

HSBC Amanah Malaysia Berhad

Task Force on Climate-related Financial Disclosures

December 2023



HSBC Amanah



Cautionary Statements Regarding Forward-Looking Statements

This document contains certain forward-looking statements with respect to the financial condition, climate related matters, climate-related targets, commitments, ambitions, climate-related scenarios or pathways and the methodologies and scenarios the Group (including HSBC Amanah) uses, or intends to use, to assess the progress in relation to these targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the Group's (including HSBC Amanah's) beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore no undue reliance should be placed on them. Forward-looking statements apply only as of the date they are made. The Group (including HSBC Amanah) makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including climate-related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

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Disclaimer / Notes:

HSBC Amanah Malaysia Berhad (HSBC Amanah, the Bank, we, our or us) supports the recommendations of the Financial Stability Board (FSB)'s Task Force on Climate-related Financial Disclosures (TCFD) and sets out disclosures that consider these recommendations. We will continue to review our approach to disclosures and enhance as appropriate.

All figures reported in the disclosures are as at 31 December 2023, unless otherwise stated. The information and data set out in the disclosures are relevant to our business from 1 January 2023 to 31 December 2023 unless otherwise specified. Measurement techniques and calculations are explained next to data tables where necessary.

HSBC Amanah at a glance

HSBC Group (hereinafter referred to as HSBC or the/our Group) is one of the largest banking and financial services organisations in the world. We aim to create long-term value for our shareholders and capture opportunities. The Group's presence in Malaysia dates back to 1884 when The Hongkong and Shanghai Banking Corporation Limited established its first office on the island of Penang.

HSBC Amanah Snapshot



MYR14.4 BILLION

of gross financing and advances as at 31 December 2023



22 BRANCHES

strategically located nationwide¹

¹As at 31 December 2023, HSBC Amanah has 22 branches across Malaysia.

In 1994, HSBC Bank Malaysia Berhad (HBMY) officially established its Islamic financial services in Malaysia with the introduction of Shariah banking products. In November 2007, HBMY was the first locally incorporated foreign bank that was awarded an Islamic banking license by Bank Negara Malaysia (BNM). The following year in February 2008, HSBC Amanah Malaysia Berhad (HSBC Amanah or the Bank) was incorporated and commenced operations in August 2008.

HSBC Amanah supports HSBC's ambition of being the preferred international financial partner for our clients. HSBC Amanah is a fully-licensed Islamic bank in Malaysia offering a suite of Shariah-compliant products and services.

HSBC Amanah has a large Islamic banking network among locally incorporated foreign banks in Malaysia with 22 branches nationwide, supplemented by its digital banking platforms to serve our customers. In addition to our HSBC Amanah branch network, our Islamic products are also offered through all 32 branches of our parent bank, HBMY, collectively known as HSBC Malaysia.

“The Bank supports the ambition of HSBC Group to align their financed emissions to net zero by 2050 or sooner.”



Our values

We are guided by the values of HSBC, which help define HSBC Amanah as an organisation and are key to our long-term success.

We value difference
Seeking out different perspectives

We take responsibility
Holding ourselves accountable and taking the long view

We succeed together
Collaborating across boundaries

We get it done
Moving at pace and making things happen

Our businesses

We classify our customers into several distinct groups: retail customers, small, medium, and large-sized corporate customers, and global and institutional customers. These groups are served by our three global businesses – each aimed at providing products and services that match our customers’ needs.



Wealth & Personal Banking
• Personal Financing • Home Financing • Credit Cards • Deposits • Wealth



Commercial Banking
• Term Financing • Commercial Property Financing • Industrial Hire Purchase • Working Capital Financing • Global Trade & Receivables Finance (GTRF) • Global Liquidity & Cash Management (GLCM)



Global Banking & Markets
• Debt Capital Markets • Term Financing • Working Capital Financing • GTRF • GLCM
• Hedging Solutions • Risk Management

HSBC Group climate strategy

The Paris Agreement aims to limit the rise in global temperatures to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels. To limit the rise to 1.5°C, the global economy would need to reach net zero greenhouse gas emissions by 2050. The Group is working to achieve a 1.5°C-aligned phase-down of financed emissions from our portfolio.

In October 2020, the Group announced our ambition to become a net zero bank by 2050 and in 2021 the Group included the transition to net zero as one of the four key pillars of our corporate strategy.

Value-based Intermediation and HSBC Amanah

In 2017, HSBC Amanah became a member of the Value-based Intermediation (VBI) Community of Practitioners – one of nine representative Islamic Finance Institutions, with the aim of developing an industry-wide VBI approach towards environmental, social and governance matters affecting stakeholder groups of Islamic Finance in Malaysia.

VBI is one of the five financial sector key strategic thrusts under BNM's Financial Sector Blueprint 2022-2026². HSBC Amanah is currently leading the value-based finance workstream under the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM).

²www.bnm.gov.my/publications/fsb3



Introduction Value-based Intermediation and Our Business



TCFD: An Introduction

This document outlines disclosures that consider the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures, issued in July 2017 and its updated guidance in October 2021.

The Financial Stability Board (FSB)'s TCFD recommendations set an important framework for understanding and analysing climate-related risks. The recommendations are structured around four thematic areas that represent core elements of how organisations operate – Governance, Strategy, Risk Management, and Metrics and Targets.

