

News Release

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INDUSTRIALS RANKS BEST PERFORMING SECTOR IN HSBC GBA ESG INDEX IN SECOND QUARTER 2024

**** GSSS bond issuance doubled quarter-on-quarter ****

Companies in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) are stepping up their efforts in reducing their impact to the environment and improving ESG disclosure, according to the 2024 Q2 HSBC GBA ESG Index report, published by HSBC and CECEP Environmental Consulting Group. The improvement in ESG performance across all surveyed sectors in Q2 2024 propelled the GBA ESG Industry Sub-indices to reach a new high of 235.5, marking a 41 per cent year-on-year increase. The GBA ESG Regional Index also rose by 5 per cent year-on-year to 127.78.

The issuance size of green, social, sustainability, and sustainability-linked (GSSS) bonds in Q2 doubled from the previous quarter to RMB49 billion. The industrials, financials, and energy sectors emerged as the major bond issuers, collectively accounting for over 90 per cent of total issuance.

Daniel Chan, Head of Greater Bay Area, HSBC, said: "Sustainable finance has a role to play in the GBA's low-carbon transition. Our report shows that green bonds remain the dominant instrument in the region's GSSS bond market, accounting for over 70 per cent of total GSSS bond issuance. Sustainability-linked bonds were also gaining momentum, nearly tripling the issuance size in the previous quarter."

Liao Yuan, Managing Director and General Manager of CECEP (Hong Kong) Investment Company Limited, said: "Businesses in the GBA are not only working towards reducing carbon emissions, but also enhancing their ESG disclosure. The latest data reveals that the ESG disclosure rate of listed companies in the region reached a new high of 76 per cent in the fiscal year of 2023. As the new sustainability and ESG reporting guidelines of Mainland China and Hong Kong released in the second quarter are largely aligned with international standard, companies in the region will be better-positioned to meet regulatory disclosure requirements across different markets more cost effectively and bolster their international competitiveness."

Among the eight surveyed sectors¹ in the report, the industrials sector, which comprises manufacturing, transportation, and construction, have benefited from strong policy support and stood out as the top-performing industry in ESG in Q2. Apart from being a leading GSSS bond issuer, the sector has

also shown improvement in climate change management and ESG disclosure. An increasing number of manufacturers in the region are lowering their environmental impacts through digital transformation, transitioning to renewable energy, reducing product carbon footprints, and cutting down industrial waste disposal at landfills.

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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

First-level indicator	Second-level indicator
Governance	Philanthropic contribution
	R&D and innovation
	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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