The Asian Way:

Sustainable Finance Market Outlook in Southeast Asia and the Role of Hong Kong

(Second Edition)

Contents

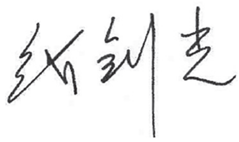
Foreword

The Asia-Pacific region stands at the heart of the global shift toward a lower-carbon and more climate-resilient economy, with Southeast Asia and the Greater Bay Area at the centre of that story. Their economies differ in their industrial strengths, exposure to climate risk and financing needs, yet both are navigating how to address a changing physical climate and the energy transition, and the role that companies, banks and investors can play in responding. These trends are creating new opportunities for businesses and financial institutions to contribute to the region's long-term sustainable transition.

In this context, the Hong Kong Financial Research Institute of Bank of China, the MSCI Institute and HKU Jockey Club Enterprise Sustainability Global Research Institute have continued to work together to track developments in sustainable finance across Southeast Asia and the Greater Bay Area. Now in its second edition, this research builds on the findings of last year's study and reflects our continued collaboration in understanding how the market is developing. The research combines a recurring set of survey questions with analysis of emerging market themes, enabling us to identify shifts in sustainability priorities, investment activity, opportunities and barriers. We hope to continue this work annually, creating a growing evidence base that can help translate sustainable demand into practical investment opportunities.

As this report highlights, companies in both SEA and GBA show broadly similar progress in putting transition planning and climate-risk management into practice. Beyond that, their strengths diverge. The Greater Bay Area's manufacturing and technology base positions its companies to develop and supply many of the technologies needed for the energy transition. Southeast Asia's rapidly urbanising economies create substantial demand for their deployment, while companies there are developing capabilities in areas such as water treatment and other adaptation solutions. These differences point to opportunities for greater connection between technology, capital and needs across SEA and GBA. They also underscore an evolution in sustainable finance. As transition technologies mature and the financial consequences of physical climate risk become more apparent, investors and lenders can increasingly distinguish where technologies are commercially ready, where additional financing mechanisms may be required and where resilience investment can protect economic value.

We hope this report helps financial institutions, companies and policymakers sharpen their understanding of those opportunities and supports the flow of capital toward a more resilient regional economy.



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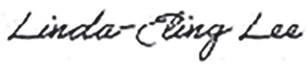

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About the Report

This report is jointly prepared by the Hong Kong Financial Research Institute of Bank of China, the MSCI Institute, and HKU Jockey Club Enterprise Sustainability Global Research Institute. This collaboration allows three institutes to leverage their respective strengths and promote sustainable finance across Greater Bay Area and Southeast Asia.

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- We would also like to thank the following contributors from BOCHK, MSCI Institute and HKU-JCESGRI for their contributions to this report: Dr. Kang Qu, Fei Lau, Chakki Ting, Zhixuan Chen, Rumi Mahmood, Brian Browdie, Michele Leung, Ser Jin Tan, Nicole Sze, Lauren Yeung, Anthony Chan, Professor Jeffrey Ng, Qidan Wang, and Huailing Xie.

Executive Summary

This report examines how companies across Southeast Asia (SEA) and the Greater Bay Area (GBA) are progressing from climate ambition to implementation, drawing on market data and a survey targeted towards companies in both SEA and GBA.

Transition planning has outpaced financial follow through. Nearly three-quarters (74%) of companies surveyed have established board and management responsibilities for climate transition, but fewer (12% in SEA and GBA each) have converted that into financial mechanisms such as remuneration, internal carbon prices and capital spending. Companies surveyed in the GBA generally lead their SEA counterparts on risk management processes, while those in SEA lead on embedding climate risk into financial mechanisms. Nonetheless, the operationalisation gap for both SEA and GBA is a demand signal for transition expertise and transition financing.

Green and transition revenues and technology readiness dictate financing playbooks and regional cooperation. Green and transition revenues from GBA companies surveyed concentrate in electric vehicles (EVs), wind, and nuclear energy (8.9% median revenue exposure in EVs alone), while corresponding revenues from those surveyed in SEA concentrate in solar energy (1.5% versus GBA's 0.9%). Companies in both SEA and GBA can increasingly acquire green and transition technologies such as onshore wind and solar at prices competitive with those of carbon-intensive alternatives. Investors and lenders may therefore be able to incorporate sustainability indicators or covenants in loans for companies that leverage clean technologies.

Physical risk and resilience as the market's next financing frontier. Facing unique but mounting physical risks, companies surveyed in both SEA and GBA express a need for financing that enables them to strengthen their ability to adapt to and withstand physical climate risk. On average, companies in the GBA hold more patents for adaptation and resilience solutions compared with their counterparts in SEA (14% versus 3%), while those in SEA lead or match their GBA counterparts in revenue from water-related adaptation solutions such as desalination and wastewater treatment. Sustainable debt issued by companies in both SEA and GBA increasingly features climate adaptation-related use of proceeds, which reached an estimated USD 19 billion in the first half of 2026, reflecting growing borrowing by government issuers and the rising importance of climate resilience.

SEA organisations continue to see sustainability as a source of value creation even as investment slows. 50% of SEA organisations consider sustainability to be of very high importance, up from 46% last year. Cost efficiency and new business opportunities remain the leading sustainability drivers, followed by regulatory requirements, suggesting that companies continue to view ESG as an economic opportunity rather than solely a compliance exercise. Nevertheless, high costs, low profitability and limited awareness remain important barriers. Investment momentum has also moderated: 59% of SEA organisations increased sustainability investment over the past year, down from 75% previously; 71% of SEA companies still expect to engage in sustainable finance or investment over the next five years, a decline from 86% previously.

Affordable capital and cross-border financing are becoming increasingly important. Funding cost is now the principal consideration for 91% of SEA companies when choosing where to undertake sustainable financing, replacing market size as the leading factor last year. This shift is consistent with companies' emphasis on cost efficiency and suggests greater sensitivity to the economics of sustainable investment. While only 31% of the companies in our survey plan to engage in overseas sustainable finance, the share is higher for SEA respondents at 44%, creating opportunities for Hong Kong to provide competitive and tailored solutions.

Hong Kong remains well positioned to capture this regional opportunity. Respondents continue to rank Hong Kong as the leading international green finance centre across both the overall and SEA respondents. To strengthen this position, companies identified tailored grant schemes, green infrastructure financing, and closer communication among SEA and GBA regulators as priority areas for collaboration.

Taken together, the findings suggest that the next phase of sustainable finance will move from transition planning to turning those plans into financially viable investments. Hong Kong can play an important role in this process by combining competitive financing, transition expertise and cross-border connectivity with solutions tailored to the needs of SEA and GBA companies.

Key Data at a Glance

Over USD 350 billion in labelled sustainable bonds issued across SEA and the GBA since 2015

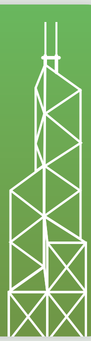
As of H1 2026, outstanding amount of bonds with adaptation use of proceeds across GBA and SEA nearly reached USD 33 billion: USD 20.7 billion in the GBA, led by corporates, and USD 12.2 billion in SEA, concentrated in agency sukuk vehicles.

74% of companies have established board or management-level responsibilities for climate transition across SEA and the GBA.

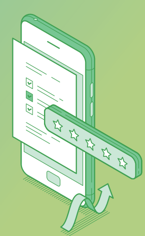
For the SEA organisations we surveyed:

- **50%** consider sustainability to be of very high importance to their strategy and operations in the next 3 years, up from 46% last year
- **59%** increased sustainability investment over the past year, down from 75% previously
- **71%** expect to engage in sustainable finance or investment over the next five years
- **91%** view funding cost as the main consideration when choosing where to finance sustainable finance, replacing market size as the leading factor last year.
- **44%** plan to engage in overseas sustainable finance, compared with 31% of respondents overall

Hong Kong ranks as the **top** international green finance centre, ahead of Singapore, Shanghai, London and New York.



73% of all organisations surveyed identified tailored grant schemes as a key area for collaboration with GBA and SEA, followed by green infrastructure financing (63%), and closer communication among regional regulators (44%).



The Sustainable Finance Landscape in Southeast Asia and Greater Bay Area

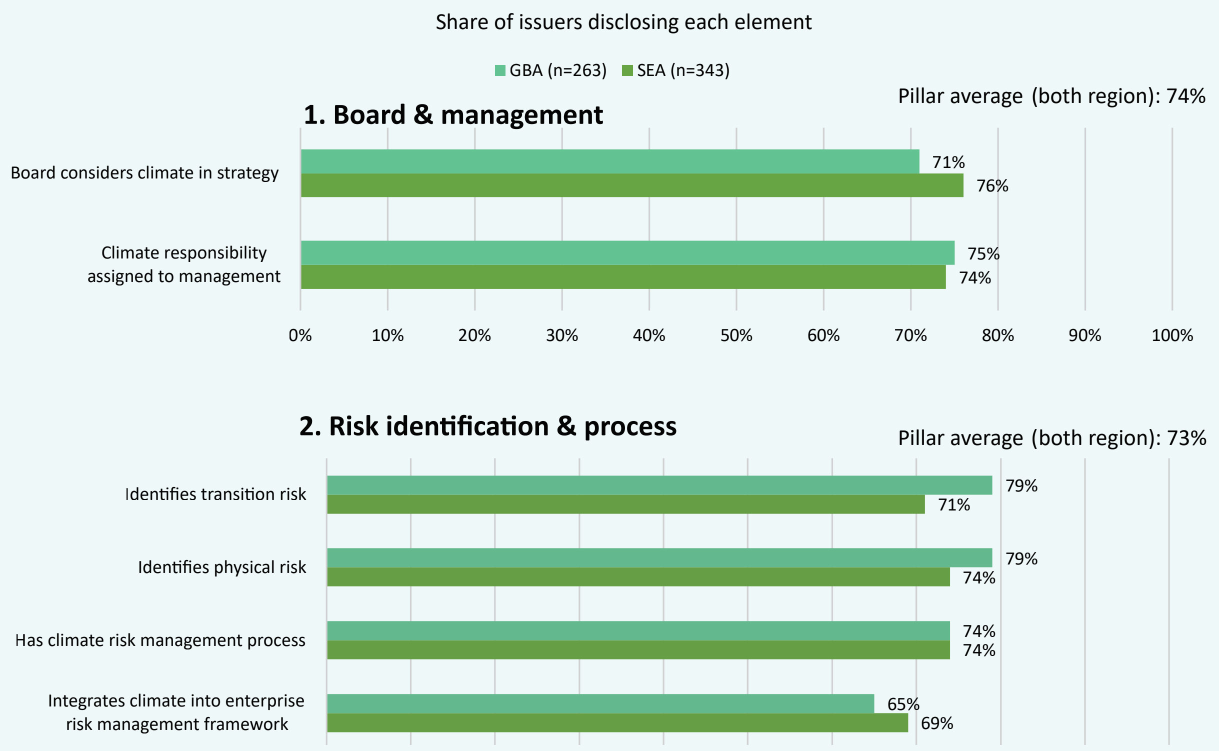
Regulatory and industry-led efforts in sustainable finance globally have converged toward planning for the transition to a lower-carbon economy, seen as complementary to sustainable finance taxonomies — the EU Taxonomy and Singapore-Asia Taxonomy, for example — and disclosure standards such as IFRS S2. In simple terms, a transition plan is a company's roadmap for how it will adapt its business as the world shifts toward clean energy. Such plans help banks and investors differentiate among companies based on their transition readiness and identify those companies that may be exposed to climate-related financial risk.

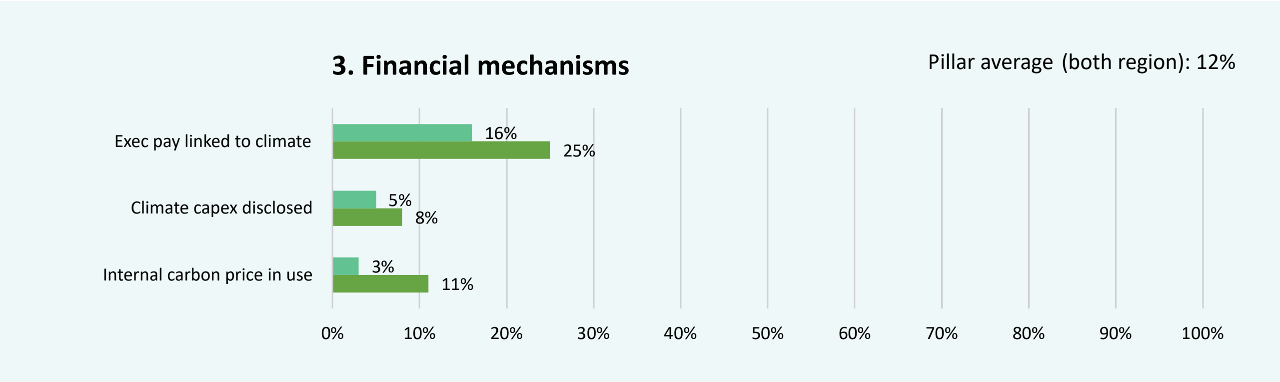
Transition plans provide insight into how companies manage relevant risks, capitalise on opportunities, and position themselves for the shift to a cleaner, more resilient global economy. They can add credibility to companies' governance and management of transition-related risks and provide investors, lenders and insurers with information about the actions companies are taking to operationalise their transition strategies. Therefore, strengthening transition-planning disclosures and target-setting will be critical to maintaining investor confidence and attracting sustainable capital inflows for SEA and GBA companies.

