The Hongkong and Shanghai Banking Corporation Limited

New Zealand Banking Group

Climate Statement

31 December 2023

Certain defined terms

This document comprises the 2023 Climate Statement for The Hongkong and Shanghai Banking Corporation Limited, New Zealand Group ('NZ Banking Group'). The NZ Banking Group is the New Zealand operations of The Hongkong and Shanghai Banking Corporation ('HBAP') and all New Zealand incorporated subsidiaries of HBAP. The entities that have been considered for aggregation to form the NZ Banking Group include:

- The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch ('Branch')
- HSBC Nominees (New Zealand) Limited

  This New Zealand incorporated entity is the Branch's nominee company which provides custodian services. HSBC Nominees (New Zealand) Limited is wholly owned by HBAP. Income and expenses of the custodian services business are included in the Branch's financial statements.

References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries.

References to 'the HBAP group' within this document mean The Hongkong and Shanghai Banking Corporation Limited together with its subsidiaries.

All amounts are rounded to millions ('$m') of New Zealand Dollars and all references to '$' is to New Zealand dollars unless otherwise stated.

Climate-related Disclosures

Approach to climate reporting

HBAP is an overseas climate-reporting entity under the Financial Markets Conduct Act 2013 and has prepared this Climate Statement on behalf of the NZ Banking Group. The information set out in this Climate Statement provides key climate information and data relevant to the NZ Banking Group's operations for the year ended 31 December 2023. Due to the global model in which the NZ Banking Group operates, these climate-related disclosures contain references to the HSBC Group which is reflective of the role of the ultimate parent in setting the climate-related targets and policies for the HSBC Group, which includes the NZ Banking Group. In addition, these climate-related disclosures contain references to the HBAP group reflective of the overall responsibility of the HBAP Board for climate governance of the HBAP group, which includes the NZ Banking Group. This is supplemented with information and data relevant to the NZ Banking Group's operations. The data is compiled for the financial year 1 January 2023 to 31 December 2023 unless otherwise specified. Measurement techniques and calculations are explained along with data tables where necessary.

The Group's purpose is to open up a world of opportunity for our customers, colleagues and communities and the NZ Banking Group's model is based on being able to leverage this international connectivity through its wholesale banking proposition which includes Commercial Banking and Financial Institutions & Government, along with a Markets and Securities Services business. On 13 June 2023, the NZ Banking Group announced that it will be exiting its Wealth and Personal Banking ('WPB') business in New Zealand via a wind-down. Subsequently on the 1 September 2023 the Branch announced that it had entered into an agreement to sell its New Zealand mortgage portfolio to Pepper Money Limited. The mortgage portfolio transferred to Pepper Money Limited on 1 December 2023. There are no further lending products offered by WPB. Therefore, the climate-related disclosures contained in this Climate Statement do not include any specific data regarding retail lending for the NZ Banking Group.

This Climate Statement complies with Aotearoa New Zealand Climate Standards ('NZ CS') issued by the External Reporting Board. In preparing its climate-related disclosure the NZ Banking Group has elected to apply all the adoption provisions as outlined below and in the Aotearoa Climate Standard 2: *Adoption of Aotearoa New Zealand Climate Standards*:

- Adoption provision 1: Current financial impacts;
- Adoption provision 2: Anticipated financial impacts;
- Adoption provision 3: Transition planning;
- Adoption provision 4: Scope 3 GHG emissions;
- Adoption provision 5: Comparatives for Scope 3 GHG emissions;
- Adoption provision 6: Comparatives for metrics; and
- Adoption provision 7: Analysis of trends.

Understanding HSBC's climate reporting

The availability of high quality climate-related data, transparent reporting standards and consistent methodology will play a vital role in helping deliver the wholesale economic transformation required to limit global warming to 1.5°C at the speed and scale it is needed. The HBAP group understands that its existing data, systems, controls and processes require enhancements to drive effective change, but the HBAP group recognises the necessity to balance this with providing early transparency on climate disclosures.

The HBAP group acknowledges that to achieve the Group's climate ambition the HBAP group needs to be transparent about the opportunities, challenges, related risks it faces and progress it makes. The HBAP group's reporting must evolve to keep pace with market developments and the HBAP group will aim to work through challenges where possible and seek to improve consistency across different markets. The role of standard setters and regulators will be important in achieving standardisation.

In 2024, the HBAP group will continue to review its approach to disclosures, and enhance as appropriate, supporting the NZ Banking Group with climate-related disclosures in compliance with NZ CS.

How climate is governed

The HBAP Board takes overall responsibility for climate governance including approval for the climate strategy aligned with the Group's ambitions and the oversight of executive management in developing the approach, execution, risk management and associated reporting for climate-related matters. The HBAP group's developments in relation to its climate-related strategies was reviewed through Board discussions at five of the six HBAP Board meetings in 2023. Board members receive annual climate-related training as part of their ongoing development. In 2023, HBAP Board members received training on the Group's net zero ambition on its own operations, the Group's financed emissions and decarbonisation solutions, as part of their ongoing development. HBAP Management has engaged with the HBAP Board throughout 2023 on the key climate issues, such as climate strategy, client transition engagement and climate risk management.

Given the wide-ranging remit of climate matters, the governance activities are managed through a combination of specialist governance infrastructure and regular meetings and committees, where appropriate. These include the Board level committees - the Risk Committee, the Audit Committee, the Executive Committee. The Risk Committee reviews the effectiveness of the HBAP group's conduct framework, which is designed to deliver fair outcomes for customers, and to preserve the orderly and transparent operation of financial markets. The Risk Committee also oversees and advises the HBAP Board on risk-related matters, including both financial and non-financial risks. The Audit Committee provides oversight of the scope and content of environmental, social and governance ('ESG') disclosures. The Executive Committee reviews the annual financial plan for sustainable finance and on a quarterly basis an ESG dashboard which includes key metrics such as sustainable finance and own operations emissions.

