HSBC Bank Malaysia Berhad

Task Force on Climate-related
Financial Disclosures

31 December 2024

HSBC

Task Force on Climate-related Financial Disclosures

Certain defined terms
This document comprises the Task Force on Climate-related Financial Disclosures ('TCFD') 2024 for HSBC Bank Malaysia Berhad (‘the Bank’) and its subsidiary HSBC Amanah Malaysia Berhad ('HBMS'), together as HSBC Malaysia (‘HBMB’). References to ‘HSBC’, ‘the Group’ or ‘the HSBC Group’ within this document mean HSBC Holdings plc together with its subsidiaries.

General Cautionary Statement

This document contains certain forward-looking statements with respect to the financial condition, climate-related matters, results of operations and business of HBMB, including the strategic priorities; financial, investment and capital targets; and HBMB’s ability to contribute to the Group’s (including HBMB’s) climate ambitions, targets and commitments described herein.

Statements that are not historical facts, including statements about the Group’s (including HBMB's) beliefs and expectations, are forward-looking statements. Words such as ‘expects’, ‘anticipates’, ‘intends’, ‘plans’, ‘estimates’, ‘potential’ and ‘reasonably possible’, variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore no undue reliance should be placed on them. Forward-looking statements apply only as of the date they are made. The Group (including HBMB's) makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including climate-related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

HBMB continues to work to incorporate climate-related principles throughout the organisation, and to embed sustainability into the way it operates.

Approach to climate reporting

The information set out in the TCFD provides key climate information and data relevant to HBMB’s operations for the year ended 31 December 2024. The data is compiled for the financial year 1 January to 31 December 2024 unless otherwise specified. Measurement techniques and calculations are explained next to data tables where necessary.

HBMB has considered its ‘comply or explain’ basis and has made disclosures consistent with the Joint Committee on Climate Change ('JC3') TCFD Application Guide recommended disclosures issued in June 2022 in this report save for certain items which are described on page 10. This report is in compliance with Bank Negara Malaysia's ('BNM') Climate Risk Management and Scenario Analysis policy.

HBMB aims to continue to evolve its reporting to recognise market developments, such as the International Sustainability Standards Board (‘ISSB’), and support the efforts to harmonise the disclosures.

Understanding HSBC's climate reporting

The Group engages with standard setters to support the development of transparent and consistent climate-related industry standards in areas such as product labelling, sustainability disclosures, sustainable finance taxonomy and emissions accounting.

The effective measurement, governance, and reporting of progress against the Group’s climate ambition relies heavily on the availability and quality of both internal and external data. Newer data sources and topics may be difficult to assure using traditional verification techniques. This, coupled with diverse external data sources and complex structures, further complicates data consolidation.

The Group continues to invest in the development of data and analytics capabilities to support the Group's net-zero transition. This includes sourcing more reliable data from external providers. The Group is also developing its processes, systems, controls, and governance to meet the demands of future climate reporting.

How climate is governed

HBMB's Board has primary responsibility for the oversight of the approach to managing climate risks and opportunities including approval of climate strategies and the oversight of executive management in developing the approach, execution, risk management and associated reporting. HBMB’s developments in relation to its climate risk and strategy were reviewed through Board discussions at four meetings in 2024. In addition, Board members received briefings on Asia-Pacific clean energy transition and climate related global and regional trends and developments as part of their ongoing training and development. The 2024 annual incentive scorecards of HBMB Chief Executive Officers and certain Executive Committee members include outcomes linked to realisation of different climate-related goals such as, sustainable operations and finance measures. Senior management of HBMB has engaged with the Board throughout 2024 on the key climate issues, such as climate strategy, client transition engagement and climate risk management. Please refer to the profile of Board of Directors in the HBMB Annual Financial Statements.

Given the wide-ranging remit of climate matters, governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, as appropriate. These include certain HBMB Board committees, including the Executive Committee, the Risk Committee and the Risk Management Meeting; and a management forum, specifically the Climate Risk Oversight Forum ('CROF').

The Risk Committee oversees and advises the Board on risk-related matters, comprising both financial and non-financial risks (which incorporates climate risk). There is also a quarterly update on climate risk to the Board. In addition, the Executive Committee keeps track of the sustainable finance deliverable. HBMB CROF, chaired by HBMB's Head of Risk Strategy, has an escalation path to the Risk Management Meeting, established to provide oversight of all risk activities relating to HBMB's approach to climate risk management.

Transition to net zero

In 2020, the Group set an ambition to become a net zero bank by 2050, which is motivated by the need to seize the economic opportunity that exists in financing the clients' investment needs in the transition, help mitigate the rising financial and wider societal risks associated with climate change, and to help shape the understanding, policies, market structures and standards needed to achieve a just transition while maintaining sound economies.

