

ESG Integration and Reporting: A Data Perspective

Supporting the growth of Environmental, Social and Governance investing

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ESG Integration and Reporting: A Data Perspective

Responsible and sustainable investment practices are becoming an increasingly necessary part of the investment process.

- ◆ **Asset Managers** may have their own approach towards the integration of ESG data, along with their in-house analysis
- ◆ **Asset Owners** may be incorporating guidelines into their ownership policies and practices to address ESG

The nature of ESG data is diverse with differing datasets that can be used for integration, impact investment and screening

This presentation will examine ESG data that's available today, new types of data standards that are expected to evolve, and consider how meaningful, uniform and quantitative ESG data can be sourced, including:

- ◆ The **types of ESG data** that are available currently from third party suppliers and whether they appear to be suitable for reporting to Asset Owners
- ◆ A comparison of the types of ESG data, such as ratings and scores, business involvement indicators and carbon data, that are available from third party suppliers
- ◆ Some considerations for measuring different asset classes
- ◆ Regulatory and United Nations-led initiatives that could inform the evolution of ESG data standards

ESG categories used by the United Nations Principles of Responsible Investment (UNPRI)

Environmental

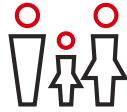


The environmental “E” means assessing how well companies manage environmental externalities – costs not captured in industrial processes such as carbon, waste or other forms of pollution.

- ◆ Climate change
- ◆ Greenhouse gas (GHG) emissions
- ◆ Resource depletion, including water
- ◆ Waste and pollution
- ◆ Deforestation



Social



“S” for social. This often involves labour rights, such as working hours, wages and fatalities, and the ability to pursue a grievance; and issues such as the breakdown of employees by gender

- ◆ Working conditions, including slavery and child labour
- ◆ Local communities, including indigenous communities
- ◆ Conflict
- ◆ Health and safety
- ◆ Employee relations and diversity



Governance



The “G” for governance encompasses an evaluation of how the company structures its board, disclosure, compensation and so on.

- ◆ Executive pay
- ◆ Bribery and corruption
- ◆ Political lobbying and donations
- ◆ Board diversity and structure
- ◆ Tax strategy



Notes:
Principles of Responsible Investment (PRI) <https://www.unpri.org/>

Some wider ESG considerations for Asset Owners and Managers

What are the key drivers for ESG, and why the sudden increase in attention?

- ◆ Demand (i.e. Investors), supply (i.e. corporate pressures), keeping up appearances (i.e. peer pressure)? Regulators?
- ◆ Investment consultants – Are they asking the questions? Are they bringing the ideas to their clients?

Costs of integrating ESG

- ◆ How much more cost is there still to be absorbed by asset managers (i.e. % of integration of ESG that's still in progress)
- ◆ What's the equivalent cost for Asset Owners?

Costs of not integrating ESG

- ◆ How many material new RFPs require Asset Managers to evidence ESG capability as a condition of winning business?

Financial vs Non-Financial information

- ◆ What are the challenges of integrating non-financial information into financial investment processes?

Long termism

- ◆ Is ESG encouraging asset managers to hold positions for longer periods of time?

ESG investment requires different types of data to be integrated with traditional financial data

Sustainable and Responsible Investment: Some key investment strategies

1 Exclusions

- Mandates can exclude certain types of company using screening criteria (eg alcohol, gambling, tobacco, weapons, human rights, corruption). Also known as Negative Screening

2 Norms-based

- Positive Screening for companies that uphold values or perform well on ESG factors

3 Engagement and voting

- Asset Owners and Managers will engage with companies on sustainability matters

4 ESG Integration of factors in financial analysis

- Using ESG data to help identify risks and opportunities that traditional investment research may overlook

5 Best-in-Class investment selection

- Identifying traits of a security that may not have been taken into account by that security's price but which may affect its desirability, from both a moral and a profit point of view

6 Sustainability Themed Investments

- An investment approach that considers ESG factors in portfolio selection and management