The management level governance includes the HBAP executive level committees, including the Risk Management Meeting, Sustainability Committee, the Environmental Risk Oversight Forum and the Disclosure and Controls Committee. The HBAP group Sustainability Committee is a governance forum established by the HBAP group to support the Group's climate ambition. The HBAP group Sustainability Committee, chaired by the Co-CEOs of Asia-Pacific, oversees the HBAP group's contribution to the Group's net zero transition plan. This includes overseeing delivery across Asia-Pacific of the Group's climate ambition and commitments, including supporting clients and customers with sustainable finance, and partnering with organisations and governments in the region. The HBAP group Environmental Risk Oversight Forum is a sub-committee of the Risk Management Meeting, established to provide oversight of all risk activities relating to the HBAP group's approach to environmental risk management, including climate risk. The Disclosure and Controls Committee is to support the HBAP group in discharging its obligations under applicable legislation and regulations relating to external disclosure obligations, including climate-related disclosure obligations.

Within New Zealand, the NZ Banking Group's Executive Committee monitors the NZ Banking Group's local activity to implement the Group's climate strategy, including identifying the NZ Banking Group's climate opportunities and risks. NZ Banking Group's management responsibilities are integrated into the processes of relevant business and support areas. The NZ Banking Group's Executive Committee discussed climate-related matters within formal governance at five meetings in 2023. The NZ Banking Group's Risk Management Meeting provides oversight of local climate risk management activities.

Governance structure

Governance body:
HBAP BOARD

Board level governance

Executive Committee	Audit Committee	Risk Committee

Management level governance

Sustainability Committee

Has oversight of the HBAP group's delivery of the Group's ambition to become a net-zero bank, including monitoring progress of the HBAP group's contribution towards the Group's ambition and commitments, implementation of the Group's climate policies in Asia Pacific, and supporting our clients and customers with sustainable finance.

Co-Chairs: Co-Chief Executives of Asia Pacific

Risk Management Meeting

Oversees the enterprise-wide management of all risks, including updates relating to the Group's climate risk profile and progress of its climate risk programme.

Chair: Chief Risk Officer, Asia Pacific

Supporting governance

Disclosure and Controls Committee

Supports the HBAP group in discharging its obligations under applicable legislation and regulations relating to external disclosure obligations.

Chair: Chief Financial Officer, Asia Pacific

Environmental Risk Oversight Forum

Oversees risk activities relating to HBAP Group's approach to environmental risk management.

Chair: Regional Head of Risk Strategy and Chief Risk Officer, Global Banking and Markets and Commercial Banking ASP

NZ Banking Group

NZ Banking Group
Country executive management report progress on sustainable activity into HBAP Management and escalate into HBAP management level committees, where required.

The Group’s climate ambitions are embedded in the Long-Term Incentive Plan operated by our ultimate parent, HSBC Holdings plc. Group Executives, including the Group Chief Executive Officer, Group Chief Financial Officer, and the Co-CEOs of HBAP are participants of the plan. Climate-related measures form 25% of the Performance Measures and the descriptions and the outcomes will be determined by the Group Remuneration Committee. The 2023 annual incentive scorecards of the Co-CEOs of Asia-Pacific and most of the HBAP Executive Committee members include outcomes linked to realisation of different ESG metrics including carbon reduction of the HBAP group's own operations and sustainable finance measures. In 2023, the NZ Banking Group’s Chief Executive reported the NZ Banking Group’s progress against the Group climate and sustainability objectives to the Co-CEOs of HBAP on a monthly basis.

Transition to net zero

Transition to net zero is one of the four key pillars of the Group’s corporate strategy.

Part of the Group’s ambition to be a net zero bank is to achieve net zero carbon emissions in its operations and supply chain by 2030, and align the Group’s financed emissions to net zero by 2050. The Paris Agreement aims to limit the rise in global temperatures to well below 2°C, preferably to 1.5°C, compared with pre-industrial levels. To limit the rise to 1.5°C, the global economy would need to reach net zero greenhouse gas emissions by 2050.

The Group is working to achieve a 1.5°C aligned phase-down of its financed emissions from its portfolio by 2050. In support of this ambition the Group has set seven interim 2030 targets for heavy-emitting sectors, comprising five on-balance sheet (cement; iron, steel and aluminium; aviation; automotive; and thermal coal mining) and two combined (on-balance sheet and facilitated) financed emissions target (oil and gas, and power and utilities). Two of these are absolute targets, the other five are intensity targets. The thermal coal mining target uses 2020 as a baseline, and all others use 2019 as their baseline. There are currently no individual targets at a NZ Banking Group level. For the Group’s progress towards these targets see page 57 of the HSBC Holdings plc *Annual Report and Accounts 2023* which can be found at HSBC Holdings plc’s website, https://www.hsbc.com/investors/results-and-announcements/all-reporting.

The Group’s target-setting approach to date, for on-balance sheet financed emissions and facilitated emissions, has been to utilise a single net zero reference scenario that is aligned to 1.5°C (International Energy Agency NZE 2021) to underpin both energy supply-related sectors (oil and gas, power and utilities, and thermal coal mining) and our published targets for demand-side sectors in transport and heavy industry.

The NZ Banking Group forms part of the Group’s climate ambition.

