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# 1. Introduction

Fubon Bank (Hong Kong) Limited (“Fubon Bank”) is a wholly owned subsidiary of Fubon Financial Holding Co., Ltd. (“Fubon Financial Holdings”), one of the largest financial holding companies in Taiwan. Fubon Bank publishes its Task Force on Climate-Related Financial Disclosures Report (“TCFD Report”) on an annual basis. It provides an overview of the Bank’s climate-related financial disclosures, including 4 majors pillars – governance, strategy, risk management, and metrics and targets, with an aim to providing all our stakeholders a better understanding of the Bank’s climate actions, towards the goal of incorporating climate risk management into our overall business strategy and disclosures.

## 1.1 Reporting Period

This report mainly covers the actions and performances undertaken by Fubon Bank during the reporting period from 1 January to 31 December 2024, and provides additional information on its climate’s practices and milestones over the years.

## 1.2 Reporting Boundary

The information and data in this report primarily cover Fubon Bank (including all branches) and its wholly-owned subsidiary Fubon Credit (Hong Kong) Limited, unless specified otherwise.

## 1.3 Reporting Principle

This Report has been prepared with reference to the international disclosure frameworks, including Recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) launched by the Financial Stability Board, and IFRS S2 Climate-related Disclosures launched by International Sustainability Standards Board (“ISSB”), as well as follows the requirement from Hong Kong Monetary Authority (“HKMA”)’s Supervisory Policy Manual module GS-1 “Climate Risk Management” (“SPMGS1”).

## 1.4 Information on Certification

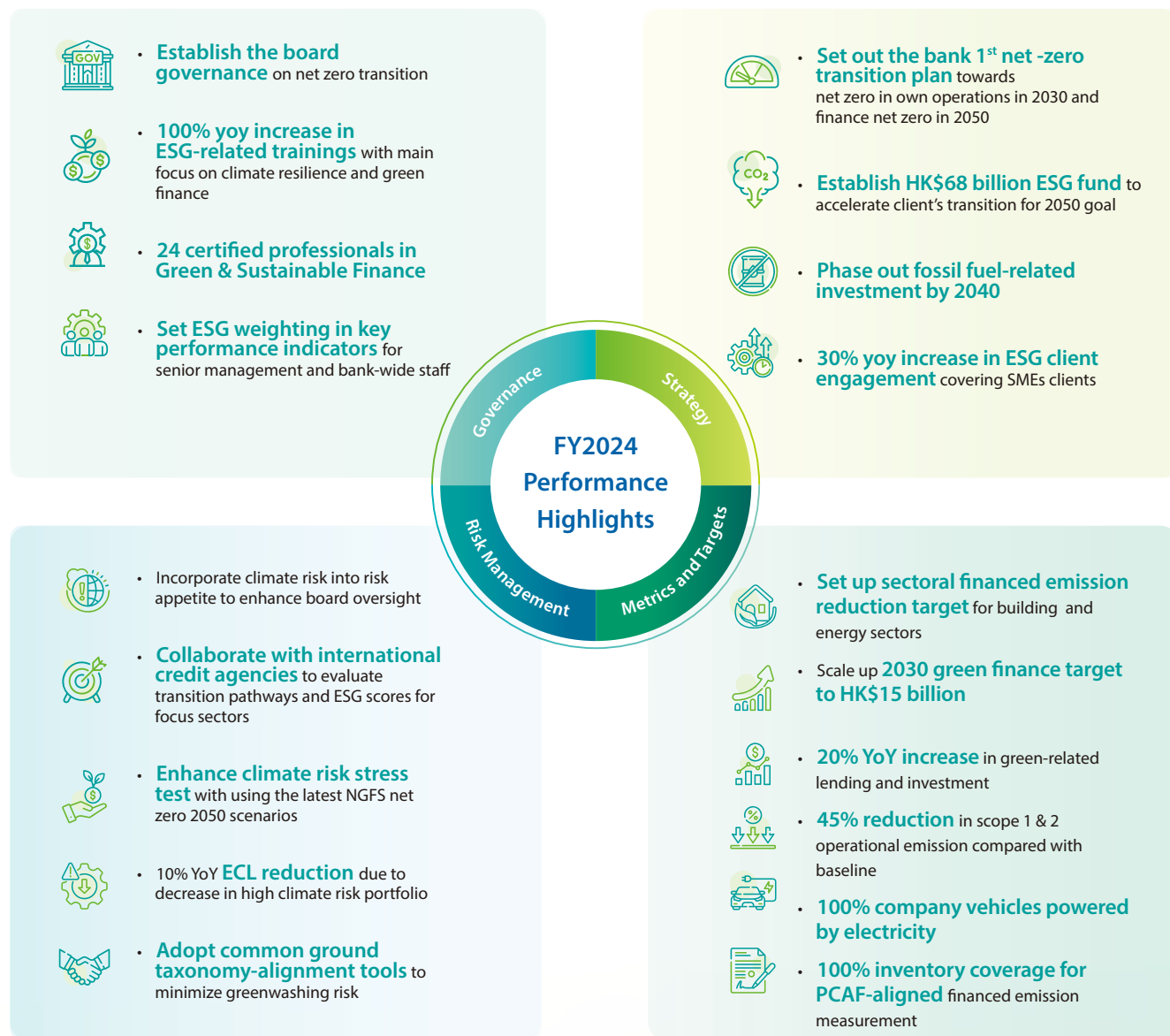
The environmental data disclosed in this report have been certified by ISO 14064-1 GHG emissions inventories and verification, ISO 14001 environmental management systems and ISO 50001 energy management system standards.

## 1.5 Feedback

Your opinions and input as important stakeholders are valuable in our efforts towards promoting sustainability. Should you have any comments or suggestions regarding this report, we would greatly appreciate your time and effort to contact us through our email address [crst.fbhk@fubon.com](mailto:crst.fbhk@fubon.com).

## 2. Key Highlights in 2024

With the vision to support Fubon Financial Holdings Co. Ltd. ("Fubon Financial Holdings") in becoming one of Asia's first-class financial institutions and aspire to transit to net zero portfolio by 2050, Fubon Bank has accelerated its transition pathway to greener portfolios of financial products and services, and has made climate risk consideration as a critical part of its operations. The major enhancement in 2024 are structured into four TCFD-aligned thematic pillars that represent our core journey on governance, strategy, risk management, and metrics and targets.



### Award and Recognition Highlights



## Greenhouse Gas Emission (GHG) Highlights

### Scope 1, 2 & 3 Value Chain Emission

Scope 1: Direct GHG emission	18.3tCO <sub>2</sub> e
Scope 2: Indirect GHG emission	1,393.6tCO <sub>2</sub> e
Scope 3: Value Chain GHG Emission	139.8tCO <sub>2</sub> e

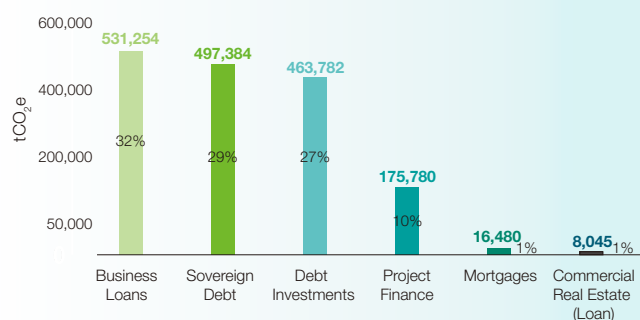
(Excluding category 15: financed emission)

### Scope 3 Category 15: Financed Emissions

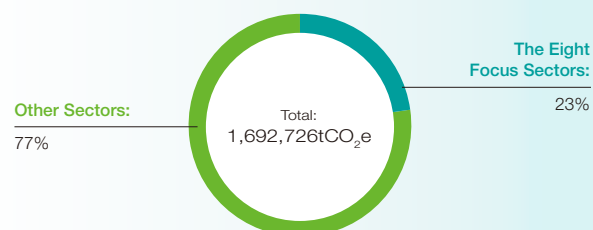
Financed Emissions:	1,692,726 tCO <sub>2</sub> e (yoy: +17%)
Data Quality:	2.74 Score (yoy: + 3.4%)

(Data quality: 1 as best to 5 as worst)

### Financed Emissions by PCAF Asset Class



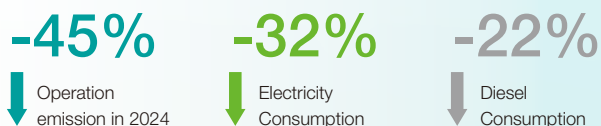
### Financed Emissions by Sectors



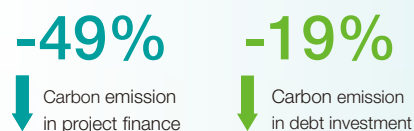
Note: The eight focus sectors are electricity utilities, real estate, construction, paper, airline, marine, oil & gas and electronic manufacturing classified by GICS code

## Net Zero Targets (towards net zero in own operations in 2030 and financial portfolio in 2050)

### Scope 1 & 2 Operational Emission (baseline year: 2020)



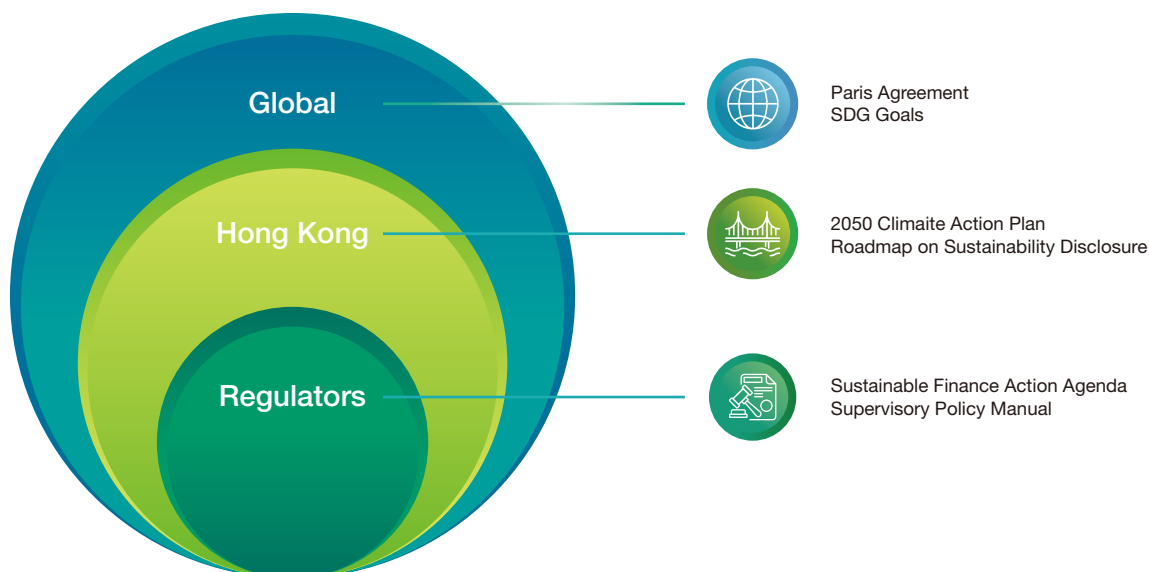
### Scope 3 Financed Emission (baseline year: 2019)



## 3. Governance

### 3.1 Strengthen Climate Governance Framework

As the financial impact of climate change has become severe, the world and global financial institutions have moved closer to a consensus on achieving net zero carbon emissions and prioritise their operation in climate resilient manner. In 2024, the HKSAR government has announced the “Roadmap on Sustainability Disclosure” in full alignment with ISSB standard, associated with HKMA’s announcement on the visionary statement “Sustainable Finance Action Agenda” that have provided a positive and strong driving force for Fubon Bank to fasten our journey towards net zero transition.



Fostering a robust governance structure is crucial for incorporating climate risk into overall management framework. Under three-tier sustainability governance structure, the Board of Directors were assisted by specialized committees – the Risk Committee and ESG Committee in response to bank-wide ESG & climate strategy. The board-level Risk Committee should assist the Board to discharge its ultimate responsibilities to oversee climate governance, management, action plan, and offering advice. The senior management-level ESG committee chaired by the Chief Financial Officer will report to the Risk Committee who are responsible for setting the long-term climate actionable roadmap and goal. The ESG Committee members include senior management from various functional units, which are supported by the projects-based Taskforces, each led by a member of Fubon Bank’s ESG Committee.

In 2024, Fubon Bank further enhanced the governance, by identifying clear roles and responsibilities of net zero transition plan at the Board, management and operational level respectively, as well as setting the routine sustainability discussion agenda in the Committee and KPIs in key project & programme to ensure the operation efficiency. Various levels of function units collaborate together to address climate-related issues and achieve long-term sustainable development.



## Governance Structure

### Board Level

#### Board of Directors

Oversees the Bank's ESG and climate strategies and guides the banks towards its long-term objectives.

