WeLab Bank

Climate Risk Related Disclosure 2025

CLIMATE RELATED DISCLOSURE

1. Strategy

In response to global climate change, and in line with the HKMA SPM GS-1 *Climate Risk Management* guideline and the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), the Bank provides the following climate-related disclosures for 2025. TCFD serves as a reference framework for identifying and assessing climate-related risks, and the Bank is committed to ongoing disclosure and review of its climate-related risk management practices.

The Bank seeks to build its business on a sustainable basis by balancing social, environmental and economic considerations in its decision-making. The Bank acknowledges the importance of supporting the transition to a low-carbon and climate-resilient economy and manages climate-related risks (including physical and transition risks) through its overall risk management framework and risk appetite.

The Bank’s business focuses primarily on retail banking activities, including deposits, payments, and personal loans. Given the nature of its products, operating model, and customer base, the Bank assesses its current exposure to climate-related risks to be minimal. Nevertheless, the Bank recognizes that climate change may present both risks and opportunities over time, and has established policies and controls since 2022 to monitor climate-related developments and potential impacts on its business strategy.

As a digital bank operating in Hong Kong, the Bank adopts technology enabled and paperless processes that support environmental sustainability and reduce its overall carbon footprint, particularly Scope 2 emissions. The Bank’s office premises are located in an environmentally certified building and operate with energy efficient facilities, paperless workflows, and automated lighting controls. All business locations including business continuity site are assessed as low risk according to the HKMA’s Physical Risk Table on Max-VaR (MVAR) assessment.

The Bank’s operating model is also less exposed to physical climate risks. With no physical branches, cloud-based systems, and remote-working capability, climate-related physical risks are assessed to be low and are appropriately addressed through the Bank’s business continuity and resilience arrangements.

Overall, while climate-related risks are not assessed to be material to the Bank’s current operations, the Bank has established a governance and policy framework to proactively monitor and manage potential climate-related risks as its business evolves.

2. Governance

<u>Governance Structure</u>

The Board of Directors ("the Board") has overall responsibility for the oversight of the Bank's climate risk management framework, supported by the Bank Risk Committee ("RC") and relevant management-level committees, including the Risk Management Committee ("RMC"), Credit Risk Management Committee ("CRMC"), and Asset and Liability Management Committee ("ALCO").

The RC is delegated by the Board to oversee the Bank's risk management policies, limits, and controls relating to climate risk, including the review and recommendation of the Bank's climate risk appetite to the Board.

The RMC, chaired by the Chief Risk Officer, is responsible for the ongoing monitoring and management of climate-related risks within the Enterprise Risk Management framework. This includes policy updates, risk appetite monitoring, and reporting of key climate-related developments to senior management and the Board.

The CRMC oversees the implementation of credit risk policies and controls, and incorporates climate-related considerations into credit assessment and underwriting where relevant.

The ALCO oversees balance sheet and financial risks, including capital, liquidity, and market risks, and considers climate-related factors as part of its risk assessments where applicable.

Given the Bank's business model and limited climate risk exposure, the existing governance structure and escalation mechanisms are assessed to be adequate for managing climate-related risks at this stage.

3. Risk Management

<u>Risk Appetite and Policy</u>

Climate-related risks may manifest through existing risk types managed by the Bank, including strategic, credit, market, liquidity, operational, legal, compliance, and reputational risks. The Bank assesses climate-related risks by considering the scale and nature of its activities, assets, counterparties, and operating model.

The Board has established climate risk appetite parameters, including industry exposure limits for sectors identified as carbon-intensive under TCFD classifications. Climate-related considerations are incorporated into counterparty assessments and investment decision-making where applicable.

The Bank established a Climate Risk Management Policy in 2022, which is reviewed periodically and forms part of the Bank's overall risk management framework. Climate risk exposures and relevant developments are monitored on an ongoing basis and reviewed by senior management and the Board.

Given the Bank's current scale and business focus, climate-related risks are assessed to have limited impact. The Bank will continue to monitor its exposure and enhance its framework as regulatory expectations and business activities evolve.

Metrics and Targets

The Bank does not assess climate-related risks to be material to its business and operations at present. In view of the Bank's retail-focused business model and limited exposure to carbon-intensive activities, existing risk appetite limits and sector exposure controls are considered sufficient at this stage.

The Bank tracks its greenhouse gas ("GHG") emissions and energy consumption primarily related to electricity usage and paper

Year 2025	**Scope 2 (electricity)**	**Scope 3 (Paper)**	**Total GHG emissions**
GHG emission factors : EF (kg CO2-e per unit)	62,986	19,467	82,453

Greenhouse Gas Emissions Factors

The following GHG emissions factors (EFs) quantify the CO2-e emissions of GHG-emitting activities. For consumer products, food and beverages, the emission factors represent the lifecycle CO2-e emissions accounting for the production, transport and waste disposal per unit item. The lifecycle CO2-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.

Utilities – electricity (City University calculator)

Utility	**EF**	**Remark**
CLP	0.540 kg CO2-e per unit	1 unit = 1 kilowatt-hour (kWh)
HEC	0.790 kg CO2-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

As a digital bank, the Bank will continue to review and enhance its metrics and targets for GHG emissions and climate risk management in a manner proportionate to its business model and risk profile.