

ESG in Liquidity

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A recent survey conducted by HSBC shows that both issuers and investors in capital markets globally are now highly alert to environmental and social issues. When you take into account that there is now over thirty trillion dollars in sustainable investment assets under management, an increase of 34 per cent over previous three years, it is clear that investors are increasingly paying close attention to environmental, social and governance issues.

The increased awareness of a business's E, S and G impact comes from a combination of focusing on areas that have increased in importance, such as diversity within a workforce and at management level, areas previously considered important but that can now be measured more effectively, such as the carbon emissions of a company and areas that are increasingly seen as insightful to future company performance, such as governance best practices.

These are also important non-financial issues that are relevant to company stakeholders that may impact a company's reputation, valuation, worker retention and purchasing decisions.

HSBC's sustainable financing and investment survey 2019 showed that 64% of investors globally now view environmental and social issues as very important with the key reason being that the investors feel pressure from stakeholders such as customers, employees and regulators to evaluate investments along these lines.

HSBC Global Asset Management has experience integrating ESG factors since 2002. We take ESG factors into account as part of our company analysis and evaluation. Our investment professionals use ESG research alongside financial data and other resources to generate sector-weighted ESG ratings.

Company performance on E, S and G areas has become part of many investors relative value decision making, which means that it should be a focus for issuers to be aware of as it will increasingly be factored into an their cost of borrowing.

Our experience and the results of the recent HSBC survey indicate that performance related to ESG factors will only increase in importance for investors. Two thirds of respondents to the HSBC survey said that they will start buying green, social and sustainable bonds in the next two years, or increase their current allocation. The potential for increased regulation in some countries and the expectation that ESG disclosures and data will continue to improve will add to the momentum behind ESG as a focus for investors. This makes it even more important for a company to understand how it compares to peers in these sustainability metrics.

If ESG is something you are interested in hearing more about, whether from an investment or issuance perspective, please reach out to us at HSBC Global Asset Management.