

Sustainable Finance

Sustainable / Green Finance Strategy

Awareness of shared responsibility

To promote ESG issues to our customers, we have launched ESG-related product promotions. We opened the Wan Chai Business Banking Centre with stationed ESG-trained staff and developed a dedicated website, eDM and branch displays for the purpose of customer communication. For Hang Seng green deposit, a targeted eDM and a website have been developed, and a quarterly report is sent to customers showing how the deposits have been allocated to green financing solutions for commercial customers, for the financing of projects and activities with clearly identified environmental benefits.



Develop Green Business

Wan Chai Business Centre with stationed ESG-trained staff



Invest Green

Hang Seng green deposit



Live Green

Green mortgage



Go Green

Electric Vehicle loans



Shop Green

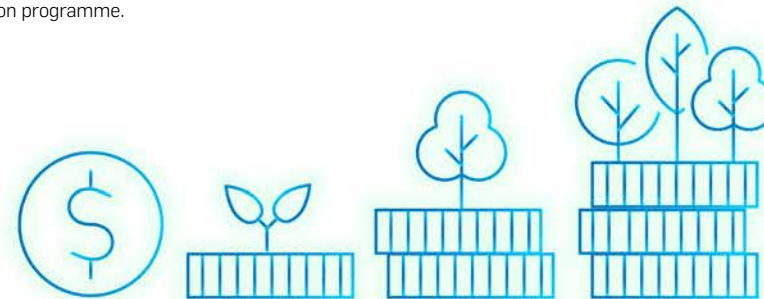
Hang Seng Green Moments

- ▶ In striving to promote sustainable development and contribute to a low carbon future, green mortgage[^] and Electric Vehicle ("EV") loans were introduced on June 2022 to our Personal Banking customers to support a "Live Green" and "Go Green" lifestyle.
- ▶ Followed by the launch of green mortgage and EV Loans, another wave of "Hang Seng Green Moments" was rolled out with the initiative to "Shop Green" on July 2022.

[^] The green mortgage scheme is applicable to designated residential properties with a valid Platinum or Gold rating under the Hong Kong Green Building Council's ('HKGBC') Building Environmental Assessment Method ('BEAM') Plus Certification programme.

Overview of sustainable finance programmes

In keeping with HSBC's climate strategy, we provide sustainable financing services to help our customers' transition to the low carbon economy.



Sustainable Finance

Sustainable Finance Solutions

ESG-focused investment

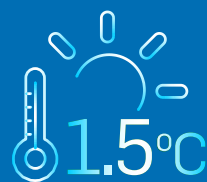
Hang Seng Indexes Company Limited ('Hang Seng Indexes') has become a signatory of the United Nations-supported Principles for Responsible Investment in 2022.

In December 2021, Hang Seng Indexes announced that its HSI / Hong Kong Quality Assurance Agency ('HKQAA') Sustainability Ratings and Research ('HSI / HKQAA Ratings') for listed companies will be available through the Sustainable and Green Exchange ('STAGE'), a multi-asset sustainable investment product online portal provided by the HKEX. The HSI / HKQAA Ratings, which cover over 500 Hong Kong-listed companies, is displayed in the Equities section of HKEX STAGE's Product Repository, which has enhanced both the access and transparency of the HSI / HKQAA Ratings to both institutional and retail investors.

To accommodate increasing demand for tools to support ESG investments, Hang Seng Indexes is adding new products to its Index Series, including the Hang Seng Climate Change 1.5°C Target Index, the HSI ESG Enhanced Index, the Hang Seng China Enterprises Index ('HSCEI') ESG Enhanced Index and the HSI Low Carbon Index. By December 2022, Hang Seng Indexes has compiled 18 ESG-related Indexes.

In 2022, we have onboarded new sustainable investment products, covering investment funds, bonds and equity-linked structured products.

Hang Seng Climate Change 1.5°C Target Index



May 2022

Hang Seng Indexes launched the Hang Seng Climate Change 1.5°C Target Index

7% on average

to achieve an annual reduction in GHG emissions intensity of at least 7% on average compared to the underlying index

50% reduction

at least a 50% reduction in GHG emissions intensity compared to the underlying index

New benchmark

to provide a new benchmark for investors who are interested in integrating climate considerations into their investment portfolios

< 1.5°C

to provide references with the EU PAB Standard, which is aimed at limiting the rise in global temperature to no more than 1.5°C compared to pre-industrial levels, by encouraging asset managers to develop investment portfolios that can reduce carbon emissions

HSCEI ESG Enhanced Index



Mainland China

Hang Seng Indexes launched the HSCEI ESG Enhanced Index, with a range of products that fulfil the needs of investors who are interested in ESG-focused and sustainable investment strategies for mainland China companies

Economic transition

Actions to address ESG issues have increased significantly among mainland China companies and communities in recent years, driven in part by the government's emphasis on sustainable development as a central element of mainland China's economic transition and long-term growth strategy

Key ESG principles

The HSCEI ESG Enhanced Index applies key ESG principles to its base index of the HSCEI

Three screenings

The HSCEI constituents are screened based on the ESG Risk Ratings, as well as their compliance with the United Nations Global Compact ('UNGC') Principles and their involvement with controversial products

ESG Risk Ratings

After these three screenings have been applied, the remaining constituents will be re-weighted based on their ESG Risk Ratings

Sustainable Finance

Sustainable finance products

Digital products

For retail and private banking customers, we offer green and ESG investment funds, bonds and equity-linked structured products via our branches and e-banking.