The Group's net zero transition plan published in January 2024, provides an overview of the Group's approach to net zero and actions needed to meet the ambition. The Group continues to take steps to implement the Group's transition plan, through supporting its customers, embedding net zero into the way it operates, and partnering for systemic change. The Group takes a risk-based approach when identifying transactions and clients to which the Group's sustainability risk policies apply, and when reporting on relevant exposures, adopting approaches proportionate to risk and materiality.

Supporting our customers

The Group aims to help its customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. Its sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.

HBMB's sustainable finance and investment progress is set out below, with detailed definitions available in the Group's Sustainable Finance and Investment Data Dictionary 2024 (see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre). Continued progress towards achieving the Group's sustainable finance and investment ambition is dependent on market demand for the products and services set out in the Group's Sustainable Finance and Investment Data Dictionary 2024.

The Group defines sustainable finance and investment as any form of financial service that integrates ESG criteria into business or investment decisions. This includes financing, investing and related activities that support the achievement of the United Nations Sustainable Development Goals, including but not limited to the aims of the Paris Agreement on climate change. The Group's Sustainable Finance and Investment Data Dictionary sets out its approach for classifying financing and investment as sustainable for the purpose of tracking and disclosing its performance against the sustainable finance and investment ambition.

The Group updates its data dictionary annually, including reviewing the product definitions, adding new qualifying products and removing products that no longer qualify, making enhancements to its internal standards, and developing its reporting and governance. This year, the Group also indicates for the first time, the types of eligible environmental and social activities it intends to consider going forward when qualifying certain use of proceeds financing for inclusion towards its sustainable finance and investment ambition including climate solutions, nature, adaptation and social-related activities.

The Group engages in industry initiatives to develop its understanding and approach to 'transition finance'. However, it does not currently plan to introduce transition finance as a product label or stand-alone category in the data dictionary and reporting. The Group will continue to monitor industry guidance as it develops.

Sustainable Finance Summary

	2024	2023
Balance sheet-related transactions provided	**MYR 1,734mil**	MYR 356mil
Capital markets/advisory (facilitated)	**MYR 511mil**	MYR 467mil
Total contribution	**MYR 2,245mil**	MYR 823mil

The table above reflects HBMB's sustainable financing provided during the year. The 2024 data has been prepared in accordance with HSBC Sustainable Finance and Investment Data Dictionary 2024, which includes green, social and sustainability activities. The amounts provided and facilitated include: the limits agreed for balance sheet-related transactions provided (including drawn and undrawn amounts) and the proportional share of facilitated capital markets/advisory activities.

Working with customers

The Group is focused on three key areas that play to its strengths as an organisation and can help deliver an impact on decarbonisation in the global economy, particularly in Asia-Pacific where the need for financing at scale is most critical. This year, HSBC was named the world's best bank for sustainable finance and Asia's best bank for sustainable finance in the Euromoney Awards for Excellence 2024. In Malaysia, the Bank was recognised as the best bank for sustainable finance in The Asset Triple A Sustainable Finance Awards 2024, whilst HBMS was recognised as ESG Bank of the Year in The Asset Triple A Islamic Finance Awards 2024 and Islamic Bank of the Year for Sustainability in The Banker Islamic Bank of the Year 2024.

Transitioning industry
The Group supports its clients in emissions intensive industries with their transition goals by engaging with them on their transition plans and by providing financing solutions. In 2024, the Group refreshed transition plan assessments for major clients in the oil and gas, power and utilities and coal mining sectors, and began assessing major clients in the automotive, aviation, cement, steel and aluminium sectors, to better understand their objectives and identify opportunities to enable their decarbonisation strategies.

Catalysing the new economy
The Group aims to support clean industrial development and the scaling of entrepreneurial new economy companies at all stages of financing across the markets it operates in. The Group does this through direct financing and investment as well as through catalytic partnerships.

Decarbonising trade and supply chains
The Group is focused on helping to decarbonise trade flows and supply chains through its green trade finance and sustainable trade instruments, sustainable supply chain financing and sustainability-linked lending for trade. Mid-market and smaller businesses make up a large proportion of global supply chains.

Partnering for systemic change

The Group focuses on building strategic partnerships that can help to create an enabling environment for mobilising finance, and support development and scaling-up of solutions for the net zero transition. It also continues to participate in several sustainability-related cross-industry alliances and initiatives to stimulate industry engagement on climate and nature-related issues, and to improve global financial standards, guidance, and frameworks to mobilise finance and accelerate action. Through its philanthropy, the Group partners with a range of non-governmental organisations to develop thought leadership, spur innovation, build capacity and test and scale climate solutions.