Explaining scope 1, 2 and 3 emissions

To measure and manage the NZ Banking Group’s greenhouse gas emissions, the NZ Banking Group follows the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised version) and Corporate Value Chain (Scope 3) Accounting and Reporting Standards, which identifies three scopes of emissions. Scope 1 represents the direct emissions the NZ Banking Group creates. Scope 2 represents the indirect emissions resulting from the use of electricity and energy to run a business. Scope 3 represents indirect emissions attributed to upstream and downstream activities taking place to provide services to customers.

More information in relation to the NZ Banking Group’s greenhouse gas emissions is set out below.

Net zero in our own operations

Part of the Group’s ambition to be a net zero bank is to achieve net zero carbon emissions in its operations and supply chain by 2030.

The Group has three elements to its strategy: reduce, replace and remove. The Group plans to first focus on reducing carbon emissions from consumption, and then subsequently replace remaining emissions with low-carbon alternatives in line with the Paris Agreement. The Group plans to remove the remaining emissions that cannot be reduced or replaced by procuring, in accordance with prevailing regulatory requirements, high-quality offsets at a later stage.

The Group measures the reduction in absolute operational greenhouse gas emission from a 2019 baseline to measure progress against this. There are currently no individual targets at a NZ Banking Group level. However, the NZ Banking Group has reduced absolute operational greenhouse gas emissions by 34% against a 2019 baseline which contributes towards the Group’s progress.

The Group also announced its ambition to reduce energy consumption by 50% by 2030 against a 2019 baseline. There are currently no individual targets at a NZ Banking Group level. However, the NZ Banking Group has reduced energy consumption by 42% against a 2019 baseline which contributes towards the Group’s progress.

Part of the Group's ambition is to achieve 100% renewable electricity across its operations by 2030. There are currently no individual targets at a NZ Banking Group level. In 2023, the NZ Banking Group currently has 83% of renewable electricity sourced across the NZ Banking Group operations which contributes to the Group’s progress.

The NZ Banking Group reports its emissions following the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, which incorporates the scope 2 location-based emissions methodology. The NZ Banking Group reports greenhouse gas emissions resulting from the energy used in its buildings and employees’ business travel from HSBC owned cars. The reporting excludes the greenhouse gas emissions resulting from employee home working due to data limitations. Due to the nature of the NZ Banking Group’s primary business, carbon dioxide is the main type of greenhouse gas applicable to its operations. While the amount is immaterial, the NZ Banking Group's current reporting incorporates methane and nitrous oxide.

The environmental data for the NZ Banking Group's own operations is based on a 12-month period to 30 September each year. This 12-month period differs from the reporting period due to current internal timelines to process and verify the data. There have been no significant changes in the NZ Banking Group's use of buildings and employee business travel from HSBC owned cars in the last quarter of 2023.

In 2023, the NZ Banking Group collected data on energy use for its own operations in three locations in New Zealand, which accounted for approximately 100% of its full-time equivalent employees ('FTEs').

For electricity and energy not covered by renewable certification, greenhouse gas emissions have been calculated using 2021 factors by the International Energy Agency using 100-year Global Warming Potential ('GWP') rates from the 4th Assessment of the Intergovernmental Panel on Climate Change ('IPCC') report. For one of its properties where the NZ Banking Group shares a floor with one other tenant, electricity consumption has been estimated as 50% of the total floor consumption.

NZ Banking Group Greenhouse gas emissions in tonnes CO_2e[1,2]

	2023
Scope 1 - direct	3
Scope 2 - indirect	30
Total	**33**
GHG emissions intensity: Greenhouse gas emissions in tonnes CO_2e per FTE[3]	0.16

1 *The data of the NZ Banking Group's operations is reported based on operational control*

2 *CO_2e refers to carbon dioxide equivalent*

3 *FTE as at 30 September 2023 to align with the measurement period of 12-month ending 30 September*

Supporting our customers

The Group recognises that it has an important role to play in supporting the transition to a net zero global economy.

In 2023, the Group continued its efforts to design and implement a differentiated approach to understand and assess the transition plans and risks of its corporate customers. These assessments help identify opportunities, manage climate risks and define areas to drive strategic engagement with each corporate customer. The HBAP group is still at the start of rolling out this process across our corporate customers. To complete these assessments, the HBAP group has gathered the clients' transition plan data and completed an assessment. This assessment is being adopted in stages by the NZ Banking Group for its wholesale customers. Once completed, these assessments can be used to support business decisions in relation to the Group's financed emissions portfolio management and alignment, and climate risk management efforts.

The Group aims to rebalance capital deployment towards achieving net zero over the coming decades and believes this can be done by promoting change that plays to its strengths as an organisation including transitioning industry and decarbonising trade and supply chains. The Group aims to help its customers transition to net zero and a sustainable future by providing and facilitating between US$750bn and US$1tn of sustainable finance and investment by 2030.

In 2023, the NZ Banking Group's sustainable finance balance sheet-related transactions amounted to $168m towards the Group's sustainable finance and investment. This amount has been prepared in accordance with the detailed definitions available in the Group's *Sustainable Finance and Investment Data Dictionary 2023* (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 these products and services.

Sustainable finance metrics, taxonomies and best practices lack global consistency. As standards develop over time and as the regulatory guidance around them evolves across jurisdictions, the NZ Banking Group's methodologies, disclosures and targets may need to evolve. This could lead to differences in year-on-year reporting and restatements.

The NZ Banking Group continues to support the development of transparent and consistent taxonomies to best incentivise science-based decarbonisation.

Managing climate risk and scenario analysis

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. For further details of the HBAP group and NZ Banking Group's approach to climate risk, see 'Climate risk' on page 9.

The NZ Banking Group's material exposure to climate risk relates to its business with its wholesale customers financing activity within its banking portfolio.

