

Task Force on Climate-related Financial Disclosures Report 2023





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Section 1

Introduction



1.1 Background

OCBC Bank (Hong Kong) Limited (the “Bank”) is committed to accelerating the transition to a net-zero future while conducting our business responsibly and bringing impact to our communities. We acknowledge that climate change is one of the greatest environmental challenges facing society, businesses and the economy. In aligning our climate-related disclosures with the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations, we articulate the climate-related risks and impacts as well as our approach in managing such risks and capturing new opportunities.

This report demonstrates our support for and alignment with Oversea-Chinese Banking Corporation Limited, our parent bank, and its subsidiaries (collectively “OCBC”) in achieving climate-related goals and initiatives. It outlines the climate-related risk and opportunities encountered by the Bank and its subsidiaries (collectively “the Group”). OCBC has also published its Sustainability Report that covers the approach to sustainability, as well as the initiatives and performance of our operations.

1.2 Executive Summary

As a leading financial institution in Asia, our mission is to enable people and communities to realise their aspirations. Recognising the impacts of climate change and the global shift towards a low-carbon economy, our valued clients are proactively taking concrete steps to future-proof their business models, capitalise on opportunities arising from the net-zero transition, and do what is right for the environment. We are proud to support our clients in this pivotal journey through close engagement and collaboration with them and our stakeholders.

As we embark on the year 2024, we are pleased to reflect on the tangible progress we have made in our climate-related initiatives. We are committed to share our experiences and foster mutual learning to pave the way towards a greener and more sustainable future for all.

Net-Zero Commitment

In 2023, as a member of the Net-Zero Banking Alliance, we set ambitious, quantitative, and credible net-zero targets for emissions arising from our portfolio across six high emission sectors: Power, Oil & Gas, Real Estate, Steel, Aviation and Shipping, which comprise 42% of OCBC’s corporate and commercial banking loan portfolio. In setting interim targets for 2030 as a checkpoint towards our 2050 goal, we ensure that we remain on track and accountable for our progress. We will regularly review these targets to reflect evolving climate science and incorporate data from our clients.

Section 1

Introduction

Partnering with Clients Towards the Net Zero Transition

Partnering with our clients is critical to achieve our ambition, as we can only reach Net Zero in our financed emissions when our clients reach Net Zero in their emissions. To drive our net-zero ambitions, we have actively enabled our clients' transition through strategic advisory and innovative financial solutions. In 2023, OCBC recorded S\$56 billion in committed sustainable finance, surpassing our S\$50 billion target two years ahead of schedule.

In 2023, in addition to our existing portfolio of sustainable and transition financing solutions, OCBC took a significant step towards supporting our clients by launching the OCBC 1.5°C loan, a net-zero-aligned loan that is designed to drive the transition to a low-carbon economy for corporates in line with internationally recognised, science-based decarbonisation pathways for their sectors.

We recognise that Small and Medium-sized Enterprises ["SMEs"] play a pivotal role in the net zero transition. We implemented a differentiated approach for SMEs through the OCBC SME Sustainable Finance Framework, which makes it simpler and less costly for SMEs to access sustainable financing. To date, OCBC has provided over S\$7 billion of sustainable financing to more than 1,200 SMEs in various sectors, including our SME clients in Hong Kong.

In 2023, the Bank structured a number of landmark Sustainable Finance transactions, including Hong Kong's first sustainability-linked dual-currency fixed rate loan in the hospitality industry and first green loan for logistics centre development. These achievements have earned us the award of "Best Bank for Sustainable Finance", underscoring our efforts in pioneering impactful and innovative solutions to support our clients' ESG journeys. As of 31 December 2023, our sustainable finance commitments exceeded S\$8 billion.

Responsible Financing with Sound Risk Management Strategy

OCBC's commitment to responsible financing is evident in our proactive approach to understand and monitor climate risks that our clients face. Through our prudent risk management strategy, we assisted clients in navigating transitions while integrating climate consideration into our credit risk assessment process. In alignment with our commitment to responsible financing and our net zero targets, we have ceased project financing for upstream Oil & Gas projects that obtained approval for development after 2021. This new prohibition adds to our existing prohibitions on financing coal-fired power plants and thermal coal mines, demonstrating our commitment to advancing our responsible financing policies progressively.

Carbon Neutrality for our Banking Operational Emissions

OCBC remains resolute in maintaining carbon neutrality for our banking operational emissions, achieved through a multi-pronged strategy that emphasises reducing our energy consumption and increasing renewable energy adoption across all facilities. Our active support for carbon offset projects and environmental stewardship further underscores our commitment to sustainability.

The Way Forward

We firmly believe that a more sustainable world can be created unity with our clients and communities. While challenges may arise, we remain optimistic and excited about the boundless possibilities that lie ahead.

