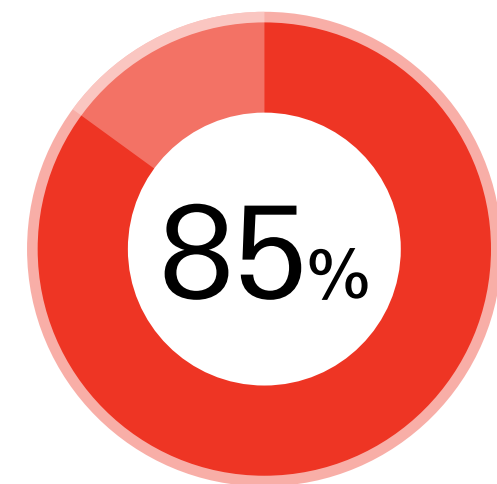


Building a sustainable banking system

As investors and corporates increase their focus on ESG commitments, more robust ESG guidelines, tools and solutions are needed to build a sustainable banking system for the future.

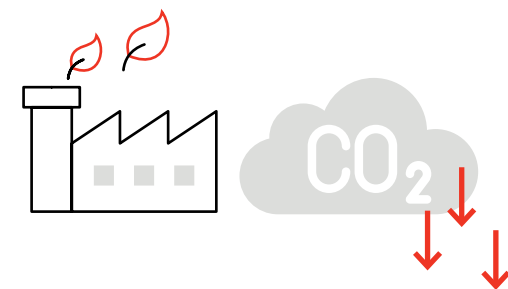
➔ ESG is increasingly becoming an integral part of the financial industry



85% of hedge funds see institutional investors as the biggest drivers of interest in ESG investing.

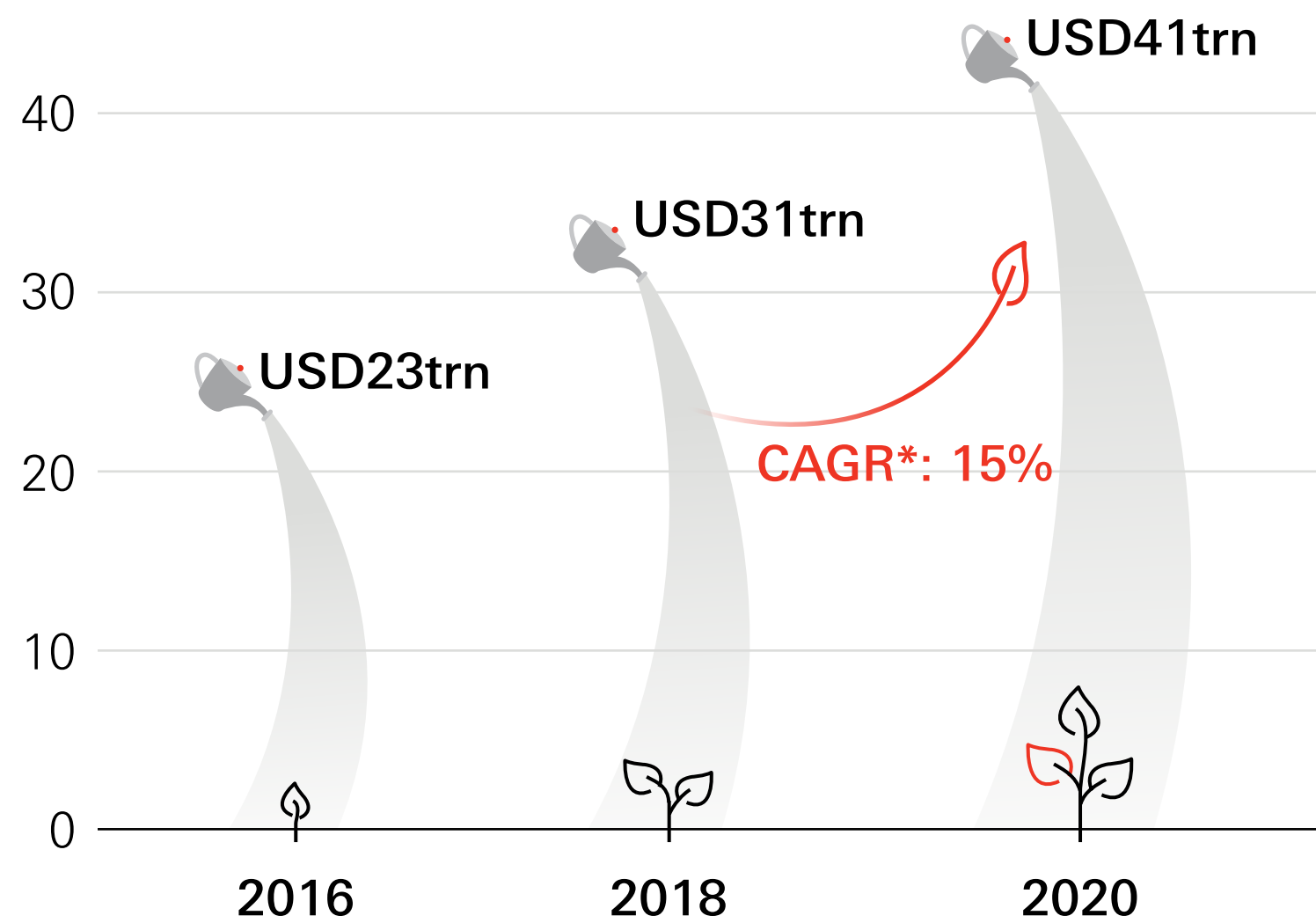
Source: KPMG

Over the past two years, the number of companies committed to **net zero targets** have grown to over **1,500**, representing over **USD11.4 trillion** in revenue.