We recognise that further work lies ahead as we continue to develop our management and reporting capabilities. The methodology and data used for financed emissions is evolving and we expect industry guidance, market practice, data availability, scenarios, and regulatory disclosure requirements to continue to change, along with the shape of our own business.

Governance

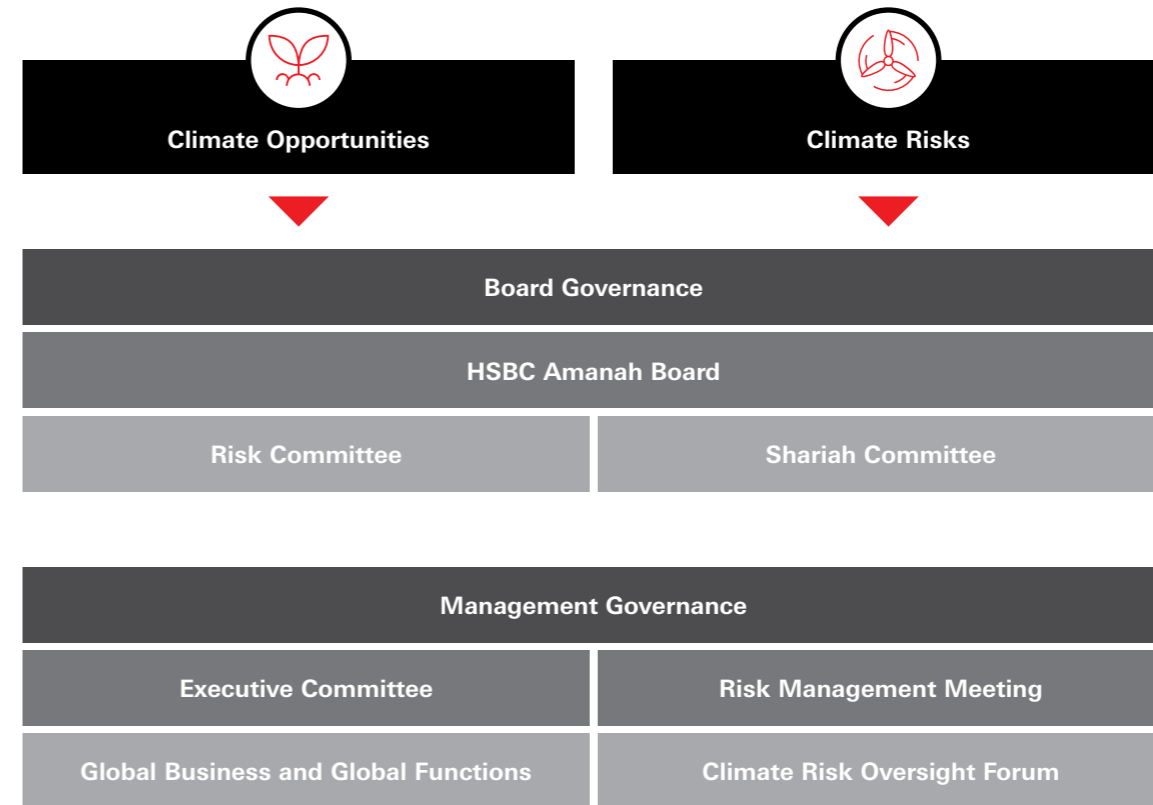
HSBC Amanah’s Board members are entrusted with steering the organisation towards a sustainable future through appropriate environmental, social and governance considerations in the Bank’s business strategies.

Our Board members recognise the risk of climate change to society and the global economy and are cognisant of the need to support the transition to a low-carbon economy. Climate change also presents a potential strategic risk to the Bank, and therefore, it is the duty of the Board to oversee it in the same way as any other strategic risk – setting the tone for the right risk culture that we embrace within the Bank.

The Board of HSBC Amanah through the Risk Committee provides primary oversight of our strategic approach to climate change. The strategy for managing climate-related risks and opportunities is executed by the Executive Committee and members of the Risk Management Meeting.

Board oversight

The Board of HSBC Amanah through the Risk Committee provides primary oversight of our strategic approach to climate change which includes how we manage climate-related risks and opportunities.



RISK COMMITTEE

The Risk Committee has non-executive responsibility for providing oversight and advice to the Board on risk-related matters and principal risks impacting HSBC Amanah. Together with the Board of HSBC Amanah, the Risk Committee oversees the maintenance and development of a risk management framework by continuously monitoring the risk environment, top and emerging risks faced by the Bank, and mitigating actions planned and taken. In addition, the Risk Committee also monitors the risk profiles for all risk categories within the Bank’s businesses and functions, including climate risk.

SHARIAH COMMITTEE

The Shariah Committee is an independent Shariah advisory body which plays a vital role in providing Shariah views and decisions and performs an oversight role on Shariah governance implementation related to HSBC Amanah’s business operations and activities. The primary responsibility of Shariah Committee is to have the oversight responsibility and accountability in providing objective and sound advice or decisions to ensure on the operations, affairs, and business activities of the Bank are in compliance with Shariah governance, ruling, and principles.



Management’s Role

Management responsibilities for climate risk are integrated into the relevant business and functional areas. These roles and responsibilities are aligned with HSBC Group’s risk management framework and the three lines of defence model to ensure robust oversight and challenge in managing climate risk.



EXECUTIVE COMMITTEE

Comprising key senior management, the Executive Committee meets periodically and operates as a general management committee under the direct authority of the Board of HSBC Amanah. The Executive Committee exercises all the powers, authorities, and discretions of the Board related to the management and day-to-day running of HSBC Amanah, in accordance with the Board’s directions. The Bank’s CEO chairs the Executive Committee meetings.

