# Sustainable financing and investing survey 2020
## Americas report

Consciousness of environment and society drives wide activity

HSBC

# Executive summary

## Issuers and investors back sustainability beliefs with action

**Environmental and social issues have never been more prominent in capital markets. New strategies, funds and financing instruments that engage with these issues are emerging at an accelerating pace.**

**This reflects the consensus among almost all players now that sustainability is a core dimension of value, according to our global survey of 2,000 market participants.**

The research was conducted in July and August when market participants around the world had been dealing with the savage effects of the coronavirus on the economy for several months.

With markets hugely volatile as governments' and central banks' responses to the pandemic have played out, market participants' thinking on sustainability has been affected in a variety of contrasting ways — and often with notable differences between regions and even individual countries.

Some might expect this to make them take their focus off sustainability and environmental, social and governance (ESG) issues. Instead, the pandemic has made issuers and investors more convinced than ever of the need for sustainability. Nearly 30% of investors (and 40% in Asia) affirm that the pandemic has strengthened their commitment to considering ESG issues. Of issuers, 41% now believe even more strongly that becoming sustainable is important.
Only a tiny proportion (some 1.5%) say the pandemic will make them reduce emphasis on ESG permanently. A somewhat more statistically significant group (9% of investors, 12% of issuers) have put it on ice temporarily.

These positive responses — in the face of a global pandemic with unprecedented and still unfolding impact — underscore how central sustainability is becoming to financing and investing, all over the world.

Of the 1,000 issuers and 1,000 investors who answered our detailed questions, 89% regard environmental and social issues as important. Among issuers, the proportion is 93%.

This consciousness is very firmly rooted in all the regions and major markets we surveyed: in Asia, the Americas, Europe and the Middle East.

Finance practitioners have not just recognised the seriousness of these issues — they are determined to act themselves, by making the way they invest, raise capital and allocate it to projects more informed by sustainability.

There is strong support for further growth of the green, social and sustainable bond markets: 36% of all bond investors do not buy these bonds yet, but expect to start buying them seriously for the first time.

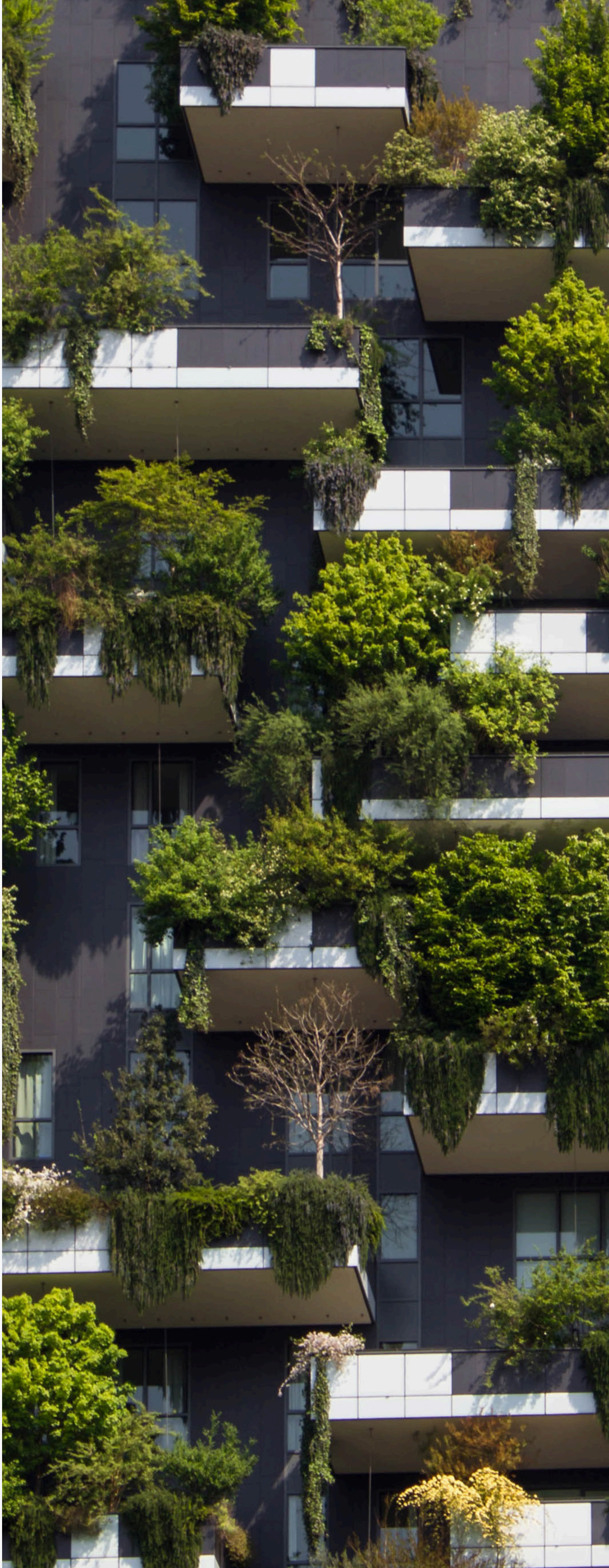
Moreover, many make a greater claim for sustainable finance — not just that it is important, but that it pays for itself. Half (49%) of investing institutions around the world argue that factoring environmental and social issues into their strategies improves portfolio returns and/or lowers investment risk.

