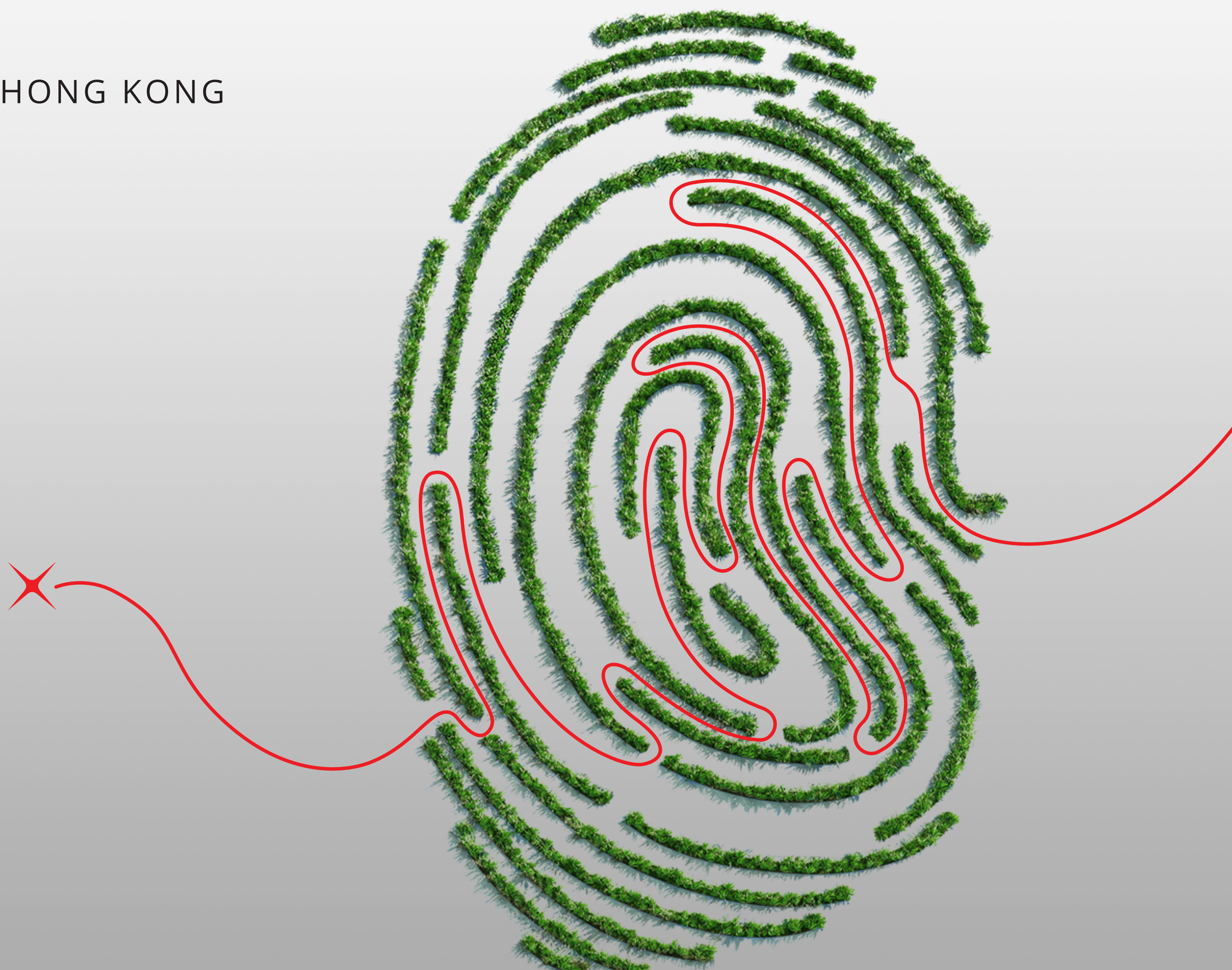
Climate-Related Disclosures 2024

DBS HONG KONG



DBS

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Introduction

About this disclosure

This disclosure is prepared in accordance with the following guidelines and recommendations:

- Supervisory Policy Manual GS-1 on Climate Risk Management by the Hong Kong Monetary Authority (issued December 2021)
- The Task Force on Climate-related Financial Disclosures ("TCFD") recommendations by the Financial Stability Board (October 2021)

The information contained in this disclosure reflects the position for DBS Hong Kong as at 31 December 2024, unless otherwise stated. This disclosure is to be read in conjunction with Sustainability Report 2024[1] published by DBS Group Holdings Ltd ("DBS Group").

