

EFFORTS TO SAFEGUARD THE CREDIBILITY OF SUSTAINABLE FINANCE ARE MAKING WAVES IN ASIA PACIFIC

SECURITIES SERVICES



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Asia Pacific is in a strong position to help protect the credibility of green investment claims amidst the region's evolving regulatory regime and a greater availability of data. In this article, we take a look at some of these developments and the importance of reliable data in enhancing transparency and accountability in sustainable finance.

As sustainability becomes an increasingly mainstream investment consideration, there are growing concerns about misinformation of green products and their sustainable investment claims.

For instance, the misrepresentation of an investment portfolio's credentials as green, sustainable, or responsible is a longstanding issue. Such is the prevailing risk of greenwashing that a spotlight is cast on it globally.

In Asia Pacific, where the region has witnessed significant growth in capital appetite to support sustainable development, a survey by consultancy Kearney showed that 84% of business leaders in the region's financial services sector are concerned about false or misleading information¹. In this regard, initiatives that foster governance, compliance, and protect and improve transparency in sustainable investment products ensure that the broad credibility of all sustainability efforts are strengthened.

DEVELOPMENTS IN REGULATIONS AND ENFORCEMENT EFFORTS

Regulations are important in protecting and guiding the actions of investors and corporates. They help set expectations about what sustainability can achieve while establishing trust in the markets.

Deceptive claims, including those associated with greenwashing, clearly present a challenge to the financial industry's drive to realise a more sustainable world.

Over the last year, we have started to see regulators in Asia Pacific take a firm stand against greenwashing. In Australia, regulators have successfully taken court action against two financial services firms, with another one still ongoing, and 16 infringement notices in relation to alleged ESG misconduct. The government in South Korea is also pursuing a case with the potential for significant penalties.

There is a global trend towards developing a regulatory framework to govern sustainable finance. The EU, for example, already has put in place the landmark Sustainable Financing Disclosure Regulation (SFDR).

Asia Pacific is also establishing a regulatory regime that oversees sustainability, and despite the fragmented nature of the region, policymakers are generally following the broader international frameworks such as Task Force on Climate-related Financial Disclosures (TCFD) or International Sustainability Standards Board (ISSB).

The rise of taxonomies across the region shows this trend in action. These classification systems specify which economic activities can be described as "sustainable", thus providing a definitional foundation for sustainable investing that protects against misrepresentation.

In 2021, Malaysia was the first jurisdiction in Asia Pacific to introduce a taxonomy for sustainable finance. Since then, it has been followed by Thailand, Singapore, Indonesia, mainland China, and most recently, Hong Kong. ASEAN and Australia have taxonomies under development, while similar rules are under consideration in India and New Zealand.

Another regulatory development to prevent greenwashing is in fund labelling. The aim is to show a commitment to transparency and ensure that sustainability claims are robust, independent, verifiable, and justified by the disclosure of methodologies, evidence-based indicators, and strategies. A third-party assessment of an investment product's green credentials can as well add credibility so that consumers can be confident of the product's sustainable activities.

In Asia's two major international financial hubs, Hong Kong and Singapore, there are already rules in place that require retail funds to justify the use of terms like "green" or "social". There are also similar standards in Japan, South Korea, and Taiwan. In fund labelling, there is a strong emphasis on promoting data standardisation so that consumers can easily compare products.

1. [*Regenerate: An Asia Pacific study on sustainability and beyond* | Kearney](#)

CHALLENGE OF CLOUDY ESG DATA QUALITY

One key factor in ensuring the integrity of ESG-related claims is data and its quality. Data is a consistent theme among sustainable regulations, as they require parties across the entire value chain, from corporates to investment firms, to disclose more information about their activities.

This practice builds greater credibility as an increase in the availability and access to reliable data can demonstrate sustainable activities. However, limited data quality remains a big barrier to ESG investing, according to BNP Paribas' latest ESG Global survey. It found that 71% of respondents said that inconsistent and incomplete ESG data is a significant barrier to the greater adoption of ESG, with 65% of respondents citing the need to use and compare multiple sources of data².

WHAT WE PROPOSE AT BNP PARIBAS

Integrity, transparency, and robust data are key to building trust and credibility in investment products. With more accurate data to hand, investors and corporates can demonstrate that their activities are genuinely sustainable.

But first, investors need to acquire data, which can be a challenge due to the wide range of sources available. Investors can make the collection process simpler by utilising a banking partner's solutions.

For example, Manaos, a BNP Paribas investment services platform, simplifies how institutions and asset managers centralise their investment data, access ESG information, and report on the sustainability of their investments. It is an open marketplace for data enrichment and reporting, enabling investors to connect their portfolio data to a wide range of ESG data and analytical tools (more than 20 providers, 260 applications and 63,000 indicators) according to their budget, their specific targets, as well as asset classes and geographies that they are interested in.

As the industry continues to innovate and expand its offering in sustainable finance within the context of ESG standards, solutions like Manaos empower investors to assemble the data they need to comply with Asia Pacific's evolving regulations covering sustainability.

Over recent years, regulatory initiatives have accelerated along with scrutiny of ESG claims aimed at anti-greenwashing regionally and internationally. These efforts are manifested acutely in Asia Pacific. We can expect further significant developments in regulations and enforcement efforts to ensure credibility of ESG products or services. As more is done in this space, Asia Pacific has emerged as a significant hub in the development of more transparent and efficient environmental markets.



2. [BNP Paribas ESG Global Survey](#)

FOR ADDITIONAL INFORMATION, PLEASE CONTACT



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