



# Sustainable financing and investing survey 2020

## Asia report

Issuers sense investors'  
support for sustainability

# 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.

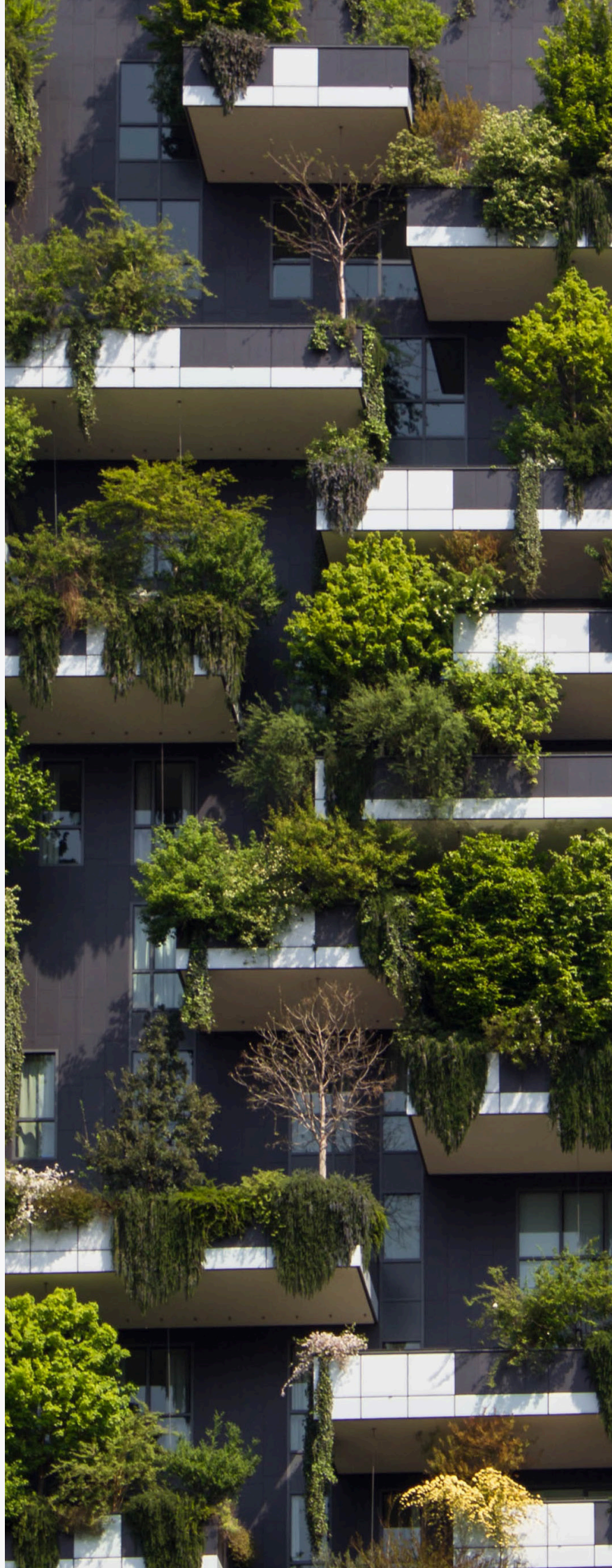
This is down slightly from 54% a year ago, and is one of many areas of the survey that reveal the profound and complex impact of the COVID-19 pandemic on sustainable finance. Among investors, 87% say it has changed how they consider environmental, social and governance issues, while 92% of issuers say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



# Asia report

## Issuers sense investors' support for sustainability

### Big reallocation of capital coming

#### Asia's issuers and investors show a notably broad commitment to sustainable finance.

Our research was conducted before China's decision in September to adopt a target of carbon neutrality by 2060 — a significant policy change that will have far-reaching consequences inside and outside China. Even before that, sustainable infrastructure, an acute need across the region, was attracting particular focus, while green bonds were also drawing adherents.