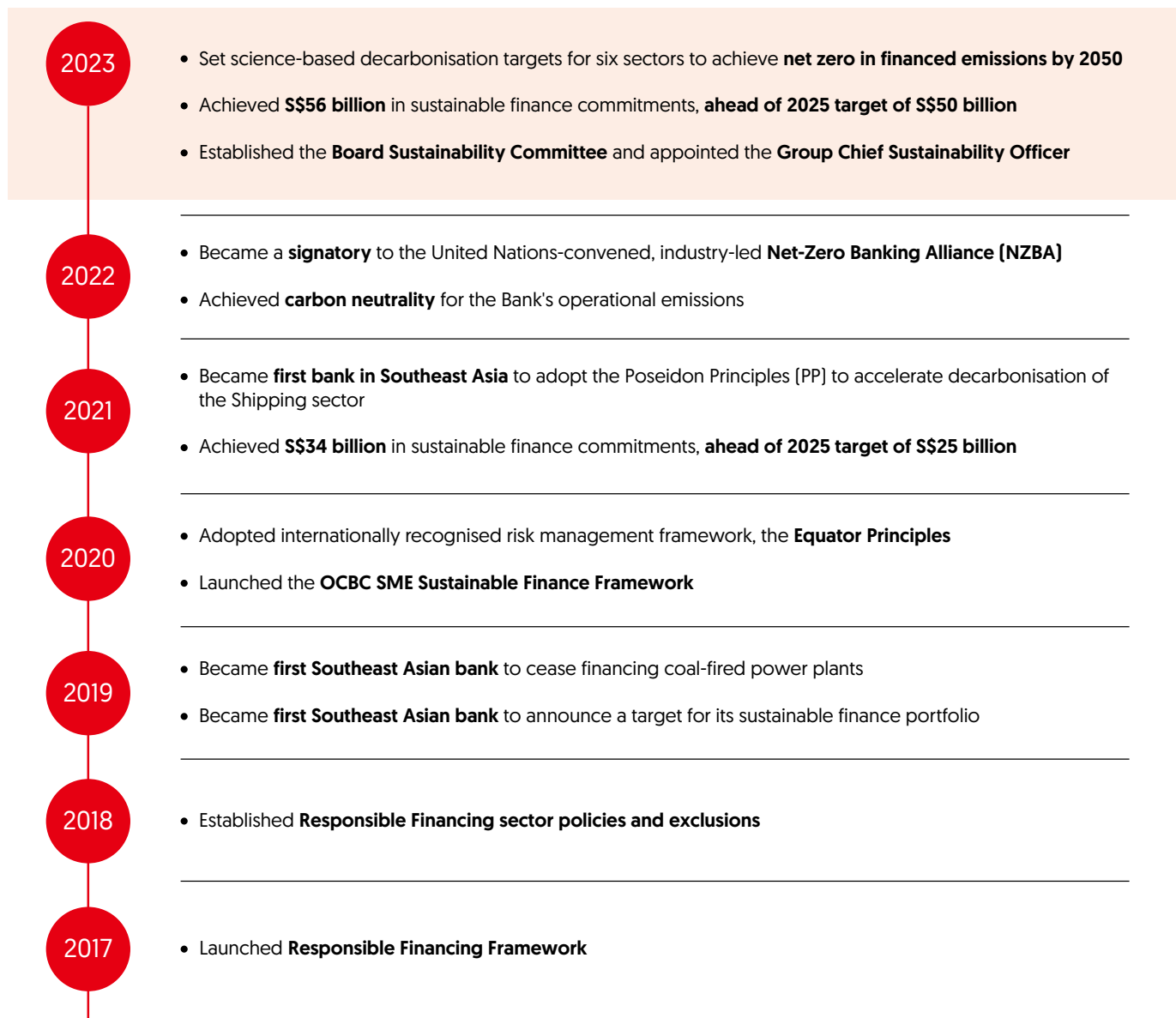
Section 1

Introduction

1.3 Our Climate Action Journey

Since 2018, OCBC has been proactively engaging our clients to develop and invest in greener assets by offering bespoke sustainable financing solutions. In 2019, we set a target to achieve S\$10 billion in sustainable finance assets by 2022 for our corporate and institutional clients, a target we adjusted in 2022 to S\$50 billion by 2025. OCBC has seen good progress in OCBC sustainable financing framework for SME that we launched in November 2020. We have been building on these efforts and joined the Net-Zero Banking Alliance in October 2022. In May 2023, OCBC set ambitious, quantitative, and science-based net-zero targets and pathways for emissions arising from our portfolio.

Timeline of our Climate Action Journey



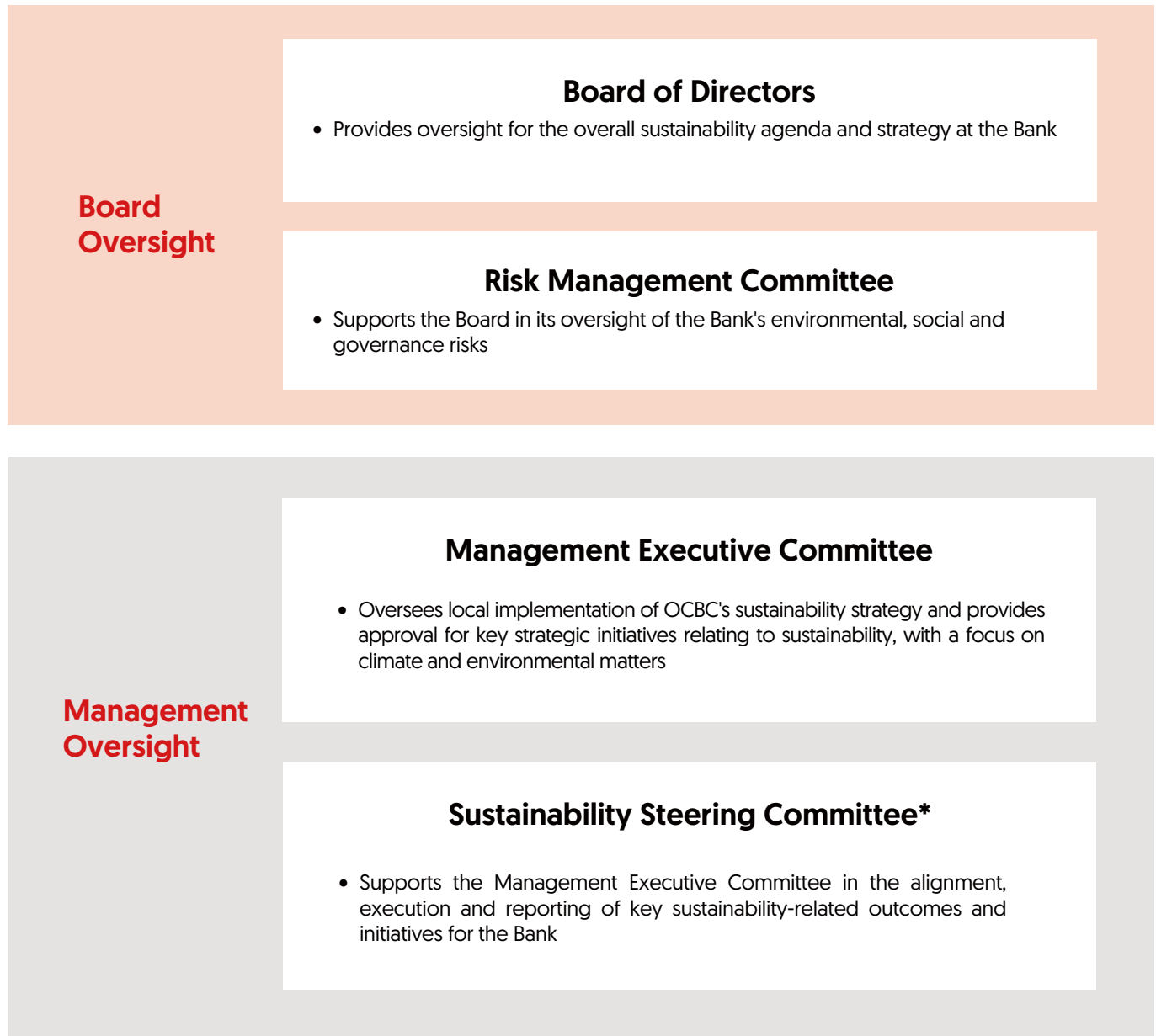
We will continue to focus on climate-related matters and weave environmental and social factors into our business. In our partnership with clients, we contribute meaningfully to the net-zero journey by 2050 in an orderly and just transition. Working with our stakeholders, we actively participate in creating a vibrant ecosystem that champions innovative sustainability solutions. By taking a One Group approach, we fulfill our climate commitments and drive value and growth - for now and beyond.

