Sustainable financing and investing survey 2021

Americas report
Values come to the fore in the green and sustainable agenda

HSBC | Opening up a world of opportunity

Introduction
Investors lead charge in embrace of green and sustainable agenda

Galvanized by a new administration in the US and a strong sense of urgency for change, issuers and investors in the Americas have not only increased their focus and attention on environmental and social issues in the past year, many more of them now assign high levels of importance to these issues.

Such emboldened sentiment builds on the already strong engagement and commitment Americas issuers and investors have demonstrated to these issues in last year's survey.

Americas investors in particular are leading the green and sustainable charge this year – 80% of them say environmental and social issues are very important, which is more than double the percentage in any other region and a notable jump from 66% who said the same last year (**Fig 1**).

For their part, Americas issuers also see these issues as important, but not to the same extent. Some 32% of issuers in the region say they are very important – the lowest percentage of any region – and 60% somewhat important.

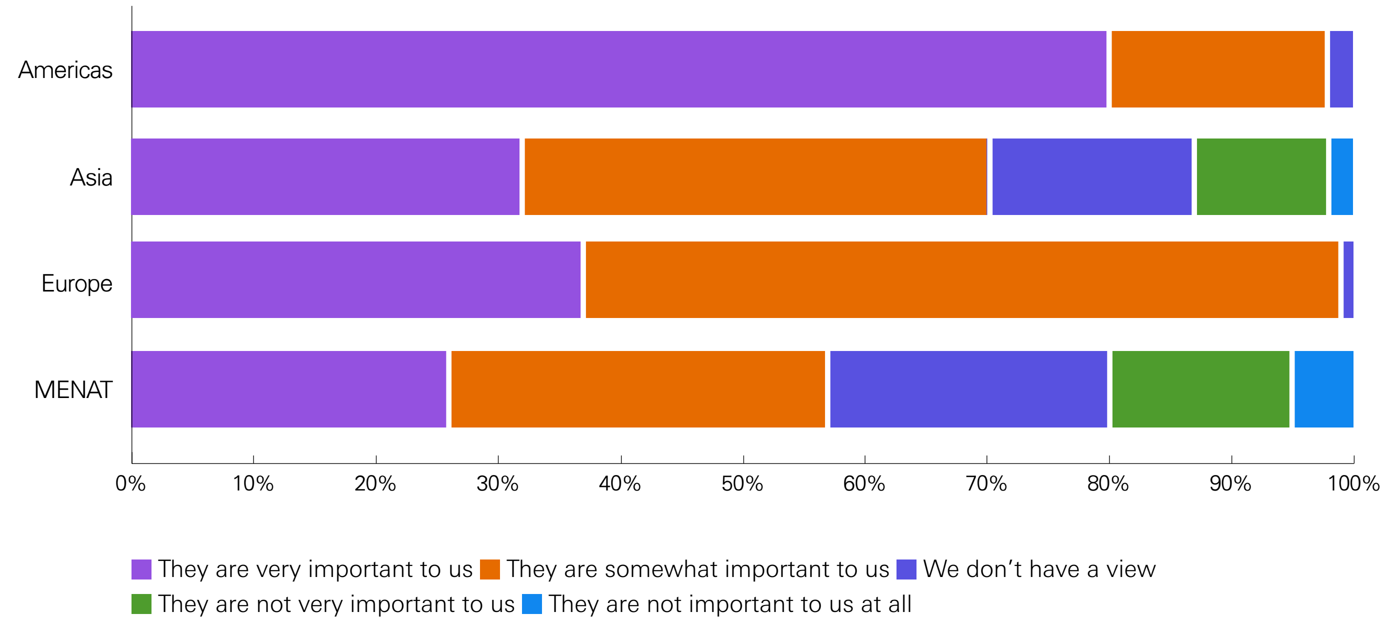
So what's driving this sentiment shift, especially among Americas investors? Having a new US President who is pushing a green and sustainable economic agenda is certainly influential, not just in the US but to the broader region and the world. Yet as the survey shows, there are other factors at play.

The pandemic has played a big part in making both investors and issuers pay more attention to these issues with 74% of investors saying they have increased their attention to both environmental and social issues in the past year – the highest percentage of any region.

There is also a shift this year away from solely the financial benefits of focusing on environmental and social issues as reasons to care, but to a values centered approach. Americas investors (66%) and investors overall (57%) say a belief that it is right to care about the world and society is their top reason to care, followed by a recognition that paying attention to these issues can improve returns or reduce risk as the second most popular response, marking a reversal from last year. Interestingly, this factor – improving returns or reducing risk – is the top response for Canadian respondents.

Also important for investors in the Americas – and every other region – is being required by regulation to care (some 41% of investors said so this year, down a touch from 45% last year). (**Fig 2**). These are the same top three reasons for investors in all other regions except for Europe, where investors there have this year placed less emphasis on the risk/return factor.

Figure 1: Americas investors show global leadership
What is your organisation's attitude to environmental and social issues?



80%

of investors in the Americas believe their organisation's attitude to environmental and social issues is very important

2021 Key Findings:

- **Strategic importance** – 80% of **Americas investors say environmental and social issues are very important** to their organisation – more than double the percentage in any other region and a notable jump from 66% last year.
- **Reasons to care** – **Americas investors and issuers say they care about environmental and social issues** for the same two reasons: Their belief that it is right to care about the world and society; and recognition that paying attention to these issues can improve returns or reduce risk.
- **Net zero progress** – **Americas investors and issuers are making progress on setting carbon neutral or 'net zero' commitments**; 11% of investors (lower than the global average of 17%) and 17% of issuers (above the global average of 16%) in the region have already made a commitment.
- **ESG investing leaders** – **Americas investors are one of the leaders regionally on having a firm-wide policy on responsible investing or ESG issues** – 72% of investors say they have such a policy, the second highest percentage after Europe.
- **Disclosure level** – Only 5% of Americas issuers say **they don't disclose anything on environmental and social issues**.
- **Climate change impact** – **66% of Americas issuers say climate change is already affecting their business or activities** – the highest percentage of any region.
- **Issuers examined** – Most Americas investors say the **information disclosed by companies they invest in on their environmental performance** is adequate (42%) and excellent (38%). Some 20% say it is inadequate.
- **Issuers examined** – Most Americas investors say the **information disclosed by companies they invest in on their social performance** is adequate (40%) and excellent (40%), while 20% say it is inadequate.
- **Green and sustainable finance** – 54% of Americas issuers say they expect their company to actively seek advice on green, social or sustainability issues in relation to **capital markets transactions** in the next 12 months.

Americas Report
Key drivers

In addition to the pandemic's impact on attitudes, there are other forces at work. More than half of Americas investors and issuers say they have become much more aware of the urgency of climate change and other environmental problems.

Importantly, they are also responding to society wanting them to pay more attention to these issues (63%), while 45% say they recognize that their responsibility to society has changed.

These are powerful developments influencing the importance that issuers and investors assign to environmental and social issues, and how they think about them. In practice, investors, in particular, are beginning to demonstrate this when investing; some 44% of them say they always consider the issuer's ESG credentials and performance – a striking statistic and the highest percentage of any region.

It is perhaps due to this level of scrutiny that investors in the region are seeing more of some specific problems correlated to the rise of the green and sustainable economy. One such is 'greenwashing', which is a hugely important issue for investors, and an area for concern; some 64% of Americas investors say they are 'very worried' about this activity – the highest percentage globally (**Fig 3**).

This is mostly felt by US (74%) and Canadian investors (66%), although 45% of investors combined from Argentina, Brazil and Mexico say the same.

"More than half of Americas investors and issuers say they have become much more aware of the urgency of climate change and other environmental problems."

