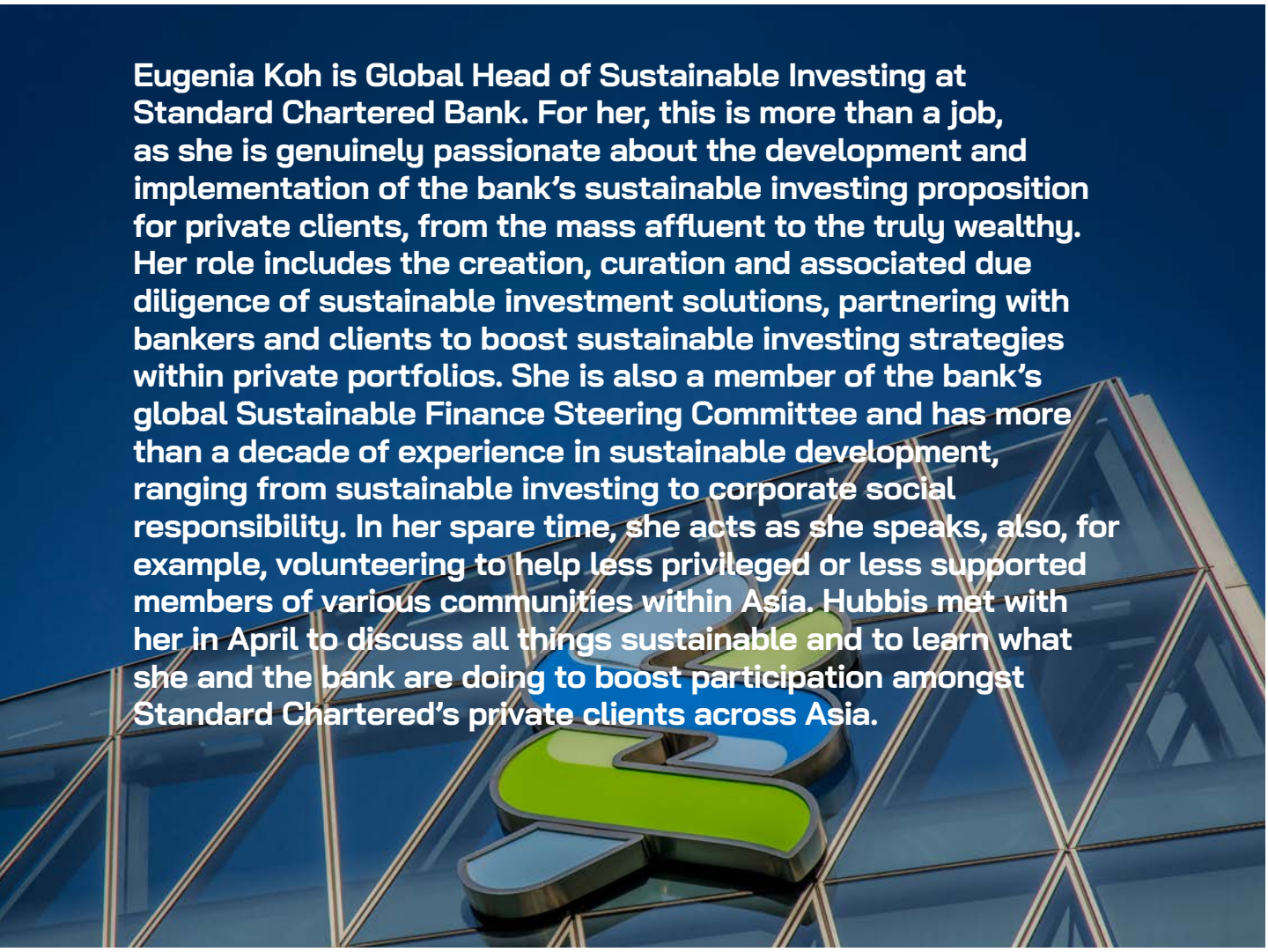
Standard Chartered's Eugenia Koh on the Global Drive to Sustainable Investing



Eugenia Koh is Global Head of Sustainable Investing at Standard Chartered Bank. For her, this is more than a job, as she is genuinely passionate about the development and implementation of the bank's sustainable investing proposition for private clients, from the mass affluent to the truly wealthy. Her role includes the creation, curation and associated due diligence of sustainable investment solutions, partnering with bankers and clients to boost sustainable investing strategies within private portfolios. She is also a member of the bank's global Sustainable Finance Steering Committee and has more than a decade of experience in sustainable development, ranging from sustainable investing to corporate social responsibility. In her spare time, she acts as she speaks, also, for example, volunteering to help less privileged or less supported members of various communities within Asia. Hubbis met with her in April to discuss all things sustainable and to learn what she and the bank are doing to boost participation amongst Standard Chartered's private clients across Asia.