Section 2

Our Sustainability Governance Structure

Good corporate governance and risk management form the bedrock of a sustainable business and underpin long-term success. The Group is dedicated to upholding business integrity and has embedded sustainability focus across the Board, Board Committees, Management and functional groups, enabling us to realise our sustainability ambitions. To enhance our sustainability governance structure, the Bank has established the Sustainability Steering Committee (“SSC”) in 2024 to provide oversight and direction on sustainability imperatives.

Sustainability Governance Structure



* Functionally reports to OCBC's Sustainability Steering Committee via dedicated representatives from OCBC Hong Kong.

Section 2

Our Sustainability Governance Structure

2.1 Board Level

The Group's Board of Directors provides oversight for the sustainability agenda, including climate-related issues, and ensures that material Environmental, Social and Governance ("ESG") factors that impact the Group are considered when setting the strategic direction of the Group.

Risk Management Committee ("RMC") assists the Board in overseeing the management of all risks encountered by the Group, including ESG risks such as climate change. The management of ESG risks is described in our Responsible Financing Framework and Policies, which are reviewed and approved regularly by the RMC.

The Board also oversees, through the Remuneration Committee, the human resources management policies. The remuneration policy for employees has been updated to include sustainability-related goals into the remuneration structure, aligning incentives with our ESG principles. This update reinforces the Bank's commitment to its sustainability goals.

To keep abreast of current and emerging sustainability issues such as climate and the environment, members of the Board attend regular training on sustainability.

2.2 Management Level

Management Executive Committee

The Bank's Management Executive Committee ("MEC") is a management committee that supports the Board of Directors in executing strategic matters for the Bank, including its sustainability strategy. Chaired by the Chief Executive Officer, the MEC comprises members of senior management, and is supported by SSC. The MEC oversees local implementation of OCBC's sustainability strategy, including identifying and assessing sustainability-related risks and opportunities, with a focus on climate and environmental matters. The MEC provides strategic direction for the SSC.

Sustainability Steering Committee

The Bank's SSC is a management committee established to support the MEC in the alignment, execution and reporting of key sustainability-related outcomes and initiatives. Chaired by the Chief Executive Officer, the SSC comprises senior management of the Bank responsible for driving sustainability-related initiatives.

The SSC is responsible for the recommendation and implementation of Bank's sustainability strategy, informing the MEC of the Bank's sustainability progress and advising the MEC on sustainability-related matters. With senior management from the Bank's key divisions, the SSC has the expertise to identify climate-related risk and opportunities that can have both positive and negative impacts on the environment, society and the economy. The wide presentation ensures that climate change-related issues are integrated into our decision-making process, escalated and addressed at the highest authority level.

The Bank's SSC has representatives in the OCBC's Sustainability Steering Committee, ensuring alignment and collaboration to achieve targeted and impactful sustainability outcomes across OCBC.

Section 3

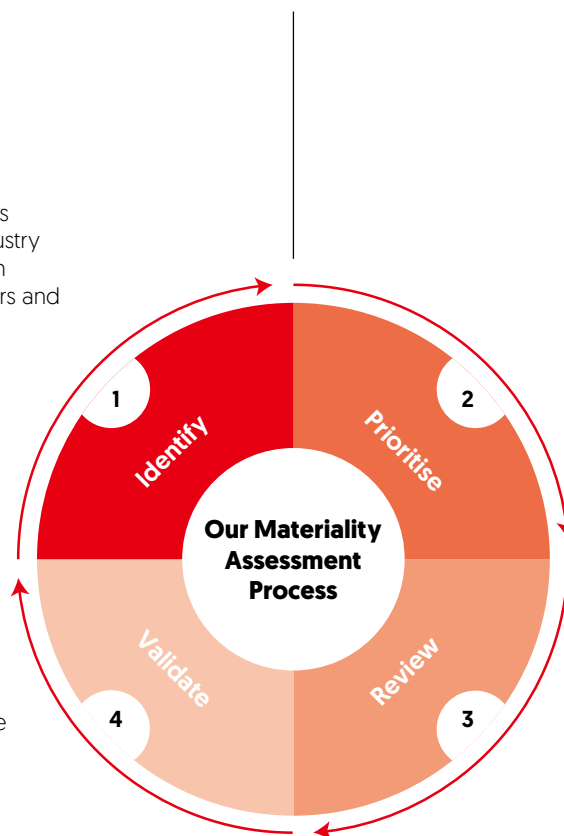
Strategy

This section provides an overview of climate-related risks and opportunities in strategic decision-making processes.