Figure 2: Values and financial benefits influential to investors
Why does your organisation care about social and environmental issues?

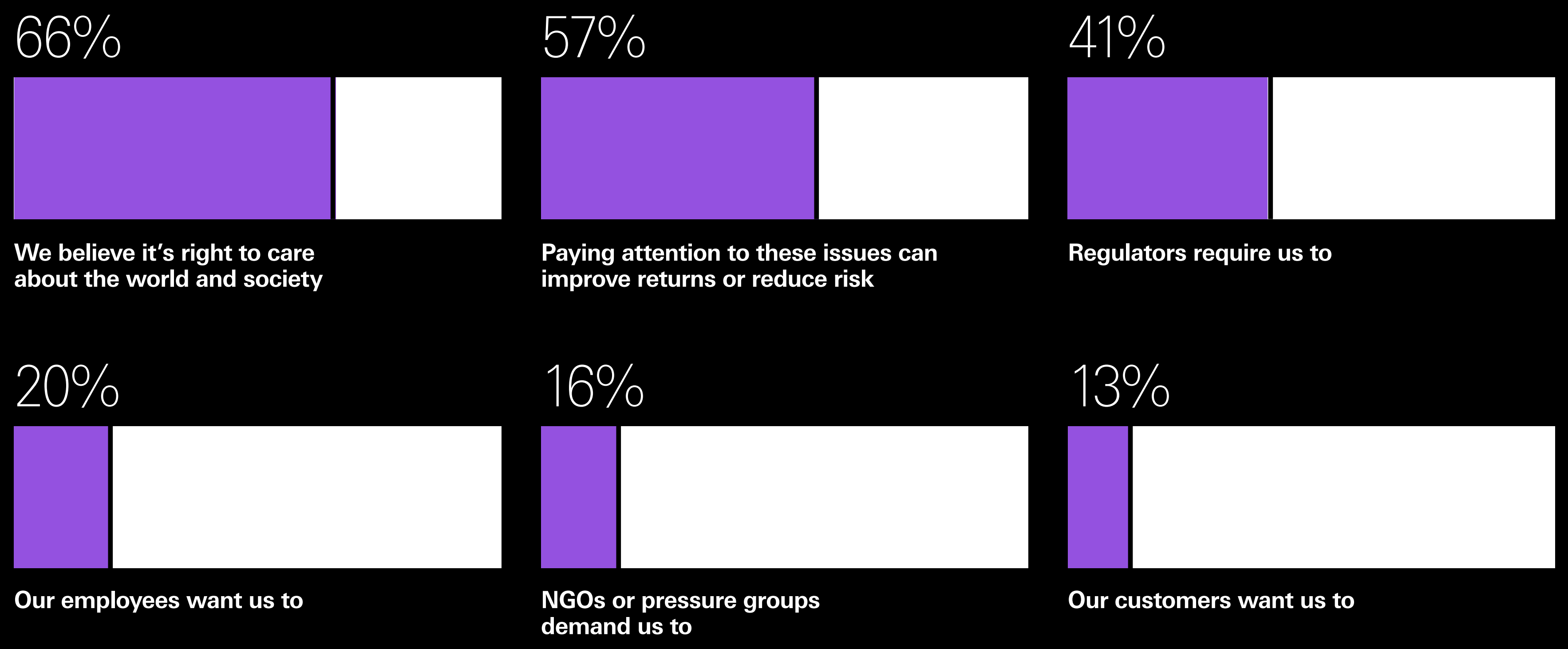
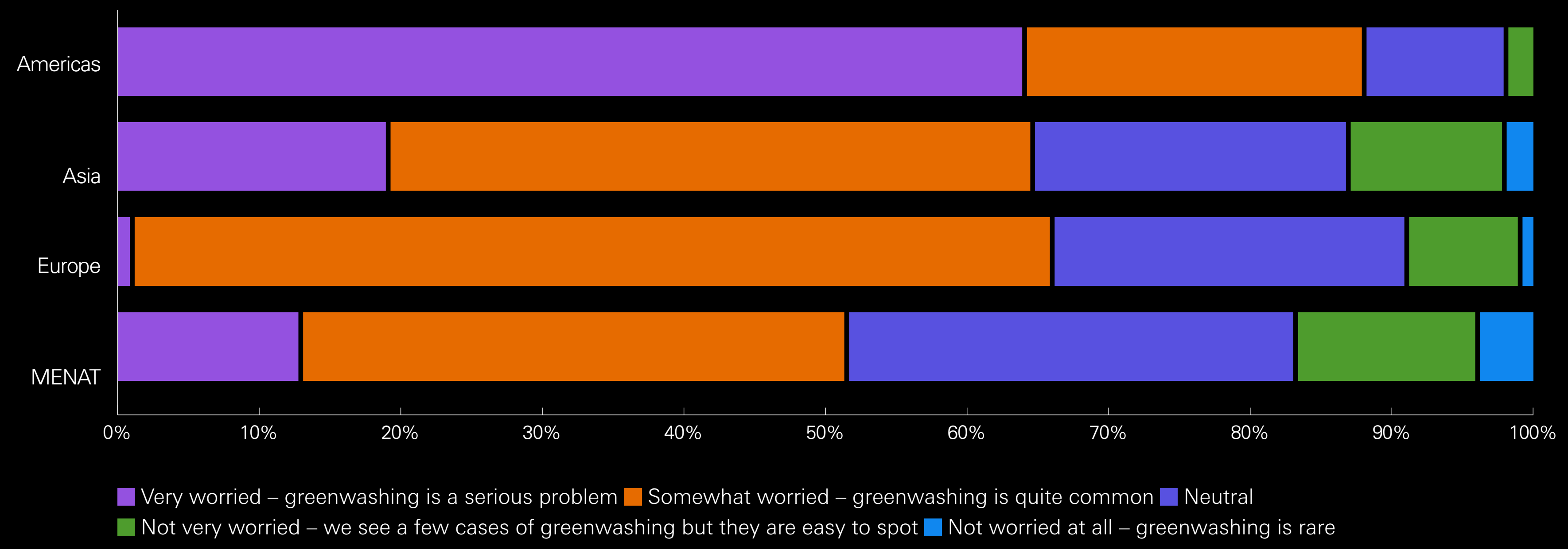


Figure 3: Americas investors highlight a serious problem
As an investor, how worried are you about greenwashing?



ESG Investment
Environmental and social issues at the core of investment decisions

Americas investors are demonstrating the high level of importance they assign to environmental and social issues through policy implementation and investment activity.

Some 72% of investors (**Fig 4**) – up from 69% last year – say they have firm-wide policy on responsible investing or ESG issues. By country, Canadian investors (84%) marginally lead US investors (81%), who together are notably ahead of their peers in the rest of the region (50% - comprising investors in Argentina, Brazil and Mexico).

For most Americas investors, their policies (**Fig 5**) include the following: An approach to identify material ESG issues for investments (58%); alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) or other reporting frameworks (46%); impact goals or metrics used as part of investment decision-making (46%).

Although the percentage of Americas investors with a policy is lower than that of their peers in Europe (91%), it is still significantly higher than investors in the Middle East, North Africa and Turkey (MENAT - 19%) and Asia (39%).

To some extent, this is partly due to differing levels of commitment to ESG and the extent to which it forms a core part investment decision making. For Americas investors, some 44% of them say they always take into account the issuer's ESG credentials and performance when investing, compared to only 14% of investors in ASEAN, for example.

In addition, 63% of Americas investors say it is their responsibility to take into account ESG issues that could affect the performance of their investments, and 61% say it is their responsibility to avoid investments that have a negative impact on the environment and society.

