



News Release

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INAUGURAL HSBC GBA ESG INDEX RELEASED

Regional index progressed c.15% over past three years

Industrials sector leads in ESG performance

The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) has made steady progress in environmental, social and governance (ESG) performance in the past three years, according to a new report published by HSBC and CECEP Environmental Consulting Group (CECEPEC). The report found that government policies provide a supportive regulatory and institutional framework, laying the foundation for sustainable developments in the region. The private sector is also increasingly recognising their responsibilities and keen to improve their ESG performance.

This study combines macro and micro analysis to provide an integrated view of the GBA's ESG development. The first-of-its-kind "HSBC GBA ESG Index" includes the main GBA ESG Regional Index, and sub-indices covering cities, industries, and companies in the region. The findings will be published on a quarterly basis going forward.

Overall, the GBA ESG Regional Index has risen steadily since Q4 2019, reaching 114.68 as of Q3 2022, an increase of almost 15 per cent from Q4 2019 when the index's base value was set at 100. The GBA ESG Regional Index measures ESG and sustainable developments from a macro perspective using five indicators, namely policy, environment, economic and social development, corporate governance, and green and sustainable finance.

Daniel Chan, Head of Greater Bay Area, HSBC, said, "Our report found efforts made by both the public and private sectors have enabled the region to improve its overall ESG performance three years in a row. This upward trend is also attributed to growing awareness of the importance of governance and disclosure, as well as heightened interest in climate change issues."

He added, "The assessment of ESG performance will help companies unlock value in sustainable growth, and over time, further promote collaboration among GBA cities in building a low carbon economy."

The GBA ESG Industry Sub-indices cover eight sectors which were selected to reflect the region's business and economic profile. The eight key sectors are communication services, consumer discretionary, consumer staples, energy, financials, healthcare, industrials, and real estate. The ESG performance of each sector improved during the period under review, although the level of development varied.

The industrials sector, covering manufacturing, transportation, and construction companies, led ESG performance in most of the time during 2019 to 2022. This high carbon emission sector faces growing pressure of energy conservation and emission reduction. The demand for green equipment manufacturing, low-carbon technology, clean transportation, green buildings and other green-related products and services is expected to increase.

Kevin Yang, General Manager of CECEP (Hong Kong) Investment Company Limited and CECEPEC, said, “Local municipal governments in the GBA are keen to promote green technologies for the industrials sector, capturing new sources of growth that come with a green economy. The region is well placed to benefit from the growing momentum in new-energy industries, which include solar photovoltaics and electric vehicles.”


From a low starting point, the healthcare sector has seen the biggest improvement in ESG performance of all sectors. During the pandemic, national policies have helped drive demand and transparency of the sector. The study observed a notable improvement in terms of ESG disclosure and climate action.

The report found corporate ESG disclosure steadily improved during the review period, based on a sample of 470 listed companies registered or primary operating in the GBA, of which 140 were large companies and 330 SMEs. Large companies consistently performed better than small and medium-sized enterprises (SMEs), and the gap was getting larger. The proportion of large companies that have made regular ESG disclosure has grown from 86% to 96% in the past three years. Lower priority placed on GHG (greenhouse gas emissions) targets, ESG-linked executive pay and board gender diversity could be hindering further progress in the region’s ESG developments amongst its companies.

The results showed SMEs receive less attention from key stakeholders, such as investors and customers, and have limited ability to actively access green and sustainable finance, compared to larger companies.

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Note to editors:

Photo	Caption
	<p>HSBC and CECEP Environmental Consulting Group joined hands to publish today the inaugural “HSBC GBA ESG Index”. Pictured here are David Liao, Co-Chief Executive, The Hongkong and Shanghai Banking Corporation Limited (right) and Daniel Chan, Head of Greater Bay Area, HSBC (left).</p>

1. Methodology

Indicators for regional/cities and industry level

First-level Indicator	Second-level Indicator
Environment	Corporate CDP disclosure performance
	Corporate science-based climate commitments
	Air quality
	Energy use efficiency
	Water use efficiency
	Electricity use efficiency
	Public sector's contribution to environmental protection
	Urban greenness
Economic and Social Development	Economic development
	Economic contribution of tertiary industry
	Employment situation
	Public sector's contribution to education
	Innovation and technological advancement
Corporate Governance	Activeness of market players
	Corporate ESG disclosure performance
Green and Sustainable Finance	Activeness of market players
	Investor commitment to sustainable investing
	Volume of sustainable debt instruments
	Number of ESG mutual funds
Policy	Policies related to sustainable development in the GBA

Indicators for company level

First-level indicator	Second-level indicator
Environmental	Greenhouse gas (GHG) emissions
	GHG targets
	Waste management
	Water management
	Energy management
Social	Employee data
	Employee development
	Supply chain management
	Privacy and data security
	Philanthropic contribution
	R&D and innovation
Governance	Board accountability for ESG
	ESG risk management
	Executive pay linked to ESG
	Board gender diversity
	Board independence
Green and sustainable Finance	Issuance of GSSS Bonds
External Assurance	ESG report external assurance

(Source: CECEPEC)

Base period and update frequency

- Index base period: The fourth quarter of 2019
- Region/City and Industry-level data: Update quarterly
- Company-level data: Update annually

- Weight adjustment: Adjust annually

Limitations

- The Index is only applicable to the evaluation of the GBA, the cities, industries and companies in the GBA.
- The evaluation of ESG performance retrieved from the quantitative models is based on public data of listed companies, which we do not warrant or guarantee the accuracy and completeness of such disclosures.
- Given the incompleteness of publicly available macroeconomic data, performance evaluation on the GBA, cities, and industries could involve assumptions.

2. The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 63 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,992bn at 30 September 2022, HSBC is one of the largest banking and financial services organisations in the world.

3. CECEP Environmental Consulting Group Limited

CECEP Environmental Consulting Group Limited is a professional sustainability consulting company established by CECEP. We are headquartered in Hong Kong with branch offices in Beijing, Shenzhen and Shanghai. Our partners and clients are found throughout Greater China, Europe, and America, covering national governments, industry associations, mainstream financial institutions and nearly 200 well-known enterprises in and out of China. We are committed to providing bespoke solutions to satisfy the specific sustainability needs for various industries, which include sustainability management consulting, green and sustainable finance consulting, climate change and carbon neutrality consulting with implementation solutions, and others.

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