A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely New York City, under a clear blue sky. The buildings are dark with many windows, some of which are illuminated from within, creating a warm glow. The perspective makes the buildings appear to converge towards the top center of the frame.

Sustainable Financing and Investing Survey 2019

Markets alert to the environment and society

Americas Focus

Executive Summary

Values to the fore as environmental and social consciousness sweeps the capital markets

Users of the capital markets, the world over, are now highly alert to environmental and social issues — a remarkable result, considering that nearly all practitioners were trained in a different paradigm, in which financial return and shareholder value were the pre-eminent considerations.

Our global survey of 500 issuers and 500 investors, across Europe, Asia, the Middle East and the Americas, shows around 60% of both groups say environmental and social issues are 'very important'. Three quarters of the rest say they are 'somewhat important'. Hardly any are indifferent. The US, Europe and Canada are leaders on several indicators, with awareness in the Middle East also high. But even in the least aware regions, the vast majority of our sample are paying attention to these issues.

By studying the views of issuers and investors alongside each other, this survey reveals how the wishes and needs of the two groups interact and feed off each other. While on some matters, issuers and investors diverge, on many of the major questions, they are aligned. The most important reason for the rise to prominence of sustainability concerns is the organization's own values and belief that this is right.

No less than 62% of investors that saw these issues as important said 'We believe it's right to care about the world and society'. Among issuers, 65% say caring about these matters is 'aligned with our values as an organization'. Issuers and investors also feel pressure from their stakeholders — customers, employees, regulators and society at large. But in virtually every region, the organization's own values are the most often cited factor, and in the rare exceptions, values come a close second.

This suggests capital markets participants have responded to a shift in society, not reluctantly, but enthusiastically — they share in and endorse the new consciousness.

The survey points to many notable trends shaping sustainable finance, including:

- ◆ Supporters have yet to win the argument that sustainable investing is profitable. Nearly 40% of investors believe it sometimes involves accepting lower returns or higher risk, while only 42% of issuers see a potential financial gain from responsibility — a lower share than among investors
- ◆ As jurisdictions from China to the European Union have begun to legislate for sustainable finance, the influence of regulators is strong in driving sustainability consciousness, for issuers and investors
- ◆ Disclosure to the market on sustainability performance, by issuers and investors, has a long way to go. Issuers are ahead and many expect to increase disclosure in future — nearly two thirds of them welcome it. Many investors still disclose little or nothing on the sustainability of their portfolios
- ◆ Climate change is recognized as a reality that already impacts business, or will soon. Despite — or perhaps because of — the heavy reliance of the Middle East on oil and gas, this region is the strongest for recognizing this. The US has the least near term concern, but it is still nearly 50%. A fifth of US issuers think they will never be affected by climate change, but none do not believe in it
- ◆ Large shifts in capital allocation are coming, in response to sustainability issues. Two thirds of issuers (and in the Middle East 85%) expect to reallocate capital noticeably in the next five years
- ◆ Significant barriers exist to fuller development of sustainable investing. Chinese investors feel freest to pursue this, with only 30% citing obstacles, but globally, 60% do. Chief among them are shortage of expertise, lack of attractive investment opportunities and lack of comparable ESG data — highlighting the importance of building the capital markets' intellectual armoury for sustainability, through education and research



Americas Report

Bulls and bears grapple with sustainability challenge

Climate change message gets through

The Americas are in many ways on the front line of the struggle for sustainability in financial markets.

The economies studied in our survey — the US, Canada, Brazil and Mexico — are all highly involved in commodities exploitation, including fossil fuels. Political views on environmental and social issues can be polarized. At the same time, the US has the largest capital market, backed by the deepest financial education sector, and tends to set the trend for other countries to follow.

The survey shows issuers and investors in the Americas are convinced environmental and social issues are important to their business activities — and are acting accordingly.

As in other regions, belief that this is the right thing to do is the most important motivator — 64% of issuers say caring about these matters ‘aligns with our values as an organization’.