This is down slightly from 54% a year ago, and is one of many areas of the survey that reveal the profound and complex impact of the COVID-19 pandemic on sustainable finance. Among investors, 87% say it has changed how they consider environmental, social and governance issues, while 92% of issuers say it has altered their approach to sustainability.

**49%** of investors say ESG can improve returns or lower risk

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

- **Issuers have moved ahead of investors** in their commitment to sustainability: 97% globally expect to redeploy capital in response to environmental and social challenges and opportunities over the next five years, up from 94% in 2019
- Among issuers, 94% **disclose aspects of their environmental and social performance**, and 93% to 98% believe their capital providers (shareholders, bondholders and bank lenders) care about this
- **Values** are still the commonest driver for issuers' commitment to the environment and society: 55% say this is a reason for their stances
- **Risk/return and external pressures** are now more influential than values in pushing investors towards sustainability awareness: 49% cite risk/return versus 38% values
- Although the COVID-19 pandemic has influenced investor attitudes in a variety of ways, just 9% globally are **unwilling to pursue ESG investing** and only 46% still feel **held back by obstacles**. That is a big reduction from the 61% who felt obstructed a year ago
- Over half of investors (51%) have already adopted **firm-wide policies on responsible investing/ESG** issues and 35% now disclose the ESG characteristics of their whole portfolios — up from 24% in 2019
- Investment opportunities in **sustainable infrastructure** stand out — particularly in energy technologies (above all, renewable power and lower carbon fuels) and water and waste water systems
- **Climate change is acknowledged** — 55% of issuers say they are already affected or view it as a threat within 10 years, while 76% of investors recognise it as the most urgent threat to humanity or one of its most serious challenges



# Americas report

## Consciousness of environment and society drives wide activity

### Investors buy into ESG and believe it will lift performance

**Even in the absence of a strong political lead in the US, issuers and investors in the Americas stand out globally in our survey as the most committed to sustainable finance. Across a host of measures, investors especially, but also issuers, have advanced engagement with and very strong commitment to incorporating environmental and social factors into their investment and financing strategies.**

Most notably, nearly two thirds of the region's investors regard environmental and social issues as very important. This compares with a global average of 48%. Issuers in the Americas report this stance to a strongly above average extent too (71% versus 62%), with US companies especially committed (80%).

Both external and internal considerations are at work in the region's high level of engagement. Clients or customers, employees, regulators, NGOs and broader society are all powerful drivers of Americas respondents' positive environmental and social stances. Issuers and investors in the region feel the influence of these stakeholders more than the global averages.

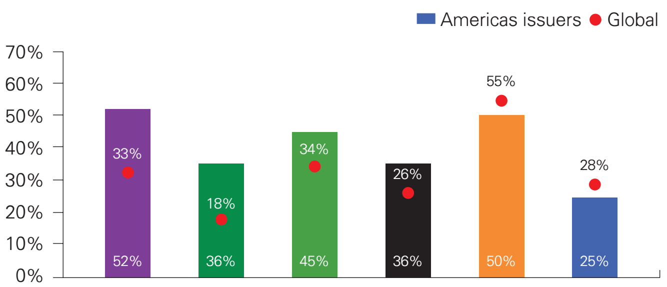
This also manifests itself in exceptionally broad adoption of firm-wide policies on responsible investing or ESG issues and above average scrutiny of ESG credentials. But more classical investment considerations of risk and return are also pushing ESG forward. In contrast to other regions' scepticism, nearly two thirds of investors in the Americas believe caring about environmental and social issues will boost their performance. An above average proportion view ESG, responsible or sustainable investing as an attractive route to investment outperformance.

Similarly, investors make a strong top-down link between their values and the wider economy. Many more of the region's investors (36% versus a global average of 28%, and 39% in the US) believe achieving prosperity and a healthy, secure life for all, as embodied in the UN Sustainable Development Goals, is vital for a successful, stable economy.

