



Supporting Our Customers

Awareness of Our Shared Responsibility

ESG-related product promotions are being launched to raise the awareness of ESG among our customers. Our Wan Chai Business Banking Centre was launched with a stationed ESG trained personnel, and we developed a dedicated webpage for the purpose of customer communication.

Financed Emissions

In assessing financed emissions, we focus on Oil and Gas sector, Power and Utilities sector that are most material in terms of greenhouse gas emissions. We continue to engage with our customers on their transition and are focusing our efforts on customers with the greatest potential to effect change.

We do not currently disclose financed emissions data, due to data and system limitations. Future disclosure on financed emissions, and related risks is reliant on our customers publicly disclosing their carbon emissions and related risks. We aim to further enhance the disclosure in the short to medium term as more data becomes available.

Sustainable Finance and Investment

We continue to contribute to the HSBC Group's ambition in helping its customers' transition to net zero and a sustainable future through providing and facilitating a share of the global ambition of between US\$750 billion and US\$1 trillion of sustainable finance and investment for its customers by

2030, and continuously review and strengthen product definitions to take into account evolving standards, taxonomies and practices.

The sustainable finance and investment are recorded in accordance with our sustainable finance product paper, which is in line with HSBC Group's Sustainable Finance and Investment Data Dictionary (see HSBC Group's ESG reporting centre at www.hsbc.com/esg). They are reported in the year when the categorisation and labelling are approved by our product governance processes. The approval of categorisation and labelling of lending can be on or after the loan facilities are provided to customers.

As part of the annual review process, facilities that are identified to no longer fulfil eligibility criteria are declassified from the cumulative total reporting, including their contribution reflected in prior year values.

The Sustainable Financing Committee (for Wholesale Banking) is responsible for reviewing the categorisation and labelling of lending in accordance with the sustainable finance categories.

Sustainable finance metrics, taxonomies and best practices lack global consistency. Metrics, taxonomies and practices for sustainable finance are continuing to emerge and evolve. This could lead to differences in year-on-year reporting and restatements. We aim to align to enhanced industry standards as they are further developed, and increase transparency across the different types of green and sustainable finance and investment categories going forward.

Below are the definitions for our key sustainable finance and investment.

Green Loans

Loans aligned to the Green Loan Principles ('GLP') of the Loan Market Association ('LMA'), including any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible green projects. The major eligible green project categories are set out below.

- Green buildings meeting specific certification levels under the internationally or locally recognised green building certification programmes such as Leadership in Energy and Environmental Design (LEED), Building Environmental Assessment Method Plus (BEAM Plus) and etc
- Renewable energy (including production, transmission, appliances and products)
- Clean transportation such as freight and passenger rail, public transportation vehicles, waterway transportation and electric / hybrid vehicles that meet pre-defined emission levels and/or are powered by specific fuel sources (e.g. biofuel, hydrogen or electricity)

Social Loans

Loans aligned to the Social Loan Principles ('SLP') of the LMA, including any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible social projects. The major eligible social project categories are set out below.

- Affordable housing as defined by local authorities
- Access to essential services (e.g. education)



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Sustainability Linked Loans

Loans aligned with Sustainability Linked Loan Principles ('SLLP') of the LMA, including any type of loan, mortgage, trade or supply chain instrument for which the financial and/or structural characteristics of the instrument may vary depending on whether the borrower achieves predefined sustainability performance targets ('SPTs'). SPTs should be ambitious and meaningful to the borrower's business and should be tied to a sustainability improvement in relation to a predetermined performance target benchmark.

With respect to selection of the sustainability metrics and setting of the SPTs, the obligation to determine that the chosen metric is meaningful – meaning core to the borrower's business – and the related SPT(s) is ambitious – meaning a target that represents a true reach for the borrower – will require significant borrower input since it will have the best understanding of its own business activities.

The SPTs should be ambitious, and take into consideration the following factors:

- represent a material improvement in the respective KPIs and be beyond both a "business as usual" trajectory and regulatory required targets
- where possible be compared to a benchmark or an external reference
- be consistent with the borrower's overall sustainability strategy
- be determined on a predefined timeline, set before or concurrently with origination of the loan

Green Trade Finance

Global Trade and Receivables Finance ('GTRF') facilities aligned to the GLP of the LMA and made available exclusively to finance eligible green trade activities as evidenced by underlying transaction documents. The green trade activities must meet HSBC Group's eligible green activity criteria, including but not limited to procurement and sales of eco-efficient materials and products certified under Forest Stewardship Council or other equivalent standard setting bodies. Relevant GTRF products include: (i) trade loans; (ii) receivables finance; and (iii) import / export finance.

The sustainable finance and investment progress is set out below^{1,2,3}.

| | 2023 ⁴ HK\$m | 2022 HK\$m | Cumulative progress since 2021 HK\$m |
|--|----------------------------|---------------|--|
| Sustainable finance summary | | | |
| Balance sheet-related transaction provided | 33,289 | 2,392 | 35,887 |
| Total contribution | 33,289 | 2,392 | 35,887 |
| Sustainable finance classification by theme | | | |
| Green use of proceeds ⁵ | 15,021 | 2,000 | 17,226 |
| Social use of proceeds ⁵ | 100 | – | 100 |
| Sustainability-linked ⁶ | 18,168 | 392 | 18,561 |
| Total contribution | 33,289 | 2,392 | 35,887 |

1. The data in the table represented the sustainable finance and investment progress recorded by Hang Seng Bank Limited.

2. This table has been prepared in accordance with our sustainable finance product paper, which is in line with HSBC Group's Sustainable Finance and Investment Data Dictionary. The amounts provided include the limits agreed for balance sheet-related transactions provided.

