Environmental, Social and Governance Report

Environmental, Social and Governance Report

Introduction

About this Report

Reporting Scope and Boundaries

This report provides an overview of the Group's environmental, social and governance (**ESG**) framework, initiatives and performance for the period of 1 January to 31 December 2024, which is in alignment with the Group's financial year. It outlines the Group's implementation of its sustainability objectives and how it acts as a responsible corporate citizen as well as its commitment to integrating relevant environmental and social factors into its operations and adherence to high corporate governance standards. Unless stated otherwise, the reporting scope of this report aligns with the Group's consolidated financial statements for the above reporting period, covering the activities of the Corporation and all its subsidiaries.

Reporting Standards and Principles

In preparing this report, the Group has given consideration to the disclosure requirements of the International Sustainability Standards Board's International Financial Reporting Standards (**IFRS**) Sustainability Disclosure Standards — IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. The Group aims to progressively enhance its sustainability and climate-related disclosures to align with IFRS Sustainability Disclosure Standards and other applicable reporting frameworks.

A Snapshot of Key ESG Milestones

2021

- Established the **ESG Committee (ESGC)** to oversee ESG matters
- Adopted the **ESG Statement and ESG Guiding Principles**
- Formulated the **Responsible Investment, Lending and Business Decision-making Principles (RILBP)**

2022

- Formed the **Sustainability Working Group (SWG)**
- Established the **Social, Green and Sustainability Financing Framework (SGS Framework)** for sustainable financing
- Issued **inaugural social bonds**
- Conducted **first ESG materiality assessment**

2023

- Issued **second social bonds**
- Completed **inaugural Infrastructure Loan-Backed Securities (ILBS)** issuance with a **sustainability tranche**
- Published **first Social Bonds Allocation Update and Impact Report**
- Enhanced **office recycling and waste reduction practices**

2024

- Updated **ESG materiality assessment** through **double materiality** analysis
- Conducted **first climate scenario analysis and stress testing** exercise
- Established **decarbonisation action plan** to support climate commitments and **carbon neutrality goals**
- Incorporated ESG into risk management by establishing the **ESG Risk Management Framework**
- Continued to issue sustainable financing instruments, including **third social bonds**
- Issued second ILBS with an increased sustainability tranche

ESG Strategy Framework

ESG Strategy

The Group's ESG strategy serves to guide its approach to incorporating ESG factors into its operations. It is built around three pillars, namely "Contributing to the Society", "Upholding Governance Standards, Operational Resilience and Workplace Inclusion" and "Meeting Environmental Concerns", which are embedded in the Group's ESG Statement and ESG Guiding Principles.

ESG Statement

The Group is committed to operating and carrying on business in a responsible and sustainable manner while applying high standards of corporate governance. This commitment is embedded in the way it operates, serves its customers, accounts to its stakeholders, cares for its staff, manages its impact on the environment and contributes to the community.

ESG Guiding Principles

Contributing to the Society

- Offer financing solutions that support home ownership, facilitate retirement financial planning, and help to meet the financing needs of small and medium-sized enterprises (**SMEs**) in Hong Kong
- Provide products and services that facilitate banks' liquidity and risk management to promote stability of the banking sector in Hong Kong
- Support the financial and debt markets in Hong Kong, and talent developments as well as financial education, in areas pertinent to its core missions

Upholding Governance Standards, Operational Resilience and Workplace Inclusion

- Adhere to best practices of corporate governance and maintain high standards of professionalism, integrity and ethics in its work
- Safeguard operational resilience and information security by continuous risk surveillance, system set-up and proper response
- Promote inclusion and equality in the workplace, and foster staff wellness and development

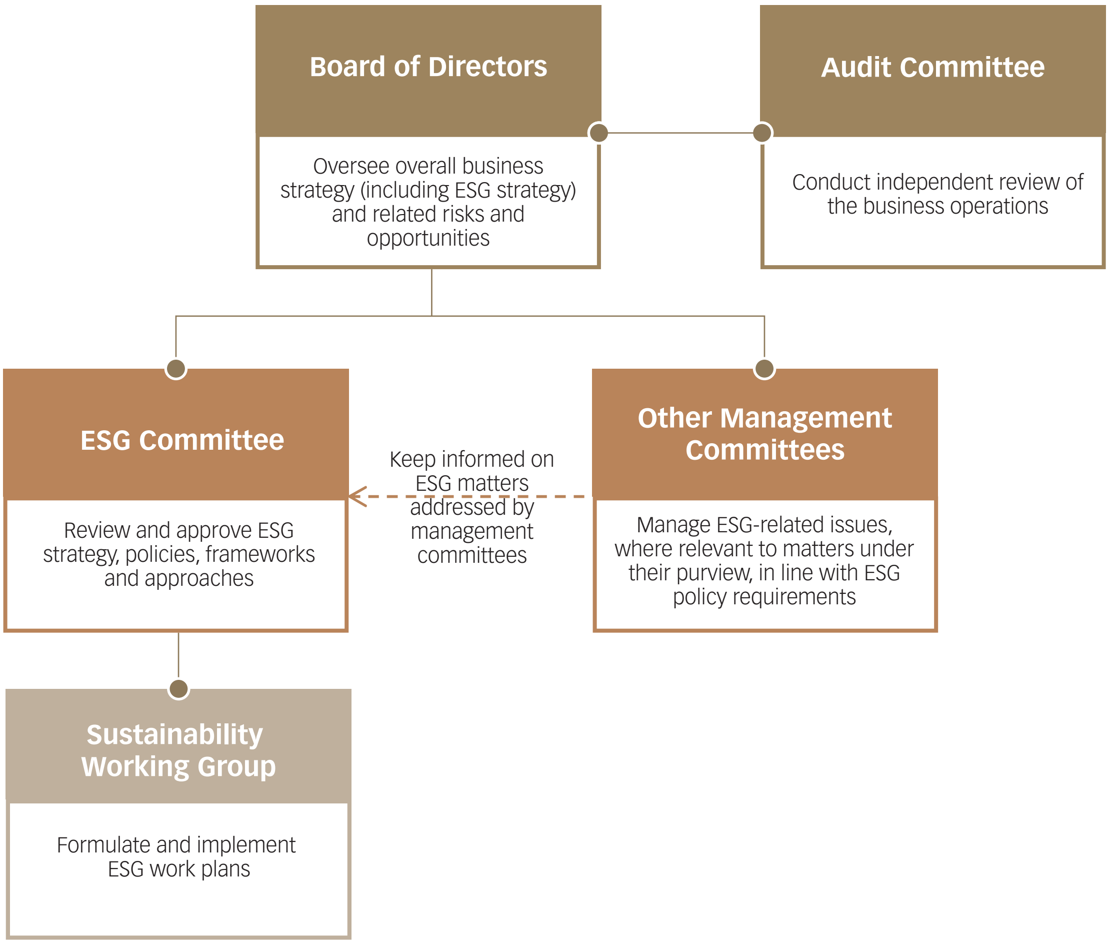
Meeting Environmental Concerns

- Devise strategic response to and implement plans to meet the risks and ride on opportunities relating to climate change and Hong Kong's long-term sustainability vision
- Adopt and integrate ESG principles in its investment, lending and business decision-making activities
- Strive for positive environmental impact with its operations and promote eco-friendly work practices and culture

ESG Governance

ESG Governance Structure

Effective ESG governance is critical to executing the ESG strategy of and driving long-term value creation for the Group. Below is a diagram illustrating the Corporation's ESG governance structure.



Board of Directors

The Board is the highest governance body of the Corporation and bears ultimate responsibility and oversight for the overall business strategy (including ESG strategy) and related risks and opportunities of the Group. The Board has overall responsibility for ESG risk management, including the approval of the ESG risk appetite and the oversight of the prioritisation and effective integration of ESG considerations into business strategies.

At the quarterly Board meeting, ESG strategy updates and implementation progress are presented through the Chief Executive Officer's Report, ensuring the Board's continuous oversight of ESG matters.

The Board consists of non-executive Directors who are well-equipped with relevant skills and competencies from different backgrounds and industries and either represent or work closely with officials and stakeholders from the Government and the public sector. On appointment, Directors are provided with induction materials to familiarise them with the Group's operations and businesses including ESG-related matters, as well as their responsibilities as a Director.

ESG Committee

To effectively implement its ESG strategy, the Corporation has established the ESGC to lead the Group's sustainability initiatives, ensure ESG management is integral to the Group's overall business strategy, as well as to enhance and promote overall ESG performance. The ESGC is responsible for reviewing, approving and updating the Group's ESG strategy, policies and plans, as well as overseeing their implementation while analysing and monitoring the ESG trends and topics that are material to the Group and ensuring appropriate skills and competencies are available to provide oversight. The ESGC will also oversee the establishment and maintenance of systems, policies and processes to identify and manage ESG risks and opportunities, and evaluate the performance of the Group in achieving its ESG-related goals and targets and report the progress to the Board.

The ESGC is chaired by the Chief Executive Officer of the Corporation and its members include the Chief Executive Officers of the HKMC Annuity Limited (**HKMCA**) and the HKMC Insurance Limited (**HKMCI**) and senior staff from the relevant functional departments and teams of the Group. The ESGC meets regularly to discuss relevant matters relating to ESG in accordance with its terms of reference. The ESGC held meetings throughout 2024 to discuss and decide on ESG matters including, for example, the implementation of ESG materiality assessment, formulation of greenhouse gas (**GHG**) inventory and decarbonisation plan, performance of climate change analysis and stress test, and enhancement of ESG risk management processes.

For more details on how the Group uses controls and procedures to support the oversight of ESG risks and opportunities, please refer to "Incorporating ESG into Risk and Opportunity Management" section of this report.

Sustainability Working Group

The SWG, comprising relevant department heads and supporting staff, is tasked to assist the ESGC in formulating and implementing ESG work plans. The SWG also helps to identify ESG topics, risks and opportunities of the Group while facilitating the co-ordination of different business units and functions to determine key ESG metrics and targets for monitoring and reporting.

Stakeholder Engagement

Stakeholder engagement is a valuable tool in shaping the Group's strategy development process. Open and transparent dialogue with relevant stakeholders helps the Group to identify and evaluate ESG risks and opportunities affecting its business. Through various engagement channels, the Group has maintained communications with its stakeholders over the years, gaining an understanding of their expectations and perspectives on different ESG issues. The Group reviews their responses and opinions to guide its prioritisation of ESG topics and enhance its sustainability performance.