Investors are less sure — the proportion who emphasize ‘it’s right to care about the world and society’ is the lowest globally: 53%, versus a 62% average. The ways issuers and investors put

this into practice vary, however — a strong share of investors are confident responsible investing will make them money; but a similar share think it’s a financial loser.

On climate change, the Americas appear to be responding strongly. All but 13% of issuers are planning for it in a formal way at senior level. A third now consider climate risk as part of formal risk management and 37% have a board policy on it — often one that involves aligning reporting with the Task Force on Climate-Related Financial Disclosures (TCFD).

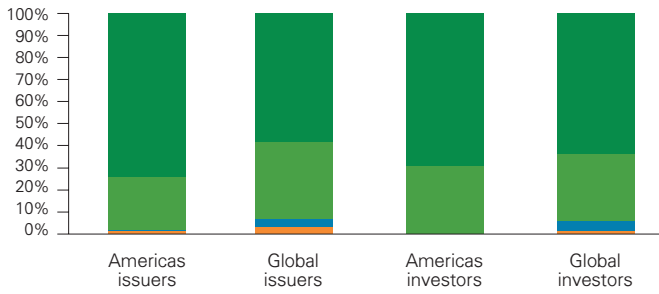
Key Findings

- ◆ Environment and society are universally accepted in the Americas as relevant to business and financial affairs
- ◆ 100% of the region’s investors and 98% of issuers (well above average) regard environmental and social issues as important
- ◆ Values are the strongest driver, but less dominant for investors than elsewhere: 53% cite this, against 62% globally
- ◆ Regulators are also driving sustainability less than elsewhere — only 33% of issuers and 41% of investors feel regulatory pressure on the environment and society, the lowest rates globally
- ◆ Americas issuers are very strong on considering their environmental and social impacts — a contrast with investors, whose use of impact goals as part of investment decision making is the lowest globally at 17%
- ◆ There is a strong awareness that the language used around responsible investing can be baffling: a third of investors say at least three quarters of their clients get confused about the differences between terms. Thirty-nine percent say lack of expertise is a barrier to practising ESG more fully



Americas issuers and investors paying attention

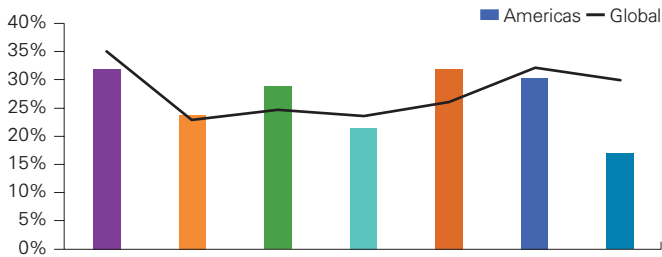
Our organization’s attitude to environmental and social issues is...



