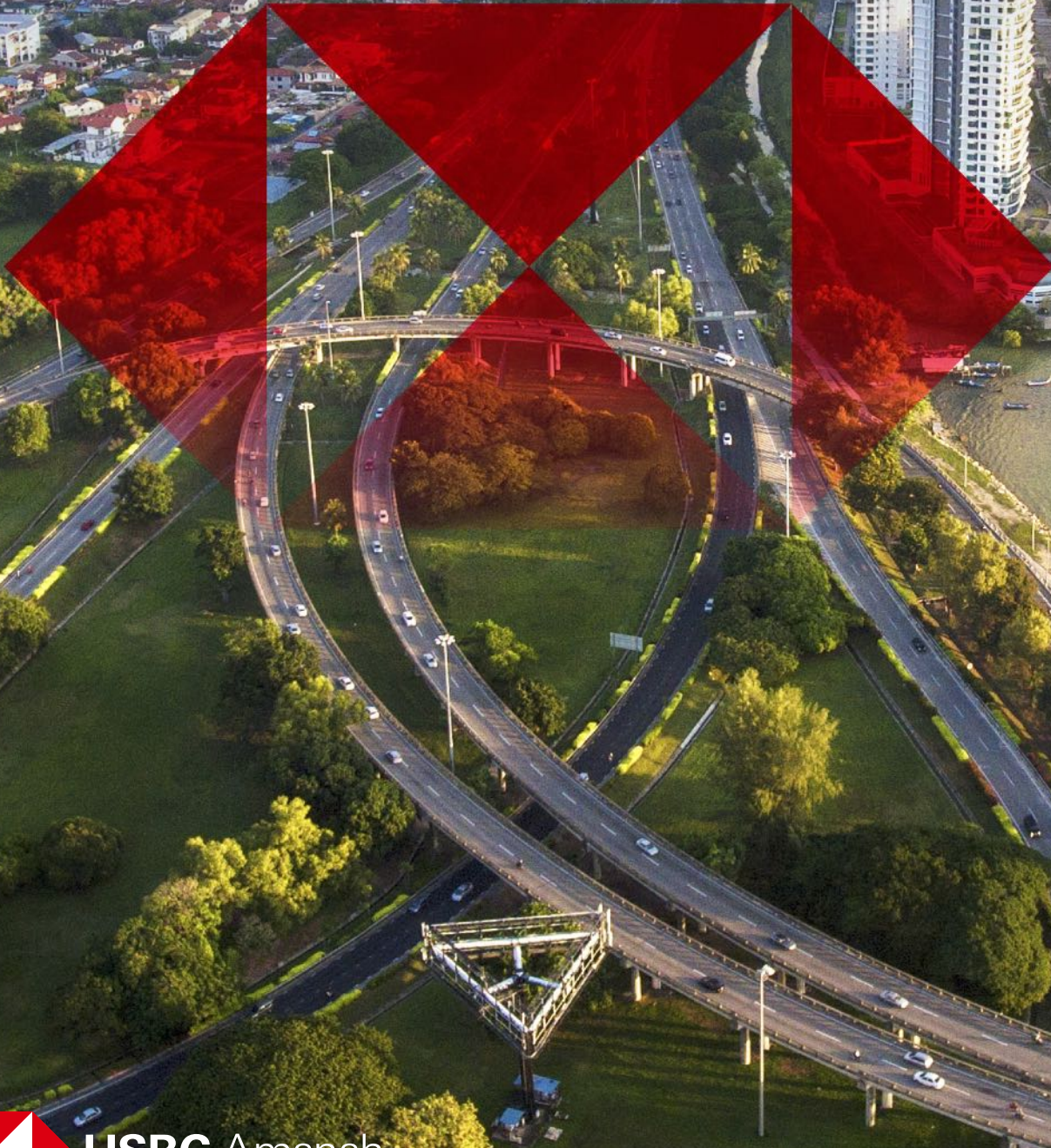


HSBC Amanah Malaysia Berhad

Task Force on Climate-related Financial Disclosures

December 2022



HSBC Amanah

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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 is committed to producing disclosures that consider these recommendations. The Bank is taking a phased approach to fully align with the TCFD recommendations. We aim to have continuous improvement and expect our disclosures will evolve.

All figures reported in the disclosures are as at 31 December 2022, unless otherwise stated. The information and data set out in the disclosures are relevant to our business from 1 January 2022 to 31 December 2022 unless otherwise specified. Measurement techniques and calculations are explained next to data tables where necessary.

HSBC Amanah at a glance

HSBC Holdings plc (hereinafter referred to as HSBC Group, 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.

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 the largest 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, HSBC Bank Malaysia Berhad, collectively known as HSBC Malaysia.



HSBC Amanah Snapshot

MYR 14.3 BILLION

of gross financing as at December 2022

22 BRANCHES

strategically located nationwide¹

¹ As at 31 December 2022, HSBC Amanah has 22 branches across Malaysia.

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



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

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 serviced 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

Our Climate Strategy

One of HSBC’s strategic pillars is to support the transition to a net zero global economy. HSBC’s ambition is to align its financed emissions to the Paris Agreement goal to achieve net zero by 2050 or sooner. 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.

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 (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. VBI is one of the five financial sector key strategic thrusts under Bank Negara Malaysia's Financial Sector Blueprint 2022-2026². HSBC Amanah is developing – alongside other financial institutions – the Islamic Finance Industry sector response toward growing Value-Based Finance as part of a workstream under the Association of Islamic Banks in Malaysia (AIBIM). AIBIM is developing the Islamic Banking sector response to the blueprint.