In 2024, the Group conducted a stakeholder assessment to identify, assess and prioritise ESG matters based on the relative influence and interests of the stakeholders. The results of the assessment were then utilised to support the development of a stakeholder engagement plan. This plan detailed the respective engagement channels, approaches and frequency to engage with different stakeholder groups. With an improved understanding of its stakeholders' views, the Group was able to update and prioritise material ESG topics that guide the formation of its ESG strategy. This has further enhanced the alignment of its business practices with stakeholders' expectations and facilitated informed decision-making.

The following table summarises the main stakeholder groups, their key interests raised during the year and the preferred methods of engagement.

Stakeholder Groups	Key Interests in 2024	Preferred Engagement Channels
Investors	• Promotion of banking sector stability in Hong Kong • ESG disclosures • Sustainable financing opportunities	• Investor meetings and conferences • Annual and interim reports • Emails • Announcements and circulars
Customers and local communities	• Cybersecurity and data protection • Product offerings, transparency and application process enhancements	• Service hotlines and emails • Social media platforms and mobile applications • Public outreach and education events • Corporate websites
Shareholder	• Accomplishment by the Group of its core missions	• Internal strategic meetings • Annual and interim reports • Announcements and circulars
Business programme partners and financial sector participants	• Customer satisfaction • Product offerings, transparency and responsibility	• Annual and interim reports • Consultation meetings and calls • Emails • Corporate websites • Industry events
Suppliers, contractors and service providers	• Open, fair and transparent procurement	• Supplier due diligence procedures and performance reviews • Meetings and communications
Staff	• Welfare and compensation packages • Alignment with the Group's strategies • Digitalisation and productivity • Green office and operations	• Pulse surveys and focus group meetings • Performance reviews • Emails, intranet and newsletters • Training and development programmes
Government and regulators	• Business ethics and compliance • Corporate governance	• Meetings and conferences • Public consultations • Industry events
Professional bodies and industry associations	• Greenwashing and greenhushing • Technology adoption	• Industry events • Corporate awards and recognitions • Corporate memberships and subscriptions
Non-governmental organisations and media	• Social impact and contribution to the communities • Ethical practices	• Public relations hotlines and emails • Press releases and media interviews • Community engagement events • Corporate websites

Materiality Assessment

Assessment Approach

Material ESG topics are the topics that hold the most significance for a company and its stakeholders, both internal and external, and they have a significant impact on the company's business operations, performance and stakeholder interests. By conducting regular materiality assessments, companies can maintain awareness of ESG trends, regulatory changes and best practices. Such regular assessments allow them to adapt their ESG management strategies on a timely basis and address relevant emerging risks while ensuring reasonable and efficient allocation of resources. The Group carried out its first ESG materiality assessment in 2022 and, using feedback from stakeholder engagement combined with peer analysis and industry benchmarking, identified nine material topics. In 2023, the list of material topics was re-assessed and confirmed to still be pertinent to the Group's business operations.

Recognising that ESG trends, socio-economic environment and views of stakeholders both inside and outside the Group on ESG topics may have evolved over time since the first assessment in 2022, the Group appointed an external consultant in 2024 to conduct an extensive review and update the existing list of material topics to keep pace with and take into account stakeholders' expectations. The exercise adopted a double materiality approach, whereby the potential material topics were evaluated from two dimensions: impact materiality and financial materiality.

Materiality Perspective	Definition
Impact materiality	Evaluate the significance of each ESG topic based on its potential impact on the economy, environment and society.
Financial materiality	Assess the extent to which each ESG topic presents financial risks and opportunities that could materially affect the Group.

The detailed steps taken for the double materiality assessment are as follows:

Step 1: Identifying a list of potential material topics through materiality analysis

Based on the material topics identified in the previous materiality assessment, a materiality analysis using a number of local and international sources was applied to capture the ESG topics likely to be relevant to the Group. This included consideration of sector-specific standards and guidelines related to sustainability, including the Sustainability Accounting Standards Board Industry Standards. Benchmarking research was conducted against selected industry peers' material topics. ESG megatrends potentially relevant to the Group were also reviewed.

This process of desktop research was used to form an updated list of 13 material topics for further evaluation and input from stakeholders.

Step 2: Evaluating and prioritising material topics

With reference to the updated list of material topics, the Group conducted a survey of both internal and external stakeholder groups to understand their views on the impact of selected material topics and the Group's sustainability performance. Stakeholders were asked to assess the impact materiality — that is, the extent each topic could impact the economy, society and environment, both positively and negatively — of each topic to inform the prioritisation of material topics.

In addition, in-depth interviews and focus group discussions with selected representatives from or familiar with different stakeholder groups provided further insights into both financial materiality and impact materiality of identified topics, as well as their thoughts on the potential impact, risks and opportunities associated with these topics.

The material topics were then prioritised based on the assessment results.

Step 3: Validating double materiality assessment outcomes
The ESGC considered and validated the double materiality assessment and the resulting prioritised list of material topics.

The Group will regularly review the list of material topics and when necessary, perform appropriate double materiality or other assessments to ensure that the list is up-to-date and relevant.

Material Topics
The table below showcases the 2024 material topics and their linkage to the Group's core missions, ESG pillars and related United Nations' Sustainable Development Goals (**UN SDGs**).

Incorporating ESG into Risk and Opportunity Management

ESG Risk Management

The Group manages ESG risks under its ESG Risk Management Framework which sets out a holistic approach in governing and managing the ESG risks of the Group across different business operations and functions.

The ESG Risk Management Framework includes components such as ESG risk appetite, governance, risk assessment, as well as climate risk stress testing and monitoring of ESG risks using defined metrics.

ESG Risk Appetite

The ESG risk appetite defines the constraints for ESG risk levels and includes the controls for managing ESG risks. It has been integrated into the risk appetite statement of the Group to ensure all relevant risks it faces are managed properly.

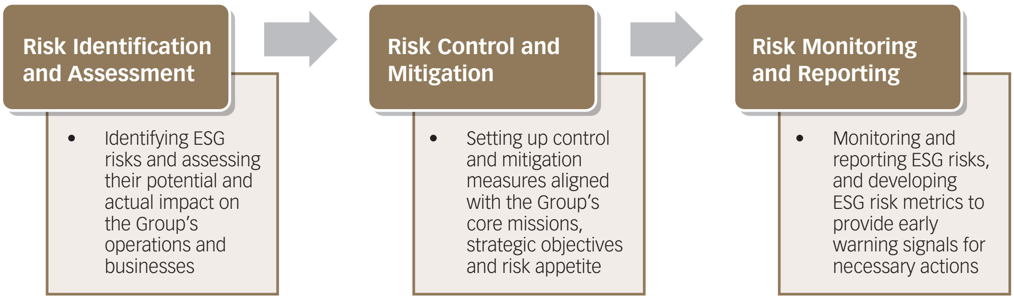
ESG Risk Governance

The ESGC is the governance committee for managing ESG risks of the Group. In line with the Group's risk governance structure, the responsibilities for managing ESG risks are allocated across the three lines of defence by the ESGC.

Three Lines of Defence for ESG Risk Management

Line of Defence	Major Responsibilities	Responsible Function(s)
First line	• Follow internal policies and procedures in managing ESG risks arising from day-to-day operations and maintain sufficient awareness and understanding to identify and assess potential ESG risks	Business/operational units
Second line	• Responsible for ESG risk assessment, ESG risk management frameworks and policies, ESG risk monitoring across different business activities, and ensuring the relevant ESG policies and procedures are in compliance with applicable ESG standards and regulations	Risk management and compliance functions
Third line	• Responsible for audits of the Group's operations to ensure robustness of the internal control systems and compliance with the internal policies and relevant regulatory requirements (including ESG-related processes and controls)	Internal audit function

ESG Risk Management Process
The ESG risk management process of the Group consists of three steps:



ESG Risk Identification and Assessment
The Group recognises that ESG issues pose potential risks to its operations, reputation and performance, and has thus identified the ESG risks pertinent to its operations and businesses by reference to various internal and external information sources, including relevant sustainability-related standards.

The Group has assessed the severity of the ESG risks by considering their impact and likelihood. Among other relevant considerations, the assessment evaluates the impact of ESG risks on the Group's reputation, customer relationships, media strategy, legal and compliance obligations, and financial performance.

ESG Risk Control and Mitigation
The Group's ESG risk controls and mitigation measures have taken into account its strategic objectives and risk appetite. These measures include the development and implementation of internal policies and procedures to mitigate and control ESG risks.

ESG Risk Monitoring and Reporting
To ensure effective control and mitigation of evolving ESG risks (including climate risks), the Group monitors them on an ongoing basis through ESG risk metrics and the monitoring results will be regularly reported to the Board.

Material ESG Risks
The Group's material ESG risks (other than climate-related risks) are identified as below, and these risks will be monitored and managed under its ESG risk management process. For information on the climate-related risks of the Group, please refer to "Climate Risk Management" section of this report.

Risk Types and Risk Drivers	Examples of Risk Transmission Pathways[1] Reputation Risk	Operational Risk	Legal and Compliance Risk	The Group's Responses
Social				
Society and Customer Failure to consider social inclusion in product design and conduct appropriate suitability assessments for customers	√	√	√	• Understand stakeholders' needs and maintain dialogues with customers • Set up eligibility criteria and conduct suitability assessments • Maintain product/process sign-off mechanism to ensure relevant risk factors are considered in designing and implementing new or enhanced products
Demographic Trends Failure to observe and respond to changes in Hong Kong's demographic trends	√	√		• Understand and, where appropriate, address community demands for product development and enhancement
Governance				
Corporate Governance Ineffective corporate governance structure	√	√	√	• Uphold a robust governance structure supervised and managed by officials from the Government and the Hong Kong Monetary Authority • Deliver on its core missions and manage risk appetite to guide the risk-taking process • Maintain proper checks and balances under the three lines of defence
Human Resources Unable to attract and retain suitable talent or incorporate equal opportunities and inclusion into the organisation	√	√	√	• Enhance talent attraction and retention and implement competency-based selection • Monitor manpower and performance and facilitate staff training • Maintain and enhance the Equal Opportunities Policy to foster workplace equality • Establish gender-neutral and disability-inclusive recruitment and promotion practices • Implement robust staff welfare policies and provide competitive remuneration packages, fringe benefits, promising career paths and development opportunities
Information Security Cyber threats and data leakage	√	√	√	• Implement information security-related internal policies, procedures and guidelines • Implement appropriate controls to prevent, detect and respond to evolving cyber threats
Innovation and Digitalisation Failure to adopt new technology properly		√		• Support new technology adoption for business development through its Digitalisation Office

[1] Examples of risk transmission pathways include:
(a) Reputation risk — If the Group fails to take due consideration of ESG factors in products, businesses and strategies or fails to meet expectations in ESG disclosures, it may face negative perceptions from the public, market and stakeholders. Such perceptions could adversely affect the Group's ability to maintain or establish business relationships.
(b) Operational risk — Failure to incorporate ESG policy changes into the Group's internal processes and controls may result in operational risks and losses.
(c) Legal and Compliance risk — 1) Failure to comply with ESG-related regulations and standards, including disclosure requirements, may expose the Group to potential regulatory actions as well as reputation damage; 2) Regulatory risk may lead to increased operational costs and expenditures required for compliance with ESG-related regulations, requirements and standards; and 3) The Group may face ESG-related legal actions that could disrupt or negatively affect its operations or financial conditions.