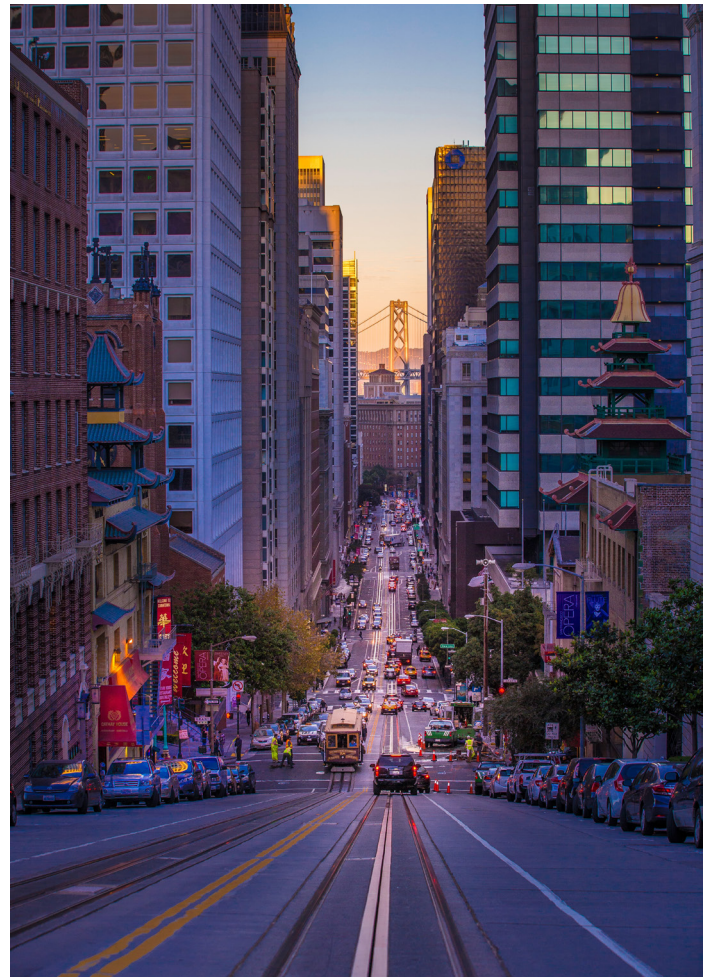
- They are very important to us
- They are somewhat important to us
- We don't have a view
- They are not very important to us
- They are not important to us at all

Americas not majoring on impact goals

Investors: Our organization has a firm-wide policy on responsible investing or ESG issues and it includes the following...



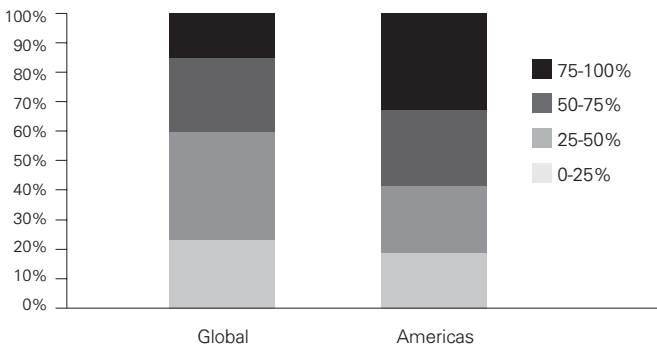
- Approach for identifying material ESG issues for investments
- Stewardship principles – endorsed at board level
- Disclosure on the ESG characteristics of selected portfolios
- Disclosure on the ESG characteristics of our whole portfolio
- Disclosure on the environmental and social impacts of some portfolios
- Alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) or other reporting frameworks
- Impact goals or metrics used as part of investment decision-making



Americas Report

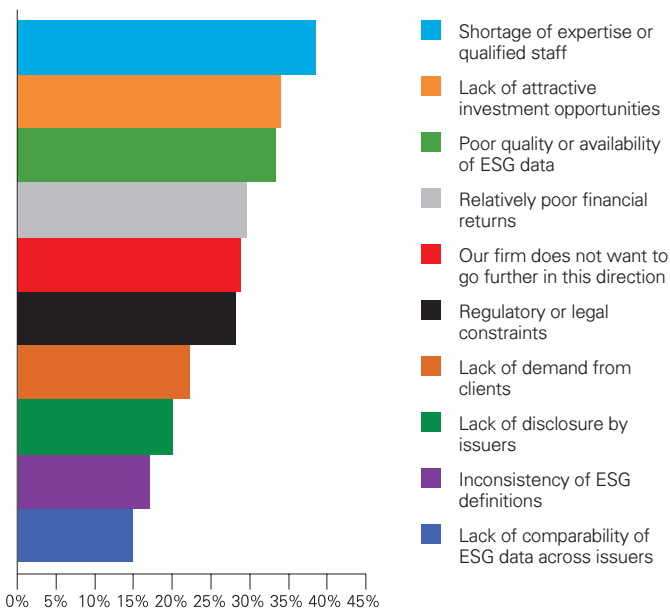
Americas investors' clients most confused about terminology

Investors: What proportion of my clients get confused about the differences between terms such as responsible, socially responsible, ethical, environmental, social and governance, impact, sustainable, green investing...