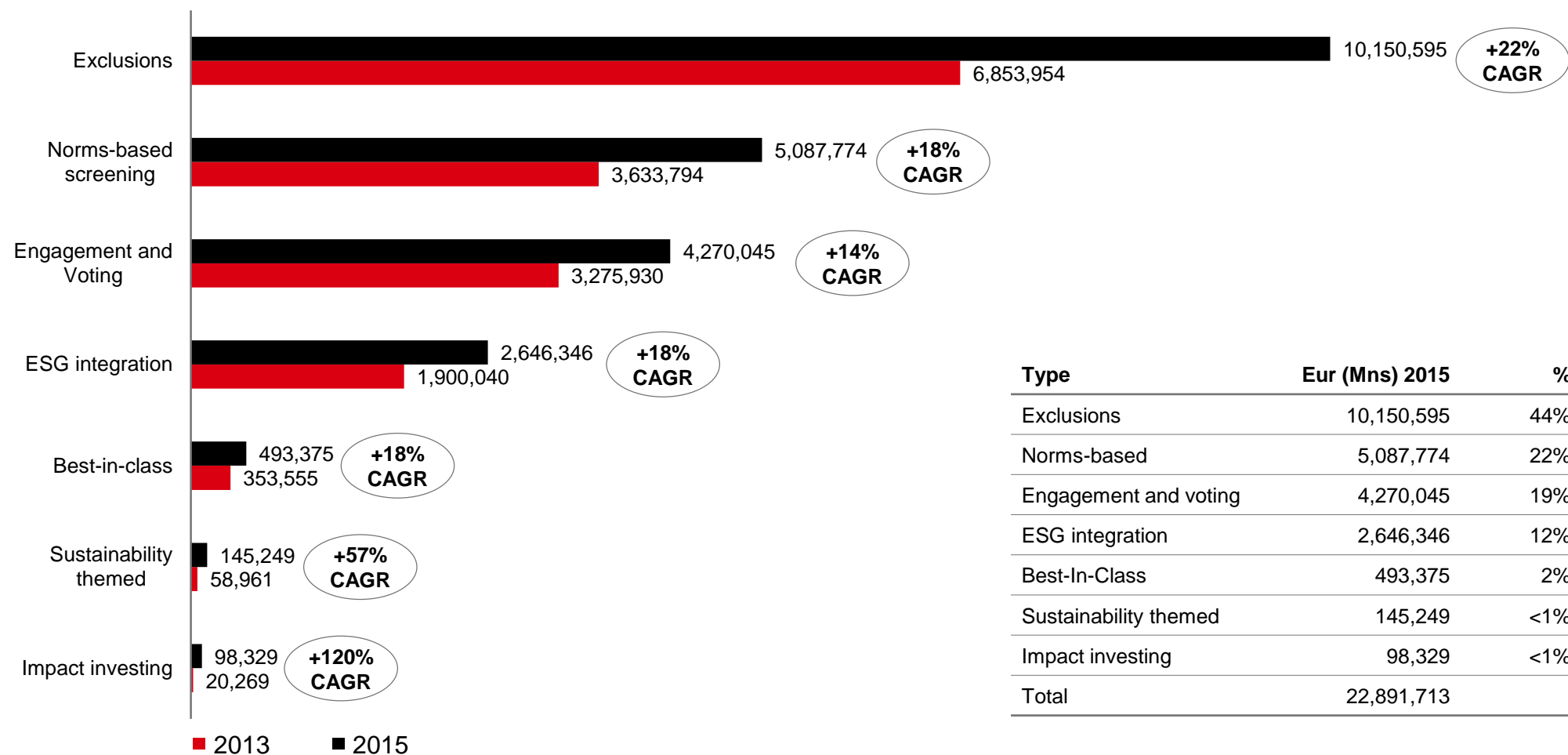
7 Impact Investing

- The allocation of capital with the express purpose of generating a positive social or environmental impact alongside a financial return (e.g. clean air and water projects)

These categories are intended to outline key ESG investment strategies

Sustainable and Responsible Investment : An analysis of investment levels by types

EUR in millions



Type	Eur (Mns) 2015	%
Exclusions	10,150,595	44%
Norms-based	5,087,774	22%
Engagement and voting	4,270,045	19%
ESG integration	2,646,346	12%
Best-In-Class	493,375	2%
Sustainability themed	145,249	<1%
Impact investing	98,329	<1%
Total	22,891,713	

44% of professionally managed ESG assets are based on exclusions (e.g. cluster munitions)

Source: Eurosif European SRI Study 2016
CAGR: Compound annual growth rate

ESG Data Vendors and Research Suppliers: Sample comparative analysis

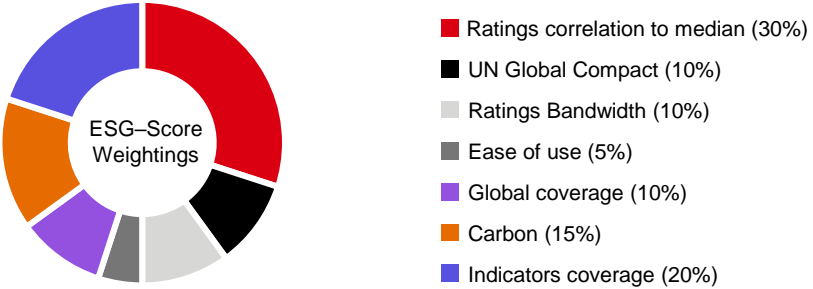
Vendor Scorecard

	Vendor 1	Vendor 2	Vendor 3	Vendor 4	Vendor 5	Vendor 6	Vendor 7	Vendor 8	Vendor 9	Vendor 10	Vendor 11
Ratings correlation to median	Green	Green	Green	Red	Orange	Orange	Orange	Red	Orange	Grey	Grey
Indicators coverage	Green	Orange	Red	Green	Green	Orange	Orange	Grey	Grey	Grey	Grey
Carbon	Green	Green	Green	Grey	Grey	Orange	Grey	Grey	Grey	Green	Red
United Nations Global Compact	Orange	Orange	Green	Green	Grey	Orange	Orange	Orange	Grey	Grey	Red
Ratings Bandwidth	Green	Green	Orange	Orange	Orange	Orange	Red	Green	Green	Grey	Grey
Global coverage	Green	Orange	Green	Green	Green	Red	Orange	Green	Orange	Grey	Grey
Ease of use	Orange	Green	Orange	Green	Orange	Green	Orange	Green	Green	Red	Red
Overall rating	Strong	Strong	Very Good	Good	Ok	Average	Average	Below average	Below average	Poor	Poor