In practice, and at the individual company investment level, Americas investors are focused on a range of important areas. On the social side, for instance, around half of them say that when making an investment decision, they take into account a company's promotion of gender and ethnic equality, fair pay, their efforts to ensure suppliers are not committing human rights abuses, good training and development, and health and safety.

However, improvements in engaging companies on these issues can be made. Indeed, less than a quarter of Americas investors say they are actually monitoring companies' performance across all these areas and asking for improvements should they need to. This is the same for investors in the US, Canada and the rest of the Americas.

The percentages are not significantly higher across the other regions. In fact, with only one exception, less than 50% of investors across all regions say they monitor all these issues. Ensuring companies pay their staff fairly is the only issue where more than half of investors (in Europe) say they monitor and act.

Part of the challenge for investors is having the human resource and technology in place to help monitor all the companies they invest in, which can be in the hundreds. Other issues can include what companies disclose, how often, and other obstacle related to the relative immaturity of ESG investing.

For instance, while 70% of Americas investors say nothing is holding them back from pursuing ESG investing more fully and broadly, for the 30% that are being held back, chief among the reasons why are a lack of comparability of ESG data across issuers (36%), and inconsistency of ESG definitions (29%).

"About two thirds of Americas investors say it is their responsibility to take into account ESG issues that could affect the performance of their investments, as well as avoid investments that have a negative impact on the environment and society."

Figure 4: Widespread adoption of ESG investing among Americas investors
Does your organisation have a firm-wide policy on responsible investing or environmental, social and governance (ESG) issues?

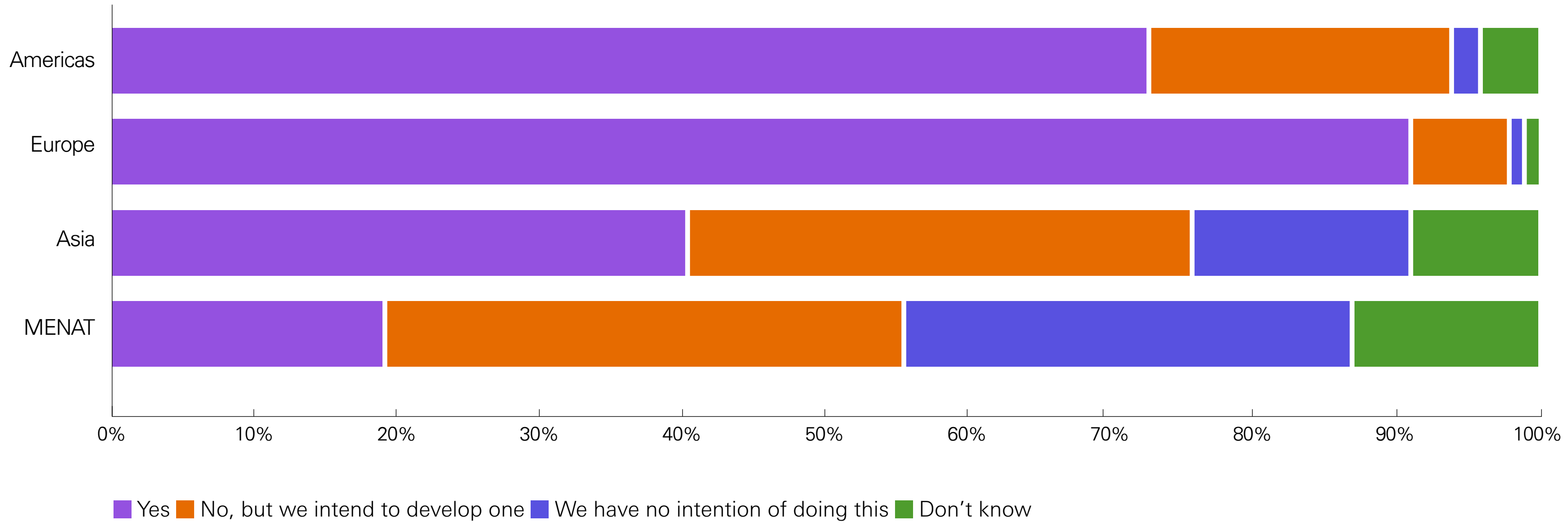
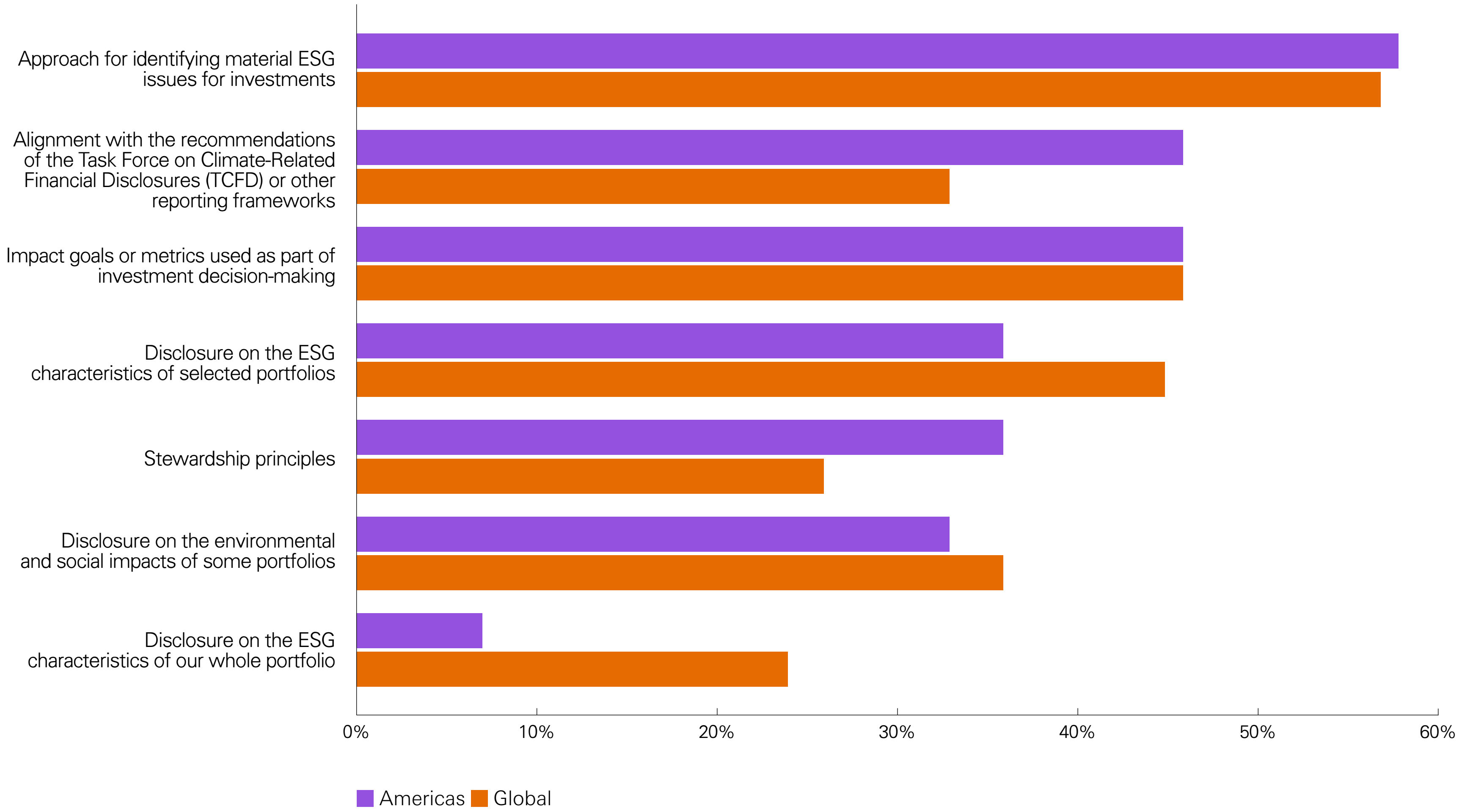


Figure 5: Multiple areas covered in ESG investing policies
Does your organisation's policy include (or is it expected to include) the following?