Lack of expertise and poor returns perceived in Americas

Investors: we are being held back in pursuing ESG investing by...



"On climate change, the Americas appear to be responding strongly. All but 13% of issuers are planning for it in a formal way at senior level."

Business effects

Sceptics and believers both strong

Despite the overall strong affirmation in the Americas that environmental and social issues matter, market participants are polarized in how they act on this realization.

The Americas has a high share of bulls on responsible investing. Nineteen percent, level with Asia and well ahead of Europe's 10%, are satisfied that RI is 'an attractive way of trying to generate outperformance'.

But the Americas also has the largest share of doubters. The fifth who say ESG investing 'makes little difference to returns or risk' is about the global norm. But in the Americas, a full 20% are convinced RI 'always involves accepting lower returns or higher risk'. In Europe, only 13% are so negative.

Issuers are more gung-ho. Their 42% agreement that 'paying attention to environmental and social issues can improve returns' matches the global average and beats Europe's 36%.

On climate change, too, expectations are widely dispersed. Virtually no issuers say they 'don't believe in climate change' but 13% — a global high — believe it will never affect their businesses. Yet over 60% of issuers expect to feel the effects within the next decade, and more than two thirds of those say they are already affected.

Skills gap

Education and clarity needed

Investors in the Americas report the highest level of confusion over ESG investing among their clients — 59% say more than half their clients are muddled by the variety of terminology used, and a third say more than three quarters of clients are at sea.

A high share of Americas investors (76%) feel that obstacles hold them back from pursuing ESG investing more fully. The barrier they name most often, at 39%, is shortage of expertise or qualified staff, followed by lack of attractive investment opportunities and poor quality of ESG data.

Real world impact

Issuers target impact, investors don't

Well over 90% of issuers in the Americas — level with Europe and above the global average — have strategies in place for reducing their environmental impacts and ensuring they have a positive impact on society.

But willingness to consider this external impact among investors is much lower. Thirty-six percent of investors in the Americas consider the effects of their investments on the real world, such as carbon emissions — a bit below par, but in the same ballpark as investors elsewhere.

But the Americas ranks lowest globally on the extent to which investors use impact goals and metrics as part of investment decision making: 17%, versus a 30% global average.

Regulation

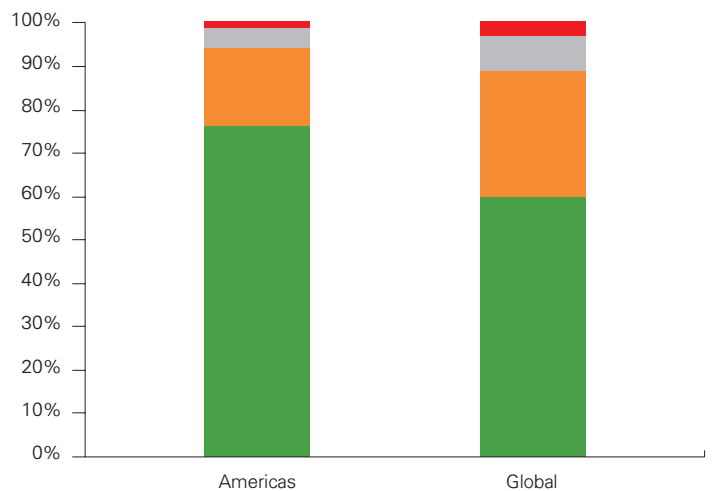
Free market spirit

The proportion of Americas issuers who care about environmental and social issues because 'regulators require us to' is the lowest of any region: 33%, against a global average of 46%.

Americas investors also feel the lowest level of regulatory pressure in this direction. Only 41% cite this as a driver for their emphasis on environmental and social issues, against 51% in the world as a whole.

