

**Taiwan**

Sophia Chang  
Branch Manager, Taipei & Head of Corporate Clients, Taiwan  
sophia.chang@asia.ing.com

**Singapore**

Catherine Low  
Country Manager, Singapore  
catherine.low@asia.ing.com

**Indonesia**

Robertus Kuswendri  
Head of Corporate Clients, Indonesia  
robertus.kuswendri@asia.ing.com

**Malaysia**

Madeline Leong  
Country Manager & Head of Corporate Clients, Malaysia  
madeline.leong@asia.ing.com

**Australia**

Charles Ho  
Head of Wholesale Banking, Australia  
charles.ho@ing.com.au

**Vietnam**

Do Thu Ly  
Country Head, Vietnam  
thu.ly.do@asia.ing.com

---

**The Asian century will be a sustainable one**

**Why sustainability is Asia’s future**

**What is sustainable finance?**

**Asia embraces renewables**

**Could China take pole position in electric vehicles?**

**Selection of ING Asia Pacific sustainable finance deals**

**Sustainability: the time is now**

**Six reasons to embrace sustainability**

**more information on ING in APAC**
Global
Our coverage

Leading wholesale bank
- Best bank in the World 2017 (Global Finance)
- Bank of the Year 2016 (The Banker)
- Best treasury & cash management provider in the Netherlands, Belgium and Russia in 2016 (Global Finance)
- Best bank in Western Europe, Belgium and the Netherlands in 2015 (Euromoney)
- Most attractive financial institution in the Netherlands in 2015 (Incompany)
- Best trade finance bank in the Netherlands in 2015 (Global Finance)

Strong global expertise in specialised finance and financial markets
- Top 3 position in financial markets products in the Benelux corporate market
- Top 5 positions in chosen global emerging market niches
- No.1 MLA and bookrunner in the Benelux by number of deals, and no. 2 by value
- No.1 MLA and bookrunner in CEE by number of deals and by value
- No.1 MLA and bookrunner in Poland by number of deals and by value
Disclaimer

This presentation is intended for general information purposes. It does provide insights, views and basic information concerning Wholesale Banking products or related services. However none of the information should be interpreted as an offer to sell securities or as investment advice of any kind. Queries concerning these topics should be addressed to the individual business units and/or companies of ING Groep N.V. (“ING Group”). No warranty or representation, express or implied, is given as to the accuracy or completeness of that information. In no event will ING Group, nor any of its directors, employees or advisors accept any liability with regard to the information contained in the individual ING companies’, business unit or product group’s presentation.

ING Group comprises a broad spectrum of companies (the “ING companies”), many of them operating under their own brand names. Almost every ING company, business unit or product group, has its own website on the internet where it offers information about its products and services. Reference is made to those websites for further details and hyperlinks have been provided from this website to those ING companies, business units and product groups, if available.

It is prohibited to modify, copy, distribute, transmit, display, publish, sell, license, create derivative works or use any content for any other purposes than that of this presentation, i.e. providing information about ING Group and its lines of business.

While ING Group and ING companies use reasonable efforts to include accurate and up-to-date information in this presentation, errors or omissions sometimes occur. ING Group and ING companies expressly disclaim any liability, whether in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential, punitive or special damages arising out of or in any way connected with your access to or use of this presentation, and/or any other ING companies’ presentations whether or not ING Group and/or ING companies were aware of the possibility of such damages.

All information in this presentation, including but not limited to graphics, text and links to other communication means, is provided “as is” and is subject to change without prior notice. Such information is provided, to the fullest extent permissible pursuant to applicable law, without warranty of any kind express or implied, including but not limited to implied warranties of merchantability, fitness for a particular purpose, non-infringement from disabling devices.

ING Group does not warrant the adequacy, accuracy or completeness of any information in this presentation and expressly disclaim any liability for errors or omissions therein. Users are responsible for evaluating the accuracy, completeness or usefulness of any information or other content available in this presentation.
Empowering people to stay ahead in life and in business