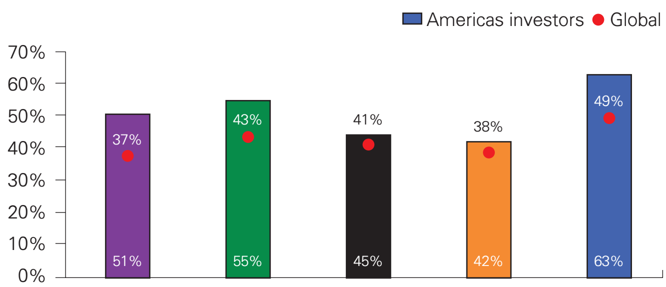
Values are evident elsewhere in the region's responses, too. Both issuers and investors, for example, hold very strong views on addressing climate change. Unmatched proportions of both – 47% of issuers, 37% of investors – regard it as the single most urgent threat to humanity. Despite their commitment, both issuers and investors want more advice on ESG matters.

Three quarters of issuers in the Americas are seeking advice in general — more than in any other region — and more are seeking a lot of advice. They are particularly looking to professional advisers and government for this. Demand for advice is especially strong in Canada. US issuers are also above average. Similarly, more than half of investors are seeking advice and information on aspects of ESG investing — particularly fundamental environmental risks and measuring impact. Again, this proportion exceeds peers in any other region.

**Stakeholder pressure on environment and society felt strongly in the 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
- We believe it's right to care about the world and society
- 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

## Key findings

- There is **exceptional commitment** to environmental and social issues in the Americas — 71% of issuers (80% in the US, 74% in Canada) and 61% of investors (64% in the US) regard these as very important. These are the only investor scores above 50% on this measure (the global average is 48%)
- Unmatched certainty on the **urgency of climate change** — 47% of issuers and 37% of investors regard this as the most important threat to humanity, compared with global averages of 29% and 32%
- Most investors believe caring about environmental and social matters can **improve investment returns** and/or reduce investment risk — 63% agree with this, whereas it is a minority view in all other regions
- Similarly, 71% feel responsibility to **take into account ESG issues** that could affect investment performance, compared with a 53% global average
- Investors and issuers feel **pressure from society**, NGOs and clients or customers to care about environmental and social issues — over 50% in all but one category (45% for NGOs, unmatched in any other region) cite these factors as drivers for their stances
- These external pressures lead a significant majority of investors to have adopted **firm-wide policies on responsible investing** or ESG issues — the 69% response on this is far ahead of all other regions
- They have also induced 53% of investors to recognise a responsibility to **avoid investments with bad effects** on the environment and society
- The majority of both issuers and investors want more **advice on ESG questions** — 74% of the former and 58% of the latter, each outstripping peers in all other regions. Appetite is particularly strong in Canada
- **COVID-19** has given a jolt (stronger than in other regions) to both issuer and investor thinking on a broad range of sustainability topics, such as supply chain resilience. Issuers in particular have come to regard these as more important than before (58% versus a global average of 41%)
- Issuers and investors are committing to **green and socially responsible debt** more than elsewhere. The Americas has many potential issuers (48%), first time investors (42% of bond investors) and existing buyers (39%); and above average scores for green and sustainability-linked loans too
- **Issuers' disclosures** of sustainability and environmental information leads most regions, with a particular emphasis on annual reports, in which 74% publish their sustainability strategies
- Issuers have strong **confidence in investors' support** for their sustainability efforts — an unmatched 17% report these as a key reason for investment, versus an 11% global average
- **Bond investors are most concerned** about issuers' environmental and societal impacts; banks and shareholders get below average scores

## Investors support issuers

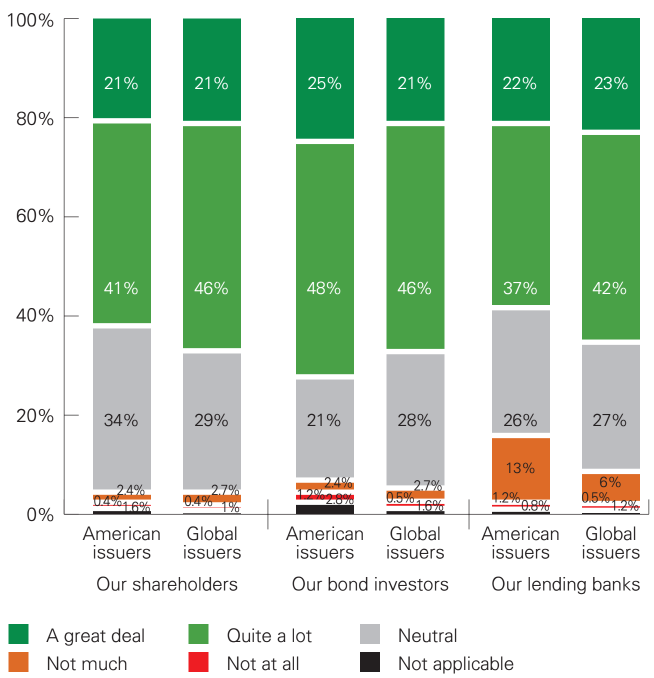
Bond investors particularly notice issuers' sustainability drives

**Perhaps as a result of their significant disclosures, Americas issuers are also more confident than peers elsewhere that investors support their sustainability efforts. Although other regions report greater levels of understanding of these efforts, nowhere matches the Americas' score for excitement over them (17%, compared to the 11% global average, and as high as 22% in the US).**

Issuers in the region are also the most likely to feel their bond investors care about their environmental performance (73% report bond investors taking a substantial interest, against 67% globally). More issuers than the global average believe bondholders care about their impacts on society, too. However, they report slightly below average scores for their banks and shareholders on both questions.