Banking

The NZ Banking Group manages the climate risk in its banking portfolios through policies for financial and non-financial risks. This helps enable the NZ Banking Group identify opportunities to support its customers, while continuing to meet stakeholder expectations. The NZ Banking Group banking business is well positioned to support its customers managing their own climate risk through financing. For its wholesale customers, the NZ Banking Group adopting the Group's transition engagement questionnaire in stages, replacing the transition risk questionnaire previously in place, to understand clients' climate strategies and risks. In 2023, the NZ Banking Group performed a climate scenario analysis to gain insights on the long-term effects of climate risks in its wholesale banking portfolio, see 'Insights from climate scenario analysis' below for details.

Insights from climate scenario analysis

Introduction

Climate scenario analysis plays a crucial role helping to identify and understand the impact of climate-related risks and potential opportunities as the NZ Banking Group navigates the transition to net zero. Scenario analysis supports the NZ Banking Group's strategy by assessing its potential exposures to risks and vulnerabilities under a range of climate scenarios. It helps to build awareness of climate change, plan for the future and meet growing regulatory requirements.

Due to the nature of its operations, the NZ Banking Group's most material exposure to climate risk relates to financing activities in its wholesale banking portfolio. The Group's internal climate scenario analysis ('ICSA') exercise was used to analyse the potential impacts of climate risk on the portfolio.

Our climate scenarios

The NZ Banking Group has used the Group's internally developed climate scenarios. These scenarios provide a holistic view that will supplement the Group's current and future strategic thinking, which the NZ Banking Group forms part of. They reflect inputs from key internal stakeholders and experts across the NZ Banking Group and have been reviewed through internal governance. This review process involved both sector specialists and key stakeholders within the NZ Banking Group, with the final results being reviewed by the NZ Banking Group's Head of Finance and Chief Risk and Compliance Officer, and tabled at the NZ Banking Group's Risk Management Meeting. These scenarios were deemed to reflect internal climate vulnerabilities better compared to the New Zealand Banking Association scenarios, and is reflective of the global model in which the NZ Banking Group operates.

The scenarios reflect different levels of physical and transition risks over a variety of time periods. The scenario assumptions include varying levels of governmental climate policy changes, macroeconomic factors and technological developments. However, these scenarios rely on the development of technologies that are still unproven, such as global hydrogen production to decarbonise aviation and shipping.

The nature of the scenarios, our developing capabilities, and limitations of the analysis lead to outcomes that are indicative of climate change headwinds, although they are not a direct forecast. Developments in climate science, data, methodology and scenario analysis techniques will help to shape the approach further. It is expected that this view will change over time.

The timeframes used in the scenarios are short term up to 2025; medium term from 2026 to 2035; and long term from 2036 to 2050. The time horizons are aligned to the Climate Action 100+ framework v1.2. These time horizons also align internally to the way climate risk is assessed to impact HSBC's risk taxonomy, which is explained further on page 10. The endpoint in the scenario analysis is 2050, however the temperature outcomes are to 2100 as it takes decades for carbon emissions to fully manifest in the temperature increase outcomes. The Paris Agreement intends parties to reach net zero by 2050 to ensure that global warming is limited to a maximum 2°C rise by 2100. As transition to a greener economy will require consistency over several decades, 2100 temperature outcomes are the most secure and conventional way to distinguish between scenarios.

Scenarios were created using external publicly available climate scenarios as a reference, including those produced by the Network for Greening the Financial System ('NGFS'), the Intergovernmental Panel on Climate Change ('IPCC') and the International Energy Agency ('IEA'). Using these external scenarios as a template, the NZ Banking Group adapted them by incorporating its unique climate risks and vulnerabilities to which the organisation and customers across different business sectors and regions are exposed. This helped produce the scenarios, which vary by severity to analyse how climate risks will impact the portfolio.

The NZ Banking Group has adopted the following scenarios:

- The Net Zero scenario, which is consistent with the Paris Agreement. This assumes that there will be orderly but considerable climate action, limiting global warming to no more than 1.5°C by 2100, when compared with pre-industrial levels;
- the Current Commitments scenario, which assumes that climate action is limited to current governmental committed policies, including already implemented actions, leading to global temperature rises of 2.4°C by 2100. This slow transition scenario helps the NZ Banking Group to determine the actions it needs to take to reach its net zero ambition while operating in a world that is not net zero;
- the Delayed Transition Risk scenario, which assumes that climate action is delayed until 2030 with a late disorderly transition to net zero but stringent and rapid enough to limit global warming to under 2°C by 2100. This scenario allows the NZ Banking Group to stress test severe but plausible transition risk impacts; and
- the Downside Physical Risk scenario, which assumes climate action is limited to currently implemented governmental policies, leading to extreme global warming with global temperatures increasing by greater than 4°C by 2100. This scenario allows the NZ Banking Group to assess physical risks associated with climate change.

Characteristics of the scenarios

		Scenarios			
		Net zero	Current Commitments	Delayed Transition Risk	Downside Physical Risk
Scenario outcomes	Rise in global temperatures by 2100 (vs pre-industrial levels)	1.5˚c	2.4˚c	1.6˚c	4.2˚c
Underlying assumptions	Time horizon	Medium term	Short/medium term	Medium/long term	Medium/long term
	Assumed variation in global climate policies	Low	Medium	High	Low
	Assumed pace of technology change and adoption	Fast	Gradual	Accelerates from 2030	None
	Assumed socioeconomic impact	High	Moderate	Very high	Very high (in long term)
	Carbon price	High increase	Increase	Rapid increase	No change
	Assumed change in CO_2 emissions (by 2050)	Net zero	Reduce, but no net zero	Net zero	Increase
Scenario risk characteristics	Climate risk – Physical	▼ Lower	▶ Moderate	▼ Lower	▲ Higher
	Climate risk – Transition	▲ Higher	▶ Moderate	▲ Higher	▼ Lower

Our methodology

For scenario analysis, the NZ Banking Group used models to do a standalone assessment of how transition and physical risks may impact the portfolios under different scenarios. The models incorporate a range of climate-specific metrics that will have an impact on customers, including expected production volumes, revenue, costs and capital expenditure. The NZ Banking Group assesses how these metrics interplay with economic factors such as carbon prices, which represent the cost effect 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.