Strategies on environmental and social impact are less developed than in the Americas or Europe, but gaining ground. However, the pull towards more ambitious positions appears limited. Only about 30% of Asian investors say their clients, regulators and society at large are pushing them towards sustainability — the global averages are around 40%. Even so, 96% of Asian investors and 92% of issuers regard environmental and social issues as very or somewhat important. This puts the region's investors ahead of even the Americas on this measure.

Issuers exceed their peers in other regions in expecting material change in the next five years. Over 40% expect to substantially reallocate capital away from activities challenged by environmental

and social issues, or towards activities that promote positive environmental or social outcomes. The global average is 32%.

The Asian investors in our survey are well advanced in adopting firm-wide responsible investing policies: 53% have done this, second only to the Americas, and another 39% say they will.

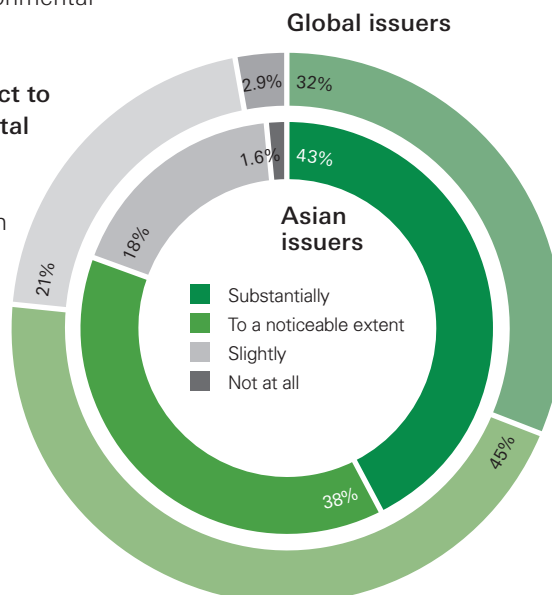
They are ahead of all other regions in their commitment to taking companies' ESG credentials and performance into account when it is likely to be material financially. They also score above the global average for always doing this.

Nevertheless, there are other areas where investors have room to deepen their engagement with ESG. Asian investors rank lowest globally on elements of ESG strategy, such as using impact goals and metrics as part of investment decision making; having an approach to identify material issues; and stewardship principles.

They also have a lower sense than peers in other regions that investors are responsible for ensuring their investments have good effects on the environment and society.

#### Asian issuers strongly expect to shift capital for environmental and social reasons

Over the next five years, I would expect our organisation to change its allocation of capital away from activities challenged by environmental and social issues, or towards activities that promote positive environmental or social outcomes



### Key findings

- ♦ Asia has the **broadest commitment** to environmental and social issues of any region — as many as 96% of investors and 92% of issuers regard them as very or somewhat important
- ♦ Issuers, more than elsewhere, expect to **reallocate capital** in response to E&S issues in the next five years — 43% expect to make substantial change, against a global average of 32%
- ♦ The region's optimism about the potential of **sustainable infrastructure** investment is unmatched — investors are more enthusiastic than global peers about all but one type, while issuers are the most eager in two (smart cities and water/waste water) and above average in all others
- ♦ Some 46% of investors feel responsible for **avoiding investments with bad outward effects** on the environment and society, against a global average of 53%
- ♦ **Client pressure** to care about environmental and social issues is weaker in Asia than elsewhere — only 31% of investors report this as a driver, compared with a 37% global average and 51% in the Americas
- ♦ More than anywhere else, COVID-19 has **reinforced the belief** of issuers (45%) and investors (40%) that sustainability and ESG are important. But Asia also leads in regarding many environmental and social issues as less important than they were (some investors and issuers focus less now on resilient supply chains, for example)
- ♦ Among issuers, 19% believe they **disclose too much information** on environmental and social issues
- ♦ Issuers rank their **bank lenders, bondholders and shareholders** highly on several measures for engagement with their environmental and social impacts

