BANKING ON A SUSTAINABLE FUTURE

2020 Progress Summary
Fair Finance Asia is a regional network of over 70 civil society organizations (CSOs) committed to ensuring that financial institutions’ funding decisions in the region respect the social and environmental well-being of local communities.

**INTRODUCTION**

2020 will be remembered as the year when the COVID-19 pandemic claimed massive casualties due to infections and deaths, and during which country-wide lockdowns led to severe socio-economic downturns. In Asia, unprecedented short and long term economic and social consequences have resulted from measures to contain the pandemic’s impact on domestic economies. Moreover, the pandemic has exacerbated existing compliance issues with environmental, social, and governance (ESG) standards by financial institutions across the region.

In the context of Fair Finance Asia’s program implementation, 2020 has overall been a challenging year. This is mostly due to mobility restrictions that have heavily impacted CSOs’ ability to conduct field research and engage with relevant financial sector actors and stakeholders face to face. However, these challenges have also inspired innovative solutions and new ways of working within the FFA network in order to take advantage of new opportunities in sustainable finance advocacy.
2020 OUTPUTS & DELIVERABLES

54 research studies were published, including 14 case studies covering thematic areas such as climate change and environment, labor rights, and financial access.

22 capacity building initiatives were delivered to various target groups including financial institutions, regulators, and CSOs. 840 participants were trained overall, 53% of whom were women.

The number of partner CSOs increased to 79 within the FFA network in 2020, including observer members and allies of national coalitions. This is an increase of 15 from 2019, with FFA coalitions welcoming new members specializing in gender and women's rights. In 2020, a total of 19 CSOs within the FFA network were either led by women or focused on women's rights issues.

16 joint actions were undertaken through multi-stakeholder support and dialogue at national and regional levels, with a total of 26 stakeholders committing to concrete next steps and follow ups. Collectively, the FFA network conducted a total of 50 engagement initiatives with key financial sector stakeholders in 2020 (mix of online and face to face events), with a total reach of 394 stakeholders at national and regional levels.

7 national bank policy assessments were conducted, covering 44 banks and 8 insurance companies operating in FFA countries. 17 policy recommendations for financial institutions and 6 policy briefs specifically targeting financial regulators were also published.

Collectively, the FFA network reached 424,320 audiences from various target groups through in-person events and online channels.
POLICY DEVELOPMENTS

Sustainable finance and COVID-related policies and regulations adopted across FFA countries in 2020, included:

Cambodia
- National Bank of Cambodia (NBC) issued a circular on Loan Restructuring during the COVID-19 in order to maintain financial stability, and relieve the burden of borrowers whose main sources of income are impacted by the pandemic, particularly workers in tourism and garment manufacturing industries.
- Anti-money laundering and terrorist financing sub-decree issued and national coordination committee on anti-money laundering, terrorist financing, and financing of proliferation of weapons of mass destruction established.

Indonesia
- OJK released an emergency response policy with regard to credit restructuring targeted specifically towards SMEs impacted by the pandemic.

Japan
- Government adopted principles for the next Infrastructure System Export Strategy which states that financial support will not be provided for any host country that does not have a confirmed policy for transition to decarbonization.
- Government announced its net zero greenhouse gas emissions targets by 2050 which is a shift from the previous target of 80% emissions reductions by 2050.

India
- Ministry of Environment, Forest and Climate change (MoEFCC) conducted stakeholder consultation on the draft environmental and social impact assessment (ESIA) report.
- State Bank of India (SBI), India's largest lender, raised US$ 100 million in green bonds through private placement. The proceeds will be used to fund the non-conventional energy sector.
- Reserve Bank of India (RBI) called for climate-related disclosures by banks including disclosures on investments in green assets.

Philippines
- Bangko Sentral ng Pilipinas (Philippine Central Bank) called for banks to submit board-approved sustainability transition plans.
- Department of Energy (DoE) announced it would no longer endorse new coal-fired power plant projects and investments.
Thailand

- Financial regulator shifted focus to debt relief for small and medium enterprises (SMEs) and retail consumers affected by COVID-19.

Vietnam

- Government issued resolution on Vietnam’s National Energy Development Strategy to 2030 and outlook to 2045 highlighting shift to renewable energy and looking at coal-fired powerplant development at a reasonable level, prioritizing large-capacity unit with high efficiency, and deploying advanced modern technologies such as ultra-supercritical (USC) onwards.

- Ministry of Finance issued guidelines on requiring public companies to prepare and disclose mandatory ESG elements. The guidelines also call for voluntary reporting among financial institutions on greenhouse gas emissions, energy and water consumption, and the management of raw materials.

