



Forging a Sustainable Future for the Japan - Malaysia Corridor



What is Sustainability?

Sustainability and what it means is unique to every person and to every business. At HSBC, we think of Sustainability as our long term strategy to continue delivering for our customers whilst safeguarding the world we live in for future generations. We look at this under three lenses, Environmental, Social and Governance.



Environmental

- ◆ Natural resource use
- ◆ Carbon emissions
- ◆ Energy efficiency
- ◆ Pollution waste
- ◆ Sustainability initiatives



Social

- ◆ Workforce health & safety
- ◆ Diversity/opportunity policies
- ◆ Employee training
- ◆ Privacy/data security
- ◆ Community programs



Governance

- ◆ Board independence
- ◆ Board diversity
- ◆ Shareholder rights
- ◆ Management compensation
- ◆ Business ethics

HSBC sets our ambition to build a net zero economy

- The transition to net zero carbon emissions presents a clear opportunity to set the global economy on a more sustainable, resilient and inclusive path.
- Finance, with its focus on risk and reward, is key to building a future that prioritises resilience, social mobility and the environment alongside economic growth.
- Achieving the scale of change needed to meet the Paris Agreement goal to achieve net zero by 2050 or sooner will require significant extra effort, at a faster pace.
- For the financial sectors, this means aligning the financed emission - the carbon emissions of the portfolio of customers - to the Paris Agreement goal.
- By the end of Climate Week NYC (21-25 Sep): 22 regions, 452 cities, 1,101 businesses, 549 universities and 45 of the biggest investors have now joined the Race to Zero, the United Nations Framework Convention on Climate Change (UNFCCC) global campaign for a zero-carbon world¹.

HSBC's ambition is to be the leading bank for the transition to net zero through a three-part plan

Becoming a net zero bank



Align our **financed emissions²** to achieve **net zero by 2050 or sooner**



Use the **Paris Agreement Capital Transition Assessment Tool (PACTA)**



Make regular, transparent **TCFD disclosures** to communicate progress



Collaborate with stakeholders for **globally consistent standard** for financed emissions and carbon offset market.



Be **net zero in our operations and supply chain by 2030** or sooner.

Supporting our customers



Dedicated ESG Solutions Unit to **support customers** on their journey to lower carbon emissions



Provide **between USD750bn and USD1trn** of financing and investment over the next 10 years



Increase our portfolio of **transition finance solutions** to help even heavy-emitting sectors to decarbonise



Apply a **climate lens to our financing decisions** across developed and developing economies

Unlocking new climate solutions



HSBC Pollination Climate Asset Management – in order to build **world's leading natural capital managers**



Target \$100m CleanTech investment within our technology venture debt fund to **support CleanTech innovation**



Launch **\$100m philanthropic programme** to scale climate innovation ventures between now and 2025



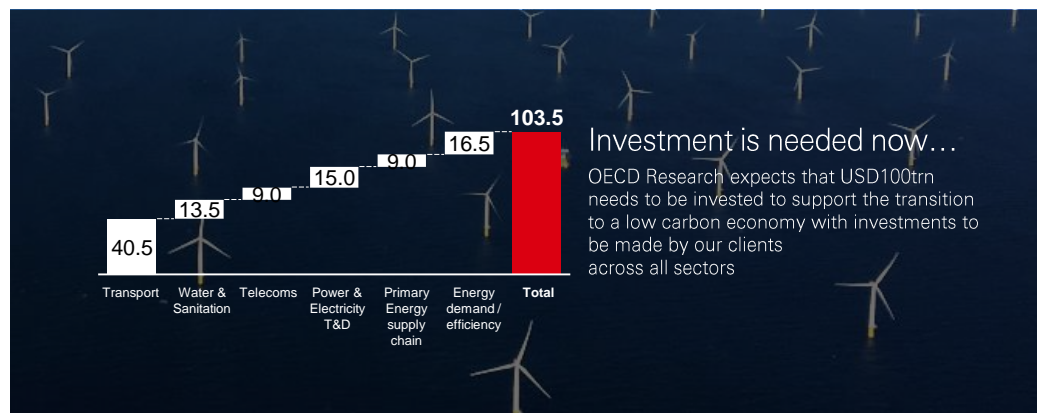
Help transform **sustainable infrastructure** into a global asset class, and create a pipeline of bankable projects

1. New York Climate Week announcements ([link](#))
2. The carbon emissions of its portfolio of our customers

Supporting the transition to a low carbon economy



Climate is a key piece of the wider Sustainability agenda and the pace of change is rapidly accelerating. We want to be the bank to support this change as more of our clients adapt their business practices to transition a low carbon economy. Whether you need guidance, financing or insight, we want to help you mitigate the risk and capitalise on the opportunities presented by this change



Investment is needed now...
 OECD Research expects that USD100trn needs to be invested to support the transition to a low carbon economy with investments to be made by our clients across all sectors

Why should you consider transitioning your business practices to suit a low carbon economy?