**Bond investors are most alert to environmental performance, say Americas issuers**

Our investors care about our environmental performance:



# Americas report

“Nearly half of Americas investors think preserving biodiversity is more important than before the pandemic”

## Coronavirus changes attitudes

Pandemic deepens issuers’ and investors’ emphasis on ESG

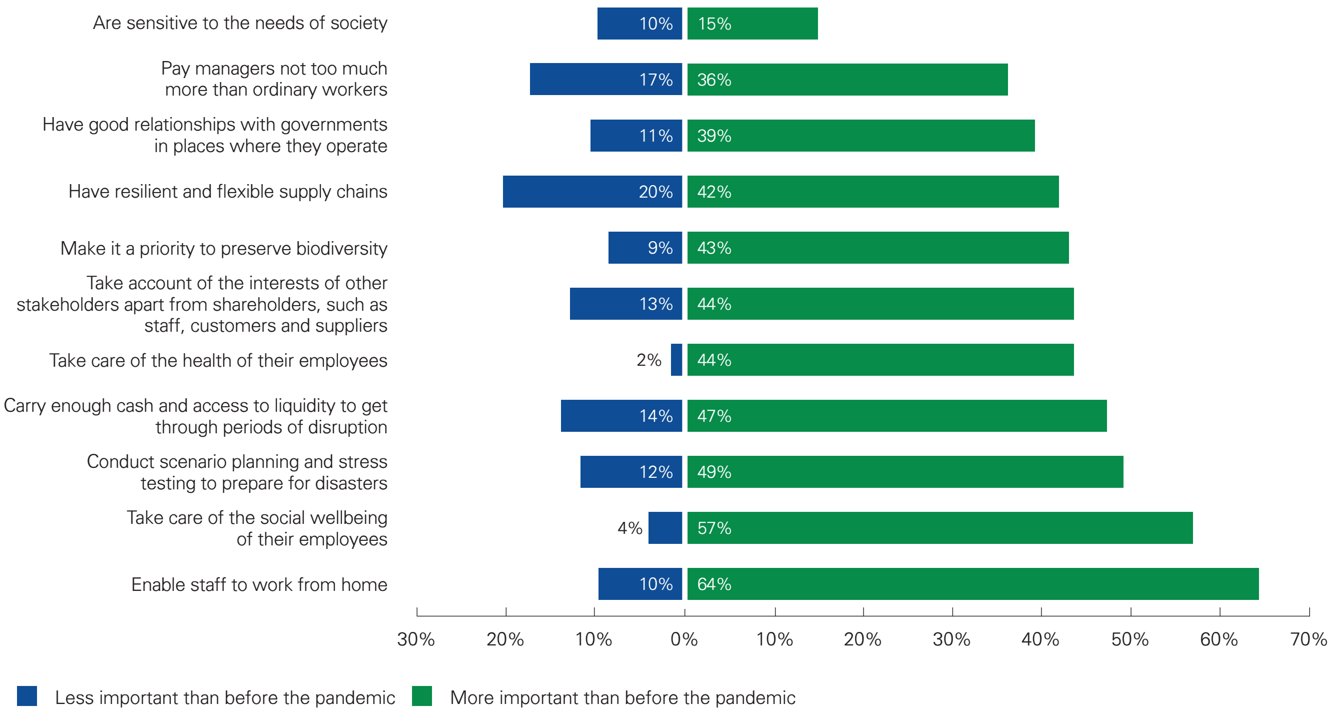
**The COVID-19 pandemic has strongly influenced thinking about many aspects of sustainability in the Americas, which have been significantly and widely impacted by the disease. On a wide range of parameters, issuers and investors say their stances have shifted more than peers elsewhere do.**

For example, nearly half of Americas investors (42%) now regard resilient supply chains as of greater importance than before the pandemic, against a global average of 32%. A similar proportion think preserving biodiversity is more important than before. Indeed, on all 10 pandemic-related matters considered in the survey — everything from working from home to sensitivity to society’s needs — Americas investors are attaching greater importance than before the pandemic, even more than the world average.