[1] *Please refer to the "Governance of sustainability" and "Responsible financing" in the DBS Group Sustainability Report 2024.*

CEO Message

The past year has underscored the urgent need to address the climate change. As an Asia-focused bank, we recognise the profound impact that climate change is having on our region and the important role we must play in supporting the transition to a net zero future.

Guided by our vision to be the "Best Bank for a Better World", we continue to advance this commitment via our three sustainability pillars: (1) Responsible Banking, (2) Responsible Business Practices and (3) Impact Beyond Banking.

At DBS Hong Kong, we are committed to being part of the solution. We have enhanced our approach to transition finance and strengthened our ESG risk management capabilities, equipping our teams with the skills to integrate climate considerations into client strategies and financial assessments.

Looking ahead, DBS Hong Kong will continue to take the lead in collaborating with ecosystem partners to drive collective action. By empowering our clients and communities to build resilience, we are confident that together we can navigate the challenges of climate change and secure a sustainable future for all.

Sebastian Paredes
DBS Head of North Asia & Chief Executive Officer,
DBS Bank (Hong Kong) Limited

Governance

Board and Board Committees

Effective governance and board oversight is crucial to ensure resilience and drive long-term value creation. The DBS Group Board[2] is collectively responsible for the long-term success of the bank and has ultimate responsibility of sustainability strategy and reporting. In 2022, the DBS Group Board established the Board Sustainability Committee ("BSC") to provide greater governance and oversight on sustainability agenda, including our net zero commitment, which is a strategic priority for DBS Group.

The BSC supports DBS' vision to be the "Best Bank for a Better World", which underpins our efforts in empowering our own businesses as well as our clients in their transition towards a more sustainable future. This supports a healthy planet and a just society, while also strengthening risk management and unlocking new business opportunities for long term value creation. In discharging its responsibilities, the BSC evaluates trade-offs and seeks to balance the interests of various stakeholders, such as regulators, investors, employees, sustainability analysts, non-governmental organisations (NGOs) and activists.

The Board of Directors (the "Board") of DBS Bank (Hong Kong) Limited has overall responsibility for sustainability and integrates environmental, social and governance ("ESG") matters in the formulation of strategy. The Board provides oversight on sustainability agenda and directs its efforts in managing material ESG matters, and is guided by the objective to create long-term value by managing our business in a balanced and responsible way.

The Board has delegated the Board Risk Management Committee ("BRMC") to oversee overall climate risk management, development and implementation of climate risk strategies, including setting risk appetite, overseeing the establishment of risk management policies and key processes for managing climate risk. The BRMC also supports the Board and senior management in setting the tone from the top to embed climate-related considerations into the business activities and decision-making process.

During 2024, updates on climate-related developments and risk management approaches were featured on the Board and BRMC' agendas, including ESG risk monitoring metrics, continuous adoption of the DBS Group's decarbonisation targets as reference points for local progress monitoring, and stress testing.

[2] *Read more on sustainability governance structure of DBS Group in the DBS Group Sustainability Report 2024.*

Management

At DBS Group management level, the Group Sustainability Council ("GSC") oversees the execution of sustainability initiatives across the bank. In 2024, Group Climate Council ("GCC"), a new sub-committee to GSC was institutionalised. The GCC's primary responsibility is to institutionalise an effective and efficient forum on all climate-related matters including our net zero commitment and transition our attributable emissions from our lending, investment and capital markets portfolios to align with pathways to net zero by 2050.

The Hong Kong Sustainability Council ("HKSC"), in consultation with DBS Hong Kong CEO and with the support of the GSC, sets the strategic direction of location-wide sustainability matters across DBS Hong Kong. The HKSC is chaired by Head of Hong Kong Strategic Marketing & Communications ("GSMC"), comprising of representatives from key business and support units. The HKSC meets quarterly, and as and when required.