Evidence from listed companies in both SEA and GBA shows they are operationalising transition planning. Nearly three-quarters (74%) of companies surveyed in both the GBA and SEA have established measures for assessing the effectiveness of directors and managers in managing the transition (Exhibit 1). Most (79%) companies in the GBA have identified transition and physical risks, compared with 71% and 74%, respectively, of their counterparts in SEA. More than two-thirds (69%) of companies in SEA have embedded climate into enterprise risk frameworks, compared with 65% of companies in the GBA. A quarter of companies in SEA link executive pay to the management of climate-related financial risk, compared with 16% in the GBA. Eleven percent of companies surveyed in SEA have set an internal carbon price, compared with 3% in the GBA.

Companies surveyed in both SEA and GBA confront gaps in tying internal financial incentives to transition management. Tightening such ties can provide banks with evidence of demand for products such as transition loans and sustainability-linked structures. Companies seeking financing may find that strengthening their financial management of the transition makes it easier to access the sustainable-finance products banks offer.

Exhibit 1: Progress across three key pillars





Source: MSCI Sustainability & Climate, Data as of July 31, 2026. Data covers 263 publicly listed companies in the Greater Bay Area (based on relevant regional constituents of the MSCI China IMI and MSCI Hong Kong IMI indexes), and 343 companies in Southeast Asia (based on constituents of the MSCI Indonesia, Malaysia, Philippines, Singapore and Thailand IMI indexes)

Green and transition revenues and technology readiness drive each region's transformation

Companies' transition readiness depends on the availability and cost-competitiveness of green and transition technologies. Green and transition technologies and the revenue companies earn from them range from clean technologies such as renewable energy and EVs to technologies that can help decarbonise heavy industry. Companies surveyed in the GBA and SEA differ in their focus based on revenue from green and transition technologies (Exhibit 2).

Companies surveyed in the GBA earn the largest share of green and transition-related revenue — nearly 9% median revenue exposure — from electric vehicles, wind, energy efficiency and flexibility solutions, and nuclear and other generation. Green and transition-related revenue of companies surveyed in SEA is concentrated in solar, biofuels, and clean-transport infrastructure, with 1.5% median revenue exposure. The comparatively large share of green and transition revenue earned by companies in the GBA reflects its manufacturing and technology base, which focuses on EV supply chains, grid and storage equipment, and nuclear power. The regional economy of SEA, by contrast, focuses on resources such as the development of biofuels from agricultural feedstock, solar deployment and infrastructure for fast-urbanising markets.

These patterns align with SEA and GBA's policy and corporate anchors: Shenzhen-based BYD (electric vehicles), Guangdong's Ming Yang (wind power) and China General Nuclear, for example, are reinforced by China's dual-carbon targets and sustained new-energy-vehicle support. In SEA, active coal phase-out efforts have been facilitated partly through long-term renewable power-purchase agreements with feed-in tariffs , guaranteeing solar revenue opportunities for developers such as Global Power Synergy (Thailand), ACEN Corporation (the Philippines) and Keppel (Singapore).

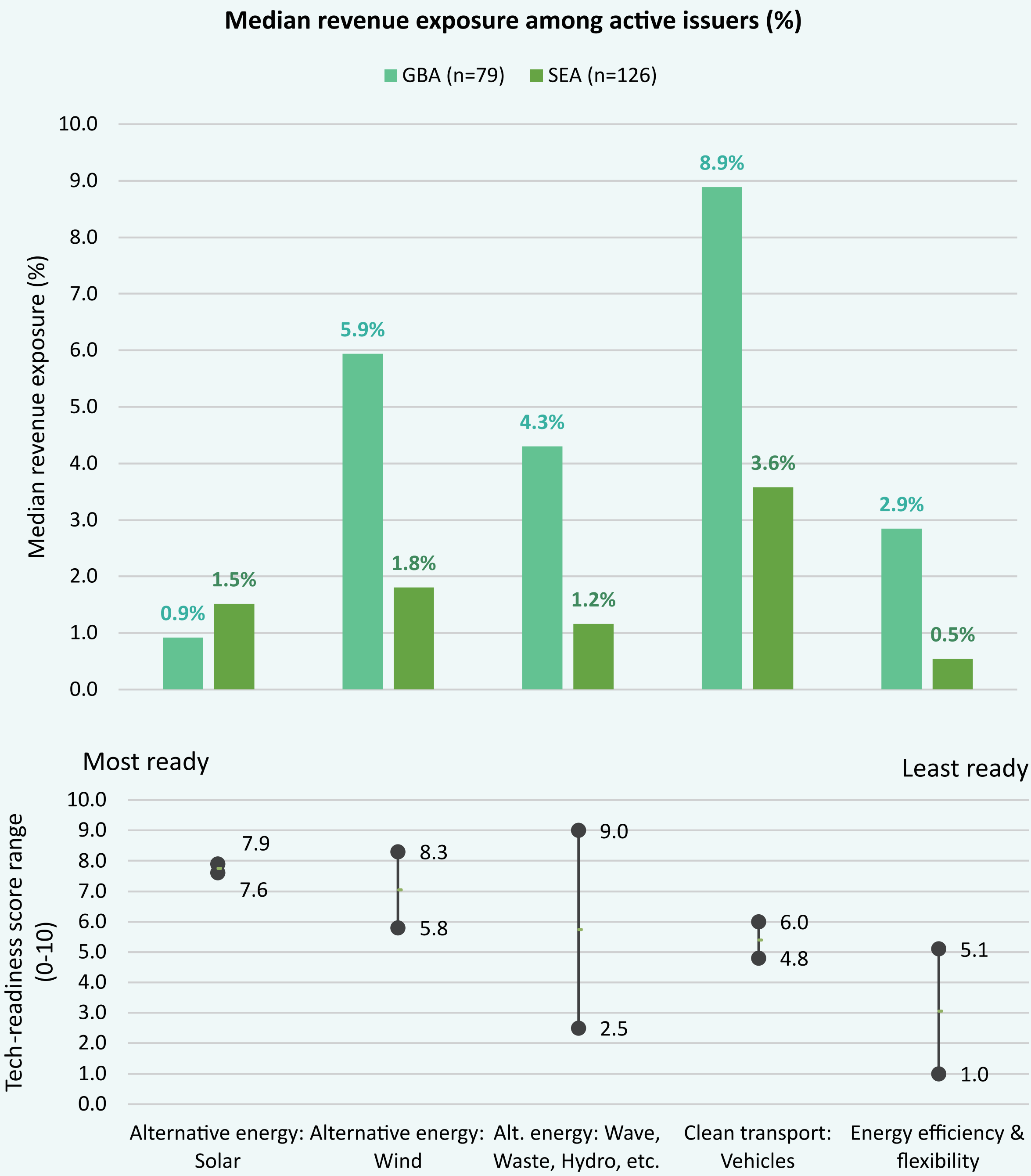
Cost parity and decarbonisation potential are the main determinants of a green and transition technology's commercial maturity, informing the technology readiness scores shown above. Commercial maturity of green and transition technologies varies significantly across industries globally, according to MSCI research. Investors and lenders can therefore assess an industry's ability to decarbonise based on the availability of green and transition technologies that companies can deploy at scale (Exhibit 3).

The implications vary by industry, according to MSCI's analysis. Industries fall into three broad groups, each calling for a different financing approach:

- Commercially ready today. Onshore wind, solar and small hydroelectric power, as well as several technologies (such as low-clinker cement) for decarbonising heavy industry, already sit at cost parity. Banks can both underwrite such technologies using standard terms while setting stronger sustainability metrics or covenants for borrowers in those sectors.

- Close to commercially ready. Battery electric vehicles are likely to reach cost parity within five years, supporting transition loans or sustainability-linked structures with milestone-based measures tied to adoption.

Exhibit 2: Green and transition solutions revenue and readiness by category

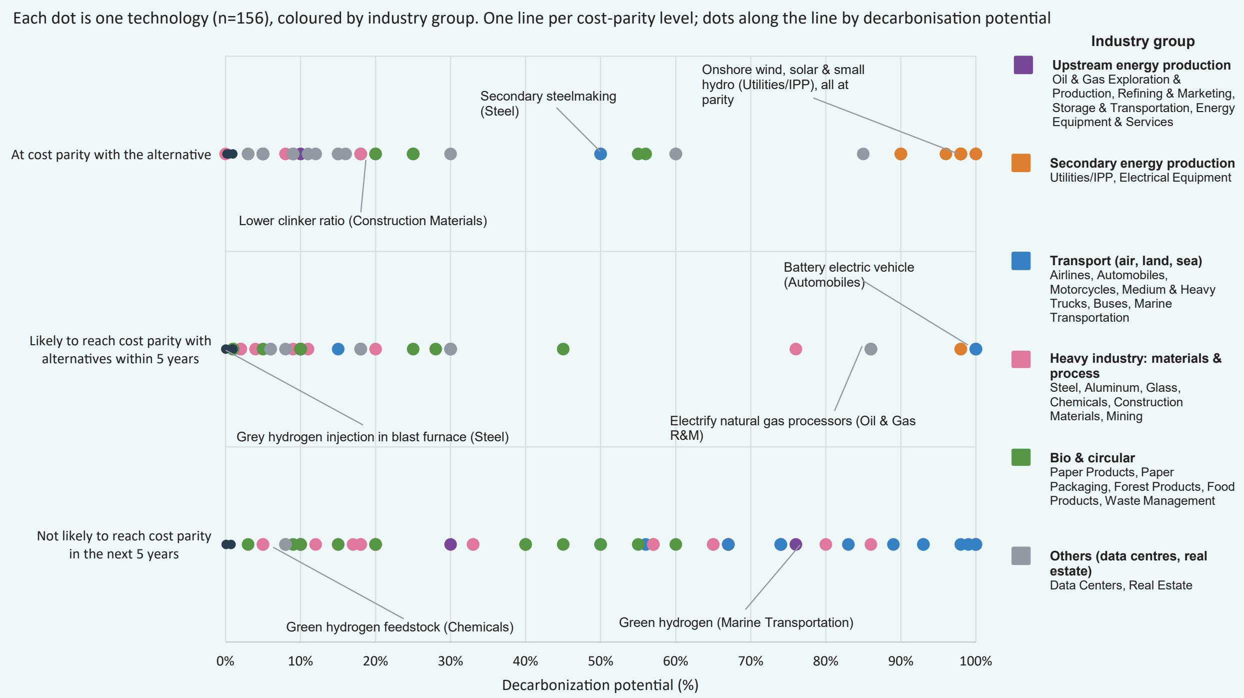


Source: MSCI Sustainability & Climate, based on data as of July 31, 2026. Exposure and scores derived from MSCI's Energy Transition Score, which provides a forward-looking assessment of how well a company is positioned for the transition over the next five to seven years relative to business and regulatory transition pressures. Data covers a subset of companies with transition solutions revenue, notably 79 publicly listed companies in the Greater Bay Area (based on relevant regional constituents of the MSCI China IMI and MSCI Hong Kong IMI indexes) and 126 companies in Southeast Asia (based on constituents of the MSCI Indonesia, Malaysia, Philippines, Singapore and Thailand IMI indexes)

- Not yet commercially viable. Green-hydrogen feedstock for use in the chemicals industry, green hydrogen for use in marine transportation, and several other heavy-industry technologies are unlikely to reach cost parity in the next five years, so borrowers in cement, chemicals and similar hard-to-abate sectors have fewer viable decarbonisation paths today. Financing for such technologies might lean toward grants, blended concessional capital or research-and-development-linked instruments rather than standard sustainability-linked metrics.

Apart from technology readiness, varying country-level decarbonisation policies can further shape an uneven transition . Such policies include the level of carbon taxes, fossil fuel subsidies and ambition of Nationally Determined Contributions (NDCs) and Long-term Strategies (LTS), requiring careful design of financing instruments for companies across SEA and GBA.

Exhibit 3: Green and transition technologies: Global assessment of cost parity versus decarbonisation potential



Source: MSCI Sustainability & Climate, analysis using MSCI's Energy Transition Framework, based on data as of July 31, 2026.