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In Brief

Great progress has been achieved, but there is far more opportunity ahead

Sustainable investment allocations amongst the bank's private clients have risen sharply, albeit from a low base, with AUM in this sphere surging threefold in 2020. But there is much work to be done educating bankers and advisors internally and boosting private client interest, knowledge and demand.

Analysis and caution required to determine reality versus claims

In the absence of both global standards, a single taxonomy and any coordinated regulation, a major element of Koh's role is to coordinate the careful analysis of what are truly sustainable investment opportunities from within the bank's open architecture.

Demand for sustainable investment now spans the generations

While perhaps the younger generations might be more in tune with sustainability, the older generations also see the value of expressing their sustainability credentials to their own younger generations via their own portfolios. All types of investors increasingly see the potential for returns and the rising risks of not adopting an ESG driven approach.

SCB's 'Sustainable Investing Review 2020' underlines the demand and the potential

The bank released its 2020 report on sustainable investing last July, and the findings across several markets worldwide shows clearly how demand amongst mass affluent through to ultra-wealthy private clients continues to grow sharply. But the study also showed how investor wariness is still driven by lack of clarity on the key issues and what defines ESG and sustainable investing.

There is a growing body of evidence that sustainable investing is smart investing

Koh explains how there is mounting evidence that investors do not end up sacrificing returns in the pursuit of sustainability and also that it is likely that ESG-driven investing mitigates many of the actual or potential risks ahead.

Standard Chartered takes a global approach to sustainability

The bank, Koh reports, is aiming to be the global standard-bearer for sustainability in its own practices internally as well as in its efforts to promote standards worldwide.

Her central role, Koh explains on opening the conversation, is promoting sustainable investing amongst the bank's private clients, from the mass affluent to the HNW and UHNW investors, working with the product teams on interesting opportunities and then orchestrating the requisite due diligence and analysis of the governance protocol.

She also spends a lot of her time educating bankers internally and clients. "There has been very considerable progress in recent years, it is a genuinely exciting sphere of activity to be helping develop here, but we are certain that far more can be achieved," she reports.

Road testing the sustainability claims

She explains more about due diligence and governance, noting that the bank's open architecture protocol requires that funds and fund managers and other investment opportunities need to be road tested for quality. "We hear many claims from everyone out there, but we then run everything through our ESG selection and curation process to determine if they pass our tests," she reports. "For example, one of the greatest risks to the momentum in sustainable investing will be that of greenwashing."

This means first determining if these products align with the bank's stated standards and then conducting interviews with the fund managers themselves to see if they integrate ESG appropriately and to understand their commitment to these principles and values.

A steady and careful approach

By taking these careful steps, Koh and colleagues work out which funds and which managers truly attain the necessary grades. "Defined standards and a clear taxonomy for ESG and sustainability might be coming later, but for now, we must conduct our own careful analysis," she explains. "There is quite a lot of superficial adherence to ESG, but our analysis looks at specifics, and explicitly at how claims play out in different industry sectors as well, so for example, ESG risks are different in the energy industry to the world of finance and banking."

"Most clients," she explains, "fall within the pragmatic, cautious, optimiser type persona, where getting an investment return is very important, and so too ESG risk mitigation, both of which can add up to outperformance for their portfolios."

Multi-generational demand

Referring to findings from Standard Chartered Private Bank's 'Sustainable Investing Review 2020', released last July, Koh observes that adoption of sustainable investing is much broadly based amongst the generations in Asia than might be imagined at first glance.

"If you look at the private banking space," she elaborates, "some of the older clients that are exploring the sustainable space have also been thinking about it from a legacy perspective as they perhaps consider succession planning, wanting to leave behind a legacy for their children that also includes supporting the concept of a better world ahead."

Altruism + the quest for returns

But it is certainly not only altruism that drives these investors, as she reports that more and more clients are also seeing that there is a real investment opportunity on the upside and also that ESG risks are increasingly real on the downside. "Younger investors might perhaps feel a greater resonance with climate change mitigation, while older investors increasingly acknowledge that climate risks will likely have a big impact on the returns and the risks in their portfolios," she observes.

Naturally, she adds, there are many 'impact believers' who are passionate about sustainability, but these still represent the minority. "Most clients," she explains, "fall within the pragmatic, cautious, optimiser type persona, where getting an investment return is very important, and so too ESG risk mitigation, both of which can add up to outperformance for their portfolios."