The Hong Kong Climate Committee ("HKCC") was established as a new sub-committee to the HKSC, transitioned from the previous Hong Kong Climate Steering Committee, which was project-based and intended to be transitional. The HKCC is co-chaired by Senior Risk Executive of Hong Kong ("SRE"), Head of Hong Kong Institutional Banking Group ("IBG"), Head of Hong Kong GSMC and Group Chief Sustainability Officer ("CSO"), and comprises representatives from key business and support units. The HKCC is responsible for overseeing the implementation of local climate-related supervisory policies and the local adoption of GCC's initiatives as applicable. The HKCC meets bi-monthly, and as and when required. Key climate risk related matters arising from the HKCC is also updated to Hong Kong Risk Executive Committee and/or BRMC, as part of the wider risk management process.

Embedding sustainability into performance management and remuneration

In line with DBS Group, we use a balanced scorecard approach to measure how successful we are in serving our key stakeholders and executing our long-term strategy. Sustainability and climate-related targets are incorporated into the scorecard and cascaded across the relevant units' scorecards, which are used to evaluate performance.

Elevating sustainability knowledge and skills

Sustainability is a dynamic field and the sustainability context within which we operate is constantly evolving. In 2024, the Board received training on key sustainability themes and their impact on DBS. The training covered themes including the global momentum on climate commitments from governments, regulators, the private sector, the financial sector and in clean energy deployment globally and in Asia.

To enhance senior management's understanding of the business imperatives stemming from sustainability risks and opportunities, and to support the integration of sustainability-related risks and opportunities into strategic decision making, we conducted training for the Hong Kong Management Committee and selected senior staff. The interactive session covered key environmental and social themes, their systemic interconnections, and the commercial case for DBS. It also included case studies showcasing sustainability best practices and challenging dilemmas, emphasising real world problem-solving.

Strategy

We contribute and align with DBS Group's climate strategy and work together across all locations to achieve the DBS Group's net zero commitment.

DBS Group's climate strategy

At DBS, the largest impact we create is through our lending and financing activities. We are committed to responsible banking practices by integrating sustainability into our risk management as well as the lending and financing solutions we offer our clients.

Our ambition is to achieve a net zero future while recognising our social responsibility to foster a just and inclusive transition

To position DBS as the Transition Bank for Asia, our priorities are:

Our financing and advisory		Our operations
Business opportunity	**Risk management**	
Providing innovative financial solutions and advisory services to support our clients in their sustainability and transition efforts	Integrating climate and sustainability considerations into risk management processes to enhance client engagement and ensure the resilience of our business	Achieving net zero in our own operations

Our strategy is enabled through:

Forging partnerships and engaging with key ecosystem players to drive collective action	Leveraging technology and AI to enhance data analytics capabilities	Reskilling and empowering our people	Ensuring robust governance and processes

Read more about DBS Group's climate strategy in the "Responsible financing" chapter of the DBS Group Sustainability Report 2024.

Managing our operational emissions

In Hong Kong, we follow the DBS Group's strategy for managing its carbon, energy, water, and waste footprint. This strategy is guided by a four-lever approach, prioritising efforts in the following order:

- Lever 1: Reducing consumption of resources
- Lever 2: Generating renewable energy[3]
- Lever 3: Purchasing green products, energy[4] and Renewable Energy Certificates (RECs)
- Lever 4: Purchasing carbon offsets

Read more about DBS Group's approach in the "Managing our environmental footprint" chapter of the DBS Group Sustainability Report 2024.

[3] *There is currently no renewable energy generated by DBS Hong Kong.*
[4] *Purchasing green products and energy are currently not available in Hong Kong.*

Risk Management

ESG risk overview and governance

In line with DBS Group, we actively manage reputational risk and potential credit risk arising from environmental factors, with a focus on managing our portfolio exposures to material climate transition and physical risks.

Transition risk arises from the evolving regulatory landscape, technological advancements, shifting consumer preferences, and the financial resilience of our clients amidst the transformation to a low carbon economy. Physical risk arises from the impact of acute weather events and long-term climate shifts.

Our comprehensive ESG risk management approach is detailed in the following sections, reflecting our active integration of climate and broader ESG risk considerations into our credit management process:
- Policies & processes
- ESG Risk methodologies

Policies & processes

We systematically assess ESG risks for institutional banking lending and capital market transactions, and continuously monitor our clients' compliance with our responsible financing approach and sector policies. DBS Group's key policies for ESG risk management include:

Group Responsible Financing Standard
The Group Responsible Financing Standard sets forth the principles of systematic ESG risk assessment and forms an integral part of our credit risk assessment process governed by the Group Core Credit Risk Policy. The standard applies to all institutional lending and capital market products and services. It is regularly updated to ensure alignment between our climate strategy and approaches to responsible financing and credit risk management.

