

Narrator: Green Invest Asia examines the role of finance and strong environmental, social and governance criteria (or ESG) to unlock land use investments that reduce climate impacts of agricultural and forestry commodities that we rely on for everyday life. We bring you the inside story on sustainable land use investments in Southeast Asia—what’s working, what’s not, and the green areas in between. This podcast is born out of a sustainable land use project by the same name funded by the United States Agency for International Development, or USAID, which works with investors to support agricultural and forestry companies in Southeast Asia reduce their carbon emissions through climate-smart operations.

[Intro music, then fade under host’s opening.](#)

Christy 0:05

Hello, I'm Christy, director of USAID Green Invest Asia. I'm very pleased to welcome JY Chow head of agri food and retail sector for the Japanese Mizuho Bank, where he provides corporate finance and advisory for food, beverage, agriculture and retail across the Asia Pacific. JY is joined by his colleague Ivy Lau, who is Mizuho Bank’s head of sustainable finance. Thank you both for joining us from Singapore and Hong Kong, respectively. Really happy to have you here.

Ivy 0:44 Thanks for having us.

JY 0:46 Hi, Christy. Thanks for having us.

Christy 0:49

So Ivy, I’d like to start with you. Could you provide a brief introduction to Mizuho Bank, for those who aren't familiar, and specifically share a bit about the bank's sustainable finance journey? It's ESG DNA.

Ivy 1:05

Thanks, Christy. Absolutely. So sustainability is actually an integral part of Mizuho’s overall corporate strategy in pursuit of Mizuho’s mission to create a greener and more sustainable society. Internally, we are launching a series of green initiatives from capacity building to proactively taking steps to reduce our carbon footprint, such as improved energy usage and better resource management. Externally, we are committed to aligning with global best practices and actively participate in international sustainability initiatives. So apart from being the first Asian bank to adopt the Equator Principles in 2003. In light of the heightened threat on stability of financial market posed by climate change, Mizuho has been supporting TCFD since 2017. And in 2020, Mizuho became the first financial service group in Japan to publish a TCFD report, in which we disclose information of governance strategy, risk management, as well as metrics and targets towards mitigating climate risks and delivering climate action.

So outside of Japan in Asia Pacific, Mizuho Bank supports corporate clients’ sustainability journey with various sustainability instruments, which bring new hope and reshape the way that various sectors financing sustainability targets. For instance, we are seeing a growing number of agribusiness companies channeling funding rates from sustainable finance to support ~~um~~ smallholder projects or other agriculture ~~in~~ initiatives. So I'll let JY to elaborate more on that.

JY 5:02

Thank you, Ivy, Of course, we acknowledge that capital is really an enabler. And that's even more important that this enabler really move [the] ESG agenda. And the challenge for us is we are a wholesale

bank. We're not doing retail besides Japan. So how can we reach the small holders that really need those capitals to move on, on bringing impact? We are blessed to have a really broad portfolio of agri clients across Asia, the majority of them are the national champions, the regional champions, so they can really magnify the impact. The question for us is how we can help what we call giants to move further and faster in the ESG agenda? So this is how we put in place sort of capital- incentivized scheme to move a sustainable actions. A lot of clients are doing the right things. So we move, and we have to move further on that directions. But I want to incentivize mechanisms, such as using the sustainability linked loans, or sustainability goals, to really help them to move further on that actions. And it's not only about the E. But also the is about the S, social elements of ESG, which is we really want to include in some of the KPIs for instance. We recognize that we have a spending gap in agribusiness because agribusiness is really capital intensive. So we need to support that, to support actions in climates, in biodiversity and working with small holders, as examples.

We do a lot of supporting elements through the actions of our clients. We have investors that are willing to look at those projects. And some investors, for instance, are coming from Japan. So how we can narrow that gap? And some of them are really wanting to invest in Southeast Asia. So that's why we put a framework to help to [correct] this mismatch. And one of the great example is what we did for a Thai client called Thai Union. And where we put in place a sustainability linked loan. We actually we called it the ninja sustainability linked loan, meaning that we're bringing a set of Japanese investors to invest in the loan of Thai Union. And it's really helped Thai Union to get access to that through helping them to get a Japanese credit ratings. By getting these Japanese credit ratings, and also getting ESG ratings of the Japanese credit agencies, these two elements really allow some new set of Japanese investors [to] deploy capitals in the journey within ESG. So it's a very interesting way how we really work on filling this funding gap. And it's really a win-win for our Thai clients, also our clients that we are working on in Asia-

And I think the most interesting for us is really the impact of building on that sustainability actions because one of the KPIs, for instance, is tracking the supplier of wild catch tuna to prevents illegal or what we call unreported fishings and risk of modern slavery. So, again, this is some really concrete actions and why we try to bring capitals on the right way to move further on our agendas. So we really hope to announce more deals soon. We're working on a couple of them.