1 Integrating Solar and Wind in Southeast Asia. IEA, September 22, 2025.

2 Setting Expectations Amid a Bumpy Energy Transition. MSCI Sustainability & Climate, November 10, 2025.

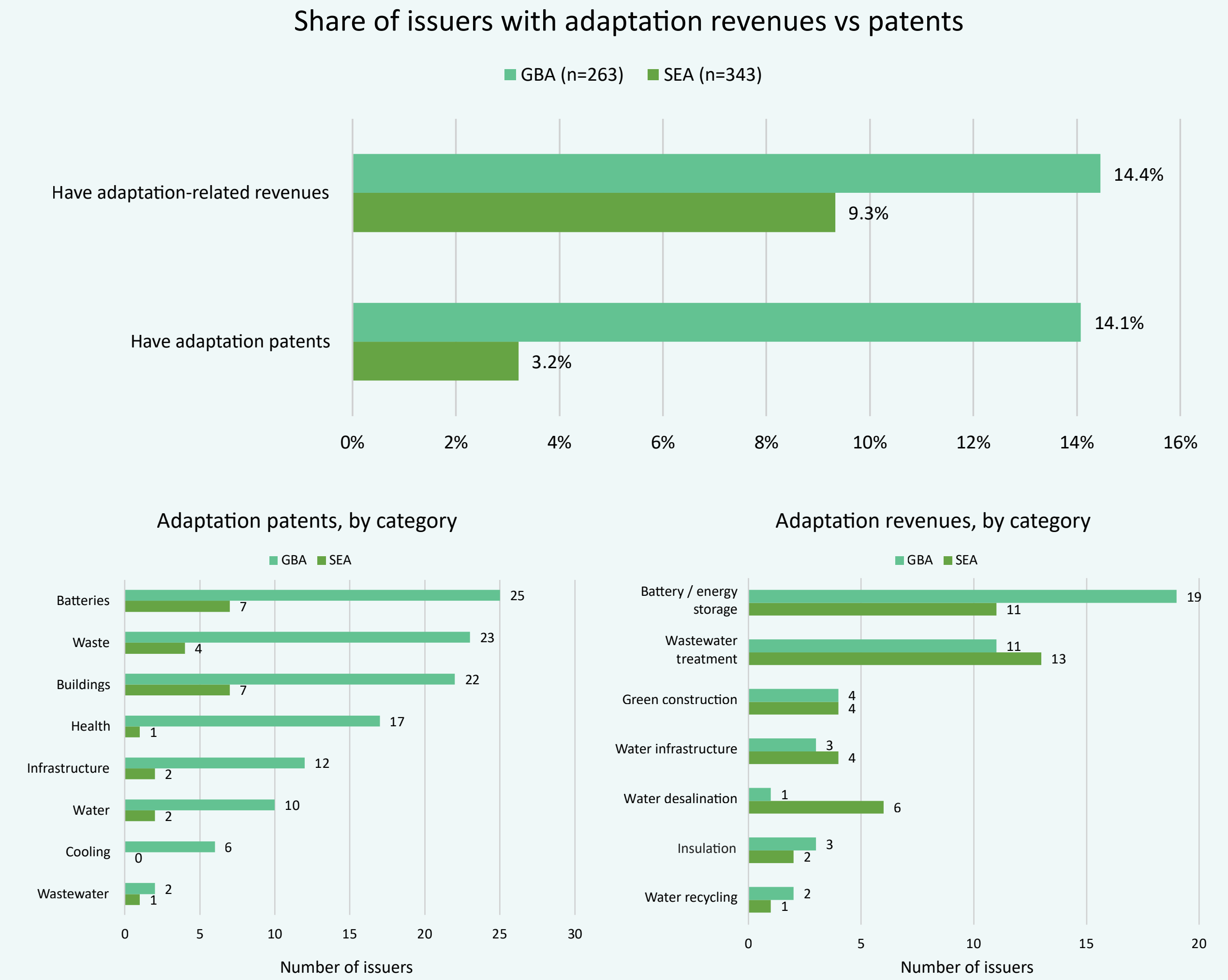
A growing market for adaptation and resilience

As physical climate risk rises globally, financing for adaptation and resilience plays an increasingly pivotal role in safeguarding business models while enabling companies to scale the provision of products and solutions that can help governments, businesses and consumers withstand the effects of warming. About 14% of companies in the GBA earn revenue from adaptation and resilience solutions and a similar share hold patents for technologies that may contribute to adaptation and resilience, including, for example, batteries, wastewater treatment and weather-resistant building materials (Exhibit 4). Roughly 9% of companies in Southeast Asia have adaptation-related revenue, while 3% hold adaptation-related patents.

Companies in SEA lead or match their counterparts in the GBA in revenue from desalination and wastewater treatment. The difference may be driven by demand in SEA for the protection of freshwater sources, modular treatment plants and infrastructure for growing urban populations.

For banks, patents held by GBA companies may make GBA a destination for intellectual-property-linked or technology-licensing finance. Demand for solutions designed to safeguard water in SEA may be better served by project or infrastructure finance.

Exhibit 4: Adaptation revenue and patents share by issuers



Source: MSCI Sustainability & Climate, Data as of July 31, 2026. Data covers 263 publicly listed companies in the Greater Bay Area (based on relevant regional constituents of the MSCI China IMI and MSCI Hong Kong IMI indexes), and 343 companies in Southeast Asia (based on constituents of the MSCI Indonesia, Malaysia, Philippines, Singapore and Thailand IMI indexes)

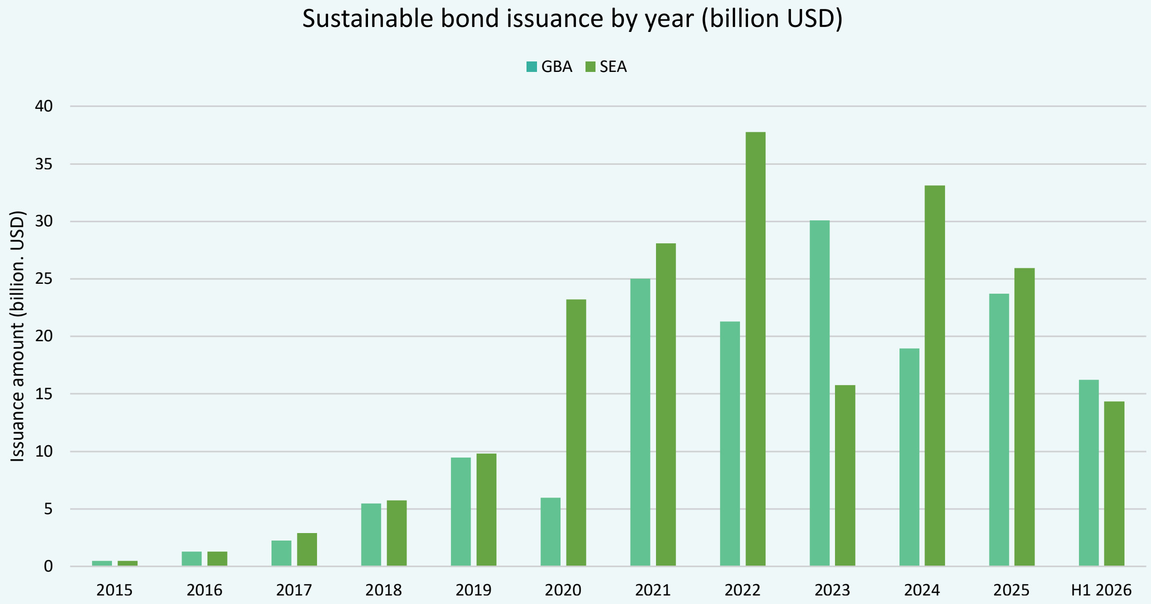
3 The Bill is Due: Physical-Hazard Revenue Losses Mount, Plans Lag. MSCI Sustainability & Climate, September 17, 2025.

Labelled sustainable bond issuance

Issuance of green, social, sustainability and sustainability-linked bonds across the GBA and SEA shows sustained momentum, with cumulative volume since 2015 exceeding USD 350 billion as of June 30, 2026 (Exhibit 5). Companies in SEA have issued roughly USD 259 billion in labelled bonds since 2015, compared with USD 160 billion by companies in the GBA. Issuance in SEA reflects a diversified mix across green, social and sustainability labels, while volumes in the GBA are concentrated in green bonds, reflecting the region's base of early movers.

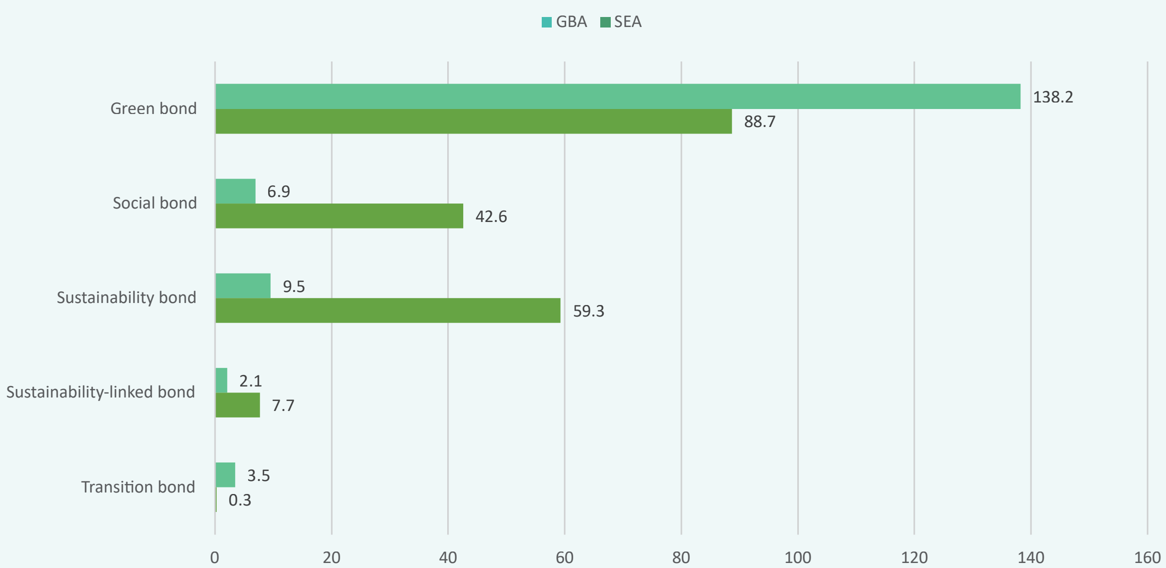
The instrument-level split continues to show SEA's broader use of labels beyond green, reflecting demand for financing tied to social and development priorities as the region's sustainable-finance market matures.

Exhibit 5: Labelled bond issuance in the GBA and SEA (USD billion)



Source: MSCI Sustainability & Climate, based on data from FactSet. Data as of July 31, 2026.

Exhibit 6: Sustainable Bond Cumulative Issuance as of H1 2026

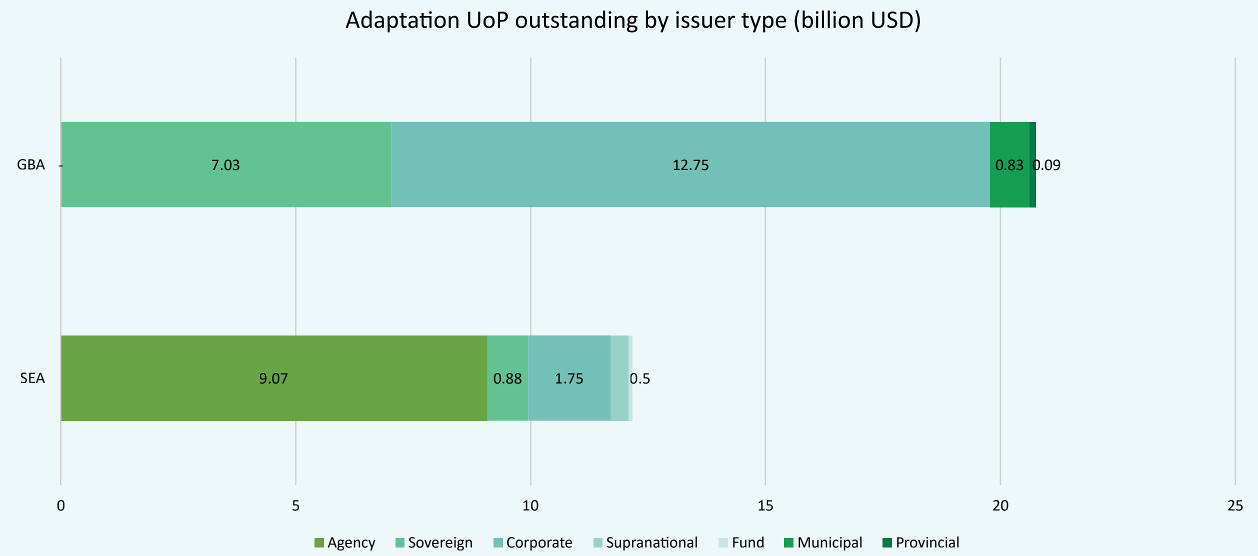


Source: MSCI Sustainability & Climate, based on data from FactSet. Data as of July 31, 2026.

Labelled bonds increasingly reflect adaptation-related use of proceeds (UoPs)[4], where various issuer types from SEA and GBA have been involved (Exhibit 7). As of July 31, 2026, nearly USD 33 billion of bonds flagged with adaptation-related use of proceeds are outstanding across the GBA and SEA. This was USD 20.7 billion in the GBA, led by corporates such as MTR, China Southern Power Grid and Swire Properties, with the Hong Kong SAR Government accounting for most of the remainder. USD 12.2 billion are in SEA, concentrated in Indonesia's agency-based Islamic-bond programme.

Adaptation-eligible use-of-proceeds categories (including climate-resilient infrastructure and water-related projects) point to areas of growth in adaptation-labelled issuance.

Exhibit 7: Green bonds with adaptation use of proceeds by issuer type (USD billion)



Source: MSCI Sustainability & Climate, based on data from Refinitiv. Data as of July 31, 2026. GBA reflects Hong Kong, Macau and the nine Guangdong Greater Bay Area cities. SEA reflects ten ASEAN domiciles, but only issuers from Indonesia, the Philippines, Singapore and Malaysia have adaptation UoPs flagged. Amounts are the total outstanding value of bonds carrying an adaptation UoP without accounting for UoP % yet.

Regional cooperation and financing

Differences in profiles and strengths among companies in the GBA and SEA suggest potential for cross-regional collaboration. In the energy transition, the GBA's manufacturing and technology base could supply equipment, components, and technical expertise to support SEA's buildout, while SEA's fast-urbanising infrastructure could offer GBA corporates new markets for their technologies.