Project Cocoon

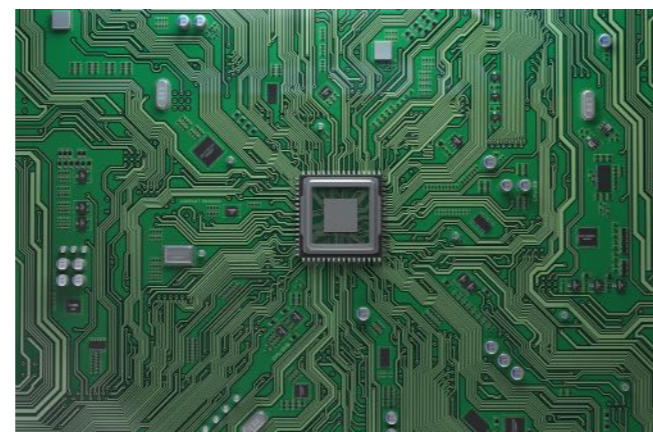
Launched in December 2020, Project Cocoon is a transformation programme to embed sustainability in the business and operations of HSBC Amanah through the lens of Triple Bottom Line (TBL) – Planet, People and Prosperity, in line with VBI guidance issued by BNM³.

This encompassed the following areas:

- 1 Introducing a TBL Framework for classification of TBL qualified assets financed or facilitated by HSBC Amanah
- 2 Developing sustainable finance solutions and advisory
- 3 Driving cultural transformation, capacity building and external advocacy
- 4 Oversight and responsibility for public disclosures related to VBI and TBL

Project Cocoon Initiatives

A summary of some of the notable work, achievements and progress by HSBC Amanah with respect to the progress of Project Cocoon and its initiatives is disclosed on **pages 26 to 27**.



² www.bnm.gov.my/publications/fsb3

³ www.bnm.gov.my/documents/20124/761682/Implementation+Guide+for+Value-based+Intermediation.pdf

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.

Governance

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

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 Risk Management Meeting.



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, the Risk Committee oversees the maintenance and development of a strong 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 the IFIs’ 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.



Management's Role

Management responsibilities for climate risk are integrated into the relevant business and functional areas. These roles and responsibilities are aligned to 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. 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.

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.

Separate meetings of the Executive Committee are held to discuss enterprise-wide risk management issues such as climate risk at the Risk Management Meetings and Climate Risk Oversight Forum.

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 HBMV and 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 (RMF). 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 manage all risk relating to HSBC Amanah's approach to climate risk management. The CROF provides an escalation to the RMM and provides recommendations and advice to the CRO. The Forum focuses on enterprise-wide climate risk management with particular emphasis on risk culture, risk appetite, risk profile and integration of climate risk management into the Bank's strategic objectives.

Cocoon Project Management Office (PMO) ▶

The Cocoon PMO, which reports directly to HSBC Amanah's CEO, undertakes planning and execution of all initiatives under Project Cocoon with the business and functions of the Bank.

To ensure effective management and delivery of the intended objectives under Project Cocoon, the PMO is involved in bridging local stakeholders with subject matter experts within HSBC Group for guidance, as well as initiating and establishing connections with external stakeholders for collaborations.

The Cocoon PMO undertakes its roles and responsibilities throughout the lifecycle of Project Cocoon, with all aspects pertaining to the embedment of the TBL Framework being undertaken by businesses and functions of the Bank on a business-as-usual basis.

Building Capability and Capacity ▶

Continuous learning and capability building forms a key part of the process towards managing climate risk and supporting HSBC's sustainability goals. 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.

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, industry associations and sustainability networks.

Our Climate Strategy

The Hongkong and Shanghai Banking Corporation Limited's Board endorsed a climate strategy in 2022, which includes overseeing executive management in developing the approach, execution and associated reporting.

