

Sept 15, 2021

Most Capital Markets Issuers Plan Transition To ESG-Friendly Business Models

HSBC survey finds 94% of companies plan to start transition within five years

(London) – The vast majority of companies that raise finance in the global capital markets are planning to start transitioning away from environmentally and socially-challenged business models within the next five years, according to HSBC's Sustainable Financing and Investing Survey 2021.

Investors are demanding that companies make these changes, with 88% of them saying it's either "important" or "vitaly important" for entities they invest in to be preparing for the effects of climate change. Almost a quarter of those investors say they will divest themselves of companies that don't have credible transition plans, the survey shows.

Half of issuing companies say their businesses are already being impacted by climate change, up from 37% last year and the highest level recorded by the survey. At the same time, 70% of them are considering starting or ramping up businesses that will benefit from climate change.

"Companies are taking action now to transition to a net zero carbon world. With growing expectations among investors, customers, governments and regulators – it is crucial we achieve the 2050 target," said Celine Herweijer, HSBC's Group Chief Sustainability Officer.

"HSBC is mobilising finance and accelerating innovation to lead the global transition to net zero, in partnership with our customers," she said. "Sustainable finance is pivotal to safeguarding the future of our planet and opening up a more resilient, inclusive and prosperous global economy."

An increasing number of investors say there is now nothing holding them back from pursuing Environmental, Social and Governance (ESG)-based investing – 64% compared to 54% in last year's poll. However, the 36% who are being held back, say that's down to a shortage of expertise or qualified staff.

Notably, factors such as a lack of comparable ESG data and poor returns are being cited by fewer investors as a hindrance to investment, dropping from 50% and 39% in 2020, respectively, to 31% and 25% this year, the survey shows.

Nevertheless, investors still think issuers need to improve their environmental disclosures with 40% branding them "inadequate" and 39% saying they are only "adequate." They say the worst regions for such disclosures by issuers are Asia and the Middle East.

Investors are also concerned about greenwashing, or false claims of environmental benefits, with 69% saying it is a concern. This is especially the case in the Americas where 64% go so far as to say it is a "serious problem."

There are initiatives to create labelling systems to show that certain issues are independently verified as sustainable, for example in sustainable infrastructure. Half of investors said they would be much more confident about investing in sustainable infrastructure if this specific initiative was implemented, the survey shows.

Investors in China and the US found that they would welcome greater regulatory involvement in ESG issues to improve clarity for issuers and identify sustainable companies for investment.

The survey found that 84% of issuers and investors in the US believe regulators such as the Securities and Exchange Commission (SEC) should require companies to disclose more information on the environmental effects of their activities.

Those in China think incorporating climate change into policy, potentially through stress testing or by using monetary policy measures, is the best way for the central bank to support the development of green finance.

Download full report here

Media contacts

HSBC
London
Adam Bradbery
+44 (0) 7387 248005
Adam.bradbery@hsbc.com

About HSBC

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,976bn at 30 June 2021, HSBC is one of the world's largest banking and financial services organisations.

HSBC Sustainable Financing and Investing Survey 2021

The HSBC Sustainable Financing and Investing Survey 2021 is an annual global survey of 2,000 capital market issuers and institutional investors. The survey was run during May and June and was designed and executed by Euromoney Institutional Investor PLC. Respondents were split evenly between issuers, from across 19 industries, and institutional investors, including asset allocators and asset owners. In total, respondents were based in 34 territories across the regions of Americas, Europe, Middle East, Asia-Pacific, and Asean.

The global report and regional reports for Asia Pacific, Americas, Middle East and Europe can be accessed here: <https://www.gbm.hsbc.com/en-gb/campaigns/sfi-survey>