The sustainability wave is rising

She reports that her views are well supported by the 2020 study, noting that it had polled 1085 affluent and HNW investors across Hong Kong, Singapore, the United Arab Emirates and the UK. The study, for example, found that some 42% of these investors would likely invest between 5% and 15% of their funds in sustainable investments over the next three

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to five years. The study also found that some 90% of investors surveyed said they are interested in sustainable investments.

The report also determined that the pandemic had served to greatly focus investors on key initiatives such as the UN's Sustainable Development Goals (SDGs) on Clean Water & Sanitation and on Good Health and Wellbeing and that investors also have growing support for and interest in climate change, education and zero hunger initiatives.

Seeking guidance

The authors did, however, report that consistent with the bank's previous studies, investors continue to lack knowledge about how to meet social and impact goals that are of interest to them and that this continues to impede investors who want to make sustainable investments.

"Banks play a critical role in providing essential guidance to clients to unlock the growing momentum for sustainable investing," the report stated. "Besides the lack of knowledge, the other top barriers to investment in this segment are apprehension and lack of motivation and advice."

Key priorities

Koh reports that one of her priorities currently is to grow the bank's sustainable investment AUM. The second key mission is to roll out a new impact profile tool for clients, and to thereby help them better understand their impact preferences, their attitudes towards any trade-offs, and towards understanding their positioning from a behavioural finance perspective, and also how they want to engage in this space. "We are due to launch this very soon" she reports, "and the result will be better quality conversations around the whole sustainable investing space."

And the third priority is the need for education that she had highlighted in some detail. "We have rolled out ESG scores in the private bank on our trade notes across equities, fixed income and structured products, and we want to be able to expand that more broadly to the broader affluent segment," she explains. "This will help mass affluent investors thinking about ESG with additional data points, as we currently offer to the private bank clients."

The investor personas

The survey also identified five investor personality types – Optimisers, Impact Believers, Cautious, Resistant and Apathetic. Of these, only the Impact Believers stand out with their really elevated interest in sustainable investing and their low apprehension towards such investments. The other categories range from willing and keen but still somewhat unsure to downright disinterested and apathetic.

"By identifying the needs of individual investors based on their personality type, we can offer customised advice to help clients achieve better investment outcomes and avoid pitfalls, particularly during times of market uncertainty," Koh explains. "Amongst all investor types, we are working hard to help bridge the knowledge gaps and facilitate our clients' sustainable investing journey and ambitions. Knowing how clients' investor personalities influence their investment approach allows us to help unlock any barriers."

Some compelling arguments

Koh maintains that there is also an ever-expanding body of evidence that adoption of a sustainable and ESG type approach to investments does not mean sacrificing returns. "Reviewing the many studies out there, we not only see that there is no under-performance, but correct adoption of ESG principles in investing result in at the least better risk mitigation, and in some cases better performance."

She says this with the caveat that, in reality, ESG principles and ratings are not yet standardised or universal, and it is still being debated as to whether ESG factors singularly lead to outperformance. While there is as yet no definitive evidence of resultant outperformance, her firm belief is that the body of data already clearly points the way ahead in terms of incorporating ESG factors for building more resilient portfolios.

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Overcoming resistance

"There remains some scepticism out there, and indeed amongst the RMs and advisors," she concedes, "but the negativity tends to date back to when ESG was driven by exclusions some 10 to 15 years ago. Today, the industry has evolved, there is better ESG integration and a better understanding of materiality, helping to thereby shift the performance story. Client demand, moreover, is sufficient to convert even the most hardened sceptics amongst the bankers and advisors."

This brings her back to the concept of education and training, noting that the bank's focus is on training modules that demonstrate support for sustainable investing from a facts-based perspective, showing how this space has evolved, pointing to key research, and so forth. She acknowledges that some clients are prepared for trade-offs as to potential performance, whilst others are drawn to such approaches as a means to seek additional returns and reduce risks.