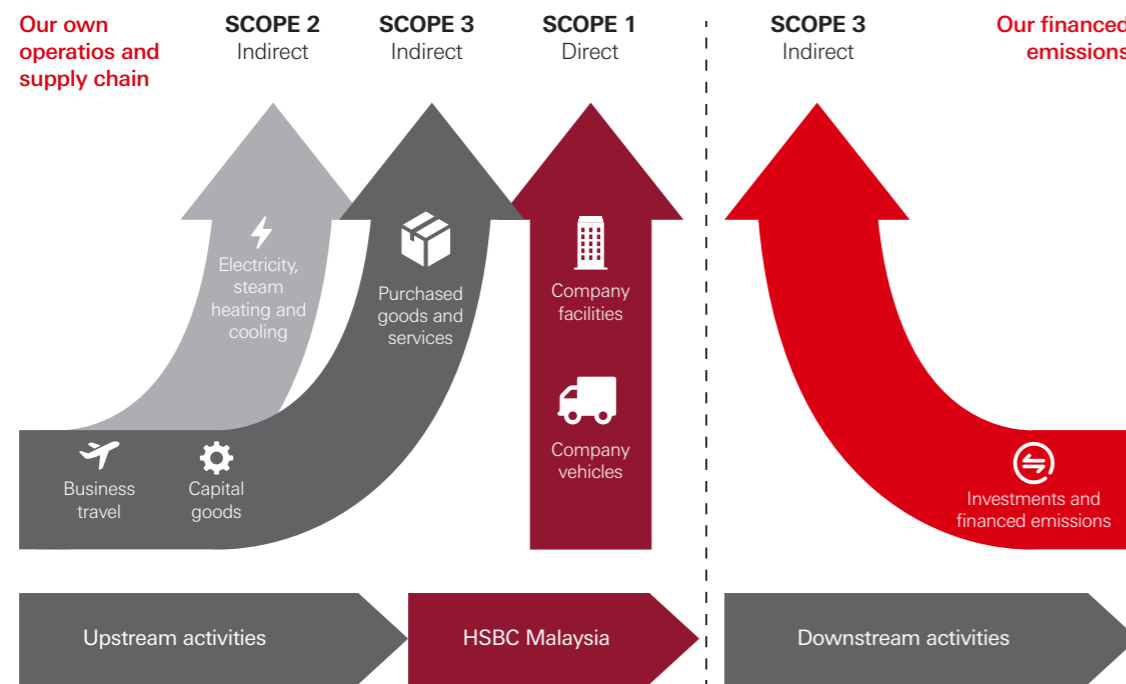
HSBC Amanah's climate-related strategies are in line with HSBC Group's climate ambition to become net zero in the Group's operations and supply chain by 2030, and align the Group's financed emissions to the Paris Agreement goal of net zero by 2050. In addition, as a practitioner of VBI, HSBC Amanah aims 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 VBI⁴.

To limit the rise in global temperatures to be in line with the Paris Agreement, the global economy would need to reach net zero greenhouse gas emissions by 2050. The transition to net zero is one of the biggest challenges for our generation. 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 Group, including HSBC Amanah has clients operating in high-emitting sectors that face the greatest challenge in reducing emissions. This means that the Group's transition will be challenging but is an opportunity to make an impact. The Group recognises that to achieve its climate ambition it needs to be transparent on the opportunities, challenges, related risks and progress it makes. To deliver on the ambition, it requires enhanced processes and controls, and new sources of data. The Group continues to invest in climate resources and skills, and develop its business management process to integrate climate impacts across its local markets, including the Bank. Until systems, processes, controls and governance are enhanced, certain aspects of the Bank's reporting will rely on manual sourcing and categorisation of data. In 2023, HSBC Group, including HSBC Amanah, will continue to review its approach to disclosures. Reporting will need to evolve to keep pace with market developments.

⁴ www.bnm.gov.my/documents/20124/761682/Strategy+Paper+on+VBI.pdf/b299fc38-0728-eca6-40ee-023fc584265e?t=1581907679482

Diagram below shows how the ambitions map to our scope 1, 2 and 3 emissions.



Explaining scope 1, 2 and 3 emissions

To measure and manage the Group's greenhouse gas emissions, the Group follows the Greenhouse Gas Protocol global framework, which identifies three scopes of emissions. Scope 1 represents the direct emissions the Group creates. Scope 2 represents the indirect emissions resulting from the use of electricity and energy to run a business. Scope 3 represents indirect emissions attributed to upstream and downstream activities taking place to provide services to customers. The Group's upstream activities include business travel and emissions from its supply chain including transport, distribution and waste. The Group's downstream activities include those related to investments and financed emissions.

More information in relation to greenhouse gas emissions is set out on page 27.



Supporting customers through net zero transition

HSBC Group understands that financial institutions have a critical role to play in achieving the transition to a net zero global economy. The Group believes the most significant contribution it can make is by mobilising finance to support its portfolio of customers in their transition to decarbonise.

Given HSBC Group's global presence and relationships with its clients across industries, it recognises the role it can play in catalysing the global transition to net zero.

Our VBI Approach

In December 2019, HSBC Amanah announced our VBI approach⁵. In this approach, we introduced the lens of Triple Bottom Line (TBL). Led by our VBI approach, it is HSBC Amanah's vision to be aligned with TBL principles as part of our journey towards sustainability. Environmental considerations are a key pillar of our TBL Framework. Within the TBL Framework, the Bank is in alignment with HSBC Group in supporting customers through transition to net zero and its climate ambition.

On 28 September 2022, we released our TBL Framework (Summary)⁶ which describes our approach. HSBC Amanah has an ambition to achieve more than 51% of HSBC Amanah's financing assets to be aligned to TBL principles as part of its journey towards sustainability, with the outcomes described in the Metrics and Targets section of this document on pages 26-27.

⁵ www.hsbcamanah.com.my/content/dam/hsbc/hbms/documents/amanah-and-me/value-based-intermediation-disclosure.pdf
⁶ www.hsbcamanah.com.my/content/dam/hsbc/hbms/documents/tbl-framework-summary-2022.pdf

Wholesale Sector Strategy Towards Climate Change

Climate risk is integrated into the Bank's existing risk taxonomy of Wholesale Sector strategy and within the risk management framework through the policies and controls for existing risks where appropriate. The Bank's climate risk approach is aligned to Group-wide risk management framework and three lines of defence model, which sets out how the Group identifies, assesses, and manages its risks. This approach provides the Group Board and senior management with visibility and oversight of the Group's key climate risks.

In 2019, the Group initially identified six key sectors where its wholesale credit customers had the highest exposure to climate transition risk, based on their carbon emissions, which were: automotive; chemicals; construction and building materials; metals and mining; oil and gas; and power and utilities. For a majority of customers in these sectors, the Group uses a transition and physical risk questionnaire to help assess and improve its understanding of the impact of climate change on its customers' business models and any related transition strategies. Relationship managers work with these customers to record questionnaire responses and also help identify potential business opportunities to support the transition.