3.1 OCBC's Materiality Assessment Process

In 2023, OCBC engaged an external consultant to support our review and update of the material ESG factors and United Nations Sustainable Development Goals ["UN SDGs"]. OCBC conducted an examination of the relevance of each ESG factor on both our internal and external stakeholders and the impact of each ESG factor on them. The Bank was advised to factor local conditions when assessing the relevance of the ESG factors. This approach ensures a nuanced understanding, enabling strategic decision-making and effective risk management.

We identified a list of ESG factors relevant to OCBC based on industry trend reviews, engagement with internal and external stakeholders and peer benchmarking.



The ESG factors were prioritised based on their financial and impact materiality, using the following criteria:

- Potential long-term value for our stakeholders
- Influence on decision-making process of key internal and external stakeholders
- Likelihood and impact to OCBC's business strategies, financial planning, business model and outcomes, and business continuity
- Contributions to UN SDGs

The findings of the review were discussed and validated by the Sustainability Council before being presented to the OCBC Board for final approval.

As we progress on our sustainability journey and our business context changes, we will regularly review our material ESG factors to ensure they remain updated and relevant.

The material ESG factors and UN SDGs were reviewed by OCBC's senior management and business units in terms of their relevance and significance to the business from a financial and impact perspective.

Section 3

Strategy

3.2 Our Approach

In 2023, OCBC refreshed the sustainability framework to sharpen the sustainability priorities and leverage synergies across our operations. The framework reflects core elements of the approach, including the sustainability imperatives and the material ESG factors that are prioritised to drive performance and impact.

The Group has consistently anchored OCBC's core initiatives and priorities, so as to ensure alignment with OCBC's goal.

This TCFD report primarily focuses on the sustainability imperative: "Accelerating Transition to a Net-Zero Future" as the purpose of the disclosure is to inform stakeholders about the climate-related risks and opportunities for the Group.

Asia's Leading Financial Services Partner for a Sustainable Future

Our Sustainability Imperatives

Accelerating the Transition to a Net-Zero Future

Enable our clients' transition through strategic advisory, innovative financial solutions and ecosystem partnerships, across our multifaceted businesses

Bringing Impact to Communities

Create a dynamic workplace and society through championing people development and community advancement

Conducting Our Business Responsibly

Safeguard long-term stakeholder value through embedding responsible business practices and strong governance

How we Execute

Climate Action

Talent Management and Wellbeing

Cybersecurity and Data Protection

Responsible Financing

Workplace Diversity

Fair Dealing

Sustainable Financial Solutions

Community Development

Financial Crime Prevention

Governance and Culture

LIFRR as Foundation of our Sustainability Framework

Lasting value

Integrity

Forward-looking

Respect

Responsibility

Our core values guide our approach to sustainability. We take a long-term view in our climate actions and community development efforts, delivering positive impact on the environment and the society in a responsible manner. Specifically, we proactively support our clients' net-zero transition and their aspirations for a low-carbon world.

Section 3

Strategy

3.2.1 Climate Action

OCBC recognises the critical role of influencing our clients' transition efforts and mobilising resources to actively support them in order to move OCBC towards a sustainable and resilient future.

In May 2023, OCBC announced our first net-zero targets, articulating our expectations for our clients in emission intensive sectors on their transition and our broad transition engagement plans for six priority sectors – Power, Oil & Gas, Real Estate, Steel, Aviation and Shipping. The targets are guided by robust decarbonisation pathways geared towards achieving a net-zero level of greenhouse gas emissions while limiting global warming to 1.5°C.

The Group will ensure our operation is aligned with OCBC's strategic directions and goals.

3.2.1.1 OCBC Net-zero Progress Update

Sector	In scope	Emissions	Metric	Reference Pathway	Baseline (2021)	2022	2030 target	2050 target
 Power	- Power generation companies - Power equipment manufacturers	- Scope 1 (generation) - Scope 3 (equipment manufacturers)	kgCO ₂ /MWh	IEA NZE	370	337	165	0 by 2040
 Oil & Gas	- Upstream - Integrated	- Scope 1 - Scope 2 - Scope 3	MtCO ₂ e	IEA NZE	14.9	12.1	9.6	0.8
 Real Estate	- Real Estate owner-operators - Financed buildings - REITs	- Scope 1 - Scope 2 - Scope 3 (tenant / plug load)	Alignment Delta [%]	CRREM	-5.3%	-1.4%	≤ 0%	≤ 0%
 Steel	Steel producers	- Scope 1 - Scope 2	tCO ₂ /tSteel	MPP - TM (regional)	1.93	1.76	1.68	0.12
 Aviation	Airline operators and lessors	- Scope 1 (operators) - Scope 3 (lessors)	kgCO ₂ /passenger-km	IATA Fly Net Zero	0.261	0.097	0.088	0
 Shipping	Financed vessels	Scope 1	Alignment Delta [%]	IMO - PP	+4.5%	-2.7% (previous trajectory) +11.2% (revised trajectory)	≤ 0%	≤ 0%

Note: The calculations for OCBC's financed emissions are based on our clients' reported emissions data, which are typically published at least three months after the end of the Financial Year. Given the lag time in reporting and time needed to consolidate, calculate and analyse the emissions data, OCBC's 2023 Sustainability Report showcases the 2022 financed emissions.

