

## **Rewriting the Investment Strategy: Climate Change and Food Security**

The workshop centred on how the realities of climate change and challenges of food security have emerged as important considerations in risk management strategies for responsible investors.

Moderator Alfred Romann, Contributing Editor, *China Daily Asia Pacific*, opened the discussion by noting how devastating Australian bush fires and the Wuhan food market scare are “stark reminders of the challenge”.

Ms Natalie Chan, Senior Advisor, Civic Exchange, who serves on various government and industry advisory committees on sustainability and social responsibility in Hong Kong and London-based Ethical Corporation, said a “vicious circle” is relentless with migration to urban centres where people consume the most energy, water and food. In China alone, 78 per cent of the population will live in cities within a decade.

Recognition of the issue’s seriousness, however, is still divided. “Only 16 per cent of a Hong Kong survey believed climate change to be more important than other issues like housing on impacting future generations,” she said.

“Depletion of seafood resources is meanwhile driving investment in advanced fishing technology, rather than rethinking a whole new strategy. If you were a long-term fund house, why wouldn’t you look further ahead? Is the investment community a player in climate change or a driver?”

Ms Hannah Routh, Partner, Sustainability and Climate Change Advisory Leader, Deloitte China, believes the Australia bush fire devastation has sparked widespread awareness of the reality of climate change. “People in the street are suddenly thinking about how climate change will impact them. It will be interesting to see how this plays out in the political arena. Even for Hong Kong businesses, it’s a troubling topic.”

“The problem is not a lack of money, but the investment gap. One of our dilemmas is, investors see it as a problem elsewhere, like Europe. But everywhere is impacted. It’s a very critical and urgent matter for the market.

Everyone in the climate eco-system, from individuals to businesses, should be doing their part, and the more people who speak up and are passionate the better. From a risk point of view, with many issues from typhoons to food, it’s this part of the world that should leading, and Hong Kong is in a very strong position to think about this.”

Vivek Pathak, Regional Director for East Asia and the Pacific, International Finance Corporation (IFC), said agriculture – and growing affluence driving

demand for meat, which used to be a rare treat in China – is a major influencer on climate change. “If there was more recognition by the man in the street and their purchasing behaviour, the investment community would follow business. It’s up to making a business case for doing the right thing.

“But attitudes aren’t changing fast enough by investors or firms. Sustainable projects may be more immediately expensive, but not over the long term when they become more economically viable.

Investors really need to step up. If they don’t differentiate between investment projects that do things correctly and those that don’t, then five years down the road they will be in trouble. But investors are scared, banks are scared and people are scared of facing reality.”

Dr Kevin Chen, Senior Research Fellow, International Food Policy Research Institute and Chair Professor of the China Academy of Rural Development, Zhejiang University, said investors are key to reducing the impact of climate change.

“Investment is needed to make it happen – except no one knows precisely how much and there’s a huge investment gap,” he said. “Public funds are limited, so private investment is going to be the key to make it happen. But with high risk and low returns, how do we attract that?”

“The investment community can work much more closely with development banks, for example, to help address the problems facing the world – and the key is much more investment in R&D into healthy, sustainable food at lower cost. Without that, where is a healthy, sustainable future?”

Ms Guo Xiaofei, Director of Green and Sustainable Finance, Corporate and Investment Banking, Asia Pacific, Natixis, agreed that “financial institutions can play a key role towards a low-carbon economy”.

Natixis is the first bank in the world to integrate climate change impact into its balance sheet for responsible banking, and as leader of the bank’s sustainable financing for the Asia Pacific, with strategies leveraging the emerging Asian capital market for climate change solutions and projects, Ms Guo recommends Green, Social and Sustainability Bonds as “the most effective financial instrument” to bridge the investment gap, bringing more insurers into the arena.

“It’s not just governments and regulators who need to change, but everyone. Sustainable business is better business. I don’t have all the answers but we need to move fast, much faster than now.”