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Why climate change action in Asia matters – globally
Helen Wong, HSBC's Chief Executive for Greater China explains this

Hurricanes Florence and Michael and record temperatures across Europe dominated global headlines last year. But spare a thought for communities and businesses across Asia, which have suffered a string of particularly severe weather-linked disasters in recent months.

Super-typhoon Mangkhut left a trail of destruction in the Philippines, Hong Kong and southern mainland China in September last year.¹ Last summer, Japan and parts of China were hit by some of the worst weather in decades. The monsoon floods that inundated Kerala, in southern India, were the worst in a century.²

The rest of the world should take note.

After all, Asia is an engine of global economic growth. It is a key region for companies from around the world to manufacture in, source from, and sell to. Its ports and airports are among the busiest in the world, and are critical to the flow of goods around the planet.³

So climate change disasters in Asia can have ripple effects half a world away.

Part of Asia's particular vulnerability to the effects of rising global temperatures stems from sheer geography. Many of its cities and megacities – Shanghai, Mumbai, Ho Chi Minh City and Jakarta among them – are in low-lying coastal areas that are susceptible to rising sea levels and storms sweeping in from the oceans.⁴

Climate change and rapid urbanization in many parts of Asia are now exacerbating this vulnerability. As Asia's cities expand and global temperatures rise, more and more homes, airports, power plants, warehouses and factories will find themselves at higher risk of intense weather-linked disasters. A 2018 assessment by HSBC found that South and Southeast Asian countries are most vulnerable to climate risks.⁵

1 <https://www.reuters.com/article/us-asia-storm/hong-kong-southern-china-mop-up-after-super-typhoon-idUSKCN1LX011?il=0>

2 <https://www.theguardian.com/world/2018/aug/17/kerala-floods-death-toll-rescue-effort-india>; <https://www.reuters.com/article/us-china-weather/china-floods-wreak-havoc-block-roads-and-railways-more-rain-due-idUSKBN1K402B>; <https://reliefweb.int/report/china/millions-hit-severe-flooding-chinas-sichuan-gansu-provinces>; https://www.japantimes.co.jp/news/2018/07/11/national/japan-hit-worst-weather-disaster-decades-many-die/#.W5c_Pf8UkRY; <https://www.theguardian.com/world/2018/jul/08/death-toll-increases-as-record-rains-devastate-parts-of-japan>; <https://www.theguardian.com/world/2018/sep/04/typhoon-jebi-japan-hit-by-strongest-storm-for-25-years>

3 <http://www.worldshipping.org/about-the-industry/global-trade/top-50-world-container-ports>;
<http://www.aci.aero/Data-Centre/Monthly-Traffic-Data/Freight-Summary/12-months>

4 <https://www.adb.org/news/features/what-does-climate-change-mean-asia-s-future-infrastructure>;
<https://www.adb.org/news/unabated-climate-change-would-reverse-hard-earned-development-gains-asia-new-report>

5 <https://www.sustainablefinance.hsbc.com/our-reports/fragile-planet>

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No wonder, then, that the economic cost of natural disasters has soared. From 2007 to 2016, average damages from disasters triggered by natural hazards in the Asia-Pacific region were an estimated US\$76 billion a year. That's more than twice the level in the decade before that, according to a report by the UN Economic and Social Commission for Asia and the Pacific, the Asian Development Bank, and the UN Development Programme.⁶

There are reasons to be hopeful about Asia's climate-change efforts.

China and India for instance are both making big efforts to green their economies. Hong Kong last year announced what is potentially the world's largest sovereign green bond programme to date.⁷

HSBC Amanah Malaysia Berhad (HSBC Amanah) last year launched the world's first United Nations Sustainable Development Goals (SDG) sukuk. This is the second SDG issuance from an HSBC entity globally, following HSBC Group's USD1.0 billion SDG bond in 2017, and is in line with our commitment to provide USD100 billion in sustainable financing and investment by 2025. HSBC's long-term environmental pledges also include reducing the Bank's environmental footprint. As per our latest ESG Update, released on 8 April, we have now signed renewable power purchase agreements covering 29 per cent of our global electricity usage, up from 27 per cent at the end of 2017.

Increased climate-change action in many parts of Asia is good news. After all, Asia as a whole will account for some 60% of the world's additional energy needs in the coming years. So environmental efforts here are critical to the entire planet's fight to keep temperature rises at bay.⁸

Still, given the scale of the challenges, policy makers, businesses, individuals and the financial sector will need to not just continue but *intensify* their efforts to move towards a lower-carbon world.

Part of the challenge lies in raising awareness among companies and investors about the importance of environmental -- and social -- action. Just 23.7% of Asian issuers and 40% of Asian investors polled in an HSBC-commissioned survey last year have an Environmental, Social and Governance (ESG) strategy in place. That's well below the global average. In Europe, the figures stand at 86.7% and 84%, respectively.

On the policy front, action needs to range from tightening (and enforcing) building regulations, to regulating land use, to encouraging investments in low-carbon technologies, to facilitating ways for companies to raise financing for environmentally-friendly projects.

6 <https://www.adb.org/news/building-resilience-natural-hazards-and-investing-social-protection-systems-critical-achieving>

7 <https://www.budget.gov.hk/2018/eng/budget14.html>,

<http://www.info.gov.hk/gia/general/201802/28/P2018022800188.htm>; see also

<http://www.scmp.com/business/article/2135161/hong-kong-outlines-grant-first-time-corporate-bond-issuers-and-plans-green> and statement from Climate Bonds Initiative's CEO Sean Kidney:

<https://www.linkedin.com/in/seankidney/detail/recent-activity/>

8 <https://www.iea.org/weo2017/>

None of this will come cheap. Take sea ports. Upgrading Asia-Pacific's biggest ports so they can cope with the climatic conditions expected towards the end of this century will cost up to US\$49 billion, according to Asia Research and Engagement, a consultancy.⁹

But doing nothing, or doing too little too late, will only worsen the long-term pain – not just for the region itself, but for the rest of the world too.

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About HSBC Malaysia

HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited (a company under the HSBC Group) established its first office in the country, on the island of Penang, with permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited. In 2007, HSBC Bank Malaysia was the first locally incorporated foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, HSBC Amanah Malaysia Berhad. Today, HSBC in Malaysia has a network of 68 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Bank Malaysia offers a comprehensive range of banking and financial services including Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Islamic financial solutions. HSBC Bank Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Bank Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group, which serves our customers through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. The Group serves customers worldwide in 66 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,659bn at 31 March 2019, HSBC is one of the world's largest banking and financial services organisations.

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⁹ <https://www.reuters.com/article/us-asia-ports-climatechange/asia-pacifics-biggest-ports-face-steep-climate-bill-study-idUSKBN1GX29Y>; and <https://static1.squarespace.com/static/5991a3f3d2b8570b1d58cc7e/t/5ab289c588251bd42703af29/1521675706594/APAC+ports+climate+costs.pdf>