Americas issuers have also been deeply affected. On all issues but one — employees’ social wellbeing — they are above global averages, and on eight out of 10 issues they are ahead of all other regions. Besides supply chain resilience, these include considering stakeholders and scenario planning.

**Pandemic sharpens Americas investors’ focus on employee wellbeing and other ESG issues**

How has the COVID-19 pandemic changed your views on which organisations to invest in?



## Green and sustainable debt

More than half of issuers consider labelled borrowing

**Green bonds, sustainability-linked loans and other forms of socially responsible debt are gaining traction in the Americas. Both investors and issuers' expectations suggest notable upticks in activity.**

The region boasts more issuers than elsewhere who have yet to fund themselves through green or socially responsible bonds but may do so in the future (48% versus 33% global average). Potential users of green and sustainability-linked loans are well above average too (43% versus 32% globally). Canadian issuers are especially keen on exploring both of these products.

The positive news continues, with a higher proportion of investors than anywhere else planning to start buying green and socially responsible bonds for the first time. And more existing buyers than elsewhere plan to increase their allocations to these types of bond.

## Environmental and social disclosure

Sustainability strategies now integral to annual reports

**Issuers in the Americas are above average for disclosing most kinds of sustainability information. Their annual reports are the primary vehicle for these disclosures, though separate corporate social responsibility (CSR) reports play significant roles too.**

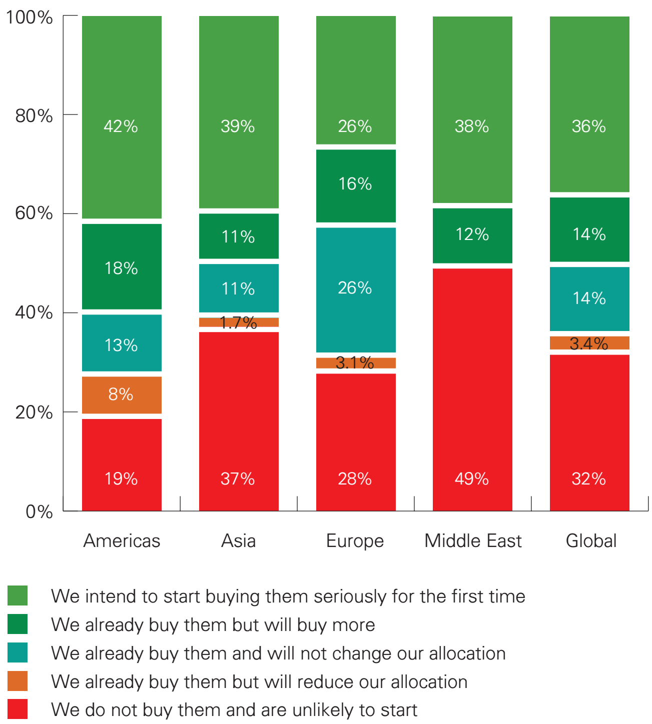
Nearly all issuers in all regions now report a sustainability strategy, but those in the Americas are more likely than most to publish a strategy on climate change — 94% do this, against a 91% average.

They are also ahead of the pack in reporting as recommended by the Task Force on Climate-Related Financial Disclosures (TCFD), with 60% doing it — the world average is 54%. On publishing carbon footprints, Americas issuers are above average, at 62%, but that is some way behind Europe, where 71% do. Americas issuers are top in the world for reporting other environmental metrics, at 95%.

But they are further behind in declaring their alignment with the Paris Agreement: 63% do, below the average of 71%.

**Market for sustainable bonds to grow as new investors start buying**

Bond investors — Our firm's allocation to green/social/sustainable bonds will evolve in the next two years:



# Methodology

***GlobalCapital*, the capital markets newspaper, and Euromoney Insight conducted a global survey of investors and capital markets issuers in July and August 2020. 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 organisations, by size, geography and type of activity. Investors and issuers were invited to participate in online surveys, comprising multiple choice questions.