Mobilising sustainable finance and investments

The Group aims to help its customers transition to net zero and a sustainable future through providing and facilitating between US\$750bn and US\$1tn of sustainable finance and investment by 2030. The Group's sustainable finance ambition has promoted green, sustainable and socially-focused business alongside sustainable infrastructure and energy systems, and enhanced investor capital through sustainable investment.

HSBC Amanah's sustainable finance progress is set out below, as defined in HSBC Group's Sustainable Finance and Investment Data Dictionary 2022 (see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre). Green finance taxonomies are not consistent globally, and evolving taxonomies and practices could result in revisions in the Group's sustainable finance reporting going forward. The Group recognises that there can be differing views of external stakeholders in relation to these evolving taxonomies, and will seek to align to enhanced industry standards as they are further developed.

Sustainable finance summary – HSBC Amanah	2022
Balance sheet-related transactions provided	1,741 MYR mil
Capital markets/advisory (facilitated)	3,562 MYR mil
Total contribution	5,303 MYR mil

► This table has been prepared in accordance with the Group's Sustainable Finance and Investment Data Dictionary 2022, 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.

Working with customers

HSBC's net zero ambition is underpinned by its relationships with customers and collective engagement, so that it can support its customers to take action to address climate change in their own activities. The Group is setting targets on a sector by sector basis that are consistent with net zero outcomes by 2050. In assessing financed emissions, the Group focuses on those parts of the sector that it considers are most material in terms of greenhouse gas emissions, and where it believes engagement and climate action have the greatest potential to effect change, taking into account industry and scientific guidance. The Group has set interim 2030 targets for on-balance sheet financed emissions for eight sectors. These include six sectors for which it has reported 2019 and 2020 emissions: oil and gas; power and utilities; cement; iron, steel and aluminium; aviation; and automotive. It has also set targets for thermal coal power and thermal coal mining. In 2022, the Group established a process to assess client transition plans to help inform areas for further engagement and guide business decisions. The Group expects engagement with its customers on their transition plans to form a core part of its approach as the Group pursues its targets. The Group acknowledges that its assessment of client transition plans is in the initial stages and its engagement with clients on their plans and progress will need to continue to be embedded. HSBC Amanah as part of HSBC Group, will contribute to these targets as a whole.

Capacity building

HSBC Amanah is proactive in collaborating with other business enablers towards external advocacy and capacity building in support of our customers and their sustainability journeys. In 2022, the Bank collaborated with United Nations Global Compact Network Malaysia & Brunei (UNGCMYB) to publish the Malaysia Businesses Sustainability Pulse Report 2022⁷. The report is intended to help further close the data availability gap. The study aims to gain a better understanding of the extent of sustainability related practices within the private sector, and how stakeholders are measuring and managing sustainability.

As JC3 Sub-Committee's Chairperson (Engagement and Capacity Building), HSBC Amanah has led the coordination of trainings conducted by the JC3. The trainings were attended by members of the financial services industry and corporates.

⁷ www.ungcmbyb.org/malaysia-businesses-sustainability-pulse-report

Retail Sector strategy towards climate change

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. For example, some of our customers in various parts of Malaysia were badly impacted by floods during the past year and the natural disaster caused damage to their properties financed by HSBC Amanah which had an impact on their property values and as a result these customers had to incur repair costs as well as experiencing interruption to their business operations and daily routines. In addition, potential climate-related regulatory policy changes, such as new minimum energy efficiency performance standards and how they impact the real estate market, could also influence property values.

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.



Our own operational strategy towards climate change

Our approach to our own 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 or earlier.

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 plans to do this by optimising the use of the Group's real estate portfolio, and carrying out a strategic reduction in its 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, it continues to look for opportunities to procure green energy.

Reduce, replace and remove

In 2022, we continue to progress on the HSBC Group's operational strategy towards climate change through measures to reduce energy consumption, waste disposal and water consumption in our day-to-day operations. Our head office, Menara IQ has received Leadership in Energy and Environmental Design (LEED) Gold smart building certification and we have been rolling out of awareness programmes on waste reduction.

Our energy consumption

HSBC Malaysia, of which HSBC Amanah is an integral part of operations, implements energy conservation measures via the internal Integrated Facility Management (IFM)'s energy conservation measure programme. The initiatives include lightings (LED) upgrade, installation of auto-timers for water dispensers, installation of air-conditioner variable refrigerant volume controllers to optimise the running time of compressors and registering the Bank's consumption accounts under the Malaysia Green Electricity Tariff (GET) program to facilitate the Bank's energy consumption to be sourced from green energy options.

Engaging with our supply chain

HSBC Group's supply chain is critical to achieving the Group's net zero ambitions, and it is partnering with its suppliers on this journey. In 2020, the Group began the three-year process of 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. In total, suppliers representing 63.5% of the Group's total supplier spend completed the CDP questionnaire. 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 and employee commuting

HSBC Group is closely managing the gradual resumption of travel through internal reporting and review of emissions, and through the introduction of internal carbon budgets, in line with its aim to halve travel emissions by 2030, compared with pre-pandemic levels. 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.