Report

Oversight

Audit  
Committee

Chief Executive  
Officer

Risk Committee  
(Identify high level  
sustainability-related  
risks across our  
operations)

Executive Credit Committee  
(Approve new GSF lending  
and investment for larger  
exposure)

Report

Oversight

### Senior Management Level

Internal  
Audit

ESG Committee  
(Formulate ESG & climate  
strategy, goal, activities  
across the bank)

Product Control  
Committee  
(Approve new  
GSF product  
development)

Credit Committee  
(Approve new GSF lending  
and investment activities)

Report

Oversight

### Operational Levels

#### Three Lines of Defence

1<sup>st</sup>

Business Units

2<sup>nd</sup>

Risk Management  
Units

3<sup>rd</sup>

Internal Audit

#### Additional Taskforces

Climate Risk  
Taskforce

Sustainable Finance  
Taskforce

#### ESG Dedicated Team

Climate Risk  
Management Team

ESG Banking Division

General Admin  
Services Department

Sustainability  
Champions

### Climate Risk Management Organization and Reporting Frequency:

Function Unit	Chairman/ Group Leader/ Convener	Members	Meeting Frequency	Main Roles and Responsibilities	Major Agenda Items in FY2024
Board of Directors ("BOD")	Chairman	Directors	Quarterly	<p>BOD is the highest decision-making body and primary oversight for sustainability and climate risk management of the Fubon Bank, mainly:</p> <ul style="list-style-type: none"> <li>Set Fubon Bank's overall risk appetite and approve the risk appetite statement ("RAS") with integration of climate risks into the existing risk management approach;</li> <li>Establish an appropriate climate risk management structure, which identifies the lines of authority and responsibilities for different levels of management;</li> <li>Maintain an ongoing awareness of Fubon Bank's performance;</li> <li>Oversight the net zero transition plan with primary responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Approved Sustainable Development Policy (Aug)</li> <li>Approved the risk appetite statement and climate risk limit (Dec)</li> </ul>
Risk Committee ("RC")	Independent Director	Directors	Quarterly	<p>The BOD delegates authority to the RC to perform its supervision duties, main functions include:</p> <ul style="list-style-type: none"> <li>Review and approve relevant policies related to climate risk, and ensure that those are properly implemented with clear guidance, operating standards and/or action plan;</li> <li>Ensure that appropriate and competent functional units are assigned to measure and monitor the implementation on the climate risk management measures;</li> <li>Ensure that appropriate remedial actions will be promptly taken to address issues of concern when necessary;</li> <li>Approve climate strategies and goals formulated by the management.</li> </ul>	<ul style="list-style-type: none"> <li>Approved the bank-wide 2024 ESG Action Plan and Targets (Mar)</li> <li>Approved the issuance of FY2023 TCFD report (May)</li> <li>Regular Review on ESG Action Plan 2024 (Aug)</li> <li>Annual review of Climate Risk Management Policy (Dec)</li> </ul>



Function Unit	Chairman/ Group Leader/ Convener	Members	Meeting Frequency	Main Roles and Responsibilities	Major Agenda Items in FY2024
ESG Committee ("ESGC")	CFO	Senior Management	Monthly	<p>Being delegated by the RC, ESGC to manage daily business operation and affairs, main functions include:</p> <ul style="list-style-type: none"> <li>Evaluate and resolve climate-related risks and opportunities in the context of Fubon Bank's strategy, and report to the RC for approval for any significant issues;</li> <li>Define and establish climate strategies and goals, and ensure effective development of climate strategy;</li> <li>Review and endorse climate risk management policies for approval by the RC at least annually;</li> <li>Conduct annual review of climate risk tolerance and metrics;</li> <li>Review and approve climate risk stress testing methodology and results;</li> <li>Endorse and monitor the progress of net zero transition plan proposed by the taskforce.</li> </ul>	<ul style="list-style-type: none"> <li>Endorsed the bank-wide 2024 ESG Action Plan (Feb)</li> <li>Endorsed the ESG fund on Sustainability Champion 2024 (Feb)</li> <li>Endorsed the adoption on ESG questionnaire for SMEs Clients and non-listed companies (Apr)</li> <li>Endorsed the TCFD Report 2023 (May)</li> <li>Endorsed annual review of the Green and Sustainable Finance Guideline (May)</li> <li>Endorsed the climate risk stress test 2023 and Submission to regulators (Jun)</li> <li>Reviewed of ESG Training Plan (Aug)</li> <li>Reviewed the progress of ESG action plan 2024 (Oct)</li> <li>Endorsed the net zero transition plan (Nov)</li> <li>Endorsed the self-assessment results for ESGC (Nov)</li> <li>Endorsed the 2024 bank-wide ESG survey, materiality assessment and enhancement area (Dec)</li> </ul>

Function Unit	Chairman/ Group Leader/ Convener	Members	Meeting Frequency	Main Roles and Responsibilities	Major Agenda Items in FY2024
Climate Risk Taskforce	Head of Control & Risk Management Division	Risk Units and Financial Reporting Units	at needed basis	<p>An inter-departmental working group comprised of members from different risk management units and financial accounting heads to identify and evaluate climate risks and opportunities, main functions include:</p> <ul style="list-style-type: none"> <li>Ensure effective implementation of climate strategy and roadmap;</li> <li>Establish and review climate risk tolerance;</li> <li>Implement the climate risk management policy, procedures and stress testing-related scopes;</li> <li>Formulate and issue annual climate disclosure report.</li> </ul>	<ul style="list-style-type: none"> <li>Formulated climate risk stress test</li> <li>Formulated 2023 TCFD Report</li> </ul>
Sustainable Finance Taskforce	Head of Institutional Banking Group	Business and Operation Units	at needed basis	<p>An inter-departmental working group comprised of members from different business units to identify and evaluate net zero transition opportunities of Fubon Bank, main functions include:</p> <ul style="list-style-type: none"> <li>Develop bank-wide transition plan for operational and financed emissions;</li> <li>Establish and review long/medium/short term transition plan and monitoring mechanism for Fubon Bank in line with Fubon Financial Holdings and local regulators' requirement;</li> <li>Propose updates of policies, guideline, procedures and related scopes.</li> </ul>	<ul style="list-style-type: none"> <li>Set up operational emission baseline and target</li> <li>Set up financed emission baseline and target</li> <li>Formulated the net zero transition plan</li> </ul>

### ESG Dedicated team

Climate Risk Management Team (Risk Unit)	ESG Banking Division (Business Unit)	General Administration Department (Operation Units)	Sustainability Champions (Cross-Functional Talents)
Leads on the setting the climate risk management mechanism and coordinating the climate-related projects.	Leads on the bank's sustainable finance business, with priority focus on EV and renewable energy sectors	Manages the Bank's green operations and environmental protection guideline and plan; and promoting the sustainable development of Fubon suppliers	Leads on the innovative ESG projects, to accelerate cultural transformation and raise ESG performance

### 3.2 Enhancement of Internal Policies and Guidelines

With an aim to strengthen climate risk management within the Bank and to set clear governance structure, operation procedure and action plan, we developed sustainability-related policies and guideline at various levels of duties, in line with the latest local and international sustainability standards, the policy of Fubon Financials Holding, as well as reference to market best practices. All divisions, departments and colleagues within Fubon Bank must comply with and implement the above documents. The major enhancement in 2024 includes:



#### Risk Appetite Statement

- Embed net zero strategy into risk appetite which is approved by the BOD
- Set credit limit for 5 high emitting sectors as risk appetite indicators



#### Climate Risk Management Policy

- Establish the monitoring mechanism of transition risk and physical risk limit for management oversight
- Incorporate ISSB disclosure standard as reference
- Establish standard operation manual for climate risk stress test as an annual project



#### Green and Sustainable Financing (GSF) Guideline

- Set Paris-aligned transition plan as basic requirement for financing high emitting sectors
- Expand the restriction lending activities to forestry and agriculture sectors
- Enhance green due diligent process by adoption of 3<sup>rd</sup> party ESG score and big data analysis for client's transition plan
- Enhance internal ESG assessment checklist with consideration of HKMA and Common Ground Taxonomy
- Incorporate net zero sectoral target and monitoring mechanism for major focus sectors



#### Environmental Protection Guideline

- Incorporate science-based target towards low carbon operation
- Outline the core elements and standard of green branches
- Identify the guideline principle for low carbon operation



#### Sustainable Development Policy

- Incorporate net zero transition as major roles and responsibilities of the board and management level committees

### 3.3 Advance ESG Capacity

To fully support the vision of the Green and Sustainable Finance Cross-Agency Steering Group (“GASG”), Fubon Bank recognized the importance of capacity building for banking practitioners and next generation and is committed to promoting green and sustainable finance (GSF) among our employees, clients, and partners through targeted training, knowledge-sharing initiatives, and collaborative engagements, to strengthen our talent capacity and accelerate GSF adoption in Hong Kong, positioning as world center of green finance.

Further to the enhancement of our comprehensive ESG training framework “Fubon ESG Talent+” since the launch in 2023, to build internal talent pool and support the long-term business needs, the bank has set a 2030 training goal and strive to provide accumulated 3,000 hours of ESG training for our employees. In 2024, we have taken a big step forwards, with successfully holding over 30 practical training programmes and 1,795 training hours recorded, increased by 100% in comparison with previous year. By equipping our colleagues at management, professional and general levels with a comprehensive understanding of these issues, we can drive informed decision-making and cultivate a sustainability culture throughout the Bank.

#### Fubon ESG Talent+ Training Framework





### 3.4 Incentives and Remuneration

Fubon Bank (Hong Kong) recognizes that a motivated workforce is critical to promote cultural transformation and maintaining a positive attitude in implementing climate actions. Our incentive and remuneration frameworks are designed to embed ESG, foster innovation, in alignment with HKSAR government on vision of “Centre for Green and Sustainable Finance”, by means of 4 comprehensive approaches, including annual ESG-Linked Performance Metrics, Certification and professionalism, award recognition as well as ESG Fund to promote staff Innovation.



#### ESG-linked Performance Metrics

For senior management level, Fubon Bank has incorporated qualitative key performance indicators into our “annual Committee Self-Assessment”, including attendance rate, post-meeting action and adequacy of involvement, which aims to evaluate the performance and effectiveness of the ESG leadership. For bank-wide staff, the bank also has set minimum 10% ESG-related scorecard into our staff appraisal form regarding the workplace behaviors, to be conducted at least annual basis.



#### Certification and Professionalism

Sponsored 24+ staff to obtain in Sustainability-related certification, including HKMA Enhanced Competency Framework on Green and Sustainable Finance (“ECF-GSF”), CFA ESG Investing and GARP certifications, doubling the number in FY2023.



#### Award & Recognition

Fubon Bank presented the CEO Award in annual basis to acknowledge our employees who have initiated innovative ideas to promote green products and services, acting as role models to inspire other colleagues and reinforce their belief against climate change.



#### ESG Innovation Fund

The Bank has newly launched “Sustainability Champions” since 2024 which provides an ESG fund for the future leaders for driving high-impact projects and raise the ESG & low carbon performance, as well as created an innovative platform to accelerate cultural transformation. Over 180 colleagues and stakeholders have participated in the flagship programme with sound feedbacks received.

## 4. Strategy

### 4.1 Identification of Climate Risks and Opportunities

With reference to the international IPCC principle, TCFD-aligned framework and our climate risk management policy, the Bank categorizes climate change-related risks into two major types – impacts of climate change ('Physical Risks') and those associated with the low-carbon economy ('Transition Risks') for identifying climate risks and opportunities, as well as formulating corresponding measures. Physical and transition risk drivers can be integrated into the existing risk management framework to help monitor and manage risks associated with climate change.

#### Climate Risk Transmission Channels:

Climate Factors	Risk Description	Financial Impact	Asset	Climate-related Financial Risks
<ul style="list-style-type: none"> <li>Climate Change</li> <li>Rising Sea Levels</li> <li>Changes in Temperature</li> <li>Changes in Precipitation Patterns (drought, extreme rainfall, flood)</li> <li>Typhoon</li> <li>Technology</li> </ul>	<b>Transition Risks</b> <ul style="list-style-type: none"> <li>Policy &amp; Legal</li> <li>Technology</li> <li>Market</li> <li>Reputation</li> </ul>	<b>Macro</b> <ul style="list-style-type: none"> <li>GDP</li> <li>Unemployment Rate</li> <li>Interest Rates</li> </ul>	<ul style="list-style-type: none"> <li>Own Operations</li> <li>Suppliers</li> <li>Investment Properties</li> <li>Mortgages</li> <li>Investments</li> <li>Corporate Lending</li> </ul>	<ul style="list-style-type: none"> <li>Credit Risk</li> <li>Market Risk</li> <li>Operational Risk</li> <li>Liquidity Risk</li> <li>Reputation Risk</li> <li>Strategic Risk</li> <li>Legal Risk</li> </ul>
	<b>Physical Risks</b> <ul style="list-style-type: none"> <li>Acute</li> <li>Chronic</li> </ul>	<b>Micro</b> <ul style="list-style-type: none"> <li>Tangible Objects</li> <li>Operations and Business</li> </ul>		

ESG Committee of Fubon Bank are responsible for conducting climate risk impact assessments to rank its materiality on at least an annual basis, based on 3 core consideration-probability, potential vulnerability and potential impact. The Bank will consider the key findings to evaluate the potential financial impact and opportunities, associated with stakeholder engagement and deep-dive scenario analysis, using a comprehensive approach to enhance climate resilient strategy and short, medium- and long-term actionable roadmaps. The key finding of climate impact assessments in 2024 has been shown below:

## Climate-related Impact Assessment (Risk)

Risk Type	Risk Driver	Risk Description	Financial Impact	Time Horizon <sup>1</sup>	Level of importance and Response strategies/actions for the high-level risks	Corresponding Risk Type						
						Credit Risk	Liquidity Risk	Market Risk	Operational Risk	Reputational Risk	Legal Risk	Strategic Risk
Transition Risk	Policies & Legal	Carbon price & Tax adoption  Aggressive government climate policies and net zero target	<ul style="list-style-type: none"> <li>Impact on profitability and solvency</li> <li>Increase in operating cost for the company</li> <li>Penalty</li> </ul>	ST-LT	<p>High The Bank have established our own net zero transition plan, referencing the Glasgow Financial Alliance for Net Zero's transition plan framework, aiming to achieve zero operational emissions by 2030 and zero financing emissions by 2050. This plan focuses on key high-carbon industries, continuously increasing the proportion of low-carbon financing portfolios and reducing carbon intensity, striving to mitigate transition risks such as the impact of carbon pricing.</p> <p>The bank measures 100% portfolio emission annually, by using the PCAF methodology, big database from the international organization, validated client's information, to conduct precise analyses of potential carbon costs and assess our progress in reaching net zero targets.</p>	✓	✓	✓	✓	✓	✓	✓
	Technology	Occurrence of new and maturing low-carbon technologies and industries	<ul style="list-style-type: none"> <li>Decrease in the market share of high-emitting industries</li> <li>Impact on profitability and solvency</li> </ul>	LT	<p>High The Bank has set a long-term green finance goal for 2030 and promoting low-carbon transformation in key industries. To reduce the ratio of high-emission assets, we have included five industries in lending restrictions and credit limits as part of the risk indicators. Unless customers provide plans to reduce emissions or specify the use of green funds, financing and investment cannot proceed.</p> <p>To enhance the financial risk assessment and due diligence process, we refer to international standards like the common ground taxonomy to assess all green finance cases. Third-party certification recognized professional body is also required. During the financing approval process, we use ESG ratings from international rating agencies to strengthen the effectiveness of our internal credit assessment lists.</p>	✓		✓				
	Market	Investors and the public value greater importance to low-carbon enterprises	<ul style="list-style-type: none"> <li>Resulting in lower profitability and solvency of high-emitting industries</li> </ul>	MT-LT	Medium	✓	✓	✓		✓	✓	✓
	Reputation	Complaint and negative feedback from clients	<ul style="list-style-type: none"> <li>Resulting in loss of new/on-going business</li> </ul>	MT-LT	low	✓		✓		✓	✓	✓

Risk Type	Risk Driver	Risk Description	Financial Impact	Time Horizon <sup>1</sup>	Level of importance and Response strategies/actions for the high-level risks	Corresponding Risk Type						
						Credit Risk	Liquidity Risk	Market Risk	Operational Risk	Reputational Risk	Legal Risk	Strategic Risk
Physical Risk	Acute	More frequent weather disasters such as strong typhoons, extreme rainfall and flooding	<ul style="list-style-type: none"> <li>Decrease in the value of the real estate collaterals</li> <li>Impact on the profitability for company in real estate sector</li> </ul>	ST-LT	Medium	✓	✓		✓	✓	✓	✓
	Chronic	Rising sea levels, higher average temperatures, higher average humidity, and ocean acidification	<ul style="list-style-type: none"> <li>Decrease in debt repayment ability and increase in the probability of default</li> </ul>	MT-LT	<p>High the Bank has incorporated extreme climate change scenarios into its annual Business Continuity Plan (BCP) and, in conjunction with the Hong Kong Monetary Authority, maintains trading support services during severe weather and conduct the drill in regular basis.</p> <p>The Bank has revised its internal policies to incorporate climate management strategies into its risk appetite, and will conduct an enhanced climate risk stress test to analyze physical risks annually.</p> <p>The bank has established an entity risk limit for local high-risk mortgage loans based on the results of the stress tests, industry benchmarks, and available data, and will review it regularly.</p>	✓			✓	✓		✓