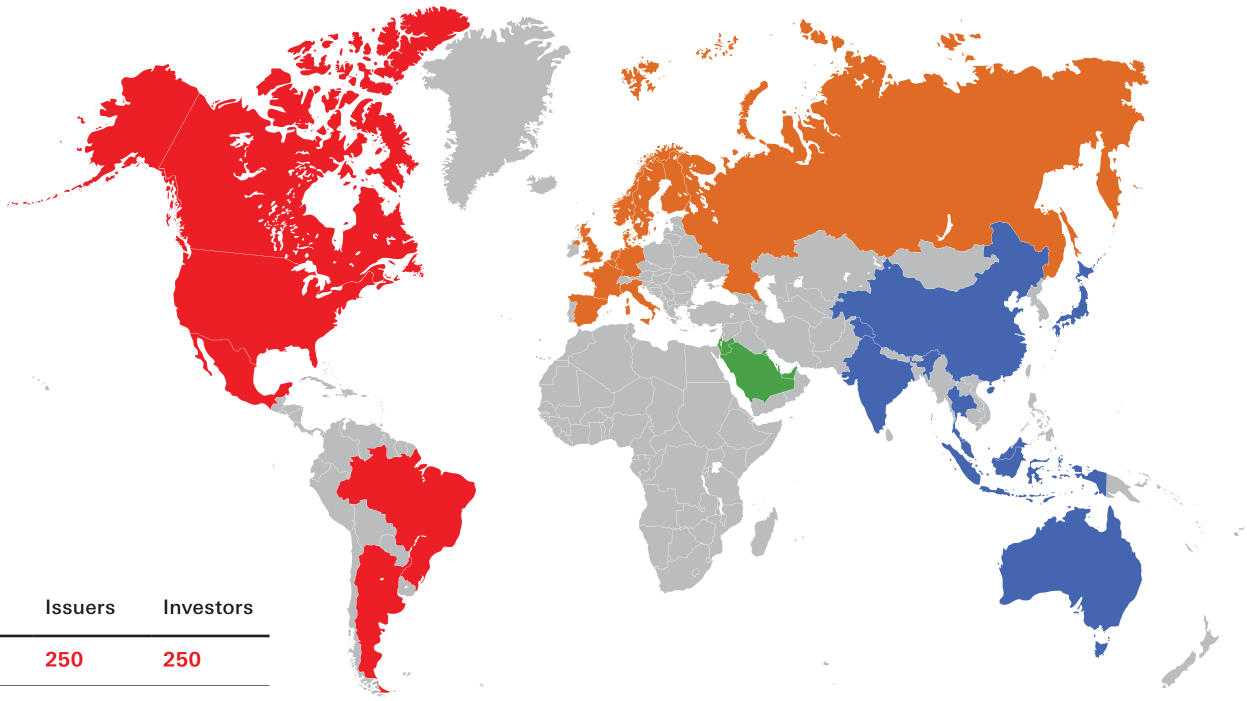
The surveys were offered in Chinese, English, French, German, Japanese, Portuguese, Russian and Spanish. Over 2,500 responses were received from issuers and investors. To participate, each respondent had to state their name, contact details, job title, the name, nature and size of their organisation, and where they were based. Responses are treated anonymously.

From these, a structured sample was extracted for use in the survey. This comprised 1,000 issuers and 1,000 investors, distributed across 34 territories in four regions. The sample was designed to give broad geographical coverage of each of the regions.

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

All data shows percentages of those who answered that question.

The sample analysed is as follows:



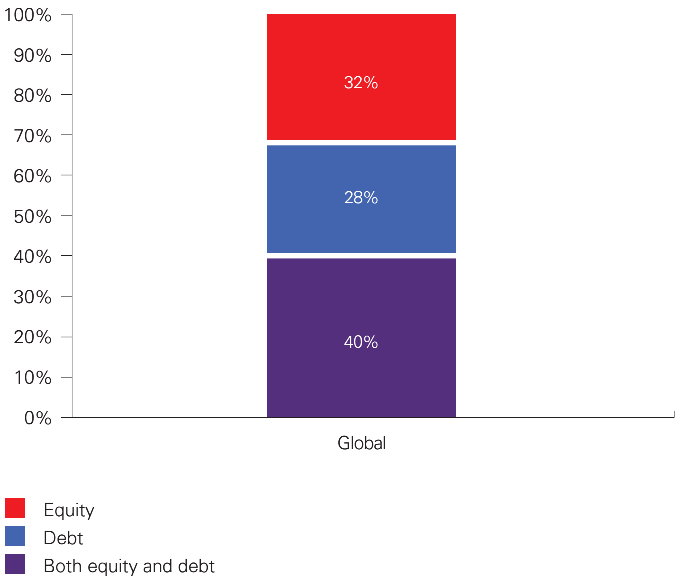
| | Issuers | Investors |
|---|---|---|
| **Americas** | **250** | **250** |
| US | 125 | 125 |
| Canada | 50 | 50 |
| Argentina | 22 | 24 |
| Brazil | 29 | 30 |
| Mexico | 24 | 21 |

| | Issuers | Investors |
|---|---|---|
| **Middle East** | **150** | **150** |
| Saudi Arabia | 46 | 50 |
| UAE | 49 | 51 |
| Bahrain, Jordan, Israel | 13 | 20 |
| Kuwait | 21 | 16 |
| Qatar | 21 | 13 |