ESG Opportunity Management

The Group has identified potential ESG opportunities relevant to the Group based on the materiality assessment exercise detailed in "Materiality Assessment" section above. In particular, with reference to the list of material ESG topics, various departments, with the support of an external consultant, assessed and considered which opportunities the Group could focus on. Further discussions and planning activities would be conducted according to the feasibility of, and appropriate timing for, capitalising on these opportunities.

Material ESG Opportunities

Material ESG opportunities (other than climate-related opportunities) in relation to the Group's business are set out in the table below. For information on the climate-related opportunities of the Group, please refer to "Climate Opportunities" section of this report.

Opportunity Description	The Group's Responses
Social Opportunity: Offering of retirement financial products that cater to the growing aging population	• Identify community demands and needs to adjust and enhance the Group's product development strategy
Social Opportunity: Promotion of the securitisation market and the debt market generally	• Collaborate with industry players and promote investment opportunities, such as infrastructure financing and securitisation, to investors
Governance Opportunity: Improved work efficiency and reduced labour costs by providing staff with training and job rotation opportunities	• Implement diverse training and development programmes for staff
Environmental Opportunity: Cost savings and improved operational efficiency through green initiatives such as energy-saving and waste-reduction measures	• Launch enhanced recycling initiatives and environmentally-friendly programmes

Contributing to the Society

Delivering Socially Responsible Financial Products

Solutions for Homebuyers

Since 1999, the Group has been operating the Mortgage Insurance Programme (**MIP**), established as an integral part of mortgage financing in Hong Kong. The MIP helps a potential homebuyer with limited resources to make the down payment to purchase a property. Through the MIP, the HKMCI provides insurance coverage to MIP participating banks, enabling the banks to extend mortgage loans with a higher loan-to-value (**LTV**) ratio. In addition, the Corporation has introduced the Fixed Rate Mortgage Scheme for fixed-rate mortgages, which provides an alternative financing option that can help mitigate the risk of interest rate volatility for homebuyers.

Relevant ESG Impact Metric

Metric	2024	2023
Number of households supported[2] by the MIP (since launched)	**235,181**	225,844

Case Study

New Arrangement under the MIP — Waiver of Owner Occupancy Requirement for Eligible Homeowners

Understanding that homeowners have their own special needs arising from changes in personal or family circumstances, a new arrangement under the MIP was put in place in August 2024 to approve, on a case-by-case basis, eligible homeowners' applications to rent out their self-occupied properties. The eligible circumstances include where:

- the homeowner's family is expecting newborn(s) or adopting child(ren), resulting in a change in housing needs;
- the homeowner has become unemployed and requires more flexible housing or financial arrangements; or
- the homeowner has other special needs to rent out his/her property, and has been residing in the relevant property for not less than 12 months.

[2] The number of households supported includes count of the same household which is or has been supported through application for new loan drawdown and/or refinancing under the MIP since its launch.

Solutions for Retirees

Shifting into retirement can bring a myriad of financial hurdles, particularly as regular pay cheques cease. Many seniors, despite saving diligently, may find their retirement savings fall short when it comes to managing daily costs and handling the higher expenses of healthcare associated with increased longevity.

The Group has introduced the "HKMC Retire 3" branding, with the Reverse Mortgage Programme (**RMP**), the Policy Reverse Mortgage Programme (**PRMP**) and the HKMC Annuity Plan (**Annuity Plan**) promoted together as a holistic solution for retirement planning. These three products provide the elderly with immediate, stable and lifelong streams of income to supplement their daily expenses after retirement, strengthening their financial security and improving their quality of life. Relatively illiquid assets are utilised as collateral, including residential properties for the RMP, death benefits of life insurance policies for the PRMP, or contribution of a lump-sum single premium for the Annuity Plan. These products offer retirees the peace of mind that comes from income continuity.

Relevant ESG Impact Metrics

Metrics	2024	2023
Number of senior citizens receiving payouts from the Annuity Plan[3] (in-force)	**21,617**	15,349
Amount of total payouts by the Annuity Plan (since launched)	**HK$4,017 million**	HK$2,952 million
Number of accumulative policies[4] under the RMP[5] (since launched)	**7,666**	6,616
Amount of total payouts by the RMP (since launched)	**HK$8,676 million**	HK$6,800 million
Number of accumulative policies[4] under the PRMP[5] (since launched)	**126**	79
Amount of total payouts by the PRMP (since launched)	**HK$8.7 million**	HK$3.7 million

Case Study

Annuity Plan Product Enhancements and Promotional Offer in 2024

The Annuity Plan provides senior citizens with an important option in enhancing their financial well-being by providing lifelong income protection to safeguard against longevity risk. In 2024, the HKMCA introduced enhancement measures and a promotional offer for the Annuity Plan, which garnered an overwhelming public response and resulted in a total collected premium amount of HK$4.4 billion. Beyond providing financial protection, the HKMCA also promotes public education initiatives to raise awareness of longevity risk and emphasise the importance of life annuity products in retirement financial planning.

3 Basic eligibility for the Annuity Plan: The applicant should be a Hong Kong permanent resident aged 60 or above.

4 The number of accumulative policies represents the number of total policies in respect of loan origination and/or refinancing under the RMP and the PRMP, respectively, since their launch.

5 Basic eligibility for the RMP and the PRMP: The applicant should generally be aged 55 or above and a holder of a valid Hong Kong identity card.

Solutions for SMEs

SMEs are a cornerstone of the Hong Kong economy. As at June 2024, the 360,000 SMEs operating within the city provided job opportunities for over 1.2 million individuals, accounting for more than 44% of the workforce in the private sector[6]. Despite their resilience, these SMEs have been facing challenges in their business operations amid uncertainties in the global economic environment. To help tide SMEs and non-listed enterprises over financial difficulties, the Government provides support for bank financing to SMEs with the 80% and 90% Guarantee Products of the SME Financing Guarantee Scheme (**SFGS**) under the entrusted operation of the HKMCI.

To alleviate the cash flow challenges faced by enterprises affected by the Coronavirus Disease 2019 (**COVID-19**) pandemic, the Government launched the Special 100% Loan Guarantee in April 2020 as temporary special measures under the SFGS, aiming to support enterprises that were suffering from reduced income and to safeguard jobs. As society has returned to normalcy after the COVID-19 pandemic, the Special 100% Loan Guarantee expired and ceased accepting new applications at the end of March 2024.

Acknowledging that the economic recovery needs further reinforcement and mindful of the fluctuating market conditions, the Government continues to offer support to SMEs in tackling their capital flow problems. To this end, the application period of the 80% and 90% Guarantee Products of the SFGS has been extended for two years to end-March 2026. Complementing this extension, the total guaranteed commitment under the SFGS was increased further by HK$10 billion.

To further alleviate the repayment pressure on borrowing enterprises, and help them address challenges brought about by economic restructuring, the Government announced enhancements to the SFGS in "The Chief Executive's 2024 Policy Address" in October 2024. For both existing and new loans, borrowing enterprises under the SFGS could apply by 17 November 2025 for a principal moratorium for up to 12 months, while the maximum loan guarantee periods of the 80% and 90% Guarantee Products have been extended to ten and eight years respectively. In addition, partial principal repayment arrangement would be offered for new loans under the two guarantee products. These measures took effect on 18 November 2024.

Awarded the "**Best SME's Partner Award 2024**" by The Hong Kong General Chamber of Small and Medium Business

Relevant ESG Impact Metrics

Metrics	Relevant Products	2024	2023
Number of SMEs benefitted from the SFGS (since launched)	80% & 90% Guarantee Products[7]	**22,400**	19,500
	Special 100% Loan Guarantee	**40,000**	39,000
Estimated number of employees supported[8] by the SFGS (since launched)	80% & 90% Guarantee Products[7]	**374,400**	352,900
	Special 100% Loan Guarantee	**400,000**	392,000

6 Source: Census and Statistics Department (2024)

7 The number of SMEs benefitted and estimated number of employees supported are calculated to avoid double counting of applications by enterprises using both the 80% and 90% Guarantee Products.

8 The estimated number of employees supported represents the total number of employees (full-time and/or part-time) of the borrowing enterprises as declared in their latest application for the respective product(s) under the SFGS.

Solutions for Specified Sectors

The travel and tourism sectors were among the most affected during the outbreak and spread of the COVID-19 pandemic. To support the business resumption of the travel sector and the cross-boundary passenger transport trade, the HKMCI launched the Dedicated 100% Loan Guarantee Scheme (**DLGS**) in April 2023 to provide loans fully guaranteed by the Government to eligible licensed travel agents, owners of local tour coaches, and vehicle owners or ferry owners/operators of cross-boundary passenger transport. The application period for the DLGS for Travel Sector and the DLGS for Cross-boundary Passenger Transport Trade expired on 28 October 2024.

Meanwhile, to support Hong Kong's target to achieve zero vehicular emissions by 2050, the Government has been actively promoting the use of electric vehicles and has established a target of introducing about 3,000 battery electric taxis (**e-Taxis**) by the end of 2027. To encourage the taxi trade to switch to e-Taxis, the HKMCI launched the DLGS for Battery Electric Taxis in September 2023, with an application period of five years, to provide loans for eligible taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with e-Taxis.