<sup>1</sup> Short-term (ST): Less than 1 year; Medium-term (MT): 1 to 5 years; Long-term (LT): More than 5 years

## Climate-related Impact Assessment (Opportunities)

Opportunity Types	Major Approach	Description	Time Horizon	Business Strategies	Financial Impact (HK\$)
Resource Efficiency	Adopting more efficient transportation methods	Improving resource efficiency can reduce the company's expenses, such as replacing printed documents or product notifications from subsidiaries with online delivery to consumers.	ST-MT	<p>Fubon Bank is actively promoting paperless operations and has set medium-term digitalization targets this year, by using 2024 as the baseline:</p> <ul style="list-style-type: none"> <li>Target for financial transactions conducted through digital channels, 83% by 2025 and 90% by 2030</li> <li>Target for wealth management transactions conducted through digital channels, 28% by 2025 and 50% by 2030</li> <li>Target for growth in mobile banking users, 8% by 2025 and 40% by 2030</li> </ul> <p>The bank actively promotes its digital channels 'FubonGO/Fubon+' or its corporate website to market products, such as applying for credit cards, in order to reduce the use of paper application forms. The bank will encourage customers to use green communications channels, streamlining the paper usage for credit cards, and convert customer notifications into electronic format.</p>	\$3.0 million



Opportunity Types	Major Approach	Description	Time Horizon	Business Strategies	Financial Impact (HK\$)
Market	New Technology Adoption and scale up green finance	Companies that participate in investing in green energy, promote environmentally beneficial technologies, processes, and products. For example, investing in sustainable development bonds, green energy corporate bonds, etc., can bring investment returns.	ST-MT	<p>Fubon Bank has set a medium-term green finance goal for 2030 to HK\$15 billion.</p> <p>Furthermore, our bank will also increase the proportion of low-carbon investments in terms of bonds each year, aiming to reach green portfolio coverage of 54% before 2030, as well as phase out fossil fuel investment by 2040.</p> <p>The reduction in high emitting portfolio will result in minimize the financial impact of the banks due to the transition risk, e.g. ECL, etc.</p>	\$35.0 billion
Products and Services	Diversification of business activities and entering new markets	Through communication with clients via green financial advisors, we provide ESG strategies and green finance solutions, such as promoting sustainability-linked loans, rewarding companies on interest rate reduction benefits or free advisory services, for those who have proof on reducing GHG emissions and achieving specific results.	ST-MT	<p>Major wholesales business units will align with the bank's long term ESG goal, establishing its departmental green finance and customer engagement targets, and actively provide a variety of green products to the market. The bank has established an ESG banking division, focusing on providing ESG finance advice and low-carbon financing for the renewable energy and electric vehicle industries.</p> <p>It also assists frontline business staff in obtaining professional qualifications on ECF-GSF or equivalent to increase the proportion of internal expert and continuously provide specialized services to the market, thus the bank can bring more green business with the support from internal talent and minimize the sue of external consultant.</p>	\$24.7 billion
			LT	The bank has established its own net zero transition plan, aiming for zero financed emissions by 2050 and developing clear emission reduction pathways for businesses. The transition strategy expected to attract more clients base from net zero committed companies and other green sectors.	

Opportunity Types	Major Approach	Description	Time Horizon	Business Strategies	Financial Impact (HK\$)
Energy Source	Participate in renewable energy projects and adopt energy-saving measures.	Install renewable energy generation equipment and replace energy-saving equipment to reduce carbon emissions and lower electricity consumption.	ST-MT	<p>To strive for net zero operations by 2030, the Bank has incorporated four major strategies into its daily operations:</p> <ol style="list-style-type: none"> <li>1) Enhance building energy efficiency</li> <li>2) Actively using high quality renewable energy</li> <li>3) Strengthening green resource management through a series of green procurement measures</li> <li>4) Promoting a green banking culture, the bank has launched its flagship project 'Sustainability Champion' program, established an ESG Action Fund for employees to independently introduce various innovative low-carbon projects.</li> </ol> <p>The climate-resilient operation and branches will expect to minimize carbon cost of the bank and minimize business risk from extreme climate hazard.</p>	\$4.5 million

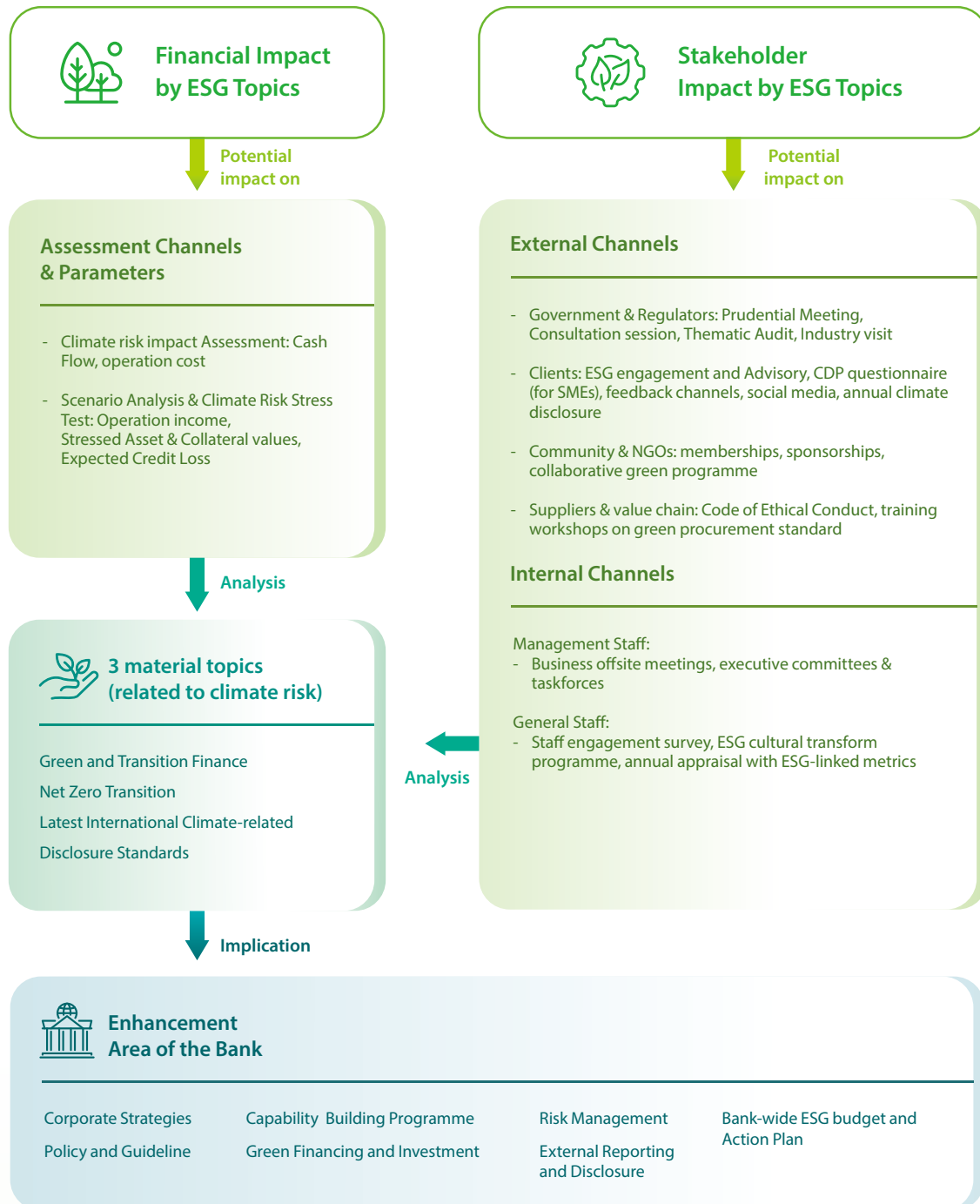
## 4.2 Materiality Assessment and Stakeholder Engagement

In 2024, the Bank has conducted double materiality assessment to identify the priority topics from internal and external stakeholders, the materiality assessment has been formulated throughout the comprehensive process and risk exercises in the followings:

- Identify and assess climate risks and opportunities for the business operation and portfolio in short, medium and long term, with integration of quantifiable financial and ESG impact consideration
- Identify the ESG impact and megatrend topics of the business on the environment, and find the most effective channel to gather the view from external and internal stakeholders
- Identified the material topics for the sake of integration into our climate-resilient business strategies, actual budget and operation.

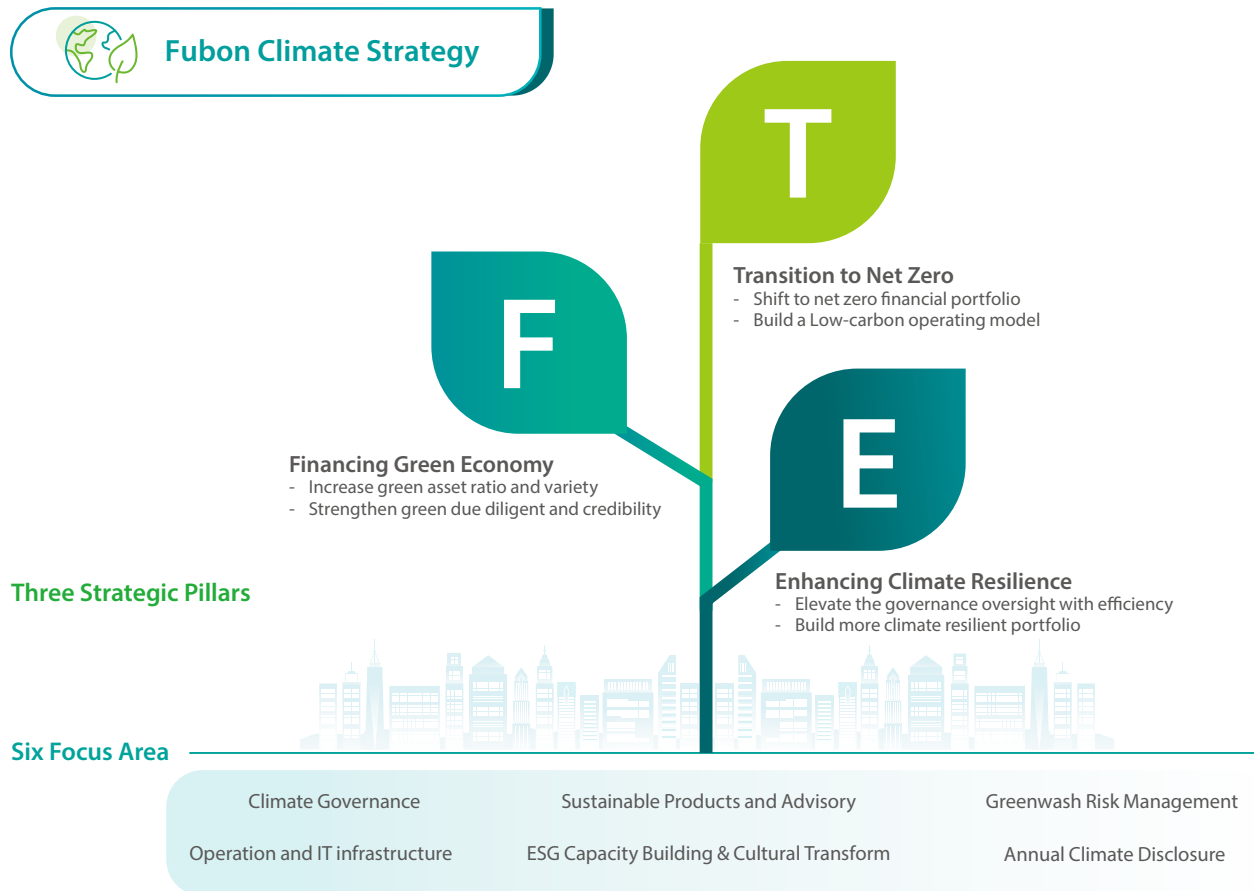
The assessment has been conducted and modified with reference to current and upcoming regulatory framework, international climate-related disclosure standard, Fubon Financial Holdings requirement, as well as global and local market best practices and market trend.

## Double Materiality Approach



### 4.3 Reinforce Our Climate Strategy

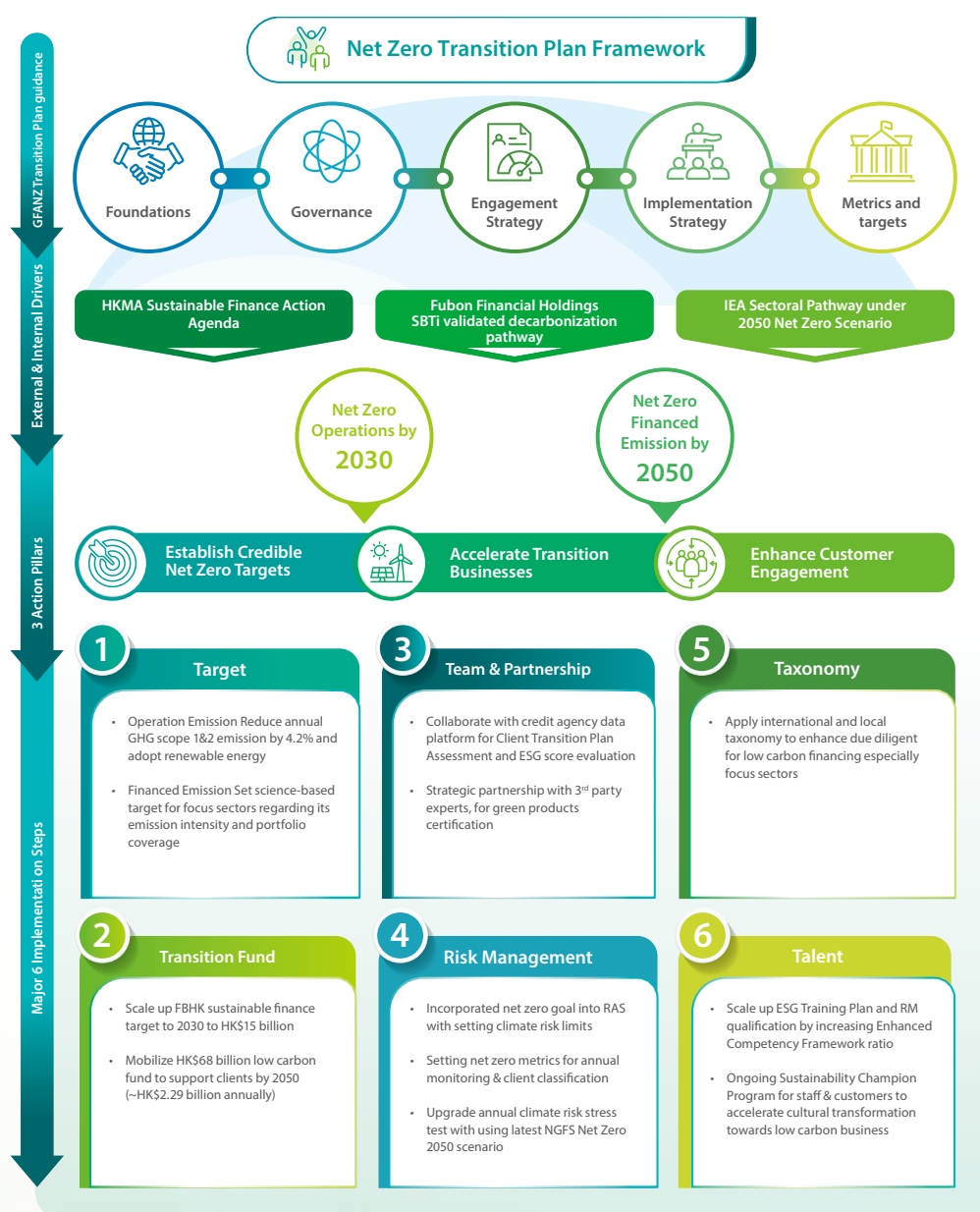
With consideration of the global trend, regulator's expectations, stakeholder views on climate risk management, as well as major climate-related financial impact to our business strategy and the banking sector, Fubon Bank has strengthened our climate strategy through three strategic pillars – transition to net zero, enhancing climate resilience, financing green economy.





