

HSBC Amanah Malaysia Berhad

# Triple Bottom Line Framework (Summary)



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Amanah

Opening up a world of opportunity



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## **Certain defined terms**

References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries.

▶ HSBC Amanah at a Glance



## Introduction

**HSBC Amanah Malaysia Berhad (HSBC Amanah or the Bank) is an Islamic Financial Institution (IFI) established in Malaysia. We are committed to embedding sustainability in our business practices and operations.**

In November 2007, HSBC Bank Malaysia Berhad (HBMY) was the first locally incorporated foreign bank in Malaysia to be awarded a license by Bank Negara Malaysia (BNM) to set up an Islamic banking subsidiary. HSBC Amanah was incorporated in February 2008 and commenced operations in August 2008.

### **HSBC Amanah's Businesses and Product Offerings**

HSBC Amanah provides a comprehensive range of banking and related financial services to our customers in our global businesses: Wealth and Personal Banking (WPB), Commercial Banking (CMB) and Global Banking and Markets (GBM).<sup>1</sup>

<sup>1</sup> GBM comprises of two separate segments: Global Banking and Markets and Securities Services.





## ▶ HSBC Amanah and Value-based Intermediation

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

In December 2019, HSBC Amanah announced our VBI approach.<sup>2</sup> In this approach, we introduced the lens of Triple Bottom Line (TBL) – Planet, People and Prosperity. This is in keeping with VBI guidance issued by BNM.<sup>3</sup>

### **HSBC Amanah's TBL Aspiration**

Led by our VBI approach, it is HSBC Amanah's vision to be aligned with TBL principles as part of our journey towards sustainability.

<sup>2</sup> <https://www.hsbcamanah.com.my/content/dam/hsbc/hbms/documents/amanah-and-me/value-based-intermediation-disclosure.pdf>

<sup>3</sup> <https://www.bnm.gov.my/-/guidance-documents-on-value-based-intermediation-strengthening-the-roles-and-impact-of-islamic-finance-1>



# ▶ The Triple Bottom Line Framework

## Objective of the TBL Framework

The Triple Bottom Line Framework (TBL Framework) is intended to be an approach to classification, governance and process implementation in relation to financing assets that are originated by and/or managed by HSBC Amanah in order to assess eligible TBL Assets. TBL Assets are financing assets that meet the parameters defined in the TBL Framework developed by HSBC Amanah. The TBL Framework is intended to further the aspirations of HSBC Amanah as a practitioner of VBI.

## Scope of the TBL Framework

The scope of the TBL Framework covers all financing assets that are originated by and/or managed by HSBC Amanah.<sup>4</sup>

The TBL Framework shall only apply to HSBC Amanah.

## Overview of the TBL Framework

The TBL Framework has been developed based on the VBI guidance parameters outlined in the VBI guidance documents of BNM<sup>5</sup> and with reference to HSBC Group's Sustainability Policies<sup>6</sup> and the prevailing regulatory and policy directions relevant to IFIs in Malaysia.

The TBL Framework includes both customer level screening and transaction level screening in order to assess eligible TBL Assets.

<sup>4</sup> This includes all financing and advances originated by HSBC Amanah that have been underwritten by HSBC Bank Malaysia Berhad, solely or together with other institutions, via a Syndicated Investment Account Financing (SIAF) / Investment Agency Account (IAA) financing of HSBC Amanah. The SIAF/IAA is based on the Wakalah principle where HBMY provides the funds, whilst whereby the assets are managed by HSBC Amanah (as the Wakeel or agent).

<sup>5</sup> <https://www.bnm.gov.my/-/guidance-documents-on-value-based-intermediation-strengthening-the-roles-and-impact-of-islamic-finance-1>

<sup>6</sup> Refer to Appendix 1 for more details on the relevant HSBC Group's Sustainability Policies.



## TBL Wealth and Personal Banking Classification

Financing assessments for WPB customers are undertaken with reference to customers' profiles and use of proceeds for the relevant financing facility. HSBC Amanah only offers Shariah-compliant financing solutions and requires customers to not use the facilities for any activities that are non-Shariah compliant.

Financings made to WPB customers may qualify as TBL Assets only if both the customer and the use of proceeds meet our defined parameters:

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**Customer Level screening** Identification of WPB customers in pre-defined income segments with a view to maximising positive impact.

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**Transaction Level screening** Financing which provides positive impact with regard to one or more of the UN SDGs<sup>7</sup> in terms of:

- ◆ Basic needs
- ◆ Health
- ◆ First Home ownership
- ◆ Education
- ◆ Medical
- ◆ Debt consolidation and payment relief

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Moving forward, as we develop future green/ sustainable personal financing propositions, such propositions may also qualify as TBL Assets.