HBMB collaborates with the industry for advocacy and capacity building in support of our customers and their sustainability journeys. As JC3 Sub-Committee's Chairperson (Engagement and Capacity Building), HBMS has led the coordination of trainings conducted by the JC3. The trainings were attended by members of the financial services industry and corporates.

Through its philanthropy, HBMB has partnered with several charitable organisations towards supporting net zero transition efforts. We have worked with MySkills Foundation on "Future-Ready Youth: Solar Photovoltaic ('PV') and Electrical Vehicle ('EV') Skills for a Sustainable Tomorrow" programme, which aims to build a future-ready workforce in the renewable energy and sustainable mobility sectors. The programme has equipped 100 youths with skills in PV and EV technology in 2024. HBMB has also been collaborating with Global Environment Centre ('GEC') since 2022 to implement a nature-based solutions programmed focused on ecosystem restoration. In 2024, the initiative rehabilitated degraded peatlands at Raja Musa Forest Reserve, restored mangrove ecosystems at Tebuk Mendeleng, and conserved an encroached water reservoir site at Empangan Jus, Melaka. The project integrates community-led conservation efforts with mangrove restoration focused on planting native species, and habitat expansion. The partnership in 2024 has enabled us to plant 12,000 trees.

Embedding net zero

Net zero in our own operations
HBMB contributes to the HSBC Group's climate ambitions. For details of HSBC Group's climate ambitions, see HSBC Holdings plc's Annual Report and Accounts at www.hsbc.com/investors/results-and-announcements/annual-report.

The Group's guiding approach is, and will continue to be to reduce, replace and remove emissions from its own operations and supply chain. The Group plans to first focus on reducing carbon emissions from consumption, and then replaces remaining emissions with low-carbon alternatives in line with the Paris Agreement. The Group will reduce emissions through the purchase of 100% renewables and plan to add investments in sustainable aviation fuel to replace traditional fuel and reduce emissions from its travel over time.

Energy and water consumption
In 2024, HBMB reduced its energy consumption by implementing consumption reduction measures, including installing solar panels at certain branches, replacing air-conditioning refrigerant with high-efficient and eco-friendly refrigerants in selected branches, and implementing energy-saving measures at the headquarters by reprogramming sensor lighting controls to automatically switch off. Also, HBMB increased its purchase of electricity from renewable sources. The Group aims to achieve 100% renewable electricity across the Group's operations by 2030.

Business travel
The Group has analysed its travel patterns to identify areas where it can reduce emissions.

Engaging with supply chain
The Group's supply chain contributes most of its operational emissions. In 2024 the Group incorporated an additional supply chain data source to complement data from CDP (formerly the Carbon Disclosure Project). The Group aims to deepen collaboration with suppliers and increase its focus on those without public disclosures or emissions reduction plans, supporting them through education and incentivisation.

Emissions calculations approach
The Group's emissions report adheres to the Greenhouse Gas Protocol, which incorporates the scope 2 market-based emissions methodology. HBMB reports greenhouse gas emissions associated with the energy used in its premises and employees' business travel in tonnes of CO_2 equivalent. As a financial services organisation, carbon dioxide is the main type of greenhouse gas applicable to HBMB's operations, however, this current reporting also incorporates methane and nitrous oxide for completeness, although deemed immaterial.

In 2024, HBMB collected data on energy use and business travel for its operations as shown below.

Greenhouse gas emissions in tonnes CO_2e[1,2]

	2024	2023
Scope 1 - direct	**39**	13
Scope 2 - indirect (market based)	**1,243**	2,141
Scope 3 - indirect (upstream activities - category 6: business travel)	**716**	666
Total	**1,998**	2,820
Greenhouse gas emissions in tonnes CO_2e per full-time equivalent staff	**0.68**	0.95

[1] Data is based on the 12-month period to 30 September.
[2] CO_2e refers to carbon dioxide equivalent.

Managing climate risk

Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. HBMB manages climate risk across all its businesses and is incorporating climate considerations within its traditional risk types in line with the Group-wide risk management framework.

HBMB's material exposure to climate risk relates to wholesale and retail client financing activity within its banking portfolio.

For further details of HBMB's approach to climate risk, see 'Climate risk' on page 5.

Banking
HBMB's banking business is well positioned to support its customers managing their own climate risk through financing. For its most material wholesale customers, HBMB uses the Group's transition engagement questionnaire to understand clients' climate strategies and risks. The Group has set out a suite of policies to guide the management of climate risk. HBMB continues to develop its climate risk appetite and metrics to help manage climate exposures in its wholesale and retail portfolios. The Group uses climate scenario analysis to gain insights into the long-term effects of transition and physical risks across its wholesale and retail portfolios.