Section 3

Strategy

3.2.1.2 Operational Carbon Neutrality

As we support our clients' net-zero transition and their aspirations for a low-carbon world, we also prioritise aligning our operations with sustainability principles to safeguard the vital ecosystem supporting life on Earth and minimising our environmental impact.

OCBC is committed to reduce the environmental footprint of our physical operations by saving energy, water, paper and other resources. To lessen our environmental impact, three key approaches have been adopted:

- Improving building energy efficiency with technology and management practices
- Exploring innovative solutions to push boundaries (e.g. leverage on smart Internet of Things to optimise building air conditioning system)
- Enhancing sustainability through strategic collaboration

In 2023, OCBC met the target of achieving carbon neutrality for the banking operational emissions through a hierarchy of priorities:

1. Reducing energy consumption from our operations
2. Increasing renewable energy adoption
3. Responsible purchase of carbon credits to offset residual and unavoidable emissions

We are committed to contribute to OCBC's target of achieving operational carbon neutrality through green measures and carbon credit offsetting. In November 2023, the Bank participated in carbon credit trading to offset its own carbon footprint by purchasing carbon credits from OCBC.



Section 3

Strategy

3.2.1.3 The Group's Operational Footprint

We continue to make progress towards reducing our operational footprint, e.g. we completed the conversion of company vehicles to electric vehicles and installed energy-efficient lights and sensors in all renovated floors. Through ongoing efforts in streamlining and digitalising day-to-day operations, we successfully reduced the usage of office paper by 6%. There was an increase in the Group's operational footprint from 2022 in certain areas, such as Scope 3 emission as business travel resumed with the lifting of Covid restrictions and reopening of borders for air travel. The rise in general waste and recycled waste was attributed to post-pandemic recovery in business operations. Going forward, we remain dedicated to embedding sustainability within our operations.

Unit		% change between 2023 and 2022	2023	2022	2021 ^[9]
Energy					
Total energy consumption	GJ	0.9%	51,272	50,798	55,135
Electricity intensity	MWh/ ft ²	0.0%	0.013	0.013	0.014
Emissions⁽¹⁾⁽²⁾					
Total emissions ⁽³⁾	tCO ₂ e	2.4%	8,246	8,051	9,089
Scope 1 ⁽⁴⁾	tCO ₂ e	21.3%	91	75 ⁽¹⁰⁾	137
Scope 2 ⁽⁵⁾	tCO ₂ e	-2.7%	7,671	7,881	8,863
Scope 3 ⁽⁶⁾	tCO ₂ e	409.5%	484	95	89
Emission intensity ratios					
Scope 2 intensity	tCO ₂ e/ ft ²	0.0%	0.007	0.007	0.009
Water					
Total water consumption ⁽⁷⁾	m ³	-6.9%	34,172	36,714	39,869
Water consumption intensity	m ³ /ft ²	-7.8%	0.047	0.051	0.050
Waste					
General waste	tonnes	31.7%	399	303	194
Recycled waste	tonnes	23.3%	143	116	157
Office paper ⁽⁸⁾ – excludes statement paper	tonnes	-6.0%	125	133	149

1) Our approach to carbon emissions is aligned to the GHG Protocol Standards, using the operational control approach to determine carbon emissions boundaries. The environmental data covers all our operations in OCBC China, OCBC Hong Kong and OCBC Macau unless otherwise stated.

2) Emission factors used to calculate carbon emissions are derived from, or in reference to, the Intergovernmental Panel on Climate Change ("IPCC") emission factor database.

3) Total emissions refer to the aggregation of Scope 1, Scope 2 (Market-based) and Scope 3 emissions.

4) Scope 1 carbon emissions include direct carbon emissions from backup diesel generators on the Group premises and carbon emissions from petrol consumption by corporate cars.

5) Scope 2 carbon emissions refer to purchased electricity. The Group reports Scope 2 carbon emissions using the location-based approach. Emission factor source: HK Electric, CLP Power Hong Kong Limited, Companhia de Electricidade de Macau and Institute of Global Environment Strategies ("IGES") – IGES Grid Emission Factors.

6) Scope 3 carbon emissions include business air travel. Emission factors are derived from, or in reference to, the United Kingdom Department for Environment Food and Rural Affairs ("DEFRA"). This does not include financed emissions, and the increase in footprint was due to the post-pandemic recovery in air travel.

7) All of our water use is withdrawn from the municipal water supply, consumed within our operations and discharged to the public sewerage system. The quality of water withdrawn and discharged is managed by the public utility provider.

8) Our paper usage data accounts for paper used within the offices for business operations. It excludes papers used for customer statements and letters. Total office paper covers all our operations in OCBC China, OCBC Hong Kong, OCBC Macau.

9) No waste data is collected for OCBC Macau in FY2021.

10) Company fleet mileage for 2022 was restated due to data improvement from our operation in OCBC China.

Section 3

Strategy

3.2.2 Responsible Financing

OCBC prioritises effective ESG risk management and responsible lending practices to safeguard our businesses while contributing to a greener future. As such, our primary objective is to prudently navigate and mitigate these risks and provide a steadfast commitment to guide our clients' transition to a low-carbon economy, in alignment with the objectives of the Paris Agreement.

Climate-related Risk Assessment Process

The Group is guided by the Responsible Financing Framework and Policies, outlining Climate-focused strategy for both lending and debt-related activities, encompassing debt issuance and underwriting, and it applies to new and existing corporate, commercial, and institutional clients. We firmly adhere to a policy of non-engagement in any financing activities that are on our exclusion and prohibition lists. This policy extends to activities where there is clear evidence of immitigable adverse impact to the environment, people or communities, or where there is a breach of local regulations.

