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SUSTAINABLE INVESTING COMES OF AGE IN ASIA

An increasing number of Asian issuers and investors are starting to widen their horizons to include the impact of environmental, social and governance (ESG) issues in their considerations, a new report from HSBC says.

HSBC's Sustainable Financing and Investing Report 2019 showed that in Asia 86% of investors and 84% of issuers said ESG factors were 'very' or 'somewhat' important to them, close behind the global figure of 94% and 93% respectively.

HSBC in Malaysia had taken the lead in sustainable investment by launching the FIRST-ever Environmental, Social and Governance ("ESG") Islamic Structured Product in the Malaysian market. This is also in line with Bank Negara Malaysia's Value-based Intermediation ("VBI") initiative which seeks to ensure that the development of Malaysia financial market is consistent with the current focus on global sustainability agenda.

In addition, HSBC Amanah Malaysia Berhad (HSBC Amanah) had launched the world's first United Nations (UN) Sustainable Development Goals (SDG) sukuk. This reflected HSBC Amanah's commitment to financing projects that benefit communities and the environment in line with HSBC Group's responsibility to help finance global sustainable development.

Values are the most important driver for investors and issuers in Asia to care about environmental and social issues. Fifty-eight per cent of Asian issuers say they care because it aligns with their values as an organisation, and 62% of investors because it is right to care about the world and society.

The survey also suggests Asia is ahead in being more attuned to the commercial benefits of ESG investing and financing. Fifty-eight per cent of Asian investors care about environmental and social issues because doing so can improve returns or reduce risk, compared to 54% globally. While 47% of issuers say prioritising ESG can improve returns, more than issuers in any other region surveyed.

Asian investors report fewer obstacles to ESG investing than counterparts in other regions, although 22% complain of a shortage of ESG investment opportunities, while 18% say there is a lack of ESG disclosure by issuers.

Some 24% of Asian issuers make no ESG disclosures, twice the share of any region, while under 20% of investors disclose the ESG characteristics of portfolios, against around 25% globally.

The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are an example of a common standard that issuers and investors could align with to improve ESG disclosure. Only around 40% of issuers who responded to the survey currently follow the TCFD recommendations.

Jonathan Drew, head of sustainable finance for Asia-Pacific at HSBC, said:

“Environmental and social factors are becoming priorities for both issuers and investors in Asia, and there is increasing recognition that these factors are drivers of yield and value.

“This survey shows some really encouraging progress and momentum, but we must not kid ourselves that the transformation of Asia’s financial markets necessary to meet the climate challenge is complete.

“We must now ramp up efforts in all areas from capturing the hearts and minds by raising awareness and engagement through to the technical disciplines of risk analysis and disclosure.”

HSBC has delivered a range of sustainable finance transactions in Asia-Pacific in 2019. Landmark deals include ICBC’s USD3.15 billion Greater Bay Area green bond, the first green loan compliant with the Green Investment Principles for Belt and Road by ICBC, Hong Kong’s inaugural sovereign USD1 billion green bond, the first green loan in Singapore for Ho Bee Land, Macquarie University’s first sustainable bond from a university, the world’s first green convertible bond from a real estate company, Link REIT, and the first UN Sustainable Development Goals (SDG) sukuk for HSBC Amanah Malaysia.

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About the report

The report surveyed 175 issuers and 175 investors across mainland China, Hong Kong SAR, Singapore, Indonesia, Malaysia and Thailand, on their changing attitudes to sustainability issues. Asia is the biggest regional respondent base in the global report that covered 1,000 firms. The full report is available at:

<https://www.gbm.hsbc.com/insights/sustainable-financing/sustainable-financing-and-investing-survey-2019>

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