Insights from climate scenario analysis

Introduction
Climate scenario analysis supports the Group's strategy by assessing its potential exposures to risks and vulnerabilities under a range of climate scenarios. It is one of the key tools used to support the evaluation of portfolios in line with Group's net zero ambition. The scenarios developed for climate scenario analysis are designed to examine HSBC's financial performance and capital resilience across a wide range of potential climate outcomes. They are sufficiently diverse to enable HSBC's key physical and transition risk vulnerabilities to be explored.

Climate Scenarios
The climate scenarios are underpinned by well-established industry bodies such as the Network for Greening Finance Phase IV, the Intergovernmental Panel on Climate Change and International Energy Agency, which are further enriched for additional granularity, ensuring consistency with industry-recognised work and reflecting the latest climate policy and economic outlook.

The scenarios are designed to explore physical and transition risks across a wide range of potential outcomes: ranging from highest physical risk to highest transition risk.

- Downside Physical Risk scenario: with significant global warming and physical risk events, assumes climate action is limited to currently implemented governmental policies, new decarbonisation policies fail to get introduced and global warming continues.

- Severe Climate Stress scenario: a near term disorderly climate action, triggered by unprecedented global weather events that lead to a short, sharp economic recession. In this scenario, extreme physical events pivot the public view on climate and the transition to net zero accelerates. This extreme stress scenario is used to test HSBC's capital resilience to extreme and very unlikely events, combining downside climate and macroeconomic risks with a horizon ending in 2030.

- Current Commitments scenario: assumes a slower-than-required transition to a net zero economy, reflective of the current pace of transition, which assumes that climate action is limited to current governmental committed policies, including already implemented actions. This scenario helps us determine the actions we need to take to reach our net zero ambition while operating in a world that is not on a net zero by 2050 pathway.

- Below 2 Degrees scenario: a Paris Agreement-aligned scenario where net zero is achieved, but beyond the 2050 scenario horizon, as it assumes an orderly and gradual rise in the stringency of climate policies over time.

- Delayed Transition Risk scenario: in which action is delayed until 2030 but is then stringent and rapid enough to meet net zero by 2050, accentuating disorderly transition risks.

Our methodology
Climate scenario analysis allows the Group to model how different potential climate pathways may impact the resilience of its customers and its portfolios. The Group's models continue to incorporate a range of climate-specific metrics that could potentially impact its customers, including expected production volumes, revenue, costs, and capital expenditure.

The Group assesses how these metrics interplay with economic factors such as carbon prices, which represent the cost effects of climate-related policies that aim to discourage carbon-emitting activities and encourage low-carbon solutions. The expected result of higher carbon prices is a reduction in emissions as high-emission activities become uneconomical.

Conclusion to insights from climate scenario analysis
Climate scenario analysis is an evolving process and there are data and modelling limitations due to the information and expertise available in the current market. Limited considerations are made to pricing implications of new green products and clients that are likely to emerge over the time horizon.

The Group continues to enhance its climate scenario analysis exercises so that the Group can have a more comprehensive understanding of climate headwinds, risks and opportunities to support its strategic planning, actions and risk management[1].

In 2024, climate risk modelling exercise was conducted by Group for our properties in Malaysia and no properties were flagged as being at risk to coastal flooding, fluvial flooding (rivers), pluvial flooding (surface water), landslides, extreme temperatures, drought, tropical cyclones, water stress and wildfire. For further details on the exercise, please refer to "Understanding the resilience of our properties" on page 227-228 of the Group Annual Report and Accounts 2024.

On local regulatory front, HBMB is currently participating in a climate stress test which was based on three long-tenure and one short-tenure scenarios as prescribed by Bank Negara Malaysia. Results are expected to be submitted in June 2025.

[1]The climate scenario analysis covers wholesale lending and retail mortgage in Malaysia.

Climate risk

Overview
The Group's climate risk approach identifies two primary drivers of climate risk:
- physical risk, which arises from the increased frequency and severity of extreme weather events, such as floods, or chronic gradual shifts in weather patterns or rises in sea level; and
- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, actions or inaction.

In addition, the Group has also identified the following thematic issues related to climate risk, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks:
- net zero alignment risk, which arises from the risk of HSBC failing to meet its net zero ambition or failing to meet external expectations related to net zero; and
- the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to HBMB's stakeholders.

Approach
HBMB recognises that the physical impacts of climate change and the transition to net zero economy can create significant financial risks for companies, investors and the financial system. HBMB may be affected by climate risks either directly or indirectly through its relationships with customers, which could result in both financial and non-financial impacts.