Scorecard Key

RAG Rating	Criteria description
Green	Strong Data points and there are no major outstanding issues
Orange	Feasible Data but there are issues that needs attention
Red	Weak Data points where there are major issues that need addressing
Grey	No data available

Distribution of score weightings

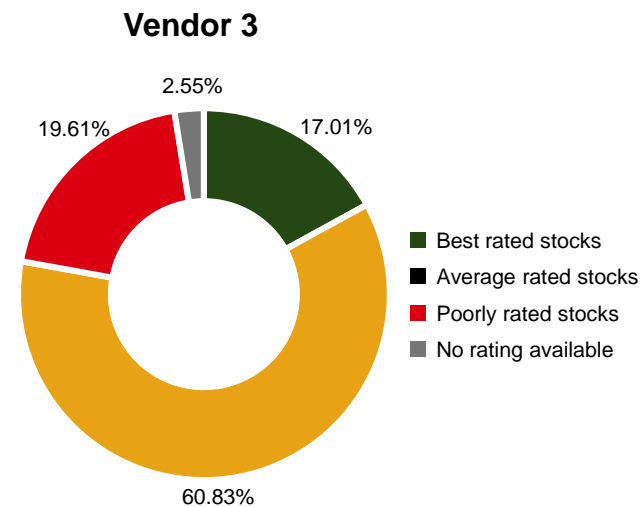
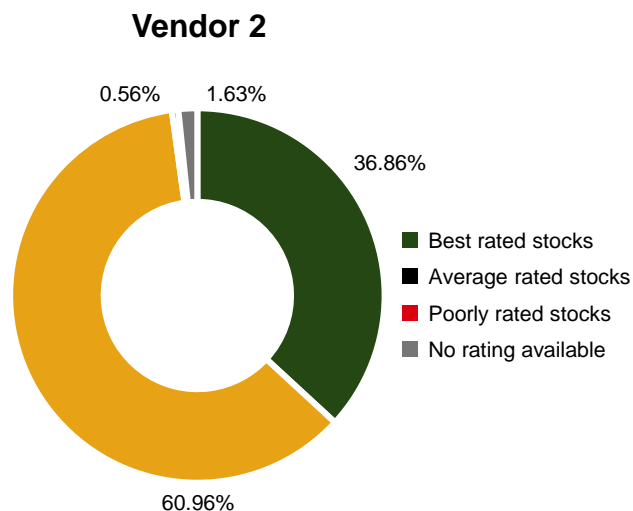
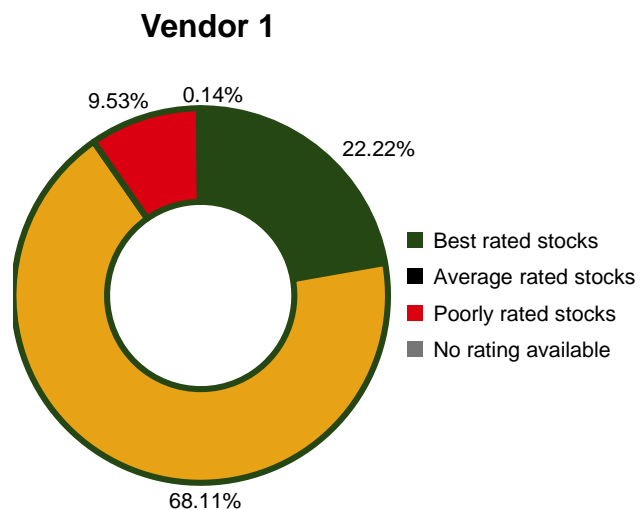


The results of a data analysis to compare a sample of ESG data between leading data vendors

Notes:

1. ESG data was supplied to HSBC Securities Services (HSS) by each ESG vendor, for a sample of 60 assets, selected from assets held by HSS clients, split between global geographies and across industry sectors, in mid-2018. The data analysis was performed by HSS.
2. Measurement of ESG ratings correlation to median is quantitative and only relevant to this sample of assets.
3. Measurement of Indicators, Carbon and UNGC data is qualitative and rated on depth, quantity and relevance of data provided.
4. 'Ratings Bandwidth' represents whether each supplier utilizes the full range of scores (as opposed to keeping scores within a narrow range).
5. 'SDGs' represent measurement of the United Nations 17 Sustainable Development Goals.
6. This analysis does not represent a recommendation for any data vendor.

ESG ratings of sample portfolio by weight of holdings¹



Ranking Methodology

Best (Leaders)	Typically A
Average	Typically B
Poor (Laggards)	Typically C and D

Best (Leaders)	Typically A
Average	Typically B, C
Poor (Laggards)	Typically D

Best (Leaders)	Typically A, B
Average	Typically C
Poor (Laggards)	Typically D

Notes: Formats used in this presentation are illustrative only. The data is based on a sample of 60 assets

1. Weights of assets are proportionate to comparable benchmark weights

2. "Typically A, B, C and D" indicates differing categorisation of 'Best' and 'Poor' for each Research Companies' proprietary ratings

Best rated assets by ESG ratings (from sample of 60)