Furthermore, SEA and GBA differ in their exposure to physical climate risk. The GBA faces acute typhoon, storm-surge and heat exposure, while rapid urbanisation across SEA creates exposure to pluvial flooding, sea-level rise and water stress. These differences may be complementary. Companies in SEA earn a greater share of revenue from solutions such as water efficiency, wastewater treatment and desalination, while those in the GBA have experience in early warning systems and storm-proof designs. Sharing these solutions could strengthen climate resilience across regional and global supply chains, while also increasing visibility of an otherwise largely hidden economy on adaptation.[5]

4 Sustainable Debt Global State of the Market 2025. Climate Bonds Initiative, March 17, 2026.

5 The Hidden Adaptation Economy: A New View of Corporate Resilience and Opportunity. MSCI Institute, March 18, 2026.

Survey Findings

Introduction & research methodology

A combination of factors continues to shape sustainability and sustainable finance across Southeast Asia (SEA). This section examines the region's sustainable finance needs, opportunities and challenges, as well as how Hong Kong can best address these needs through its world-class sustainable financial services. To support this analysis, the Hong Kong Financial Research Institute of Bank of China, MSCI Institute, and the HKU Jockey Club Enterprise Sustainability Global Research Institute jointly conducted a survey to understand the sustainability and sustainable finance needs of organisations in SEA, compared with those in the Greater Bay Area (GBA) and the rest of Chinese Mainland.

The survey received broad participation across SEA, GBA and the rest of Chinese Mainland. A total of 117 responses were received. SEA organisations represented the largest respondent group, accounting for 48% of the final sample, followed by the GBA at 38% and the rest of Chinese Mainland at 15%. Within SEA, all ASEAN markets were represented, providing a broad regional perspective. Singapore had the highest representation, followed by Cambodia and Malaysia, while the remaining responses were distributed across Brunei Darussalam, Indonesia, Lao PDR, the Philippines, Myanmar, Thailand, Vietnam and Timor-Leste. Within the GBA, respondents were drawn from Guangdong Province, Hong Kong SAR and Macao SAR, enabling meaningful comparison between SEA and one of Asia's major economic and financial regions.

Importance of sustainability and sustainable finance

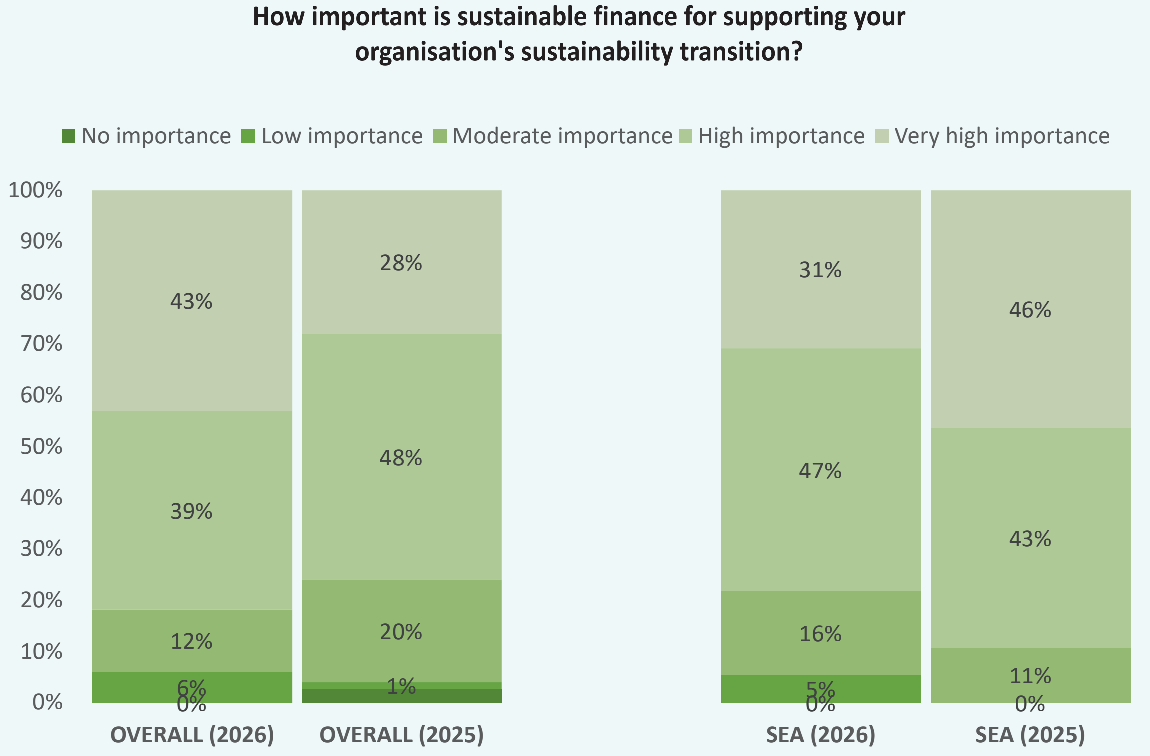
Sustainability remains central to strategic and operational planning. More than four in five organisations (84%) consider sustainability to be of high or very high importance to their strategy and operations over the next three years, broadly consistent with 83% in the prior year (Exhibit 8). Sustainability also remains a strong strategic priority in SEA, with more than 82% of organisations assigning it high or very high importance over the next three years. **In particular, half of SEA organisations consider sustainability to be of very high importance, up from 46% last year.** This increase indicates a deepening commitment among SEA organisations, with sustainability becoming more firmly embedded in corporate strategy, operational planning and long-term resilience.

Exhibit 8: 84% of the organisations surveyed think sustainability has high or very high importance in the next 3 years, broadly similar to 83% last year

Source: Derived from survey data and analysed by HKU Jockey Club Enterprise Sustainability Global Research Institute.

Growing recognition for sustainable finance's importance. Sustainable finance continues to play a central role in supporting organisational sustainability transitions, with 82% of respondents rating it as being of high or very high importance, up from 76% in 2025. This growing recognition indicates that sustainable finance is becoming more firmly embedded in strategic planning and capital allocation. In Southeast Asia, 78% of respondents assigned high or very high importance to sustainable finance, compared with 89% in the prior year, suggesting some moderation in sentiment while affirming its status as a core transition priority.

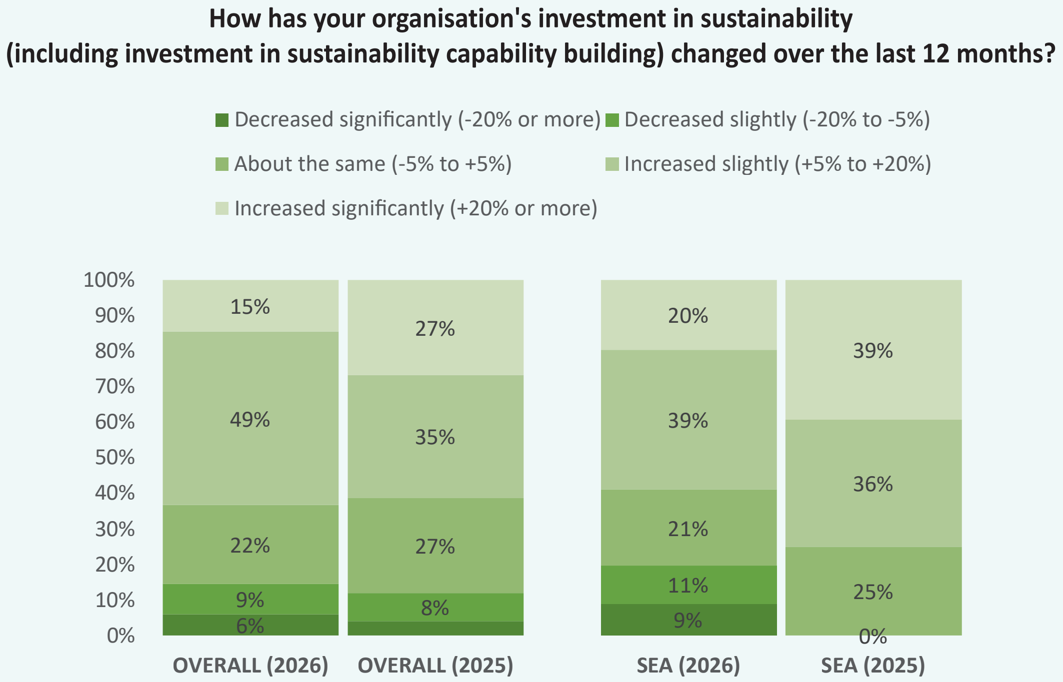
Exhibit 9: 82% of the organisations surveyed think sustainable finance has high or very high importance for supporting their organisation's sustainability transition, up from 76% last year



Trends in sustainability investment

SEA companies have adopted a more wait-and-see approach in sustainability investment. Overall, 63% of surveyed organisations reporting increased investment over the past 12 months, similar to 62% in 2025 (Exhibit 10), while 15% reported reductions. In SEA, however, the proportion of organisations expanding sustainability investment declined from 75% to 59%, while 20% reported cutbacks, compared with none in the prior year. Although sustainability remains an active area of capital allocation, SEA results indicate a more selective investment environment, with organisations increasingly balancing sustainable priorities against near-term financial and operational constraints.

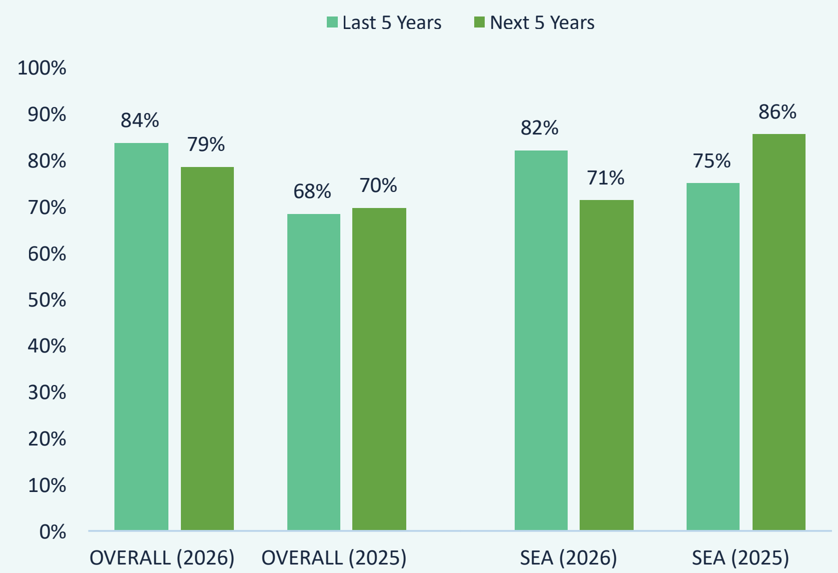
Exhibit 10: 63% of the organisations increased sustainability investment over the last 12 months, similar to 62% from last year



Most organisations plan to increase sustainability-related financing and investment in next 5 years. Sustainability-related financing and investment remain prevalent, with 84% of organisations having engaged in such activities over the past five years (Exhibit 11), up from 68% in the prior survey. Looking ahead, 79% expect to participate over the next five years, compared with 70% previously.

In SEA, however, prospective engagement stands at 71%, below both the overall's 79% and the prior survey's 86% forward-looking figure. This suggests that, despite a well-established base of sustainable finance activity, organisations are adopting a more selective approach to future capital allocation, reinforcing the need for credible and commercially viable financial solutions that can sustain the regional investment pipeline.

Exhibit 11: Organisations plan to further engage in sustainability-related financial activities in the next 5 years compared with last survey's results



Source: Derived from survey data and analysed by HKU Jockey Club Enterprise Sustainability Global Research Institute.

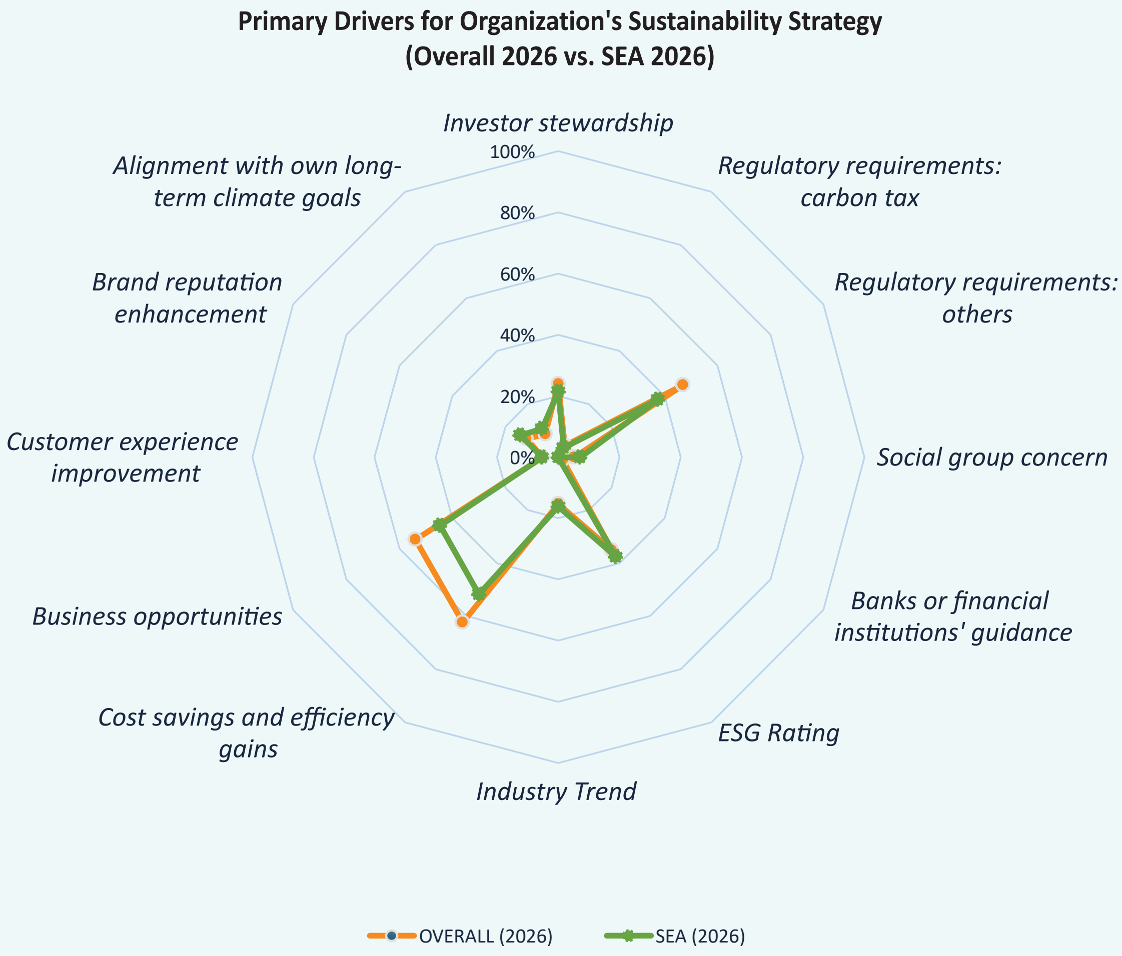
Drivers and barriers for sustainability strategy

Respondents were asked to select only their top three options in 2026, compared with all applicable options in 2025. Therefore, year-on-year comparisons should be interpreted with caution. Changes in response levels may therefore partly reflect the revised methodology, while comparisons of the relative ranking of priorities remain informative.

