

# SUSTAINABLE AND GREEN FINANCE OPPORTUNITIES IN SINGAPORE

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Sustainable finance is the practice of integrating environmental, social and governance (“**ESG**”) criteria into financial services to bring about sustainable development outcomes, including mitigating and adapting to the adverse effects of climate change.

## **Sustainable and Green Financing landscape in Singapore**

In June 2018, the International Finance Corporation, a member of the World Bank Group, together with the Monetary Authority of Singapore (“**MAS**”), signed a Memorandum of Understanding, agreeing to work together to accelerate the growth of green bond markets in Asia.

MAS has noted that green bonds are gaining traction in Asia, as the region has been contributing to about a quarter of global green bond issuances annually. In the region, the ASEAN Green Bond Standards are aligned with the International Capital Market Association’s Green Bond Principles. This provides a single ASEAN standard to promote the development of a regional green bond market while mitigating the risk of diverging from the standards international issuers and investors are accustomed to.

In 2019, MAS and the City of London also agreed on a Partnership Agreement on UK’s Green Finance Initiative, which results in the application of principles of green and sustainable finance within the financial systems of Singapore and the UK. It will harmonize standards, enhance environmental and climate risk disclosures and strengthen green finance collaboration in the international environment.

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Below is an infographic on Singapore's Green Finance Action Plan.

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# SINGAPORE: A LEADING CENTRE FOR GREEN FINANCE IN ASIA AND GLOBALLY



To make the world greener,  
we must make finance green



BUILD RESILIENCE





DEVELOP MARKETS



LEVERAGE TECHNOLOGY

## ACTION PLAN

 **Environmental risk management guidelines** across banking, insurance and asset management sectors

 MAS will develop grant schemes to support mainstreaming of **green and sustainability linked loans**

**US\$2b** **Green Investments Programme** with asset managers who are committed to drive regional green efforts out of Singapore and support MAS' action plan

 Support expansion plans of **external reviewers and rating agencies** in Singapore to deepen technical capabilities and grow the green ecosystem in Asia

 Anchor **Centres of Excellence** with world-class research institutes and leading universities to contribute **Asia-focused climate research and training programmes**

 Green Finance will feature as a key theme for the **2020 Fintech Hackcelerator**

## OUR FINTECH JOURNEY

Synergise Smart Finance and Green Finance, and leverage technology and innovation, to build resilience and develop markets



Monetary Authority of Singapore



[www.mas.gov.sg](http://www.mas.gov.sg)

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## Green Investments Programme

MAS has also set up a US\$2 billion green investments programme (“**GIP**”) to invest in public market investment strategies that have a strong green focus. Under the GIP, MAS will place funds with asset managers who are committed to deepening green finance activities and capabilities in Singapore.

The aim is to help the Singapore financial centre in promoting environmentally sustainable projects and mitigating climate change risks in Singapore and the region. The GIP also aims to foster the growth of a strong and diverse ecosystem of green financing capabilities in Singapore.

Selected managers will be those who have demonstrated a firm commitment to deepening their green investment capabilities across functions such as research, stewardship, policy and portfolio management, accelerate local capability transfers, and increase the management of green-focused funds in Singapore.

MAS has stated that they are also looking for managers who can demonstrate their capabilities in incorporating environmental considerations into their investment process and actively directing capital towards investments that have a better green profile.

Under the GIP, MAS has already made a first investment by placing US\$100 million in the Bank for International Settlements Green Bond Investment Pool, in hopes that this will help catalyse further deepening of the green bond market.

## Sustainable Bond Grant Scheme

MAS has put in place a grant scheme that encourages the issuance of green, social and sustainability bonds in Singapore.

MAS has stated that green, social and sustainability bonds help channel capital towards catalysing broader adoption of sustainability practices. Such bonds will also help companies meet their corporate social responsibility objectives, diversify their investor base as well as achieve long-term pricing advantages.

As of today, more than S\$6 billion green bonds have been issued under these grants, which help defray the costs of external review against green bond standards.

This scheme is open to first-time and repeat issuers and will be valid till 31 May 2023 and the details of the scheme are as follows:

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Qualifying issuer	First time and repeat green, social and sustainability bonds. Issuers may apply for the grant multiple times.
Qualifying issuance	<ul style="list-style-type: none"> <li>• Bonds of any currency with an external review or rating done to demonstrate alignment with internationally-recognised green/social/sustainability bond principles or framework.</li> <li>• Green, social or sustainability bond issued and listed in Singapore.</li> <li>• Minimum size of \$200 million or a bond programme size of at least \$200 million with an initial issuance of at least \$20 million.</li> <li>• Minimum tenure of 1 year.</li> </ul>
Eligible expense	Costs incurred in respect of the independent external review or rating done based on any internationally-recognised green/social/sustainability bond principles or framework.
Per-issuance cap	Cap of \$100,000 or 100% of the eligible expense per qualifying issuance.

## Green Loans

MAS is also developing incentives to encourage growth in green and sustainability-linked loans. Here, loan proceeds are not tied to specific green projects, and can be used for general corporate purposes so long as borrowers meet sustainability metrics.

Similar to the Sustainable Bond Grant Scheme, MAS will develop grant schemes to defray costs incurred by businesses when developing sustainability frameworks and engaging external reviewers. Thus far, in the real estate sector, many developers have secured green loans from banks to develop new green buildings, install solar panels and retrofit buildings with energy-efficient equipment.

Quadria Capital, a private equity fund in Singapore, became the world's first to tap on sustainability-linked loans for private equity, in line with MAS's objectives.

## Risk Transfer Solutions

Meeting disaster protection needs has also been identified by MAS as a means of contributing to a sustainable world. With support from Japan and the World Bank, the Southeast Asia Disaster Risk Insurance Facility was established to provide flood risk pooling and to strengthen the region's disaster resilience.

Risk transfer solutions help promote green finance via insurance-linked securities ("ILS"), which enable the returns and risks to be distributed to investors via the capital markets. ILS can be used to transfer catastrophe risks, among other types of risks, and support the development of new climate risk insurance.

To promote the growth of the ILS market in Singapore, MAS introduced an ILS Grant Scheme in 2018 to

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fund upfront issuance cost. This has seen the first catastrophe bond domiciled in Asia, and three catastrophe bonds issued.

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