Vendor 1					
Issuer Name	Holding	ESG	E	S	G
Technology Stock #1	xx.xx%	◆	◆	◆	◆
FMCG Stock #1	xx.xx%	◆	◆	◆	◆
FMCG Stock #2	xx.xx%	◆	◆	◆	◆
FMCG Stock #3	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #1	xx.xx%	◆	◆	◆	◆
Telecom Stock #1	xx.xx%	◆	◆	◆	◆
Finance Stock #1	xx.xx%	◆	◆	◆	◆
Automobile Stock #1	xx.xx%	◆	◆	◆	◆
FMCG Stock #4	xx.xx%	◆	◆	◆	◆
Retail Stock #3	xx.xx%	◆	◆	◆	◆
Finance Stock #2	xx.xx%	◆	◆	◆	◆
Banking Stock #1	xx.xx%	◆	◆	◆	◆
Grand Total	22.22%	◆	◆	◆	◆

Vendor 2					
Issuer Name	Holding	ESG	E	S	G
Technology Stock #1	xx.xx%	◆	◆	◆	◆
Technology Stock #2	xx.xx%	◆	◆	◆	◆
Banking Stock #2	xx.xx%	◆	◆	◆	◆
FMCG Stock #5	xx.xx%	◆	◆	◆	◆
FMCG Stock #1	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #2	xx.xx%	◆	◆	◆	◆
Industrial Stock #1	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #1	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #3	xx.xx%	◆	◆	◆	◆
Telecom Stock #1	xx.xx%	◆	◆	◆	◆
Finance Stock #1	xx.xx%	◆	◆	◆	◆
Banking Stock #3	xx.xx%	◆	◆	◆	◆
Banking Stock #4	xx.xx%	◆	◆	◆	◆
Automobile Stock #2	xx.xx%	◆	◆	◆	◆
Technology Stock #3	xx.xx%	◆	◆	◆	◆
Grand Total	36.86%	◆	◆	◆	◆

Vendor 3					
Issuer Name	Holdings	ESG	E	S	G
Industrial Stock #3	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #3	xx.xx%	◆	◆	◆	◆
FMCG Stock #3	xx.xx%	◆	◆	◆	◆
Technology Stock #1	xx.xx%	◆	◆	◆	◆
Industrial Stock #1	xx.xx%	◆	◆	◆	◆
Grand Total	17.01%	◆	◆	◆	◆

Key

- Common across all 3 vendors
- Common between Vendors 1 and 2
- Common between Vendors 2 and 3
- Common between Vendors 1 and 3
- Leader (highly rated by vendor)
- Average rating
- Laggard (poorly rated by vendor)

Notes: Formats used in this presentation are illustrative only. The data is based on a sample of 60 assets

Poorly rated assets by ESG ratings (from sample of 60)

Vendor 1					
Issuer Name	Holding	ESG	E	S	G
Industrial Stock #6	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #2	xx.xx%	◆	◆	◆	◆
Retail Stock #5	xx.xx%	◆	◆	◆	◆
Automobile Stock #6	xx.xx%	◆	◆	◆	◆
Automobile Stock #8	xx.xx%	◆	◆	◆	◆
Industrial Stock #7	xx.xx%	◆	◆	◆	◆
Automobile Stock #7	xx.xx%	◆	◆	◆	◆
Industrial Stock #8	xx.xx%	◆	◆	◆	◆
Retail Stock #4	xx.xx%	◆	◆	◆	◆
Industrial Stock #11	xx.xx%	◆	◆	◆	◆
Industrial Stock #12	xx.xx%	◆	◆	◆	◆
Technology Stock #7	xx.xx%	◆	◆	◆	◆
Grand Total	9.53%	◆	◆	◆	◆

Vendor 2					
Issuer Name	Holding	ESG	E	S	G
Industrial Stock #7	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #4	xx.xx%	◆	◆	◆	◆
Automobile Stock #7	xx.xx%	◆	◆	◆	◆
Grand Total	0.55%	◆	◆	◆	◆

Vendor 3					
Issuer Name	Holding	ESG	E	S	G
Technology Stock #5	xx.xx%	◆	◆	◆	◆
Banking Stock #2	xx.xx%	◆	◆	◆	◆
Retail Stock #5	xx.xx%	◆	◆	◆	◆
Banking Stock #5	xx.xx%	◆	◆	◆	◆
Retail Stock #2	xx.xx%	◆	◆	◆	◆
Industrial Stock #7	xx.xx%	◆	◆	◆	◆
Pharmaceuticals Stock #4	xx.xx%	◆	◆	◆	◆
Industrial stock #10	xx.xx%	◆	◆	◆	◆
Grand Total	19.61%	◆	◆	◆	◆

Key

- Common across all 3 vendors
- Common between Vendors 1 and 2
- Common between Vendors 2 and 3
- Common between Vendors 1 and 3
- Leader (highly rated by vendor)
- Average rating
- Laggard (poorly rated by vendor)

Notes: Formats used in this presentation are illustrative only. The data is based on a sample of 60 assets

Maximum dispersion examples (from sample of 60)

Banking Stock #2				
	ESG	E	S	G
Vendor 1	Yellow diamond	Green diamond	Yellow diamond	Red diamond
Vendor 2	Green diamond	Green diamond	Yellow diamond	Green diamond
Vendor 3	Red diamond	Red diamond	Yellow diamond	Yellow diamond

Pharmaceuticals Stock #2				
	ESG	E	S	G
Vendor 1	Red diamond	Yellow diamond	Red diamond	Yellow diamond
Vendor 2	Green diamond	Green diamond	Green diamond	Green diamond
Vendor 3	Yellow diamond	Yellow diamond	Green diamond	Yellow diamond

