HSBC

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News Release

SOARING APPETITE FOR GREEN INVESTMENTS HINDERED BY LOW DISCLOSURE: HSBC SURVEY

Two thirds of institutional investors want to put more capital into low carbon and climate-related investments, but a lack of information on firms' climate credentials is hampering their ability to do so, according to a survey commissioned by HSBC.

The global survey of nearly 300 institutional investors, and almost 300 corporates, found less than a quarter of companies disclose their environmental impact, making it hard for analysts and investors to assess and compare how green they are. Even fewer companies – 13 per cent – have green or sustainable financing strategies in place.

Consequently, three quarters of investors who plan to make low carbon or climate-related investments see barriers in the form of a lack of credible investment opportunities, and a lack of access to quality research.

However there is momentum for this to change. A quarter of companies that do not currently disclose their environmental impact plan to do so in the coming year; half see their disclosure around climate risk increasing; and of the half of firms that say they have strategies in place to actively reduce their environmental impact, 34 per cent plan to disclose it in the next 12 months.

More pressure from investors, new regulation, and incentives such as tax breaks for green financing are seen by those surveyed as factors most likely to encourage greater environmental disclosure and the introduction of green financing strategies.

Andre Brandao, Head of HSBC's Climate Business Council, said: "Moving to a low-carbon economy depends on a strong ecosystem for green financing and investment. This survey suggests there is a significant pool of capital available to firms with strong green credentials, but an absence of climate disclosure by companies, and a shortage of investors accessing research into this market, is putting a brake on allocation.

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“The banking industry needs to make a strong, joint effort with policymakers and regulators to bring these barriers down. This means a framework for standardised climate disclosure; more production and consumption of climate research; and a debate on green incentives for companies and investors. Good progress has been made, and the direction of change is encouraging, but more must be done to unlock this market. We cannot afford for it to fail.”

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Notes to Editors:

- HSBC has been taking steps with others, which could be replicated and built upon, to grow and support a market for sustainable financing:
    - In 2007 it launched the HSBC Climate Change Centre of Excellence, which produces research and analysis about climate impact on economies and industries; climate policy; and how to finance a 2°C world
    - In 2014 it was a member of the consortium of banks and other institutions that introduced the Green Bond Principles, a framework for the issuance of bonds whose proceeds support environmentally sustainable activities
    - In 2015 it issued its own €500m green bond which has been used to finance wind, solar, smart grid and sustainable waste projects in Europe and Africa
    - It is a sponsor and supporter of the Climate Bonds Initiative, an organisation aimed at mobilising the global bond market for climate change solutions

About the research:

- HSBC commissioned industry research firm East & Partners to generate insights into corporates’ and institutional investors’ understanding of sustainable investing, barriers and growth projections.
- The reporting is based on direct interviews with 277 corporates and 266 investors, executed over a four week period ending 11 November 2016.
- CFOs and CIOs included in the sample frame were distributed across Europe, the Americas, Asia and the Middle East.
- A summary of the survey results is available on request
- Average turnover of companies: USD18.6 billion
- Average FUM of investors: USD13.9 billion

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