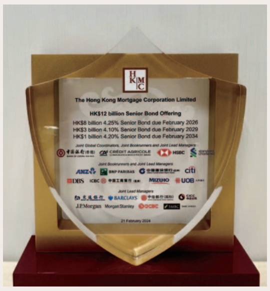
Promoting Banking Stability and Local Financial and Debt Market Development

The Group upholds its role in promoting banking and financial stability whilst executing sound risk management practices. To achieve this mission, the Group maintains a proactive approach, standing ready to acquire mortgage assets from the banking industry through the Mortgage Purchase Programme (**MPP**). Also, the MIP enables participating banks to provide mortgage loans at higher LTV ratios without incurring additional credit risk. It serves as a safeguard against potential losses from mortgage defaults that exceed the established LTV thresholds, thus contributing to Hong Kong's banking stability. Furthermore, through the provision of the 80% and 90% Guarantee Products of the SFGS, the HKMCI extends guarantee coverage for bank loans to eligible SMEs, helping to reinforce the overall stability of the banking system.

As a leading corporate debt issuer in Hong Kong, the Corporation plays a crucial role in cultivating the local debt market. This is achieved not only through regular debt issuances, but also by launching innovative debt products and contributing to the evolution of the debt and financial markets. In 2024, the Corporation maintained its position as the most active issuer in the HKD corporate bond market and was also a major CNH corporate bond issuer. The Corporation is well placed to continue promoting the development of the local debt market, fulfilling the investment appetite for high-grade debt assets of both domestic and international investors.

Case Study

Debt Market Development in 2024 — HK$12 Billion Benchmark Bond Issuance



In February 2024, the Corporation successfully launched and priced its triple-tranche HKD benchmark bonds totalling HK$12 billion, comprising HK$8 billion 2-year, HK$3 billion 5-year and HK$1 billion 10-year bonds. It was the largest-ever HKD senior unsecured public bond transaction in the institutional market at the time of issuance.

With the participation of 20 local and international financial institutions, the transaction was well received by a diverse group of high-quality local and overseas institutional investors with strong orderbook of over HK$37 billion and final allocation to over 180 accounts.

This triple-tenor issuance not only extended the Corporation's public bond issuance across the yield curve, but also set a solid benchmark for other public sector entities and local high-grade issuers to follow. It was recognised by market participants that this record-setting transaction underscored the pivotal role of the Corporation in the development of local debt market and promotion of investors' confidence in Hong Kong's economy.

In line with its missions to promote banking stability and local debt market development and to help consolidate Hong Kong's position as an infrastructure financing hub, the Corporation launched the Infrastructure Financing and Securitisation (**IFS**) Business in 2019. The Corporation has since been actively participating in the infrastructure financing market by purchasing and accumulating infrastructure loans from commercial banks and co-financing infrastructure projects in partnership with multilateral development banks and commercial banks, with a view to pursuing the securitisation of infrastructure loans to facilitate the flow of capital into infrastructure investments.

Since 2023, the Corporation has been leading the issuance of ILBS as a channel for directing investments from the capital markets into infrastructure assets. Additionally, the inclusion of a sustainability tranche within its recent ILBS transactions provided investors with an option to invest their capital in sustainable, green and socially impactful infrastructure projects.

Case Study

Successful Issuance of the Corporation's Second ILBS

Building on the success of the inaugural issuance of the ILBS in May 2023, the Corporation completed its second ILBS issuance in September 2024. The transaction provided professional investors with exposure to a diversified portfolio of 26 projects spreading across 14 countries and 10 sub-sectors, with a total value of approximately US$423.3 million. This successful issuance reaffirmed the Corporation's dedication to promoting banking stability and local debt market development, and further solidified Hong Kong's vital role as both an infrastructure financing and securitisation hub and an international financial centre.

In 2024, the Corporation continued to participate in various collaboration activities and present at industry events to share insights on trending topics, such as bond issuance and ESG investment, and encourage debt issuance in Hong Kong and promote high-quality HKD debt instruments for the investing community.

Case Study

Collaboration with Market Practitioners in 2024

Roundtable Luncheon

Senior Vice President (Finance) of the Corporation was invited to speak at a roundtable luncheon hosted by a renowned bank in Hong Kong in March 2024, and the event was attended by Hong Kong's major public sector issuers and investors as they explored bond issuance and investment opportunities in local and overseas markets.

Insights were shared on the outlook of the debt capital market in Hong Kong and the Corporation's recent experience in bond issuance, and thoughts were exchanged on the establishment of the Medium Term Note Programme of the Corporation, the choice of private placement and public issuance, as well as considerations in issuing sustainability bonds.

Fireside Chat at Sustainable Finance Asia Forum

Treasurer of the Corporation was invited to speak and share his experience about promoting social bond issuance in Hong Kong at the Sustainable Finance Asia Forum organised by FinanceAsia in June 2024.

The chat session examined the rapid growth in significance of the social dimension of ESG investing, as well as the potential of social bonds and other socially-focused investment opportunities. The session also explored the identification and prevention of "social washing", as failure to comply with relevant requirements could pose a significant risk to issuers and their reputation.

Supporting Hong Kong's Financial Literacy

Engagement Activities and Educational Programmes

The Group ensures that fair and transparent information regarding its products and services is provided to its customers to enable their informed financial decision-making and improve overall financial literacy in Hong Kong. Educational events and seminars are regularly conducted to keep its customers and the general public informed about financial and retirement planning considerations, market trends and related product features. The Group also remains a staunch supporter of improving financial literacy in Hong Kong. In recognition of its ongoing efforts and contributions, the Corporation was awarded the Certificate of Appreciation in the Investor and Financial Education Award 2024 by the Investor and Financial Education Council.

The Group will continue to maintain communications with various stakeholders, including business programme partners and industry associations. This helps the Group stay informed of market developments and enables it to share relevant financial information with its customers and the general public.

Case Study

Public Education on Retirement Planning in 2024

To promote the development of the retirement planning market in Hong Kong and introduce the benefits of the "HKMC Retire 3" products, the Group has organised a series of public engagement activities, workshops and visits to foster closer ties with the retirement community. For example, four territory-wide seminars were arranged in 2024, providing the general public from all walks of life with a platform to learn about the features of the "HKMC Retire 3" products and how these products can help meet their personal financial needs.

In addition, the Group organised over 80 outreach activities and developed a series of public education materials to strengthen collaboration with corporations and professional organisations and provide senior citizens with practical information about life annuity options to maintain sustainable income and safeguard against longevity risk for greater peace of mind upon retirement.

To further extend the reach of the "HKMC Retire 3" products, a roving truck was deployed as a mobile information centre to tour different districts of Hong Kong, with stops in various residential neighbourhoods to acquaint the public with the retirement planning tools. Through interactive games, exhibitions and product enquiries, this information centre received favourable responses from the public. Moreover, the HKMC YouTube Channel continues to be an effective platform for financial education and promotion, with over 9,500 subscribers as of the end of 2024.

AMIGOS By HKMC (AMIGOS)

The Group continues to nurture its relationship with "HKMC Retire 3" customers and provide educational and recreational activities through its loyalty programme, AMIGOS. The programme regularly organises events themed around health, sports, travel, financial education, culture and arts, fostering enrichment among AMIGOS members. As an encouragement for constructive feedback and a reward for customer loyalty, AMIGOS members receive useful information and exclusive perks from time to time through different channels and platforms, such as the AMIGOS mobile application and website.

AMIGOS organises financial literacy workshops introducing various digital financial platforms and tools and providing tips for scam prevention and fraud avoidance. Additionally, to raise public awareness against financial scams, AMIGOS regularly sends security reminders to its members, helping to safeguard their financial health.

In 2024, AMIGOS hosted a range of upcycling workshops to advocate for sustainability and waste minimisation. Participants learned how to protect the environment and gained practical experience by repurposing used materials into new and useful products.

Toys Upcycling and Repainting Workshop

Art of Regenerative Glass Workshop

AMIGOS also promotes healthy and fulfilling lifestyle for its members by hosting mental well-being and physical fitness classes. These sessions contribute to members' well-being, providing an environment where friendships can develop and new connections within the AMIGOS community can be formed.

Muscle Stretching and Relaxation Workshop

Pilates and Fitness Workshop

Caring for the Community

As part of its commitment to contributing to the society, the Group promotes various charitable and community functions. Its volunteer team, Caring League, is set up to organise volunteering services, including those in collaboration with external charitable organisations, with values that align with the Group's ESG goals. Staff are encouraged to support charitable activities and join volunteering work through Caring League's initiatives. In 2024, the Group arranged various voluntary services, including Shoreline Clean-up Day and Outing for the Elderly. Community Chest Dress Casual Day, Pop-up Lunch and Cookie Campaign were also organised for fund-raising and support of local non-governmental organisations.

15 years+ 同心展關懷 caringorganisation® Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

The Corporation has been awarded the "**Caring Organisation Logo**" by The Hong Kong Council of Social Service since 2008

Shoreline Clean-up Day

Outing for the Elderly

Corporate Governance

Board Oversight

A robust and effective governance framework is essential to the maintenance of a strong culture of ethical business practice. In the pursuit of its core missions and business objectives, the Group holds itself to high standards of professionalism, integrity and ethical conduct. The Group has established a Corporate Governance Code which sets out the principles of good governance.

In addition, the Corporation upholds oversight by ensuring a Board composition with a balanced set of skills, experiences and perspectives appropriate for the business requirements of the Group. The inclusivity within the Board enables consideration of different perspectives, promoting informed decision-making and enhancing the Board's ability to assure stakeholders that their rights and interests are well protected.

For more details about Board oversight and the related corporate governance practices of the Group, please refer to "Corporate Governance Report" section of the Annual Report.

Culture of Compliance

Business Integrity

The Group is committed to conducting its business and operations applying high standards of ethics, honesty and integrity in accordance with all applicable laws and regulations, non-statutory guidelines and codes as well as internal policies and procedures. The Group Compliance Policy and the Group Compliance Manual set out the principles for sound compliance management practices that are targeted to be integrated within the Group's strategic planning, internal controls, business activities and conduct.

In 2024, the Group was not aware of any significant litigation or regulatory action pending or threatened against the Group or any material non-compliance with relevant laws and regulations by the Group.

Anti-Corruption

The Group has adopted a zero-tolerance policy for corruption or bribery in any form or at any level. As a "public body" under Schedule 1 of the Prevention of Bribery Ordinance (**PBO**), the Corporation, the HKMCA and the HKMCI are each subject to specific requirements of the PBO. From time to time, the Group arranges internal training sessions focusing on anti-corruption and bribery, which cover anti-corruption matters applicable to "public bodies" and "public servants" under the PBO, conducted by the Independent Commission Against Corruption for staff to raise and maintain their anti-corruption knowledge and compliance. Attendance at these sessions is mandatory for all new staff. The Group also requires all new staff to undertake a mandatory integrity e-learning course provided by the Independent Commission Against Corruption.