The models for the NZ Banking Group wholesale corporate lending portfolio consider customers' individual climate transition plans where available. The results are reviewed by sector specialists who, subject to governance procedures, make bespoke adjustments to results based on their expert judgement where relevant.

Modelling limitations

The NZ Banking Group continues to look for ways of enhancing methodology to improve the effectiveness of climate scenario analyses. There are industry-wide limitations, particularly on data availability, although the models are designed to produce outputs that can support the assessment of the level of climate resilience.

Climate scenario analysis requires considerable amounts of data, although data is only available for a subset of the counterparties. As a result, there is a need to extrapolate the results observed in the subset to the wider population or dataset. The NZ Banking Group does not capture the second order impacts of climate risk exposures within their modelling approach, such as impacts on counterparties from their supply chains.

The NZ Banking Group will continue to enhance its capabilities by incorporating lessons learnt and feedback from key stakeholders.

How climate change is impacting our wholesale lending portfolio

In the internal climate scenario analysis, the NZ Banking Group assessed the impact of climate-related risks on corporate counterparties under different climate scenarios, which was measured by reviewing the modelled effect on expected credit loss ('ECL').

The climate scenario analysis exercise for the wholesale lending portfolio was designed to examine climate risks and vulnerabilities, in the short, medium and long term. Within the wholesale lending portfolio, customers in higher emitting sectors continue to be most exposed to larger climate-related losses. For each sector, the NZ Banking Group utilised models to calculate projected ECL values in the short, medium and long term. While climate-related losses are expected to remain minimal in the short term, they are likely to increase in the medium and longer term, driven by the transition to a net zero economy.

The NZ Banking Group used the sector's exposure at default ('EAD') as at 30 June 2023, which represents the size of our exposure to potential losses from customer defaults. This helps to identify which sectors are the most material in terms of the impact of climate change.

The NZ Banking Group have continued to incorporate information from our customers' transition plans, where available, to consider more detailed information on how they and their sector will be impacted under different climate scenarios.

The levels of ECL observed across the wholesale lending portfolio are driven by: customers' carbon emissions; the presence of transition plans; the amount of capital investment required to support their transition; and the degree to which their competitive environment impacts their ability to pass on carbon costs.

In 2023, the NZ Banking Group has focussed on some key high-emitting sectors with predominant presence in New Zealand, which includes construction and building materials, power and utilities, food and beverages and the chemicals sector. The analysis below provides a more detailed view of the anticipated impacts on these portfolios and our customers, improving our understanding of climate risks and potential opportunities.

The construction and building materials sector faces an increase in losses because it includes companies with high emissions from manufacturing processes, such as steel or cement, or from their supply chains, which will increase cost pressures due to carbon taxes.

In the power and utilities sector, the analysis showed that rising costs from increased carbon prices and the capital expenditure required to support transition requirements, infrastructure improvements and decommissioning costs, alongside greater downstream energy demands, will potentially lead to higher debt levels and worsening counterparty risk ratings for customers.

As technologies mature, the capital cost of some renewables infrastructure is expected to fall, becoming cheaper than non-renewable sources due to improved efficiencies. This will reduce the required expenditure for companies.

The food and beverages sector also forms a material exposure for the NZ Banking Group portfolio, where clients' upstream supply chains are extremely carbon intensive, making them susceptible to higher carbon costs. This is a result of most suppliers being part of the wider agricultural sector, which have large Scope 1 emissions given the nature of the farming process.

The chemicals sector faces relatively higher credit losses as well, given their production processes are subject to increased levels of transition risks due to their ongoing exposure to higher carbon emitting activities.

There is the opportunity to ease potential negative impacts as transition risks increase by supporting customers to diversify into more renewable and greener revenue streams, and invest in emission-reducing technologies. For further details, see ‘Supporting our customers’ on page 5.

How climate change is impacting our commercial real estate portfolio

Geographical location is a key determinant in exposure to potential physical risk events, which can lead to higher ECL due to the cost of repairing damage as well as impact property valuations in areas where physical risk events are increasing in frequency.

In New Zealand, the main impactful peril is coastal flooding in the Downside Physical scenario, due to the concentration of properties located in Auckland and Wellington.

In 2023, there were some extreme weather events across New Zealand and while our clients experienced some business disruption there was no material impact to the commercial real estate portfolio.

The NZ Banking Group has modelled future physical risk using the downside physical risk scenario which covers increased frequency and severity of weather events impacting the CRE portfolio.

The exposure to commercial real estate makes up 20% of the NZ Banking Group’s wholesale banking loans and advances to customers and banks.

Climate risk

Overview

The Group's climate risk approach is aligned to the framework outlined by the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD'). Primary drivers of climate risk identified by TCFD and CS 1 are:

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as typhoons and floods (acute risk), or 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 to these primary drivers of climate risk, the Group has 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 ambitions, targets or commitments or failing to meet external expectations related to net zero, because of inadequate ambition and/or plans, poor execution, or inability to adapt to changes in external environment.
- the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, misleading, deceptive or unsubstantiated claims regarding sustainability to the HBAP group's stakeholders.