Disclosure
Issuers pass investor scrutiny on environmental and social disclosures

Of all the companies across regions we surveyed, more Americas issuers (78%) than anywhere else feel that the level of disclosure they currently make on environmental and social issues is what they consider to be "about right," with most of them saying they feel no pressure to increase it.

These issuers are, however, perhaps being too casual in their assessment. While companies are already disclosing an unprecedented amount of information on these areas, pressure is mounting on them to disclose more. In the US, for example, the SEC is considering a new climate risk disclosure rule, which would require to companies to make various qualitative and quantitative disclosures on climate-related risks and associated impacts. It may also require listed companies to report on their suppliers and business partners' greenhouse gas emissions.

Contributing to this regulatory pressure, is growing demand among investors for companies to step-up their environmental and social disclosures. Indeed, the Americas investors we surveyed are clear in their judgement of what would be most helpful to them in trying to invest sustainably: companies improving their disclosure voluntarily; and companies being legally obliged to make sustainability disclosures.

Some known needs published by investor groups include, industry specific metrics on the ways material climate risks manifest by industry, disclosures on a companies' climate risk exposure, strategies and scenario planning, and on so-called Scope 1, 2 and 3 emissions, which are the given categories covering companies' direct and indirect Green House Gas emissions.

Interestingly, on asking Americas investors to judge the quality of environmental performance information disclosed by companies they invest in, some 42% of them said it was adequate, and 38% said excellent – the highest percentage of any region. However, some 20% said it was inadequate. (**Fig 7**).

On the social side, investors made a similar judgement: 40% said adequate; 40% excellent (another regional high); and 20% again said it was inadequate. By country, investors from the US, Canada and the rest of the region gave similar responses on both areas. Clearly Americas investors feel that improvements can be made to disclosures. The same could be said for the level of disclosure provided by investors.

Investors feel that they should be required to reveal only basic information about the sustainability of their portfolios (70%). However, in more specialist ESG funds, some 83% of Americas investors say detailed information should be disclosed – the highest percentage of any region.

Figure 6: Americas issuers see very few barriers
Is anything holding your organisation back from disclosing more on environmental and social issues now?

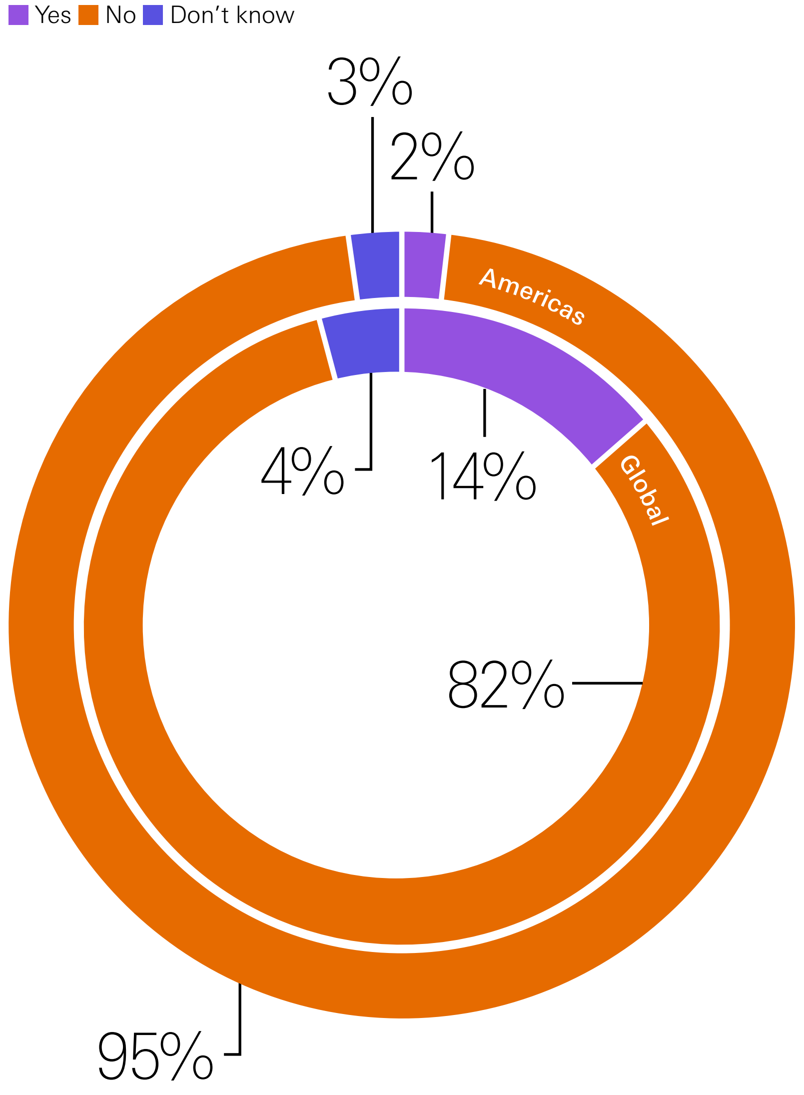
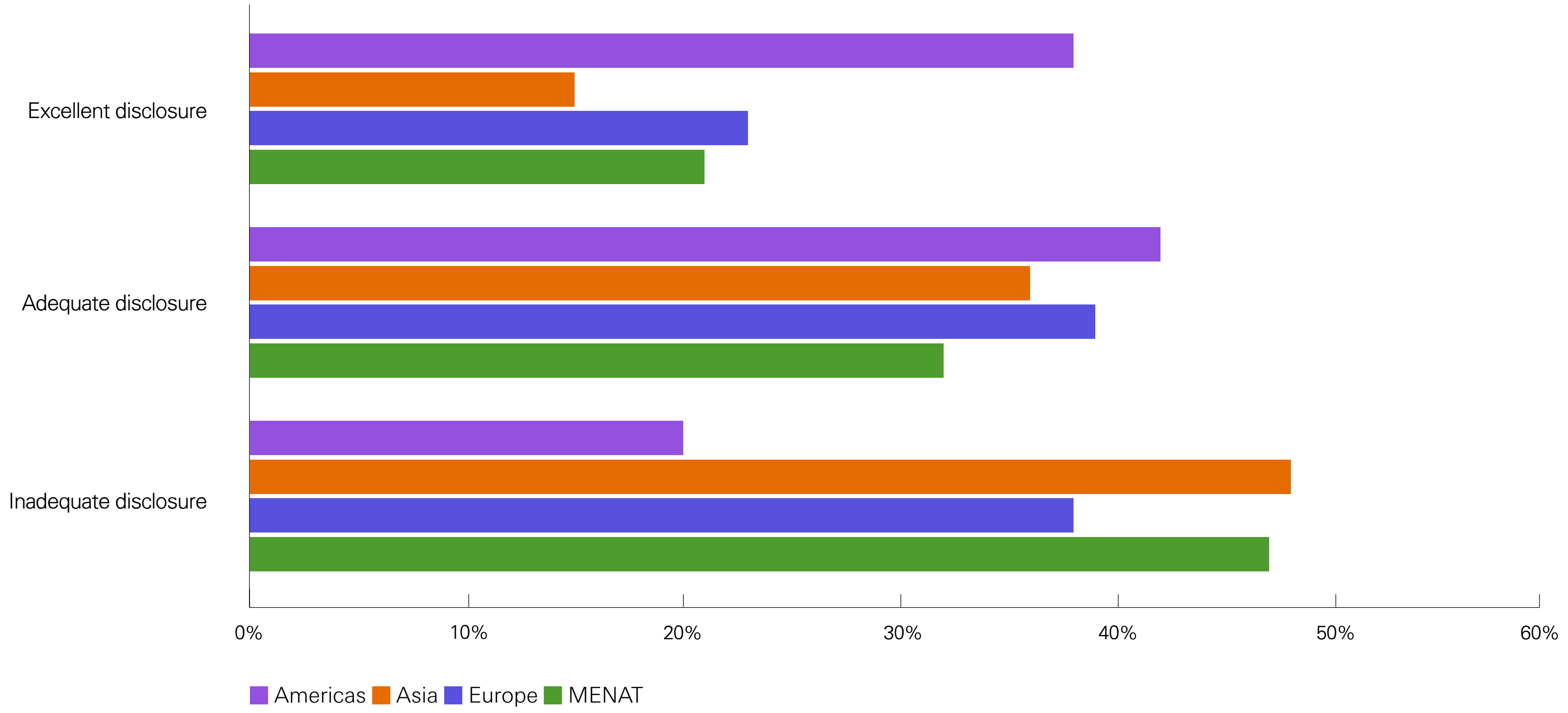
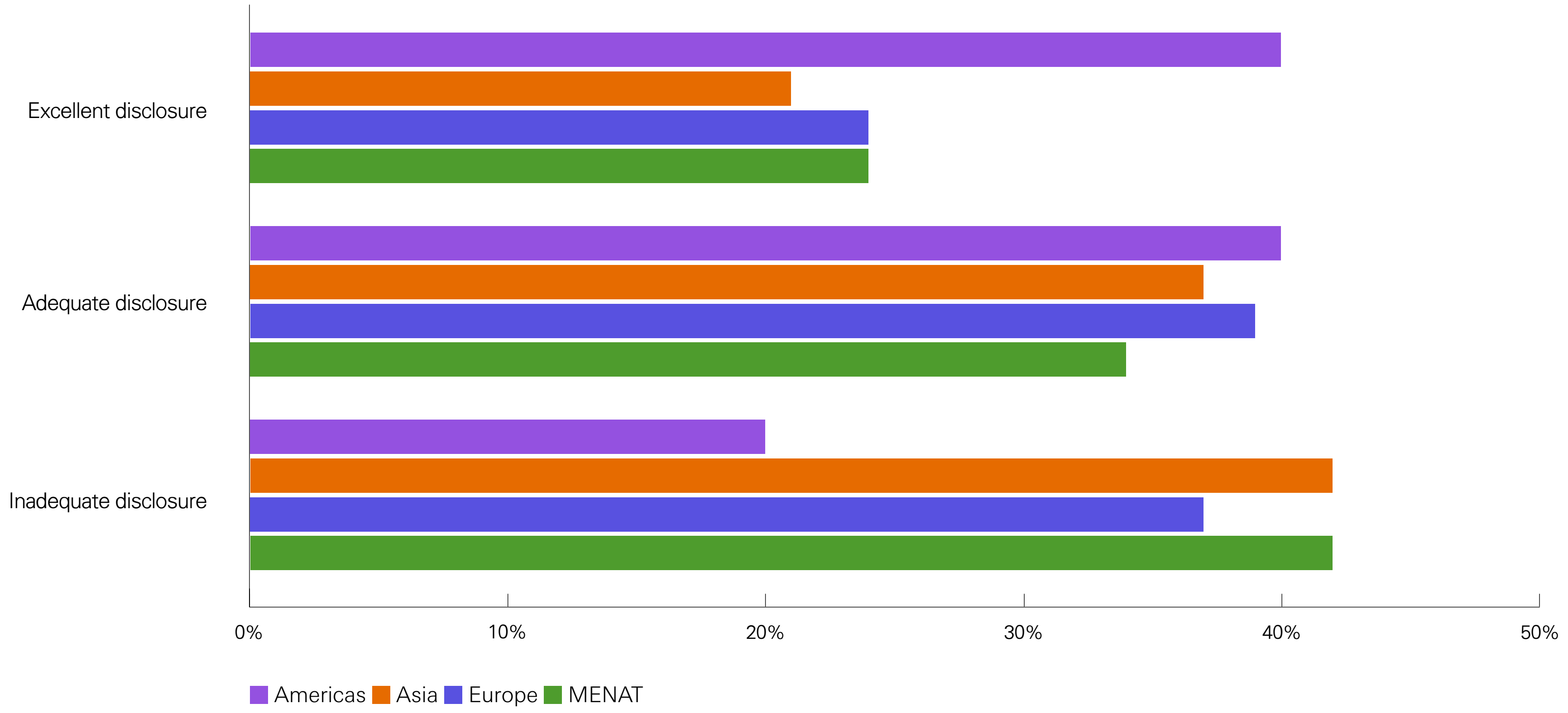


