

Fireside chat – Sustainability and Inclusion

The Fireside Chat on sustainability and inclusion was opened by Mr K O Chia, Director, Grace Financial Limited, who introduced the three panellists, Ms Kristy Duncan, Founder and CEO, Women in Payments, Ms Karine Sarkissian, Founding Partner, Tamar Capital, and Ms Katy Yung, Managing Partner, Sustainable Finance Initiative (SFI).

Mr Chia asked: “There are a lot of terms out there, including STG, UMPI, banding around — how do you differentiate them?”

Ms Sarkissian responded “A lot of these are criteria. One is a series of opportunities to better the planet with long-term goals. Another considers aspects of the way a company is run They are all criteria that help companies align to make an impact.” In terms of the investors, there are a series of different definitions, but it’s essentially value-driven.”

Ms Duncan added “For me, sustainability is a big theme of the conference, which is very good. I would like to add the inclusiveness piece ‘What’s the different between diversity and inclusiveness?’ Think of diversity as inviting everyone to a dance. Inclusiveness is being invited *TO* dance. To be sustainable over the long term, we need that inclusiveness piece and I want to add that to this conference. It will build our ESG and sustainability goals further.”

Mr Chia asked Ms Yung “Do you see this kind of movement in Asia? What has been your experience in the context of Hong Kong?”

Ms Yung replied “I think 10 years ago when I was first interested, no one else was talking about it. Now, the whole dialogue has moved on. There is still a lack of capital deployment in Hong Kong vs the conversations. Within the private investors’ and family offices we recently did a survey. They found that a number of them have deployed with the motivation of sustainability. The ambition in the next two to five years is to continue on this trajectory.”

She continued, “We see it as a lens. The idea is to keep it simple, Take the first step, start investing, and you will work out what your own lens looks like.”

Mr Chia said “You have to start by asking, where is my heart? Is that your experience?”

Ms Sarkissian clarified: “In the Middle East we see the same fear and curiosity. The impact investments that are the strongest have multiple investors. There is more of an appetite. We can’t shy away

anymore; it's imperative as investors to move the needle for other companies. Investors can be change-leaders. Companies will be forced to follow through and think about a long-term perspective."

Mr Chia said the Stock Exchange in Hong Kong has mandatory reporting on ESG. The entire supply chain is covered, so companies need to be aware of all supply chain issues. "It's been a journey but it's the right direction in my view."

Ms Duncan observed "We are now beyond the why and we are working on the how", and Ms Sarkissian agreed. "The narrative is changing. Companies were initially shareholder-focused and now we are more stakeholder-focused."

Mr Chia asked for their view on "the myth about sacrificing profitability when you inject ESG."

Ms Sarkissian said "It's completely incorrect, to be honest. It depends how you invest. You should always be driven by companies that are on a path to profitability." She noted that investors should be following a passionate founder and a rigid path to growth and profitability. "In this way, they won't sacrifice on returns."

Ms Yung added "I hear it so much that I think it's an excuse. Times have changed. The fact is, it's plastered everywhere and that means you should have a view of it. It's not just about hitting your returns; your investors should have other considerations in place. It's about how the ESG lens has been applied. In the longer term you will be burned if you don't consider these."

Mr Chia asked if Ms Duncan includes this in the Women in Payments sphere, and she replied "We tend to focus more on the inclusiveness piece. Part of that is helping women build their careers so they can be senior leaders and board members. Having more women at senior levels will help us get a better perspective and employee and shareholder and client engagement. Not just this current business cycle, but through the ages."

When Mr Chia asked Ms Duncan if she thinks tech plays a significant role in this, she said "Yes, tech is a real driver of opportunity, It helps us think a new way than we have in the past," and Ms Sarkissian agreed "Yes, in fact some of my favourite investments that we've made have been about reimagining the cyclical loop," explaining they do not consider products just on a single cycle consumer basis. They think about them "in a multitude of ways" and "a lot has to do with waste management. We should make use of what we have on the planet rather than always creating new."

Mr Chia asked Ms Yung if she could see a similar movement in Asia, and she replied that yes, tech plays a role. "Some of the investments we've made, specifically with inclusiveness, are about access to things like clean water." She spoke of an investment in a pharmacy chain in Africa. One of the delivery models is through mobile payments. They are trying to battle counterfeiting by offering diagnosis on the spot. She noted that, outside of healthcare, it's about access to energy, technology and banking, especially in rural populations.

Mr Chia said "Traditionally, sustainability has been driven by Europe" and asked if the panel sees it moving to other parts of the world

Ms Sarkissian observed "Europe is definitely setting the example for the rest of the world. But, we're seeing regulatory changes that will make it easier by providing resources. It comes back to education and awareness. It's pushing more people to engage with the criteria."

Ms Duncan agreed. "Yes, North America is a little behind Europe in terms of investment goals with sustainability and inclusiveness." She would like to see more of a gender play with that and look at the perspectives of where an investment decision will take us globally over generations. "From a sustainability perspective we have to ask, what is the impact of this investment to the next generation."

Mr Chia asked "Are you dealing with current or next generation investors?"

Ms Yung said "We are dealing with both; that's the sweet spot. You need both generations to move capital." She said millennials are seven times more likely to move capital that aligns with a sustainability lens. "We are starting to see the move in family offices. They want to do it first and see the results and then talk about it. It's not just private investors, it's also larger investors engaging too. People need to start paying attention or they will be left behind."

When Mr Chia asked "What are some of the trends you're seeing?" Ms Duncan said, "One trend is bringing women to more senior levels in organisations. It's about trying to build the pipeline of women who are candidates for leadership."

Ms Yung said "One is more talk in Asia using blended finance structures. The other is back to the digital banks and the rise of the millennial. We are beginning to see more ESG-driven products. That's the democratisation of ESG investors."

Ms Sarkissian commented "I think there are certain trends in certain sectors, but overall we're seeing a trend to empower the consumer." Because of a raise in awareness levels, these companies are driven. In terms of sectors, there's a lot in the smart city sector that explores inter-connectedness. These are sectors that are starting to trend more. Education is another. It hasn't been disrupted for a long time. People are afraid to tackle it. There is an appetite to disrupt it now.

Mr Chia asked, "What about government? What is its role?"

Ms Duncan responded "Absolutely. We need leadership from government and in regulatory." She explained that in the UK, the government has invited companies to promote inclusiveness and diversity. In terms of innovation and education, in Australia UTS has a new bachelor program that works to bring creativity to the design approach This helps industry to rethink how to deliver solutions and solve problems.

Ms Sarkissian explained "A lot can be done on the government side. ESG should be a criteria, but I would go further and say that investors are becoming trendsetters and their funding dictates the way that things evolve. Governments will help facilitate this."

Mr Chia asked Ms Yung if she thinks capital will drive change, and she replied "The HK Stock Exchange has announced results on ESG principals. They are pushing to be more aligned internationally. It's all moving in the right direction; the question is, how can they facilitate more? Talent is one element."