Christy 9:02

Yeah, and you know, I understand that Mizuho has been quite intentional about mainstreaming ESG into bank operations. Some commercial banks' sustainability focal points, if any, might be the last ones consulted on a potential investment, when it can almost be too late to really shape the terms. So, this decision by Mizuho management must have come at some cost. How is it that Mizuho has come to be one of Asia's leading banks for ESG- linked loans? Analysts call 2021 a watershed year for ESG investing. But, you know, clearly Mizuho has been at this for so much longer. So, what accounts for that? Maybe Ivy you can start and JY can chime in?

Ivy 9:48

At Mizuho, the setup of basic policy on sustainability initiative is led by our holding company in Japan. They define the approach and methods for our advancing sustainability agenda, with group companies adopting the same policy, and we practice what we preach. Mizuho is fully committed to the Paris Agreements' objective to strengthen the global response to the threat of climate change, as we

recognize climate change as one of the most crucial global issues. At the same time, we believe there are new business opportunities arising from the need for low-carbon transition, such as the field of renewable energy and other businesses and innovation which contribute to mitigating and adapting to the impact of climate change.

With the huge support from senior management, we are proactively developing and offering financial products and services designed to support clients' efforts to introduce climate change countermeasures, and transition to a low-carbon society. To better capture ESG business opportunities, ~~at~~ Mizuho places high priority on capacity building for both our staffers and clients. We launched the ESG accelerators program last year, which is a virtual ESG business promotion team comprised of ESG advocates across the APAC region and different business lines. Myself and three other lead ESG accelerators, so JY is one of them, we are the main drivers of the ESG accelerators program. We constantly share ESG intel and advise staffers on ESG solutions, ensuring that our frontline bankers are capable of engaging in constructive dialogues in response to our clients' individual ESG related concerns and needs. And for our clients, Mizuho organizes skill-building webinars, from time to time, inviting key stakeholders in the ESG space to share updates on the latest sustainable finance developments. And at the same time, raise awareness about climate action and other sustainability topics. I'll pause here.

JY 12:14

Thanks, Ivy, I would like to add that we really use the accelerators as a very concrete way to push for advocacy. But also for tangible results from financials and ESG perspective. Let me explain a bit more. I mean,

JY: 12:31-12:40 Being a bank, we need to monetize what we're doing. In other words, we're looking at return on investment but also return on impact. So that's why those accelerators that we have in place the cohorts, inside the cohort, we have frontliners, sales, product specialists, but also senior management. And they really bring the alignments. And the alignments is what really moves us on the right directions altogether. An example of ESG matters is also part of line of defense. So, we look at it from a business risk perspective, but also as an opportunities. 13:12-13:16 When we think about it, ESG is probably the largest asset class. So it is important that we have the key fundamentals to look at ESG and sustainable financings. We need to understand the what, the how, but what we think, most importantly, the why, why ESG is so important, and also sort of needs within our ~~our~~ cohorts the sort a sense of urgency that we are having to move the agenda.

Christy 13:56

I really like it, this idea of the accelerators and then to bring it back to KPIs, metrics, I guess, you know, is it through these accelerators that bank staff get guidance on how to work with clients to set KPIs because those are so important right for measuring performance?

Ivy 14:17

Yeah, I can take that. So internally, we do have guidance. Externally, we have the sustainability link long principle from the Asia Pacific Loan Market Association, and Loan Market Association, which already set forth several key pillars that guide the structuring of sustainably linked loans and how we set KPIs. ~~So~~ very importantly, there are principles of reporting and verification, which require the borrowers secure an independent external reviewer to assess how well they're doing, what sort of improvement they are

making against their set KPIs. So there's a lot more to do really, to bring the borrower up to speed, but we are also seeing the market getting more developed. For instance, we are seeing countries in the region such as Malaysia and Singapore, they are working very hard on publishing their local versions of taxonomy, which is basically a classification system giving definitions of what is green and what is not.