## 4.4 Transition to Net Zero

In response to HKMA “Sustainable Finance Action Agenda” launched in 2024 and to accelerate the pathways of the science-based carbon reduction targets (SBT) for Fubon Financial Holdings, Fubon Bank has established our first net zero transition plan in line with the Glasgow Financial Alliance for Net Zero (GFANZ) guidance framework and Paris-aligned 1.5°C goal. The transition plan clearly outlines the decarbonation target and major action from 2025 and beyond, which is committed to achieving the net zero operations by 2030 and net zero investment portfolio by 2050. Fubon Bank strives to transition to net zero by enhancing building efficiency and adopting renewable energy in our operations; financing green business and net zero-committed companies, investing in low-carbon energy infrastructure and reducing exposure to high climate risk assets. Remaining committed to our 2050 net zero goal, we will continue to disclose our progress through our annual climate report.



Note: For the specific operation emission and financed emission targets, please refer to see section 6 “metrics and target” of this report.

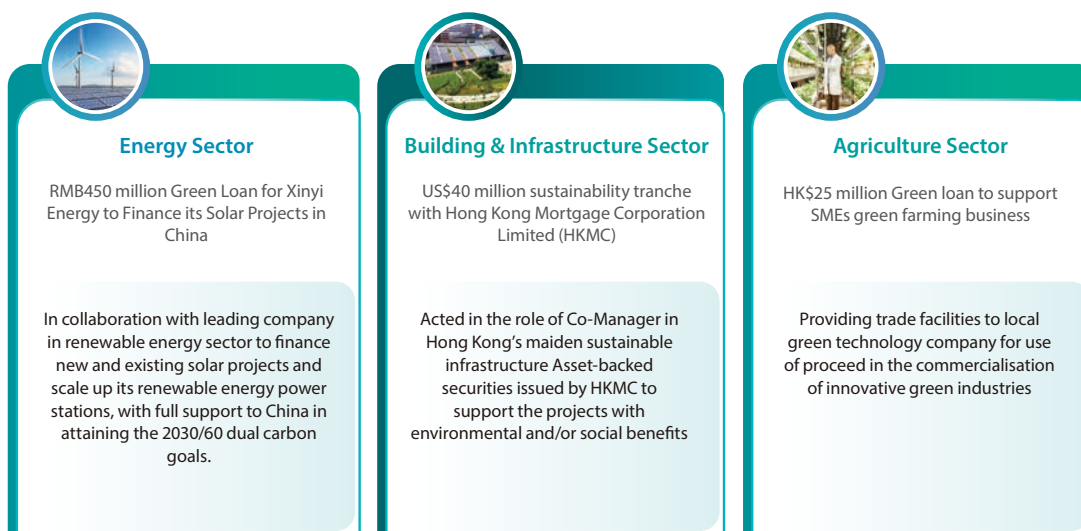
## 4.5 Financing Green Economy

The UN Climate Change Conference (COP29) imposed that navigating the path to a net zero aligned scenario reveals the need of US\$1.3 trillions climate finance per year by 2035, triple financing amount than previous goal setting. To actively support our clients to seize huge transition opportunities and align with the direction of Fubon Financial Holdings Sustainable Finance Policy, financing the greener economy is our key business strategy, in which we strive to increase green asset ratio and; the Bank has scaled up the green and sustainable financing target 2030 to HK\$15 billion, mainly covering low-carbon financing and green bond investments.

To accelerate the green transition, Bank has also setup annual target for ESG advisory for both large corporate and small & medium enterprises (“SMEs”) customers, associated with setting template in line with international standard, which aims to guide sustainability advisory channels and practices, strengthen stewardship responsibilities, as well as ensure the professionalism and credibility.

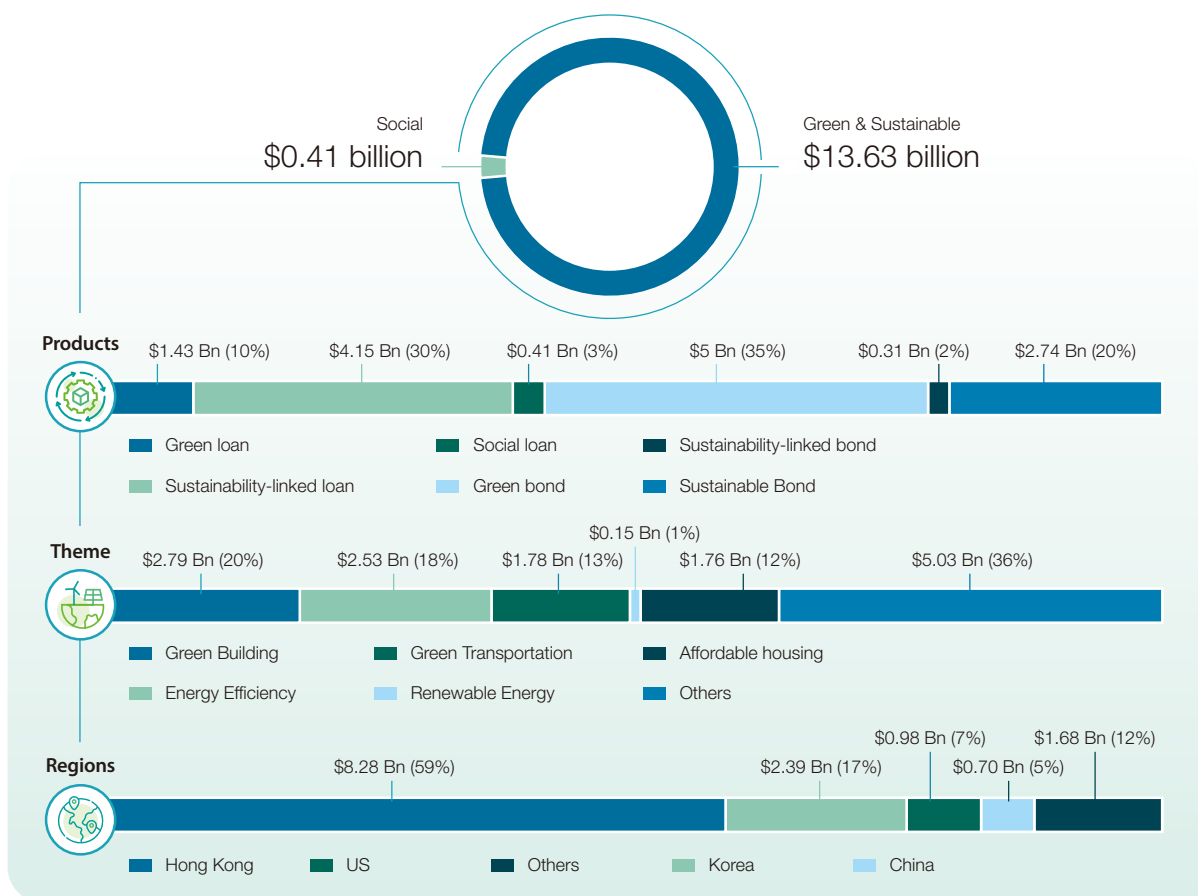


### Case Sharing: Support the Sectoral Clients for Transition



In 2024, we have taken a milestone achievement and reached a record high of HK\$13.63 billion in the Bank's green financing journey, spanning HK\$5.58 billion green & sustainable loan and HK\$8.05 billion green & sustainable debt investment – a shape increases of 22% compared with 2023 to foster the communities towards a greener future.

## Cumulative Sustainable Finance and Investment in FY2024 (HK\$)



## 4.6 Enhancing Climate Resilience in Operation

Fubon Bank has been following Fubon Financial Holding's sustainable finance policy since 2021, consistently refining financing requirements for high emitting industries such as coal mining, cement, petrochemicals, and steel sectors. In 2024, with an aim to accelerate our pathway to build more climate resilient portfolio, Fubon Bank has taken aggressive approach to establish new investment strategies with the Board oversight to phase out fossil fuel sector by 2040, as well as setting stringent lending requirement to the above high emitting sectors, in which lending exercises were solely allowed subject to green use of proceed or/and Paris-aligned net zero commitment have been demonstrated by the client with 3<sup>rd</sup> party certification. In 2025, the bank will extend clients from focus sectors (e.g. energy and building sectors, etc.) to provide Paris-aligned net zero target and emission data during credit application process, as well as incorporate agriculture and forestry sectors into restriction activities to ensure international-aligned best practices should be adopted by our on-boarding clients.

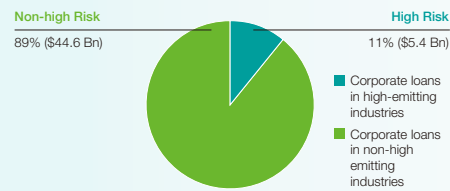
The Bank is committed to enhancing climate resilience in BAU operation and asset management, and to continuously reducing high-risk assets. Classification is carried out in accordance with the Global Industry Classification Standard (GICS) Code. At the end of 2024, the amount of the Bank's exposure to high emitting industries was approximately HK\$13.2 billion, accounting for significant reduction from 18% in FY2022 to 12% in FY2024 of the overall investment and financing portfolio.

## FY2024 Portfolio

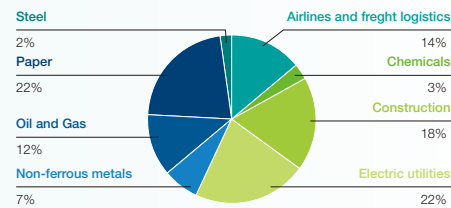
## Transition Risk

## Corporate Loan

Exposure Distribution of Corporate Loan Portfolio (HK\$)



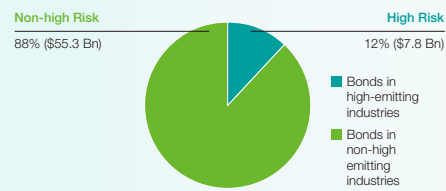
Exposure Distribution of Corporate Loan For High-emitting Sectors



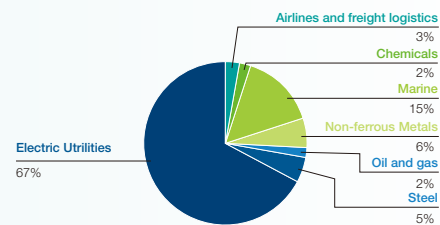
↓ Fossil fuel sector reduced to 1% exposure of Corporate loan portfolio

## Debt Investment

Exposure Distribution of Bond Portfolio (HK\$)



Exposure Distribution of Bond Portfolio For High-emitting Industries

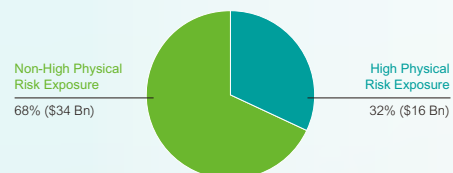


↓ 50% high emitting sector of Overall corporate loan portfolio reduced vs FY2022

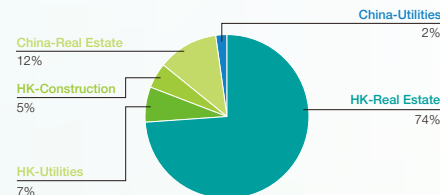
## Physical Risk

## Corporate Loan

Exposure Distribution of Corporate Loan Portfolio (HK\$)



Exposure Distribution of Corporate Loan For High Physical Risk Sectors







↓ 26% high physical risk sector reduced vs FY2022



## 5. Risk Management

With consideration of increasing financial impact mentioned from the latest HKMA “Guideline on Climate Risk Stress Test” as well as market best practices, Fubon Bank has prioritized climate-related risks consideration into our overall risk management framework, supported by comprehensive mechanisms to assess the risk materiality:

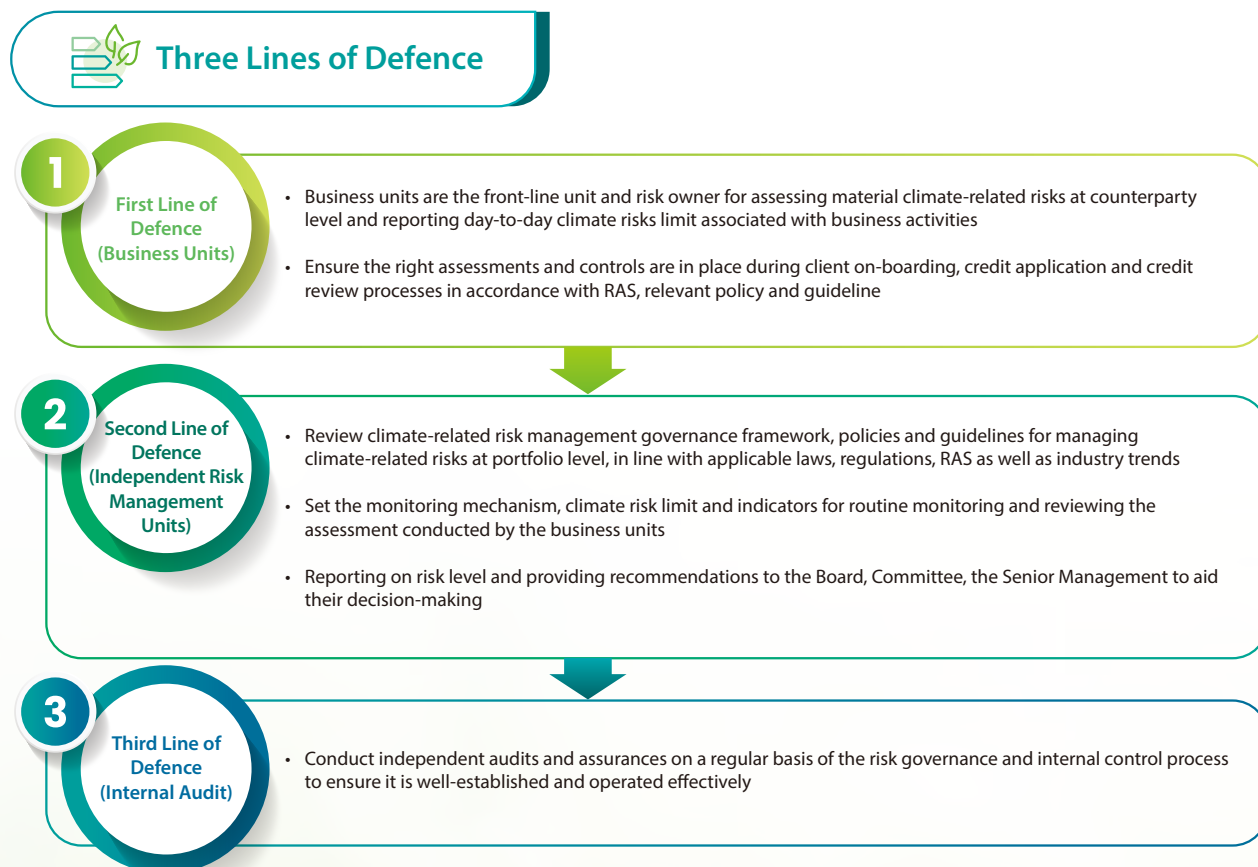
-  Risk Appetite Statements, limit and other detailed policies and guidelines
-  Assessment of results of climate impact assessment and climate risk stress testing
-  ESG risk management integrated into credit and investment business
-  Estimation of financed emissions and net zero pathways



This section highlights the mechanism we have taken to identify, measure, control and mitigate climate risks effectively, as well as our efforts to seize the opportunities.

### 5.1 Risk Governance – Three Lines of Defence

Apart from setting clear direction in risk appetite statement (“RAS”), relevant policies and guideline mentioned in section 3.2, a risk management system featuring three lines of defence has been adopted to effectively manage and monitor climate-related risks and opportunities. The diagram below describes the roles and responsibilities of three lines of defence to day-to-day activities.



### 5.1.1 Climate Risk Appetite and Risk limits

In 2024, the bank has integrated the climate strategy and 2050 net zero goal into bank risk appetite statement, which will be regularly reviewed by RC and approved on an annual basis by the BOD, associated with setting quantifiable risk limit and indicators for proper monitoring, reporting and control of material climate risk. The transition risk limit for 5 high emitting sectors (coal power, coal mining, cement, petrochemical & steel) has been escalated to be the risk appetite indicators with BOD oversight. Besides, additional financing has been prohibited if the above sectoral clients have no Paris-aligned decarbonization target or the use of fund is not aligned with international green and sustainable finance principle.

The management acknowledges the rising financial impact of physical risk and significant exposure to the real estate sector in HK and China. Based on the scenario analysis result, the bank has set our first physical risk limit for the local high physical risk properties and collaterals, associated with regular review of the limit by means of annual CRST and HKMA physical risk platform to ensure its practicality and data quality.

Climate Risk Limit	Monitoring Frequency and Channels	Limit Level	Warming Level	End 2024 Status
<b>Transition Risks:</b> Credit concentration Limits on 5 high emitting sectors per total asset (%)	Risk Appetite Indicators with the Board oversight at least monthly basis	4%	3.6%	0.99% (within limit)
<b>Physical risks:</b> Percentage of retail mortgage loan outstanding with collateral in high risk area (%)	Via BAU monitoring or regular credit committee meeting at least quarterly basis	20%	18%	9.4% (within limit)

## 5.2 Risk Identification and Assessment – Scenario Analysis and Climate Risk Stress Test

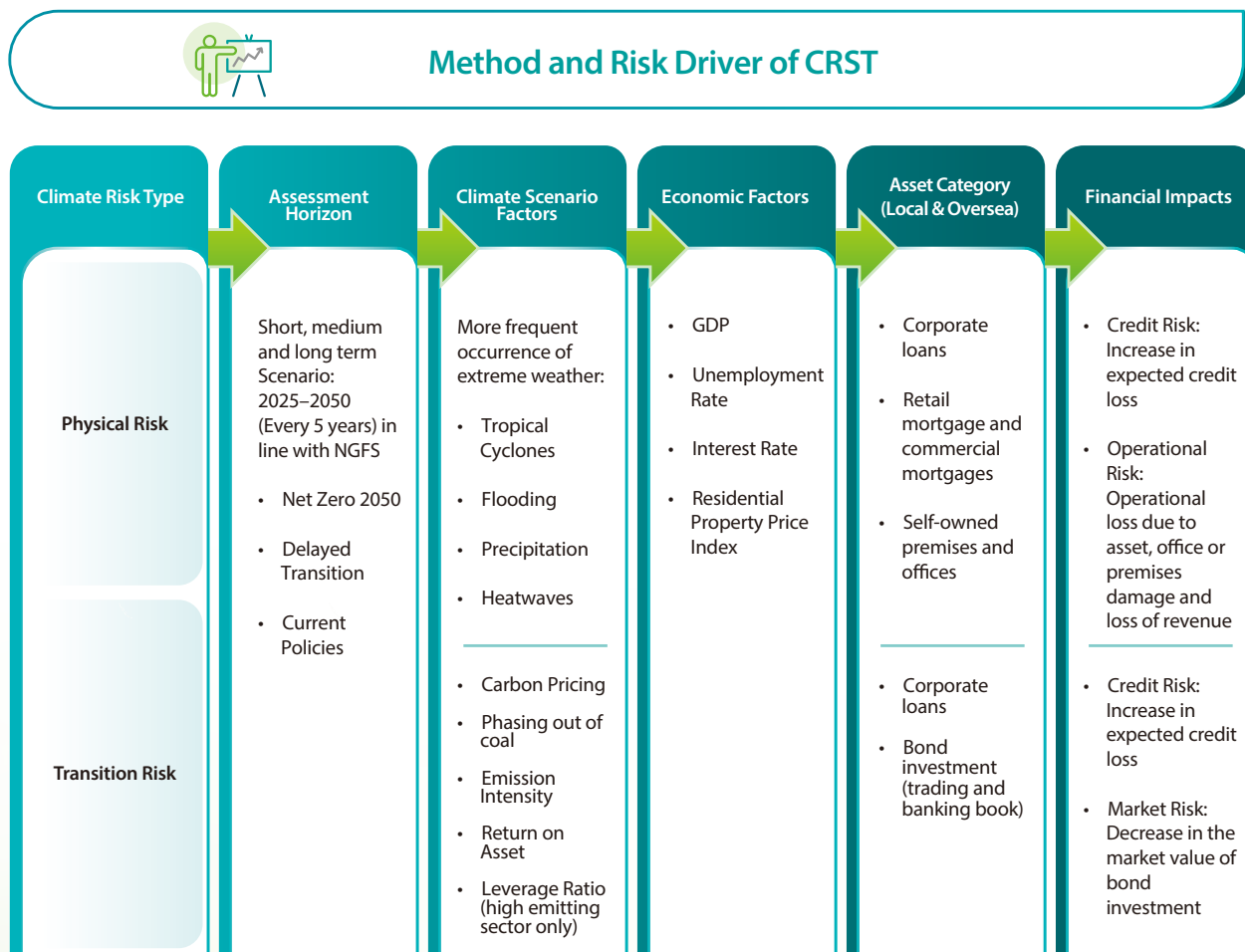
Apart from the financial impact assessment conducted at management level mentioned in section 4.1, the Bank has also conducted climate scenario analysis with climate risk stress testing (CRST) to forecast the financial impact to our operation and portfolio at short, medium and long term due to the materials climate risk factors. The key result will facilitate the Bank to sharpen our business strategies, as well as to and optimize our risk management framework and the net zero transition plan. In 2024, Fubon Bank has incorporated the CRST standard procedure into our climate risk management policy and set CRST as an annual exercise; the bank also adopted the enhanced framework of CRST exercise by leveraging HKMA guideline and the following pillars:

**Credibility:** Adopt the latest Network of Central Banks and Supervisors for Greening the Financial System (NGFS) phase 5 climate data model- orderly (net zero 2050) and disorderly (delayed transition and current policies)

**Consistency:** Asset data has been updated as of end 2024, in consistent with the bank-wide stress test and financial statement

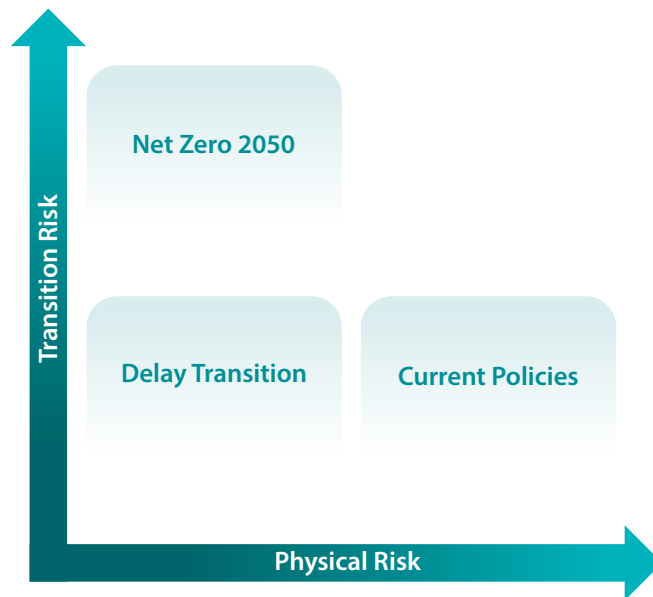
**Accuracy:** Incorporate our PCAF-aligned sectoral financed emission figures to increase the accuracy of transition risk assessment

The following chart showcases our streamlined stress testing modelling approach to help identify the significant impact items arising from transition & physical risks. Our methodology and assumptions align precisely with the HKMA's SPM GS1, Guideline on Climate Risk Stress Test and IC-5 "Stress Testing" guidelines.





### Selection of 3 NGFS Scenarios to Assess Physical and Transition Risk Levels



#### Net Zero 2050

- limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050.

#### Delay Transition

- This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies.

#### Current Policies

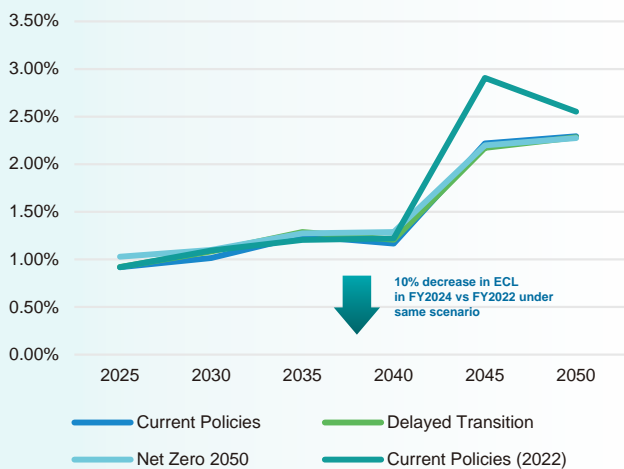
- Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.

### 5.2.1 Result Highlights on Financial Portfolio

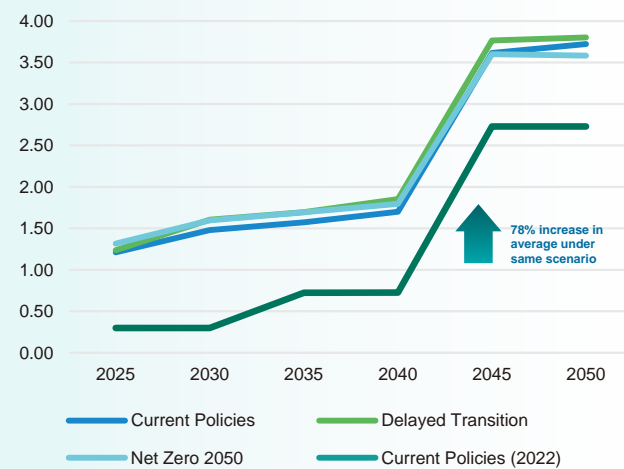
In FY2024, the overall ratio of the high emitting portfolio comprising of corporate loans and bonds is 12%, a significant decrease from 18% compared with the FY2022, beneficial from management direction towards climate resilient business strategy. The high physical risk investment portfolio (corporate loans) stands at 32%, primarily due to a reduction in the real estate sector, a significant drop compared to 43% in FY2022.

The overall expected credit loss (ECL) slightly decreased by 10%, due to a lower proportion of high climate risk portfolios compared to FY2022, which offset the severe impact of climate hazards under the latest NGFS scenario and dataset forecast, while the ECL impact is still 3 times more compared with transition bank-wide stress test which reflected the significant financial impact from climate hazard. There is sharp increase in Non-performance loan (NPL) due to the stringent physical risk impact caused by the increase in damage ratio; while the NPL difference becomes lower after 2040, benefit from the lower climate risk portfolio in FY2024.