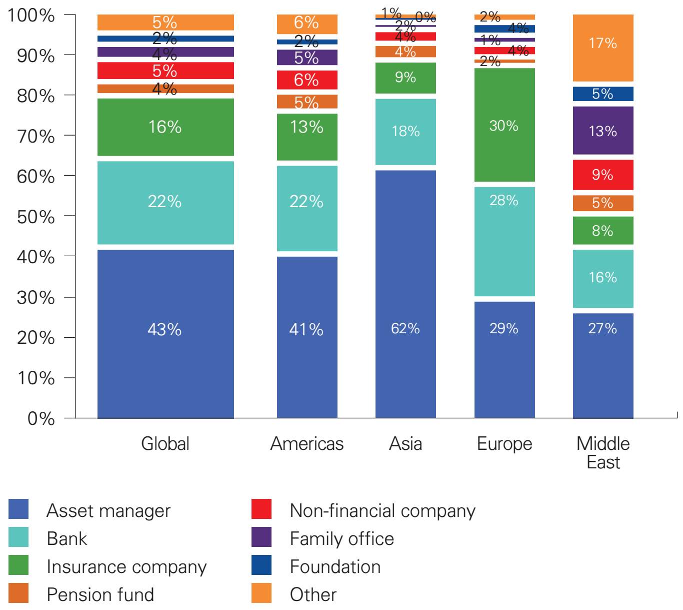
| | Issuers | Investors |
|---|---|---|
| **Europe** | **275** | **275** |
| United Kingdom | 75 | 75 |
| France | 50 | 50 |
| Germany | 50 | 50 |
| Belgium, Netherlands, Luxembourg | 20 | 22 |
| Italy | 23 | 22 |
| Denmark, Sweden, Norway, Finland | 20 | 19 |
| Russia | 14 | 15 |
| Spain | 23 | 22 |

| | Issuers | Investors |
|---|---|---|
| **Asia** | **325** | **325** |
| Mainland China | 104 | 100 |
| Hong Kong SAR | 47 | 50 |
| Singapore | 50 | 50 |
| Australia | 21 | 25 |
| India | 22 | 20 |
| Indonesia | 19 | 19 |
| Japan | 19 | 19 |
| Malaysia | 21 | 23 |
| Thailand | 22 | 19 |
| **TOTAL** | **1,000** | **1,000** |