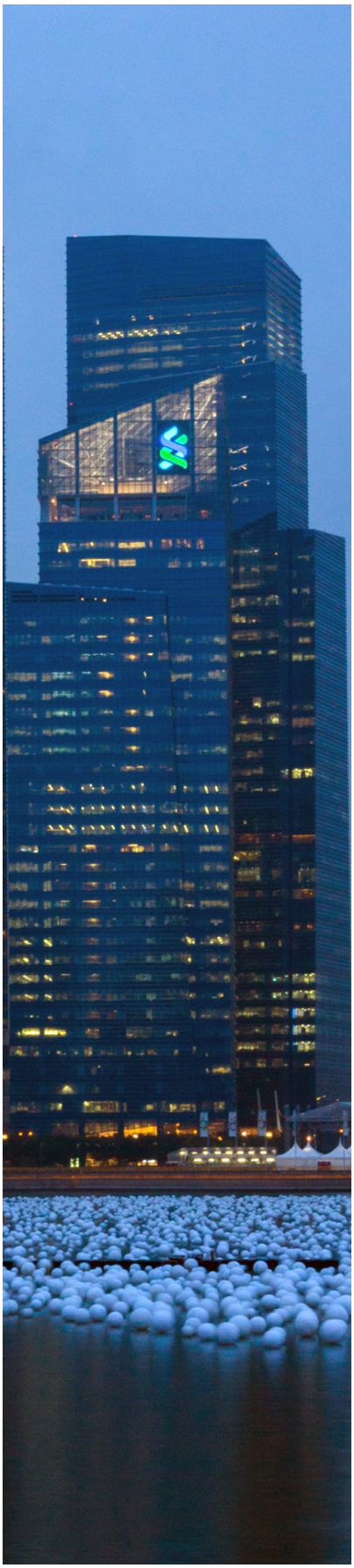
More education, more training

"Having the right training and then taking quite a nuanced approach to helping the bankers understand the different strategies within the space, and what are the expectations around those strategies have really helped bankers better understand and better articulate this to their clients," she reports.

The EU pushes sustainable investing

Koh points to the importance of the new EU regulations that are designed to standardise ESG reporting in Europe and thereby facilitate more sustainable investments a d investing. "So far," she explains, "there has not been a common standard for ESG, but it is hoped that the new EU regulations will now give a standard and taxonomy for ESG reporting, thereby making it easier to identify real ESG companies. We should now see more and more funds aligning behind these new rules."

Perhaps the major impediment to more investors climbing on the sustainable investment train is the complexity. "How can all this



be simplified, and how can we cut through all the different jargon?" she asks rhetorically. "We found in our survey that while interest levels in terms of investing in this space are high and rising, so too are apprehension levels over the terminology. Clients ask whether there will be standardisation of terms and even data, and if so, when. Our reply is that this is a nascent field, that it will grow, that there will be increasing alignment, but also that we do not expect near-term standardisation, especially among the different data providers."

Accordingly, while the EU is making its efforts to help propel this investment approach, Koh says that the promoters of sustainable and ESG investing in general need to dig somewhat deeper than the headline ESG and other data to properly understand the ESG scores in a more comprehensive context.

Themes within sustainability

She also remarks that the global trend towards thematic investing is further propelling sustainable investing, as investors focus on key themes that should dominate for many years ahead.

"In the world of climate change, for example, there is so much going on, from governmental commitments towards net-zero through to COP26 due in late 2021. Beyond this world of energy transition and climate change, which are greatly appealing to clients, our CIO office has worked on themes around access to clean water, sustainable agriculture and food production and distribution, and the circular economy," she reports.

Koh clarifies that there are notable differences between ESG investing and impact investing. "When you think about impact investing, the concept of intentionality is important," she reports. "The environmental and social outcomes are built into these investments, which is why a lot of impact investments are generally seen more in the private space, either through private equity or direct investments. For example, it could be investing in hospital chains that provide digital health services to poor and underprivileged communities."

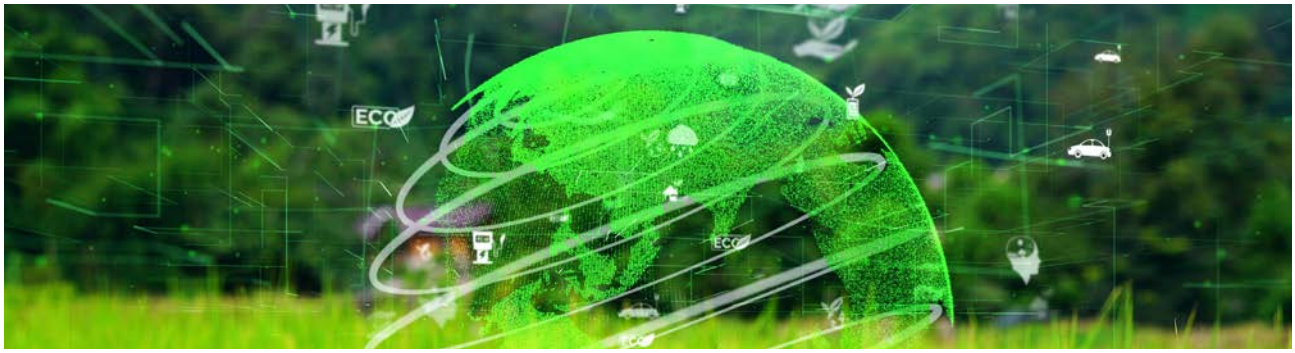
ESG investing, meanwhile, she elaborates, involves the adoption of ESG factors into portfolios, which results in including or adding weightings to certain companies and reducing exposure to others that are not so ESG-centric.