Value creation continues to be top driver. “Cost savings and efficiency gains” (62%) and “business opportunities” (54%) remain the top two drivers overall, consistent with last year. This is also true for SEA, where efficiency gains (52%) rank ahead of business opportunities (45%).

Regulation continues to drive sustainability. Regulatory requirements other than carbon taxes were cited by 47% of respondents overall and 38% in SEA, making them the third-ranked driver overall and jointly the third-ranked driver in SEA alongside ESG ratings. Its ranking behind cost efficiency and business opportunities suggests that companies view ESG as an importance source of value creation rather merely a compliance exercise.

Exhibit 12: Key Drivers for Sustainability Strategy

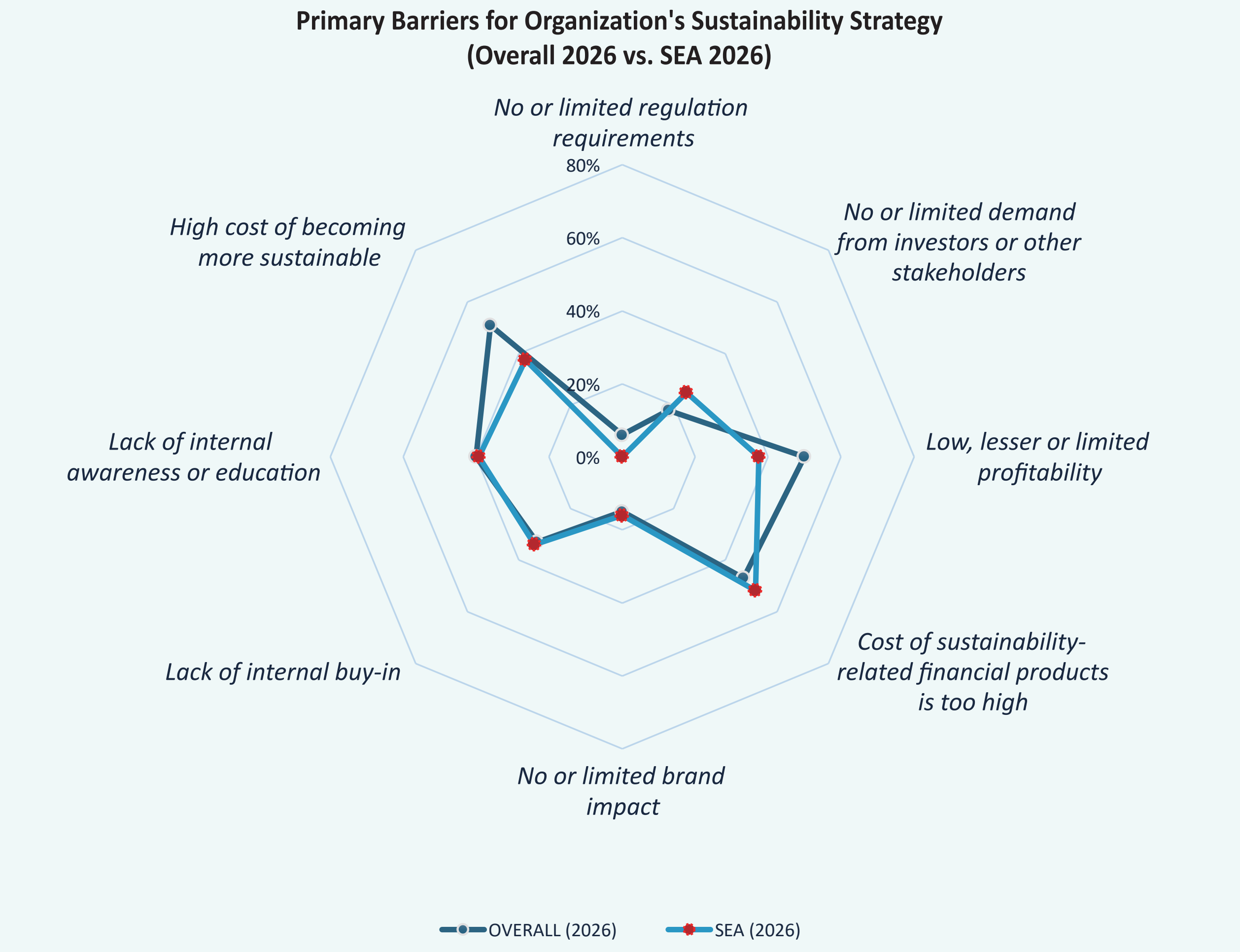


Costs remain the largest barrier overall. The cost of becoming more sustainable was identified as the biggest barrier (51%), followed by low, lesser or limited profitability at 50% and costs of sustainability-related financial products at 47% (Exhibit 13). This highlights the continuing tension between the upfront investment required for sustainability initiatives and the financial gains that organisations expect such initiatives to deliver.

The cost of sustainable finance is a particularly significant constraint in SEA. The cost of sustainability-related financial products was identified by 52% of SEA respondents, making it the region's leading barrier, compared with 47% overall. This indicates a need for more affordable financing solutions in the region.

Awareness and education gaps also slow progress. A lack of internal awareness or education was cited by 40% of overall respondents and 39% of SEA respondents, making it a notable barrier. Among SEA respondents, it ranks as the second largest barrier, followed jointly by the cost of becoming more sustainable and limited profitability, both at 38%. These findings suggest that expanding access to affordable sustainable finance must be accompanied by capacity building and stronger internal engagement to embed sustainability into organisational decision-making and day-to-day operations.

Exhibit 13: Key Barriers for Sustainability Strategy

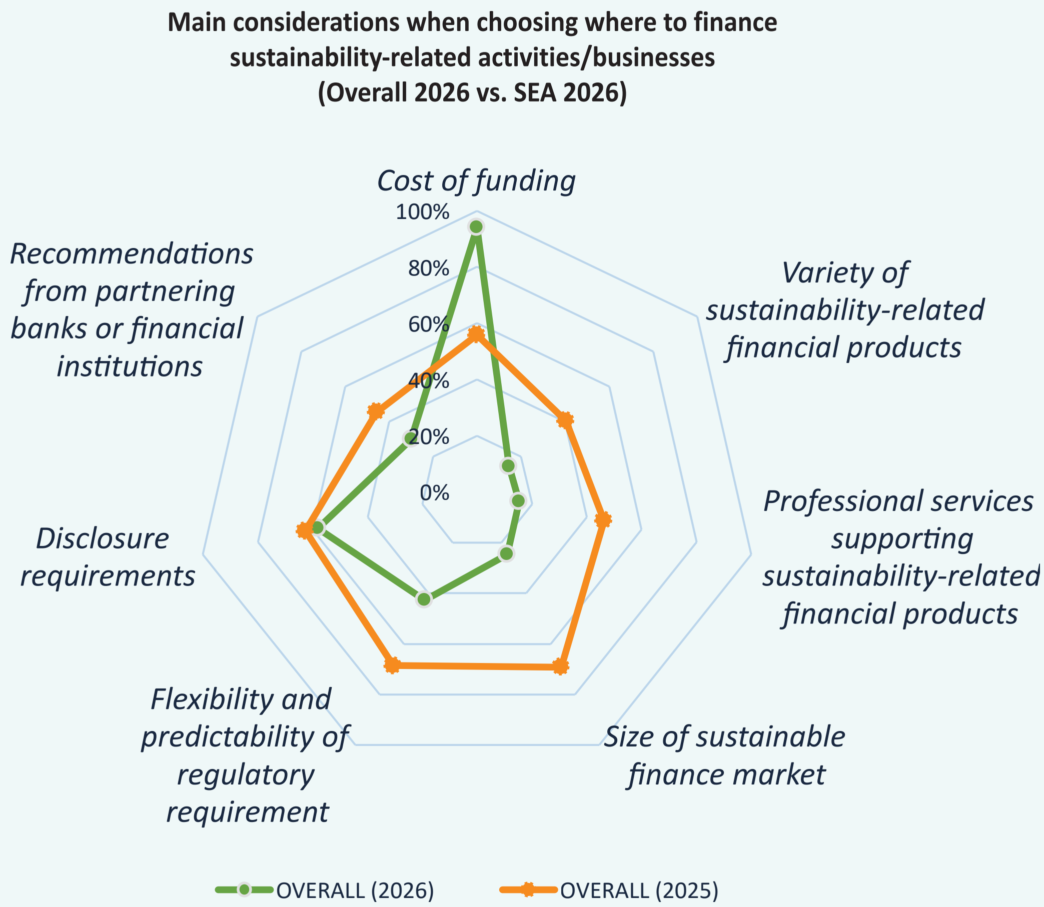


Drivers and barriers for sustainable finance

Cost of funding has become the dominant consideration. Overall, 94% of respondents cited funding cost as a key factor when choosing where to finance sustainability-related activities, up from 56% in 2025, when it did not rank among the top three. Disclosure requirements ranked second at 58%, followed by flexibility and predictability of regulatory requirements at 43%. This represents a marked change from 2025, when market size and regulatory flexibility jointly led at 69%, followed by disclosure requirements at 63%.

SEA has shifted focus from market size towards securing affordable capital and recommended lenders. Cost of funding rose sharply from 44% in 2025 to 91% in 2026, becoming the region's overriding consideration, followed by recommendations from partnering banks or financial institutions (46%). This contrasts with 2025, when market size was the leading consideration at 67%. The findings indicate that SEA organisations are shifting from prioritising market depth towards securing affordable capital and recommended lenders.

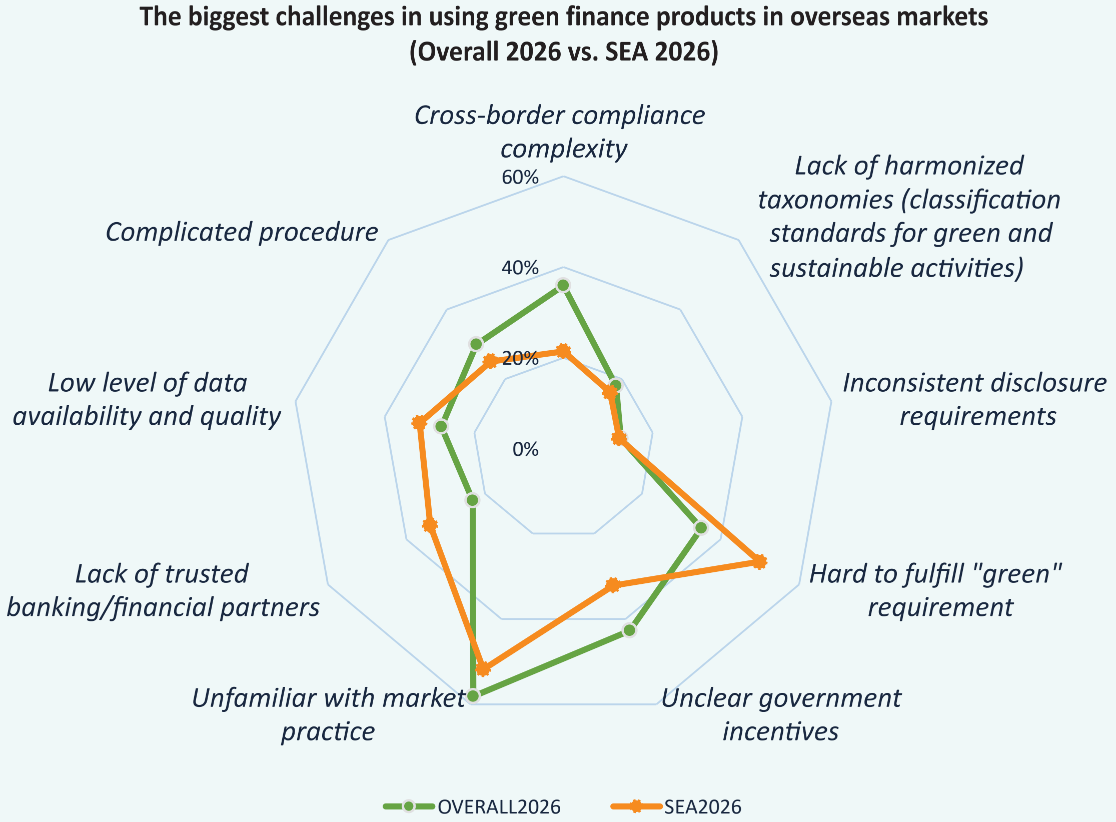
Exhibit 14: Reasons to engage in sustainable finance



Unfamiliarity with market practices has become the principal cross-border challenge. Overall, 58% of respondents identified unfamiliarity with market practices as a major barrier to using green finance products overseas, replacing cross-border compliance complexity as the leading challenge reported in the prior survey. Unclear government incentives ranked second at 43%, suggesting that organisations require both stronger market knowledge and greater policy certainty to participate effectively in overseas sustainable finance markets.