The Group's Code of Conduct imposes rules in relation to the management of conflicts of interest, abuse of power, bribery and corruption, and unethical conduct in the workplace. The Group has also promulgated procurement policies and procedures that restrict staff from offering, giving, soliciting or accepting any advantage or bribe to or from contractors, suppliers or third parties connected with its business. Any non-compliance with the Code of Conduct, the PBO or any other applicable laws and regulations may lead to disciplinary action.

Anti-Money Laundering (AML), Counter-Terrorist Financing and Sanctions

The Group's AML Procedures establish internal requirements and procedures in relation to its compliance with the applicable AML, counter-terrorist financing and sanctions laws and guidelines. The aim is to mitigate and manage the Group's exposure to financial crime, and safeguard the reputation of the Group and the interests of its stakeholders. The AML Procedures include a risk-based approach to conducting customer due diligence, ongoing monitoring, suspicious transaction reporting, training and record keeping. Moreover, staff of the HKMCA are required to comply with additional rules on AML applicable to long-term insurance business. The Group screens and monitors potential risks related to money laundering, terrorist financing and sanctions. Regular risk assessments of the characteristics of the Group's products and services are carried out to ensure that any risks associated with money laundering, terrorist financing and sanctions are effectively managed.

To enable staff to keep abreast of the legal and regulatory developments which are relevant to the performance of their duties and enhance their understanding of their compliance obligations, the Group organises and co-ordinates annual AML, counter-terrorist financing and sanctions training and compliance knowledge test for its staff. In terms of compliance monitoring, among other things, regular compliance audits are carried out to assess and monitor the Group's adherence to compliance standards.

Anti-Fraud and Whistleblowing

The Group has put in place an Anti-Fraud and Whistleblowing Policy which helps to combat any fraud in its business. It provides information and guidance on how to deal with wrongdoings including deception, forgery, extortion and fraudulent misrepresentation. Staff are required to stay alert for any indication or signs of fraudulent conduct in the course of their work.

The Group encourages the reporting of any suspected, threatened or actual wrongdoing, misconduct, improper activity or irregularity (not limited to fraud) within the Group. The Anti-Fraud and Whistleblowing Policy sets out the whistleblowing procedures including the circumstances, channels, concerns and processes in the making, handling and investigation of a report. All reports and complaints will be treated seriously and handled on a strictly confidential basis in accordance with all applicable laws. Bona fide whistleblowers will also be protected from any retaliatory action or retribution for submitting a report or participating in an investigation of a suspected wrongdoing. Any whistleblowing case will be investigated appropriately and reviewed by a high-level Investigation Committee for follow-up actions.

Protection of Intellectual Property Rights

The Group adheres to relevant laws and regulations regarding intellectual property as it continues to leverage its trademarks, brand names, trade secrets and other intellectual property rights to amplify its brand recognition and development. The Group has also employed formal trademark registration, contractual provisions and confidentiality procedures to protect and strengthen its intellectual property rights.

Privacy Protection and Cybersecurity

The Group is committed to respecting and safeguarding the privacy rights of individuals in relation to the personal data it collects or obtains, and to complying with the applicable data protection laws and requirements including the Personal Data (Privacy) Ordinance. It has established internal policies, procedures and guidelines to ensure the protection of data privacy of its staff and customers. The Group's Privacy Policy Statement articulates its approach to the collection and retention of personal information in accordance with the regulatory requirements, and its Personal Information Collection Statements inform individuals of the purposes of data collection, classes of persons to whom their data may be transferred, their rights to make requests regarding their data, and other relevant information. Staff and customer personal data are only accessible by authorised personnel on a need-to-know and need-to-use basis. To prevent leakage and misuse of confidential information, the Group employs measures such as the use of confidentiality and non-disclosure agreements.

To protect its systems and networks from cyberattacks and ensure the confidentiality and integrity of its data and information assets, the Group has developed the Information System Security Policy to manage and monitor its cybersecurity and data risks. The Information System Security Policy establishes security standards and controls for the protection of all critical information systems and confidential data owned by the Group. In addition, the Group's Cybersecurity Incident Response Plan outlines its approach in incident detection, escalation and response.

In 2024, the Group continued to raise the cybersecurity awareness and technology risk management capabilities of its staff through orientation training on cybersecurity for new hires and theme-based awareness training regarding the new features of artificial intelligence and deep fake technologies for all staff, as well as by conducting regular cyber defence assessments such as security audits and simulated phishing email exercises.

The Group will also continue to invest in information technology safeguards to meet its information security objectives. Further, to implement digital transformation and enhance its business agility, the Group will constantly seek ways to modernise its internal systems and applications to further improve efficiency while minimising potential risks during its digitalisation journey.

> *Case Study*
>
> **Cybersecurity Readiness Assessment**
>
> In 2024, the Group evaluated its cybersecurity measures by conducting a readiness assessment with reference to the updated Guideline on Cybersecurity issued by the Insurance Authority. The assessment reviewed the Group's current cybersecurity position and identified opportunities for enhancing cybersecurity control measures and strategies.
>
> **Review of Data Collection and Protection Controls**
>
> An assessment of the existing customer data collection processes was carried out in 2024 to determine the feasibility of minimising the collection of personal data. Action items were recommended to further mitigate risks of data breach incidents.

Employment and Labour Practices

Talent Attraction and Retention

The Group attracts and grooms talented individuals to ensure the effective performance of its core missions. It provides staff members with competitive remuneration packages and fringe benefits, promising career paths and development opportunities.

The Group also adopts family-friendly practices by offering a five-day work week to help staff maintain a good work-life balance as well as comprehensive medical and dental insurance plans that cover both the staff and their dependents. The Group strives to foster an inclusive and family-friendly workplace by providing work-from-home and flexible work arrangements. Enhancements to the work-from-home arrangement were implemented in 2023 to provide better support for staff in relation to pregnancy and childbirth. In 2024, marriage leave was introduced and compassionate leave was enhanced to provide additional support to staff. The Corporation has, since 2014, been awarded the Mandatory Provident Fund Schemes Authority's "Good MPF Employer Award" which is given in appreciation of employers who place a high value on their staff's retirement needs.

Diversity and Inclusion

The Group is committed to creating, promoting and maintaining an environment that provides equal opportunities for all staff, including in areas of recruitment, terms and conditions of employment, promotion, compensation and benefits, training, as well as corporate-sponsored social and recreational programmes. As an equal opportunities employer, the Group maintains an Equal Opportunities Policy and is against any form of discrimination or harassment based on sex, breastfeeding, marital status, pregnancy, family status, disability, race, colour, descent and national or ethnic origin. The Group provides various facilities to cater to the diverse needs of staff. For example, breastfeeding rooms are provided for the comfort of nursing mothers. The Group also implements gender-neutral and disability-inclusive recruitment and promotion policies which are underpinned by competency-based assessments and evaluations.

Staff Relations and Well-being

The Group provides a healthy and safe working environment. In 2024, the Group enhanced its Human Resources Policy to update the fire evacuation plan and procedures for reporting occupational health and safety incidents. During the year, the Group was not subject to or aware of any material issues relating to occupational health and safety.

As a caring organisation, the Group is dedicated to looking after its staff's physical and mental health. The Employee Support Programme offers confidential external counselling services to staff and their family members as needed. The topics of the counselling services may include stress management, interpersonal relationships, mental health, physical health and family issues. Hygiene and health tips are regularly communicated via emails and newsletters to raise staff awareness of physical and mental well-being. A vaccination programme for the prevention of influenza and health-check programmes are also offered to all staff at discounted rates.

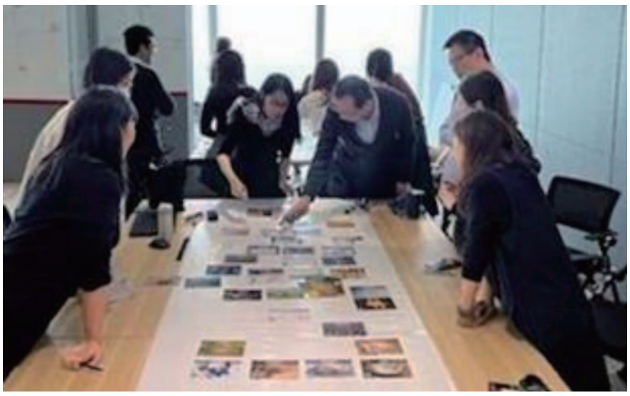
From time to time, the Group reviews and strengthens its contingency plans to minimise any unforeseen disruptions to business operations. Periodic drills are organised to ensure staff are familiar with the activation of backup facilities, contingency plans and communication arrangements in case of emergencies.

Training and Development

The Group recognises the importance of ongoing training and devotes appropriate resources to the enhancement of its staff's professional knowledge and skills. In 2024, to help staff broaden both their technical knowledge and soft skills, the Group arranged a series of seminars and e-learning resources.

For example, Climate Fresk workshops were conducted for staff at different levels in 2024. Through interactive card games and guided discussions, facilitators helped participants understand the basics of climate change science, the carbon cycle and the impacts of climate change on the society and economy. During the year, different initiatives were implemented to promote a culture of continuous learning, allowing staff to pursue personal development. As a recognition to its commitment to staff development, the Corporation has been recognised as a "Learning Champion" by LinkedIn since 2023.

Other than in-house training programmes, the Group encourages continuous learning and professional development by offering training subsidies for self-development through external training. Sponsorship may be granted for job-related external training and overseas training to broaden exposure. Eligible staff may apply for study leave and examination leave to prepare and sit for examinations necessary for the sponsored courses or recognised professional memberships.



Climate Fresk Workshop

To help nurture talent for the future, the Group offers internship programmes for undergraduates that provide practical work experience and help them prepare for their future careers. This year, the Group continued to carry out the Manager Trainee Programme, with the objective of identifying high-calibre young executives to be groomed to meet the Group's long-term staff development plan. Throughout the three-year programme, the Manager Trainees will undergo on-the-job training in different departments, take part in corporate projects and attend structured learning and development activities. In addition, the Group has launched the Placement Trainee Programme which provides undergraduates with the opportunity to acquire valuable on-the-job exposure to relevant departmental functions, as well as training and learning opportunities for their career development.

Operating Practices

Procurement Management

The Group is committed to a responsible and fair procurement process while managing its suppliers. Its Procurement Rules and Procedures Manual outlines its position on procurement management and sets out its approach to due diligence, selection and tender criteria and ongoing supervision of supplier relationships. In the process of selecting qualified suppliers, the Group takes into account various factors including the supplier's reputation, track record of business integrity, expertise, reliability and pricing. In addition, appropriate management approvals are required before entering into contract with a supplier to promote accountability and good governance.