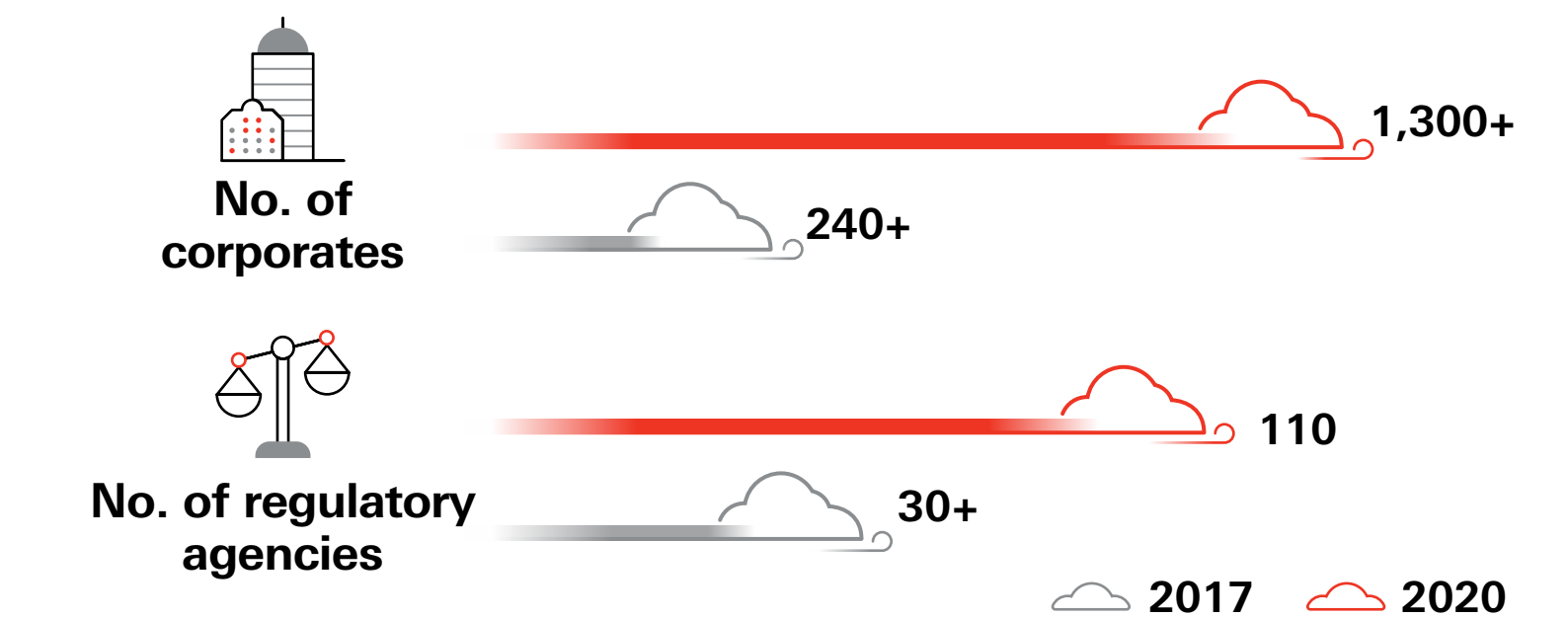
Source: Energy and Climate Intelligence Unit, Data-Driven EnviroLab & NewClimate Institute

ESG-aligned investments grew to **over USD40 trillion** in 2020



Source: Global Sustainable Investment Trends Review & Opimas
*Compound annual growth rate

Support among corporates and regulators globally for the **Task Force on Climate-related Financial Disclosures (TCFD)** has grown rapidly.