End market:

We are already seeing a shift in supply and demand for certain products. Responding to these trends early can lead to competitive advantage. A Harvard review study, found that products marketed as sustainable grew 5.6 times faster than those that were not.¹

Extreme Weather:

We can help you safeguard your business from the risks presented by increased extreme weather events such as heat-waves, flooding and drought which could disrupt supply chains, damage facilities and increase capital costs.

Technology:

Acting fast could mean first mover advantage in adopting disruptive technologies that mitigate climate risk and differentiation. Across industries, we are seeing a step change in sustainable innovation such as battery storage, carbon capture and advanced materials.

Reputation:

Consumers are looking to support businesses which have a positive impact on climate change. For those businesses that do not, excluding the US, 325 climate litigation cases have been filed around the world. Within the US, this number soars to 1023.²

Regulation:

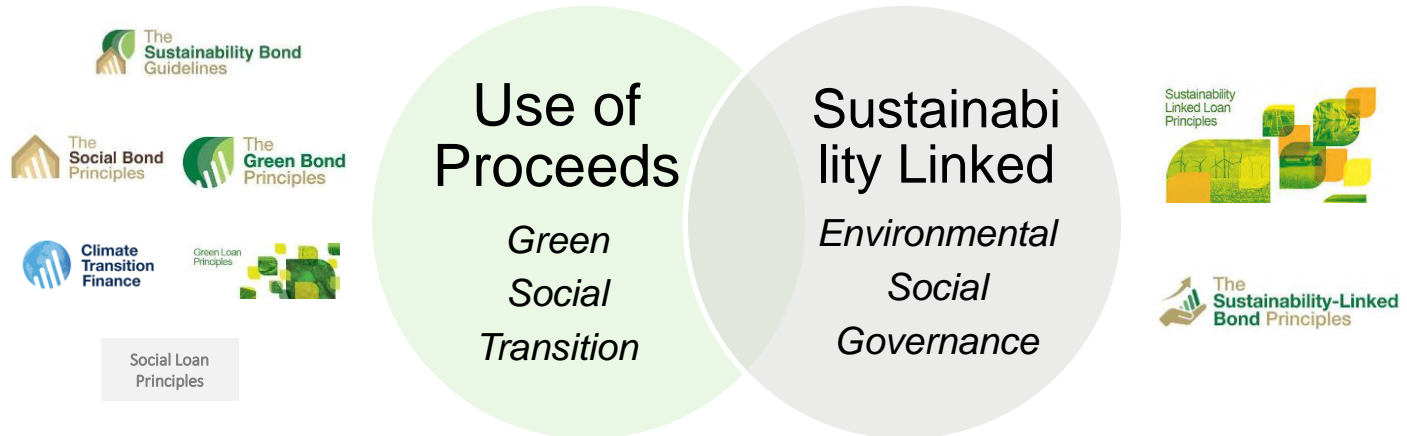
There are currently 1807 laws and policies on climate change across 164 countries and this will only rise as countries strive towards COP 21/26 targets.³ Companies moving quickly will avoid early retirement of assets, regulatory fines and purchase of carbon credits to offset emissions.

Note:

- [1. \(https://hbr.org/2019/06/research-actually-consumers-do-buy-sustainable-products\)](https://hbr.org/2019/06/research-actually-consumers-do-buy-sustainable-products)
- [2. \(www.climate-laws.org\)](http://www.climate-laws.org)
- [3. \(www.climate-laws.org\)](http://www.climate-laws.org)

Overview of ESG Financing Options

Turning Financing Needs Into Sustainable Finance & Investment



Sustainable Finance & Investment drives better outcomes.

Equity	Bonds	Loans	Working Capital	Trade	Accounts	Deposits	Investments
--------	-------	-------	-----------------	-------	----------	----------	-------------

Sustainability Linked Loans

Sustainability Performance Indicators and Targets - Examples

Selecting Relevant KPIs

Potential references include SASB reporting standards and ESG Rating providers indicators of material issues

Setting Performance Targets

Need to be ambitious in relation to historic performance, sector benchmarks and change required

Tailored for each client

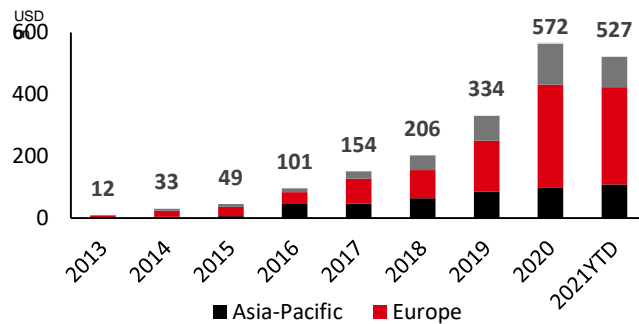
KPIs and SPTS need to be tailored for each client situation