Figure 7: Americas investors judge environmental disclosures
How good is the information companies you invest in disclose about their environmental performance?



Americas investors judge social disclosures
How good is the information companies you invest in disclose about their social performance?



Net zero commitments
Issuers and investors make slow but steady progress

Amid the global drive to cut emissions and achieve carbon neutrality or net zero in the future, Americas issuers and investors are making progress on their own goals.

Some 11% of investors (lower than the global average of 17%) and 17% of issuers (above the global average of 16%) say they have already made a commitment to net zero. This shows lower levels of commitment than their European peers (39% of investors; 24% of issuers), but this is expected to rise once participants execute on their plans and promises: some 33% of Americas investors are working towards making a commitment and 64% of issuers are planning to (**Fig 8**).

By country, more investors in Canada (14%) have already made a commitment compared to their peers in the US (12%) and the rest of the region (5%). Yet, 21% of US issuers say they have made a commitment compared to 14% of issuers in Canada and 12% in the other countries.

This shows progress is being made. Americas investors are, however, not planning to move on this especially swiftly.

Of those who are working towards making a commitment, and who said they are not ready but may set a target in the future, some 74% of them said they do not expect their organization to implement a 'net zero' emissions plan across their portfolio(s) or for select asset classes in the next three years – the highest percentage of any region.

In fact, the opposite seems to be true in the other regions; 60% or more of investors in Europe, Asia and MENAT say they expect to do this.

Yet, this slower progress should not detract from the importance that Americas issuers and investors assign to environmental issues and the need to take mitigating actions.

Almost all investors in the region say, for instance, that it is vitally important (58%) or important (40%) that companies they invest in are preparing for the effects of climate change. It is a message few issuers would argue with; some 66% of them (rising to 76% for Canadian issuers) say climate change is already affecting their business or activities – the highest percentage of any region (**Fig 8a**).

For those investors who say preparation is vital for companies they invest in, most of them (75%) they say this is primarily because they believe companies must have low carbon transition plans in place. For the remaining 25% of those investors, they warn they will divest companies that do not have such a plan.

Interestingly, Americas issuers seem to be in stronger position than their peers elsewhere on having a strategy for climate change and sustainability, and how to carry it out. Only 6% of them say they need a lot of advice and information from others on this area – the lowest percentage of any region and significantly different to their peers in Asia (60%) and ASEAN (66%) who say the same.

As part of any plan, divesting or selling assets is certainly one option for issuers to lessen the impact of climate change. Some 59% of Americas issuers – the second highest percentage after Europe (71%) – say they are considering reducing or getting out of some business activities that are vulnerable to climate change.

Another option is pursuing the investment opportunities that climate change is creating. Some 65% of Americas issuers, for instance, say they are considering increasing some business activities or starting new ones to capitalize on these economic changes.