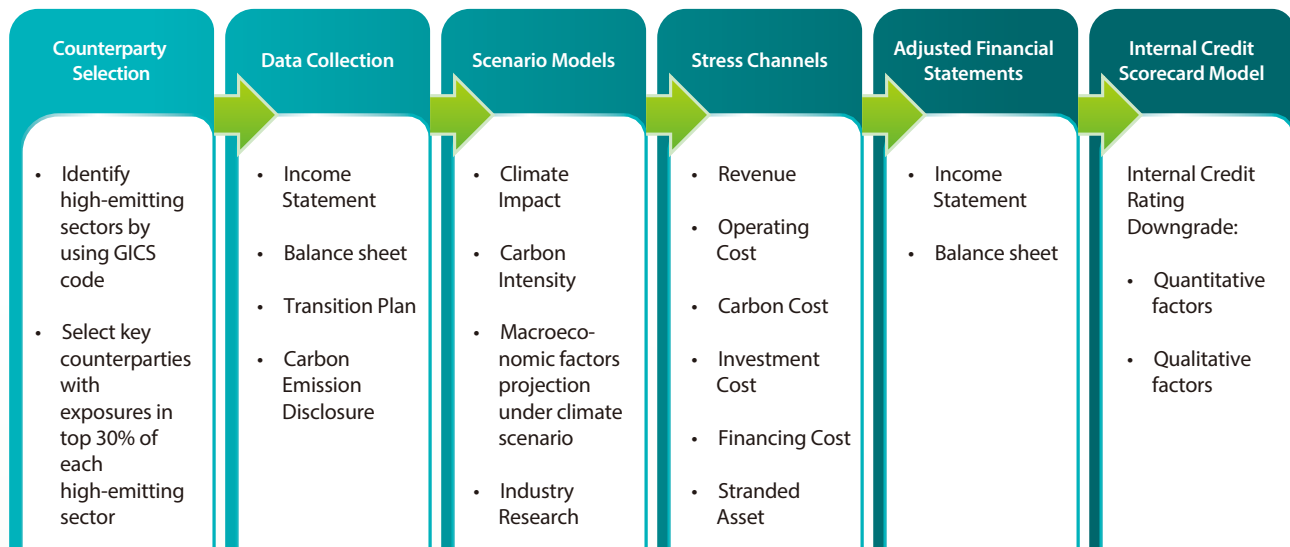
FY2024 vs FY2022 Change of ECL S1–S3 (% per EAD)



FY2024 vs FY2022 Change of NPL (HK\$Bn)

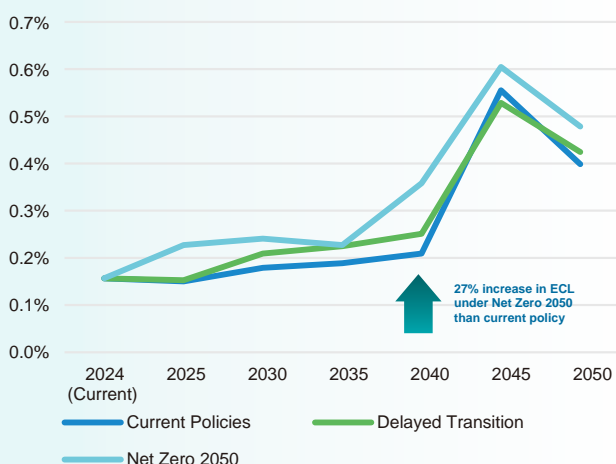
**Credit Risk (Transition risk)**

For transition risk assessment, the Bank have implemented an internationally recognized bottom-up approach, employing GICS Code sector classification, internal rating models and climate risk models to conduct granular assessments at the counterparty level.

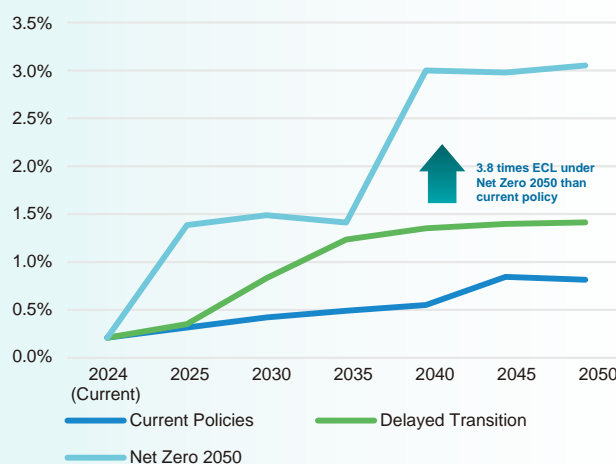
**Method of Counterparty Level Assessment for High-emitting Sectors**

There was 27% sharp increase in ECL in average under “Net Zero 2050” compared with “Current Policy”, due to high carbon price and investment cost provided from NGFS dataset, causing sharp increase in combined climate and microeconomic impact. Besides, the transition risk is more significant in high emitting sectors, especially under net zero 2050 scenario, due to the major exposure to electric utility sector under high-emitting portfolio. The high-emitting sector has 4 times increase in ECL compared with non-high emitting sector under the same scenario, and 3.8 times increase in ECL under “Net Zero 2050” compared with “Current Policy”. The result reflects that long term low carbon business strategy transitioning to non-high emitting and renewable energy sector, as well as promoting high-emitting sectors to set net zero transition plan, would be the most efficient to minimise the financial impact from transition risk for the Bank.

**FY2024 Change of ECL Driven by Transition Risk  
(% per EAD)**



**FY2024 Change of ECL of High-emitting Sector  
Driven by Transition Risk (% per EAD)**



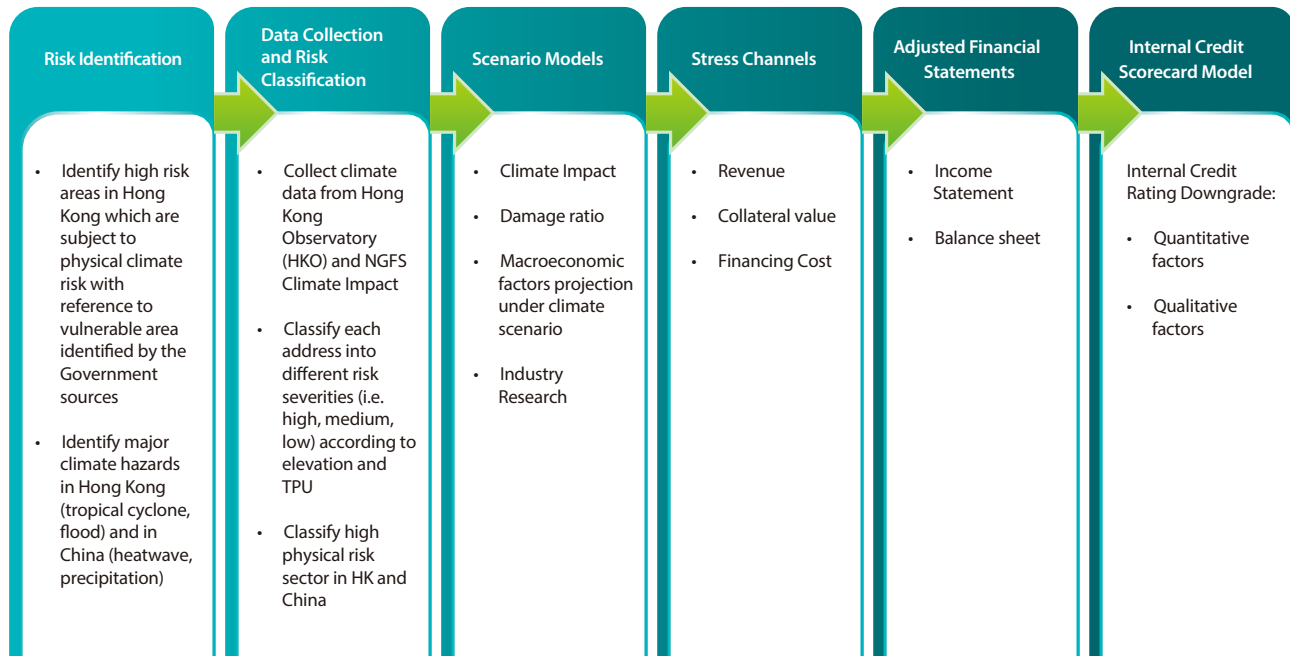
### *Credit Risk (Physical risk)*

For physical risk assessment, the assets of counterparties vulnerable to physical risk are heavily affected. It hinders the repayment ability, property values of these counterparties, resulting in a rise in credit risk. We identified the vulnerable areas by setting the risk severity criteria for Hong Kong based on the vulnerability to extreme climate events and the elevation of the collaterals. For collaterals located in China and Overseas, the risk severity criteria leverage the percentiles of damage ratios across the different provinces in China or countries in the world.



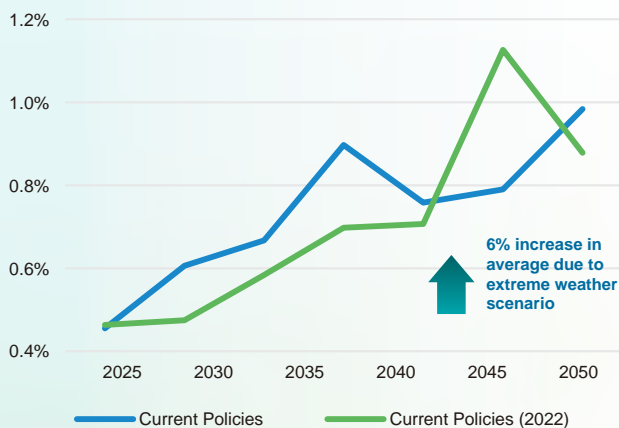


## Method of Counterparty Level Assessment for High-physical Risk Sectors

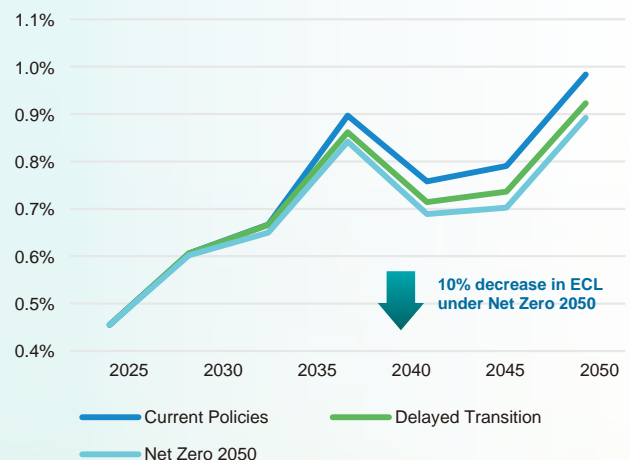


There was overall 6% increase in FY2024 ECL impact due to higher extreme weather frequency and hazard based on NGFS dataset, compensating the reduction of high physical risk portfolio from 43% in FY2022 to 32% in FY2024. It results in driving the significant increase in damage ratio, while FY2022 ECL impact is higher after 2040 due to dominant of higher physical risk portfolio. In comparison of various scenarios in FY2024, there was 10% decrease in ECL under “Net Zero 2050” than “Current Policy”, due to the decrease in NGFS extreme weather frequency which drives the significant improvement in damage ratio. It reflected that the reduction in high physical risk portfolio will minimise the physical risk impact especially in the long term.

**FY2024 vs FY2022 Change of ECL Driven  
by Physical Risk (% per EAD)**



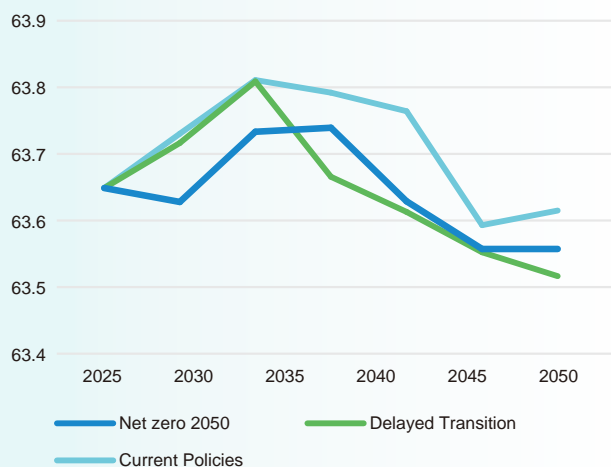
**FY2024 Change of ECL Driven by Physical Risk  
(% per EAD)**



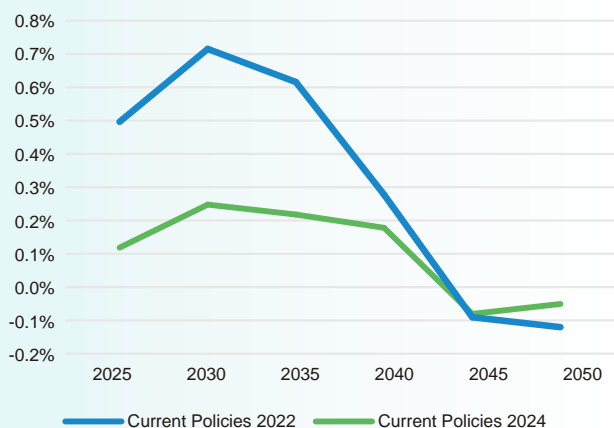
### Market Risk

In addition to credit risk, the climate impacts on Fubon Bank's bond portfolio are assessed through the sensitivity of the market value to the movements in market risk factors, including foreign exchange, credit spread, credit migration and interest rate under climate scenarios. Considering the significant reduction of high emitting portfolio from 25% in FY2022 to 12% FY2024, changes of stressed Mark-to-market (MTM) value under 3 scenarios are similar; while the Net Zero 2050 and Delayed Transition scenarios have more significant than Current Policies scenario as the probability of default was projected to be more sensitive under these 2 scenarios. Besides, changes of MTM value are comparatively steady in FY2024 due to the identified high emitting bond portion reduced from HK\$11.3 Bn to HK\$7.8 Bn compared with FY2022.

FY2024 MTM Value (HK\$Bn)



FY2024 vs FY2022 MTM Value (Base year % change)

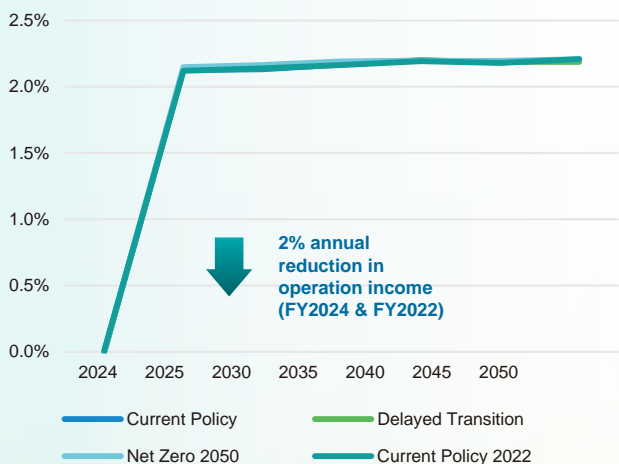


## 5.2.2 Result Highlights on Banking Operation

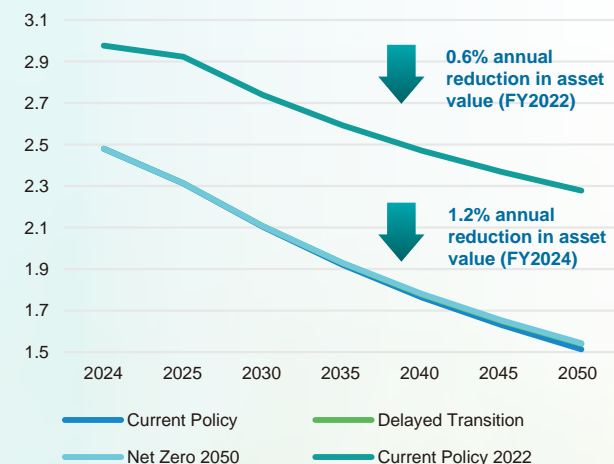
### Operational Risk

In addition to credit risk, operational risk is also one of the traditional risks transmitted through physical risk, including potential disruptions to Fubon Bank's daily operation. Based on the assessment of 16 owned premises, there was moderate impacts shown on reduction of business operational income (2% annually) and asset values (1.2% annually) of owned premises. The damage ratio for high risk properties is 4 times than low risk type, due to the increased frequency of extreme weather events from recent NGFS sources.