Christy 15:17

So, you know, I understand that ASEAN is going through an effort to create a taxonomy on sustainable finance on green lending. Because it's hard, right, when we don't all agree on what is green, and what isn't, to kind of make sure that we're all heading in the right direction. So you know, JY, is there anything to add on what corporate clients can expect when working with you to set KPIs?

JY 15:50

Yeah, Christy, I think we will deal by deal but it was about alignment, we would try to set the KPIs in a way that it is material for our client, but also really material for sub sectors concerned. So basically, the kind of discussion we have the client is okay, what is important for you, and what is important for industries. So we look at both reversely. And from that we are working on the KPIs that work the best for having these results. So, of course, it needs to agree on the practicality of this. And having this mindset really is really important, but the key is really having these alignments to make it work.

Christy 16:33

Yeah, and, you know, you mentioned earlier the Task Force on Climate-related Financial Disclosures or the TCFD, which calls for organizations to disclose not only their own carbon emissions, you know, scope one and scope two, but also that of their clients, or vendors and supply chain partners, you know, the scope three part, the much more difficult, and perhaps complex portion. So, how do you find borrowers' readiness to report on their emissions. And what happens when they can't accurately report on their greenhouse gas emissions? We'll toss that one to you, JY.

JY 17:11

That's a difficult one. It's not only in our sectors in agribusiness, but a lot of our clients, especially in emerging countries, we have a different level of maturity regarding the issues. So if I want to give an analogy, if you want to compare to environmental and social issues as a health problem, let's say that some of the corporates in Asia, they are really conscious of these health problems. And they are really changing the lifestyle to address it. So let's say we will go to gym, change with the diets to take that analogy. And but some reversely, they haven't bought a scale yet to measure it. So this is really what we see in the market. So we have some very advanced one, but some are really still in the learning phase. So how we balance that and how we adapt, really to move the entire industry in the right direction, this is really the difficult one. So this is a challenge. But in the same time, we realized that ESG and taxonomies is also changing really rapidly. We have so many variables changing. And we also have to move quickly on that. That's why for me, it's important to also have these ecosystems that can help you we say that we need a village to raise this child. But this is true. That's why we work, for instance, with the Monetary Authority of Singapore which is putting a discussion right now on taxonomies. But also, we like to work with different organizations, that are really embedded in those issues, like yourself like Grow Asia, or WOMAG. I mean, this is really helping us to make the connection between the reality as well.

Christy 19:01

Yeah, I think that ecosystem is important. And it's interesting how it's really grown in the past few years to support this transition. Taking on new clients, how much weight do you put on their existing ESG profile, and general readiness versus taking on a profitable business, whose environmental and social or E&S profile is weaker?

JY 19:30

I mean, there's a sort of push and pull that we tried to put in place. I mean, we are blessed to work with some of the best-in-class players in the industries. So they know what they're doing. They're moving in the right directions. But we don't want just to focus on those ones say, well, the less advanced ones, we're going to put them aside. Because if really we want to have the complete impact, we need to move entire industry. Of course, some of our companies, which probably are not meeting, obviously, the basic requirements, I think sometimes it's a question of values. Yeah, we probably cannot continue to work with them, or we haven't worked with them.

Ivy 20:42

Exactly. So we are not just looking at the low hanging fruits, ie the clients that have already got green projects. You know, those are relatively easier ones. But there are also challenging assets or projects that really need funding to support the acceleration of their low-carbon transition, like companies that are heavy emitters. How can we support sectors where a clear decarbonization pathway is not available yet? So we are there to assist our clients to think more from a wider sustainability angle, and actively looking at what sort of technologies out there to support them. We are happy to engage in those conversations. And we are not just focusing on the easy tasks. But you know, we are also taking on challenges.

Christy 21:27

And I think that's really important. And this idea that not everyone is in the same place, but we kind of have to really change business to really change the trajectory. We have to have some of those hard conversations and work with some players who, who may be in different stages, but not to try and leave people behind. And then I guess, to kind of point to the future, too, right, what do you see as the future for Mizuho and ag lending as an ESG standard bearer? Clearly there's some work to do. And so this question is a bit for both of you, since I'm curious about next steps, in terms of investments and financial products. And that makes sense for the ag sector, but also the ESG metrics and technologies and systems that the bank will deploy, in order to be able to comply with this growing raft of regulations and international commitments. JY, do you want to kick us off here?