Americas firms target positive impact

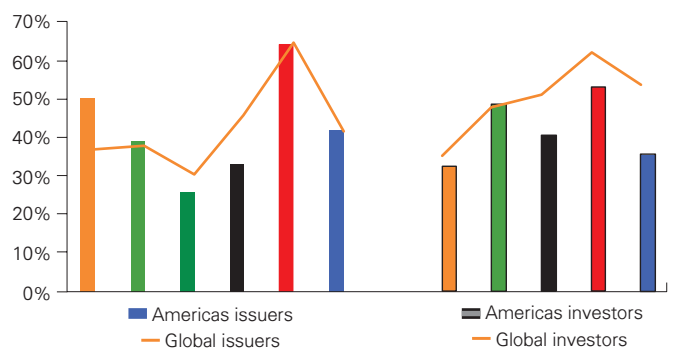
Issuers: My organization has a strategy for ensuring it has a positive impact on society...



- No, there is no strategy in place
- I don't know of any such strategy
- Yes, and this is private
- Yes, and this is published

Values and social expectations dominate in Americas

We care about environmental and social issues because...



- Our customers want us to
- Our employees want us to
- NGOs or pressure groups demand us to
- Regulators require us to
- It aligns with our values as an organization
- Paying attention to these issues can improve returns
- Our clients want us to
- Society expects it
- Regulators require it
- We believe it's right to care about the world and society
- It can improve investment returns and/or reduce investment risk

Methodology

GlobalCapital, the capital markets newspaper, and Euromoney Data conducted a global survey of investors and capital markets issuers in June and July 2019. The survey is unusual in questioning issuers and investors at the same time.

The questionnaires for issuers and investors were different, but in many cases the questions were complementary, to give insight into the perceptions each group have of the other.

The study was designed to cover a wide diversity of organizations, by size, geography and type of activity.

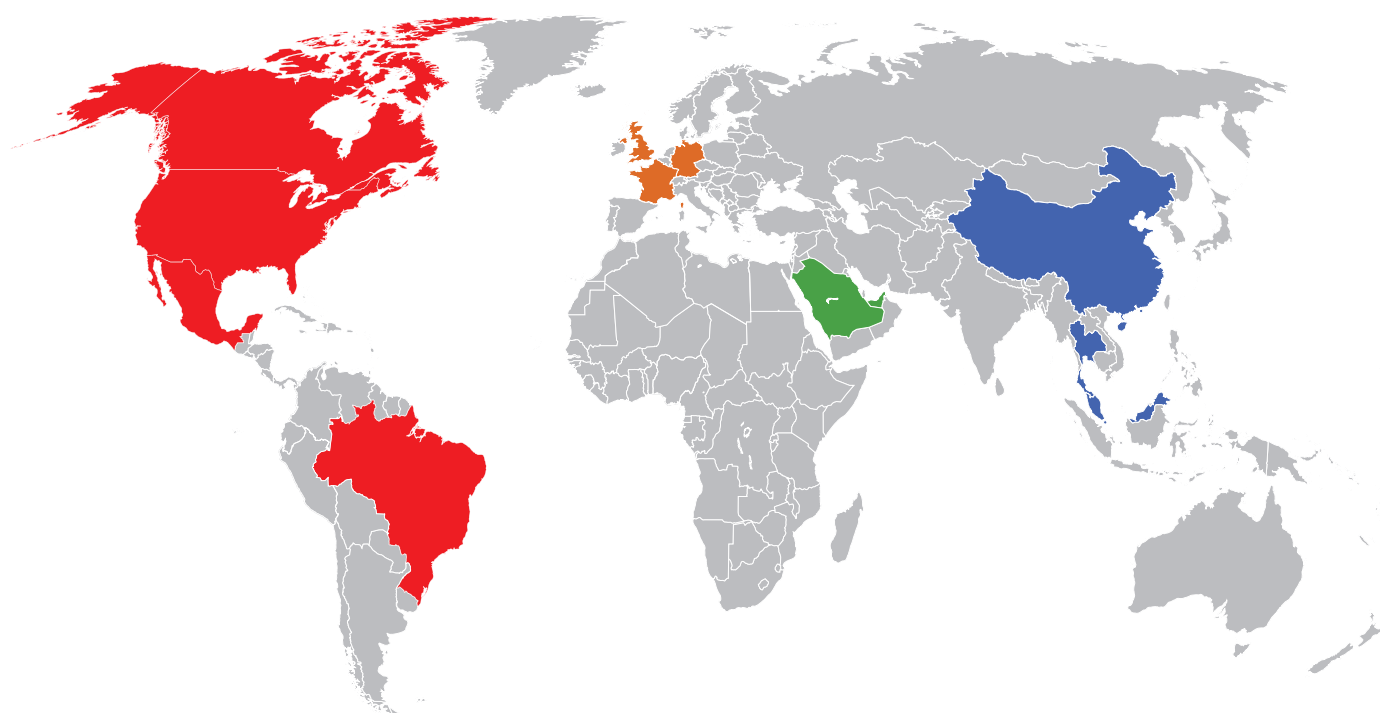
Investors and issuers were invited to participate in online surveys, comprising multiple choice questions. The surveys were offered in Chinese, English, French, German, Portuguese and Spanish. Over 1,300 completed responses were received from issuers and investors. To participate, they had to enter their contact details, the name, nature and size of their organization, and where