Group Responsible Financing Standard and Group Core Credit Risk Policy are supplemented with Responsible Financing - Sector Guides which cover guidance based on specific requirements for the respective sectors. The Sector Guides ensure consistency in practices, taking into consideration international standards and market practices across different sectors and within each sector. In 2024, we introduced sector benchmark guidance to support Relationship Managers ("RMs") and Credit Risk Managers ("CRMs") in conducting peer comparisons and assessing clients against industry standards. This improves the quality of ESG assessments and the robustness of the ESG score. The guidance offers insights into specific ESG expectations for different industries, enabling tailored client-level assessments and a consistent approach to evaluating client transition plans.

Process for ESG risk assessment
ESG risk assessment and borrower level ESG risk scores are embedded within our credit approval process, assisting credit decisioning by incorporating ESG and reputational risk factors.

RMs assess clients on ESG parameters using our enhanced ESG Risk Questionnaire ("ERQ"), which generates a ESG Risk Score based on our scoring methodology. Where required, clients with higher ESG risk scores are escalated for enhanced assessment and additional concurrence from the Group IBG Sustainability team and Group ESG Risk team. Once these teams have established that sufficient ESG risk mitigation is available, the credit application is progressed for assessment by CRMs. In scenarios where the identified ESG concerns are not sufficiently mitigated or may present material credit and/ or reputational risks, the credit application will be declined. Where warranted, this could also lead to further reassessment of our overall client relationship.

ESG risk methodologies

We utilise a combination of client and portfolio level methodologies to assess potential ESG risks.

ESG risk assessment and scoring methodology

In July 2023, we introduced an enhanced ESG Risk Questionnaire (ERQ), strengthening our ESG risk assessment of our borrowing clients. The questionnaire encompasses our assessment of ESG risks including climate-related transition and physical risks. It facilitates data collection leveraging on climate-related disclosures and supports client engagement by helping us understand transition plans and explore financing opportunities to support their transition to lower carbon businesses.

Responses obtained from the ERQ on transition, physical and other ESG risks are combined with sector-level inputs to generate an overall ESG Risk Score (ERS). Factors that may contribute to higher ESG risk scores include significant climate risks (physical or transition) & inadequate ESG governance processes amongst others.

Climate scenario analysis

We recognise the importance of climate scenario analysis for assessing climate-related risks and opportunities and understanding the potential implications to our strategy and business model over the short-, medium- and long-term. During 2023-2024, DBS Hong Kong successfully completed the second round of Climate Risk Stress Test ("CRST") initiated by the Hong Kong Monetary Authority ("HKMA"). The CRST comprises two sets of complementary stress scenarios, which are short-term scenario and long-term scenarios.

Our approach to climate scenario analysis[5] covers both climate-related transition and physical risks. Given the evolving international standards and market practices, DBS is continuously building out our capabilities on data, methodologies and processes.

- **Transition risk scenario analysis**
  We use a suite of in-house Climate Scenario Analysis ("CSA") models to cover the priority sectors (Power, Oil & Gas, Automotive, Aviation, Shipping, Steel, Real Estate, Food & Agribusiness and Chemicals). The models translate the effects of policy and regulation changes, technological advancements and shifting consumer preferences, as defined by a set of standard climate scenarios, on key financial drivers of our clients.

  Our analysis of transition risk, combining CSA model outputs with expert judgment, identifies specific segments within the institutional banking credit lending portfolios exhibiting potential high sensitivity to transition risk.

- **Physical risk scenario analysis**
  With the launch of HKMA's Physical Risk Assessment Platform in 2024, we explored and experimented the functionalities of the Platform to conduct physical risk assessment across our property backed loans portfolios. Going forward, we will continue to observe the Platform's development and evaluate its utility in our physical risk assessment. This will be done alongside the ongoing enhancement of DBS Group's risk assessment methodology.