The Group's climate risk approach is cascaded and implemented throughout the organisation including by the NZ Banking Group.

Approach

The NZ Banking Group recognises that the physical impacts of climate change and the transition to net zero economy can create financial risks for the companies, investors and the financial system. The NZ Banking Group may be affected by the financial or non-financial impacts of climate risks either directly or indirectly through its relationships with customers.

The Group's climate risk approach aims to effectively manage the material climate risks that could impact the Group operations, financial performance, 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 the HBAP group's traditional risk types in line with the Group-wide risk management framework.

The Group's climate risk approach is aligned to the Group-wide risk management framework and three lines of defence model, which guides how the NZ Banking Group identifies, assesses and manages its risks. For further details of the three lines of defence framework, see page 27 of The Hongkong and Shanghai Banking Corporation Limited *Annual Report and Accounts 2023* which can be found at HSBC Holdings plc's website, https://www.hsbc.com/investors/results-and-announcements/all-reporting.

The Group aims to regularly review its approach annually to increase coverage and incorporate maturing data, climate analytics capabilities, frameworks and tools, as well as respond to emerging industry best practice and climate risk regulations. This includes updating the approach to reflect how the risks associated with climate change continue to evolve in the real world, and maturing how the Group embeds climate risk factors into strategic planning, transactions and decision-making across its businesses.

The HBAP group is following a materiality based approach in developing its climate risk capabilities across its businesses by prioritising sectors, portfolios and counterparties with the highest impacts. The HBAP group continues to make progress in enhancing its climate risk capabilities and recognise it is a long-term iterative process.

The NZ Banking Group reasonably believes that material parts of its value chain(s) were included as part of its risk assessment procedures. However, as data quality and internal capabilities improve, the processes on identification, assessment and management of climate-related risks will be further refined.

The tables below provide an overview of the climate risk drivers considered with the Group's climate risk approach, which is also relevant to the NZ Banking Group. Primary risk drivers refer to risk drivers aligned to the TCFD, which sets a framework to help public companies and other organisations disclose climate-related risks and opportunities.

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 and/or lower 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.		

In 2023, in New Zealand there were two key events that could be considered as climate-related under Acute Physical risk (Auckland Anniversary floods and Cyclone Gabrielle) which had the potential to impact the New Zealand Banking Group's own operations. In both events, the NZ Banking Group identified that the weather events had no adverse current impact on the operations of the NZ Banking Group and there are no other climate-related impacts that have had material impacts on the NZ Banking Group.

In 2023, the Group updated its climate risk materiality assessment, to understand how climate risk may impact across HSBC's risk taxonomy. The assessment focused on a 12-month time horizon, as well as time horizons for the short-term, medium-term and long-term periods. The Group defines short-term as time periods up to 2025; medium-term as between 2026 and 2035, and long-term as between 2036 and 2050. These time periods are aligned to the Climate Action 100+ framework v1.2. The assessment is refreshed annually, and the results may change as the Group's understanding of climate risk and how it impacts HSBC evolves. In addition to these assessments, the HBAP group also considers climate risk in its emerging risk reporting and scenario analysis, which consider potential impacts across longer time horizons.

Climate risk management

Key developments in 2023

The HBAP group's climate risk programme continues to support the development of its climate risk management capabilities. The following outlines key developments in 2023:

- The Group updated its climate risk approach to incorporate net zero alignment risk and developed guidance on how climate risk should be managed for non-financial risk types.
- The HBAP group provided climate-related training for HBAP Board and senior management at least once a year, and sponsored nominated staff to take climate risk related professional certifications.

While the HBAP group has made progress in enhancing its climate risk management capabilities, further work remains. This includes the need to develop additional metrics and tools to measure the HBAP group's exposures to climate-related risks and to incorporate these tools within decision making.

Governance and structure

The HBAP Board takes overall responsibility for the HBAP group's climate strategy, overseeing executive management in developing the approach, execution and associated reporting.

The HBAP group Chief Risk Officer is responsible for the management of climate-related risks, including governance, risk management, stress testing and scenario analysis. The HBAP group's Environmental Risk Oversight Forum oversees risk activities relating to environmental risk management, including the transition and physical risks from climate change.

The HBAP group Risk Management Meeting and the HBAP group Risk Committee receive regular updates at least twice a year on its climate risk profile and progress of its climate risk programme. The NZ Banking Group's Risk Management Meeting provides oversight of local climate risk management activities and escalates matters to the HBAP group Risk Management Meeting if required.

Risk appetite

The HBAP group's climate risk appetite forms part of the Group's risk appetite statement and supports the HBAP group business in delivering the HBAP group's climate strategy effectively and sustainably.

The HBAP group's climate risk appetite statement is approved and overseen by the HBAP Board twice a year. It is supported by risk appetite metrics and tolerance thresholds. The HBAP group has also defined additional key risk management information metrics. Both the risk appetite statement and key risk management information metrics are reported for oversight by the HBAP group Risk Management Meeting and the HBAP group Risk Committee on a monthly basis.

At present, climate risk appetite metrics and tolerance thresholds are managed at HBAP group level, the NZ Banking Group has no localised metrics or tolerance thresholds.

Policies, processes and controls

The Group is integrating climate risk into policies, processes and controls across many areas of its organisation including the NZ Banking Group, and the Group will continue to update these as its climate risk management capabilities mature over time.

Embedding the HBAP group's climate risk approach

The table below provides further details on how the HBAP group has embedded the management of climate risk across key risk types, to which the NZ Banking Group supports. For details of its internal scenario analysis, see 'Insights from climate scenario analysis' on page 6.