they were based. Responses are treated anonymously.

From these, a structured sample was extracted for use in the survey. This comprised 500 issuers and 500 investors, distributed across 15 target markets in four regions.

Where there were too many responses from a particular country, those from larger organizations were used.

The sample analyzed is as follows:



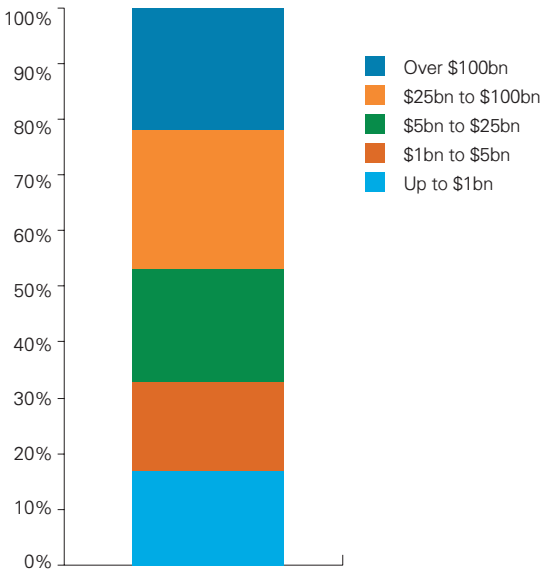
	Issuers	Investors
Americas	135	135
US	50	50
Canada	50	50
Brazil and Mexico	35	35

	Issuers	Investors
Europe	120	120
UK	50	50
France	35	35
Germany	35	35

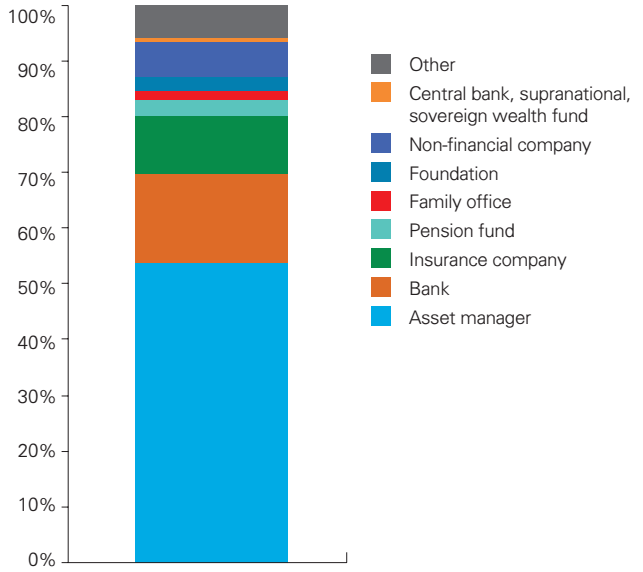
	Issuers	Investors
Asia	175	175
Mainland China	50	50
Hong Kong SAR	50	50
Singapore	35	35
Indonesia, Malaysia and Thailand	40	40