- Ministry of Industry and Trade released regulation requiring provincial committees to enhance management of hydropower plants and to suspend small hydropower plants that are not yet under construction.

- The State Bank of Vietnam (SBV) and commercial banks provided a relief package of VND 300 trillion, aimed at supporting enterprises facing capital shortage due to the pandemic, with preferable loans and low interest rates included within this package.
EVIDENCE-BASED RESEARCH TO SUPPORT ADVOCACY

In 2020, Fair Finance Asia developed in-depth research on a number of themes to deepen CSOs’ knowledge of financial flows in the region and the policies of Asian banks and financial sector actors to support sustainable finance initiatives.

NATIONAL POLICY ASSESSMENTS

FFA national coalitions assessed the policies of a total of 44 banks and 8 insurance companies across its seven countries. Policy assessments were conducted on nine mandatory thematic areas (with additional themes for certain countries added based on national priorities) under the Fair Finance Guide International Methodology (FFGI), namely: climate change, corruption, gender equality, human rights, labor rights, nature, tax, arms, transparency and accountability.

AVERAGE COUNTRY SCORES FOR BANKS IN FFA COUNTRIES

Average policy assessment score (October 2020)

These scores take into account the 9 mandatory thematic areas of the Fair Finance Guide International (FFGI) methodology.

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (7)</td>
<td>3.2</td>
</tr>
<tr>
<td>Indonesia (11)</td>
<td>1.4</td>
</tr>
<tr>
<td>Philippines (5)</td>
<td>1.3</td>
</tr>
<tr>
<td>India (9)</td>
<td>1.0</td>
</tr>
<tr>
<td>Thailand (9)</td>
<td>0.7</td>
</tr>
<tr>
<td>Cambodia (5)</td>
<td>0.6</td>
</tr>
<tr>
<td>Vietnam (5)</td>
<td>0.6</td>
</tr>
</tbody>
</table>

AVERAGE THEMATIC SCORES FOR BANKS IN FFA COUNTRIES

Average policy assessment score (October 2020)

*Financial inclusion is a non-mandatory theme, but was assessed by all FFA countries in 2020 except for Fair Finance Japan.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial inclusion</td>
<td>4.7</td>
</tr>
<tr>
<td>Corruption</td>
<td>3.6</td>
</tr>
<tr>
<td>Transparency and accountability</td>
<td>1.8</td>
</tr>
<tr>
<td>Labor rights</td>
<td>1.5</td>
</tr>
<tr>
<td>Human rights</td>
<td>1.2</td>
</tr>
<tr>
<td>Nature</td>
<td>1.0</td>
</tr>
<tr>
<td>Gender equality</td>
<td>1.0</td>
</tr>
<tr>
<td>Tax</td>
<td>0.9</td>
</tr>
<tr>
<td>Arms</td>
<td>0.8</td>
</tr>
<tr>
<td>Climate change</td>
<td>0.5</td>
</tr>
</tbody>
</table>
Though it would still take some time for the needle to move significantly for Asian banks’ policy scores, FFA national coalitions are working closely to engage with the financial institutions concerned, and have noted significant progress particularly in their openness to accepting feedback from CSOs.

Some other notable progress:

- All seven banks and eight insurance companies that Fair Finance Japan conducts policy assessments on have established policies to limit coal financing in 2020.

- The policy assessments of Fair Finance Japan highlight that Mizuho and Norinchukin Bank developed sector policies in palm oil and forestry; Dai-ichi Life and SOMPO applied the UN Global Compact and OECD Guidelines for Multinational Enterprises to their investment/loan policies; and Dai-ichi Life improved several policies in human rights and labor rights theme by closely aligning with the Japanese National Action Plan (NAP) on Business and Human Rights in investment decisions.

- Banks’ responses to the policy assessments of Fair Finance Thailand improved relative to the first year (2018) of assessments. TMB went from having the lowest score, to the highest score among banks mostly as a result of the bank’s very active discussion with Fair Finance Thailand, and active translation and disclosure of various policies of ING, which is also assessed by the Fair Finance Guide Netherlands, and holds a 26% stake in the bank. TMB Bank is also the first Thai bank to announce a clear credit policy including a list of 27 business areas in an “exclusion list” in 2020, partly as a result of engagement with Fair Finance’s national coalition.

- In Vietnam, VPBank updated its Green Loan Framework in August 2020, which aligns substantially with FFGI Methodology. Representatives from the bank also expressed willingness to integrate some reporting elements presented in the bank policy assessment as well as recommendations provided during the training on “Reporting Sustainability” organized by Fair Finance Vietnam in October and November 2020.