- Green diamond Leader (highly rated by vendor)
- Yellow diamond Average rating
- Red diamond Laggard (poorly rated by vendor)

There can be significant differences between ratings from different ESG research suppliers and data vendors

Notes: Formats used in this presentation are illustrative only.
The data is based on a sample of 60 assets

Uniform quantitative data standards for ESG

◆ Current state quantitative ESG data

Carbon Emissions (tCO₂e) ¹

- Scope 1: Direct emission from owned or controlled sources
- Scope 2: Indirect emissions from the generation of purchased energy
- Scope 3: All indirect emissions, not included in Scope 2, that occur in the value chain of the reporting company, including both upstream and downstream emissions

Carbon Emissions	Scope 1			Scope 2			Scope 3		
	Vendor 1	Vendor 2	Vendor 3	Vendor 1	Vendor 2	Vendor 3	Vendor 1	Vendor 2	Vendor 3
Industrial Stock #5	21,100,000	21,110,000	21,110,000	11,300,000	8,700,000	11,300,000	638,446,000	-	44,968,771
Industrial Stock #10	851,000	334,863	605,436	423,000	24,347	68,677	-	-	910,248
Industrial Stock #11	38,757,404	38,757,404	38,757,404	3,979,124	3,979,124	3,979,124	27,491,043	-	59,315,098
Automobile Stock #5	-	596,513	579,880	-	571,859	571,859	-	-	3,072,123
Automobile Stock #8	-	4,310,986	4,310,986	-	6,362,053	5,279,055	-	-	53,563,887

◆ Future state quantitative data (potential)

- SDG (Sustainable Development Goals), raw revenues per SDG
- New ESG taxonomies are being developed (eg HLEG: EU High Level Group Sustainable Finance)

Quantitative ESG carbon data has limited coverage at present. Some data providers include their own estimates.

Note ¹ Emissions (tCO₂e) Tonnes of Carbon dioxide equivalent (GHG (Greenhouse Gas) Protocol Corporate Standard)

Some considerations for measuring different asset classes

- ◆ ESG data is generally sourced from suppliers for assets using **issuer-level company data**, regardless of asset class
- ◆ **Fixed income** investors are further removed from the company (e.g. secondary market bond holder as opposed to shareholder), but this should not affect the overall ESG rating (i.e. issuer rating should be identical to the same company's equity rating/score)
- ◆ Where fixed income assets have a designated ESG purpose, with specific terms and conditions, such as **Green Bonds**, the ratings might differ (e.g. if issuer is a bank with a green financing policy)
- ◆ Several of the ESG data suppliers indicated they are actively **increasing their geographical coverage** levels
- ◆ ESG for **derivatives** can be assessed where there's a link to the underlying investment that is supported by suppliers
- ◆ **Alternative investments** such as private equity, real estate, infrastructure will require specialist firms and this has not been addressed in this study

ESG data is generally geared towards equities and fixed income

Third party-supplied ESG data: relevance to strategies (illustrative)

Types of Data	Purpose	Availability	Investment Strategies – relevance of data						
			Exclusions	Norms based	Engagement and voting	ESG integration	Best-in-class	Sustainability themed	Impact investing
ESG ratings and scores	To grade asset, by ESG criteria, per each vendors' methodology	High		✓	✓	✓	✓	✓	✓
Business involvement indicators	Revenue from specified business activities (eg Alcohol, Fossil Fuel)	High	✓		✓	✓	✓	✓	✓
Carbon emissions	Quantitative measurement of emissions	Medium			✓	✓	✓	✓	✓
Controversies	To respond to adverse news about the company	Not analysed			✓	✓	✓	✓	✓
UN GC (UN Global Compact Compliance)	To measure compliance with the Ten Principles of the UN GC	Low		✓	✓	✓	✓	✓	✓
UN SDGs (UN Sustainable Development Goals)	To measure contribution to 17 SDG outcomes	Low			✓	✓	✓	✓	✓
% invested assets (Eurosif, Eurosif European SRI Study 2016)			44%	22%	19%	12%	2%	<1%	<1%

An illustration of how different ESG data types could apply to different strategies

Sustainable and Responsible Investment: An overview of key initiatives

International initiatives

- ◆ **UN SDGs:** United Nations 17 Sustainable Development Goals
- ◆ **2015 Paris Agreement on Climate Change**

Corporate/Investment-focused initiatives

- ◆ **UN PRI:** United Nations Principles of Responsible Investment
- ◆ **UN GC:** United Nations Global Compact Ten Principles
- ◆ **Climate Action 100**
- ◆ **UNEP FI:** United Nations Environment Finance Initiative
- ◆ **PSI:** Principles for Sustainable Insurance
- ◆ **IOSCO:** GEM (Global Emerging Markets) Committee
- ◆ **One Planet** Sovereign Wealth Funds Framework

International reporting frameworks

- ◆ **TCFD:** Task Force on Climate-related Financial Disclosures
- ◆ **CDP:** (Formerly called Carbon Disclosure Project)²
- ◆ **CDSB:** (Climate Disclosure Standards Board)²
- ◆ **IIRC:** International Integrated Reporting Initiative²
- ◆ **GRI:** Global Reporting initiative²
- ◆ **CBI:** Climate Bonds Initiative