## Mixed pandemic response

COVID confirms ESG, but narrows focus on issues

**Asian respondents send mixed signals over the global COVID-19 pandemic's impact on their approaches to sustainable finance. Most positively, 40% of investors in the region, the most anywhere, report that COVID-19 has reinforced their belief in the importance of considering ESG issues.**

Moreover, they are ahead of Europe and the Americas in emphasising the social wellbeing of employees as an investment criterion more than before. Two thirds regard it as more important now — well above the global average of 57%. However, the pandemic has prompted investors in Asia to reduce focus on a host of other environmental and social factors — to a greater extent than in other regions. De-emphasised areas which a net higher proportion of respondents treat as less important now include companies' efforts to preserve biodiversity, their sensitivity to

society's needs, the resilience of their supply chains and their attention to pay disparities.

Meanwhile, Asia's issuers are divided over the pandemic's implications. A substantial 45% say it has reinforced their belief in the importance of becoming sustainable, though Hong Kong SAR and Singapore are somewhat below the regional average.

But for nearly one in five, it led them to reduce emphasis on sustainability temporarily as other issues became more important. This is particularly seen among Singaporean issuers, though mainland China and Hong Kong SAR are also above the regional and global averages.

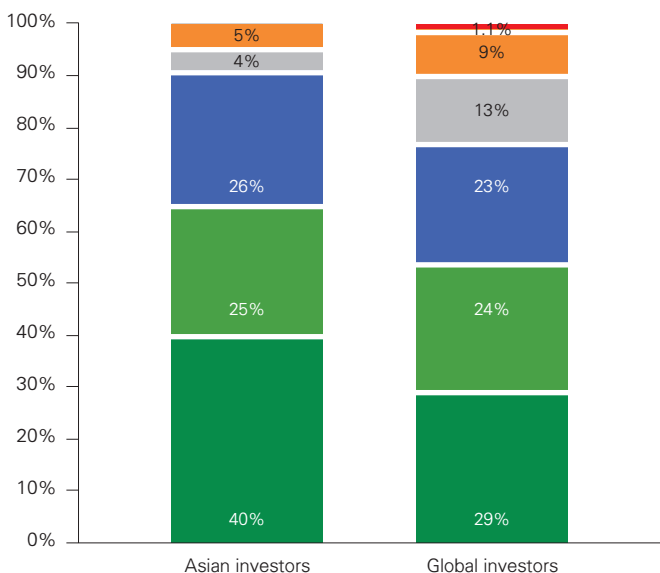
In addition, Asian issuers have reduced their focus on similar issues to their investor counterparts since the pandemic. The region's issuers

exceed peers elsewhere in viewing cash and liquidity buffers, society's needs, biodiversity and pay disparities as less important on balance for their organisations now. Those in Hong Kong SAR in particular put less emphasis on these aspects than before.

Conversely, Asian issuers are more concerned with the social wellbeing and, to a lesser extent, health of their employees. An unmatched net 53% regard social wellbeing as more important than before the pandemic, with Singapore (66%) especially strong on the point.

### Asian investors turn to ESG and its social component

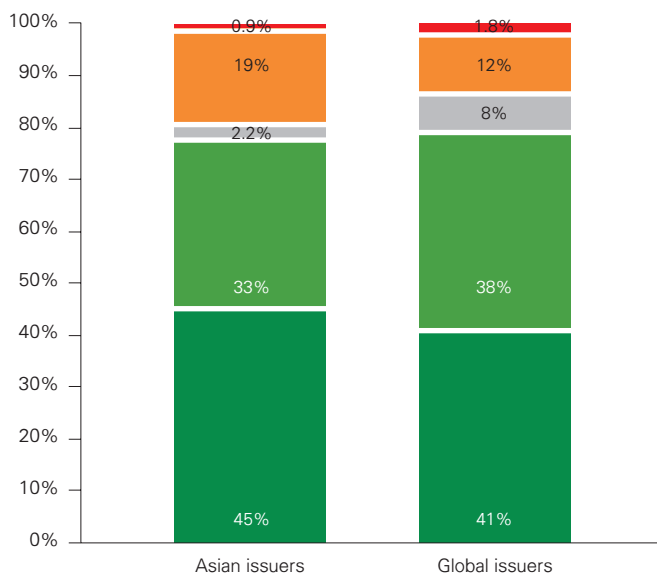
Has the COVID-19 pandemic changed how you consider environmental, social and governance (ESG) issues when you invest?