JY 22:21

Sure. For me, to put it short, my goal is and it's kind of personal, but I want Mizuho to be the most impactful lenders, or I will say, financial players in the space of agri food. Of course, the big questions is, how are we going to do about it? How are we gonna go about it? Because we're not, again, direct lenders, we don't do retail in most of these countries. So we're gonna work closer with our clients or stakeholders to really accelerate that movement. I think the carrot and stick will be one exercise. And we will continue to push for that. But I will say that it is also really walking alongside the clients. And this

is where we talk about advocacy and engagement with clients is really important. So we see our clients changing rapidly. And we hope to continue to accelerate the transitions. But more on the granular aspects: we need more financial tools, that's for sure. I mean, ESG financial products is emerging. And we will need more solutions to really continue on that.

On the other hand, I will say we will need new disruptive innovation. Actually, our clients are also asking for new recommendations of where some of this disruptions can really bring the impact. So this is what we try to push on that side. Personally, I always think that also, we need to align the taxonomies. I mean, it's very difficult. And to be honest with myself, I feel a bit lost on how taxonomies keep evolving. So how we can sort of streamline and align, that will be very important. And again, partnership will be very important. I think we need to walk alongside with blended finance insurance.

I think these two tools are really can help in some situations to make what is today not bankable for us. bankable in the future. So that really will help us to continue to provide the capitals to move on the right directions.

Ivy 24:25

And I also want to emphasize that is really critical for us to support the world moving towards the 1.5-degrees scenario, as we've seen UN report and a lot of NGOs and scientists have already alerted that chances are getting slimmer if we move too slowly on supporting the low- carbon transition. So as a financial service provider, I think we play a really important role in supporting our clients low-carbon transition strategies with the funding they need. So a lot of green bonds and loans have been issued. During the last few years, and we are starting to put more focus on the transition label, ever since the guideline for transition financing emerging 2020. So the transition finance market hasn't been moving fast enough.

The major challenge is that of course, it requires advanced and commercially viable technology to support the deep decarbonization pathway. And I think clients are still very much in wait-and-see mode, anticipating early movers to come out to issue, you know, the first transition bond in their sector. Because normally when the first mover come out, it will attract some criticisms. So as a bank, we definitely love to support our clients to be the first movers and provide any necessary advisor to support them to achieve their goals.

Christy 25:48

There's always risk for the first movers. But I think we can agree that those are risks well worth taking, taking, given the urgency of climate change. You know, and I'm hearing from from the two of you the themes like engagement, partnerships, the importance of metrics, and this idea that we really are in a transition finance scenario, as we collectively move towards low-carbon economies. And before we wrap this episode up. I wanted to ask you, one last question, what you think is key to understand in terms of how banks adopt ESG practices, or maybe there's something you'd like to emphasize as a parting thought. JY, I'll start with you. And then I'm going to give Ivy the final word.

JY 26:46

I want to keep in mind that the word of acceleration is key for us. Because we are running out of time. And this is really important when we realize that capital is really an enabler. So we thank you, again, to

give a voice today to really make it out loud, that acceleration is really what we want to push forward. And we really acknowledge of how capital can really help to move faster on that. Thanks.

Ivy 27:24

I will second that. And besides, I think collaboration is also key. Given sustainability and climate issues are such few topics that no single bank or corporate can tackle alone. It is of paramount importance to form partnerships between policymakers, international organizations, financial institutions and private sector companies that can facilitate collaborative efforts in addressing the grand sustainability challenges for the 21st century. So thanks for having us again, and we look forward to working with our peers in creating more impact and move the ESG agenda faster.

Christy 28:05

And I want to thank you both actually, you know for your time and your honesty today, your insights into rapidly changing banking landscape for agri borrowers and for ESG in the region as a whole. I think these kinds of conversations are important to bring those partnerships together, like -you've highlighted.. So, once again, † you've been listening to JY Chow, head of agribusiness and retail sector at Mizuho Bank, joined by Mizuho's head of sustainable finance Ivy Lau. Thank you both for your perspectives on instilling and maintaining an ESG culture in a commercial bank and the ups and downs of leading transition finance. Green Invest Asia will continue to bring these and other sustainable land use investment insights and updates from Southeast Asia in coming episodes. Thank you all very much.

[Fade in outro music with closing lines.](#)

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