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More Korean businesses set targets for ESG

HSBC's Global Survey of International Trade

The number of Korean businesses setting targets for environmental and social sustainability substantially increased in 2020.

According to HSBC's survey, 26%-45% of Korean businesses have set targets for broad range of aspects of Environment, Social and Governance (ESG) and 19%-28% have set targets for 2025 (*rates vary by issue and year). This results reflect the keen attention to sustainability domestically as well as internationally.

'HSBC Navigator' is the most comprehensive survey of international trade. This year, key decision makers and decision influencers in the 10,368 companies in 39 markets including 350 in Korea were surveyed on the topic of sustainability, post COVID 19 recovery, investment, strategy, international trade and supply chains.

Increasing companies set ESG targets

80% of Korean companies have metrics in place to measure social sustainability, 73% environmental sustainability, 46% governance. These figures changed significantly from 70% to 80% in social and 60% to 73% in the environment.

Specifically, in the area of the environment, 22% of companies in Korea are measuring energy usage (9% in 2019), 19% raw material sourcing (6% in 2019), 18% financial impact (8% 2019). In social, 38% are measuring product safety and quality (29% in 2019).

Almost all (94%) Korean companies think that there are multiple opportunities for their business from improving their environmental and ethical sustainability. These opportunities include increasing customer demand (39%), promotion of employee well-being (36%), contribution to positive climate change (31%) and local communities (28%), financial benefits of attracting investment (28%) and enhanced reputation (27%). 89% expect their sales to grow over the next year, from a greater focus on sustainability.

Looking forward to the next 12 months, consumers (35%), industry regulations (35%), governments (34%) and supply chains (31%) are most likely to increase pressure for them to become more sustainable.

Profitability expected to return to pre COVID 19 levels by the end of 2022

77% of Korean companies expect to return to pre COVID 19 levels of profitability by the end of 2022, which is in line with all businesses globally (73%). 8% (global 13%) expect to cover by the end of this year and a tiny minority of 4% (global 8%) say they are already ahead of pre COVID 19 levels.

In terms of threat to growth/recovery, 54% (global 46%) cited resurgence of COVID 19, and other factors were uncertain political environment (24%, global 25%), apprehensions about decreasing demand (23%, global 26%).

Cash flow, investment priority & resilience to market shocks, key to future success

Immediate investment priorities for Korean companies are cash flow and capital management (54%, global 46%), marketing (46%, global 47%), product innovation (45%, global 46%) and sales channels (44%, global 45%).

The main drivers of changes businesses have made over the past 12 months were uncertainty about the future (41%, global 32%) and the need for cost savings (32%, global 32%). The key characteristics of a successful business in the future is resilience to market changes/shocks (50%, global 32%) and it is followed by innovation (37%, global 44%). The results seem to be mainly attributable to the COVID 19 pandemic.

Mixed forecasts for global trade

Less than half (45%) of the Korean companies expect their international trade over the next 1-2 years to be positive whereas the same proportion (45%) of the respondents have a negative view. This implies that compared to businesses around the world (positive 72%, negative 22%), Korean businesses are considerably more negative about the trade outlook. Looking to the next 3-5 years, Asia Pacific is likely to become a more important trading region for Korea (49%), and proven/growing customer demand in the market (52%) and access to new suppliers/partners in the market (52%) were cited as the most important reasons for Korea to choose trading partners.

Eunyoung Jung, President & CEO, HSBC Korea stated, "Navigator offers meaningful data about business and trade outlook from the perspective of companies in Korea and around the world. As a leading international trade bank, HSBC will continue to provide useful information so that our customers can develop a business plan based on reliable data."

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HSBC Navigator:

The Navigator survey is conducted on behalf of HSBC by Kantar. This survey of over 10,000 businesses spans 39 countries, markets and territories. It was conducted between 11 September and 7 October 2020.

Markets in scope:

- Europe: Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, UK.
- Asia-Pacific: Australia, Bangladesh, mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam.
- Middle East & North Africa: Egypt, Saudi Arabia, Turkey, UAE.
- North America: Canada, Mexico, USA.
- South America: Argentina, Brazil.
- Rest of Africa: South Africa.

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