## TBL Wholesale Banking Classification

Financings made to Wholesale Banking<sup>8</sup> customers may qualify as TBL Assets if either the customer or the use of proceeds meet our defined parameters:

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**Customer Level screening** Identification and classification of Wholesale Banking customers via a Wholesale TBL Framework aligned to selected Index Provider<sup>9</sup> methodology or Green, Social, Sustainable (GSS) standards or other definitions accepted by HSBC Group.<sup>10</sup>

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**Transaction Level screening**

- ◆ Use of proceeds in line with GSS standards or other definitions accepted by HSBC Group.<sup>11</sup>
- ◆ Cases approved via the TBL governance process.<sup>12</sup>

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<sup>7</sup> Assessments are made in relation to the following UN SDGs to support social targets: SDG 3 (Good-health and Well-being), SDG 4 (Quality Education), SDG 10 (Reduced Inequalities) and SDG 11 (Sustainable Cities and Communities). Information relating to the use of proceeds is obtained from respective customers' applications for the financing facility.

<sup>8</sup> In this document, Wholesale Banking refers to CMB and GBM customers.

<sup>9</sup> The current selected Index provider by HSBC Amanah is FTSE Russell. FTSE Russell is the current main provider of ratings for Bursa Malaysia listed companies and related indices and has been chosen as the reference point for the current version of the TBL Framework given its breadth and depth of coverage. Assessment of the provider of data and metrics to enable accurate application of the TBL Framework will be undertaken periodically to help ensure relevance and accuracy.

<sup>10</sup> For details relating to these standards and definitions, please refer to <https://www.hsbc.com/-/files/hsbc/who-we-are/esg-and-responsible-business/esg-reporting-centre/pdfs/220222-hsbcs-sustainable-financing-and-investment-commitment-data-dictionary-2021.pdf?download=1>.

<sup>11</sup> Refer to footnote 10.

<sup>12</sup> HSBC Amanah has a governance structure in place to provide high-level oversight and regular approvals in relation to the TBL Assets.



# ▶ External Review

## **TBL Framework**

The TBL Framework has been reviewed by the UN Global Compact Network Malaysia and Brunei as a Second Party Opinion provider.

## **Classification of TBL Assets**

On an annual basis, an independent verification will be carried out to ensure the classification of relevant financing assets as TBL Assets is in accordance with the TBL Framework.

# ▶ Update to the TBL Framework

Updates to the TBL Framework will be considered with reference to developments in HSBC Group's Sustainability Policies or regulatory and policy developments in Malaysia for IFIs from time to time.



# Appendix 1

## Relevant Sustainability Policies

The following provides the list of sustainability standards used in the development and application of the TBL Framework:

### HSBC Group Sustainability Policies

Policy	Source
Agricultural Commodities Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200415-hsbc-agricultural-commodities-policy.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200415-hsbc-agricultural-commodities-policy.pdf?download=1</a>
Chemicals Industry Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200817-hsbc-chemicals-policy.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200817-hsbc-chemicals-policy.pdf?download=1</a>
Defence Equipment Sector Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200218-defence-equipment-sector-policy.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200218-defence-equipment-sector-policy.pdf?download=1</a>
HSBC Energy Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/211214-hsbc-energy-policy.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/211214-hsbc-energy-policy.pdf?download=1</a>
Forestry Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/201117-hsbc-forestry-policy.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/201117-hsbc-forestry-policy.pdf?download=1</a>
Mining and Metals Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/211214-mining-and-metals-policy.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/211214-mining-and-metals-policy.pdf?download=1</a>
Project Finance (Equator Principles)	<a href="https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf">https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf</a>
HSBC Thermal Coal Phase Out Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/211214-hsbc-thermal-coal-phase-out-policy.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/211214-hsbc-thermal-coal-phase-out-policy.pdf?download=1</a>
World Heritage Sites and Ramsar Wetlands Policy	<a href="https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200320-hsbc-world-heritage-sites-and-ramsar.pdf?download=1">https://www.hsbc.com/-/files/hsbc/our-approach/risk-and-responsibility/pdfs/200320-hsbc-world-heritage-sites-and-ramsar.pdf?download=1</a>
HSBC Green Bond Framework	<a href="https://www.hsbc.com/-/files/hsbc/investors/fixed-income-investors/green-and-sustainability-bonds/pdfs/151115-hsbc-green-bond-framework.pdf?download=1">https://www.hsbc.com/-/files/hsbc/investors/fixed-income-investors/green-and-sustainability-bonds/pdfs/151115-hsbc-green-bond-framework.pdf?download=1</a>
HSBC SDG Bond Framework	<a href="https://www.hsbc.com/-/files/hsbc/investors/fixed-income-investors/green-and-sustainability-bonds/pdfs/171115-hsbc-sdg-bond-framework.pdf?download=1">https://www.hsbc.com/-/files/hsbc/investors/fixed-income-investors/green-and-sustainability-bonds/pdfs/171115-hsbc-sdg-bond-framework.pdf?download=1</a>