The Executive Committee has responsibility over identification and implementation of business and risk strategies and opportunities, and policies in accordance with the direction given by the Board, after considering various aspects of enterprise-wide risk including climate risk.



RISK MANAGEMENT MEETING (RMM)

The RMM is a formal country governance meeting established to provide recommendations and advice to the Country Chief Risk Officer (CRO) on enterprise-wide management of all risks, including key policies and frameworks for the management of risk within HSBC Amanah. It supports the CRO’s individual accountability for the oversight of enterprise risk as set out in the Group’s Risk Management Framework. The RMM serves as the governance body for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile, and integration of risk management into the Bank’s strategic objectives including management of climate risks. The CRO and other members are accountable for second line decision making under their respective remits.



CLIMATE RISK OVERSIGHT FORUM (CROF)

CROF is a governance forum established to provide oversight of all risk activities relating to HSBC Amanah’s approach to climate risk management. The CROF provides an escalation path to the RMM and provides recommendations and advice to the CRO. The Forum serves as the governance body for enterprise-wide climate risk management with particular emphasis on risk appetite, risk profile and integration of climate risk management into the Bank’s strategic objectives.

The RMM serves as the governance body for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile and integration...



Our approach to transition to net zero

HSBC Group aims to achieve net zero in our financed emissions by 2050 and in its own operations and supply chain by 2030. The Paris Agreement aims to limit the rise in global temperatures to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels.

HSBC Group's history means its balance sheet is weighted towards the sectors and regions which matter the most in terms of emissions, and whose transitions are therefore key to the world's ability to reach net zero on time. There will be a complex transition, with markets and sectors at different starting points and moving at different speeds. However, it also provides HSBC Group with an opportunity to work with its customers to help make an impact – in both the emissions challenge and the financing challenge. HSBC Group's ability to transition relies on decarbonisation in the real economy happening at the necessary pace. It means HSBC Group's customers and the industries and markets it serves will need to transition effectively, supported by strong government policies and regulation, and substantially scaled investment. Engagement and collaboration are therefore key to how HSBC Group responds.

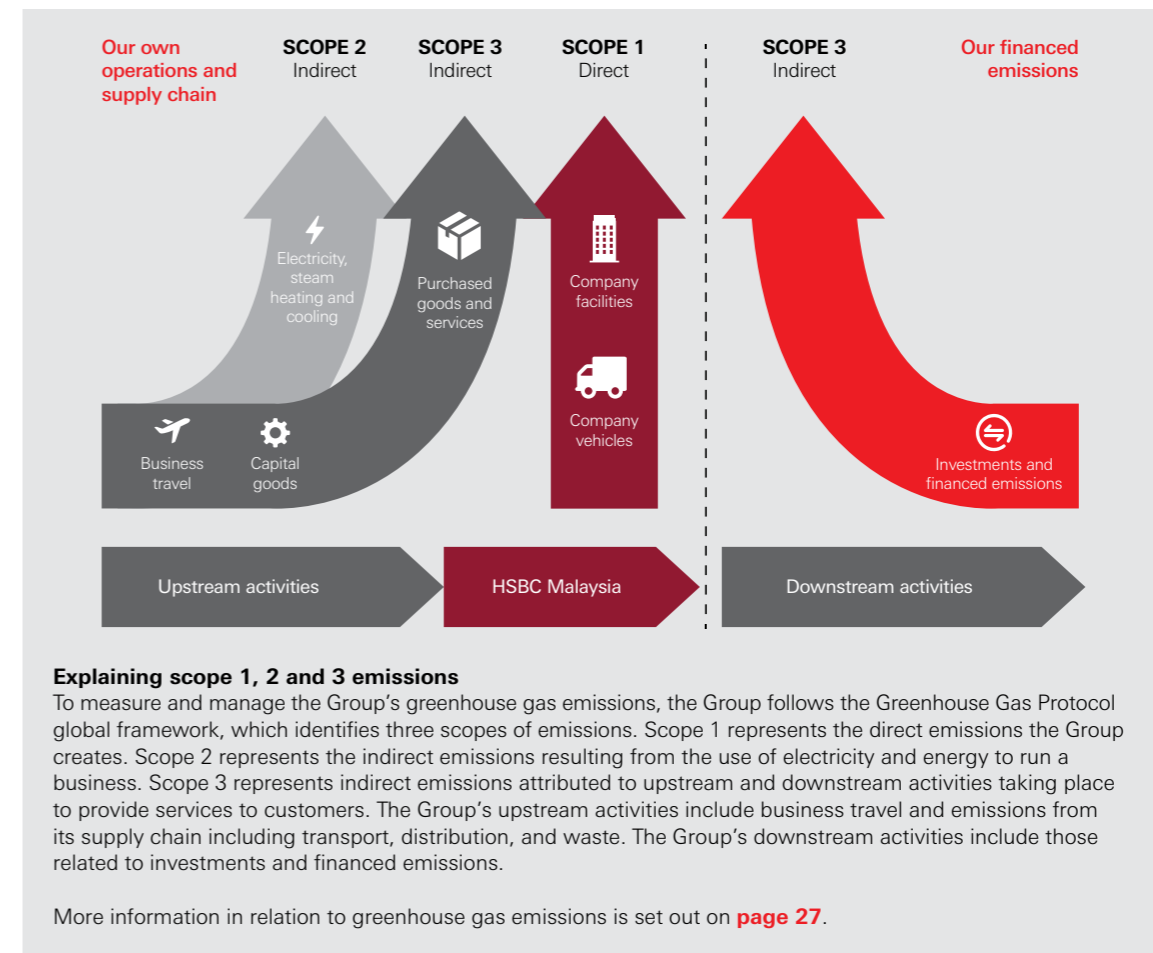


HSBC Amanah's climate-related strategies are in line with HSBC Group's climate ambition and contributes to our Group's aim...