Categories		Key Performance Indicators	Sustainability Performance Targets
Environmental	GHG Emissions	<ul style="list-style-type: none"> GHG emissions intensity Absolute GHG emissions 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
	Energy	<ul style="list-style-type: none"> Energy intensity of facilities Installed renewable energy 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
	Water Consumption	<ul style="list-style-type: none"> Water intensity of facilities 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
	Waste Management	<ul style="list-style-type: none"> Waste sent to landfill Waste recycled 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
	Supply Chain / Circular Economy	<ul style="list-style-type: none"> Supplier Ratings 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
Social & Governance	Health and Safety	<ul style="list-style-type: none"> Standards Staff Training 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
	Diversity	<ul style="list-style-type: none"> Gender / ethnicity 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
	Social Metrics	<ul style="list-style-type: none"> Employee training 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance
ESG Rating	ESG Score	<ul style="list-style-type: none"> Sustainalytics Vigeo Eiris MSCI FTSE4Good 	<ul style="list-style-type: none"> Aspirational / BAU / Underperformance

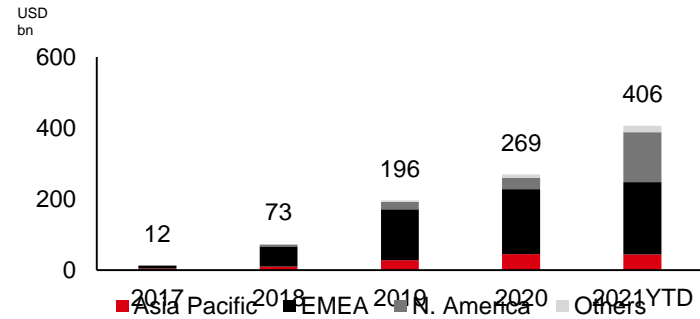
Sustainable Finance Instruments

Product and Market Overview

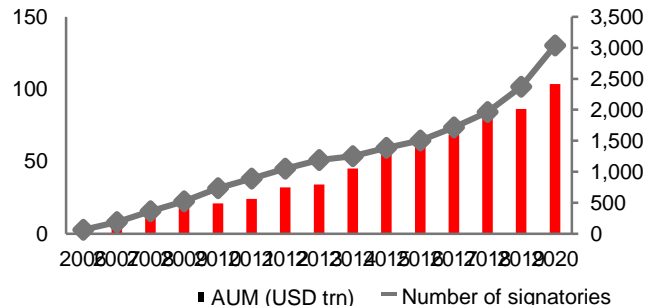
Global Green, Social and Sustainability Bond Volumes¹



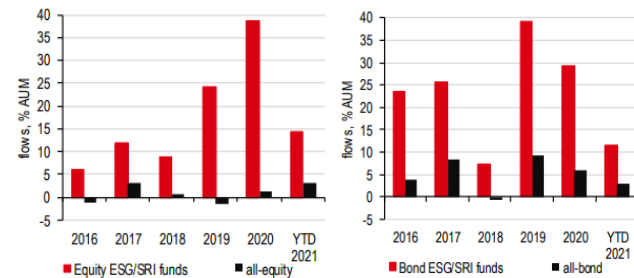
Global Green and Sustainability Linked Loan Volumes²



Investors Committing to Responsible Investments³



ESG/SRI Equity and Bond funds' inflows (as % AUM)⁴



Sources:

1. HSBC Green, Social, Sustainability Bond database – based on Dealogic, CBI, Bloomberg, as of 18 Jun 2021. The data presented above is to the best of our knowledge and may not be fully representative of the SRI market
2. LoanConnector, as of 5 Jul 2021
3. UNPRI
4. HSBC Research, EPFR Global. YTD2021 data as of 12 May 2021

Disclaimer

This document is jointly issued by HSBC Bank Malaysia Berhad (198401015221 (127776-V)) and HSBC Amanah Malaysia Berhad (200801006421 (807705-X)) (collectively, "HSBC"). The information contained herein is derived from sources we believe to be reliable, but which we have not independently verified. HSBC makes no representation or warranty (express or implied) of any nature nor is any responsibility of any kind accepted with respect to the completeness or accuracy of any information, projection, representation or warranty (expressed or implied) in, or omission from, this document. No liability is accepted whatsoever for any direct, indirect or consequential loss arising from the use of this document. Any examples given are for the purposes of illustration only. The opinions in this document constitute our present judgment, which is subject to change without notice. This document does not constitute an offer or solicitation for, or advice that you should enter into, the purchase or sale of any security, commodity or other investment product or investment agreement, or any other contract, agreement or structure whatsoever and is intended for institutional customers and is not intended for the use of private customers. The document is intended to be distributed in its entirety. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document. This document, which is not for public circulation, must not be copied, transferred or the content disclosed, to any third party and is not intended for use by any person other than the intended recipient or the intended recipient's professional advisers for the purposes of advising the intended recipient hereon.