## Relevant BNM Guidance and Policies

Policy	Source
Implementation Guide for Value-based Intermediation	<a href="https://www.bnm.gov.my/-/guidance-documents-on-value-based-intermediation-strengthening-the-roles-and-impact-of-islamic-finance-1">https://www.bnm.gov.my/-/guidance-documents-on-value-based-intermediation-strengthening-the-roles-and-impact-of-islamic-finance-1</a>
VBI Financing and Investment Impact Assessment Framework	<a href="https://www.bnm.gov.my/documents/20124/761682/Implementation+Guide+for+Value-based+Intermediation.pdf">https://www.bnm.gov.my/documents/20124/761682/Implementation+Guide+for+Value-based+Intermediation.pdf</a>
Value-based Intermediation Scorecard	<a href="https://www.bnm.gov.my/documents/20124/759040/Value-based+Intermediation+Scorecard+%28Consultative+Document%29.pdf">https://www.bnm.gov.my/documents/20124/759040/Value-based+Intermediation+Scorecard+%28Consultative+Document%29.pdf</a>
Climate Change and Principle-based Taxonomy	<a href="https://www.bnm.gov.my/documents/20124/938039/Climate+Change+and+Principle-based+Taxonomy.pdf">https://www.bnm.gov.my/documents/20124/938039/Climate+Change+and+Principle-based+Taxonomy.pdf</a>

## United Nations Sustainable Development Goals

Policy	Source
United Nations Sustainable Development Goals	<a href="https://sdgs.un.org/goals">https://sdgs.un.org/goals</a>

## Loan Market Association related Principles

Policy	Source
Green Loan Principles	<a href="https://www.lsta.org/content/green-loan-principles/">https://www.lsta.org/content/green-loan-principles/</a>
Social Loan Principles	<a href="https://www.lsta.org/content/social-loan-principles-slp/">https://www.lsta.org/content/social-loan-principles-slp/</a>
Sustainability-Linked Loan Principles	<a href="https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/">https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/</a>

## International Capital Market Association Sustainable Finance principles

Policy	Source
Green Bond Principles	<a href="https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/green-bond-principles-gbp">https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/green-bond-principles-gbp</a>
Social Bond Principles	<a href="https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/social-bond-principles-sbp">https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/social-bond-principles-sbp</a>
Sustainability Bond Guidelines	<a href="https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg">https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg</a>
Sustainability-Linked Bond Principles	<a href="https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp">https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp</a>
Climate Transition Handbook	<a href="https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook">https://www.icmagroup.org/sustainable-finance/the-principles/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook</a>

# Abbreviations

<b>BNM</b>	Bank Negara Malaysia
<b>CMB</b>	Commercial Banking
<b>GSS</b>	Green, Social and Sustainable
<b>GBM</b>	Global Banking and Markets
<b>HBMV</b>	HSBC Bank Malaysia Berhad
<b>HSBC Amanah/Bank</b>	HSBC Amanah Malaysia Berhad
<b>HSBC Group</b>	HSBC Holdings plc together with its subsidiaries
<b>IFI</b>	Islamic Financial Institution
<b>MSS</b>	Markets and Securities Services
<b>SDGs</b>	UN Sustainable Development Goals
<b>TBL</b>	Triple Bottom Line
<b>TBL Asset</b>	TBL Assets are financing assets that meet the parameters defined in the TBL Framework developed by HSBC Amanah
<b>TBL Framework</b>	Triple Bottom Line Framework
<b>UN</b>	United Nations
<b>VBI</b>	Value-based Intermediation
<b>WPB</b>	Wealth and Personal Banking
<b>Wholesale Banking</b>	CMB and GBM



# ► Cautionary Statement

This document contains both historical and forward-looking statements, opinions, prospects, targets, results, returns with respect to the financial condition, results of operations, capital position, strategy and business of the Bank. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as 'may', 'will', 'should', 'expect', 'seek', 'intend', 'target', 'plan', 'potential', 'reasonably possible', 'anticipates', 'aim', 'ambition' or 'believe' or the negative thereof or similar expressions, or by discussions of strategy, strategic priorities and any financial, investment and capital targets. These forward-looking statements include statements relating to becoming a net zero bank and targets and methodologies for measuring financed emissions.

Achieving these aims is inherently uncertain and is subject to a number of risks and uncertainties, including the efficacy of government, customer and the Bank's actions in managing and mitigating climate change; societal shifts in customer financing and investment needs; delays to the pace of change; development and use of new technology; ability to exploit growth or investment opportunities; changes in public expectations and other changes to business conditions; adverse changes in regulatory capital and tax regimes and data

quality and the availability and development methodologies for measuring financed emissions. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements, which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate.

Any such forward-looking statements are based on the beliefs, expectations and opinions of the Bank at the date the statements are made, and the Bank undertakes no obligation to publicly update, revise or supplement any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. Recipients of this document are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. No representations or warranties, expressed or implied, are given by or on behalf of the Bank as to the achievement or any targets, prospects or returns contained herein.

In addition to the Bank, the above cautionary statement applies to HSBC Group and HBMY.



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