FY2024 vs FY2022 Disruptions to Business Operations/YTD Operating Income (%)



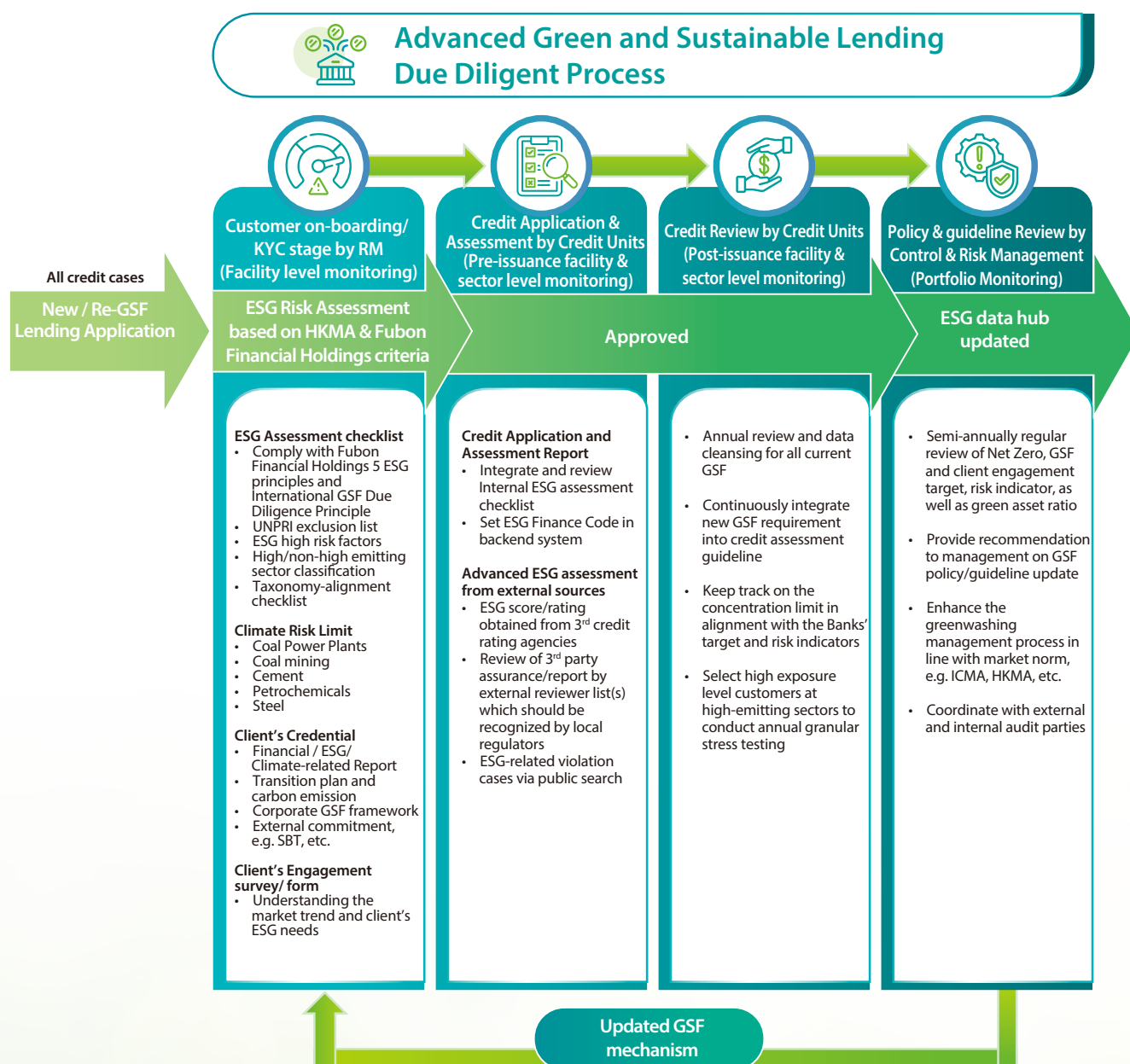
FY2024 vs FY2022 Change of Asset Value (HK\$Bn)



## 5.3 Risk Monitoring, Control and Report

### 5.3.1 Green & Sustainable Lending Management Mechanism

With an aim of reducing the potential exposure of sustainability and greenwashing risk, Fubon Bank has set up proper mechanism to ensure that our lending decisions are managed in a way consistent with our scenario analysis result, net zero transition plan, green-related financing and client engagement target. In adherence with the latest international taxonomy, regulators' expectation as well as the Fubon Financial Holdings sustainable finance policy, Fubon Bank has advanced our green and sustainable finance (GSF) framework and fully integrated into our credit assessment guideline throughout the customer on-boarding, credit application at pre-issuance stage, credit review process at post-issuance stage. In addition, external assessment, policy review, target monitoring and internal audit are well established to ensure the effectiveness of greenwashing risk management and in full alignment with the three lines of defence of Fubon Bank. The major lending process under our GSF framework is summarised with major enhancement in FY2024 as follow:



To further minimize the transition risk, Fubon Bank has also set clear strategy for various sectors to strengthen low carbon lending, increase green asset profile as well as accelerate the client transition. The table below outlines the major risk management approach to ensure our lending activities align with our commitment to climate resilience economy.

Sectors	Major Risk Management Approach
All Sectors ➡ Scenario Analysis and Materiality Assessment	
All Sectors	<ul style="list-style-type: none"> <li>100% inventory for PCAF-aligned financed emission measurement</li> <li>Conduct annual climate risk stress test for financial risk assessment</li> </ul>
Business-focus Sectors ➡ Target/KPI Setting	
Focus Sector under the Bank Net Zero Transition Plan, e.g. building, energy sectors	<ul style="list-style-type: none"> <li>Integrate the sectorial net zero target into GSF guideline with regular monitoring of the net zero progress</li> <li>Continuously maintain/ increase the green asset ratio</li> <li>Review client's transition plan and GHG emission data</li> </ul>
High Emitting Sectors ➡ Restriction unless clients with Paris-aligned decarbonisation target or green use of proceed.	
Power Plants	<ul style="list-style-type: none"> <li>No new financing of or investment in power plants with more than 50% of their power generated from coal, as well as new coal-fired power plants</li> </ul>
Coal Mining	<ul style="list-style-type: none"> <li>No additional loans allowed to be made to companies with 100% revenue from coal</li> </ul>
Cement	<ul style="list-style-type: none"> <li>No new financing allowed for open-pit mining operations and cement companies that produce cement clinker in a rotary kiln</li> </ul>
Petrochemicals	<ul style="list-style-type: none"> <li>No new financing allowed for overseas customers' oil exploration and drilling operations, as well as relevant services for petrochemical production and transportation</li> </ul>
Steel	<ul style="list-style-type: none"> <li>No new financing allowed for a new blast furnace for a steel plant, as well as expenditures to expand steel producing capacity in facilities where blast furnaces account for 50% or more of capacity</li> </ul>
High Natural-conservation Sectors ➡ Restriction unless clients complying with international standard	
Forest Products	No new financing allowed to companies: <ul style="list-style-type: none"> <li>engaged in deforestation or logging for conversion of high conservation values forests, high carbon stock forests and primary forests</li> <li>where their operations or projects threaten the UNESCO World Heritage Sites, forests of high conservation value or sites with critical natural habitats</li> </ul>
Agriculture	

### 5.3.2 Green & Sustainable Investment Management Mechanism

Our green & sustainable investment strategies follows six United Nation Principles of Responsible Investment, the Group polices, as well as the green-related financing and net zero target of the Bank. When the Bank is engaged in investment business or transactions, the investment team should fully incorporate ESG risks into the pre-investment assessment process and appropriately dialogue and interact with the investee in accordance with the business attributes and the feasibility of practical operations. Before new investment is made, an ESG assessment checklist are used by the business units to identify, assess and measure the investment's sustainability risk, and conduct the screening exercise for high-emitting sector and exclusion activities.

With adoption of external credit agency's database and second party opinion's report, the Bank's investment team will conduct regular reviews on the banking book and report the implementation of the progress, as well as track for quantifiable green investment target (mainly debt investment) and 2040 phase-out fossil fuel commitment, as well as other potential performance indicators to ESG committee, thus the ESG Committee reviews the bank-wide implementation status and sustainable investment strategies on a semi-annual basis. For high ESG-risk countries/sector that have significant adverse effects on environmental or social sustainability, human rights, or the rights and interests of workers, the Bank and its subsidiaries avoid investing in debt investment from those issuers.

## 6. Metrics and Targets

With consideration of the climate strategy, result from scenario analysis, materiality assessment and regulatory expectation, the Bank has developed a suite of sector-specific sustainability metrics and targets that reflect its climate strategy. Goals set under the strategy have been in line with market norm and international standard. Fubon Bank will conduct semi-annual review on whether its climate-related strategies and control measures are consistent with the company's short-, medium-, and long-term management goals. The Bank also keep track changes in domestic or international trends and adjusts and optimizes its target setting and ESG action plans in response. The climate-related long-term goals set by ESG Committee has been approved by the Board and summarized as follows:

- Achieve HK\$14.96 billion in sustainable finance, including green lending of HK\$6.8 billion and green bond investment of HK\$8.16 billion
- Achieve net zero emissions in own operations by 2030 (Scope 1 & 2) and financial portfolio by 2050
- 90% of financial transactions conducted through digital channels (2024 baseline);
- 50% of wealth management transactions conducted through digital channels (2024 baseline).
- 40% growth in mobile banking users (2024 baseline)
- Employee ESG training hours reached to 3,000 hours (total hours from 2025 to 2030)

Disclosures include current performance against targets, along with strategies and actions aimed at driving continuous improvement. To ensure transparency and reliability, the Bank set up comprehensive workflow on data collection and conducting semi-annually performance evaluations to further optimize action plans and ultimately achieve the climate commitment. By establishing, tracking and analyzing various climate-related metrics, we aim to provide stakeholders with clear visibility into Fubon Bank's performance, progress, and aspirations on climate risk management.

### 6.1 Net Zero Operational Emission Target and Performance

Fubon Bank is committed to reducing the impact of its operations on the climate and the natural environment, and has set ambitious goals toward net zero on Greenhouse Gas (GHG) scope 1 and 2 emission by 2030 as well as continuously reduce value chain emission, by means of 4 major low carbon operation strategies:

1. **Energy Efficiency and Building Optimization:** to implement green operating model in our owned premises and branches through increasing building energy efficiency, in which we have set out green standards stipulated in our environmental protection guideline, particularly on lighting improvements, HVAC system upgrades and use of low carbon building materials, as well as installation of natural greenery.
2. **Maximising Renewable Energy (RE) Utilisation:** to explore the feasibility of using renewable energy facility and equipment in our building and maximise the adoption of renewable energy certification (RECs) through creditable regional sources in China and Hong Kong.
3. **Sustainable Resource Management:** to conduct effective management of office waste, water, and paper, combined with sustainable procurement practices on building materials and equipment, by means of supply chain management standard, education and 3<sup>rd</sup> certification.
4. **Engagement and Capacity Building:** to foster a culture of sustainability within the Bank by engaging employees & clients through incentive programme and enhance the bank's positive image.

## Low Carbon Operation Strategy



## Net Zero Target

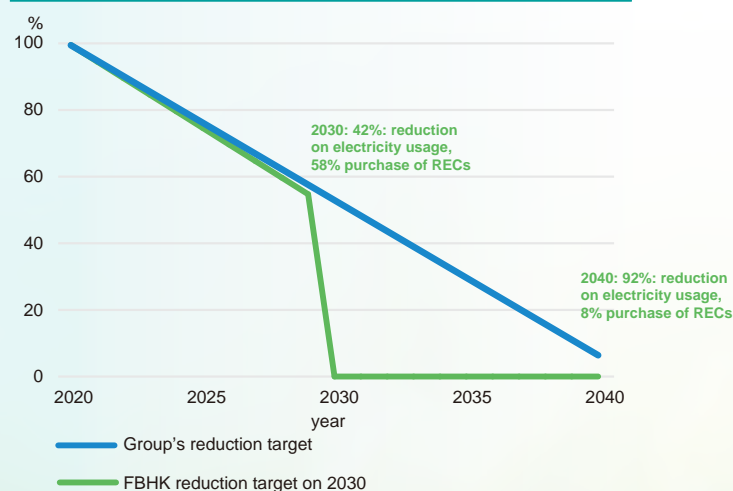
Strive to achieve operational emission (scope 1&2) towards net zero by 2030; continuously reduce supply chain emission (scope 3) in alignment with the Group's ambition and regulatory requirement.

## 4 Strategic Pillars



To achieve the net zero commitments outlined above, Fubon Bank has set short, medium- and long-term carbon-reduction pathways for its operations:

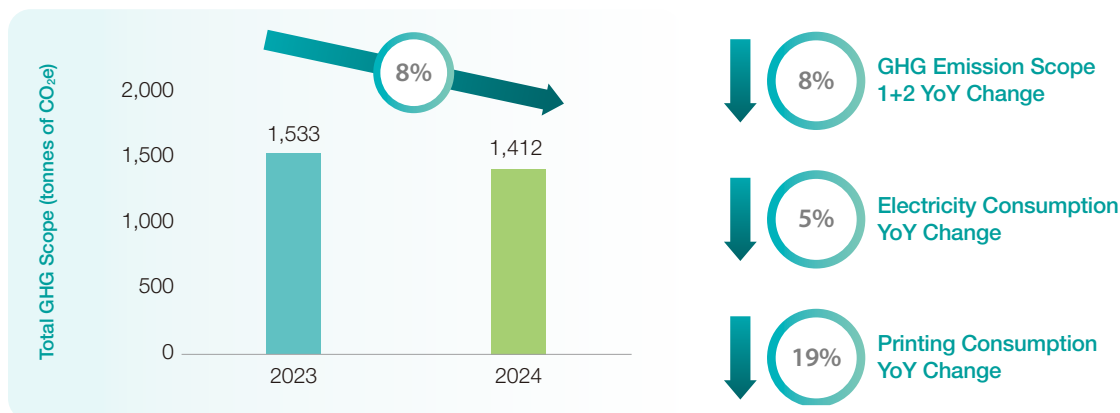
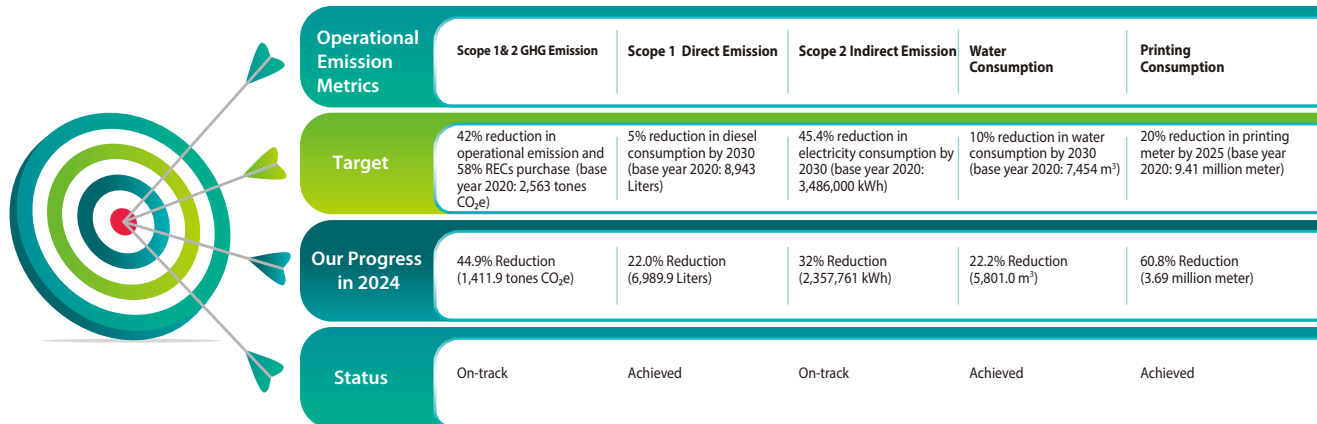
- Carbon reduction target for operations: Reduce Scope 1 and 2 emissions by 42% by 2030 compared to the baseline year of 2020 in line with Fubon Financial Holdings SBT target and then continue to reduce carbon emissions in a scientific way until cutting them by 92% by 2040; the remaining 8% emissions are expected to be eliminated before 2050 using tools or approaches recognized by international standards.
- Renewable energy adoption target: utilize credit renewable energy source by 58% by 2030 (around 1.9 million kwh) and 8% by 2040 compared to the 2020 baseline, subject to the actual reduction pathways; to be achieved through purchases of renewable energy and increases in renewable energy facilities for own power generation if applicable.