During the year, the Group enhanced its Procurement Rules and Procedures Manual by requiring potential suppliers for procurement items above a specific value to complete the Vendor ESG Questionnaire. This questionnaire is designed in accordance with the Group's ESG Guiding Principles to ensure alignment with its ESG strategies and objectives.

In 2024, the Group was not aware that any of its key suppliers had reported any non-compliance incidents in relation to business ethics, environmental protection or labour practices.

Complaints Handling Procedures

The Group values feedback regarding its product and service qualities. To manage such feedback effectively, it has established the Enquiries and Complaints Handling Policy which serves to provide the framework and guidance for handling queries and complaints to the Group by customers, business partners, general public, media and other stakeholders. The Group strives to ensure that all enquiries and complaints are fully and promptly attended to, logged and resolved in an independent, objective, impartial and effective manner. To improve its operations and better serve its customers, the Group regularly monitors, analyses and reviews the data on enquiries and complaints to identify trends, impacts and timeliness of responses.

Responsible Marketing

The Group has implemented the Guidance for Marketing Materials to ensure that its marketing materials comply with applicable laws and regulatory requirements, respect third-party rights and avoid any misleading content.

To supplement the Guidance for Marketing Materials and in accordance with the ESG Statement and ESG Guiding Principles, the Group adopted the Anti-Greenwashing Guidance in 2024 to promote the integrity, transparency and accuracy of its sustainability or environmental claims.

During the year, the Group was not aware of any reported cases of irresponsible marketing of its products.

Technology Adoption

The Group attaches great importance to digital transformation, with the adoption of advanced technologies to optimise operations and enhance product and service experiences. In November 2022, the establishment of the Digitisation Office was marked as a strategic move to demonstrate the Group's commitment to integrating advanced technologies and data applications into day-to-day business operations. During 2024, the Digitisation Office developed a data analytics platform that laid the groundwork for data analysis and further research on generative artificial intelligence solutions to achieve better business efficiency.

The Group has also formed the Digitalisation Projects Working Group to comprehensively review project proposals, monitor the progress of projects under implementation and resolve issues escalated by project teams.

Case Study

Digital Loan Schedule

The Group has launched a digital solution to issue RMP and PRMP loan schedules digitally, reducing its paper consumption. Under the solution, RMP and PRMP applicants can scan the QR code embedded in a cover letter addressed to them to access their digital loan schedules. It is estimated that this initiative would reduce paper use by over 15,000 sheets annually and streamline the enveloping process.

Meeting Environmental Concerns

Climate Risk and Opportunity Management

The Group recognises the potential risk of climate change to its business and implements targeted management approaches to enhance its climate resilience.

Climate Risk Management

The Group recognises the importance of effective identification, monitoring and management of climate risks across its businesses and operations. Climate risks are managed through the Group's ESG Risk Management Framework. For further details on the ESG risk management process, please refer to "ESG Risk Management" section of this report.

The Group has established a climate-related risk identification and assessment process to identify and assess the climate-related risks across its business functions and operations. The assessment analyses how climate risks could be transmitted to traditional risks (see table on the next page) and their impacts on the Group.

Risk Types and Risk Drivers	Examples of Risk Transmission Pathways[9] Credit Risk	Market Risk	Operational Risk	Reputation Risk	Legal and Compliance Risk
Physical Risk					
Acute					
Increasing frequency and severity of extreme weather events, such as floods, rainstorms and tropical cyclones	√	√	√	√	
Chronic					
Longer-term shifts in climate patterns, e.g. higher temperatures that cause sea-level rise	√	√	√	√	
Transition Risk					
Policy					
Policy actions to constrain the adverse impact of climate change or promote mitigation to climate change — examples include implementing carbon-pricing mechanisms and energy transition policies	√	√	√	√	√
Technology					
Technological advancements that support the transition to a lower-carbon and energy-efficient economic system — examples include new technologies to reduce GHG emissions and replacement of obsolete technologies	√	√	√	√	√
Market					
Shifts in supply and demand for certain commodities, products and services, as climate risks and opportunities are increasingly taken into account	√	√			
Reputation					
Tied to changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy		√	√	√	√

9 Examples of risk transmission pathways include:

(a) Credit risk — Borrowers may fail to meet their financial obligations as a result of increased operating costs stemming from increased carbon pricing, reduced revenue or assets devaluation. In the event of default, the recovery of the outstanding loans may be reduced due to the devaluation of assets.

(b) Market risk — Assets may experience devaluation caused by heightened market volatility due to shifts in market expectations or occurrence of severe weather events.

(c) Operational risk — Failure to incorporate climate policy changes into the Group's internal processes and controls may result in operational risks and losses.

Climate Scenario Analysis and Stress Testing

The Group conducts climate scenario analysis and stress testing to assess its climate risks in different future states, thereby facilitating management of climate risks and building climate resilience.

The climate scenarios of the Group are formulated with reference to the Hong Kong Monetary Authority's Guidelines for Banking Sector Climate Risk Stress Test, market practices and scenarios developed by the Network for Greening the Financial System and Intergovernmental Panel on Climate Change. The impact and likelihood of climate-related risks have been simulated in these scenarios at the macroeconomic, regional and sectoral levels.

Taking into account the potential relevance and impact of climate-related risks to its activities, the Group has conducted scenario analysis on its mortgage businesses and IFS and investment portfolios, covering both physical and transition risks in near-term and long-term horizons and in each case focusing on those businesses and/or portfolios which are more likely to be subject to the respective climate risk. The near-term horizon reaches up to the year 2030, and the long-term outlook extends to the year 2050. The table below summarises the climate scenarios used by the Group.

Scenarios and Assumptions[10]	Risk Level[11]		
	Businesses/Portfolios Likely to Be Subject to Respective Climate Risk	Time Horizon	
		Near-term	Long-term
Physical Risk Global climate actions remain insufficient to halt significant global warming, resulting in adverse change in climate patterns. This leads to irreversible impacts such as sea-level rise and more frequent and severe extreme weather events	Mortgage businesses	Low Risk	Low Risk
	IFS portfolios	Low Risk	Low Risk
Transition Risk[12] Climate policies are becoming more stringent, resulting in higher carbon costs, advancement in technologies and shift in market sentiment in driving decarbonisation	IFS portfolios	Low Risk	Low Risk
	Treasury investments	Low Risk	Low Risk

The Group demonstrated resilience against climate change under the scenarios, based on the position as of the end of 2024. The overall financial impact under the scenarios on the Group remained manageable.

Given the evolving nature of climate risks, the Group will keep monitoring and update the climate stress test as necessary.

10 A static balance sheet assumption is adopted under all scenarios to maintain a consistent balance sheet size and composition throughout the assessment horizon.

11 The climate risk level is determined based on the potential financial impact and/or exposure of the businesses/portfolios under the specified climate scenarios.

12 The high transition risk scenario limits global warming to 1.5°C, aligning with the Paris Agreement.

Climate Opportunities

Climate change could also present the Group with opportunities to develop and invest in low-carbon assets to support a just and orderly transition to a low-carbon economy.

The Group adopts the same approach as for the identification of ESG opportunities to identify climate-related opportunities. Please refer to "ESG Opportunity Management" section of this report for more details.

Climate-related Opportunities

Example of Opportunities	Amount and Percentage of Assets Aligned with Climate-related Opportunities	Anticipated Financial Effects to the Group
Access to new markets and promotion of sustainable finance by issuing green and sustainability-linked instruments	**Size and proportion of the sustainability tranche in the second ILBS issuance:** HK$834 million equivalent; 25.3%	Increase in cash flow through the issuance of sustainable financial products

Transition to Carbon Neutrality

Decarbonisation Targets

In 2021, the Government announced Hong Kong's Climate Action Plan 2050 that would lead Hong Kong towards the goal of carbon neutrality before 2050, with the interim decarbonisation target to reduce Hong Kong's total carbon emissions by 50% before 2035 as compared to the 2005 level. The Corporation, as a public sector entity, supports the Government's carbon neutrality commitments and climate action plan.

Decarbonisation Target Statements

In alignment with the Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050, the Group targets to achieve carbon neutrality by 2050.

As an interim target, the Group strives to reduce its GHG emissions intensity[13] by 36% by 2035 from a 2023 base year.

The decarbonisation of the Group's operations and portfolios is subject to constraints and uncertainties influenced by various factors beyond emissions alone, such as changes in the portfolio asset mix and strategies in response to market developments, as well as fluctuations in underlying asset valuations. The Group's progress in meeting its decarbonisation targets would be monitored, reviewed and regularly reported to the ESGC and the Board.

13 Taking into account the nature of the Group's businesses, portfolios, services and operations and the feasibility of data collection and quantification including considering the relevance and/or materiality of its various emissions sources, the scope of the GHG emissions for emissions intensity calculation of the Group's decarbonisation target includes Scope 1, Scope 2 and Category 3, 5, 6 and 15 of Scope 3 emissions (as applicable).

Decarbonisation Action Plan

To achieve its goal of reaching carbon neutrality across operations and specific investment portfolios by 2050 and contribute to Hong Kong's climate action plan, the Group has established a decarbonisation action plan as follows which sets out the non-exhaustive list of actions it aims to take to help achieve decarbonisation in the near and long-term.

Carbon reduction initiatives	• Encourage resources conservation, energy saving and waste reduction in the workplace • Retire diesel-fuelled company vehicles • Reduce overseas business meetings that may be effectively done virtually • Purchase renewable energy certificates for Scope 2 emissions • Purchase carbon credits for Scope 1-3 emissions, including carbon offsets offered by airlines • Portfolio re-balancing through positively shifting towards less carbon-intensive sectors and companies • Increase the proportion of financing renewables and decrease the proportion of financing carbon-intensive assets over time
Carbon reduction investments/ financing	• Investment in green bonds or corporate bonds with issuers engaged in renewable projects or projects which could generate carbon credits (i.e. carbon creditable projects) • Financing carbon creditable or less carbon-intensive infrastructure projects or projects with carbon avoidance or carbon removal potentials

To execute the above decarbonisation action plan, the Group will, where appropriate, prioritise and allocate resources to the carbon reduction initiatives in its operations and products/business programmes (as applicable) to achieve the interim target. In the long term, the Group will explore implementing appropriate carbon reduction actions and investments to reduce emissions further and support Hong Kong's emissions reduction targets. The Group will regularly review and update its resourcing strategy based on, among other things, overall business strategy, stakeholder expectations, regulatory changes and technological advancements through ongoing assessment.

