

News Release

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GSSS BOND ISSUANCE IN GREATER BAY AREA HITS RECORD HIGH, HSBC REPORT FINDS

HSBC GBA ESG Industry Sub-indices rose by 22% year-on-year in Q2 2023

The issuance of green, social, sustainability, and sustainability-linked (GSSS) bonds in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) hit a record high in Q2 2023, according to the latest HSBC GBA ESG Index report published by HSBC and CECEP Environmental Consulting Group. The assets under management (AUM) of ESG mutual funds launched during the period in the region also quadrupled in comparison with the previous quarter.

The GBA ESG Regional Index rose by 3 per cent year-on-year to 122.15 in Q2, reflecting a steady progress in green transition across the region. The GBA ESG Industry Sub-indices in Q2 2023 also increased by 22 per cent on average compared with the previous year, as a result of improved ESG performance across almost all sectors.

Among the eight key sectors (communication services, consumer discretionary, consumer staples, energy, financials, healthcare, industrials, and real estate), industrials remains as the top-performing sector. The communication services sector, which registered the biggest increase in the number of enterprises having set carbon reduction targets or made commitments aligned with the SBTi¹ during the review period, ranked second for its overall ESG performance in Q2.

Danial Chan, Head of Greater Bay Area, HSBC, said, “As the manufacturing powerhouse in the GBA and the wider nation, the Guangdong Province is accelerating efforts to strengthen its innovation ecosystem that underpins the transformation towards advanced and high-value manufacturing. Various cities in the GBA are ramping up financial support to drive innovation and technology development. Financial institutions are encouraged to fast track green financing and facilitate listings of technology enterprises.”

“As low carbon transition gathers pace on the back of continuous industrial upgrading, it is expected that the industrials sector will deliver better performance consistently,” he added.

Liao Yuan, Managing Director and General Manager of CECEP (Hong Kong) Investment Company Limited, said, “The steady economic and social development of the GBA continues to drive improvements in regional

ESG performance. Meanwhile, with a growing awareness of sustainable development, more than 70 per cent of listed enterprises in the GBA have made disclosure of ESG information for the financial year 2022. Respective governments' consistent efforts in advancing high-quality development will not only fuel the growth of green financing in the region, but also further reinforce GBA's edge in areas such as clean and renewable energy."

The report also provided an in-depth analysis on the ESG performance of real estate sector, one of the largest energy consumers and sources of carbon emission. The results showed that the sector has made notable progress over the past few years, recording steady growth in the number of enterprises with reduction targets or commitments. In addition, 96 per cent of enterprises were invited to complete the CDP²'s climate change questionnaire in 2022, up from 63 per cent in 2020.

The report also highlighted a number of best practices adopted in the GBA to lower carbon footprint of building premises, such as tracking of embodied carbon emissions of construction materials and the use of technologies to assess buildings' operational efficiency.

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¹ The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) to drive ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets.

²The CDP is an international non-profit organisation that helps companies and cities disclose their environmental impact. The CDP has a separate set of questionnaires for climate change, forests, and water security.

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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