This is the lowest proportion of all regions, but it is still a strong indication that Americas companies are seeing climate change as an opportunity to grow and develop as much as a challenge to their business model and operations.

Figure 8: Americas investors make progress on net zero
As an investor, what is your attitude to setting a net zero target?

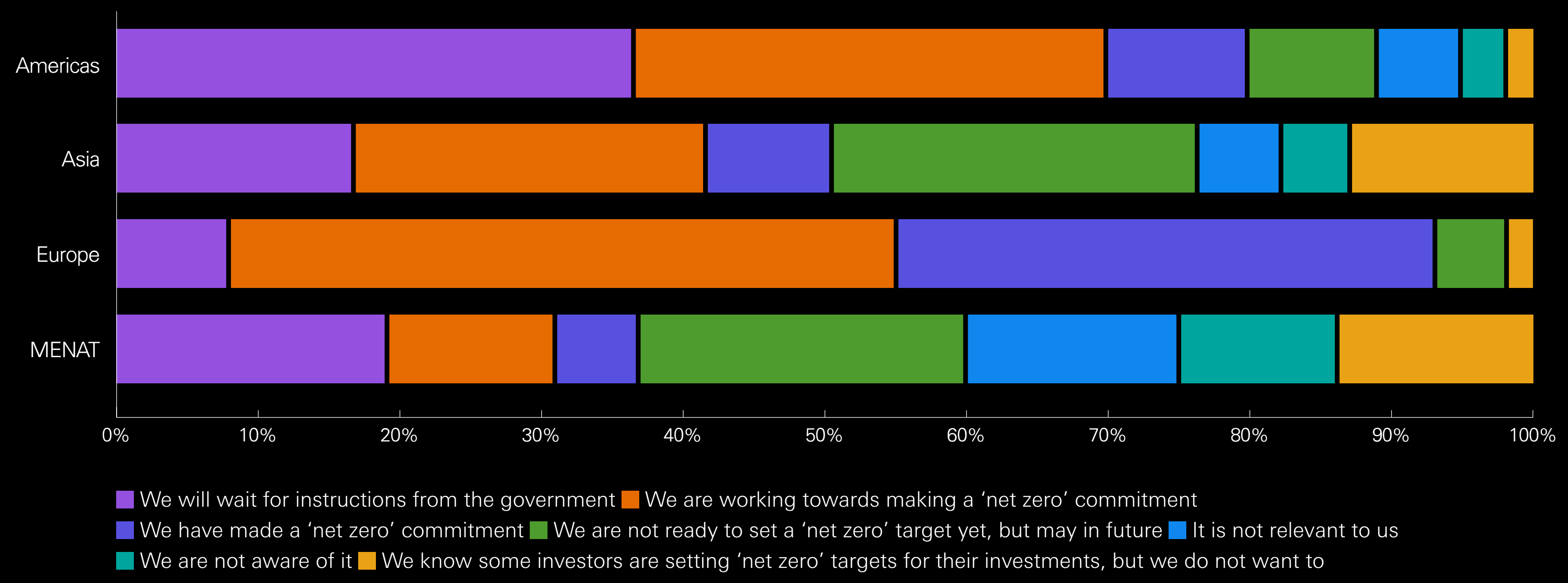
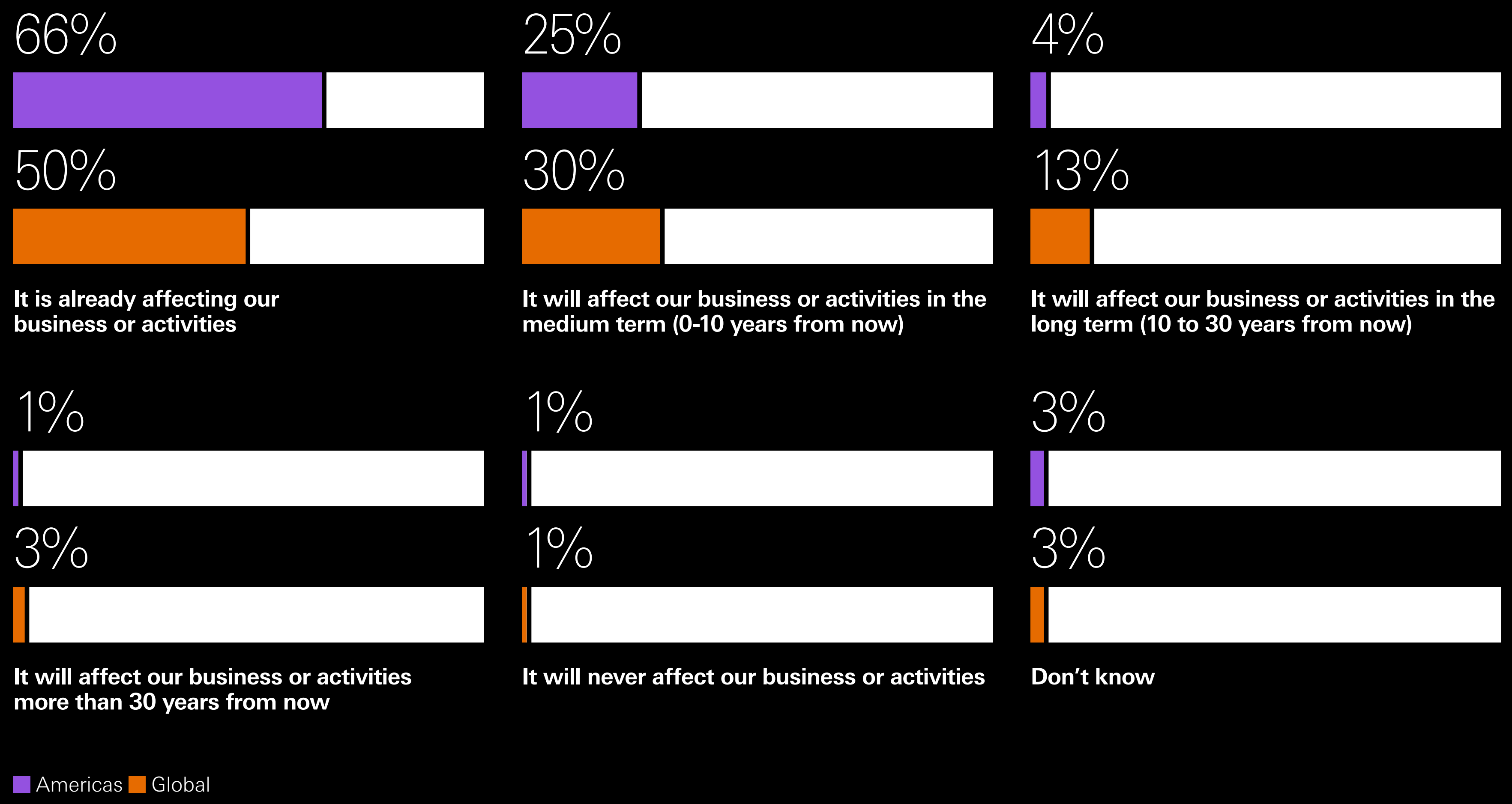


Figure 8a: Americas issuers feel the impact
Will climate change begin to affect your business or activities?



Sustainable finance

Issuers and investors target sustainable debt and energy projects

Green and sustainable bond and loan financing have been gaining some significant traction in the Americas in recent years, and this looks set to continue.

Asked if they expect their company to actively seek advice on green, social or sustainability issues in relation to capital markets transactions in the next 12 months, and 54% of Americas issuers said they expected this to happen. By country, issuers from Argentina, Brazil and Mexico seem to be most interested – some 60% of them combined expect to do this, which is notably higher than their peers in Canada (46%).