Greenhouse Gas emissions

HSBC Malaysia follows HSBC Group in reporting its emissions following the Greenhouse Gas Protocol, which incorporates the scope 2 market-based emissions methodology. HSBC Malaysia reports greenhouse gas emissions resulting from the energy used in buildings and employees' business travel. Due to the nature of our primary business, carbon dioxide is the main type of greenhouse gas applicable to our operations. While the amount is immaterial, the current reporting also incorporates methane and nitrous oxide for completeness.

Risk Management

HSBC Amanah has integrated climate risk into our existing risk taxonomy, and incorporated it within the risk management framework through the policies and controls for the existing risks where appropriate. The climate risk approach of the Bank is aligned to our Group-wide risk management framework and three lines of defence model, which sets out how the Group identifies, assesses and manages its risk. This approach provides the Board and senior management with visibility and oversight of the Bank's key climate risks. The initial approach taken to managing climate risk was focused on understanding physical and transition impacts across five priority risk types: wholesale credit risk, retail credit risk, reputational risk, resilience risk and regulatory compliance risk. In 2022, the scope is expanded to consider climate risk impacts on other risk types in our risk taxonomy.

Our climate risk approach is aligned to HSBC's Group-wide risk management framework and three lines of defence model, which sets out how we identify, assess and manage our risks. The approach provides the Board and senior management with visibility and oversight of our key climate risk.

HSBC Amanah is affected by climate risks either directly or indirectly through its relationships with its customers, resulting in both financial and non-financial impacts. The Bank may face direct exposure to the physical impacts of climate change, which could negatively affect its day-to-day operations. Any detrimental impact to its customers from climate risk could negatively impact the Bank either through credit losses on its financing book or losses on trading assets. The Bank may also be impacted by reputational concerns related to the climate action or inaction of its customers. In addition, if the Bank is perceived to mislead stakeholders on its business activities or if the Group fails to achieve its stated net zero ambitions, it could face greenwashing risk resulting in significant reputational damage and potential regulatory fines, impacting its revenue generating ability.

Integrating climate risk into risk management

Climate Risk Appetite

HSBC Group's climate risk appetite supports the oversight and management of the financial and non-financial risks from climate change, and supports the business to deliver its climate ambition in a safe and sustainable way. The Group's initial approach to managing climate risk was focused on understanding physical and transition impacts across five priority risk types: wholesale credit risk, retail credit risk, reputational risk, resilience risk and regulatory compliance risk. These measures are implemented at group level and locally where appropriate. The Group continues to review its risk appetite regularly to capture the most material climate risks and will enhance its metrics over time, including to monitor risk exposures associated with its financed emissions reduction targets. To date, HSBC Amanah has incorporated a qualitative statement and a quantitative climate risk appetite metric within its Risk Appetite Statement.

Climate Risk Policies, Processes and Controls

HSBC Amanah continues to invest in climate resources and skills, and develop its business management process to integrate climate impact, and it will continue to update these as its climate risk management capabilities mature over time. The Bank has also considered its compliance obligation under BNM's Climate Risk Management and Scenario Analysis (CRMSA) policy document issued on 30 November 2022, where the policy covers various aspects such as governance, strategy, risk appetite, risk management, disclosure and scenario analysis. The policy document is in addition to the Climate Change and Principle based Taxonomy (CCPT) policy document which is rolled out since 1 January 2022.

HSBC Group continued to enhance its climate risk scoring tool, which will enable the Bank to assess its customers' exposures to climate risk. HSBC Group also published its updated energy policy, covering the broader energy system, including upstream oil and gas, oil and gas power generation, coal, hydrogen, renewables and hydropower, nuclear, biomass and energy from waste, and the Group updated thermal coal phase-out policy after its initial publication in 2021.

Financial Risk

Wholesale credit risk

In 2019, the Group initially identified six sectors where its wholesale credit customers have the highest exposure to climate transition risk, based on their carbon emissions, which were: automotive; chemicals; construction and building materials; metals and mining; oil and gas; and power and utilities. For a majority of customers in these sectors, the Group uses a transition and physical risk questionnaire to help assess and improve its understanding of the impact of climate changes on its customers' business models and any related transition strategies. Relationship managers work with these customers to record questionnaire responses and also help identify potential business opportunities to support the transition. Since 2020, the Group has rolled out the questionnaire so that it includes the majority of its largest customers in the next highest climate transition risk sectors: agriculture; industrials; real estate; and transportation.

The Group intends to continue increasing the scope of the questionnaire in 2023 by including more customers.

In 2022, the Group updated its credit policy to require that relationship managers comment on climate risk factors in credit applications for new money requests. The Group continued using a climate risk scoring tool, which provides a climate risk score for each customer based on questionnaire responses. The climate risk score is used to inform portfolio level management discussions, and are made available to relationship management teams and credit risk managements teams. The scoring tool will be enhanced and refined over time as more data becomes available. In 2023, the Group aims to further embed climate risk considerations in its credit risk management processes.

The group internally reports its exposure and RWAs to the six high transition risk sectors in the wholesale portfolio. The group also reports the proportion of questionnaire responses that have a board policy or management plan for transition risk. These are included as part of the regular risk profile paper presented at the group CROF which is held quarterly.

Retail credit risk

HSBC Group continues to improve its identification and assessment of climate risk within its retail mortgage portfolio, with increased investments in physical risk data and enhancements to its internal risk assessment capabilities. The Group continues to review and update its retail credit risk management policies and processes to further embed climate risk whilst also monitoring local regulatory developments to ensure compliance.