HSBC Amanah's climate-related strategies are in line with HSBC Group's climate ambition and contributes to our Group's aim to achieve net zero in our financed emissions by 2050 and to achieve net zero in our operations and supply chain by 2030. In addition, as a practitioner of VBI, HSBC Amanah aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests. Practitioners of VBI have to ensure that their intent, strategy, and performance are premised on the underpinning thrusts of VBI³.

its ambition. It sets out how the Group intends to use its strengths as an organisation to help deliver a broader impact on decarbonisation, how the Group is working to embed net zero across key areas of its organisation, and the principles that the Group aims to use to guide the implementation of its approach. Success will require governments, customers, and finance providers to work together. Partnerships and collaboration are a key part of how HSBC Amanah aims to help manage the future risk of climate change for the financial system and society at large, and support the real economy in the transition to a low carbon, sustainable future. The Bank continues to actively seek opportunities to work jointly with leading industry partners to improve the impact of climate change solutions, and work with local regulators and international organisations to help deliver effective regulation and governance for our customers, the industry, and wider society.

The transition to net zero is one of the biggest challenges for our generation. In January 2024, the Group published its net zero transition plan. It provides an overview of its approach to net zero and the actions the Group is taking to help meet



³<https://www.bnm.gov.my/documents/20124/761682/Strategy+Paper+on+VBI.pdf/b299fc38-0728-eca6-40ee-023fc584265e?t=1581907679482>

Supporting our customers

The Group recognises that it has an important role to play in supporting the transition to a net zero global economy. As a global organisation with a presence in the regions and sectors where most significant change is needed, the Group is well placed to help transition industry, catalyse the new economy, and decarbonise trade and supply chains to reach net zero. The Group believes one of the most significant contributions it can make to the net zero transition is mobilising finance to support our customers in their transition and a sustainable future.

Mobilising sustainable finance and investments

The Group aims to help its customers transition to net zero and a sustainable future by providing and facilitating between \$750bn and \$1tn of sustainable finance and investment by 2030. In 2023, the Group continued to support its customers through products, services, and partnerships to help enable emissions reduction in the real economy.

The Group continues to engage with standard setters in different markets to support the development of transparent and consistent taxonomies to best incentivise science-based decarbonisation, particularly in high transition

risk sectors. The Group aims to align to enhance industry standards as they are further developed, and increase transparency across the different types of green and sustainable finance and investment categories going forward.

The Group's sustainable finance and investment progress is set out below, with detailed definitions available in the Group's Sustainable Finance and Investment Data Dictionary 2023⁴. Continued progress towards achieving the Group's sustainable finance and investment ambition is dependent on market demand for the products and services set out in the Group's Sustainable Finance and Investment Data Dictionary 2023⁴.

In 2023, the Bank was awarded the "Best International Islamic Bank (Global)" at the Euromoney Global Islamic Finance Awards 2023. This award by Euromoney recognises our strength in several categories including cross-border transactions, supply-side financing and capital markets, as well as its strong suite of Shariah-compliant hedging instruments and its role as a Value-based Intermediation practitioner and sustainability leader. In addition, the Bank successfully supported many of our clients on sukuk issuances and provided financing for sustainability and social projects and solidified its position by winning the "ESG Bank of the Year" from The Asset Islamic Finance Awards 2023 for the fourth year in a row. The Bank was also awarded the "Islamic Bank of the Year (International)" by The Banker Islamic Banking Awards 2023.

In 2023, the Bank was awarded the "Best International Islamic Bank (Global)" at the Euromoney Global Islamic Finance Awards 2023.

Working with customers

The Group's ambition to become a net zero bank includes an aim to align its financed emissions to net zero by 2050 or sooner. The Group has set combined on-balance sheet financed emissions and facilitated emissions targets for two emissions-intensive sectors: oil and gas, and power and utilities. It also continued to report on-balance sheet financed emissions and targets for cement, iron, steel and aluminium, aviation, automotive and in 2023 it added thermal coal mining financed emissions. Financed emissions link the financing the Group provides to its customers and their activities in the real economy and provides an indication of the associated greenhouse gas emissions. For details on the Group's approach to financed emissions including methodology and exclusions, see the Group's Financed Emissions and Thermal Coal Exposures Methodology⁴.

In 2023, the Group continued its effort to design and implement a differentiated approach to understand and assess the transition plans and risks of its corporate customers. These assessments help the Group to identify opportunities, manage climate risks and define areas to drive strategic engagement with each corporate customer. This process is still at the start of rolling out across its corporate customers. To complete these assessments, the Group has gathered the client's transition plan data and completed an assessment. Once completed, these assessments can be used to support business decisions in relation to the Group's financed emissions portfolio management and alignment, and HSBC Group's climate risk management efforts. HSBC Amanah has completed assessments for customers that make the most material contribution to its financed emissions in the oil and gas, and power and utilities sectors.