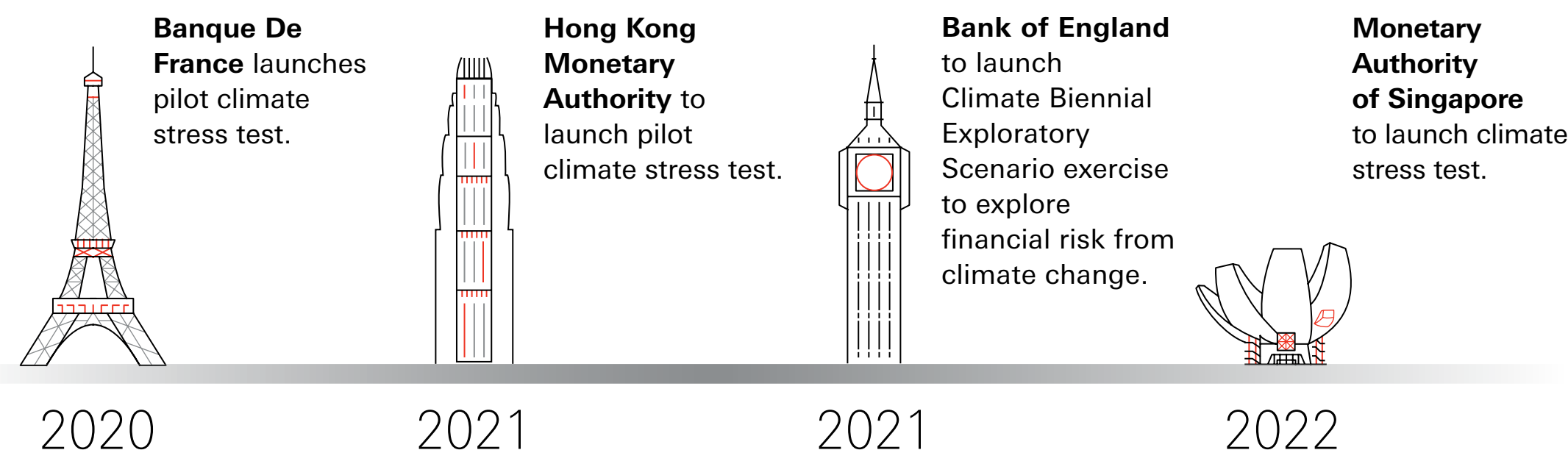
The TCFD guidelines broadly cover four areas of corporate sustainability:



Source: TCFD

Regulators are responding to this growth

Regulatory bodies around the world are building frameworks for ESG risk management and inviting banks to participate in pilots for climate stress tests.



Banks are having to ramp up their methodologies on how they look at climate risks. It is important that KPIs are meaningful and go beyond just business as usual.

Rahul Ghosh, Managing Director, ESG Outreach and Research, Moody's ESG solutions

According to Moody's, **governance issues** were the highest in terms of identified ESG controversies for the diversified banks sector during 2020.

Source: Moody's

To learn more about our sustainable financing solutions, please contact your HSBC Relationship Manager.



Priorities for building a sustainable banking system

Banks are ranked **2nd** of all sectors covered in the Moody's ESG ratings, with a high average disclosure rate of **85%**.

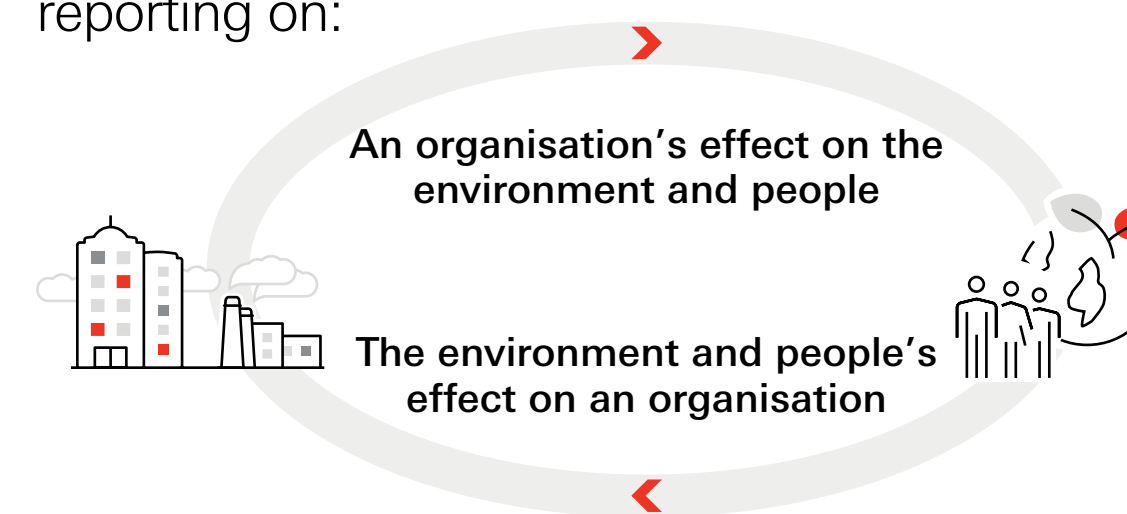
Source: Moody's



Good disclosure helps us rate banks in a more accurate way, placing emphasis on the exposure to different risks. We need to see how much banks are exposed to different risks and their response to rate them more accurately.

Jakub Malich, CFA, Vice President, ESG Research, MSCI

Adoption of **double materiality** requires reporting on:



Source: European Commission

EUR 1.36 trillion, representing over **50% of European bank exposure**, is allocated to sectors that may be sensitive to transition risk.

Source: European Banking Authority



ESG is such an important issue for the sector. From our perspective, this industry has the ability to really change the direction. We have to work collaboratively with industry players to build a more sustainable banking sector together.

Robert Wall, Managing Director, Regional Business Development Lead, Asia Pacific Global Banking Chief Commercial Office, HSBC

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