HSBC Amanah has embedded assessment of physical risk into the overall retail risk management at mortgage financing origination. Exposure monitoring at portfolio level has also been established based on available records of past climate events. An assessment of its physical risk exposure based on forward-looking data is planned. This will serve to facilitate defining a Climate Risk Appetite Statement that is targeted to be completed in 2024.

Retail Credit Risk is represented at the Group's and country CROF.

Non-Financial Risk

Resilience Risk

HSBC Group's Operational and Resilience Risk sub-function is responsible for overseeing the identification and assessment of physical and transition climate risks that may impact on its operational and resilience capabilities. The Group is developing a deeper understanding of the risks to which its properties are subject to, and assess the mitigants to ensure ongoing operational resilience.

Operational and Resilience Risk policies are reviewed and enhanced periodically so they remain relevant to evolving risks, including those linked to climate change. The capability of our colleagues is enhanced through training, periodic communications and dedicated guidance.

With its ambition to achieve net zero in its own operations, the Group is particularly focused on developing measures to facilitate proactive risk management and assess progress against this strategic target. Operational and Resilience Risk is represented at the Group's and country CROF.

Regulatory compliance risk

HSBC Amanah continues to prioritise the identification and assessment of regulatory compliance risk.

Throughout 2022, focus remained on mitigating greenwashing risk, particularly with regard to the development and modification of new and existing, climate and Environmental, Social and Corporate Governance (ESG) products and services in alignment with emerging case precedents, regulations, policies and standards, and ensuring sales practices, advertisements and business disclosures are accurate, balanced and not misleading.

To support the ongoing management and mitigation of greenwashing risk, there is collaboration across all business lines to enhance product controls and disclosures. This improved the ability to identify, assess and manage product-related greenwashing risks throughout the product governance lifecycle. Examples of the ongoing enhancements include:

- integrating the consideration and mitigation of climate and ESG risks within the existing product governance framework;
- enhancing the product templates and forms to ensure climate risk is actively considered and documented by the business within product review and creation; and

- clarifying and improving product governance policies, associated guidance and key governance terms of reference to ensure new climate related products, as well as climate related amendments to existing products, comply with both internal and external standards and are subject to robust governance.

HSBC Group policies continue to set the Group-wide standards that are required to manage the risk of breaches of our regulatory duty to customers, including those related to climate risk, ensuring fair customer outcomes are achieved. The Group's product and customer lifecycle policies have been enhanced to ensure they take climate into consideration. They are reviewed on a periodic basis to ensure they remain relevant and up to date.

The Compliance function continues to focus on improving the capability of colleagues through training, communications and dedicated guidance, with a particular focus on ensuring colleagues remain up to date with changes in the evolving regulatory landscape. The function has continued to develop key climate risk-related metrics and indicators, aligned to the broader focus on regulatory compliance risks, to continually improve its risk monitoring capability. This has included the development of a climate-specific risk profile, alongside the introduction and improvement of existing metrics and indicators.

The Compliance function continues to be represented at the Group's and country CROF.

Reputational risk

We implement sustainability risk policies for assessing and managing the social and environmental risk associated with financing large projects as part of our broader reputational risk framework. We focus on sensitive sectors that may have a high adverse impact on people or the environment, and in which we have a significant number of customers. A key area of focus is high carbon sectors, which include oil and gas, power generation, mining, agricultural commodities and forestry.

As the primary point of contact for our customers, our relationship managers are responsible for reaching out to our customers on business strategy and transition plan discussions aimed at reducing carbon impacts. The Group's network in Asia-Pacific of more than 20 sustainability risk managers provides local policy support and expertise to relationship managers. A regional Sustainability Risk team provides a higher level of guidance and is responsible for the oversight of policy compliance and implementation over wholesale banking activities.

Metrics And Targets

One of HSBC Group’s strategic pillars is to support the transition to a net zero global economy. HSBC Group’s ambition is to align our financed emissions to the Paris Agreement goal to achieve net zero by 2050 or sooner.

Supporting our customers	Becoming a net zero bank		Unlocking new climate solutions
	Be net zero in the Group’s operations and supply chain by 2030 or sooner	Align HSBC Group’s financed emissions to achieve net zero by 2050 or sooner	
<p>HSBC Group aims to help its customers transition to net zero and a sustainable future through providing or facilitating between US\$750bn and US\$1tn of sustainable finance and investment by 2030.</p>	<p>HSBC Group aims to become net zero in our operations and supply chain by 2030.</p>	<p>HSBC Group aims to align our financed emissions to net zero by 2050 or sooner.</p> <p>HSBC Group has set interim 2030 targets for on-balance sheet financed emissions reduction for eight sectors. These include six sectors for which we have reported 2019 and 2020 emissions: oil and gas; power and utilities; cement; iron, steel and aluminium; aviation; and automotive. The Group has also set targets for thermal coal power and thermal coal mining.</p> <p>HSBC Amanah engages closely with our clients on their transition plans, which helps us to track our own progress towards net zero by 2050.</p>	<p>Help transform sustainable infrastructure into a global asset class, and create a pipeline of bankable projects</p>
<p>In 2022, HSBC Amanah contributed RM1,274 million (USD289 million) to this target via sustainable finance.</p>	<p>In 2022, HSBC Amanah continued to work with HSBC Malaysia to implement energy savings initiatives including energy savings for branches and offices, and renewable energy capacity.</p>	<p>In 2022, HSBC Group published an updated energy policy, covering the broader energy system, including upstream oil and gas, oil and gas power generation, hydrogen, renewables and hydropower, nuclear, biomass and energy from waste. It has also updated the thermal coal phase-out policy after its initial publication in 2021.</p> <p>HSBC Amanah continues to work with HBMY to assess clients against these policies.</p>	

METRICS AND TARGETS

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.