- It has made us attach less importance to ESG permanently
- It has made us attach less importance to ESG temporarily, because other issues have become more important during the pandemic
- It has not made much difference
- It has made us think the social component of ESG is more important than we thought before
- It has made us reconsider how we consider ESG issues
- It has made us believe even more strongly that considering ESG issues is important

### Asian issuers confirmed in sustainability conviction

Has the COVID-19 pandemic changed your organisation's approach to sustainability?

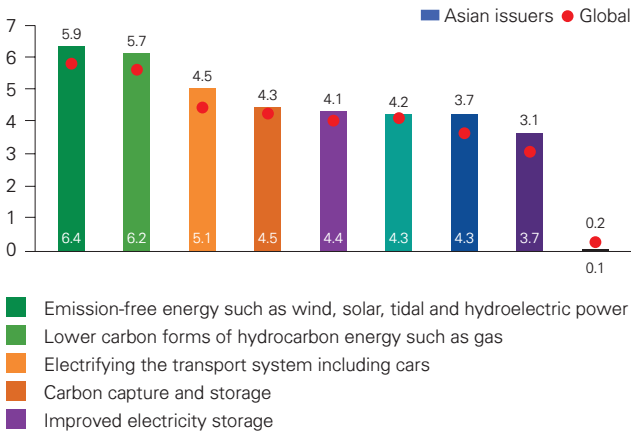


- It has made us attach less importance to sustainability permanently
- It has made us attach less importance to sustainability temporarily, because other issues have become more important during the pandemic
- It has not made much difference
- It has made us think that the social welfare component of sustainability is more important than we thought before
- It has made us believe even more strongly that becoming sustainable is important

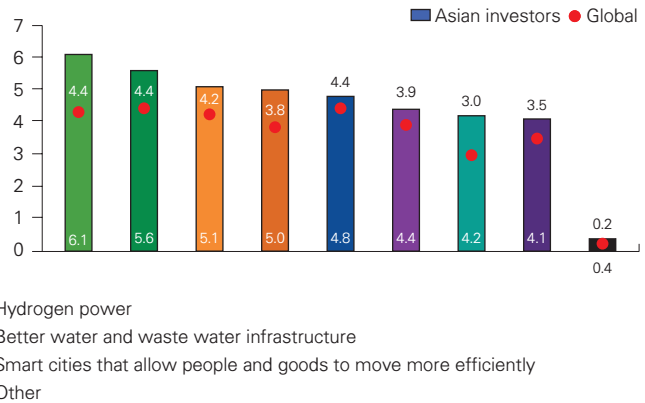
# Asia report

## Electric transport and carbon capture win supporters in Asia

Asian issuers — The highest priorities for sustainable infrastructure investment in the country where I work should be:



Asian investors — Across all the countries where you invest, which forms of sustainable infrastructure do you think offer the most attractive investment opportunities?



Respondents were asked to choose as many as they wished of the nine kinds of infrastructure and rank them in order of priority. The scores shown here reflect both the intensity and breadth of respondents' enthusiasm for each option. The maximum score, if every respondent had made an option top priority, would be 9.

## Infrastructure optimism

Smart cities and water capture interest

**Both issuers and investors in Asia see strong potential in sustainable infrastructure investment. Issuers share the global consensus that emission-free energy sources should be the top priority.**

Hong Kong SAR and Singapore are particularly enthusiastic here, each recording scores above both the regional and global averages.