[5] *Read more about the details of DBS Group's climate scenario analysis in the DBS Group Sustainability Report 2024.*

Upskilling and empowering our people

Fostering a climate-ready team that can engage our clients on transition is a key enabler for DBS Group's climate strategy. Within our Institutional Banking Group, a specialist team of sustainable finance experts maintains active dialogue with sector coverage teams. This helps to ensure sustainability considerations and clients' decarbonisation plans are at the forefront of our Relationship Managers' (RMs) and Credit Risk Managers' (CRMs) minds.

Selected training programmes include:

- **Mandatory Responsible Financing e-Learning training:** Since 2018, DBS Group has rolled out mandatory Responsible Financing e-Learning training to all RMs and CRMs to ensure alignment with our responsible financing policies and standards. Newly hired RMs and CRMs are assigned this training during onboarding, while a refresher training is assigned to existing colleagues every two years.

- **Climate-activation training:** DBS Group developed a climate-activation training to empower RMs and CRMs with the necessary climate-related knowledge to meaningfully engage customers in their decarbonisation and transition journeys.

- **Green and sustainable trade financing trainings:** In 2024, DBS Group also designed and ran a series of green and sustainable trade financing trainings for RMs to learn how to identify relevant opportunities and provide advisory and financial solutions to better support our customers.

To enhance employee understanding of sustainability's relevance to the bank, DBS Group also launched a suite of sustainability-related training modules for all staff at all levels. The "Sustainability at DBS" e-learning module, for example, covers various sustainability concepts, communicating DBS' sustainability commitments and progress, and explains how all employees can contribute.

Metrics And Targets

Financed emissions for our priority sectors

DBS Group is committed to monitoring and reporting the progress against DBS Group's sectoral targets annually[6].

In September 2022, DBS Group published the report 'Our Path to Net Zero', in which outlined our overall climate strategy and established science-informed decarbonisation targets for our Scope 3 financed emissions for a large number of sectors we provide lending and financing support to, namely Power, Oil & Gas (O&G), Automotive, Aviation, Steel, Shipping and Real Estate. DBS Group also set ESG data coverage targets for, Food & Agribusiness (F&A) and Chemicals. All in all, these nine priority sectors are recognised as some of the most carbon-intensive sectors in the economy and collectively account for a majority of global greenhouse gas ("GHG") emissions.

Looking ahead, we recognise that Asia's diverse economies have unique contexts that require differentiated and people-centric decarbonisation pathways. To accelerate a just and inclusive transition in Asia, DBS Group will periodically review our decarbonisation pathways to ensure our 2030 and 2050 net-zero targets for priority sectors remain credible and relevant. These reviews will take into consideration the latest scientific evidence as well as credible industry-specific pathways.

DBS Hong Kong will continue to adopt DBS Group's decarbonisation targets as reference points for monitoring local progress on an annual basis.

[6] *Read more about the net zero portfolio alignment in the DBS Group Sustainability Report 2024.*

Energy and GHG emissions data in our operations

Besides financed emissions, we also monitor and manage our environmental footprint in our operations. The table below accounts for such information for Hong Kong, while group-level information can be found within the DBS Group Sustainability Report 2024.

	2024
Energy	
Total energy consumption from non-renewable sources (MWh)	8,126
Purchased Renewable Energy Certificates (MWh)	10,100
GHG Emissions [1]	
Total GHG emissions (tCO_2e) = [a + b(ii) + c]	4,517
a) Scope 1 (tCO_2e)	24
b(i) Scope 2, location-based (tCO_2e) [2]	4,207
b(ii) Scope 2, market-based (tCO_2e) [3]	0
c) Operational Scope 3 (tCO_2e) [4]	4,493

Notes:

[1] Follows the requirements of GHG Protocol Corporate Standard and GHG Corporate Value Chain Standard and uses operational control to consolidate GHG emissions.

[2] Location-based approach reflects the average emissions intensity of Hong Kong's grid (using grid-average emission factor).

[3] Market-based approach reflects emissions from the suppliers from which we purchase our electricity. As renewable energy from our purchased RECs in Hong Kong have zero emissions associated with energy generation, market-based emissions are lower than location-based emissions.

[4] For further details on our operational Scope 3 emissions, please refer to the "Managing our environmental footprint" chapter of the DBS Group Sustainability Report 2024. Financed emissions (category 15) are reported separately on the "Responsible financing" chapter of the DBS Group Sustainability Report 2024.

DBS

Live more, Bank less