Our climate risk assessment process is an integral component of our credit assessment. It involves the evaluation of our clients' track record along with their capacity and commitment to manage Climate factors and climate risk effectively. This approach enables us to better manage the Group's climate risk exposure.

In 2023, OCBC strengthened its ESG policies and procedures. The Group adopted the same management approaches as follows:

- prohibition of project financing to upstream Oil & Gas projects that obtained approval for development after 2021 in addition to coal prohibition
- expansion in scope of Responsible Financing Policy for Agriculture and Forestry to include animal production and fisheries, and enhanced our expectations including No Deforestation, No Peat, No Exploitation ["NDPE"]
- full implementation of climate risk assessments to assess clients' transition and physical risks for climate-relevant sectors

3.2.3 Sustainable Financial Solutions

OCBC strives to be Asia's leading financial services partner for a sustainable future. The Group recognises our responsibility and opportunities in directing capital towards the transition to a net-zero economy and sustainable future. We partnered our clients to support their aspirations while driving positive impacts for the environment and society through transition engagement and innovative financing and investment products, such as a combination of use of proceeds products like green or social loans and bonds, as well as sustainability-linked loan solution.

We adopt internationally recognised industry guidance and standards in structuring sustainable and transition financing. In alignment with the OCBC Sustainable Finance Taxonomy, which has been externally verified taking into account relevant international principles, some of the business categories we support include Renewable Energy, Energy Efficiency, Sustainable Mobility, Sustainable Water and Management, Green Building Environment, Pollution Prevention and Reduction.

As part of OCBC's continued efforts to partner with more advanced clients on their net-zero journey, we have launched the OCBC 1.5°C Loan to incentivise corporate to set credible, science-based net-zero targets aligned with the 1.5°C pathway. This pathway aims to achieve a net-zero level of greenhouse gas emissions by 2050 to limit global warming to 1.5 degrees.

By working as a One Group, we adopted a differentiated approach for Small and Medium-sized Enterprises ("SMEs") through the OCBC SME Sustainable Finance Framework. It was designed to simplify for SMEs seeking sustainable financing and enable SMEs to gain access to the capital they need to finance sustainable projects, hence expediting the transition to a low-carbon economy. The Framework has been verified by Moody's ESG Solutions as aligned with all four core components of the Green Loan Principles.

The Group continues to align with OCBC's broader ambition to continue expanding our sustainable financing solutions.

Section 3

Strategy

3.3 Stakeholders' Engagement

The success of each sustainability initiative is closely tied to the support and contribution of its stakeholders. We work in collaboration with partners who have a strategic impact on the beneficiaries and are committed to supporting the environment. Additionally, we acknowledge the importance of the skilled workforce, which fosters greater ambition and accountability.

3.3.1 Raising Awareness



The #OCBCCares Programme is one of our community initiatives for galvanising climate action. Under this programme, we promote sustainability internally and externally. In 2023, the Bank continued our partnership with Ocean Park Conservation Foundation Hong Kong ["OPCFHK"] to raise the awareness of conserving endangered species and protecting biodiversity through participating in OPCFHK's charity event and other education programmes including guided tours to Hong Kong Marine Life Stranding and Education Centre and Behind-the-Scenes tours in Ocean Park. In addition, we partnered with Food Angel to organise internal 'Share A Meal' workshops. These workshops raised awareness among our employees regarding the impact of food wastes on our environment.

As an extension of our ongoing efforts to rally the industry to take climate action, the Bank has been an active member of the Hong Kong Green Finance Association ["HKGFA"]. HKGFA aims to support Hong Kong in achieving its carbon neutrality goal by 2050, raising awareness, deepening the talent pool in sustainable finance, and closing the talent gap.

The Bank signed a memorandum of understanding with the Hong Kong Quality Assurance Agency on Green Financing in 2020. Under the memorandum of understanding, Bank clients enjoy a more convenient channel to certify green finance commitments with third-party conformity assessment.

Our dedication to sustainable and responsible business practice was recognized by various external parties, including but not limited to:

- 2023 China Best ESG Employer Award Awarded by AON
- 2023 DEI Excellence Award and Top 50 Employer for DEI ["Diversity, Equality, and Inclusion"] Awarded by the Employer Branding Institute
- ESG Commendation Awards Awarded by Center for Economic Sustainability and Entrepreneurial Finance of the School of Accounting and Finance at The Hong Kong Polytechnic University and Sing Tao News Corporation Limited
- Award for Excellence in Governance Awarded by Center for Economic Sustainability and Entrepreneurial Finance of the School of Accounting and Finance at The Hong Kong Polytechnic University and Sing Tao News Corporation Limited

3.3.2 Capacity Building

Continuing our strides in sustainability efforts, we prioritise building internal capacity and upskilling our workforce in sustainability-related matters to support and advance our sustainability agenda. These initiatives are complemented by the following:

- sustainability topics within our Group Leadership Programme
- a programme comprehensive suite of sustainability training courses for our people in OCBC Future Smart Programme

In 2023, the Bank launched 563 Learning programmes on sustainability covering areas such as Responsible Financing, Sustainable Financing, Climate Risk Management, Net Zero Decarbonising series and Diversity, Equity & Inclusion. The total training hours for 2023 were 17,050 hours, reflecting a 107% growth as compared to 2022.

Section 4

Risk Management

4.1 Overview

This section outlines how OCBC identifies, assesses, and manages climate-related risks. Given the cross-cutting nature of climate risk, OCBC adopts an integrated and risk-based approach, prioritising the management of climate risks of greater likelihood and impact while closely monitoring interconnections between various risk types.