Integrating ESG Considerations into Business Decision-making

The Group is committed to operating and carrying on business in a responsible and sustainable manner. As part of that commitment, in 2021, the Group incorporated ESG factors into its corporate strategy and operations by adopting its ESG Statement and ESG Guiding Principles. The Group also established the ESGC to lead its sustainability efforts, oversee the implementation of its ESG strategy, and monitor and manage the associated risks.

The Group believes that integrating ESG considerations, including climate-related factors, into its investment, lending and business decision-making will create sustainable value over the long term, contribute to a more sustainable world and reduce its ESG-related risks. It has adopted the RILBP, which establishes a framework for implementing responsible strategies in these areas. Through ESG integration, the Group identifies and evaluates ESG factors within its decision-making processes, encompassing standard risk assessments and thematic investment, lending and business activities.

Recognising the importance of considering and integrating ESG factors into daily operations, business strategy and product offerings in achieving its ESG vision, the Group has adopted a list of ESG integration factors. These factors cover key aspects such as office operations, corporate governance and culture, overall strategy, product design, and stakeholder engagement. They are designed to facilitate the undertaking of ESG integration actions and enable the tracking of ESG progress. To ensure the robust implementation of the ESG strategy, the Group will conduct regular reviews of its ESG strategy, performance and policies.

Case Study

Integrating ESG Considerations into Product Development

In 2024, as a key step in its ESG integration, the Group developed the Product Development ESG Guidelines to facilitate the evaluation of a product's ESG impact. Compliance with these guidelines is ensured through the mandatory completion of a newly introduced ESG Product Checklist. For any new product or material enhancement to a product, the relevant departments are required to complete the checklist which examines several ESG factors, including those set out in the Group's ESG Guiding Principles. As part of the approval processes, the completed checklist should be submitted for the relevant approval authority's consideration, ensuring that any new product or enhanced product is evaluated in line with the Group's ESG strategy and objectives.

Sustainable Finance and Investment

Sustainable Financing

In addition to adopting the RILBP, the Corporation has established the SGS Framework to implement its sustainability strategy as a core component of its business operations. The SGS Framework provides a framework for financing the Group's sustainability initiatives and concentrates on alignment with Hong Kong's long-term sustainability visions. The Corporation will utilise the SGS Framework to structure and issue green, social and/or sustainability bonds and asset-backed securities through public offerings or private placements, supporting the development of assets or projects with environmental and/or social benefits.

Pursuant to the SGS Framework, the Corporation issued its third social bonds of around HK$23.8 billion equivalent in October 2024, which, at the time of issuance, marked the largest social bonds issued in Asia Pacific and broke the record set by the Corporation in 2023. The net proceeds from the issuance were mainly used to finance or refinance the loans under the Special 100% Loan Guarantee of the SFGS. An annual report on the allocation and impact of net proceeds of the social bond issuance will be published until full allocation. For this landmark social bond transaction, the Corporation received prestigious awards and accolades, both locally and internationally, including:

— The Hong Kong Quality Assurance Agency's Hong Kong Green and Sustainable Finance Awards 2024

- Outstanding Award for Green and Sustainable Bond Issuer (Public Sector) — Largest Amount of Social Bonds

— The Asset Triple A Sustainable Finance Awards for 2025

- Best Social Bond in Hong Kong

Summary of Social Bond Issuances

Round	Date	Description
1	October 2022	• Inaugural social bond issuance • Comprised of two tranches and denominated in two currencies: HKD 8 billion 2-year and CNH 3 billion 3-year
2	September 2023	• Comprised of three tranches and denominated in three currencies: HKD 9.5 billion 2-year, CNH 5 billion 3-year and USD 650 million 5-year • Marked as the largest social bond issuance in Asia at that time
3	October 2024	• Comprised of four tranches and denominated in three currencies: HKD 7 billion 2-year and HKD 8 billion 5-year, CNH 2 billion 7-year and USD 850 million 3-year • Marked as the largest social bond issuance in Asia Pacific at that time

Case Study

Promotion of Sustainable Finance in 2024 — HK$23.8 billion equivalent Social Bond Issuance

In October 2024, the Corporation successfully launched and priced its third social bonds of approximately HK$23.8 billion equivalent in four tranches (i.e. HKD 7 billion 2-year and HKD 8 billion 5-year, CNH 2 billion 7-year and USD 850 million 3-year). The transaction marked the largest social bond issuance in Asia Pacific, breaking the record set by the Corporation in September 2023.

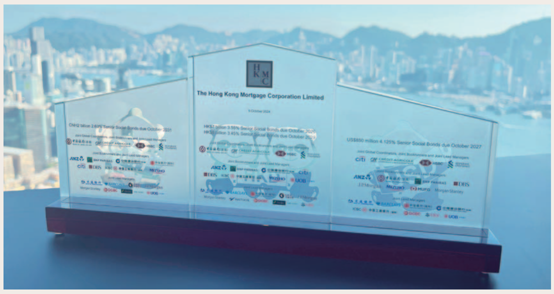
The net proceeds of the social bond issuance were mainly used to finance or refinance the loans under the Special 100% Loan Guarantee of the SFGS which has benefitted around 40,000 local SMEs and 400,000 related employees.

The transaction was well received by a diverse group of high-quality local and overseas institutional investors, with a peak orderbook of around HK$55 billion equivalent and final allocation to over 200 accounts.

Moreover, the two HKD tranches totalling HK$15 billion were the largest-ever institutional bonds denominated in HKD, while the CNH tranche was the first-ever 7-year institutional bond denominated in CNH at the time of issuance. The transaction helped to establish new benchmarks across the yield curve for the market and further facilitated bond market development in Hong Kong.

A diverse group of 23 local and international financial institutions participated in the transaction, providing professional advice and support which helped make the issuance successful.

This record-breaking social bond issuance once again demonstrated investors' strong confidence in Hong Kong and the Corporation, further solidifying Hong Kong's financial ecosystem and its role as an international financial centre.



Meanwhile, the Corporation's infrastructure loan projects and portfolios managed by its IFS Division undergo initial and continuous environmental and social due diligence and monitoring under the IFS Environmental and Social Guidelines to ensure effective management of ESG risks. Moreover, IFS Division funds renewable energy projects, including solar, wind and hydropower, which provide a low-GHG emissions alternative to traditional fossil fuels and support host countries in meeting their energy needs and reducing the emissions intensity of their electricity supply. IFS Division also invests in social infrastructure projects, such as universities and telecommunication infrastructure, promoting diversity and inclusion within local communities.

200MW Solar Photovoltaic Project in Mohammed bin Rashid Al Maktoum Solar Park in Dubai, United Arab Emirates

Case Study

ESG Integration in the Second ILBS Issuance

In September 2024, the Corporation successfully launched its second ILBS, featuring a US$107 million sustainability tranche backed by a portfolio of sustainable, green and social assets. Issued under the Corporation's SGS Framework, the sustainability tranche adheres to the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association, underscoring the Corporation's dedication to green and sustainable development.

The project assets are expected to deliver tangible green and social benefits. Regarding GHG emissions avoidance, over 167,000 tCO_2e in avoided emissions per annum are attributable to the underlying renewable projects in the transaction.

In addition, the education services included in the underlying education projects provide access to education for women as over 70% of the students concerned were female. Besides, the education projects offer equal opportunities for higher education to students from other countries and those from financially disadvantaged backgrounds, through the provision of scholarships and housing assistance. Also, the telecommunication projects, which are located in India and Indonesia, foster digital inclusion in communities which are generally under-developed with low internet penetration rates by providing them with access to basic infrastructure, particularly digital communication. Internet connection provides people with access to information and services, thereby improving the overall quality of life.

The Sorbonne University Abu Dhabi at night

Sustainable Investment

As outlined in the RILBP, the Group integrates ESG considerations into its investments to align business activities with its core missions over the long term and contribute to the society.

As part of its decarbonisation action plan, the Group plans to invest in green bonds or corporate bonds with issuers engaged in renewable or carbon creditable projects over time. Similarly, for the IFS portfolios, the Corporation aims to invest in carbon creditable projects or projects with carbon avoidance or carbon removal potentials, contributing to its carbon reduction efforts. The Group will continue to seek opportunities in green finance within the context of its core missions to support Hong Kong's vision of becoming a leading sustainable finance hub in the region.

Green Operations

The Group aims to foster environmentally-friendly practices within the workplace to reduce GHG emissions and improve energy efficiency. Aligned with the Government's carbon neutrality commitments and Hong Kong's Climate Action Plan 2050, the Group developed the Green Operations Guidelines this year. These guidelines serve to steer and facilitate the adoption of eco-friendly practices, with an emphasis on two areas: green workplace design and positive environmental impact. Also, to further support the Government's initiative to promote the use of electric vehicles, the Group has been gradually replacing its petrol cars with electric vehicles.

Through various green operations initiatives, the Group strives to achieve continual resource efficiency in its offices. For more information on the Group's environmental performance at the workplace, please refer to the metrics disclosed in "Resource Efficiency" section of this report.

Green Workplace

The Group continues to support and implement various green initiatives to create a more environmentally-friendly office.

In 2024, the Group relocated one of its offices to International Commerce Centre in West Kowloon, a building with the Leadership in Energy and Environmental Design (**LEED**) Platinum certification by the U.S. Green Building Council which signifies high sustainable building standards. In addition, a major part of the Group's business operations continues to be based in Two Harbour Square in Kwun Tong, a building certified with LEED Gold status. Both offices are designed in an eco-conscious manner and the agile office setting facilitates team collaboration. Other green office elements adopted include:

Office Elements	Description
Office furniture and equipment	• Reuse of office furniture and equipment • Use of Cradle to Cradle Certified® carpets which are safe and responsibly made
Air-conditioning	• Installation of individual air-conditioning switches to reduce electricity consumption when not in use
Lighting	• Use of LED lighting instead of fluorescent tubes • Installation of timers for office lighting and motion sensors to reduce indoor lighting usage
Water	• Water dispensers are used to replace bottled water
Other considerations in workplace design	• Provision of greenery within the offices

Potted Plants in Office

Case Study

Relocation of Office

The Group relocated one of its offices from Cosco Tower, Sheung Wan to International Commerce Centre, West Kowloon in early February 2024. To align with the Group's ESG initiatives, the office renovation focused on achieving reuse of materials, including workstations from the previous tenant and cabinets and chairs from the Cosco Tower office. The International Commerce Centre office mirrors the Two Harbour Square office and adopts an open plan concept with departmental home zoning design, featuring plants as dividers within the office.

