Climate Related Disclosure 2023

CLIMATE RELATED DISCLOSURE

1. Strategy

In response to global climate change & in line with the GS-1 SPM guidelines and the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") in general, the Bank has provided the following information as part of its climate related disclosures. TCFD provides an important reference framework for understanding and analyzing climate related risks, and the Bank is committed to regular reporting on its progress for climate-related matters.

The Bank seeks to build its business for the long term by balancing social, environmental and economic considerations in its decision-making process. The Bank also acknowledges the need to support the transition to a low carbon, climate-resilient economy and is committed to managing and mitigating climate related risks (both physical and transition risks) by integrating them into the Bank's overall risk management framework and risk appetite.

The Bank's business is focused primarily on retail banking (comprising products such as deposits, payment / transfers, personal loans), where the climate-related risk impact is deemed to be minimal. While having limited exposure to climate related risks at present, our Bank recognizes that climate change presents opportunities as well as risks, and we have set up risk management policy and controls in 2022 to monitor climate risk exposures, opportunities and developments to assess their impact on our business strategy, and to support global carbon reduction targets as well.

Being a key player in digital and online banking, WeLab Bank adopts efficient technology and processes to promote sustainability and environmental friendliness which helps to reduce its overall carbon footprint (ie. Scope 2 GHG emissions). Our main office in K11 Atelier is an environmental-friendly office building engaged in environmental protection and carbon reduction practices (ie. in-office admin/ premise management at low carbon emission level, office premise eco-certified, office runs on paperless workflow processes and auto-lighting adjustment controls etc).

The Bank's operating model is also less susceptible to elements affected by extreme climate changes, and the climate-related physical risk is considered to be minimal and well addressed by the Bank's business continuity plan (ie. no physical branches, data on cloud and less dependent on specific data center, infrastructure readily supports staff remote operation, reducing business continuity risk etc).

While climate related risk has minimal impact on the Bank's current operations and business, the Bank has updated its risk management policy framework and governance structure in 2022 to address potential climate related risks that may arise going forward.

2. Governance

Governance Structure

The Board of Directors ("the Board") is ultimately responsible for exercising oversight of the Bank's climate risk management framework, with the assistance of the Board Risk Committee ("RC") and other management-level committees, including the Risk Management Committee ("RMC"), Credit Risk Management Committee ("CRMC") and the Asset & Liability Management Committee ("ALCO").

The RC is delegated by the Board to oversee the Bank's risk management policy, limits and controls for climate risk. The RC is also responsible for reviewing and endorsing the Bank's risk appetite for climate related risks to the Board for approval.

The RMC is a management-level committee, delegated by the RC and chaired by the Chief Risk Officer ("CRO") to be responsible for the overall monitoring and management of the Bank's climate related risks and Enterprise Risk Management framework, including the updating of the Bank's Climate Risk Management policy, risk appetite and the reporting of key climate related developments to the Board and RC for further discussion and decision-making.

The CRMC is a management-level committee, delegated by the RC and chaired by the CRO to be responsible for implementing policies, processes, limits and controls for managing the Bank's retail loan and counterparty credit risks, and incorporating climate related considerations into the credit risk evaluation / underwriting criteria where relevant.

The ALCO is a management-level committee, delegated by the RC and chaired by the Chief Finance Officer ("CFO") to be responsible for the effective management of the Bank's assets and liabilities, including overseeing the operations relating to capital management / interest rate / liquidity / market risks and incorporating climate related considerations into ALCO's risk assessment.

Considering the Bank's current business strategy and operations, and the regular monitoring of its risk appetite for climate related exposures by the risk committees (ie. including the limits set for TCFD sectors), the current risk policy / escalation protocols and governance structure are assessed to be adequate to cover the Bank's management of climate related risks and opportunities.

3. Risk Management

Risk Appetite and Policy

As climate change management and challenges evolve over time, the Bank will continue to measure and assess all relevant physical and transition risks incurred from climate risk management during the transition process.