	Issuers	Investors
Middle East	70	70
Saudi Arabia	35	35
UAE	35	35
TOTAL	500	500

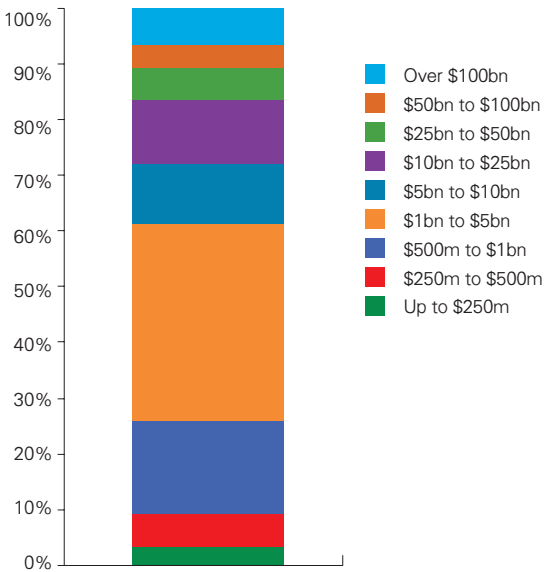
Investors by assets under management



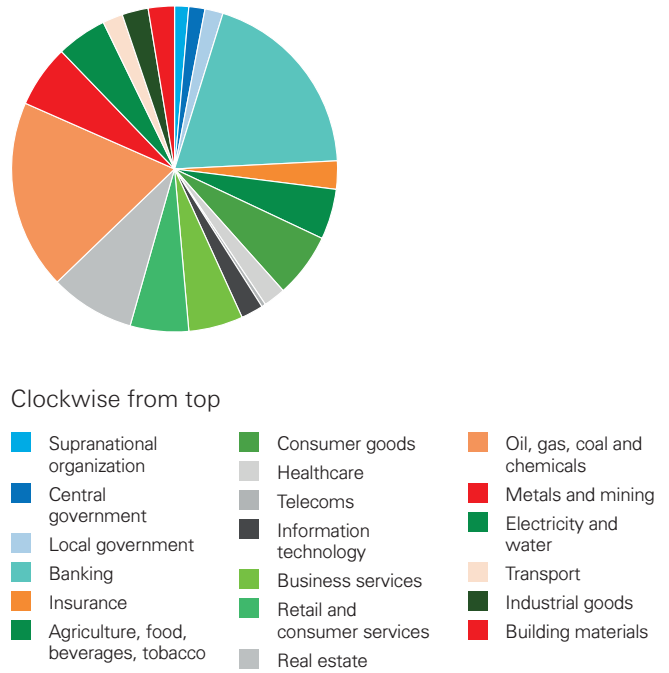
Investors by type



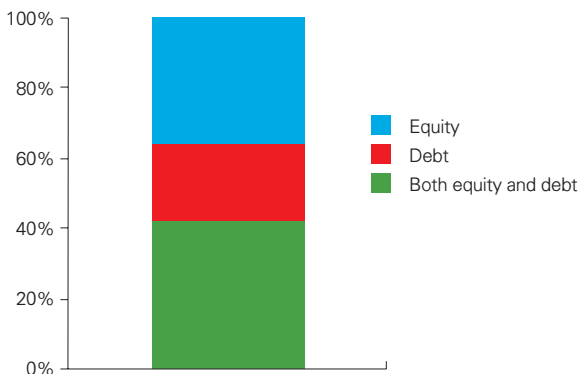
Issuers by annual revenue




Issuers by industry



Investors by asset type





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