Environmental Protection

All staff are encouraged to positively contribute to environmental protection through waste reduction and energy conservation. Actions taken include adopting digital communication tools for paperless operations and recycling waste paper and used toner cartridges. The Group welcomes staff suggestions for additional eco-friendly office initiatives and encourages its suppliers to use and offer environmentally-friendly products when feasible. For instance, the workplace utilises sustainable products such as Forest Stewardship Council-certified paper and eco-friendly pantry supplies. In 2024, the Group introduced the "Go Green Trio" programmes which aim to facilitate the reuse and recycling of materials. To raise awareness of treasuring resources and reducing waste, the Group arranged to provide support for year-round book donations. The Group also worked with the management services office of its office premises to enhance waste management and monitoring of waste data. Other initiatives to reduce its environmental footprint include:

Waste reduction	• Providing facilities, including recycling bins, for collection of used paper, cans and bottles • Donating old computer equipment which are in good condition to charitable organisations • Recycling used paper and envelopes • Recycling rechargeable batteries and electronic appliances via the Government's waste reduction and recycling programmes • Supporting used clothes recycling programme to set up collection points in the office to collect clothing items from staff for recycling • Minimising consumption of bottled water and usage of plastic carboy containers • Replacing desktop computers with laptops to facilitate paperless meetings • Issuing publications in electronic format, including the in-house staff publication, HKMConnection • Adopting electronic internal administrative procedures, including leave application, performance appraisal and reservation of meeting rooms • Utilising infographics in the office to promote reduction of paper consumption
Energy conservation	• Installation of energy-saving devices, including LED lights, motion sensors and timers to control indoor lighting • Utilising infographics in the office to promote reduction of energy consumption

Books Donation Programme

Used Clothes Recycling Programme

Paper Recycling Bin

Office Recycling Bins

Case Study

"Go Green Trio" Programmes

In 2024, the Group introduced the "Go Green Trio" programmes which aim to facilitate the reuse and recycling of items with a series of three programmes as follows:

Tech Revival

The Group partners with local non-profit organisations to arrange for home appliance refurbishing services for staff at an affordable cost borne by them. Staff can provide a description of the faulty appliance for evaluation. After an assessment and confirmation of the repair service, staff may either bring the item to the repair shop or, in the case of lightweight items, have it delivered from the office to the repair organisation.

EcoExchange

On this platform, staff can exchange or trade their unwanted items simply by providing photos and descriptions of the items which will be posted for all other staff to view. Staff can also decide whether to donate the trade proceeds to their preferred charity or to donate the items to charity via the Gift Cycle if unsold.

Gift Cycle

Via the Gift Cycle, staff can donate unwanted items to those in need through various charitable organisations, with assistance provided by the Group.

Metrics

Environmental

GHG Emissions

Metrics	2024	2023
Operations — GHG emissions intensity	**0.6 tCO_2e/staff**	1.0 tCO_2e/staff
Operations — Total GHG emissions[14]	**347.0 tCO_2e**	526.4 tCO_2e
Scope 1 GHG emissions[15]	**12.5 tCO_2e**	12.8 tCO_2e
Scope 2 GHG emissions (market-based) [16,17]	**261.2 tCO_2e**	456.3 tCO_2e
Scope 3 GHG emissions (Category 3, 5 and 6 only)	**73.3 tCO_2e**	57.3 tCO_2e
Category 3: Fuel- and energy-related activities	**9.2 tCO_2e**	17.1 tCO_2e
Category 5: Waste generated in operations	**13.6 tCO_2e**	14.6 tCO_2e
Category 6: Business travel	**50.5 tCO_2e**	25.6 tCO_2e
Portfolios — GHG emissions intensity [18]	**31.7 tCO_2e/HK$ million outstanding**	41.7 tCO_2e/HK$ million outstanding
Partnership for Carbon Accounting Financials (PCAF) weighted-average data quality scores [18]	**2.6**	2.4

Further details on the Group's GHG calculation methodologies and limitations to the relevant emissions data are outlined in the Appendix of this report.

Resource Efficiency

Metrics	2024	2023
Energy		
Total electricity consumption	**627,524 kWh**	838,342 kWh
Total fuel consumption	**12,979 kWh**	17,706 kWh
Energy consumption per unit office area	**51.1 kWh/meter^2**	86.3 kWh/meter^2
Energy consumption per staff	**1,147.9 kWh/staff**	1,695.2 kWh/staff

[14] Total operations-related GHG emissions consist of Scope 1, Scope 2 and Scope 3 (Category 3, 5 and 6) emissions only.

[15] Scope 1 emissions include diesel consumption by company vehicles and fugitive emissions from air conditioners and fire extinguishers. Regarding the emissions associated with company vehicles, the emissions factors applied in 2024 are sourced from the United Kingdom's "Government conversion factors for company reporting of GHG emissions" to replace the now-repealed factors in Appendix 2 of the "How to prepare an ESG report" published by The Stock Exchange of Hong Kong Limited.

[16] The Group relocated the data centre from its office to an external site in 2024, hence the emissions associated with the data centre's energy supply have been excluded from Scope 2 emissions and are not included in Scope 3 emissions for 2024 as the relevant emissions are deemed immaterial.

[17] Scope 2 emissions include indirect emissions from purchased electricity including those used to charge the electric vehicles of the Group.

[18] This covers financed emissions from corporate bonds, listed equities, project finance and business loans of the Group.

Social

Products and Services

Metrics	2024	2023
Amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information	**Nil**	Nil
Accumulative amount of infrastructure loan assets securitised	**HK$5,872 million**	HK$2,927 million

Community Investment

Metrics	2024	2023
Amount of staff donations	**HK$11,090**	HK$10,200
Number of hours of staff volunteer services	**71 hours**	27 hours

Governance

Staff Demographics

Metrics	2024	2023
Staff		
By gender		
Female	**53%**	53%
Male	**47%**	47%
By age group		
50 and above	**23%**	22%
40 to 49	**34%**	37%
30 to 39	**34%**	30%
Below 30	**9%**	11%
By staff category by gender		
Senior staff		
Female	**26%**	27%
Male	**74%**	73%
Staff turnover rate	**8.1%**	9.6%

Training and Development

Metrics	2024	2023
Total staff training hours	**10,423 hours**	7,432 hours
Average staff training hours	**19 hours/staff**	15 hours/staff
Staff training by type of training		
Compliance/legal knowledge	**17.5%**	22.1%
Information technology skills	**16.6%**	17.9%
Managerial/leadership skills	**11.8%**	6.2%
Professional/business knowledge	**43.8%**	40.7%
Others	**10.3%**	13.1%

Compliance and Risk Management

Metrics	2024	2023
Quarterly review on effectiveness of existing information and technology-related processes and systems by management committees	**Yes**	Yes
Annual testing conducted on business continuity and data recovery	**Yes**	Yes
Quarterly submission of risk management report to the Board	**Yes**	Yes
Any material non-compliance with laws and regulations which are applicable to the Group's operations	**No**	No

Appendix — GHG Calculation Methodologies

In 2024, a Group-level ESG Data Management Manual was developed to specify the collection and calculation methodologies for the Group's ESG data, including its GHG emissions data.

The methodologies for quantifying Scope 1, 2 and 3 (Category 3, 5 and 6) GHG emissions are based on the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (**GHG Protocol**), while the methodologies for quantifying financed emissions are based on the PCAF — The Global GHG Accounting and Reporting Standard Part A: Financed Emissions which are in conformance with the requirements set forth in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard of the GHG Protocol. The measurement approaches, inputs and assumptions have been chosen to align with market practices for calculating GHG emissions.

The Group adopts the operational control approach in the GHG Protocol, covering all Scope 1 and Scope 2 GHG emissions from operations over which it has operational control[19]. The reported GHG emissions cover four types of GHGs specified in the Kyoto Protocol, including carbon dioxide, methane, nitrous oxide and hydrofluorocarbons.

Attribution Factor and Source of Emission Factors for Financed Emissions*

Emission Source	Attribution Factor	Source of Emission Factors
Project finance	• Outstanding amount • Total project equity and debt	• Verified GHG emissions data of the project in accordance with the GHG Protocol • Emission factors specific to the project's energy consumption-based or production-based primary physical activity data • Emission factors for the project's sector per unit of revenue or from similar projects
Business loan	• Outstanding amount • Total equity plus debt of the borrowers	• Verified GHG emissions data from the borrower in accordance with the GHG Protocol • Emission factors specific to the borrower's energy consumption-based primary physical activity data • Emission factors for the borrower's sector per unit of revenue or from similar projects
Corporate bond	• Outstanding amount • Total equity plus debt for bonds or revenue of the issuers	• GHG emissions data from Bloomberg, sustainability report of the issuers and/or proxy data
Listed equities	• Outstanding amount • Total equity plus debt for equity investments or revenue of the issuers	• GHG emissions data from Bloomberg, sustainability report of the issuers and/or proxy data

* The financed emissions from these sources are included in the 'Portfolios — GHG emissions intensity' in "GHG Emissions" section of this report, and the Group's other emissions sources under Scope 3 (Category 15), such as those attributable to the sovereign bonds held or the MPP, are not included in the metric as they are excluded from the Group's decarbonisation target.

19 For project finance and business loans, equity share approach would be adopted in case the borrower owns an interest but does not have operational control over the infrastructure project.

Appendix — GHG Calculation Methodologies (Continued)

Limitations of Financed Emissions Measurements

The financed emissions disclosed in this report are subject to uncertainties relating to, among others, measurement, consistency, reliability and data quality resulting from limitations inherent in the methodologies and the quality and availability of data from third-party sources. For example, in relation to project finance and business loans, there may be variations in the way that project companies and borrowers calculate and report their emissions. Further, where company-specific disclosures are not available, estimated and proxy data with lower data quality may be used. It is also conceivable that for infrastructure financing, the attribution factor would increase when equity is recovered once the commercial operations date is reached and the distribution test is met. As a result, given a higher proportion of project emissions attributed to the lenders, the financed emissions intensity may increase. The gross emissions of infrastructure projects may also increase due to post-completion ramp up of assets. Additionally, the Group generally depends on third-party data providers (e.g. Bloomberg) for investee emissions data in relation to its treasury investments, and third-party data sets that feed into the Group's emissions calculations may be subject to time lag in reported emissions figures or variations in reporting timelines and methods used. While it is expected that third-party data quality would improve over time as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be fluctuations in data quality scores due to a number of reasons, including the processes by which data is collected and recorded by third-party data providers.