INITIATIVES	DESCRIPTION	ACHIEVEMENTS/PROGRESS
Triple Bottom Line (TBL) Assets	Ambition to achieve more than 51% of HSBC Amanah’s financing assets that meet the parameters set out in HSBC Amanah’s TBL framework as part of its journey towards sustainability.	<p>HSBC Amanah has made progress towards defining and classifying our TBL assets in line with VBIs. In 2022, the definition and classification of the TBL assets have been finalised and disclosed via the release of HSBC Amanah’s Triple Bottom Line Framework (Summary) document.</p> <p>The financing assets that meet the parameters defined in the TBL Framework is 49%^{8,9}, as at 31 December 2022.</p> <p>Since the inception of Project Cocoon and the setting of the TBL financing balances ambition in 2020, there have been significant macro-economic headwinds including the global pandemic and ongoing geopolitical tensions, which has impacted financing decisions and clients transition pathways that have resulted in the Bank not achieving its ambition at 31 December 2022.</p> <p>Notwithstanding that no further ambition has been set post 31 December 2022, TBL principles represents a foundation for the Bank’s ongoing strategy. Future climate change ambitions will align with HSBC Group’s climate targets on a go forward basis.</p>
Understanding the impact of climate-related risks on our financing portfolio	HSBC Amanah continues to invest in climate resources and skills, and develop its business management processes to integrate climate impact.	<p>HSBC Amanah has completed the following initiatives:</p> <ul style="list-style-type: none"> • Incorporated climate considerations into financing application processes for its wholesale business. • Considered compliance obligation under BNM’s CRMSA and CPPT. • Internally assessed the level of exposure against the six sectors defined as high transition risks.
Customised financing solutions	Offering of more customised financing solutions to customers to meet their sustainable transition goals.	<p>HSBC Amanah’s market-leading financing solutions for customers have been recognised in the following award categories which includes:</p> <ul style="list-style-type: none"> • ESG Top Lead Arranger – BPAM Bond Market Awards 2022 • ESG Bank of the Year – The Asset Triple A Islamic Finance Awards 2022 • Sustainability Structuring Adviser – The Asset Triple A Islamic Finance Awards 2022 <p>The Bank continues to work on customised solutions to meet customers’ needs and aligned to their sustainability goals and transition pathways.</p>
Sustainability-related key performance indicators (KPIs) for CEO, HSBC Amanah	Sustainability performance is included in the annual scorecard.	A number of sustainability-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 on Project Cocoon and sustainable finance initiatives.

INITIATIVES	DESCRIPTION	ACHIEVEMENTS/PROGRESS												
Net zero in our operations and supply chain by 2030	For description on our net zero target, please refer to “Our Climate Strategy” at page 12-13.	<p>HSBC Amanah continues to work with HSBC Malaysia to implement the climate strategy which covers our supply chain, energy consumption and travels.</p> <p>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:</p> <table border="1"> <thead> <tr> <th>Greenhouse gas emissions in tonnes CO₂e^{10,11,12}</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Scope 1 – direct</td> <td>93</td> </tr> <tr> <td>Scope 2 – indirect</td> <td>2,218</td> </tr> <tr> <td>Scope 3 - indirect (upstream activities - business travel)</td> <td>172</td> </tr> <tr> <td>Total</td> <td>2,483</td> </tr> <tr> <td>Greenhouse gas emissions in tonnes CO₂e per FTE¹³</td> <td>0.79</td> </tr> </tbody> </table>	Greenhouse gas emissions in tonnes CO ₂ e ^{10,11,12}	2022	Scope 1 – direct	93	Scope 2 – indirect	2,218	Scope 3 - indirect (upstream activities - business travel)	172	Total	2,483	Greenhouse gas emissions in tonnes CO ₂ e per FTE ¹³	0.79
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Total	2,483													
Greenhouse gas emissions in tonnes CO ₂ e per FTE ¹³	0.79													
Cultural transformation	Shift in mindset towards sustainable living. Encouraging a lifestyle that attempts to reduce our consumption of natural resources and promoting sustainable banking practices through various training and events.	<p>Initiatives have been accomplished including:</p> <ul style="list-style-type: none"> • Sustainability programmes and engagements leveraging on the Cocoon Champions and Advocates Network (CCAN) such as the HSBC Malaysia e-waste campaign. • Sustainability engagements and training with our Relationship Managers. <p>The Bank is continuing its efforts to engage internal and external stakeholders to enable a mindset shift towards sustainability and the transition to net zero.</p>												
Capacity building	Capacity building for our people to equip, develop and strengthen skills on sustainability as the Bank adapts to the evolving trend of sustainability.	<p>Initiatives have been accomplished including:</p> <ul style="list-style-type: none"> • Climate related trainings (2 internal and 8 external trainings) to HSBC Malaysia’s Board of Directors which include climate risk. • HSBC Amanah facilitated the enrolment of 20 employees to Frankfurt Business School for Certified Expert in Sustainable Finance, a 6-month certification programme in Sustainable Finance. • HSBC Amanah facilitated an ESG Awareness Programme to 154 employees. The awareness programme includes coverage of ESG and sustainability trends as well as sector-specific economic activities. <p>The Bank is continually developing internal sustainability training programmes for Relationship Managers to better engage and support their customers via sustainable finance.</p>												
External advocacy	External advocacy is a bank-wide agenda led by our Board of Directors, senior management and our employees.	HSBC Amanah CEO has been actively involved in sustainability thought leadership events, both externally and internally. He is the Chairman of Sub-Committee 4 of the JC3 that supports the Malaysian financial services industry in capacity building, training and upskilling in relation to climate and transition related risk. In line with this, HSBC Amanah organised a workshop for the financial services industry under the JC3 Upskilling Sustainability Training (JUST) series in August 2022 on the Topic of “Implementation of the Task Force on Climate-related Financial Disclosures”												