Risk type	Details
Wholesale Credit Risk	The HBAP group has metrics in place to monitor the exposure of its wholesale corporate lending portfolio to six high transition risk sectors. The HBAP group's relationship managers engage with their key wholesale customers through a transition and physical risk questionnaire and recently introduced an updated questionnaire, the transition engagement questionnaire. The questionnaire is used to gather information and assess the alignment of the wholesale customers' business models to net zero and their exposure to physical and transition risk. The HBAP group uses the responses to the questionnaire to create a climate risk score for its key wholesale customers. The Group's credit policies require that relationship managers comment on climate risk factors in credit applications for new money requests and annual credit reviews. The 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 the HBAP group's framework in 2023 include expanding the scope of its questionnaire to capture new countries, territories and sectors. Key challenges for further embedding climate risk into credit risk management relate to the availability of adequate physical risk data to assess impacts to the HBAP group's wholesale customers.
Reputational Risk	The HBAP 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 HBAP group's global and regional network of sustainability risk managers provides local policy guidance to relationship managers for the oversight of policy compliance and in support of implementation across the HBAP group's wholesale banking activities.
Regulatory compliance risk	The Group’s policies set the standards that are required to manage the risk of breaches of regulatory duty to customers, including those related to climate risk, ensuring fair customer outcomes are achieved. To make sure responsibilities are met in this regard, the Group’s policies are subject to continuous review and enhancement. There is also focus on the ongoing development and improvement of monitoring capabilities, ensuring appropriate alignment to the broader focus on regulatory compliance risks. Regulatory Compliance is particularly focused on mitigating climate risks inherent to the product lifecycle. To support this, the Group has enhanced a number of processes including: – ensuring Regulatory Compliance provides risk oversight and review of new product marketing materials with any reference to climate, sustainability and ESG; – developing the Group’s product marketing controls to ensure climate claims are robustly evidenced and substantiated within product marketing materials; and – clarifying and improving product marketing framework, procedures and associated guidance, to ensure product-related marketing materials comply with both internal and external standards, and are subject to robust governance. Regulatory Compliance operates an ESG and Climate Risk Working Group to track and monitor the integration and embedding of climate risk management into the functions’ activities, while monitoring regulatory and legislative changes across the ESG and climate risk agenda. In Asia-Pacific, a dedicated working group continues to coordinate the regional implementation of climate risk-related enhancements within the Regulatory Compliance function. Regulatory Compliance also continues to be an active member of the Group’s and the HBAP group’s Environmental Risk Oversight Forums.
Resilience Risk	Enterprise Risk Management function is responsible for overseeing the identification and assessment of physical and transition climate risks that may impact on the organisation's operational and resilience capabilities. The Group has developed metrics to assess how physical risk may impact the Group's critical properties. The NZ Banking Group has no localised metrics. Resilience risk policies are subject to continuous improvement to remain relevant to evolving climate risks. New developments relevant to the Group's own operations are reviewed to ensure climate risk considerations are effectively captured.
Model Risk	The impact of climate risk on model risk is driven by the increasing number of climate risk models and the expanding model use cases. Group Model Risk published a new climate risk and ESG model category standard which sets out minimum control requirements for identifying, measuring and managing model risk for climate-related models. The HBAP group completed independent model validation for a number of models used for climate scenario analysis using both qualitative and quantitative assessments of modelling decisions and outputs. The NZ Banking Group has no localised models and utilised Group-owned models in its climate scenario analysis.

Wholesale credit risk

The NZ Banking Group have metrics in place to monitor the exposure of our wholesale corporate lending portfolio to HBAP Group's six high transition risk sectors, as shown in the below table. As at 31 December 2023, the overall exposure to six high transition risk sectors was $809m. The sector classifications are based on internal HSBC definitions and can be judgmental in nature. The sector classifications are subject to the remediation of ongoing data quality challenges. This data will be enhanced and refined in future years.

NZ Banking Group Wholesale loan exposure to high transition risk sectors at 31 December 2023[1]

	Units	Automotive	Chemicals	Construction and building materials	Metals and mining	Oil and gas	Power and utilities	Total
Exposure to sector[1, 2, 3, 4]	**$m**	**127**	**68**	**202**	**31**	**6**	**375**	**809**
Sector weight as proportion of high transition risk sectors	**%**	**16**	**8**	**25**	**4**	**1**	**46**	**100**

1 *Amounts shown in the table also include green and other sustainable finance loans, which support the transition to the net zero economy. The methodology for quantifying our exposure to high transition risk sectors and the transition risk metrics will evolve over time as more data becomes available and is incorporated in our risk management systems and processes.*

2 *Counterparties are allocated to the high transition risk sectors via a two-step approach. Firstly, where the main business of a group of connected counterparties is in a high transition risk sector, all lending to the group is included in one high transition risk sector irrespective of the sector of each individual obligor within the group. Secondly, where the main business of a group of connected counterparties is not in a high transition risk sector, only lending to individual obligors in the high transition risk sectors is included. The main business of a group of connected counterparties is identified by the industry that generates the majority of revenue within a group. Customer revenue data utilised during this allocation process is the most recent readily available and will not align to our own reporting period.*

3 *These disclosures cover the whole of the value chain of the sector. For details of financed emissions coverage, please refer to page 53 of the HSBC Holdings plc* Annual Report and Accounts 2023*.*

4 *The six high transition risk sectors make up 29% of total wholesale loans and advances to customer and banks of $2.8bn.*

Challenges

The NZ Banking Group's 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;
- 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 the NZ Banking Group, is 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.

