



## News Release

27 October 2023

### **HSBC GBA ESG INDEX SEES YEAR-ON-YEAR UPTICK IN THIRD QUARTER OF 2023**

\*\*\* Guangdong province accounts for more than 50 per cent of China's carbon emission trading volume \*\*\*

The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) sees improvement in sustainable development in Q3 on the back of continuous policy support, according to the latest HSBC GBA ESG Index report published by HSBC and CECEP Environmental Consulting Group. The GBA ESG Regional Index rose by 3 per cent year-on-year to 118.04, while the industry sub-indices rose by 21 per cent year-on-year to reach 175.69.

The report captured how the GBA has been actively leveraging carbon trading systems to achieve the 'dual carbon' goals set by the Chinese Government. As the China Emissions Exchange in Guangzhou and the carbon market in Shenzhen become two of the major carbon trading platforms on the mainland, the Guangdong Province now accounts for over 50 per cent of the nation's carbon emission trading volume.

**Daniel Chan, Head of Greater Bay Area, HSBC**, said: "The ESG performance of most key sectors in the GBA recorded continuous improvement in Q3, reflecting the ongoing progress of the region's green transition. In addition to carbon trading mechanisms, the broader adoption of technology also plays a key role in fostering its sustainable development. Shipping companies, for example, have developed their own digital applications that can track carbon emissions data and provide suggestions on mitigation measures. By harnessing the power of technology, companies can effectively adopt low carbon practices and facilitate a smoother transition."

Among the eight key sectors<sup>1</sup> surveyed in the report, the industrials sector has consistently maintained a leading position in ESG performance. This can be attributed to its more comprehensive climate-related disclosure and progressive emission reduction targets.

This quarter's report also dived into the green development of the transportation industry as a major source of carbon emission from the policy and implementation perspectives. It also highlighted the innovative practices of shipping and logistics companies in energy saving and emission reduction, including the use of cleaner fuels and digital applications.

**Liao Yuan, Managing Director and General Manager of CECEP (Hong Kong) Investment Company Limited**, said: "Convenient transportation is

key to connecting people and facilitating trade, ultimately contributing to the realisation of the 'one-hour living circle' in the Greater Bay Area. Promoting low-carbon emission reduction in the transportation industry is an important part of achieving green development. In addition to spearheading the adoption of low-carbon practices and building a smart transportation system, governments in the region are also promoting eco-friendly commuting through innovative initiatives. One such example is the rollout of mini-programmes that calculate emission reductions and allow users to redeem carbon credit."

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<sup>1</sup> The eight key sectors include communication services, consumer discretionary, consumer staples, energy, financials, healthcare, industrials, and real estate.

**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      |

| First-level indicator         | Second-level indicator        |
|-------------------------------|-------------------------------|
|                               | 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.

#### **The Hongkong and Shanghai Banking Corporation Limited**

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#### **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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