Regional/Domestic reporting frameworks

- ◆ **TEG:** Financial Stability Board's Technical Expert Group on Sustainable Finance ²
- ◆ **HLEG:** EU High Level Group Sustainable Finance¹
- ◆ **SASB:** U.S. Sustainability Accounting Standards Board²
- ◆ **China:** Guidelines for Establishing the Green Financial System (Issued in 2016)¹
- ◆ **Hong Kong Securities and Futures Commission (SFC):** Strategic Framework for Green Finance¹
- ◆ **Australia:** The Australian Securities and Investments Commission has encouraged companies and directors¹
- ◆ **Singapore:** The Monetary Authority of Singapore (MAS) has encouraged corporations and Financial Institutions¹
- ◆ **France:** Article 173¹
- ◆ **UK:** UK Green Task Force¹

Regulatory developments could lead to mandatory corporate disclosure of environmental information

Notes:

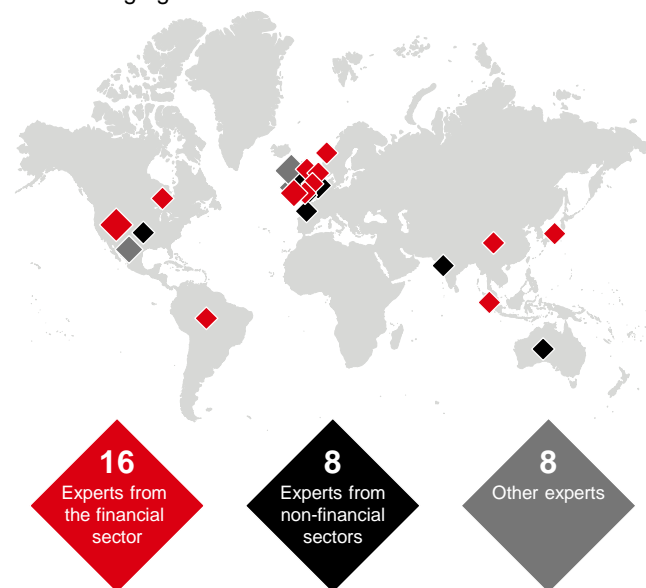
1. In line with TCFD recommendations (Source: Hong Kong Securities and Futures Commission (SFC): Strategic Framework for Green Finance)
2. TCFD provides information on the alignment of these existing frameworks

Sustainable and Responsible Investment: An overview of TCFD recommendations

Task Force on Climate-related Financial Disclosure Launched by the Financial Stability Board (at the G20's request) Overview of Recommendation June 2017 (extract)

Industry led and geographically diverse task force

The Task Force's 32 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies



Current climate-related disclosure challenges

Currently, challenges with respect to climate-related disclosure are faced by:

- ◆ **Issuers** who generally have an obligation under existing law to disclose material information, but lack a coherent framework to do so for climate-related information,
- ◆ **Investors, lenders, and insurers** who need decision-useful, climate-related information to make informed capital allocation and financial decisions, and
- ◆ **Regulators** who need to understand risks that may be building in the financial system

The Task Force aims to provide the solution:

A voluntary, consistent disclosure framework that improves the ease of both producing and using climate-related financial disclosures

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures

- Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Regulatory developments could lead to mandatory corporate disclosure of environmental information

Source:
<https://www.fsb-tcfd.org/wp-content/uploads/2017/06/TCFD-Recommendations-Overview-062717.pdf>
<https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>

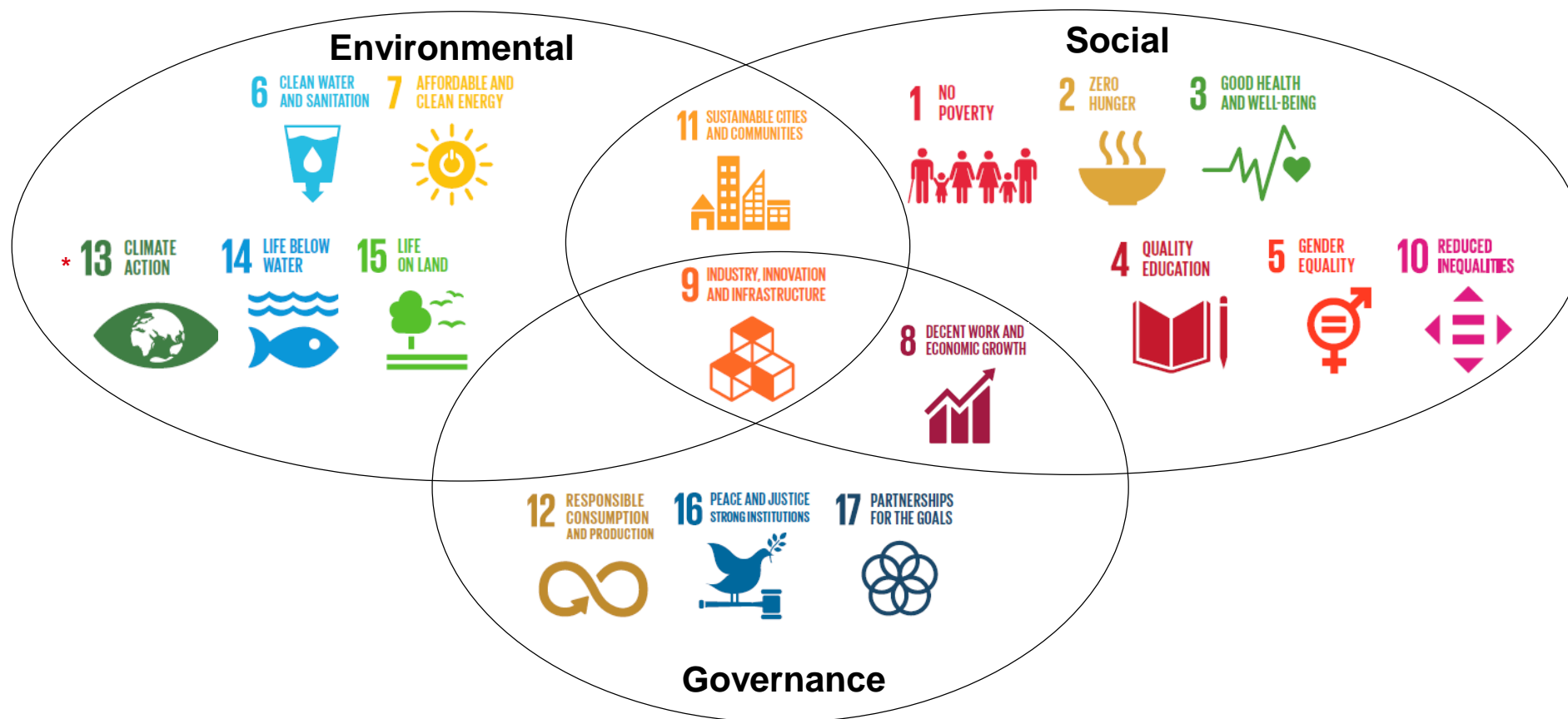
UN SDGs: United Nations 17 Sustainable Development Goals