⁴www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre

Retail business

HSBC Amanah continues to improve its identification and assessment of climate risk within the retail customer base particularly its retail mortgage portfolio with increased investments in physical risk data and enhancements to its internal risk assessment capabilities. This provides an understanding of physical risk exposure associated with climate risk events prevalent in Malaysia. The rising temperatures that cause major climate change such as extreme weather and higher sea levels may lead to events such as floods and landslides. In the Group’s analysis of the retail mortgage portfolio, the Group reassessed the physical perils that could impact the value of properties, which include flooding, wildfire, and windstorms. The underlying peril data we use has been enhanced to include updated and higher resolution flood maps where available.

As the Group continues to engage with investors, regulators and customers on climate-related risks to evolve the approach and understand best practice risk mitigation, HSBC Amanah continues to partner and support our retail customers in navigating and managing their exposure to climate-related risks. The strategy used by the Bank to support our retail sector customers may change as any data, methodologies and standards used may evolve over time in line with market practice, regulation or owing to developments in climate science.

Capacity building for our organisation and industry

HSBC Amanah collaborates with other business enablers towards external advocacy and capacity building in support of our customers and their sustainability journeys. In 2023, as JC3 Sub-Committee’s Chairperson (Engagement and Capacity Building), HSBC Amanah alongside members of the Sub-Committee, co-organised an esteemed climate change conference, the JC3 Journey to Zero Conference 2023. The JC3 Journey to Zero Conference was attended by various stakeholders consisting of regulators, members of the financial services industry, corporates and small and medium-sized enterprises (SMEs) as well as non-governmental organisations (NGOs).

HSBC Amanah’s Independent Non-Executive Directors are kept up to date through regular interactions and briefings with senior management of the Bank’s businesses and functions, while Non-Executive Directors also have access to training and development resources from HSBC. They have participated in 5 internal and 7 external climate-related trainings, which includes climate risk.

In addition, to advocate change and help align the direction to support the Group’s climate and sustainability goals, Board members and senior management personnel have participated in various industry-led initiatives and key industry forums in Malaysia organised by regulators such as the Joint Climate Change (JC3), industry associations and sustainability networks.

We have also conducted the following:

- HSBC Amanah facilitated the enrolment of employees to Frankfurt Business School for Certified Expert in Sustainable Finance,
- HSBC Amanah facilitated an ESG Awareness Programme to Relationship Managers from Wholesale Banking. The awareness programme includes coverage of ESG and sustainability trends as well as sector-specific economic activities.



Our own operational strategy towards climate change



Net Zero in our operations

Part of the Group’s ambition to be a net zero bank is to achieve net zero carbon emissions in its operations and supply chain by 2030.

HSBC Amanah follows the Group’s three elements to its strategy: reduce, replace, and remove. The Group plans to first focus on reducing carbon emissions from consumption, and then replacing remaining emissions with low-carbon alternatives in line with the Paris Agreement. The Group plans to remove the remaining emissions that cannot be reduced or replaced by procuring, in accordance with prevailing regulatory requirements, high-quality offsets at a later stage.

In October 2020, the Group announced its ambition to reduce its energy consumption by 50% by 2030 against a 2019 baseline. The Group continues to work to do this by optimising the use of the Group’s real estate portfolio and carrying out a strategic reduction in the Group’s office space and data centres. The Group is using new technology and emerging products to make its spaces more energy efficient.

As part of the Group’s ambition to achieve 100% renewable power across its operations by 2030, the Group continues to look for opportunities to procure green electricity in each of its markets. A key challenge remains the limited opportunity to pursue power purchase agreements or green tariffs due to regulations.

HSBC Amanah follows the Group’s three elements to its strategy: reduce, replace, and remove.



Engaging with supply chain

The Group’s supply chain is critical to achieving its net zero ambitions, and the Group is partnering with its suppliers on this journey. Since 2020, the Group has been encouraging its largest suppliers to make their own carbon commitments, and to disclose their emissions via the CDP (formerly the Carbon Disclosure Project) supply chain programme. The Group will continue to engage with its supply chain through CDP, and through direct discussions with its suppliers on how they can further support the Group’s transition to net zero.



Business travel

The Group’s ambition is to halve travel emissions by 2030, compared with pre-pandemic levels. Emissions from business travel, and from the use of HSBC owned cars, increased compared to 2022, due to the easing of pandemic-related travel restrictions which has resulted in a return to travel. Kindly refer to our scope 1, 2 and 3 emissions data table under Metrics and Targets section on page 27.

The Group is closely managing the gradual resumption of travel through internal reporting and review of emissions, internal carbon budgets and the introduction of emissions information at the point of booking. With hybrid working embedded across the Group, the use of virtual working practices has reduced the need for our colleagues to travel to meet with other colleagues and customers.

Risk Management

The Group's climate risk approach is aligned to the framework outlined by the FSB's TCFD, which identifies two primary drivers of climate risk:

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as typhoons and floods (acute risk), or shifts in weather patterns or rises in sea level; and
- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, actions, or inaction.

In addition to these primary drivers of climate risk, the Group has identified the following thematic issues related to climate risk which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks:

- net zero alignment risk, which arises from the risk of HSBC failing to meet its net zero commitments or failing to meet external expectations related to net zero, because of inadequate ambition and/or plans, poor execution, or inability to adapt to changes in external environment.
- the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading, or unsubstantiated claims regarding sustainability to the Group's stakeholders.



