

ESG and Sustainable Investing

Speaker: Daniel Klier, Group Head of Strategy and Global Head of Sustainable Finance, HSBC [DK]

The highlight of the latest research is really that sustainable finance and ESG investing is really becoming mainstream. We've asked about 1,700 issuers and investors globally and we learned that about 60 per cent of investors and about 50 per cent of issuers now have ESG strategies in place.

What's even more interesting is that now a major driver of ESG investing and decision-making is actual financial return. In the past this was very much driven by regulation and stakeholder demands, but we now see that many issuers and investors look at this from a bottom-line investment, P&L perspective.

[TEXT ON SCREEN] What barriers are we seeing for further ESG growth?

DK: We still see significant barriers for further growth. Those barriers are particularly inconsistency in definitions, the lack of real investment opportunities and the lack of disclosure. What is particularly striking is that very, very few issuers and investors are actually familiar with the TCFD. The Taskforce for Climate-Related Financial Disclosures is really seen as the main mechanism to bring better information to the market. People want to understand how business models are changing and how the transition to a low-carbon economy affects the future of the company. At the moment we don't have the right level of awareness to achieve this.

[TEXT ON SCREEN] What are some of the most interesting geographical differences?

DK: The development is led by Europe, where the combination of regulation, investor pressure and company strategies are really pushing this to the Board level and to the very forefront of what companies are doing. When we look into Asia the development is quite different. The main driver there is supply chains and the pressure that some companies get from their buyers, very often in the western world.

[TEXT ON SCREEN] What role does HSBC have to play in supporting a more sustainable future?

One of the first things we have to do is increase awareness. We will then work together with companies and our customers to future-proof their business models, help them grow and transition to the low-carbon economy. One of the areas of particular focus is supply chains. Eighty per cent of carbon footprint normally sits in supply chains and if companies want to improve sustainability, very often they have to work with their suppliers across the world to achieve this goal.

Ultimately, the financial services sector has a very significant role to play in the transition to a more sustainable future. HSBC is determined to play a leadership role in this.

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