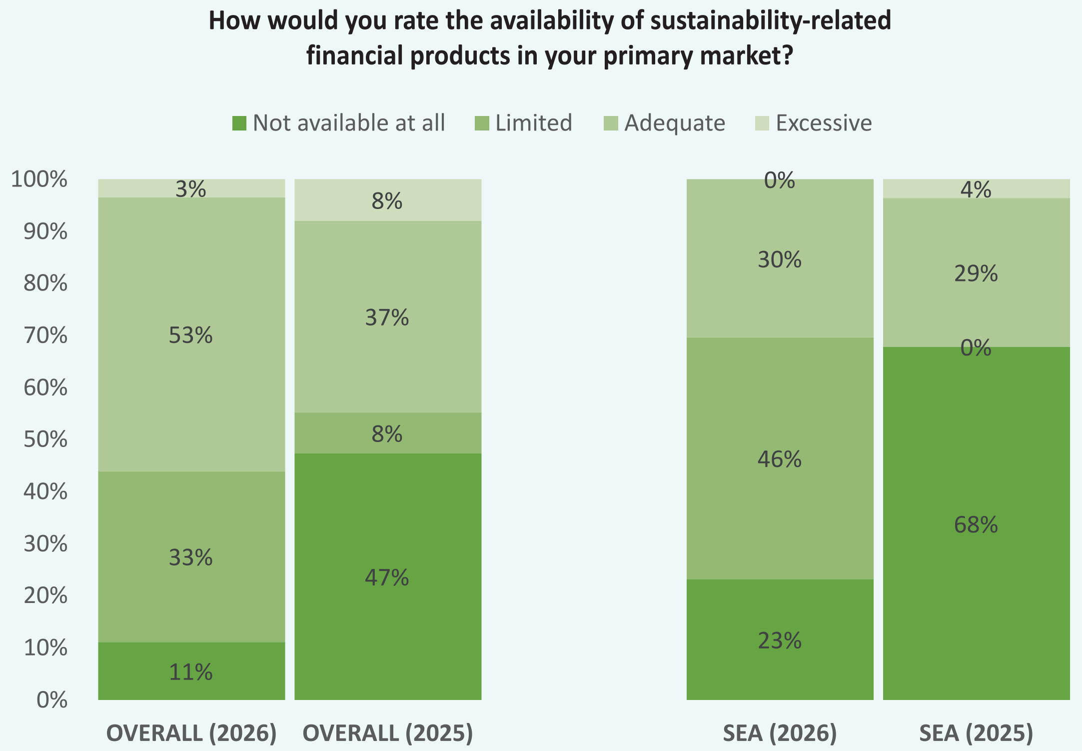
SEA organisations face additional difficulties meeting green requirements. Unfamiliarity with market practices is also the leading challenge in SEA, cited by 52% of respondents, closely followed by difficulty in fulfilling "green" requirements at 50%. This combination highlights a distinctive regional constraint: SEA organisations must navigate unfamiliar overseas markets while also demonstrating compliance with relevant green eligibility criteria.

Exhibit 15: Challenges in using green finance products in overseas markets



Supply of sustainable finance products improved overall but remains limited in SEA. The proportion of organisations reporting that sustainable finance products were limited or unavailable in their primary market declined from 55% in 2025 to 44% in 2026. In SEA, however, the corresponding proportion remained broadly unchanged at approximately 70%, compared with 68% in 2025. Nevertheless, the composition of this constraint improved: the proportion reporting that products were completely unavailable fell from 68% to 23%, while 46% now describe availability as limited. This suggests that sustainable finance products are beginning to enter SEA markets, although their supply and accessibility remain insufficient.

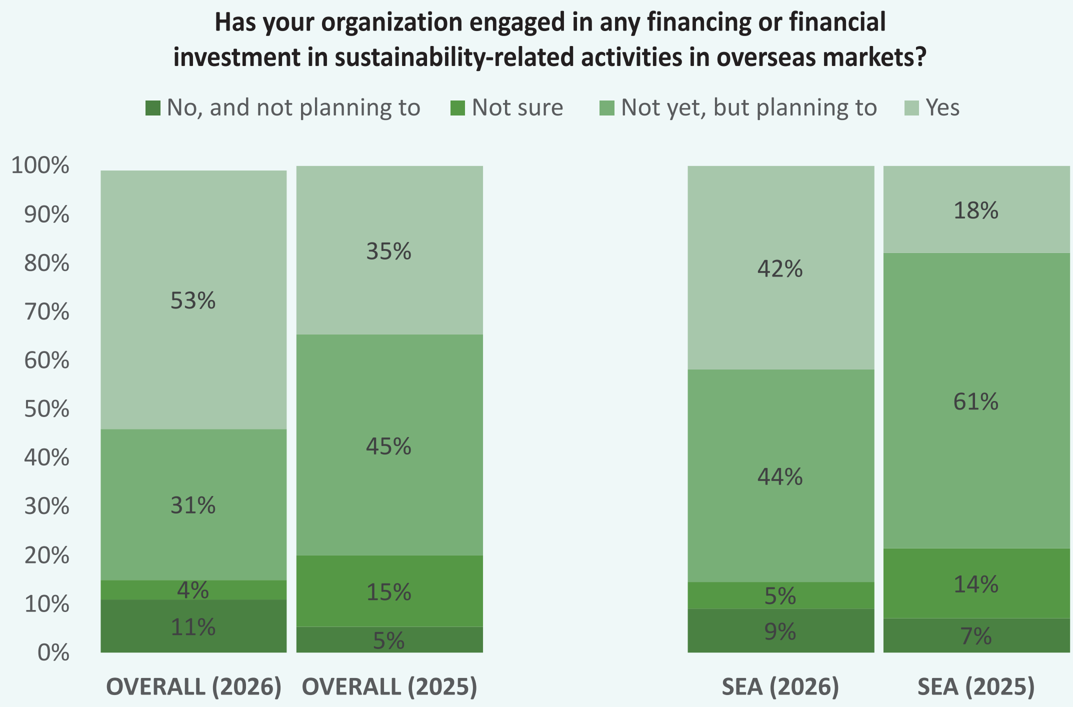
Exhibit 16: Around 70% of SEA organisations surveyed think sustainable finance-related products are limited in their primary market



Overseas sustainable finance engagement has increased substantially. Overall, 53% of organisations reported having financed or invested in sustainability-related activities overseas, up from 35% in 2025. A further 31% are planning to do so. In SEA, overseas engagement more than doubled from 18% to 42%, while another 44% intend to participate—higher than the overall planning rate at 31%. Although the proportion of SEA organisations planning overseas activity declined from 61% in 2025, this appears to reflect conversion of stated interest into actual financing or investment rather than weakening demand.

SEA is progressing from interest to implementation. Taken together, 86% of SEA organisations have either engaged in overseas sustainable finance or plan to do so, compared with 79% in 2025. Meanwhile, the proportion that remains uncertain fell from 14% to 5%. These findings point to growing commitment and significant untapped cross-border potential.

Exhibit 17: Higher share of SEA organisations engaged in sustainable finance overseas compared to last year



Hong Kong's role in sustainable finance and areas of opportunity

Hong Kong remains as the leading international green finance centre across both the overall and SEA respondent groups (Exhibit 18, 19). Its sustained leadership reflects its strong market standing and credibility, positioning Hong Kong to shape industry practices, mobilise international capital and drive sustainable finance development across regional and global markets.

Singapore has strengthened its competitive position, rising from third to second place overall and emerging as Hong Kong's closest competitor—especially among SEA respondents (Exhibit 18, 19). This shift underscores the growing prominence of Asian financial centres in mobilising green capital and supporting the region's transition to a more sustainable economy.

Exhibit 18: Hong Kong continues to be the top international green finance center in the region

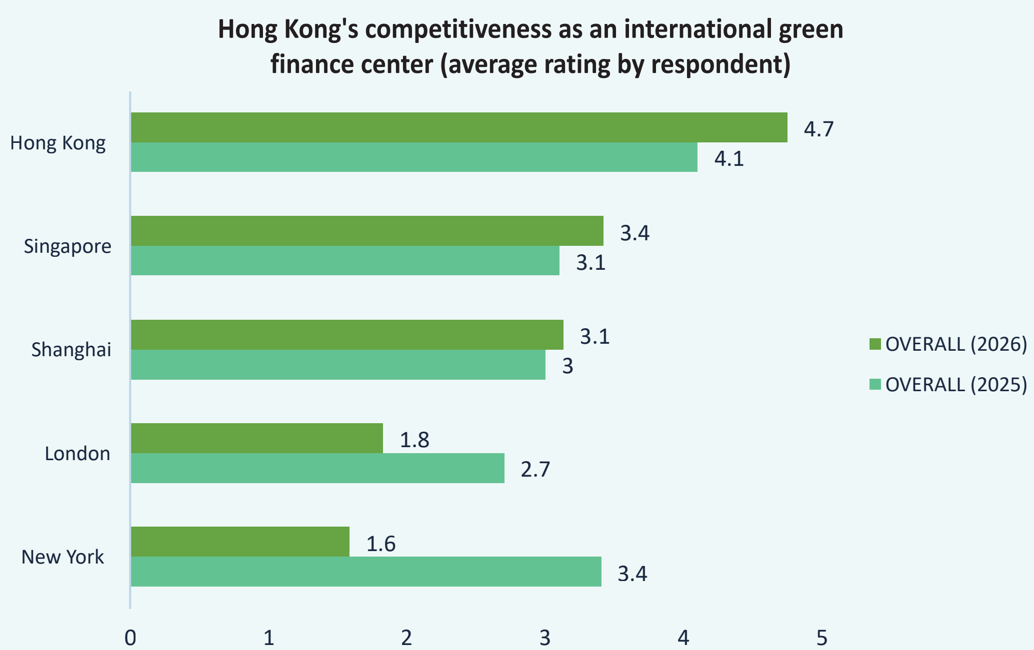


Exhibit 19: Hong Kong remains as the leading international green finance center in SEA

Loan and bond with sustainability-linked and green labels are the most popular products, with interest rising substantially from 2025 across both the overall and SEA samples. Sustainability-linked bonds (SLB) have become the third most popular product, overtaking green bonds and signaling a shift towards financing instruments with more flexible use of proceeds arrangement (i.e. SLB has less restriction on use of proceeds compared to green bond). The increase in SEA demand for sustainability-linked loans and green loans further highlights the growing role of loans in supporting regional transition strategies and sustainable capital allocation.

Exhibit 20: Ranking of interests in sustainability-linked financial products (% for Overall respondents)

