

# Sustainable Financing and Investing Survey – Americas Report

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## The Americas commit to sustainable finance Key insights article

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Results from HSBC's sustainable finance and investing survey in the Americas show a strong trend toward green and ESG options.

### Executive Summary

- ◆ Participants in the Americas show great concern over climate change, with 47% of issuers and 37% of investors regarding it as the most important threat to humanity.
- ◆ 63% of investors in the Americas believe environmental and social considerations can improve performance and 71% feel a responsibility to consider environmental, social and governance issues that might affect investment performance.
- ◆ Issuers in the region are open to sustainable funding. 54% who have yet to raise funds through green or socially responsible bonds indicate that they may do so in the future.

Home to some of the largest capital markets in the world, the Americas have the potential to exert great influence, and market participants in the region seem to be leaning decisively toward sustainable options. As of 2018, \$12 trillion assets in the US were held in sustainable vehicles, representing 25.7% of total assets under management for the country. In Canada, this number jumps to \$1.7 trillion – 50.6% of total assets under management. For both countries, green bonds form the majority of sustainable financial instruments.<sup>1</sup>

### Environmental issues gain prominence

The Americas stand out amongst the global cohort in their decisive views on environmental issues and sustainable finance. They are unmatched in their feelings on the urgency

of climate change, with 47% of issuers and 37% of investors regarding climate change as the most important threat to humanity. In comparison, globally 29% of issuers and 32% of investors rate the urgency of climate change highly. The strong sentiment doesn't end with the urgency around an imperiled climate, rather, it is evidence of a dominant theme within the region of strong engagement with sustainability and social issues and a commitment to incorporating these factors into financing and investing strategies. Environmental and social issues are regarded as very important by nearly two-thirds of investors, 71% of issuers and 80% of companies in the region. To see the difference, consider the global average of investors – 48% – and issuers – 62% – who feel the same way.

### The push toward ESG

What is driving strong environmental and social engagement in the Americas? Our survey results reveal that there are likely a number of factors at play in the region, including the influence of external stakeholders, the positive view of ESG-related returns and the perceived link between environmental and social engagement and the wider economy.

When it comes to engaging with environmental and social topics, over 50% of issuers and investors – higher than the global average – say they feel pressure from clients or customers, employees, regulators, and society at large. Forty-five per cent say they are motivated by non-governmental organisations – the highest of any region. Responding to these influences, 69% of investors have implemented policies on

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<sup>1</sup> <https://www.bloomberg.com/graphics/2019-green-finance/>

responsible investing or ESG issues, far ahead of any other region. Additionally, 53% of investors believe they have a responsibility to avoid investments that might have a bad effect on the environment or society. Their scrutiny of ESG credentials also sits above the global average.

While other regions have remained more sceptical about the ability of environmental and social considerations to help drive returns, 63% of investors in the Americas believe these can improve performance. Further, 71% feel a responsibility to consider environmental, social and governance issues that might affect investment performance, while only 53% feel this way globally.

Investors in the region also make an association between their practices and the wider economy. For example, 36% of investors agree that achieving prosperity and a healthy, secure life for all – as outlined in the UN Sustainable Development Goals – is critical for the success and stability of their economy. This sentiment is even higher in the US, with 39% of investors agreeing, whereas the global average is only 28%.

## The pandemic influence

Covid-19, with its far-reaching impact, has caused many in the Americas to reevaluate social and sustainability-related thinking. The effects of the pandemic are being keenly felt in the region, causing issuers and investors to change their views on a variety of topics, more than in other areas of the world. Asked to weigh in on pandemic-related matters, including working from home and sensitivity to society's needs, investors believe these topics are more important than before the pandemic. Their feelings around supply chain resiliency stand out in particular – 42% of investors attach more importance to this issue now. A similar number think preserving biodiversity is also more important today. Issuers record similar feelings and appear above the global average in attaching greater importance to supply chain resilience, considering stakeholders and scenario planning.

## Green bonds grow

As a region, the Americas shows huge potential for growth in green bonds, sustainability-linked loans, and other forms of socially responsible debt. As an example of the type of growth happening in the region, in Latin America alone, 11 countries have issued green bonds since 2014. And while Brazil's economic growth was somewhat lacklustre in 2018, the country still ranked in the top ten for green bond issuance in emerging markets between 2012 and 2018. There is a huge need for infrastructure in Latin America, and there is the potential for growth as states in the region try to meet this demand within a sustainable and climate-friendly framework.<sup>2</sup>

Insights from our survey back up the idea that demand for these instruments is likely to grow in the region. Fifty-four per

cent of issuers in the Americas who have yet to raise funds through green or socially responsible bonds indicate that they may do so in the future. Only 34% of issuers globally feel similarly. Inclination towards sustainability-linked loans is also above average, with 43% in the Americas open to them versus only 34% globally.

Building on this trend, a high number of investors in the Americas have plans to start buying green and socially responsible bonds for the first time, while many existing buyers intend to increase their allocations to these types of bonds.

Another telling result is that issuers in the Americas have greater confidence than their peers in other regions that investors support their sustainability efforts. Seventeen per cent of investors cite this as a key reason for investment, against the global average of 11%. On a similar note, 73% of issuers say bond investors take a substantial interest in their environmental performance. This suggests issuers and investors in the region are in close agreement when it comes to issues of sustainability.

## Disclosure is a priority

Disclosure is another area where the region stands apart. Issuers in the Americas rate above the global average for disclosing most kinds of sustainability information. Ninety-four per cent publish a strategy on climate change, compared with the global average of 91%. Sixty per cent follow reporting procedures as defined by the Taskforce on Climate-Related Financial Disclosures (TCFD), against the global average of 54%, and 62% publish information about their carbon footprints, slightly above the global average. However, at 95%, issuers in the region are top of class for reporting other environmental metrics.

One area where the region lags slightly is in affirming alignment with the Paris Agreement, with only 63% doing so, behind the global average of 71%. This is perhaps not entirely surprising considering that one of the region's biggest players, the US, announced its intention to withdraw from the agreement in 2017.

## Stronger guidance desired

One thing issuers and investors made clear is a desire for stronger advice and information on ESG-related subjects. Just shy of three-quarters – 74% – of issuers in the region are seeking more advice. Specifically, they are looking for direction from professional advisers and government and these sentiments are particularly strong in Canada, with US issuers also registering an above average interest.

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<sup>2</sup> <https://internationalfinance.com/latams-green-bond-market-is-flourishing/>

Investors in the Americas also exceeded their peers in this area. Fifty-eight per cent of them agreed that they wanted more advice or information on ESG investing, with a specific focus on fundamental environmental risks and measuring impact.

With a strong agreement between issuers and investors on the importance of environmental and social issues and an increasing demand for sustainable instruments, our survey suggests that the Americas are making a decisive commitment to sustainable finance and investing.