Climate related risk may manifest itself in the traditional types of risks that the Bank is currently managing on a BAU basis (ie. strategic risk, reputational risk, credit risk, market risk, liquidity risk, operational risk, legal and compliance risk etc). The Bank has assessed the potential impact of climate change on these risk types by considering various factors on an ongoing basis (ie. the nature & size of its risk exposures, assets, operating model etc). The Bank has also incorporated climate related risk considerations into its risk management framework accordingly, and established processes to identify, measure, monitor, report and control such risk exposures.

The Board has defined our risk appetite limits for climate risk. As initial measures, the Bank has reviewed and established a list of industry sectors with high carbon emissions (ie. Energy / Transportation / Property Development / Construction / Agriculture / Metals & Mining etc). Regarding counterparty exposures (ie. debt investments), the Bank has incorporated climate related risks into the counterparty risk assessment and sustainability reporting requirements to complement the established risk acceptance criteria, as well as set industry limits to control its overall exposure to carbon-intensive sectors (ie. aligned with TCFD definitions and guidelines).

The above will be monitored and reviewed on regular basis by the Board and senior management to ensure the Bank's risk appetite limits are set appropriately by taking into consideration the latest market environment and regulatory developments.

While climate-related risks have limited impact to the Bank at this stage, we have established a Climate Risk Management policy in 2022 (annual review in Sep 23) for further guidance to all responsible parties, and also to supplement the Bank's Enterprise Risk Management framework and policies to address potential climate related risks.

As our business and operations continue to grow, the Bank will maintain vigilance and continue to monitor and assess its climate risk exposure and further enhance its Enterprise Risk Management framework and policies accordingly. The Board and senior management will also review the Bank's risk appetite and propose adjustments to the Bank's business strategy and operations where appropriate as well.

Metrics and Targets

The potential impact of climate change on the Bank's business and operations is not assessed to be material presently. In view that the Bank's core retail lending business has minimal impact on climate risk, the setting of risk appetite limits (ie. subject to review on regular basis) to control our counterparty exposures for sectors defined as carbon-intensive under TCFD guidelines is considered sufficient at this stage.

The Bank has also collected data on its Green House Gas ("GHG") emissions and energy use below, covering Scope 1, 2, 3 emissions based on the City University of Hong Kong's carbon footprint calculator (ie. in line with the GHG Protocol by the World Resources Institute), and performed assessment on its GHG emissions (which is not expected to have significant impact on climate risk and the Bank's operations).

Yr 2023	Scope 2	Scope 3	Total GHG emissions (Scope 1,2,3)
GHG emission factors : EF (kg CO2-e per unit)	85,604	2,982	88,586

Greenhouse Gas Emissions Factors

The following GHG emissions factors (*EFs*) quantify the CO_2-e emissions of GHG-emitting activities. For consumer products, food and beverages, the emission factors represent the lifecycle CO_2-e emissions accounting for the production, transport and waste disposal per unit item. The lifecycle CO_2-e emission excludes any emission during the stage of usage because the corresponding emission sources, mostly energy and water consumptions, are taken into account in separate categories. Commonly used emission factors are listed below for easy reference. More emission factors applicable to households are already programmed in the online *Carbon Calculator* of this *Toolkit*.

Utilities

Electricity

Utility	*EF*	Remark
CLP	0.540 kg CO_2-e per unit	1 unit = 1 kilowatt-hour (kWh)
HEC	0.790 kg CO_2-e per unit	1 unit = 1 kilowatt-hour (kWh)

Note:
- CLP supplies electricity in Kowloon, New Territories and Lantau Island.
- HEC supplies electricity in Hong Kong Island and Lamma Island.

Also considering our virtual banking business model as highlighted above, the Bank will continue to further review and develop its metrics / targets for GHG emissions reduction and climate risk management purposes going forward.