3. The HK\$35,887m cumulative progress since 2021 is subject to PwC's limited assurance in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3000 Revised 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

4. The sustainable finance and investment are reported in the year when the categorisation and labelling are approved by our product governance processes. There were lending facilities provided in prior years for which the categorisation and labelling were validated after the setup of Sustainable Financing Committee (for Wholesale Banking) in 2023. Therefore, the current year number included HK\$6,049m, HK\$15,305m, HK\$11,935m for the lending facilities provided in 2021, 2022, 2023 respectively.

5. For green and social use of proceeds, our lending labelled products are aligned to the LMA's Green Loan Principles and the LMA's Social Loan Principles.

6. Our sustainability-linked-labelled products are aligned to LMA Sustainability-Linked Loan Principles. The interest rate is linked to sustainability key performance indicators and the funds can be used for general purposes.



Supporting Our Customers

Case Study

Green and Sustainable Finance



Outstanding Award for Green and Sustainable Loan Facilitator

To enhance the Bank's publicity and professional image in the field of sustainable finance, our Structured Finance, Commercial Real Estate and Corporate Advisory ('STL') participated as a speaker at four external events organised by recognised external reviewers of the Hong Kong Monetary Authority ('HKMA')'s Green and Sustainable Finance Grant Scheme and other industry associations in 2023.

A list of external events where STL participated as a speaker:

1. Hong Kong Institute of Bankers – Annual Banking Conference 2023
2. The Chamber of Hong Kong Listed Companies – ESG and Green Finance Opportunities Forum 2023
3. Construction Industry Council – Global Construction Sustainability Forum and Exhibition 2023
4. School of Continuing and Professional Studies at The Chinese University of Hong Kong – Exploring Opportunities in Global Sustainable Finance and Future Outlook – 2024 and Beyond

In addition, the HKQAA has provided us with three awards related to sustainable finance:

1. Outstanding Award for Green and Sustainable Loan Structuring Advisor (Greater Bay Area Corporate) – Visionary Sustainability-linked Loan Performance Metrics
2. Outstanding Award for Green and Sustainable Loan Facilitator (Manufacturing Industry) – Visionary Sustainability-linked Loan Performance Metrics
3. Outstanding Award for Green and Sustainable Loan Facilitator (TMT Industry) – Visionary Sustainability-linked Loan Performance Metrics



Supporting Our Customers

ESG and Sustainability Indexes

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

HSIL is constantly innovating and adding new products to its sustainability index product suite to accommodate the growing demand for sustainable investment benchmarks. In 2023, HSIL launched three new ESG and sustainability indexes, including the Hang Seng Stock Connect China A Low Carbon Select Index, the Hang Seng Stock Connect Hydrogen Energy Index and the Hang Seng SCHK China Central SOEs ESG Leaders Index. The Hang Seng Stock Connect China A

Low Carbon Select Index is tracked by an ETF listed in Hong Kong. In addition, two major Mandatory Provident Fund scheme providers in Hong Kong have launched new funds which track the HSI ESG Enhanced Index, offering scheme members sustainable investment options.

HSIL's continuous efforts in promoting ESG have been recognised in the industry. It garnered three prestigious accolades on ESG in 2023, namely: Best ESG Index Provider – Hong Kong and Best ESG China Index Provider at Asia Asset Management's Best of the Best Awards 2023, as well as the Editors' Triple Star award for its Hang Seng Stock Connect China A Low Carbon Select Index at The Asset Triple A Private Capital Awards 2023.

These recognitions have reaffirmed HSIL's contributions in offering a variety of ESG indexes for investors with sustainability and decarbonisation goals.

HSIL is dedicated to facilitating the development of sustainable investments by offering market participants ESG and sustainability indexes. The Hang Seng Corporate Sustainability Index Series was first launched in 2010. Since then, the Hang Seng Indexes have continued to expand and diversify their ESG index product suite, with an aim to address the surging sustainable investing needs of the market and support the acceleration of the transition to a sustainable future. As of 2023, HSIL offered 21 ESG-related indexes with diverse sustainable investing strategies, including but not limited to ESG Integration, Decarbonisation-Focused, Best-in-Class and Green Economy Thematic, covering the Hong Kong and mainland China markets.

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- ***the Hang Seng Stock Connect Hydrogen Energy Index***
- ***the Hang Seng SCHK China Central SOEs ESG Leaders Index***

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As part of HSIL's efforts to support sustainable development in the region, HSIL has appointed the Hong Kong Quality Assurance Agency ('HKQAA'), an independent and professional assessment body to carry out an annual evaluation of the sustainability performance of listed companies since 2014. The HSI/HKQAA Ratings of listed companies is available through the Sustainable and Green Exchange ('STAGE'), a multi-asset sustainable investment product online portal provided by HKEX, which has enhanced the access and transparency of HSI/HKQAA Ratings for both institutional and retail investors. In 2023, the HSI/HKQAA Ratings covered 517 Hong Kong-listed companies and over 1,300 A-shares companies.