To further digitalise the corporate lending workflow, we rolled out the digital loan drawdown instructions for Business e-banking and Hang Seng HSBCnet, to enable eligible customers to submit their loan drawdown instructions and upload the supporting documents online, in this way reducing the number of paper forms and at the same time speeding up the loan drawdown process.

Electric Vehicle loan

Hang Seng is committed to providing customers with a diverse range of green banking services. In June 2022, we launched our EV loan, exclusively for online applications, which offers a privileged rate for customers who have purchased a recognised EV.

Green mortgage

With aim of supporting sustainable development and building a greener future, we launched the green mortgage plan in June 2022.

Green loan and sustainability-linked loan

In an effort to assist corporate customers to deal with climate changes, we offer green loans to finance customers' eligible green projects that generate environmental benefits. Our sustainability-linked loans ('SLLs') also encourage customers achieve their sustainability performance targets ('SPTs') by linking the loans' interest rates to whether the borrowers satisfy the predetermined SPTs.

In 2022, we continued to offer green loans and SLLs to support our corporate customers for their green projects and in achieving their SPTs. We also introduced social loan programmes to provide financing for the social projects of our corporate customers, thereby supporting them to mitigate social issues and challenges.

Our green loans and SLLs are completed in compliance with international principles, i.e., Green Loan Principles and Sustainability-Linked Loan Principles, respectively, with external credentials set on the greenness of the projects and the appropriateness of the target setting.

Green deposit programme

The green deposit programme is designed to provide corporate customers with access to means for investing their surplus deposits into environmentally-friendly projects and industries, while earning a stable interest.



Case study



In June and July 2022, Structured Finance, Commercial Real Estate and Corporate Advisory ('STL') hosted two external events with the HKQAA and CLP Power Hong Kong ('CLP') for the purpose of sharing our experience and demonstrating our strength in sustainable finance. These events were aimed at helping companies (especially SMEs) to learn how to implement sustainability in their operations and transition towards a low carbon future.

To enhance Hang Seng's market presence in the sustainable finance field, as of December 2022, STL has also participated as a speaker in 13 external events organised by recognised external reviewers under the HKMA Green and Sustainable Finance Grant Scheme, green professionals, universities and NGOs.

Sustainable Finance

Green and sustainability-linked trade finance facility

Green and sustainability-linked trade finance facilities were introduced in December 2021. Green trade finance is made available to support environmentally-sustainable / green trade activities, such as sourcing eco-friendly raw materials, manufacturing eco-friendly products and providing services to support green projects (e.g., green building). Meanwhile, sustainability-linked trade finance is provided to support customer in improving their sustainability profile, by aligning the facility terms to the customer's performance against predetermined SPTs.

The green / sustainability-linked trade finance facilities designation can only be applied to trade finance facilities when the corresponding pillars of GLP and / or SLLP are met. In addition, the customer is required to provide a third-party verification and the required transactional documents to demonstrate its adherence to the GLP and / or SLLP.



Case study

Hang Seng Bank (China) Limited ('HACN') entered into the first year of 5-Year-USD / CNY currency swap transaction linked to ESG terms with a client in 2022. The structure is designed to hedge FX translation risks, and meanwhile to encourage clients' good ESG performance by enhancing the exchange rate if the pre-set ESG clause embedded can be met during the life time of the transaction. This client has over 10 years relationship with the bank. We accompany the client growing to be the market leader in the textile industry. Their commitment to carbon neutrality is aligned with the bank to continuously promote the sustainable development together.



Evaluation of our sustainable finance development

Recognising sustainable finance as a development focus within Hang Seng, the Bank acknowledges the importance of sustainable finance topics towards our stakeholders and business operations. Given the increasing market demand for sustainable finance solutions to promote the transition to a low carbon economy, Hang Seng has introduced diversified green investment products since 2018, and quantitative sustainable finance-related data is kept track of. The Bank acknowledges that 2022 ESG Report has not disclosed the quantitative sustainable finance data, which results in inconsistency and affects a meaningful comparison with relevant data of last financial year. Hang Seng is undergoing an alignment process to record sustainable data in its upgraded

system, which, once complete, will enable the Bank to disclose quantitative sustainable finance-related data with enhanced accuracy and completeness based on the system data availability; until such time, Hang Seng is required to adopt a different methodology to report sustainable finance-related data than was used last year, with only qualitative sustainable finance content disclosed in the 2022 ESG Report

The Bank's work on sustainable finance focused on developing diversified products and services, which included the new introduction of green mortgages and Electric Vehicle Loans. Hang Seng is also committed to conducting market and public promotion of sustainable

finance, with the Hang Seng Climate Change 1.5°C Target Index launched by the Hang Seng Indexes. This index aims at incorporating an investment portfolio with a mission to minimise environmental impact and encourage more corporates to attain environmentally responsible practices. Hang Seng Indexes is committed to continuously monitoring and evaluating the environmental impact of its investment portfolio. We also plan to compile more investment portfolios with further improved environmental performance that can be included in the Hang Seng Climate Change 1.5°C Target Index. The Bank also considers the market in the Chinese Mainland, and the HSCEI ESG Enhanced Index has also been launched to cater for the Chinese Mainland market.