Asian issuers, especially those in Singapore again, are also more positive than all global peers about both smart city and water and waste water infrastructure investment, as well as being above average in their assessment of the potential in other sustainable areas (electricity storage, electrifying transport, carbon capture and storage, hydrogen power and lower carbon forms of hydrocarbon energy). Issuers from mainland China lead regional peers on most of these areas and their enthusiasm for all five technologies is above the global average.

Asian investors are even more enthusiastic. They rank first for the strength of their assessments of the potential in seven of the survey's eight sustainable infrastructure investment categories and are a close second in the eighth (water and waste water).

“Asian investors are the world’s most enthusiastic about sustainable infrastructure investment”





## Green borrowing growth

Investors get into buying labelled debt

**Issuers and investors in the region are starting to engage with green bonds and loans as a vehicle for sustainable financing. This reflects China's standing as one of the world's largest green bond markets and accelerating activity in other Asian countries such as India and Singapore.**

Asian issuers' high satisfaction with the instruments is notable. More than 90% were very or moderately satisfied with the experience of funding through these types of bonds and loans — the most favourable response of any region.

Although over a third of Asian bond investors do not buy green, social or sustainable debt and do not expect to start, the rest are starting to put capital to work in labelled bonds. In particular, an above average proportion expects to start buying this type of debt for the first time. Moreover, a below average proportion are current buyers who expect to reduce their allocations and 12% of bond investors expect to increase their allocations.

44%

**of Asian investors expect to increase disclosure on environmental and social issues**

## Disclosure doubts, but strong support

Issuers alert to Paris Agreement and TCFD

**Asian issuers have scope to accelerate their disclosure of environmental and social impact, but feel unusually strong support from their shareholders, lenders and bond investors for their sustainability efforts.**

Nearly one in five issuers judges that the disclosures it makes are excessive — the highest proportion in the survey by some way, though issuers from mainland China are less concerned about this than regional peers.

The region also has the lowest share of issuers who expect to increase their disclosures and are content with this. Singapore is an exception: nearly a quarter happily expect to increase disclosure, in line with the global average. In contrast, Asian issuers score highest for disclosing about their alignment with the Paris Agreement (88% say they do this) and for reporting as recommended by the Task Force on Climate-Related Financial Disclosures (TCFD), at 62%. In addition, a below average proportion of them refuse to disclose any information on their environmental and social performance.

Issuers in all regions now feel their lenders and investors care about their environmental performance and impact on society, but this sense is slightly stronger in Asia. Among Asian issuers, 76% say their bondholders care about their environmental performance — the highest share of any region, while 68% say lending banks care and 69% shareholders. All these rates are above global averages, which are 67%, 63% and 67%.

A similar pattern is clear from Asian issuers' assessment of their investors' engagement with their impact on society. On this issue, 71% say bondholders care, the highest anywhere, and 87% believe shareholders do. The averages are 58% and 73%.