Task Force on Climate-related Financial Disclosures

The Group's climate risk approach aims to effectively manage the material climate risks that could impact the Group's operations, financial performance and stability, and reputation. The approach is informed by the evolving expectations of the Group's regulators.

Climate considerations and the thematic issues of net zero alignment risk and the risk of greenwashing are incorporated within HBMB's traditional risk types in line with the Group-wide risk management framework.

HBMB continues to develop its climate risk capabilities across its businesses, by prioritising sectors, portfolios and counterparties with the highest impacts, and recognises that this is a long-term iterative process.

This includes increasing coverage and incorporating mature data, climate analytics, frameworks and tools, as well as responding to emerging industry best practice and climate risk regulations as well as reflecting on how climate risk continues to evolve in the real world, and improving how the Group embeds climate risk factors into strategic planning, transactions and decision-making across its businesses.

The Group's climate risk approach is aligned to the Group-wide risk management framework and three lines of defence model, which sets out how HBMB identifies, assesses and manages its risks. For further details of the three lines of defence framework, see page 128 of the Group Annual Report and Accounts 2024.

The HSBC Group's annual climate risk materiality assessment helps it to understand how climate risk may impact HSBC's risk taxonomy. The assessment considers short-term (up to 2026), medium-term (2027-2035) and long-term (2036-2050) periods.

HBMB considers climate risk in its emerging risk reporting.

The table below provides an overview of the climate risk drivers considered within HSBC's climate risk approach.

Climate risk – primary risk drivers		Details	Potential Impacts	Time horizons
Physical	**Acute**	Increased frequency and severity of weather events causing disruption to business operations.	• Decreased real estate values or stranded assets • Decreased household income and wealth • Increased costs of legal and compliance • Increased public scrutiny • Decreased profitability • Lower asset performance	Short term Medium term Long term
	Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves).		
Transition	**Policy and legal**	Mandates on, and regulation of products and services and/or policy support for low carbon alternatives. Litigation from parties who have suffered loss and damage from climate impacts.		
	Technology	Replacement of existing products with lower emissions options.		
	End-demand (market)	Changing consumer demand from individuals and corporates.		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction.		

The table below provides a summary of how climate risk may impact a subset of HSBC's principal risks.

Climate risk drivers	Credit risk	Traded risk	Reputational risk[1]	Regulatory compliance risk[1]	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

[1]The Group's climate risk approach identifies thematic issues such as net zero alignment risk and the risk of greenwashing, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks.

Climate risk management

Key developments in 2024

The HSBC Group's climate risk programme continues to support the development of its climate risk management capabilities. The following outlines key developments in 2024:

- The Group has started to enhance its approach to assessing the impact of climate change on capital, focusing on credit, market and operational risk.
- HBMB expanded its climate-related metrics to assess the impact of physical risk on its retail mortgage portfolio in Malaysia.
- HBMB rolled-out the transition engagement questionnaire to its key wholesale customers and enhanced climate risk considerations in its credit risk assessments.
- HBMB has started to embed the Group's enhanced approach for managing and mitigating the risk of greenwashing.
- HBMB provided climate-related training for Board and senior management, and supported staff upskilling through climate risk related professional certifications as well as internal training.

- Whilst HBMS has been publishing TCFD aligned disclosures for the last 3 years, HBMB has for the first time published its TCFD disclosure for the year 2024 to comply with BNM's Climate Risk Management and Scenario Analysis policy.

While HBMB has made progress, further work remains, including the need to develop additional metrics and tools to measure HBMB's exposure to climate-related risks.

Governance and structure
HBMB's Board takes overall supervisory responsibility for HBMB’s climate strategy, overseeing executive management in developing the approach, execution and associated reporting.

HBMB Chief Risk and Compliance Officer is responsible for the management of climate risk, which involves holding overall accountability for HBMB's climate risk management and initiatives.

HBMB CROF provides oversight of climate risk.

HBMB Risk Management Meeting and HBMB Risk Committee receive regular updates on HBMB's climate risk profile and the progress of its climate risk initiatives.

Risk appetite
HBMB's climate risk appetite forms part of HBMB's risk appetite statement and supports the business in delivering HBMB's climate strategy effectively and sustainably.

HBMB's climate risk appetite statement is approved and overseen by HBMB Board.

Policies, processes and controls
The Group continues to integrate climate risk into policies, processes and controls across many areas of the organisation, and it will continue to update these as its climate risk management capabilities mature over time.

For further details of how HBMB manages climate risk in banking, see page 4.

Embedding the Group's climate risk approach

The section below provides further details of how HBMB has embedded the management of climate risk across key risk types.