⁸ The TBL% represents the ratio of balances of financing and advances that meet the parameters defined in the TBL Framework, to the total customers’ financing and advances originated by and/or managed by Amanah.

⁹ Data is subject to limited assurance by PwC in accordance with the International Standard on Assurance Engagements (“ISAE”) 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. For HSBC Amanah’s Triple Bottom Line Framework (Summary) and PwC’s limited assurance report, see www.hsbcamanah.com.my/content/dam/hsbc/hbms/documents/tbl-framework-summary-2022.pdf and www.hsbcamanah.com.my/content/dam/hsbc/hbms/HSBC-Amanah-TCFD-2022-Assurance-Report.pdf

¹⁰ The reporting does not include employee home working emissions in its scope 1 and 2 performance data

¹¹ The environmental data for own operations is based on a 12-month period to 30 September each year

¹² CO₂e refers to carbon dioxide equivalent

¹³ FTE 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 2022 (TCFD 2022) 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 used to assess the progress in relation to these ("climate-related forward-looking statements").

In preparing the climate-related information contained in the TCFD 2022, HSBC Amanah have relied on a number of key judgements, estimations and assumptions and the processes and issues involved are complex. The climate data, models and methodologies used were considered, 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 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 it is expected that industry guidance, market practice, and regulations in this field will continue to change. In light of the highly uncertain nature of the evolution of climate change and its impact, 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. The climate-related forward-looking statements and metrics discussed in the TCFD 2022 therefore carry an additional degree of inherent risk and uncertainty.

No assurance can be given 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 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 statements or metrics 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;

- ▶ **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;

- ▶ **Data availability, accuracy, verifiability and data gaps:** our disclosures are limited by the availability of high quality data needed to calculate financed emissions. Where data is not available for all sectors or consistently year on year, there may be an impact to the data quality scores. Whilst we expect our 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 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;

- ▶ **Developing methodologies:** the methodologies the Group (including HSBC Amanah) use 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. Any such developments in methodologies could result in revisions to reported data going forward, 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. In addition, climate scenarios 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; and

- ▶ **Risk management capabilities:** governments', customers', and the Group's (including HSBC Amanah's) actions may not be effective in supporting the global transition to net zero carbon emissions and in managing and mitigating climate risks, including in particular climate risk, nature-related risks 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, energy policy and targets to reduce on-balance sheet financed emissions in its portfolio of selected high-emitting sectors), which may result in its failure to achieve any 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 ambition, its targets to reduce its on-balance sheet financed emissions in its portfolio of selected high-emitting sectors and the commitments set forth in the Group's thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

The Group and HSBC Amanah make no commitment to revise or update any climate related forward-looking statements to reflect events or circumstances occurring or existing after the date of any climate related forward-looking statements. Written and/or oral climate-related forward-looking statements may also be made in the Group's periodic reports to its regulators, public offering or disclosure documents, press releases and other written materials, and in oral statements made by its Directors, officers or employees to third parties, including financial analysts.

The 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	HSBC Group / Group	HSBC Holdings plc
BNM	Bank Negara Malaysia	HSBC Malaysia	HSBC Bank Malaysia Berhad and its subsidiary, HSBC Amanah Malaysia Berhad
CCAN	Cocoon Champions and Advocates Network	IFIs	Islamic Finance Institutions
CCPT	Climate Change and Principle-based Taxonomy	IFM	Integrated Facility Management
CDP	Carbon Disclosure Project	JC3	Joint Committee on Climate Change
CEO	Chief Executive Officer	JUST	JC3 Upskilling Sustainability Training
CO2e	Carbon dioxide equivalent	KPIs	Key performance indicators
CRMSA	Climate Risk Management and Scenario Analysis	LEED	Leadership in Energy and Environmental Design
CRO	Chief Risk Officer	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.
CROF	Climate Risk Oversight Forum	PMO	Cocoon Project Management Office
ESG	Environmental, Social and Corporate Governance	RMF	Risk Management Framework
FSB	Financial Stability Board	RMM	Risk Management Meeting
FTE	Full-time equivalent employees	TBL	Triple Bottom Line
GET	Green Electricity Tariff	TCFD	Task Force on Climate-related Financial Disclosures
GLCM	Global Liquidity & Cash Management	UNGCMYB	United Nations Global Compact Malaysia & Brunei
GTRF	Global Trade & Receivables Finance	VBI	Value-based Intermediation
HBMV	HSBC Bank Malaysia Berhad		
HSBC Amanah / Bank	HSBC Amanah Malaysia Berhad		



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