# 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.

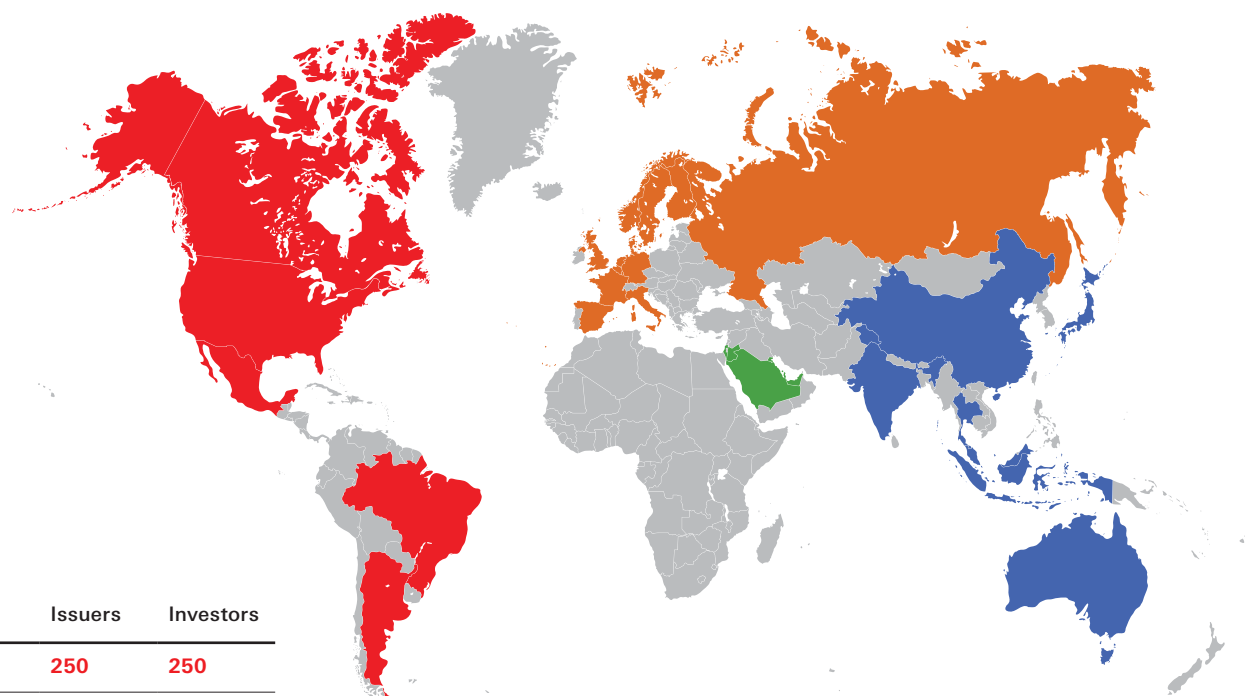
The surveys were offered in Chinese, English, French, German, Japanese, Portuguese, Russian and Spanish. Over 2,500 responses were received from issuers and investors. To participate, each respondent had to state their name, contact details, job title, the name, nature and size of their organisation,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



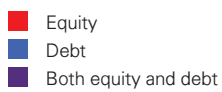
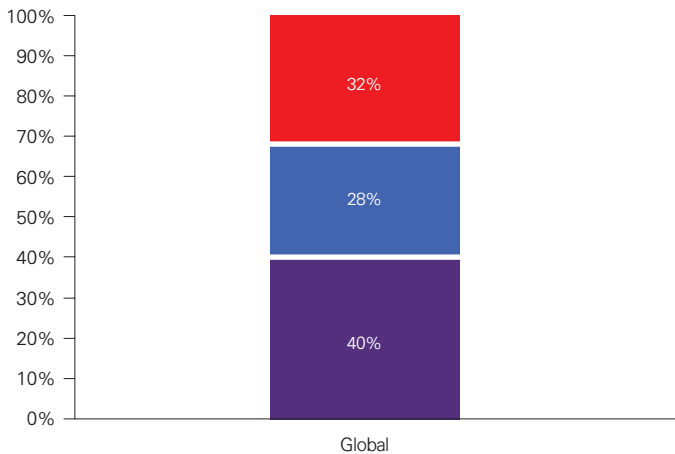
	Issuers	Investors
<b>Americas</b>	<b>250</b>	<b>250</b>
US	125	125
Canada	50	50
Argentina	22	24
Brazil	29	30
Mexico	24	21
	Issuers	Investors
<b>Middle East</b>	<b>150</b>	<b>150</b>
Saudi Arabia	46	50
UAE	49	51
Bahrain, Jordan, Israel	13	20
Kuwait	21	16
Qatar	21	13

	Issuers	Investors
<b>Europe</b>	<b>275</b>	<b>275</b>
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