Wholesale Credit Risk
HBMB has metrics in place to monitor the exposure of its wholesale corporate lending portfolio to six high transition risk sectors which are: automotive; chemicals; construction, contracting and building materials; metals and mining; oil and gas; and power and utilities.

HBMB's relationship managers engage with their key wholesale customers through a transition engagement questionnaire ('TEQ'). The TEQ helps to gather information and assess the alignment of the wholesale customers' business models to net zero and their exposure to physical and transition risks. HBMB uses the responses to the questionnaire to risk-assess its key wholesale customers.

HBMB's credit policies require that relationship managers comment on climate risk factors in credit applications for new money requests and annual credit reviews. The credit policies also require manual credit risk rating overrides if climate is deemed to have a material impact on credit risk under 12 months if not already captured under the original credit risk rating.

Key developments to HBMB's framework in 2024 included expansion of the TEQ and additionally the development of climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments.

Key challenges for further embedding climate risk into credit risk management relate to the availability of adequate physical risk data to assess impacts on HBMB's wholesale customers.

Retail Credit Risk
Climate risk may impact retail credit risk through an increase in credit losses on its global retail mortgage portfolio, primarily due to the impact of physical risk. The Group's current climate assessment, in line with last year's assessment, indicates that its retail mortgage portfolio remains resilient to climate risk, with impact severity muted at a portfolio level given that its book has diversified property locations, with insurance coverage being a key loan covenant. The Group’s retail credit risk mortgage policy requires that every mortgage market conducts an annual review of their climate risk management procedures, to ensure they remain fit for purpose.

Within HBMB’s mortgage portfolios, properties or areas with potential heightened physical risk are identified and assessed locally with exposure monitored using risk indicators. A reduction in property value, higher insurance costs and insurance availability are potential future negative financial impacts for higher risk properties. HBMB has established risk appetite metrics further enhancing the ability to manage the financial risks from climate change in line with the risk appetite.

Additionally, our immediate parent company, The Hongkong and Shanghai Banking Corporation Limited, released guidance on physical risk assessment at mortgage origination with implementation in March 2025.

Treasury Risk
Climate risk may impact Treasury Risk through increased regulatory requirements and from changes to customer behaviours, which may result in increased deposit outflows.

From a capital risk perspective, climate risk has been considered qualitatively as part of the Internal Capital Adequacy Assessment in 2024.
Internal Liquidity Adequacy Assessment Process included qualitative assessment of how climate risk may impact the key liquidity risk drivers and identify potential impact of climate risk exposures.

In October 2024, the Group published its Green Financing Framework, in alignment with the International Capital Market Association Green Bond Principles. This framework promotes transparency, forming part of the Group's sustainability strategy and helping to further the Group's aim of supporting its clients in transitioning to a net zero future.

Traded Risk
Climate risk may result in trading losses due to increases in market volatility and widening spreads from the macro and microeconomic impacts of transition and physical risk.

The Group conducts monthly stress testing to understand the vulnerabilities of its trading portfolio to various climate scenarios, which are refined on annual basis, with the results reported to global and regional senior management.

Reputational Risk
The Group manages the reputational impact of climate risk through its broader reputational risk framework, supported by its sustainability risk policies and metrics.

The Group's sustainability risk policies set out its appetite for financing activities in certain sectors. The Group's thermal coal phase-out and energy policies aim to drive down greenhouse gas emissions while supporting a just transition.

The Group's regional network of sustainability risk managers provides policy guidance to relationship managers for the oversight of policy compliance and in support of implementation across HBMB's wholesale banking activities.

Regulatory Compliance Risk
Regulatory Compliance is responsible for the oversight and management of climate-related risks that could cause breaches of its regulatory duties to customers and inappropriate market conduct. The Group has updated its policies to incorporate considerations for climate risks, particularly in relation to new and ongoing product management, sales outcomes, and product marketing.

To support its key policies, the Group also enhanced the underlying control frameworks and processes. This includes the integration of greenwashing risk and controls considerations in the design of new products and changes to them, as well as in relation to marketing materials. From a product sales perspective, the Group has established key control principles, encompassing the sales journey design, training and competence, supervision, sales quality, and governance.

The Group Regulatory Compliance function operates a climate risk working group tasked with tracking and monitoring the integration of climate risk stewardship across its operations. This group also monitors regulatory and legislative developments related to the climate agenda. In Asia-Pacific, a dedicated working group continues to coordinate the regional implementation of climate risk-related enhancements within the Regulatory Compliance function.

Resilience Risk
Resilience risks may potentially crystallise through physical climate risk impacts to HBMB's buildings supporting service provision, or through physical and/or transition disruption to HBMB's third-party supply chain relationships.