- Fair Finance Philippines launched its first ever policy assessment in 2020, and at the soft launch, saw the participation of the Managing Director of the Bangko Sentral ng Pilipinas (Philippine Central Bank), Lyn I. Javier, who leads the team responsible for developing and implementing the central bank’s sustainable finance framework. Financial institutions in the Philippines improved their ESG disclosures in 2020, partly due to the voluntary requirements by the Securities and Exchange Commission, but also due to the active engagement of Fair Finance Philippines during the capacity-building activities and consultations held in line with the bank policy assessments.
THEMATIC CASE STUDIES
The FFA network also monitors on-ground practices of financial institutions through in-depth research and case studies. These in-depth studies are important in ensuring that commitments and policies of financial institutions not only look good on paper, but are also implemented and used as basis for demanding responsible environmental, social, and governance practices among the companies they invest in. Fourteen such case studies were published during the year, covering thematic areas such as climate change and environment, labor rights, and financial access.

Two key regional studies were also published:

i) *The Asian Web: Tracking Regional Financial Flows*, published on the 14th of September;¹ and

ii) *Asia’s dystopian future: Why banks need to put sustainable finance clearly in their sights*, published on the 2nd of December².

SUSTAINABLE FINANCE DIALOGUES FOR STRONGER AND WIDER ALLIANCES
Throughout 2020, the FFA network tried to take advantage of limited, but impactful engagement opportunities to strengthen alliances and build relationships with key stakeholders in regional sustainable finance initiatives.

At the regional level, the FFA General Assembly (FFA GA 2020) was organized from September 7th to 11th, 2020. It was great to note that even though it was conducted in a virtual format, the feedback received highlighted that it was “interactive, inspiring and fostered cross-country connections”. In addition to a total of 130 participants that included 36 CSOs, 5 regional strategic partners, and 10 financial institutions, the week of meetings also saw representatives from the Swedish Embassy in Bangkok and Bank of Thailand also actively participate.

Fair Finance Asia (FFA) also launched “The Asian Web: Tracking Regional Financial Flows” report at the “Unlocking Capital for Sustainability” event on September the 9th. This online multi-stakeholder dialogue, organised by Eco-Business in partnership with UNEP, brought together high-level decision makers in finance, business, government and civic society in Asia to discuss and commit to actionable initiatives that mobilise the capital markets for sustainable development. The launch was a success, and was followed with Money FM 89.3, the number one Singaporean business and personal finance radio station that focuses on business and money-related topics, inviting Bernadette Victorio, the FFA Program Lead, to further discuss the report.

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¹ *The Asian Web: Tracking regional financial flows*

² *Asia’s Dystopian Future: Why Banks need to put Sustainable Finance clearly in their sights*
A dialogue, “Driving Responsible Investments in the Food and Agriculture Sector”, comprised of Fair Finance Asia partners, and representatives from Grow Asia and the International Institute for Sustainable Development was organized, on November 5, 2020, towards building a collaborative approach and identify key convergences. The central point of the discussion was the regionally-adopted framework – ASEAN Guidelines for Promoting Responsible Investment in Food, Agriculture and Forestry, 'ASEAN RAI' – that was developed to guide responsible investments in the food, agriculture and forestry sectors. FFA has continued engaging with both organizations to provide further inputs on how to optimally operationalize the guidelines for use by financial institutions, as well as how to ensure it's aligned with the FFGI Methodology.

Fair Finance Asia organized, in partnership with SOMO and Eco-Business, an invitation-only roundtable dialogue on the 26th of November, with high-level stakeholders to present the key findings and recommendations of the report “Asia’s Dystopian Future: Why banks need to put sustainable finance clearly in their sights”. This event explored opportunities to accelerate progress and discuss a practical regional action-plan to collectively and effectively promote a more coordinated approach to scale up sustainable finance initiatives in Asia.

**MOVING FORWARD**

While there was little to be hopeful about in 2020 given the challenges and emerging risks related to the pandemic, there was also some glimmer of hope in the fact that more Asian governments and financial sector actors are leading the way in transitioning the region towards sustainability. Moving ahead, it will be crucial to ensure that COVID-19 no longer becomes an excuse used by governments and the financial sector to pull back on their commitments and targets. Clear progress tracking mechanisms must be developed to ensure that net zero targets do not end up as another ploy to greenwash activities that are not aligned with the SDGs and the Paris Agreement commitments. More importantly, these climate and environmental targets should neither distract from the fact that the civic space in Asia continue to shrink nor make up for leaders’ inaction in combatting human rights violations that have been rising in the background of the pandemic. The FFA network stays committed to tracking the progress of the Asian financial sector’s commitment to sustainability and human rights, and ensuring it strengthens its efforts towards greater transparency and accountability in the years to come.