Regionally, the percentage is the lowest, and particularly compared to Asia, where 73% of issuers expect to do so. But it is still a strong indication of intent and the depth of interest in sustainable finance from issuers in the Americas, which has historically trailed Europe, for instance, in green and sustainable bond issuance.

On the investor side, this interest extends to sustainable infrastructure projects, in which an emphatic 93% of Americas investors say they are interested in investing in, and of them, some 25% are already doing so.

Of multiple investment opportunities, investors say the top three most interesting projects for them to invest in are: Solar power (47%); water and wastewater infrastructure (43%); smart cities and grids (35%). (**Fig 9**).

There is some regional variation in the results, but solar power is also the leading opportunity in Asia and MENAT. Interestingly, European investors are most interested in carbon capture and storage, though solar power generation is in their top three.

Carbon capture is perhaps one of the more futuristic technologies, but smart cities and grids is no less high-tech and innovative; this area encompasses some of the most advanced information and communications technology infrastructure.

Americas investors clearly see the opportunity to invest along the urbanization megatrend, and specifically in the smart and more sustainable cities of the future. More broadly, Americas investors and issuers are seeing and increasingly embracing the opportunity to access and invest in sustainable finance, as part of efforts to position environmental and social issues at the core of their corporate and investment strategies.

They are doing this, as our survey highlights, because they believe it is right to care about the world and society, and that they recognize paying attention to these issues can improve returns or reduce risk.

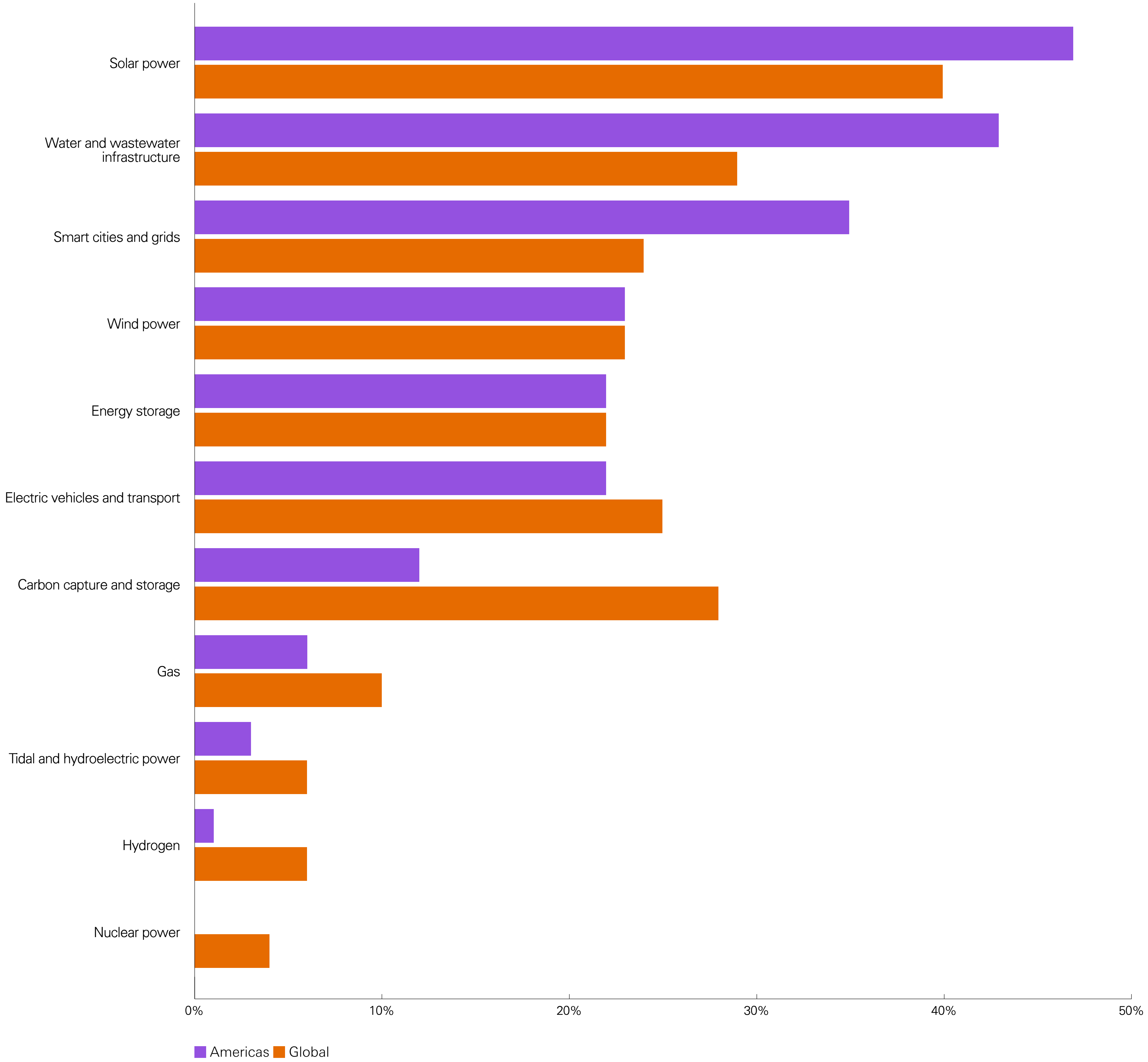
Values and the financial benefits of focusing on these issues are powerful drivers of change. The effects of climate change is another. Of all companies surveyed, more Americas (66%) companies than their peers in any other region said climate change was already affecting their business or activities.

For Americas companies, the need to act swiftly and decisively on issues of sustainability and climate change mitigation has never been greater or more urgent.

47%

of investors in the Americas are most interested in solar power as a sustainable infrastructure to invest in

Figure 9: Americas investors show most interest in solar power, water and wastewater infrastructure and smart cities
Which of the following types of sustainable infrastructure projects would you be most interested in investing in?

