



News Release

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HSBC GBA ESG INDEX RECORDS STEADY GROWTH IN FIRST QUARTER OF 2023

**** Financials and industrials sectors continue to lead in ESG performance ****

The Guangdong-Hong Kong-Macao Greater Bay Area continued to deliver a steady environmental, social and governance (ESG) performance in the previous two quarters, according to the latest HSBC GBA ESG Index published by HSBC and CECEP Environmental Consulting Group. The Index reached 120.27 and 117.26 in Q4 2022 and Q1 2023, up 4 per cent and 2 per cent year-on-year respectively.

Daniel Chan, Head of Greater Bay Area, HSBC, said, “Following the resumption of quarantine-free travels and the roll-out of new stimulus measures in mainland China, the economic and social development in the GBA has been picking up the pace over the past six months. The turnaround contributes to an increase in demand for green and sustainable finance. The issuance of green, social, sustainability and sustainability-linked bonds in the GBA saw year-on-year growth of 71 per cent and 96 per cent in Q4 2022 and Q1 2023 respectively.”

The GBA ESG Industry Sub-indices covering eight sectors – namely communication services, consumer discretionary, consumer staples, energy, financials, healthcare, industrials, and real estate – also improved 15 per cent year-on-year to an average level of 155.05. Driven by significant growth in green and sustainable financing, financials sector made good progress in ESG in Q4 2022, and stood alongside industrials sector as the top-performing sectors in the last six months. The healthcare sector continued to show the largest improvement over the past two quarters.

“The high-value manufacturing capabilities of the GBA, together with various government measures in sustainable developments, have created a favorable environment for the green finance market. Fueled by the recent policies to promote financial opening-up and mutual connectivity within the GBA, there will be closer collaboration in this space, with more mainland institutions issuing green bonds and securing green facilities in Hong Kong. All these factors are contributing to the steady ESG development in the fast-growing city cluster,” **Mr Chan** added.

Consumer discretionary sector has also benefited from the economic recovery and a range of favourable policies that support low-carbon transition and the development of emerging industries. The increasing cooperation between Guangdong, Hong Kong, and Macao on various fronts,

including cross-boundary e-commerce, new energy vehicles and smart Internet of Vehicles, will also pave the way for enhanced ESG management in consumer discretionary sector.

Kevin Yang, General Manager of CECEP (Hong Kong) Investment Company Limited, said, “The concept of sustainability is shaping the future of consumer discretionary. Based on our research, consumer preference, regulatory requirements and higher company efficiency are the main driving forces for the green transition of the sector. In response to the trend of green consumption, consumer discretionary businesses have ramped up their ESG management, registering an increase in the proportion of companies that have made ESG disclosure from 29% in 2020 to 38% in 2022. It is expected that the growing consumer awareness over sustainability will remain a primary motivation for the sector to accelerate low carbon transition.”

The report also examined the latest ESG development and low-carbon transition pathway of the automobiles and textile and apparel industries. Backed by its strong R&D capabilities, the GBA is well positioned to tap the opportunities during the transition from traditional fuel-powered vehicles to the new energy vehicles (NEV). Guangzhou has become an important production base for China’s NEV, whilst Shenzhen maintains its lead in the sale and use of NEV. Textile and apparel, conventionally the core industry in Guangdong, is driving green transition and reducing emission by adopting advanced production techniques or increasing recycling.

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Note to editors:

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.

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CECEP Environmental Consulting Group Limited

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