Our Approach to the Transition

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We aim to reduce carbon emissions from our own operations to net zero by 2030. We are also contributing to the HSBC Group's ambition of (i) becoming net zero in its supply chain by 2030 and (ii) aligning the financed emissions in its portfolio of customers to net zero by 2050.

As a leading local bank, we have a critical role to play in facilitating the transition to net zero in the local financial markets. One of the contributions we can make is mobilising finance to support our customer's efforts in enabling decarbonisation in the economy.

Climate Strategy

Path to Net Zero Operations by 2030

- **Energy Emission** – We aim to reduce our energy consumption in operation through portfolio optimisation, asset replacement, energy consumption measure, and capital projects.
- **Renewable Energy Transition** – Solid electricity saving plans with interim targets have been established with green measures at our buildings already showcasing the best practices and leading green technologies. In addition, we aim to reach 100% renewable electricity sourced by 2030, purchasing renewable electricity certificates while exploring different ways to purchase renewables.
- **Travel Emission** – Reduce carbon emissions from travel through initiatives to enhance travel policy and issue best practice.
- **Supply Chain** – We have identified high emitting procurement categories and their suppliers, to enable supplier engagement with prioritised focus in the sourcing strategy. In collaboration with the HSBC Group, category-specific criteria are aimed to be formulated as part of sourcing decision and on-going supplier performance review.

Contributing to the HSBC Group's Net Zero Transition Plan

In line with the HSBC Group's climate ambition, we continue to support our customers in their transition to net zero.

We contribute to this transition by:

- Implementing the HSBC Group's thermal coal phase-out policy in the region to phase out the financing of thermal coal-fired power and thermal coal mining by 2030 in Organisation for Economic Co-operation and Development ('OECD') markets and by 2040 in other markets;
- Reducing the on-balance sheet financed emissions from the Oil and Gas sector;
- Reducing the on-balance sheet financed emissions intensity for the Power and Utilities sector;
- Working with clients to develop their transition plans and support them in their transition journey; and
- Delivering on local regulatory requirements to provide sustainable finance and investment in local markets.

Case Study

Investment Management Process

Hang Seng Investment Management Limited ('HSVM'), a fund management subsidiary of Hang Seng Bank, recognises the potential impact of climate change on our client portfolios and the investments managed by us.

HSVM has established and implemented a Climate Change Policy to manage climate-related risks and comply with the requirements stipulated by the Securities and Futures Commission ('SFC') on climate-related risk management and disclosures related to the low-carbon transition.

HSVM has also established and implemented a Stewardship and Engagement Policy, which serves as a guide to communicate with investee companies on material issues that are linked to our clients' investment goals.

HSVM identifies and assesses the climate-related risks associated with its actively managed equity and fixed income funds at both the issuer level and the portfolio level. The results are reviewed at HSVM's ESG governance meetings. In addition, investee companies with low ESG scores are also regularly reviewed at ESG governance meetings.

HSVM recognises the potential impact of climate change on the investments under our management. As such, we integrate climate-related risks into our overall risk management framework. Major climate-related risks associated with investee companies and their overall impact on the relevant investment portfolios are being monitored. The carbon intensity scores of low-carbon themed ESG funds are also monitored via sustainability risk metrics and are reviewed at HSVM's ESG governance meetings and risk management meetings. After review, those identified investee companies or investments will be included in the restricted list.

HSVM has also engaged third party ESG data providers to manage its ESG and climate-related risks, and the exposures in HSVM's actively managed investments.

Withdrawal of SBTi

We will withdraw our commitment to Science Based Targets initiative ('SBTi') which we had made in 2022 because we determined that it would not be feasible for us to meet SBTi's requirement at the time to submit a complete set of sector targets for validation.

Understand Our Climate Reporting

The availability of high quality climate-related data and transparent, consistent reporting standards will play a vital role in supporting the climate ambition. We understand that our existing data and reporting processes require significant enhancements to drive effective change, but we recognise the necessity to balance this with providing early transparency on climate disclosures.

We need to be transparent on the opportunities, challenges, related risks and progress we make. Our reporting will need to evolve to keep pace with market developments and we aim to work through challenges where possible and seek to improve consistency. The role of standard setters and regulators will be important in achieving standardisation. We have highlighted some of the limitations and challenges that the organisation, and the wider industry, currently face with regard to climate reporting.

We continually enhance our capabilities including governance, processes, systems and controls. We also need new sources of data, some of which may be difficult to assure using traditional verification techniques. In addition, we have internal data collection challenges as a result of diverse data sources and structures, which further complicates data collection, consolidation and vendor selection.

In 2024, we will continue to review our approach to disclosures, and enhance as appropriate.