



News Release

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GREEN, SOCIAL, SUSTAINABILITY AND SUSTAINABILITY-LINKED BOND ISSUANCE IN GBA INCREASES 21% IN 2023, REVEALS HSBC GBA ESG INDEX REPORT

*** HSBC GBA ESG Regional Index reached record high in fourth quarter ***

*** ESG disclosure rate of listed companies in the region increased to 73% ***

The issuance of green, social, sustainability, and sustainability-linked (GSSS) bonds in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) reached RMB200 billion in 2023, marking 21 per cent year-on-year growth and exceeding previous records, according to the 2023 HSBC GBA ESG Index report published by HSBC and CECEP Environmental Consulting Group.

Corporate governance in the GBA showed continuous improvement, evidenced by a 73 per cent ESG disclosure rate among listed companies in the financial year of 2022, up 2 percentage points from the previous year.

The sustainable development of the GBA was driven by the notable progress made in policy, economic and social development, and corporate governance in the region. Both the GBA ESG Regional Index and the Industry Sub-indices reached record high in Q4, rising 6 per cent and 22 per cent year-on-year to 127.29 and 185.31, respectively.

Daniel Chan, Head of Greater Bay Area, HSBC, said: "The report showed that the importance of green development has been widely recognised across different sectors in the GBA. Local governments have emerged as the main issuers of GSSS bonds in the region, and continued to implement various favourable policies. Meanwhile, a growing number of GBA companies are enhancing their ESG performance by disclosing relevant information, and setting carbon emission reduction targets or commitments. As the GBA is rapidly transforming into an innovation-driven economy, it is expected that the green transition among GBA companies will accelerate, laying a solid foundation for high-quality economic development."

The GBA ESG Industry Sub-indices continued its uptrend in Q4. The energy, consumer discretionary, and healthcare sectors exhibited substantial advancement, primarily driven by stronger policy support.

The study also examined the ESG performance of companies of varying sizes through an analysis of their ESG and sustainability reports. The Company Sub-index for large corporates increased 7 per cent year-on-year, while the

Sub-index for SMEs showed more notable year-on-year growth of 17 per cent.

Liao Yuan, Managing Director and General Manager of CECEP (Hong Kong) Investment Company Limited, said: "SMEs are the driving force of economic development and their green transition is crucial for achieving the 'dual-carbon' targets. Our research indicated that the gap between the overall ESG performance of SMEs and large corporates is narrowing, especially in the environmental, social, and external assurance aspects. However, there is still room for improvement in governance and green and sustainable finance. In order for SMEs to enhance their performance in these areas, they can seek external assistance and focus on improving internal governance. They can also make use of digital tools to facilitate ESG data collection."

The report provided an in-depth analysis on the ESG performance of financials and healthcare sectors. Financial institutions ranked the second largest GSSS bond issuer in the GBA. Additionally, the region has witnessed the introduction of new services and products, such as green mortgages, green credit cards, and reduction assessment tools, further contributing to the vibrant landscape of green financial innovation.

The report also highlighted that access to healthcare is a key ESG issue for the healthcare sector. In response, governments and medical institutions in the GBA are expanding medical service coverage, providing better healthcare support for vulnerable populations, and promoting health education.

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Note to editors:

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

2. 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.

The Hongkong and Shanghai Banking Corporation Limited

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CECEP Environmental Consulting Group Limited

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