**FBHK Net Zero Target on Operational Emissions (Scope 1 + 2)**




## Operational Emission Metrics and Performance

For the methodology of GHG emissions measurement, we strictly follow the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard and the operational emission data has been verified by HKQAA in accordance with ISO 14064-1:2018 standard to ensure data quality and credibility. In this report, we share our target and FY2024 progress towards the goals. For the full environmental performance data, please refer to the Appendix.



In 2024, the Fubon Bank Building was awarded the Excellence in Design for Greater Efficiencies (EDGE) Green Building Level 1 Certificate by the HKQAA, recognizing our commitment to sustainable development and demonstrating our contribution to environmentally-friendly building design. We have switched our company cars to 100% electric, demonstrating our support for Hong Kong's Climate Action Plan 2050.



### Case Sharing: Major Green Initiatives of Fubon Bank Building to obtain EDGE Level 1 Certification



#### Optimizing Energy Efficiency

- Replaced lightings with energy-saving LED
- Installed motion sensors at bank staircase
- Replaced chilled water pipe for faster refrigeration
- Upgrade the Escalator System
- Use of EMSD energy level 1 Appliance

21%

Energy Savings



#### Waste Management

- Upgraded to energy-labelled printers with auto energy-saving mode
- Set double-sided printing as default
- Reduced number of printers and general refuse
- Set recycling bins at the open area
- Recycled redundant furniture when office/branch renovation



#### Water Reduction

- Upgraded drinking water system
- Installed faucets and water closets with sensors

41%

Water Savings



#### Green Procurement

- Incorporated green procurement in internal guideline
- Maximise the use of sustainable IT equipment
- Use of low carbon and green building materials
- Replacement of all petrol cars with EV cars

86%

Less Embodied Carbon in Materials



## 6.2 Net Zero Financed Emission Target and Performance

In adherence with the Fubon Financial Holdings Group SBTi-aligned decarbonization target and our 1<sup>st</sup> net zero transition plan under GRANZ framework, Fubon Bank has set GHG Scope 3 financed emissions goals covering our asset portfolio, consisting of investments (corporate bonds) and loans (mainly related to building and energy sectors), by means of Portfolio Coverage Approach (PCA) and Sectoral Decarbonization Approach (SDA). The PCA is used to set emissions targets for investment positions, while targets are set for loans by asset class or economic activity through the SDA creating a future carbon reduction pathway. In 2024, Scope 3 financed targets remained good progress on their projected pathways, indicating that the Bank's business strategies continue to adjust its investment and loan portfolios and work closely with clients to achieve the financed emission targets.

### Financed Emission Metrics and Performance

Asset Class	Approach	Mid-term 2027 Target (baseline year 2019)	Our Progress in 2024	Status
Investment	Portfolio Coverage Approach (PCA)	40% of investment exposure will have set SBTi validated targets	25.16%	On-track
Loans	Sectoral Decarbonization Approach (SDA)	<u>Electric Generation</u> 49% reduction in emissions intensity (metric ton CO <sub>2</sub> e/MWh) from the sector within Fubon's corporate loan portfolio	67% reduction in emissions intensity	Achieved
		<u>Commercial Real Estate</u> 59% reduction in emissions intensity (kgCO <sub>2</sub> e/m <sup>2</sup> ) from the sector within Fubon's corporate loan portfolio	30% reduction in emissions intensity	On-track

The bank has set HK\$68 billion low carbon fund by 2050 to accelerate the client transition towards net zero financed portfolio. The Bank will continue to increase the share of loans and bonds devoted to renewable energy sectors and other sectoral clients with Paris-aligned commitment, as well as speed up the process of phasing out traditional energy sector portfolio.

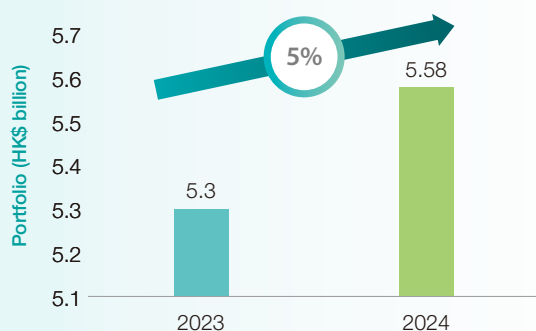
### 6.3 Sustainable Finance Target and Performance

The Bank is committed to promoting Green and Sustainable Finance as our core business strategy and collaborate with our corporate, SMEs and retails clients to adopt creditable products and services. In 2024, the Bank has scaled up our 2030 sustainable finance target to HK\$14.96 billion, including green-related lending of HK\$6.8 billion and green-related bond investment of HK\$8.16 billion, which is 40% increment compared with previous target setting, reinstating our ambitious commitment towards a greener economy.

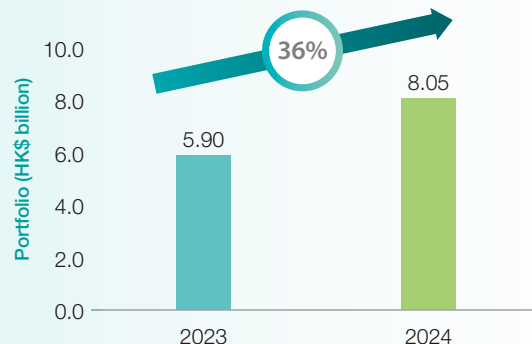
Fubon Bank's GSF performance continues to grow significantly in 2024. The green and sustainable lending has been upsized to HK\$5.58 billion, recording an increase in 5%, over the HK\$5.3 billion recorded in 2023; while the green and sustainable bond investment reached HK\$8.05 billion in 2024, representing a year-on-year growth of 36%. Thus, we achieved HK\$13.63 billion and 22% increase in overall green-related finance business.

#### Summary of Sustainable Finance Performance in 2024

Green-related Loan (yoy % Change)



Green-related Investment (yoy % Change)



#### Sustainable Finance Target 2030 and Performance

Metric	2030 Target	Our Progress in 2024	Status
Green-related Lending (HK\$)	\$6.80 billion	\$5.58 billion (82% target achievement)	On-track
Green-related Investment (HK\$)	\$8.05 billion	\$8.05 billion (100% target achievement)	Achieved

# Appendix

## A.1 Environmental Performance Data Summary

Metrics	Unit	2024	2023	2022
<b>Total GHG Emissions</b>	tonnes of CO <sub>2</sub> e	<b>1,694,113.4</b>	<b>1,445,073.9</b>	<b>1,696.4</b>
<b>Total GHG Emissions (exclude Category 15)</b>		<b>1,387.4</b>	<b>1,568.9</b>	<b>1,663.1</b>
<b>Scope 1</b>		<b>18.3</b>	<b>28.7</b>	<b>23.3</b>
Stationary Combustion		–	–	–
Mobile Combustion		18.3	28.7	23.3
<b>Scope 2</b>		<b>1,393.6</b>	<b>1,504.7</b>	<b>1,668.1</b>
Purchased Electricity		1,393.6	1,504.7	1,663.1
Towngas		–	–	–
Other Sources				5.0
<b>Scope 3 (exclude Category 15)</b>		<b>139.8</b>	<b>35.6</b>	<b>–</b>
<b>Scope 3</b>		<b>1,692,865.8</b>	<b>1,443,540.6</b>	
Category 5: Waste Disposal and Wastewater Discharge (Paper & Wastewater)		15.7	14.2	–
Category 6: Business Travel (Land and Air)		124.1	21.4	–
Category 15: Investment (Financed Emission)		1,692,726	1,443,505.0	
Carbon Reduction due to Waste Recycling		164.3		
<b>Total GHG Emissions per FTE</b>	tonnes of CO <sub>2</sub> e/FTE			
Scope 1+2		<b>1.6</b>	<b>1.6</b>	<b>2.0</b>
Scope 1+2+3 (exclude Category 15)		1.6	1.6	
<b>Total GHG Emissions per m<sup>2</sup></b>	tonnes of CO <sub>2</sub> e/m <sup>2</sup>			
Scope 1+2		0.1	0.1	0.1
Scope 1+2+3 (exclude Category 15)		0.1	0.1	
<b>Total Electricity Consumption</b>	MWh	2,357,761	2,474,810.4	2,735,456.2
<b>Total Water Consumption</b>	m <sup>3</sup>	5,801.0	5,793.6	7,606.7
<b>Total Paper Consumption</b>	tonnes	16.6	18.5	–
<b>Waste Collected for Recycling</b>	tonnes	33.2	16.8	–

### Notes:

- (1) The Scope 1 & 2 GHG emissions of Fubon Bank (HK) Limited and its related subsidiaries Fubon Credit in 2024 was conducted based on the standards of Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong (2010 Edition), ISO 14064-1:2018, the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard, GHG Emissions Registry Guidelines, 2021 IPCC AR6 GWP values. Scope 2 GHG emissions are calculated based on electricity and Towngas consumed, as well as the corresponding emission factors, as provided by the utility companies. The emission factors for CLP and Hong Kong Electric were 0.53 kg CO<sub>2</sub>e/kWh and 0.60 kg CO<sub>2</sub>e/kWh respectively, as of 2024. Scope 3 GHG emissions were estimated with reference to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- (2) The Scope 3 Category 15 investment (financed emission) of Fubon Bank follows the PCAF methodology to calculate Fubon Bank's lending and investment portfolios with consideration of the counterparty's emissions and attribution factor.
- (3) Hong Kong Quality Assurance Agency ("HKQAA") has been commissioned by Fubon Bank to conduct an independent verification of the Greenhouse Gases ("GHG") emissions inventory for operational emission for the period from 1<sup>st</sup> January 2024 to 31<sup>st</sup> December 2024.
- (4) Due to the nature of our primary business, carbon dioxide is the main type of greenhouse gas applicable to our operations. While the amount is immaterial, our current reporting also incorporates methane and nitrous oxide for completeness.
- (5) The total energy consumption figures cover the energy consumption of our owned and rental premises, as well as our company vehicles.
- (6) Hazardous waste is not counted owing to the insignificant amount and all IT electronic wastes are recycled by authorized vendor.
- (7) Relevant GHG data have been collected for reporting since 2020.
- (8) Data is rounded up to 2 decimal places. The key units include:  
m<sup>2</sup>: Meter square   m<sup>3</sup>: Meter cube   CO<sub>2</sub>e: Carbon dioxide equivalent   MWh: Megawatt hour   FTE: Full-time equivalent employee

## A.2 ISSB's IFRS S2 Climate-related Disclosures Content Index

This content index is based on the International Sustainability Standards Board (ISSB)'s IFRS S2 Climate-related Disclosures issued in June 2023. Relevant information can be found in Climate-related Disclosure Report 2024 of Fubon Bank.

IFRS S2 Reference No.	Description	Fubon Bank Climate-related Disclosure Report 2024 Section	
Governance			
IFRS S2 – 6(a)	To disclose the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities.	3.1	Strengthen Climate Governance Framework
IFRS S2 – 6(b)	To disclose the management’s role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities,		
Strategy			
IFRS S2 – 8	To understand an entity’s strategy for managing climate-related risks and opportunities.	4.3	Reinforce Our Climate Strategy
IFRS S2 – 9(a)	To understand the climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects.	4.1	Identification of Climate Risks and Opportunities
IFRS S2 – 9(b)	To understand the current and anticipated effects of climate-related risks and opportunities on the entity’s business model and value chain.	4.2	Materiality Assessment and Stakeholder Engagement
IFRS S2 – 9(c)	To understand the effects of climate-related risks and opportunities on its strategy and decision-making.	5.2	Risk-identification & Measurement
IFRS S2 – 9(d)	<div>To understand the effects of climate-related risks and opportunities on the entity’s financial position, financial performance and cash flows for the reporting period (current financial effects).</div> <div>To understand the anticipated effects of climate-related risks and opportunities on the entity’s financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity’s financial planning (anticipated financial effects).</div>		
IFRS S2 – 9(e)	To understand the resilience of the entity’s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity’s identified climate-related risks and opportunities. The entity shall use climate-related scenario analysis to assess its climate resilience.	4.3	Reinforce Our Climate Strategy
		4.4	Transition to Net Zero
Risk Management			
IFRS S2 – 24	To understand an entity’s processes to identify, assess, prioritize and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity’s overall risk management process.	4.1	Identification of Climate Risks and Opportunities
		5.2	Risk-identification & Measurement
		5.3	Risk Monitoring, Control and Report
Metrics and Targets			
IFRS S2 – 27	To understand an entity’s performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.	6.1	Net Zero Operation Target, and Performance
IFRS S2 – 28–29	An entity shall disclose information relevant to the cross-industry metric categories of Scope 1 to 3.	6.2	Net Zero Financed Emission Target and Performance
IFRS S2 – 33	An entity shall disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets.	6.3	Sustainable Finance Target and Performance
			Appendix A.1 Environmental Performance Data Summary



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