- ◆ The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future
- ◆ At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership
- ◆ They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests

Regulatory developments could lead to mandatory corporate disclosure of environmental information

UN SDG Themes: A comparison to ESG



- ◆ HSBC is a member of the Corporate Action Group on SDG reporting – organised by UN GC and GRI
- ◆ ESG frameworks are being encouraged to align/link to the SDGs and TCFD
- ◆ The guide in the attached links recommends that SDG13¹ and TCFD are linked for corporates:
<https://www.globalreporting.org/information/SDGs/Pages/Reporting-on-the-SDGs.aspx>

An illustrative mapping of the 17 SDGs to the ESG categories

Note:

1. ESG vendor ratings and scores do not necessarily incorporate SDG measures at this stage

Conclusion: Can ESG ratings and scores be used to grade investments?

- ◆ ESG ratings and scores from ESG Research Providers are qualitative and vary significantly between providers
- ◆ Our data sample analysis has established that the only uniform factual asset-level quantitative ESG dataset that exists today is Carbon Emissions
- ◆ Some leading ESG Research Providers have indicated that they are developing outcome-based measurement of the UN SDGs as new data points, and also as additional factors within their ESG scores
- ◆ It's possible that new fact-based ESG data standards might emerge as regulators provide further guidance over time

The availability of uniform quantitative ESG data is limited at present; mandatory corporate disclosure could possibly overcome this

Appendices

HSBC Securities Services statement about ESG, January 2018

- ◆ HSS is actively developing post-trade products in support of its clients' investments using Environmental, Social and Governance (ESG) criteria
- ◆ Responsible investing is an increasingly important element of the investment process and HSS is integrating relevant data within its services to provide clients, such as to HSBC's own asset management group, with the means to access, and measure against, relevant ESG data
- ◆ HSS also intend to help encourage the development of industry-wide definitions and standards to enhance measurement of sustainability

HSBC Sustainable Finance initiatives, including ESG

HSBC's Sustainable Finance commitments

- ◆ Provide USD100bn of sustainable financing and investment by 2025
- ◆ Source 100% of our electricity from renewable sources by 2030, with an interim target of 90% by 2025
- ◆ Reduce our exposure to thermal coal and actively manage the transition path for other high carbon sectors
- ◆ Adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to improve transparency
- ◆ Lead and shape the debate around sustainable finance and investment by launching a Centre of Sustainable Finance (www.sustainablefinance.hsbc.com)

HSBC is a signatory to or has expressed public support for:

- ◆ The UN Global Compact
- ◆ The UN Principles for Responsible Investment
- ◆ The UN Principles for Sustainable Insurance
- ◆ Montreal Carbon Pledge
- ◆ The Global Sullivan Principles
- ◆ The OECD Guidelines for Multinational Enterprises

HSBC sustainable finance/ESG highlights

- ◆ Committed to implementing TCFD recommendations; first disclosure included in 2017 Annual reports and Accounts (published Feb 2018)
- ◆ Published HSBC's Sustainability Strategy and Sustainable Finance commitments in November 2017 ESG update; ESG update published on 3rd April 2018
- ◆ Issued USD1bn Sustainable Development Goal (SDG) bond from HSBC Holdings in Nov 2017 – first ever corporate SDG bond
- ◆ HSBC UK pension allocated GBP1.9bn funds to eco-friendly fund
- ◆ Rank #2 globally for Green, Social, and Sustainability Bond issuance in 2017¹

Note:

1. Source: Dealogic 20 Sep 2017

Some known suppliers of ESG data

Suppliers of proprietary ESG data	Known speciality?
Arabesque	
Bloomberg	
Carbone 4	
CDP (Carbon Disclosure Project)	Public access
CRD Analytics	
ECPI	
FTSE	
G.E.S International	
Grizzly Responsible Investment	
Ideal Ratings	
Inrate	
IRRC (Investor Responsibility Research Center Institute)	
ISS-Oekom (incorporates South Pole Group and Ethix)	Carbon and Unlisted fixed income
Maplecroft	Risk/Political

Suppliers of proprietary ESG data	Known speciality?
MSCI (incorporates GMI ratings)	ESG analysis and Governance
OWW consulting	
RepRisk	Big data: Social Media sources
Reputex	
Robecosam	
Solaron Sustainability Services	
Sustainalytics	Controversies
Refinitiv (formerly Thomson Reuters) Incorporates Point Carbon and Asset 4	Ranks and scores; Controversies
Trucost (S&P)	Carbon
TruValue labs; Insight 360	
Vigeo (incorporates EIRIS and Imug)	Social, Governance (Europe)

Aggregators/Managed Services	ESG benchmark providers
Factset	FTSE4Good
Morningstar	MSCI
RIMES	S&P Dow Jones
	Stoxx
	Solactive

There are many suppliers of proprietary ESG data; some have been in operation for many years

Examples of vendor ESG data



The environmental “E” means assessing how well companies manage environmental externalities – costs not captured in industrial processes such as carbon, waste or other forms of pollution.



“S” for social. This often involves labour rights, such as working hours, wages and fatalities, and the ability to pursue a grievance; and issues such as the breakdown of employees by gender



The “G” for governance encompasses an evaluation of how the company structures its board, disclosure, compensation and so on.

	Environmental (E)		Social (S)		Governance (G)	
	<ul style="list-style-type: none"> Climate Change Greenhouse gas (GHG) emissions Resource depletion, including water Waste and pollution Deforestation 		<ul style="list-style-type: none"> Working conditions, including slavery and child labour Local communities, including indigenous communities Conflict Health and safety Employee relations and diversity 		<ul style="list-style-type: none"> Executive pay Bribery and corruption Political lobbying and donations Board diversity and structure Tax strategy 	
Vendor A	ENVIRONMENTAL RATING	1.2 B	SOCIAL SCORE	12.3	GOVERNANCE RATING	A
	CARBON EMISSIONS	54321	CONTROVERSY SCORE	1	GOVERNANCE SCORE	1.11
	CARBON EMISSIONS	43.21	CONTROVERSY FLAG	Y	UNITED NATIONS GLOBAL COMPACT SCORE	66.66
	CARBON_EMISSIONS	-	WEAPONS 0.1		NUCLEAR	6.66
	OIL EMISSIONS	5.4321				
Vendor B	OIL RESERVES	5.4321				
	ENVIRONMENTAL RATING	CC	SOCIAL RATING	C-	GOVERNANCE RATING	A
	ENVIRONMENTAL SCORE	123.45	SOCIAL SCORE	5.4321	GOVERNANCE SCORE	1.11
Vendor C	CARBON RATING	10	CONTROVERSY SCORE	-4321		
	ENVIRONMENTAL PERCENTILE	31.31	SOCIAL PERCENTILE	43.21	GOVERNANCE PERCENTILE	99.99
	ENVIRONMENTAL SCORE	85.85	SOCIAL SCORE	12.43	GOVERNANCE SCORE	88.88
	CO2/REVENUE	29.67	AVERAGE SOCIAL SCORE	43.21	AVERAGE GOVERNANCE SCORE	77.77
	CARBON MEASURE	0.1567			BOARD SCORE	66.66
	CO2	87543			SHAREHOLDER SCORE	55.55
	CARBON RATING	C-				

There's a wide range of scoring mechanisms for ESG available with different levels of depth

Notes:

1. Red text indicates types of data that could be relevant to grade the profile of investments
2. This sample data does not represent any real company

Sample datasets

	Vendor/Type		Food and Beverage	Automobile	Insurance	Utilities	Utilities	Banks
	A	Carbon	1,000,000	8,000,000	300,000	8,000,000	100,000,000	600,000
Environmental	A	Score	1.80	2.90	4.00	5.80	6.90	8.00
		Rating	A	CC	AA	A	A	B
	B	Score	60.00	50.00	40.00	30.00	20.00	10.00
		Percentile	50.00	70.00	90.00	110.00	130.00	150.00
	C	Score	8.000	6.900	5.800	4.000	2.900	1.800
		Rating	A	C	B	A	D	C
Social	A	Score	1.80	2.90	4.00	5.80	6.90	8.00
		Rating	-	-	-	-	-	-
	B	Score	60.00	50.00	40.00	30.00	20.00	10.00
		Percentile	50.00	70.00	90.00	110.00	130.00	150.00
	C	Score	8.000	6.900	5.800	4.000	2.900	1.800
		Rating	C	A	B	B	A	C
Governance	A	Score	1.80	2.90	4.00	5.80	6.90	8.00
		Rating	-	-	-	-	-	-
	B	Score	60.00	50.00	40.00	30.00	20.00	10.00
		Percentile	50.00	70.00	90.00	110.00	130.00	150.00
	C	Score	1.80	2.90	4.00	5.80	6.90	8.00
		Rating	A	B	A	C	A	D

ESG data suppliers follow different scoring mechanisms, data definitions and data gathering processes

Note: This sample data does not represent any real company

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