Aotearoa New Zealand Climate Standards index table

The table below outlines the key disclosure areas contained in Aotearoa New Zealand Climate Standard 1: *Climate-related Disclosures* and where information can be found in support of the disclosure requirements.

Disclosure	Objective	Disclosure location
Governance	To enable primary users to understand both the role an entity's governance body plays in overseeing climate-related risks and climate-related opportunities, and the role management plays in assessing and managing those climate-related risks and opportunities.	Page 2 *Approach to climate reporting* Page 2 *How climate is governed* Page 10 *Climate risk management*
Strategy	To enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the scenario analysis an entity has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated impacts and financial impacts of these, and how an entity will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future.	Page 2 *Approach to climate reporting* Page 4 *Transition to net zero* Page 5 *Supporting our customers* Page 5 *Managing climate risk and scenario analysis* Page 6 *Insights from climate scenario analysis* Page 9 *Climate risk: Approach* Page 11 *Embedding the HBAP group's climate risk approach*
Risk Management	To enable primary users to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management processes.	Page 9 *Climate Risk Approach* Page 10 *Climate Risk Management* Page 11 *Embedding the HBAP group's climate risk approach*
Metrics and Targets[1, 2, 3]	To enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. Metrics and targets also provide a basis upon which primary users can compare entities within a sector or industry.	Page 2 *How climate is governed* Page 4 *Transition to net zero* Page 4 *Net zero in our own operations* Page 5 *Supporting our customers* Page 11 *Embedding the HBAP group's climate risk approach*

1 *The Group, including the NZ Banking Group, does not currently disclose internal emissions price due to transitional challenges such as data challenges.*

2 *The Group, including the NZ Banking Group, does not currently fully disclose the proportion of assets, capital deployment or other business activities aligned with climate-related opportunities due to data and system limitations. The NZ Banking Group is disclosing certain elements in relation to sustainable finance.*

3 *The NZ Banking Group have described the targets used by the organisation to manage climate-related risks and opportunities. However, these are measured at the Group level and there are no specific targets at the NZ Banking Group level.*

This Climate Statement has been signed on behalf of The Hongkong and Shanghai Banking Corporation Limited by its New Zealand Chief Executive Officer:

Noel McNamara
Interim Chief Executive Officer
New Zealand Branch

26 April 2024

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

This document contains a number of forward-looking statements (as defined above) with respect to the Group's (including the HBAP group's and NZ Banking Group's) ESG targets, commitments, ambitions, climate-related pathways, processes and plans, and the methodologies and scenarios the Group (including the HBAP group and NZ Banking Group) uses, or intends to use, to assess the Group's (including the HBAP group's and NZ Banking Group's) progress in relation to these ('ESG-related forward-looking statements').

In preparing the ESG-related information contained in this document, HBAP has relied on a number of key judgements, estimations and assumptions of the Group and the processes and issues involved are complex. The Group has used ESG (including 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 operational and supply chain emissions, to set ESG-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 expects industry guidance, market practice, and regulations in this field to continue to change. The Group (including the HBAP group and NZ Banking Group) 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 ESG-related forward-looking statements and ESG metrics disclosed in this document 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 ESG-related issues and the effectiveness of any such response, the Group (including the HBAP group and NZ Banking Group) may have to re-evaluate its progress towards its ESG ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to ESG (including climate) analysis and may be required to amend, update and recalculate its ESG 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 the HBAP group as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to the Group (including the HBAP group and NZ Banking Group), could cause actual achievements, results, performance or other future events or conditions of the HBAP group to differ, in some cases materially, from those stated, implied and/or reflected in any ESG-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;
- ESG projection risk: ESG 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 ESG regulatory landscape: this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets;
- Variation in reporting standards: ESG reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different ESG metrics are still emerging;
- Data availability, accuracy, verifiability and data gaps: the Group's (including the HBAP group's and NZ Banking Group's) disclosures are limited by the availability of high-quality data in some areas and the Group's (including the HBAP group's and NZ Banking Group's) own 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 the HBAP group's and NZ Banking Group's) data quality scores. While the Group (including the HBAP group and NZ Banking Group) 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 the HBAP group's and NZ Banking Group's) ability to collect and process such data, could result in revisions to reported data going forward, meaning that such data may not be reconcilable or comparable year-on year;
- Developing methodologies and scenarios: the methodologies and scenarios the Group (including the HBAP group and NZ Banking Group) uses to set ESG-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 the HBAP group's and NZ Banking Group's) own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate and nature-related risks, each of which can impact the Group (including the HBAP group and NZ Banking Group) both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to the Group (including the HBAP group and NZ Banking Group). In particular:
  - the Group (including the HBAP group and NZ Banking Group) may not be able to achieve its ESG targets, commitments and ambitions (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 the HBAP group's and NZ Banking Group’s) failure to achieve some or all of the expected benefits of its strategic priorities; and

- the Group (including the HBAP group and NZ Banking Group) may not be able to develop sustainable finance and ESG-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 its ESG targets, commitments and ambitions, 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 the HBAP group and NZ Banking Group) speak only as of the date they are made. The Group (including the HBAP group and NZ Banking Group) expressly disclaims any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

Written and/or oral ESG-related forward-looking statements may also be made in the Group’s (including the HBAP group’s and NZ Banking Group’s) periodic reports to its regulators, public offering or disclosure documents, press releases and other written materials, and in oral statements made by the Group’s (including the HBAP group’s and NZ Banking Group’s) Directors, officers or employees to third parties, including financial analysts. Readers should always refer to the latest published material with respect to any subject matter.

The Group’s data dictionaries and methodologies for preparing the above ESG-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.