The Group has developed metrics to assess how physical risk may impact its critical properties and to monitor progress against its own operations' net zero ambitions. The Group's resilience risk policies are subject to continuous improvement to remain relevant to evolving climate risks.

Model Risk
Model risk in the climate risk context refers to the uncertainties and complexities inherent in the modelling of the financial impact translation of climate-related changes and scenarios.

Climate risk models are used for climate scenario analysis, risk management, and emissions reporting among other use cases. Climate risk modelling is at a nascent stage, with challenges - including limitations in data availability, consistency and quality - shared across the financial industry.

The Group has developed procedures that set out the minimum control requirements for identifying, measuring and managing model risk for climate-related models. All the identified climate-related models are subject to HSBC's model lifecycle controls and policy.

Challenges
While HBMB has continued to develop its climate risk capabilities, its remaining challenges include:

- the diverse range of internal and external data sources and data structures needed for climate related reporting, which introduces data accuracy and reliability risks;
- data limitations on customer assets and supply chains, and methodology gaps, which hinder HBMB's ability to assess physical risks accurately;
- industry-wide data gaps on customer emissions and transition plan and methodology gaps, which limit its ability to assess transition risks accurately; and
- limitations in the management of net zero alignment risk, which is undertaken at a Group level and supported by actions within Asia, due to known and unknown factors, including the limited accuracy and reliability of data, merging methodologies, and the need to develop new tools to better inform decision making.

JC3 TCFD Application Guide Recommended Disclosures

Where HBMB has not included climate-related financial disclosures consistent with all the JC3 TCFD Application Guide recommended disclosures, the reasons for non-disclosure are set out accordingly. HBMB will continue to develop and refine its reporting and disclosures on climate matters. Explanatory clauses of stretch requirements may be covered under basic requirement clauses, where applicable.

Strategy		
Disclose impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Basic Requirements	The Group does not fully disclose impacts from climate-related opportunities on existing businesses, strategy, and financial planning. This is due to transitional challenges in relation to data limitations, although nascent work is ongoing in these areas. The Group expects these data limitations to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented.
	Stretch Requirements	HBMB is currently participating in a climate stress test which was based on three long-tenure and one short-tenure scenarios as prescribed by Bank Negara Malaysia. Results are expected to be submitted in June 2025.
Metrics and Targets		
Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process.	Basic Requirements	The Group focuses on disclosing four out of 15 categories of scope 3 greenhouse gas emissions including business travel, supply chain, and financed emissions following our internal materiality assessment. HBMB does not currently disclose all categories of scope 3 emissions including employee commuting emissions (Category 7) and financed emission due to transitional challenges such as data availability. HBMB has only disclosed one category of scope 3 emissions, which is business travel. HBMB does not fully disclose metrics used to assess the impact of climate-related physical (acute, chronic) and transitions (policy and legal, technology, market, reputational) risks on retail lending, wholesale lending, other financial intermediary business activities as well as our own supply chain, outsourcing arrangements, external service providers, and business continuity planning. This is due to data and system limitations which HBMB is working to address. HBMB does not currently fully disclose the proportion of revenue or proportion of assets, client engagement, capital deployment or other business activities aligned with climate-related opportunities, including revenue from products and services designed for a low-carbon economy, forward-looking metrics consistent with its business or strategic planning time horizons, or any avoided emissions from client's products. In relation to sustainable finance revenue and assets, the Group is disclosing certain elements. HBMB expects the data and system limitations related to financial planning and performance, and climate-related opportunities metrics to be addressed in the medium term as more reliable data becomes available and technology solutions are implemented. The Group tracks its net zero progress using multiple metrics, tailoring methodologies to the specific measures. For details of the Group's ambitions, please see the Group's Annual Report and Accounts and ESG Data Pack. HBMB does not fully disclose proportion/share of the portfolio for which engagement on climate-related risk/opportunities has been a key topic. HBMB does not currently set its targets used to measure and manage physical and transition risk, capital deployment, remuneration or climate-related opportunities due to transitional challenges and such as data and system limitations which HBMB is working to address.

Metrics and Targets		
Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process.	Stretch Requirements	The Group does not currently disclose internal carbon prices due to transitional challenges such as data challenges. However, the Group considered carbon prices as an input for its climate scenario analysis exercise. The Group expects to further enhance the disclosure in the medium term. HBMB does not currently set internal carbon pricing target due to transitional challenges such as developing the appropriate systems and processes, but considered carbon prices as an input for its climate stress testing exercise. HBMB expects to further enhance the disclosure in the medium term as more data becomes available. HBMB does not currently disclose forward-looking assessments of the convergence between the emissions profile of a portfolio, and the sectoral decarbonization trajectory necessary to achieve climate goals. Future disclosure on financed emissions, and related risks is reliant on the Group's customers publicly disclosing their greenhouse emissions, targets and plans and related risks. The Group recognises the need to provide early transparency on climate disclosures but balances this with the recognition that existing data and reporting processes continue to require significant enhancements. The Group's approach to disclosure of financed emissions can be found at www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.