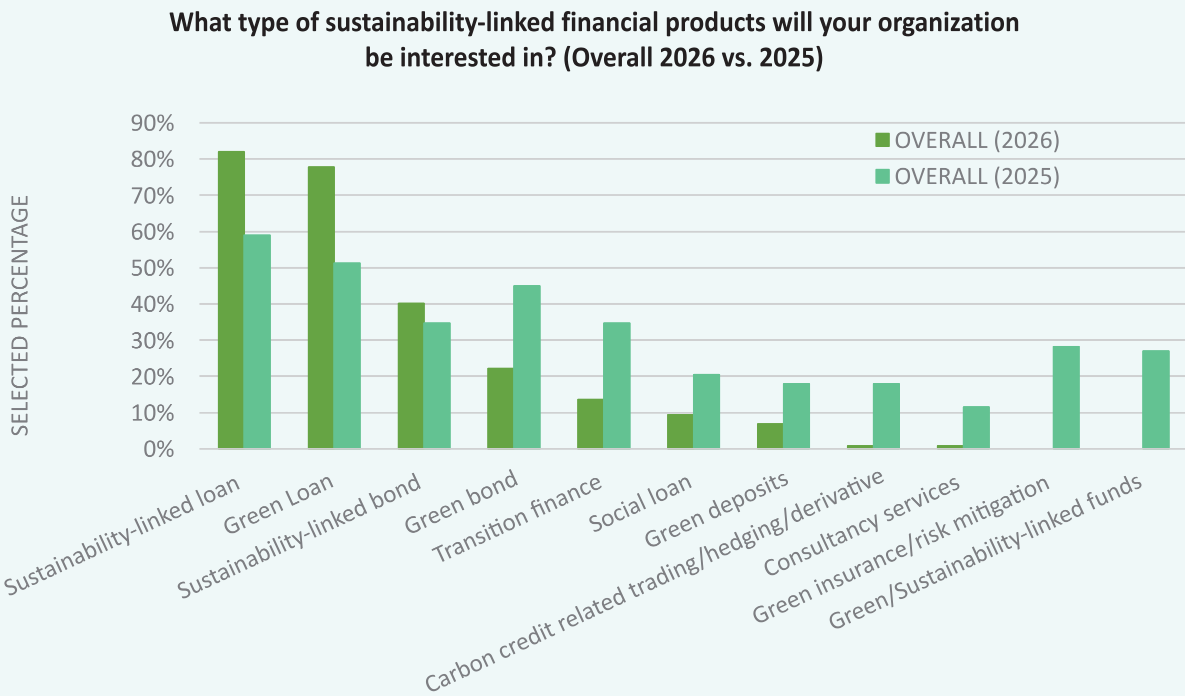
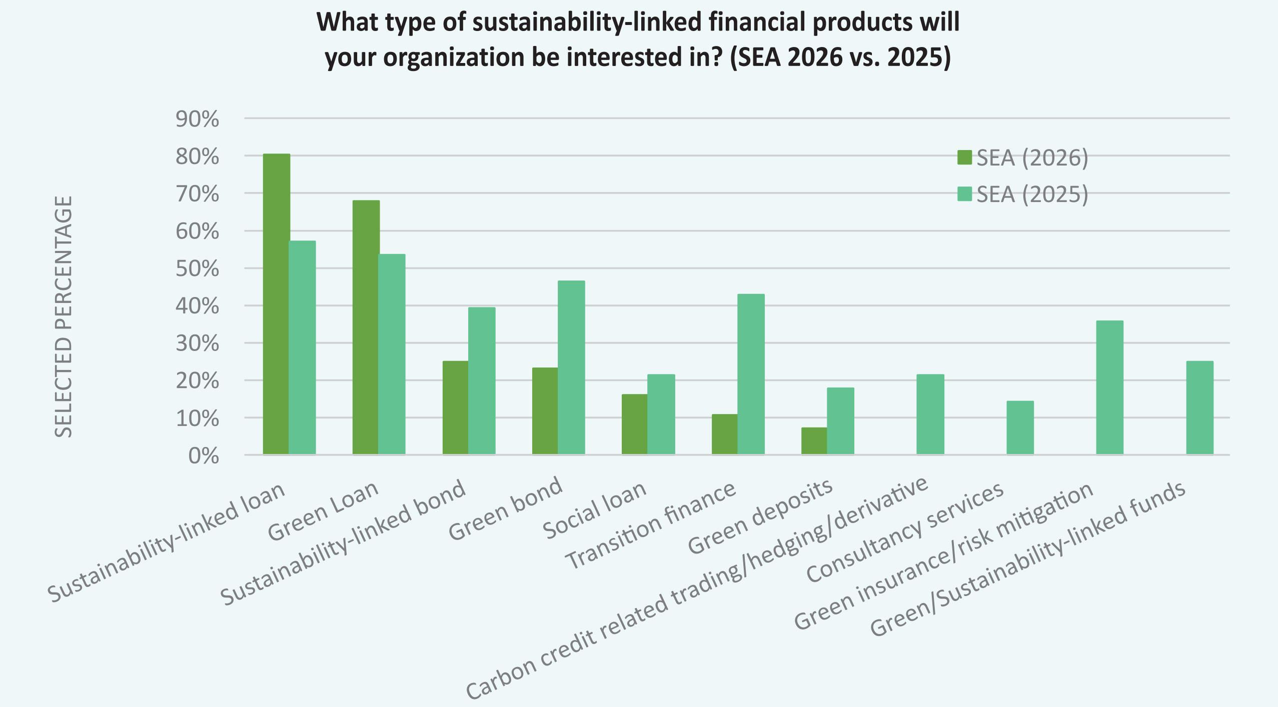


Exhibit 21: Ranking of interests in sustainability-linked financial products (% for SEA respondents)



Two priority areas for Hong Kong's concentrated efforts were identified by respondents to improve sustainability-related collaboration with GBA and SEA markets: tailored funding or grant schemes and green infrastructure financing. Tailored funding or grant schemes rose sharply to become the leading priority overall (Exhibit 22), followed by green infrastructure financing, which ranked first last year. Closer regulatory communication and capacity building remained among the top three, although attracted less support than in 2025. SEA respondents expressed similarly strong demand for tailored funding or grant schemes (Exhibit 23), while also placing emphasis on financing green infrastructure and expanding fintech partnerships. Conversely, they assigned less importance to regulatory communication and capacity building, highlighting a stronger regional preference for practical financing and technology-enabled solutions.

Exhibit 22: Strategies for Hong Kong to improve its sustainability-related collaboration with GBA or SEA markets (Overall respondents)

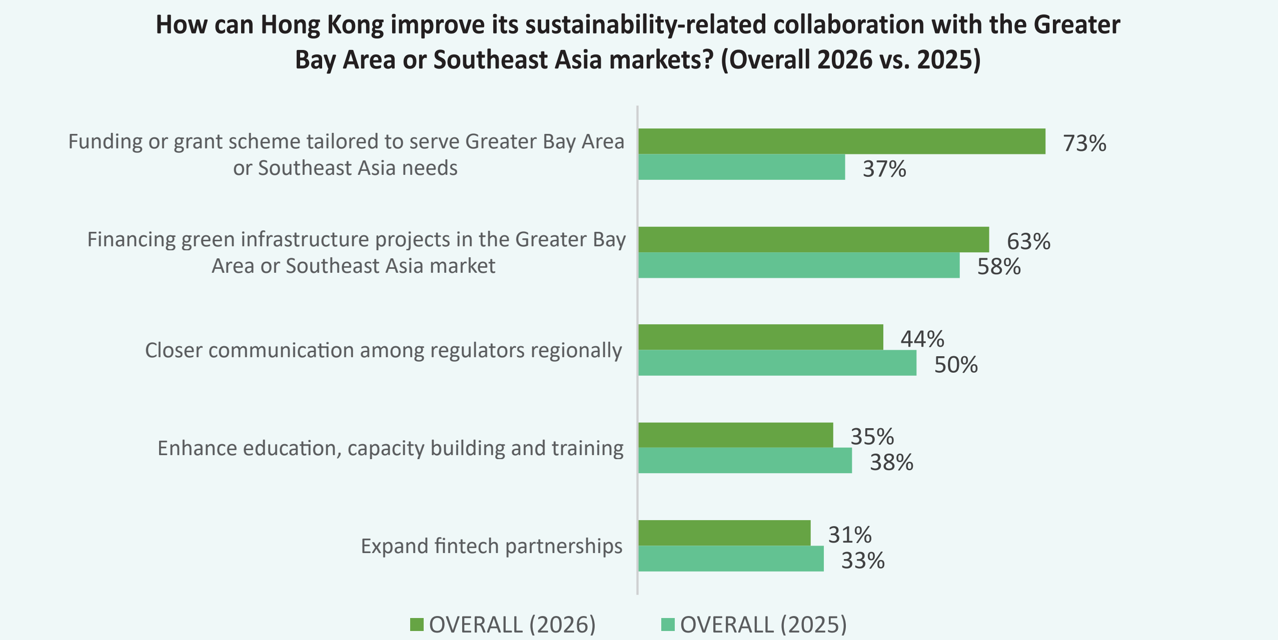
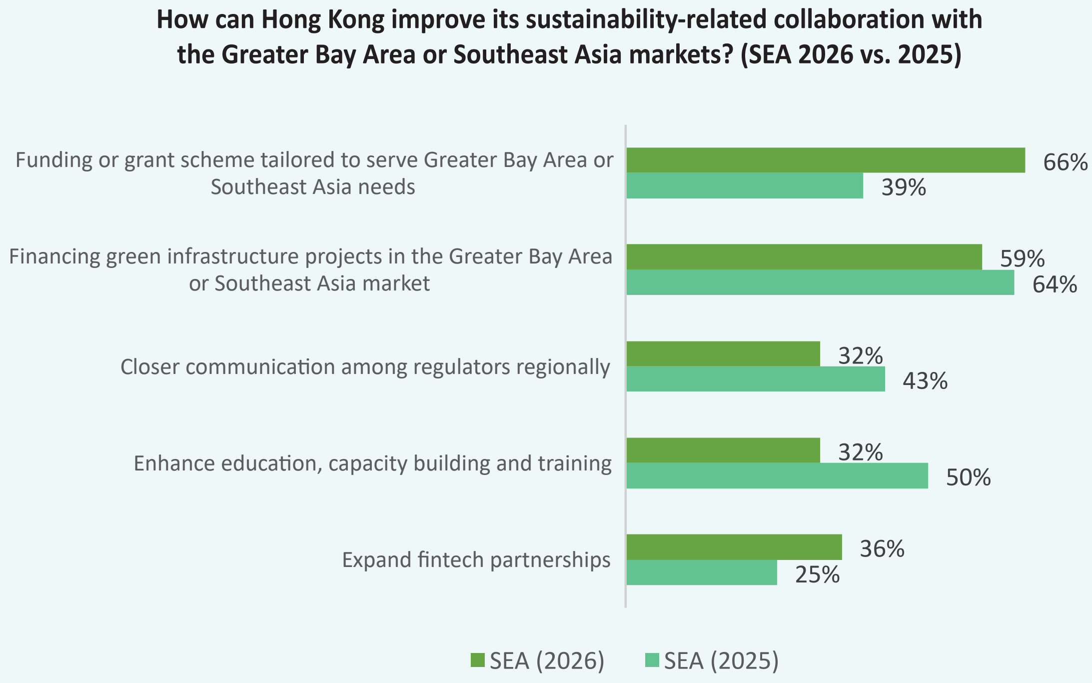


Exhibit 23: Strategies for Hong Kong to improve its sustainability-related collaboration with GBA or SEA markets (SEA respondents)



Respondents identified regionally focused green investment vehicles, specialised sustainability advisory services, and transition finance frameworks and tools as the top three areas Hong Kong should prioritise to better serve organisations' sustainability-related demand. Regionally focused green investment vehicles rose from joint second place last year to become the leading priority this year, both overall and among SEA respondents. Specialised sustainability advisory services also gained prominence overall, moving ahead of transition finance frameworks and tools, although SEA interest remained unchanged. By contrast, transition finance frameworks and voluntary carbon markets, which was ranked top three in last year, declined. Overall and SEA respondents showed the same ranking of priorities, although the overall sample placed greater emphasis on specialised advisory services and transition finance frameworks, while support for regionally focused green investment vehicles was equally strong.

Exhibit 24: Strategies for Hong Kong to better serve organisations' sustianability-related demand (Overall respondents)

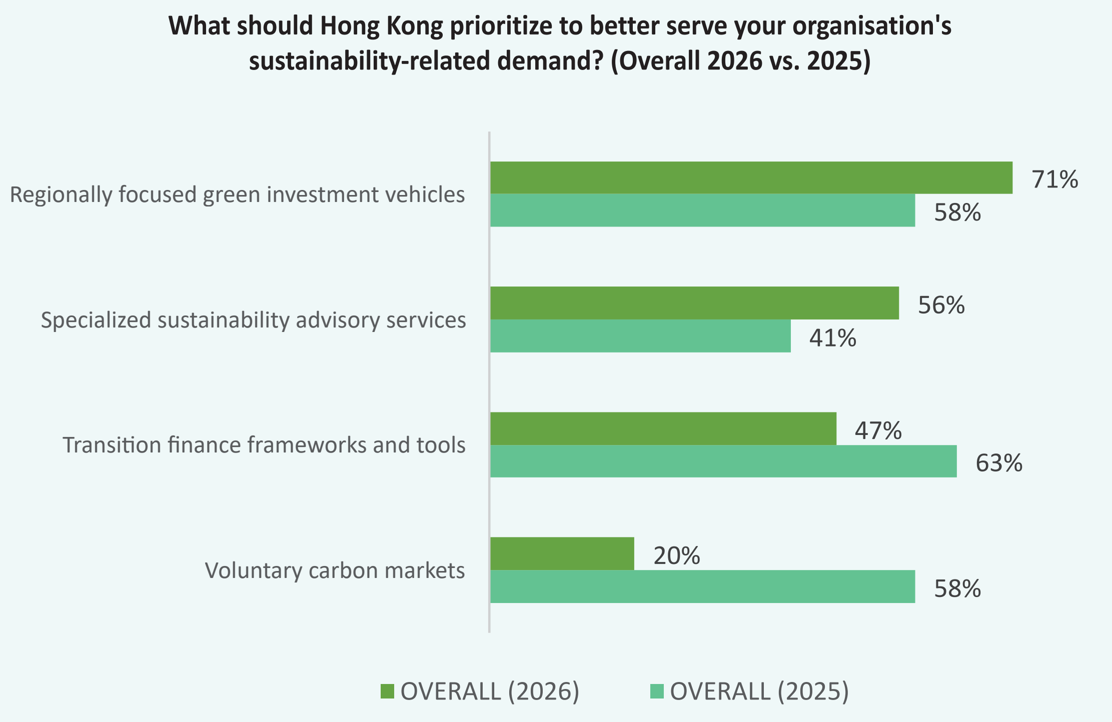
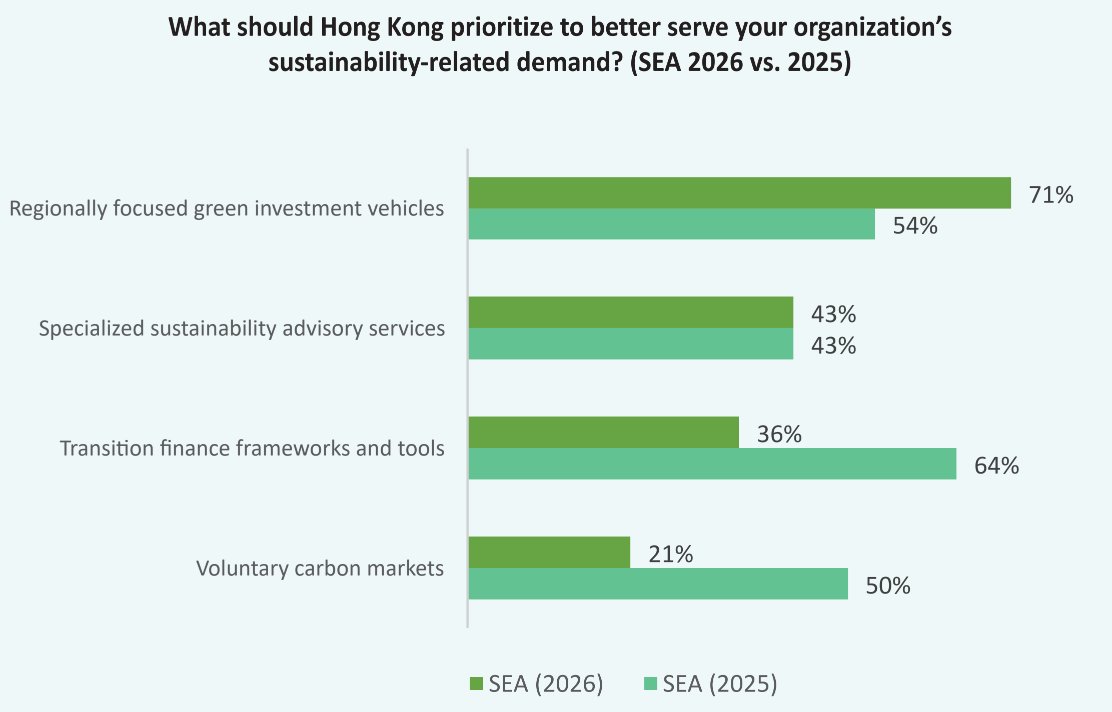