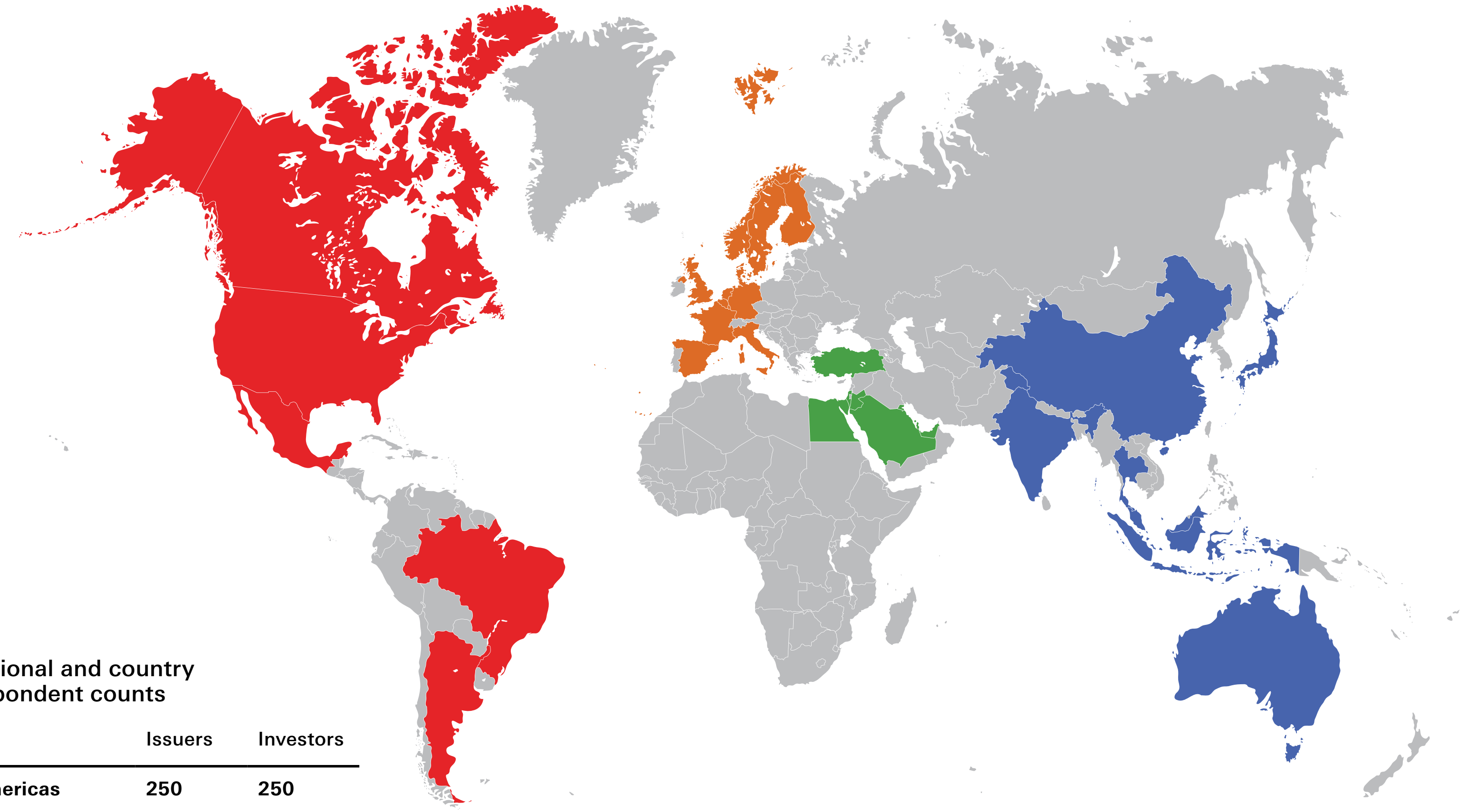


Methodology

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 1,000 issuers, from across 19 industries, and 1,000 institutional investors, including asset allocators and asset owners. In total, respondents were based in 34 territories across the regions of Americas, Europe, MENAT and Asia.

Issuer respondents held senior positions in the CFO office, and in finance, treasury, risk and investments. Investor respondents held senior positions in the CIO and CFO office, in portfolio and fund management and investment.



Regional and country respondent counts

	Issuers	Investors
Americas	**250**	**250**
US	126	126
Canada	50	50
Argentina	21	23
Brazil	30	30
Mexico	23	21

	Issuers	Investors
MENAT	**150**	**150**
Saudi Arabia	50	50
United Arab Emirates	50	50
Bahrain	5	12
Egypt	15	11
Kuwait	12	11
Qatar	10	11
Turkey	8	5

	Issuers	Investors
Europe	**276**	**276**
United Kingdom	76	76
France	50	50
Germany	50	50
Italy	20	19
Spain	24	26
Denmark, Sweden, Norway, Finland	27	30
Belgium, Netherlands, Luxembourg	29	25

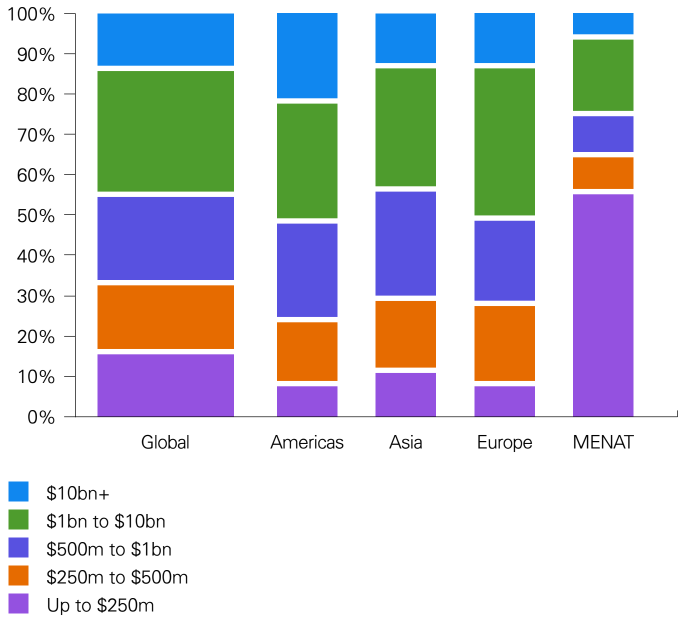
	Issuers	Investors
Asia	**324**	**324**
Mainland China	100	100
Hong Kong SAR	50	50
Singapore	50	50
Malaysia	22	21
India	20	21
Indonesia	20	22
Thailand	21	17
Japan	22	20
Australia	19	23
TOTAL	**1,000**	**1,000**

Issuers by industry/sector

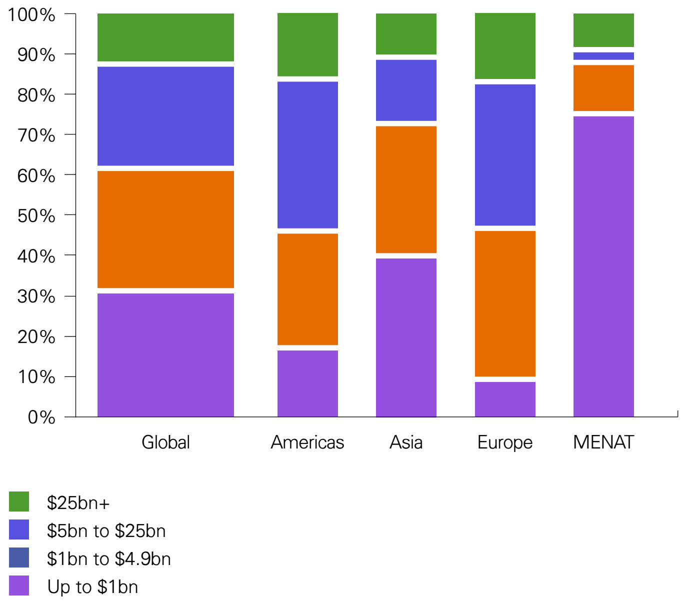
Banking	90	Transport	60	Metals and mining	40
Retail and consumer services	90	Consumer goods	60	Building materials	30
Real estate	80	Industrial goods	50	Electricity and water	30
Information technology	80	Agriculture, food, beverages, tobacco	50	Local government	10
Healthcare	70	Insurance	50	Supranational organisation	0
Telecoms	70	Other	40	Central government	0
Oil, gas, coal and chemicals	60	Business services	40		

Investors by institution type

Issuers by annual revenue



Investors by AUM



Published: September 2021
For Professional clients and Eligible Counterparties only.
All information is subject to local regulations.

The information presented is not meant to be comprehensive and does not constitute financial, legal, tax or other professional advice. You should not act upon the information contained in this document without first obtaining specific professional advice. While reasonable care has been taken in preparing this document, HSBC does not make any guarantee, representation or warranty (express or implied) as to its accuracy or completeness. The information presented in this document is subject to change without notice.

Certain of the products and services offered by HSBC and its subsidiaries and affiliates are subject to credit adjudication and approval. This document does not constitute an offer to provide the services and products described and the provision of such services and products remains subject to contract.

Issued by the following HSBC entities
Issued in the United States by HSBC Bank USA, N.A. 2020. All Rights Reserved. Member FDIC.
Issued in Canada by HSBC Bank Canada
Issued in Mexico by HSBC Mexico, S.A.

Opinions expressed in the report may differ from those of the HSBC Group, its officers, or employees.