Additional cautionary statement regarding climate-related data, metrics and forward-looking statements

The Task Force on Climate-related Financial Disclosures 2024 ('TCFD 2024') contains a number of forward-looking statements (as defined above) with respect to the Group's climate ambitions, targets, commitments, climate-related pathways, processes and plans, and the methodologies and scenarios the Group (including HBMB) uses, or intends to use, to assess the Group's (including HBMB's) progress in relation to these ('climate-related forward-looking statements').

In preparing the climate-related information contained in the TCFD 2024, the Group (including HBMB) has made a number of key judgements, estimations and assumptions, and the processes and issues involved are complex. The Group (including HBMB) have used climate data, models and methodologies that it considers, 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 often 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 the Group (including HBMB) expects industry guidance, market practice, and regulations in this field to continue to change. The Group (including HBMB) also face challenges in relation to its ability to access data on a timely basis, lack of consistency and comparability between data that is available and its ability to collect and process relevant data. Consequently, the climate-related forward-looking statements and climate metrics disclosed in the TCFD 2024 carry an additional degree of inherent risk and uncertainty.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to climate-related issues and the effectiveness of any such response, the Group (including HBMB) may have to re-evaluate its progress towards its climate ambitions, targets and commitments in the future, update the methodologies it uses or alter its 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 develop.

No assurance can be given by or on behalf of HBMB as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, ambitions, targets, commitments, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to the Group (including HBMB), could cause actual achievements, results, performance or other future events or conditions to differ, in some cases materially, from those stated, implied and/or reflected in any climate-related forward-looking statement or metric 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;
- Climate projection risk: climate metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, 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;
- 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;
- Variation in reporting standards: climate reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different climate metrics are still emerging;

- Data availability, accuracy, verifiability and data gaps: the Group's (including HBMB's) disclosures are limited by the availability of high quality data in some areas and the Group's (including HBMB's) ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to the Group's (including HBMB's) data quality scores. While the Group (including HBMB) expects its 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, or the Group's (including HBMB's) ability to collect and process such data, 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 and scenarios: the methodologies and scenarios the Group (including HBMB) uses 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. Such developments could result in revisions to reported data, 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; and
- Risk management capabilities: global actions, including the Group's (and HBMB's) own actions, may not be effective in transitioning to net zero and in managing relevant climate risks, including in particular climate, nature-related and human rights risks, each of which can impact the Group (including HBMB) both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to the Group (including HBMB). In particular:
    - the Group (including HBMB) may not be able to achieve its climate ambitions, targets and commitments (including with respect to the positions set forth in the Group's thermal coal phase-out policy and its energy policy, and its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in the Group's (including HBMB's) failure to achieve some or all of the expected outcomes of its strategic priorities; and
    - the Group (including HBMB) 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 environmental and social impacts 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 the climate ambitions, targets and commitments, including its net zero ambition, its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in its thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Any forward-looking statements made by or on behalf of the Group (including HBMB) speak only as of the date they are made. The Group (including HBMB) expressly disclaims any obligation to revise or update these climate forward-looking statements, other than as expressly required by applicable law.

Written and/or oral climate-related forward-looking statements may also be made in the Group's (including HBMB's) periodic reports to its, regulators, public offering, disclosure documents, press releases and other written materials, and in oral statements made by the Group's (including HBMB's) Directors, officers or employees to third parties, including financial analysts.

The Group's data dictionaries and methodologies 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.

Abbreviations

BNM	Bank Negara Malaysia
CDP	Carbon Disclosure Project
CO2e	Carbon dioxide equivalent
CROF	Climate Risk Oversight Forum
ESG	Environmental, Social, and Governance
EV	Electrical Vehicle
GEC	Global Environment Centre
GHG	Greenhouse Gas
HBMB	HSBC Bank Malaysia Berhad and its subsidiary, HSBC Amanah Malaysia Berhad
HBMS	HSBC Amanah Malaysia Berhad
HSBC Group/Group	HSBC Holdings plc together with its subsidiaries
ISSB	International Sustainability Standards Board
JC3	Joint Committee on Climate Change
PV	Photovoltaic
TCFD	Task Force on Climate-related Financial Disclosures