Integrating climate risk into risk management

HSBC Group's climate risk appetite forms part of the Group's risk appetite statement and supports the business in delivering the Group's climate strategy effectively and sustainably.

Insights from Climate Scenario Analysis

Scenario analysis supports the Group's strategy by assessing its potential exposures to risks and vulnerabilities under a range of climate scenarios. It helps to build the Group's awareness of climate change, plan for the future and meet growing regulatory requirements. In climate scenario analysis, the Group considers, jointly, both physical risks and transition risks. The Group analyses how these climate risks impact principal risk types within the organisation.

It is supported by risk appetite metrics and tolerance thresholds. Both the risk appetite statement and key risk management information metrics are reported for oversight by the Group RMM and Group Risk Committee.

The Group is integrating climate risk into policies, processes and controls across many areas of its organisation, and the Group will continue to update these as its climate risk management capabilities mature over time.

While the Group continued to develop its climate risk framework, its remaining challenges include:

- the diverse range of internal and external data sources and data structures needed for climate-related reporting, which introduces data accuracy and reliability risks;
- data limitations on customer assets and supply chains, and methodology gaps, which hinder the Group's ability to assess physical risks accurately;
- industry-wide data gaps on customer emissions and transition plan and methodology gaps, which limit its ability to assess transition risks accurately; and
- limitations in the management of net zero alignment risk, which is undertaken at a Group level and supported by actions within Asia, is due to known and unknown factors, including the limited accuracy and reliability of data, merging methodologies, and the need to develop new tools to better inform decision making.





...a dedicated working group continues to coordinate the regional implementation of climate risk-related enhancements...

Financial Risk

Wholesale credit risk

The Bank has metrics in place to monitor the exposure of its wholesale corporate lending portfolio to six high transition risk sectors. The Bank's relationship managers engage with their key wholesale customers through a transition and physical risk questionnaire and recently introduced an updated questionnaire, the transition engagement questionnaire. The questionnaire is used to gather information and assess the alignment of the wholesale customers' business models to net zero and their exposure to physical and transition risk. The Group uses the responses to the questionnaire to create a climate risk score for its key wholesale customers. The Bank's credit policies require that relationship managers comment on climate risk factors in credit applications for new money requests and annual credit reviews. The policies also require manual credit risk rating overrides if climate is deemed to have a material impact on credit risk under 12 months if not already captured under the original credit risk rating. Key challenges for further embedding climate risk into credit risk management relate to the availability of adequate physical risk data to assess impacts to the Group's wholesale customer.

Retail credit risk

HSBC Amanah is subjected to the Group's implemented policies and tools to manage climate risk for its mortgage portfolio. Properties or areas with potentially heightened physical risk are identified and assessed locally and potential exposure is managed through quarterly metrics. An annual review is undertaken on the mortgage climate risk management procedures, including perils and data sources, to ensure they remain fit for purpose.

Non-Financial Risk

Resilience Risk

Enterprise Risk Management function is responsible for overseeing the identification and assessment of physical and transition climate risks that may impact on the organisation's operational and resilience capabilities. The Group has developed metrics to assess how physical risk may impact the Group's critical properties. In 2023, the Group also developed an energy and travel risk appetite metric for its own operations to establish and monitor progress against the Group's net zero ambitions. Resilience risk policies are subject to continuous improvement to remain relevant to evolving climate risks. New developments relevant to the Group's own operations, including to HBMV and HSBC Amanah, are reviewed to ensure climate risk considerations are effectively captured.

Regulatory compliance

The Group's policies set the standards that are required to manage the risk of breaches of regulatory duty to customers, including those related to climate risk, ensuring fair customer outcomes are achieved. To make sure responsibilities are met in this regard, the Group's policies are subject to continuous review and enhancement. There is also focus on the ongoing development and improvement of monitoring capabilities, ensuring appropriate alignment to the broader focus on regulatory compliance risks.

Regulatory Compliance is particularly focused on mitigating climate risks inherent to the product lifecycle. To support this, the Group has enhanced several processes including:

- ensuring Regulatory Compliance provides risk oversight and review of new product marketing materials with any reference to climate, sustainability and environmental, social and governance (ESG);
- developing the Group's product marketing controls to ensure climate claims are robustly evidenced and substantiated within product marketing materials; and
- clarifying and improving product marketing framework, procedures, and associated guidance, to ensure product-related marketing materials comply with both internal and external standards and are subject to robust governance.

Regulatory Compliance operates an ESG and Climate Risk Working Group to track and monitor the integration and embedding of climate risk management into the functions' activities, while monitoring regulatory and legislative changes across the ESG and climate risk agenda. In Asia-Pacific, a dedicated working group continues to coordinate the regional implementation of climate risk-related enhancements within the Regulatory Compliance function. Regulatory Compliance also continues to be an active member of the Group's and the Group's Environmental Risk Oversight Forums.

Reputational risk

The Group manages the reputational impact of climate risk through its broader reputational risk framework, supported by its sustainability risk policies and metrics. The Group's sustainability risk policies set out its appetite for financing activities in certain sectors. The Group's thermal coal phaseout and energy policies aim to drive down greenhouse gas emissions while supporting a just transition. The Group's global and regional network of sustainability risk managers provides local policy guidance to relationship managers for the oversight of policy compliance and in support of implementation across the Group's wholesale banking activities.



Metrics and Targets

In October 2020, the Group announced its ambition to become a net zero bank by 2050 and in 2021 the Group included the transition to net zero as one of the four key pillars of our corporate strategy.