4.2 Climate-related Risks

The tables below provide an overview of the climate risk drivers considered within OCBC's climate risk approach.

Climate-related Risk Drivers	Risk Types	Potential Financial Risk Impacts for Each Risk Type
Transition Risk Drivers Transition risk drivers are the societal changes arising from a transition to a low-carbon economy. They can arise through: Changes in public sector policies; innovation and changes in the affordability of existing technologies [e.g. that make renewable energies cheaper or allow for the removal of atmospheric GHG emissions]; or evolving investor and consumer sentiment towards a greener environment.	Credit Risk 	- Repayment capacity of clients impacted by transition risks (e.g. change in consumer demand, increase in costs due to carbon pricing) or physical risks causing business disruptions - Collateral values impacted by rising frequency and intensity of physical risk events, leading to asset stranding, reduced balance sheet, strength of obligors, and reduced recovery from potential defaults
	Market Risk 	Decline in market valuation of securities due to disruptive transition events (e.g. sudden climate policy shifts) or severe physical risk events (e.g. major flooding)
Physical Risk Drivers Physical risk drivers are changes in both weather and climate that impact economies. They can be categorised as acute risks, which are related to extreme weather events, or chronic risks associated with gradual shifts in climate.	Liquidity Risk 	- Material change in cash outflows due to climate-induced risk events or adverse reputational events - Reduction in liquid assets due to climate-induced macroeconomic stresses
	Operational Risk 	Increase in frequency and severity of acute physical risk events, which can affect physical assets, cause business interruptions and pose workplace health and safety challenges
	Reputational Risk 	Reputational issues associated with stakeholder perceptions on adequacy of climate risk and opportunity management

OCBC conducts materiality assessment regularly to ensure it stays relevant, tapping on the growing knowledge and evidence base for climate risk. This ensures the risk drivers that impact us across credit, market, liquidity, and operational risks are adequately identified, assessed and managed in accordance with our existing risk management approaches and planning horizon.

Climate risk ratings across different time horizons

Risk Types	Focus	Short-term (0 – 3 years)	Medium-term (3 – 10 years)	Long-term (>10 years)
Credit risk	Transition risk	Low	Moderate	Moderate
Market risk	Transition risk	Low	Low	Low
Liquidity risk	Transition risk	Low	Low	Low
Operational risk	Physical risk	Low	Low	Moderate

● Low
 ● Moderate
 ● High

Section 4

Risk Management

4.3 Climate-related Risk Management

We prioritise managing climate-related credit risk (as part of ESG risk) and reputational risks from our wholesale lending activities through integrating these considerations into our Responsible Financing Framework and Policies and credit approval processes.

Climate-related risk assessment is undertaken as part of clients' overall credit risk assessment process. High-risk clients or transactions where significant environmental and social risks are identified are referred to a dedicated team of ESG specialists for enhanced due diligence and no objection review. Those with significant ESG risks that cannot be mitigated may be turned down. Clients or transactions with significant reputational risk will be escalated to the Reputational Risk Review Group of OCBC for clearance. All transactions must be approved by the relevant Credit Approval authority.

In line with our risk-based approach, we have started to assess and engage clients in selected sectors on their ability to manage their climate-related transition and physical risks.

4.4 Climate Scenario Analysis

Climate scenario analysis serves to facilitate our understanding of risks and opportunities associated with climate change under a range of hypothetical scenarios spanning multiple time periods.

In 2021, we participated in the pilot Climate Risk Stress-Testing ["CRST"] exercise initiated by the Hong Kong Monetary Authority ("HKMA"). This exercise served as an opportunity for the Bank to enhance the understanding of the potential vulnerabilities due to climate risk and build up capabilities for scenario analysis.

In 2023, we conducted a short-term climate scenario analysis as part of the HKMA's CRST 2023 to assess the impacts of short-term physical risk and transition events. For physical risk assessment, we identified property collaterals in areas that are vulnerable to flooding and tropical cyclones based on building address. Credit impacts arising from potential property devaluation due to asset damages and/or shifts in consumer preferences were assessed. In addition, we assessed the impacts of business disruption for borrowers in sectors that are more affected by such physical hazards.

Transition risk assessment covered business sectors that are assessed to be vulnerable to sudden increase in carbon costs. We assessed the impacts on borrower's financials arising from higher costs, reduced profitability and weakened balance sheet strength resulting from the increase in carbon costs. Additionally, we considered the associated rating downgrades and their potential implications.

4.4.1 Climate Scenario Methodology

In 2022 and 2023, OCBC updated the climate scenario analysis methodology to capture the combined impacts of both transition and physical risks to corporate borrowers using a suite of climate scenario analysis models.

These climate scenario analysis models adopted a bottom-up approach to translate key scenario parameters (e.g., emission intensity pathways, carbon price, fossil fuel price and demand, electricity price and demand, physical hazard frequency and severity) into drivers of business performance such as volume, unit cost, price and capital expenditure. The credit rating impacts are then estimated using the adjusted financial statements.

The Bank leverages on these enhanced models for the long-term climate scenario analysis as part of the HKMA's CRST 2023, with a completion timeline set for the first half of 2024.

We remain committed to keeping abreast of developments in this area and continually enhancing our methodology in line with industry standards.

It is important to view the scenarios not as future forecasts but hypothetical constructs to understand the nature and magnitude of risks across a range of plausible climate and policy pathways. This helps us prepare for the risks and opportunities that could arise across various sectors and geographies relevant to our credit portfolio.

Section 5

Metrics and Targets

This section outlines the metrics and targets used by OCBC to assess and manage relevant climate-related risks and opportunities. Our targets are closely aligned with OCBC's climate ambition. The local team continues to embrace a One Group approach and actively supports OCBC's targets.