Exhibit 25: Strategies for Hong Kong to better serve organisations's sustainability related demand (SEA respondents)



Implications for Hong Kong

Connect Greater Bay Area's green technology, Southeast Asia's demand and Hong Kong's capital through business-matching activities. The survey indicates that cost savings and efficiency gains, followed by business opportunities, are the two leading drivers of sustainability action among Southeast Asian (SEA) organisations. Hong Kong can respond by connecting SEA demand for commercially viable green solutions with Greater Bay Area (GBA)'s strengths in green manufacturing and technology, while providing the financing needed to support such deployment.

On this end, Hong Kong could organise business-matching activities such as forums, business visits, roadshows and technology showcases involving SEA companies, GBA technology providers and Hong Kong financial institutions. For example, Hong Kong financial institutions could participate in forums and business visits in SEA to meet potential SEA clients, understand their decarbonisation and adaptation needs, and present suitable green financing solutions. GBA companies could also join roadshows in SEA to showcase technologies such as renewable energy, energy storage and climate-adaptation solutions, with Hong Kong financial institutions participating to structure financing for potential projects. By bringing together technology, project demand and financing within the same engagement platform, Hong Kong can strengthen its role as a super-connector and super value-adder between the GBA and SEA.

Tailor incentives to reduce the cost of sustainable finance. SEA respondents identified the cost of sustainability-related financial products as the region's leading barrier to stronger sustainability action. They also ranked tailored funding or grant schemes as the top area in which Hong Kong could improve its regional contribution. As such, Hong Kong could offer tailored incentive to SEA organisations to reduce their cost of sustainable finance. For example, Hong Kong could extend the current grant scheme to cover bonds or loans aligned with ASEAN Taxonomy as those aligned with the latest Hong Kong Taxonomy for Sustainable Finance. Under Hong Kong's Green and Sustainable Finance Grant Scheme, this could mean allowing ASEAN Taxonomy-aligned bonds/loans to claim grant for up to 75% of eligible sustainability external review and advisory expenses, instead of the current 50%. Furthermore, Hong Kong may lower the issuance size threshold or increase the grant amount for transition finance to promote transition activities as transition finance tend to be more difficult to structure versus other types of sustainable finance solutions.

Introduce low-cost sustainable facility to lower funding costs. Funding cost is a key consideration for 94% SEA respondents when choosing where to finance sustainability-related activities. To address this, Hong Kong may consider a low-cost monetary facility targeted for sustainable finance that provides banks with a stable and relatively lower-cost source of funds, allowing them to offer more affordable sustainable financing to clients. For example, the People's Bank of China introduced the carbon-reduction supporting tool in 2021, which provides low-cost loans to financial institutions for supporting carbon-reduction projects. Hong Kong could reference the design of this tool when developing a similar facility tailored to GBA and SEA sustainable finance market.

Promote sustainable product offerings to capture regional demand. Around 70% of SEA respondents in the survey consider sustainable finance products in their home markets to be limited or unavailable, while 44% plan to finance or invest overseas. This combination of unmet domestic demand and willingness to access offshore markets creates a clear opportunity for Hong Kong's financial institutions to expand their regional client base by promoting its broad range of sustainable finance solutions. BOCHK, for example, provides a broad spectrum of green and sustainable products, including loans, mortgages, bonds, deposits, funds, trade finance and sustainability advisory services (Exhibit 27).

Hong Kong's financial institutions could focus on promoting sustainability-linked loans and bonds, which were among the three sustainable finance products attracting the greatest interest from SEA companies in the survey. BOCHK's sustainability-linked syndicated loan for PT Sarana Multi Infrastruktur (Persero), summarised in the Exhibit 26, illustrates how sustainability-linked indicators can be incorporated into a major regional financing transaction.
Respondents also ranked regionally focused green investment vehicles among the priority areas through which Hong Kong could better serve their sustainability needs. BOCHK Greater Bay Area Climate Transition ETF is one such example, as shown in Exhibit 28 below, allowing investors to invest in climate transition opportunities in the Greater Bay Area. In addition, Hong Kong's financial institutions could explore financing regional green infrastructure projects, a top regional collaboration priority identified by respondents.

Strengthen sustainability talent development and awareness building. A lack of internal awareness or education was identified by SEA respondents as a major barrier to sustainability action, while capacity building and training were highlighted as important areas for Hong Kong to improve. These findings suggest that Hong Kong can play a larger role in helping organisations understand why sustainability matters, including how it is increasingly relevant to long-term business competitiveness and financing. This could be achieved through the following initiatives:

- **Establish mutual recognition of sustainability-related training in HK and SEA.** Hong Kong could work with SEA regulators and professional bodies to establish mutual recognition of sustainability-related training. As many listed companies in Hong Kong and SEA are subject to mandatory training requirements for management and boards of directors, recognised cross-market courses could provide a practical channel for strengthening sustainability awareness among senior decision-makers, while fulfilling applicable training requirements.
- **Continue supporting regional knowledge-exchange platforms.** These platforms allow the sharing of best practices, training materials and implementation experience. For example, BOCHK has supported the Alliance for Green Commercial Banks in providing a two-day training bootcamp for SEA banks during Hong Kong Green Week 2025. The programme covered sustainability-related topics including disclosure, net zero, risk management, sustainable finance and governance.

Deepen communication and cooperation with regional regulators. The survey shows that SEA organisations ranked closer communication among regulators regionally as a key priority for Hong Kong to improve its sustainability related collaboration within the region. To enhance communication, Hong Kong may consider to play a more active role in regional forums and joint projects, while establishing formal mechanisms for the timely exchange of sustainable finance policy direction, information, resources, and technology.

Exhibit 26: Case Study - Sustainability-link loan for Persero Arranged by BOCHK

Case Study

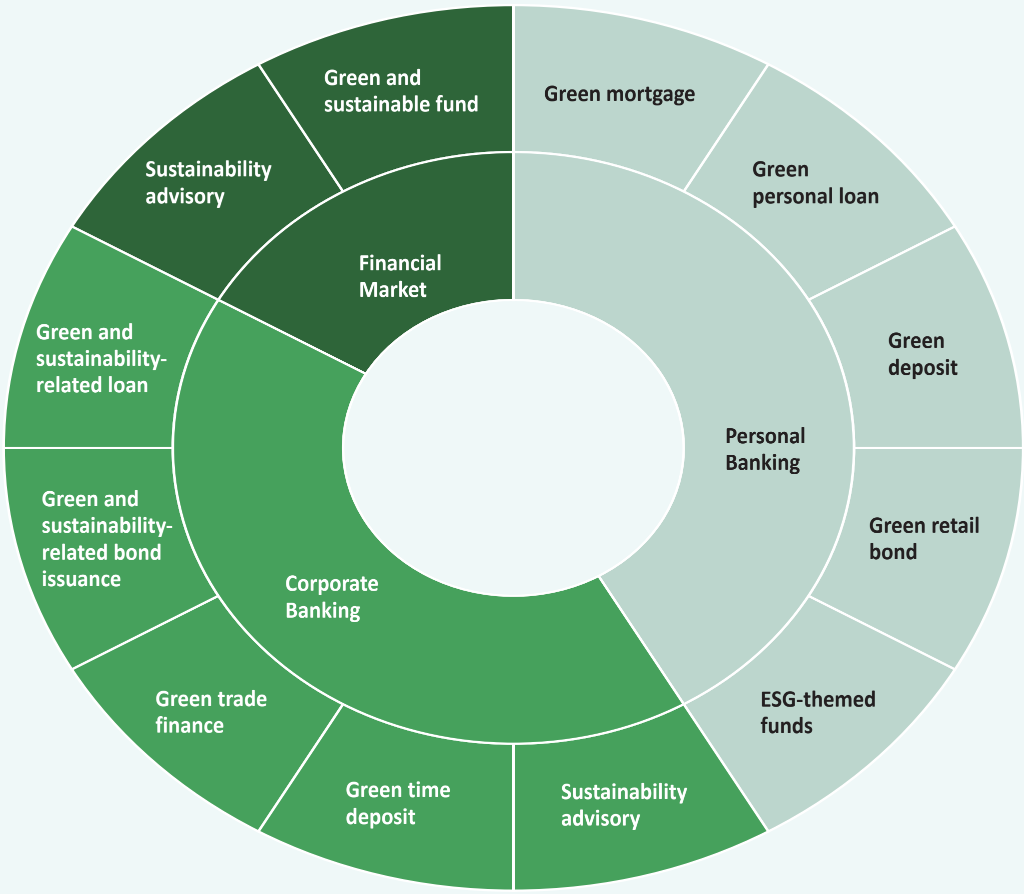
Leading the Arrangement of a Sustainability-Linked Syndicated Loan for PT Sarana Multi Infrastruktur (Persero) under the Indonesian Ministry of Finance

BOCHK acted as Mandated Lead Arranger and Bookrunner in assisting PT Sarana Multi Infrastruktur (Persero), an infrastructure financing institution under the Indonesian Ministry of Finance, in arranging a US$600 million Sustainability-Linked Syndicated Loan. The proceeds were primarily used to support the refinancing of its existing syndicated loans.

Sustainability-Linked performance indicators were incorporated into the loan terms to encourage the borrower to accelerate the expansion of green financing and social project financing, and to implement ESG-related policies in its day-to-day operations, thereby jointly advancing sustainable development objectives.

Source: BOCHK 2025 Sustainability Report

Exhibit 27: Overview of BOCHK's green and sustainable financial products



Source: BOCHK 2025 Sustainability Report

Exhibit 28: Case Study: BOCHK GBA Climate Transition ETF

On 31 March 2023, the BOCHK Greater Bay Area Climate Transition ETF was successfully listed on the main board of HKEX. This ETF is the first exchange-traded fund in the Hong Kong market that tracks an ESG index with investments in the Greater Bay Area, giving investors the opportunity to capture the economic growth opportunities driven by climate transition in the Greater Bay Area.

Source: BOCHK 2023 Sustainability Report

Appendices

Appendix I. Demographics of Respondents

Region	Number of Respondents	Percentage
South East Asia (ASEAN)	**56**	**48%**
Singapore	9	8%
Cambodia	6	5%
Malaysia	6	5%
Brunei	5	4%
Indonesia	5	4%
Lao PDR	5	4%
Philippines	5	4%
Myanmar	4	3%
Thailand	4	3%
Vietnam	4	3%
Timor-Leste	3	3%
Greater Bay Area (GBA)	**44**	**38%**
Guangdong Province	18	15%
Hong Kong SAR	15	13%
Macau SAR	11	9%
China ex-GBA	**17**	**15%**
Total	**117**	**100%**

Appendix II. Definition for Sustainability-related Financial Products

- **Sustainability-linked loan:** Loan instruments whose terms depend on the borrower achieving predefined sustainability performance objectives.
- **Green loan:** Loans made exclusively to finance or refinance eligible Green Projects.
- **Green bond:** Bonds whose proceeds are exclusively applied to eligible Green Projects.
- **Sustainability-linked bond:** Bonds where terms depend on the issuer achieving predefined sustainability/ESG objectives.
- **Transition finance:** Financial services supporting the transition to net-zero emissions and climate resilience in line with the Paris Agreement.
- **Green/Sustainability-linked funds:** Investment funds based on ESG criteria.
- **Green insurance/risk mitigation:** Insurance policies that encourage/support environmentally responsible practices.
- **Social loan:** Loans whose proceeds are applied to eligible Social Projects.
- **Green deposits:** Interest-bearing deposits earmarked for green finance.
- **Carbon credit-related trading/hedging/derivative:** Financial products linked to carbon credits.
- **Consultancy services:** Advisory services related to sustainability-linked finance.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