She adds that exclusion-based investing, for example on religious grounds by 'faith' investors is similarly neither impact investing nor ESG investing. And finally, sustainable thematic investing might include impact and ESG investment goals but is determined more by the themes, manifesting themselves, for example, in climate-change funds or clean water funds.

Standard Chartered as flagbearer

Her closing comments centre on the bank and its high-profile goals around sustainability. "As a group, we have stated ambitions to be the world's most sustainable and responsible bank, and those aspirations are stated clearly in the annual report," she reports. "More broadly across the bank, we have significantly grown our sustainable finance team, me for example on the wealth side, and other colleagues on the corporate and investment banking side, in other words across the various teams and disciplines within the banks and across different geographies."

And she concludes that the results are showing through for her wealth-related operations. "Our 'sustainable investment' AUM we calculate triple in 2020, albeit from a small base," she enthuses. "And that growth momentum is most certainly with us this year. This is an exciting and positive segment in which to be driving change." ■



Getting Personal with Eugenia Koh

Eugenia Koh is Global Head of Sustainable Investing at vIn her role, she is responsible for the development and implementation of the sustainable investing proposition for clients. She is also a member of the bank's global Sustainable Finance Steering Committee and has more than a decade of experience in sustainable development, ranging from sustainable investing to corporate social responsibility.

She has spent half of her career thus far in banking and the other half in public relations consulting, working with both corporate and NGO clients. Prior to joining the bank, she worked in the COO team at Barclays, where she had her initial foray into impact investing. There, she was tasked with evaluating and exploring the implementation of an impact investing platform for Barclays in Asia.

She started her career at Weber Shandwick and worked on a number of award-winning public relations campaigns spanning thought leadership to corporate social responsibility. She is the author of "Dawn Kwan: Art Awakening", a chronicle of child prodigy Dawn Kwan's journey as a child artist, which is available in all National Libraries in Singapore.

She is a Singaporean born and bred, and after secondary education and obtaining her degree in Mass Communications at Singapore's Nanyang Technological University later spent some time in the US on exchange programmes. "I somewhat fell into the world of banking," she reports. "It suits ideally, as I can really apply my core skill sets of communicating, of being able to deliver narratives in ways that are simple and compelling."

She reports that before banking, her career in public relations allowed her to become involved in a number of fascinating thought leadership programmes for regional clients, anything from finance projects to helping pro bono with some of the more developmental clients such as Habitat for Humanity.

During those years, she also got involved in helping friends build a social enterprise in Cambodia, and in Singapore a project to help drive sustainable tourism to Cambodia. "It feels quite natural for me to have evolved into this role," she explains. "I've looked at different parts of the sustainability and ESG ecosystem, and I have even been involved in my own way on the ground, for example as a volunteer focused on helping people generate sustainable livelihoods in poorer economies. I believe the private markets and private investors can help harness the major governmental, multilateral and major institutional money to give this an additional boost to achieve what the world needs."

Koh is married and is currently expecting her first child, with a due date of early September. "It is incredibly exciting for us," she says, "and I must say it is not a bad time to be in lockdown and not able to travel."

In more normal times, she and her husband might be enjoying their hobby of traveling. She enjoys diving, and one of her favourite destinations is Sogod Bay in the Philippines. "You could be diving alongside whale sharks there and it is managed there is a sustainable way, it is quite spectacular," she reports wistfully.

Other hobbies during these current travel-restricted times include keeping fit and volunteering, especially helping young adults from all backgrounds. She has also been actively involved in a children's home. "Some of my important relationships have been born out of some of that type of involvement," she reports. For example, there is a group of girls that we've known for over 10 years, helping them in different ways work through different stages of their lives."

And her parting comment is a word of advice to younger people who might be drawn to her type of role. "Curiosity and the thirst for constant learning are both essential," she says. "And being committed, getting started by either interning at a financial firm looking at sustainable investments or at a social enterprise, making an impact through volunteering or support of impact organisations, these will all help build your interest and your CV at the same time."