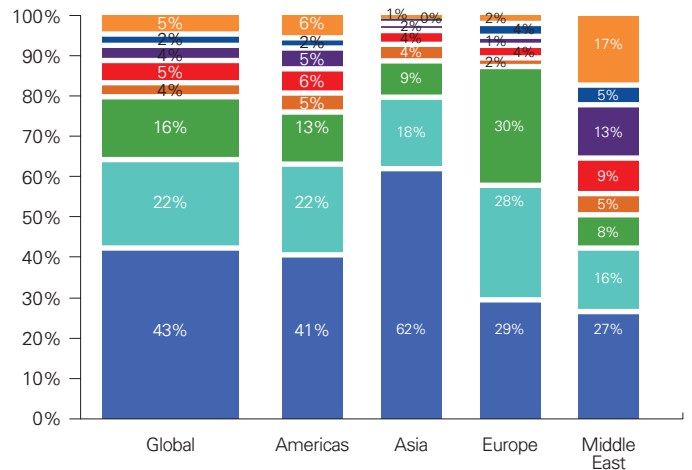
	Issuers	Investors
<b>Asia</b>	<b>325</b>	<b>325</b>
Mainland China	104	100
Hong Kong SAR	47	50
Singapore	50	50
Australia	21	25
India	22	20
Indonesia	19	19
Japan	19	19
Malaysia	21	23
Thailand	22	19
<b>TOTAL</b>	<b>1,000</b>	<b>1,000</b>



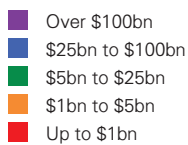
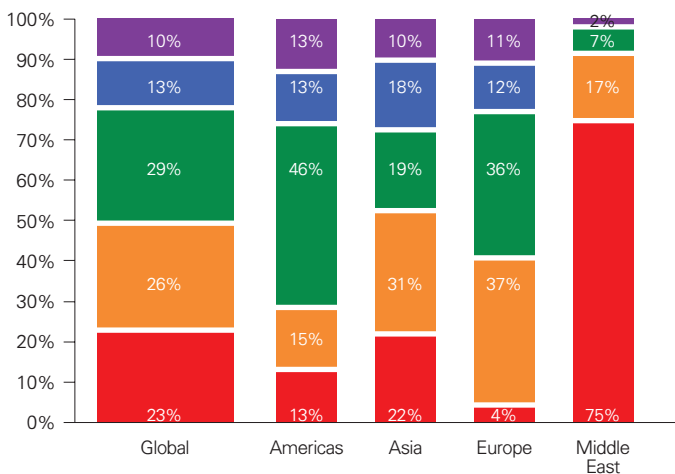
## Investors by asset type



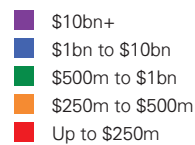
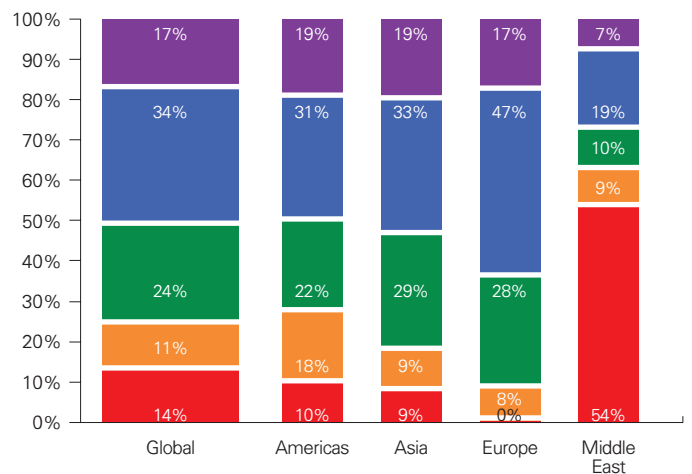
## Investors by type



## 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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