HSBC Amanah recognises that having clear initiatives which take into account a wide range of relevant perspectives will help enable the Bank to achieve its ambitions. These initiatives complement each other to drive organisational change towards embedding sustainability within the Bank and to enable us to support HSBC Group to become net zero in its operations and its supply chain by 2030, and align its financed emissions to net zero by 2050.

The following information aims to provide key climate-related information relevant to our businesses.

...a wide range of relevant perspectives will help the Bank to achieve its ambitions.



Initiatives

Description

Progress

Summary of Sustainable Financing and Investment



Sustainable finance and investment are defined as any form of financial service that integrates environmental, social and/or governance criteria into business or investment decisions.

This table has been prepared in accordance with the Group's Sustainable Finance and Investment Data Dictionary 2023, which includes green, social and sustainability activities. The amounts provided and facilitated include: the limits agreed for balance sheet-related transactions provided, the proportional share of facilitated capital markets/advisory activities.

Sustainable finance summary – HSBC Amanah	In 2023	In 2022
Balance sheet-related transactions provided	MYR 190mil	MYR 1,275mil
Capital markets/advisory (facilitated)	MYR 467mil	Nil
Total contributions	MYR 657mil	MYR 1,275mil

ESG-related key performance indicators (KPIs) for CEO, HSBC Amanah



ESG-related performance is included in the annual scorecard.

A number of ESG-related metrics within annual incentive scorecards are included in the CEO's scorecard such as sustainable operations and sustainable finance as well as engagements with employees and sustainable finance initiatives.

Net zero in our own operations and supply chain by 2030



We report our emissions following the Greenhouse Gas Protocol, which incorporates the scope 2 market-based emissions methodology.

HSBC Amanah continues to work with HBMV to implement the climate strategy which covers our supply chain, energy consumption and travel.

HSBC Malaysia (including HSBC Amanah) follows HSBC Group's approach in tracking scope 1, 2 and 3 emissions of our operations. The details are as follows:

Greenhouse gas emissions in tonnes CO ₂ e ^{5, 6}	2023	2022
Scope 1 – direct	▼ 13	93
Scope 2 – indirect	▼ 2,141	2,218
Scope 3 – indirect (upstream activities – business travel)	▲ 666	172
Total	▲ 2,820	2,483
Greenhouse gas emissions in tonnes CO ₂ e per FTE ⁷	▲ 0.95	0.79

⁵The environmental data for own operations is based on a 12-month period to 30 September each year.

⁶CO₂e refers to carbon dioxide equivalent.

⁷FTE refers to full-time employee equivalent.

Cautionary Statement

regarding climate-related data, metrics, and forward-looking statements

The Task Force on Climate-related Financial Disclosures 2023 (“**TCFD 2023**”) document] contains a number of forward-looking statements with respect to the Group’s (including HSBC Amanah’s) climate-related targets, commitments, ambitions, climate-related scenarios or pathways and the methodologies and scenarios the Group (including HSBC Amanah) uses, or intends to use, to assess the progress in relation to these (“**climate-related forward-looking statements**”).

In preparing the climate-related information contained in the TCFD 2023, HSBC Amanah has relied on a number of key judgements, estimations and assumptions of the Group and the processes and issues involved are complex. The Group has used climate data, models and methodologies that it considers, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions and operational and supply chain emissions, to set climate-related targets and to evaluate the classification of sustainable finance and investments. However, these data, models and methodologies are often new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and the Group expects that industry guidance, market practice, and regulations in this field to continue to change. The Group (including HSBC Amanah) also faces challenges in relation to its ability to access data on a timely basis, lack of consistency

and comparability between data that is available and its ability to collect and process relevant data. Consequently, the climate-related forward-looking statements and climate-related metrics discussed in the TCFD 2023 therefore carry an additional degree of inherent risk and uncertainty.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to climate-related issues and the effectiveness of any such response, the Group (including HSBC Amanah) may have to re-evaluate its progress towards its climate ambitions, commitments and targets in the future, update the methodologies it uses or alter its collective approach to climate analysis and may be required to amend, update and recalculate its climate disclosures and assessments in the future, as market practice and data quality and availability develops rapidly.

No assurance can be given by or on behalf of HSBC Amanah as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to the Group (including HSBC Amanah), could cause actual achievements, results, performance or other future events or conditions of the Group to differ, in some cases materially, from those stated, implied and/or reflected in any climate-related forward-looking statement or metric due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

Climate change projection risk: this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts. Climate-related metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology-driven outcomes;