5.1 Climate Action

Chartering a climate-resilient futures

OCBC's Climate Action metrics focus on the following thematic areas:

- Our net-zero commitment
- Managing our climate-related risks
- Managing our environmental footprint

OCBC's 2023 Targets	Performance Against Targets
Achieve net zero in financed emissions for six sectors by 2050	 Reduction in emissions in six key sectors
Maintain carbon neutrality for OCBC's banking operational emissions	 Maintained operational carbon neutrality by increasing adoption of renewable energy and sustainable technology
Provide electric vehicle charging facilities to major OCBC-owned commercial buildings by 2025	 Completed installation of electric vehicle charging points at OCBC-owned commercial buildings in Mainland China and Hong Kong
Achieve 3% reduction from 2022's office paper usage within OCBC offices for business operations	 Achieved 7.9% year-on-year reduction in office paper usage within OCBC offices for business operations #

The Group achieved 6% year-on-year reduction in office paper usage for business operations.

5.2 Responsible Finance

Driving responsible growth

The careful management of risks and implementation of practices ensure ethical and responsible lending.

OCBC's 2023 Targets	Performance Against Targets
Strengthen ESG policies and procedures to support climate risk management	 We have strengthened ESG policies and procedures through: • prohibition of project financing to upstream Oil & Gas projects that obtained approval for development after 2021; • expansion in scope of Responsible Financing Policy for Agriculture and Forestry to include animal production and fisheries, and enhanced our expectations including No deforestation, No Peat, No Exploitation; and • full implementation of climate risk assessments to assess clients' transition and physical risks for climate-relevant sectors.



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On Track

Section 5

Metrics and Targets

5.3 Sustainable Financial Solutions

In 2021, OCBC is committed to grow our sustainable portfolio to S\$50 billion by 2025. We achieved this target two years ahead of schedule.

As of 31 December 2023, the Bank achieved over S\$8 billion in sustainable finance commitments, spanning various industries such as Real Estate, Power, Energy, Logistics, Hospitality, and REITs. In Hong Kong, our sustainable finance strategy prioritises the highest emitting sectors such as Real Estate and Transportation sectors which are the largest contributor to the city's emissions. This is in alignment with "Hong Kong's Climate Action Plan 2050", the city's roadmap for carbon neutrality before 2050.

We believe that sustainable finance is for companies of all sizes and should go hand-in-hand with greater financial inclusion. We are committed to guide SMEs in their transition to a low carbon world. By doing so, it positions us at the forefront to empower SMEs to do well and do good.

In 2023, the Bank successfully executed a number of landmark Sustainable Finance transactions, in line with international and market standards as well as OCBC Sustainable Finance Taxonomy, including:

- Bilaterally structured a maiden green loan for Mainland China's largest wind farm operator and part of the world's largest power company by installed capacity, to finance their renewable energy projects;
- Bilaterally structured Hong Kong's first Sustainability-Linked Dual-Currency Fixed Rate Loan for one of the largest multinational hospitality groups;
- Led Hong Kong's first green loan for development of a logistics centre, a syndication for a local property developer, as joint mandated lead arrangers, bookrunner, underwriter and Green Loan coordinator;
- Extended our sustainable financing solutions to Macau;
- Dedicated focus to guide SMEs in their transition to a low carbon economy by riding on our OCBC SME Sustainable Financing Framework to increase accessibility for SMEs seeking for sustainable finance.

The Bank's efforts in pioneering impactful and innovative solutions to support our clients' ESG journeys have enabled us to achieve the Hong Kong Green and Sustainable Finance Awards.

Recent Recognitions:

- Asian Banking and Finance - Green Deal of the Year - Hong Kong;
- Asian Banking and Finance - Syndicated Loan of the Year - Hong Kong;
- Outstanding Award for "Green Industries" - Visionary Green Loan Framework;
- Outstanding Facilitator for "Real Estate and Hospitality" - Visionary Sustainability-linked Loan Performance Metrics;
- Management Awards for Net-Zero Contribution "Banking Industry" - Visionary Blueprint towards Net Zero;
- Global Finance - Best Bank for Sustainable Finance - Hong Kong

As sustainable financing evolves, the Group will continue to develop a comprehensive range of solutions and provide support to address the financially material risks our clients face, while actively seeking out new opportunities. In 2023, OCBC launched a number of innovative sustainable financial solutions including "OCBC 1.5°C loan" and green financing solutions comprising green loan and carbon credits as part of our commitment to support the world's low-carbon transition. We are also committed to lead the way in the fight against climate change by leveraging on our platform and resources to positively influence our clients.

Section 6

The Way Forward

Given the existential nature of climate change and the urgent need to substantially reduce emissions, the transition to a net-zero future remains a key priority for us.

Navigating climate risks and opportunities continues to be of paramount importance to effectively safeguard our businesses and our stakeholders' trust. This requires deepening our understanding and capabilities in pertinent areas related to climate change.

We expect to see significant increase in investments in projects and initiatives that support the goal of achieving net-zero emissions. In partnership with our clients, we will continue to **develop innovative sustainable financial solutions** to support their aspirations while driving positive environmental and societal impacts.

We will continue to **manage our environmental footprint** and progressively advance to **achieving our net-zero targets** as planned.

We will continue to work closely with the Hong Kong Monetary Authority ("HKMA") to **promote Green and Sustainable Banking**. HKMA recently developed the Hong Kong Taxonomy for Sustainable Finance to enable informed decision making on green and sustainable finance in May 2024. The Group supports the development and proactively participate in industry dialogues to further enhance climate-related framework.

This TCFD report outlines our ongoing commitments in accelerating the transition to a net-zero future. While we have made progress in aligning our climate disclosures with TCFD recommendations, we recognise that there is more work to be done. Going forward, we will build on the progress made to strengthen our management of climate risks and opportunities.