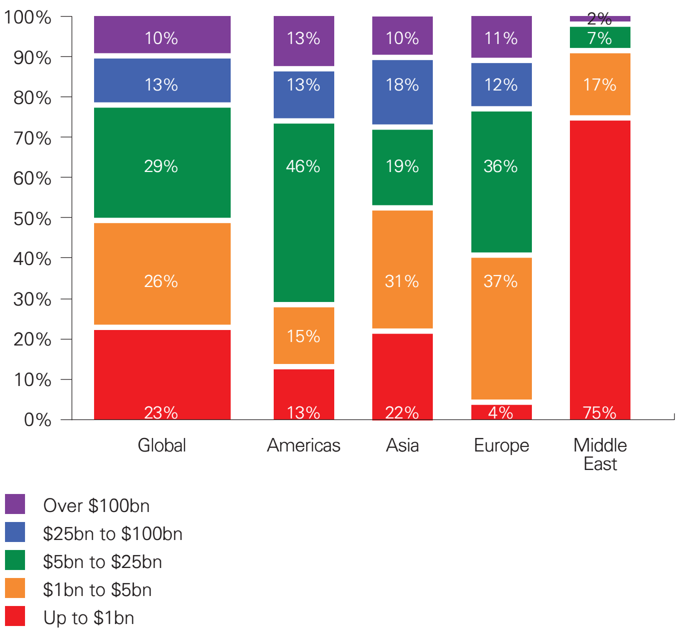
## Investors by asset type



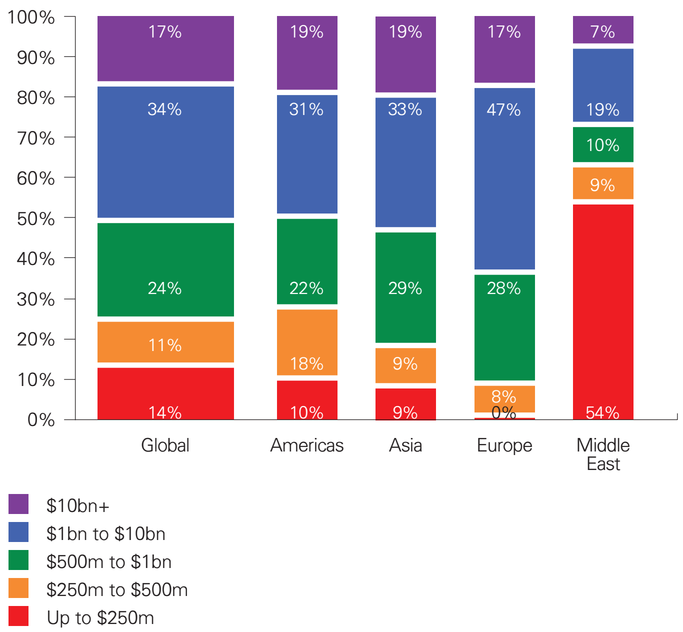

## Investors by type




## Investors by assets under management

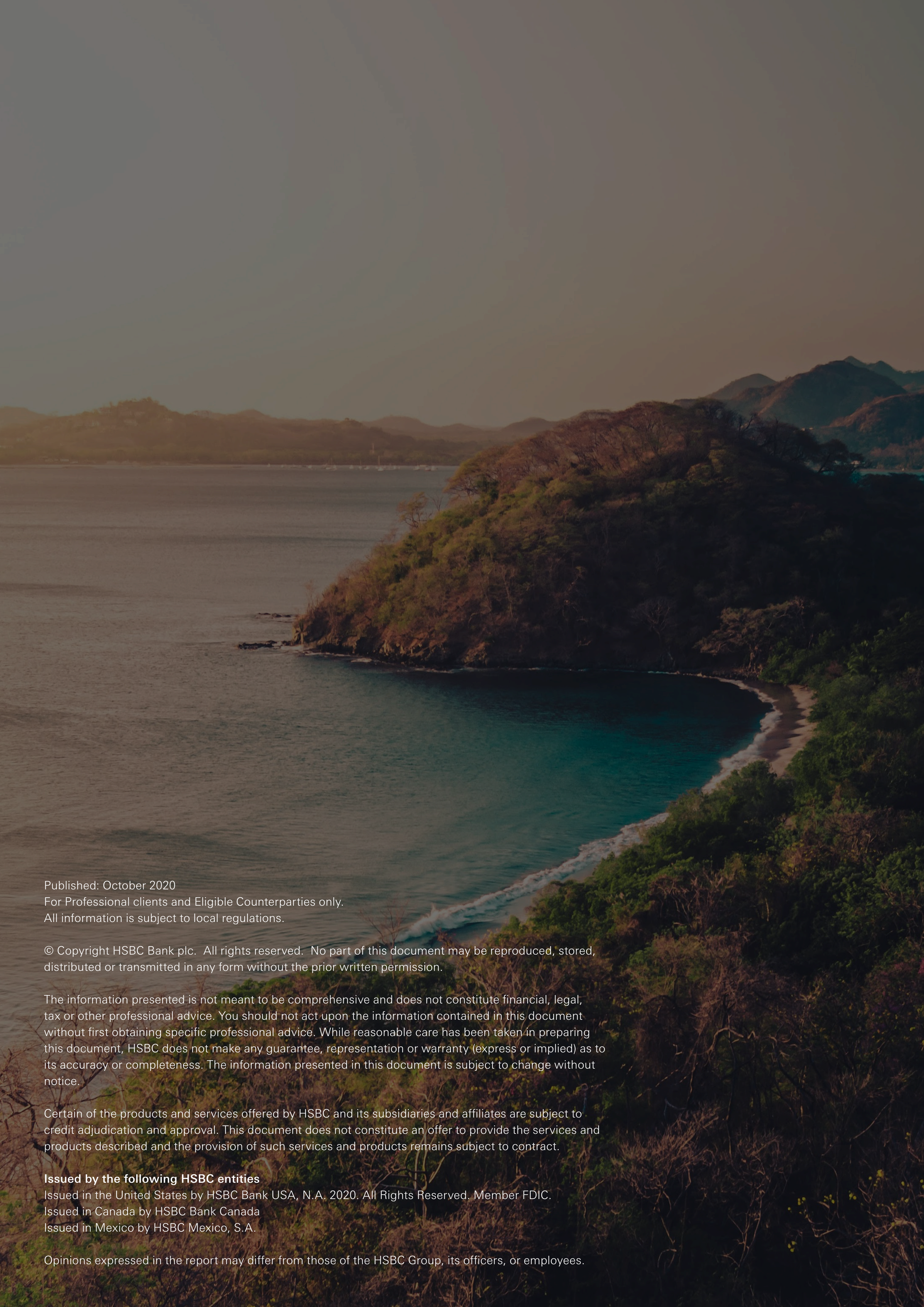



## Issuers by annual revenue




## Issuers by type

| | | | | | |
|---|---|---|---|---|---|
| Central government | 7 | Oil, gas, coal and chemicals | 55 | Telecoms | 49 |
| Supranational organisation | 1 | Metals and mining | 35 | Information technology | 99 |
| Local government | 15 | Building materials | 36 | Consumer goods | 52 |
| Banking | 187 | Transport | 35 | Retail and consumer services | 70 |
| Insurance | 41 | Electricity and water | 37 | Business services | 54 |
| Real estate | 67 | Industrial goods | 57 | Agriculture, food, beverages, tobacco | 38 |
| Other | 12 | | | Healthcare | 53 |



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