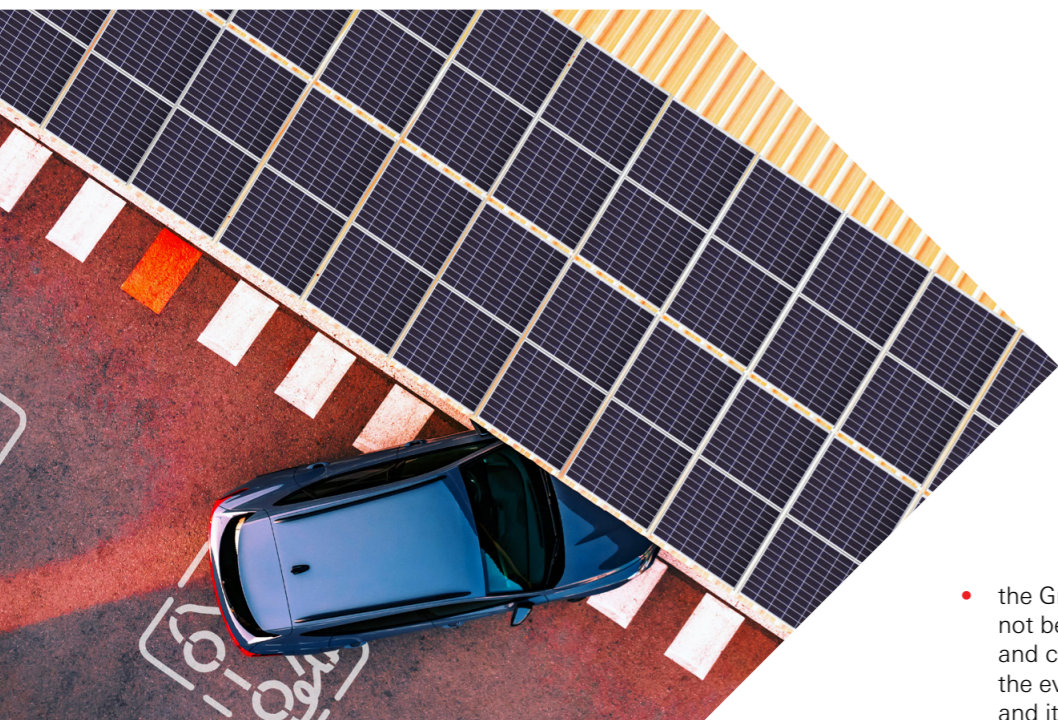
Changes in the climate regulatory landscape: this involves changes in government approach and regulatory treatment in relation to climate disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to climate across all sectors and markets;

Variation in reporting standards: Climate reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different climate-related metrics are still emerging;

Data availability, accuracy, verifiability, and data gaps: the Group’s (including HSBC Amanah’s) disclosures are limited by the availability of high quality data in some areas and the Group’s (including HSBC Amanah’s) own ability to timely collect and process such data as required to calculate financed emissions. Where data is not available for all sectors or consistently year on year, there may be an impact to the Group’s (including HSBC Amanah’s) data quality scores. Whilst the Group (including HSBC Amanah) expects its data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality scores between sectors. Any such changes in the availability and quality of data over time or the Group’s (including HSBC Amanah’s) ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year on year;

...to set climate-related targets and to evaluate the classification of sustainable finance and investments.





Developing methodologies and scenarios:

the methodologies and scenarios the Group (including HSBC Amanah) uses to assess financed emissions and set climate-related targets may develop over time in line with market practice, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year on year; and

Risk management capabilities: global actions, including the Group’s (and HSBC Amanah’s) own actions may not be effective in transitioning to net zero and in managing relevant climate risks, including in particular climate, nature-related and human rights risks, each of which can impact the Group (including HSBC Amanah) both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to the Group (including HSBC Amanah). In particular:

- the Group (including HSBC Amanah) may not be able to achieve its climate targets, commitments and ambitions (including with respect to the commitments set forth in the Group’s thermal coal phase-out policy and its energy policy, and its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in the Group’s (including HSBC Amanah’s) failure to achieve some or all of the expected benefits of its strategic priorities; and

- the Group (including HSBC Amanah) may not be able to develop sustainable finance and climate-related products consistent with the evolving expectations of its regulators, and its capacity to measure the climate impact from its financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect its ability to achieve its climate ambitions, including its net zero ambition, its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in the Group’s thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Any forward-looking statements made by or on behalf of the Group (including HSBC Amanah) speak only as of the date they are made. The Group (including HSBC Amanah) expressly disclaims any obligation to revise or update these climate-related forward-looking statements, other than as expressly required by applicable law.

Written and/or oral climate-related forward-looking statements may also be made in the Group’s (including HSBC Amanah’s) periodic reports to its regulators, public offering or disclosure documents, press releases and other written materials, and in oral statements made by the Group’s (including HSBC Amanah’s) Directors, officers or employees to third parties, including financial analysts.

The Group’s data dictionaries and methodologies used for preparing the above climate-related metrics and third-party limited assurance reports can be found on: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Glossary

AIBIM	Association of Islamic Banking and Financial Institutions Malaysia
BNM	Bank Negara Malaysia
CEO	Chief Executive Officer
CDP	Carbon Disclosure Project
CO₂e	Carbon dioxide equivalent
CRO	Chief Risk Officer
CROF	Climate Risk Oversight Forum
ESG	Environmental, Social and Corporate Governance
FSB	Financial Stability Board
FTE	Full-time equivalent employees
HBMY	HSBC Bank Malaysia Berhad
HSBC Amanah	HSBC Amanah Malaysia Berhad
HSBC Group/Group	HSBC Holdings plc together with its subsidiaries
HSBC Malaysia	HSBC Bank Malaysia Berhad and its subsidiary, HSBC Amanah Malaysia Berhad
JC3	Joint Committee on Climate Change
KPIs	Key performance indicators
NGO	Non-governmental organisations
Paris Agreement	The Paris Agreement aims to limit the rise in global temperatures to well below 2°C, preferably to 1.5°C, above pre-industrial levels. To limit the rise in global temperatures to 1.5°C, the global economy would need to reach net zero greenhouse gas emissions by 2050.
RMM	Risk Management Meeting
TCFD	Task Force on Climate-related Financial Disclosures
VBI	Value-based Intermediation





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