

## Appendix A-Environmental Risk Management Disclosures

### Environmental Risk Disclosures for Hua Nan Commercial Bank’s Singapore Branch

<b>Governance<sup>1</sup></b>	
a. Describe the Board / Senior Management’s oversight of climate-related risks and opportunities	
Process, frequency and training	<ol style="list-style-type: none"> <li>1. The Branch’s Risk Management Department provides training in environmental risk management to all Branch staff including top management, and will engage Head Office where appropriate to ensure alignment of implementation</li> <li>2. The Branch’s Risk Management Committee, which consists of General Manager and Department Heads, receives the climate-focused updates and environmental training throughout the year</li> </ol>
Sub-committee accountability, processes and frequency	<ol style="list-style-type: none"> <li>3. The Branch’s Risk Management Committee, Risk Management Department, and Compliance Department exercise oversight of the environment risks together</li> <li>4. The audit liaison in branch liaises and coordinates with Head Office to conduct internal reviews on the Branch’s environmental reporting and disclosures</li> </ol>
Examples of the Board and relevant Board committees taking climate into account	<ol style="list-style-type: none"> <li>5. The Branch’s Risk Management Committee adopts international standards and practices including integration of climate risks in the Branch’s credit granting policy</li> </ol>
b. Describe the Management’s role in assessing and managing climate-related risks and opportunities	
Who manages climate-related risks and opportunities	<p>The Branch’s Risk Management Committee</p> <ol style="list-style-type: none"> <li>1. Assists Branch’s Senior Management in fulfilling its oversight responsibility on environmental risk related matters</li> <li>2. Oversees and directs climate-related opportunities. Manages the climate ambition with management responsibilities integrated into the relevant business and functional areas</li> </ol>
<b>Strategy</b>	
a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	
Processes used to determine material risks and opportunities	<ol style="list-style-type: none"> <li>1. The Branch intends to use scenario analysis to identify environmental risks and is in the process of developing internal capabilities as such</li> </ol>

<sup>1</sup> For a bank incorporated outside Singapore, the committee could be a Board-level committee, or a management committee or body responsible for the oversight of the institution in Singapore. Oversight of environmental risk management could be performed by a combination of local and global committees.

	<p>2. For carbon-intensive sectors, the Branch intends to use sector-specific assessment to identify relevant environmental risks and opportunities</p>
<p>Relevant short, medium, and long term time horizons</p>	<p>3. In the short-term, the Branch aims to limit</p> <ul style="list-style-type: none"> <li>○ Total exposure to carbon-intensive sectors under 20% of the Branch's total portfolio</li> <li>○ Total exposure to climate-sensitive sectors under 25% of the Branch's total portfolio</li> </ul> <p>Notes:  (1) Total portfolio refers to the total outstanding of loans and securities.  (2) Trailing average of 12-month exposure ratio to the reporting date is used.</p>
<p>Transition or physical climate-related issues identified</p>	<p>4. Transition or physical climate-related risk impacts may manifest across the risk taxonomy across all time horizons, including and are not limited to credit, market, liquidity, operational, and reputational risks</p>
<p>Risks and opportunities by sector and/ or geography</p>	<p>5. The Branch intends to carry out sector-specific assessment</p> <p>6. Opportunities include sustainable finance and sustainable investment</p>
<p>Concentrations of credit exposure to carbon-related assets</p>	<p>7. The Branch intends to disclose 4 carbon-intensive sectors and 7 climate-sensitive sectors where customers have higher climate risks:</p> <ul style="list-style-type: none"> <li>○ Carbon-intensive sectors <ul style="list-style-type: none"> <li>▪ Mining and quarrying</li> <li>▪ Manufacture of basic metals</li> <li>▪ Manufacture of fabricated metal products except machinery and equipment</li> <li>▪ Generation of electricity by fossil fuels</li> </ul> </li> <li>○ Climate-sensitive sectors <ul style="list-style-type: none"> <li>▪ Manufacture of chemicals and chemical products</li> <li>▪ Manufacture of machinery and equipment</li> <li>▪ Manufacture of textiles</li> <li>▪ Manufacture of wearing apparel; Manufacture of articles of fur; Manufacture of knitted and crocheted apparel</li> <li>▪ Tanning and dressing of leather; Dressing and dyeing of fur; Manufacture of footwear</li> <li>▪ Transportation and storage</li> <li>▪ Real estate activities</li> </ul> </li> </ul> <p>8. In particular, the Branch's incorporates ESG factors in their credit granting policy (Please refer to “華南商業銀行永續授信原則應遵循注意事項” for more details):</p> <ul style="list-style-type: none"> <li>○ Credit Approval Principle: <ul style="list-style-type: none"> <li>▪ Encourage credit customers to fulfil their responsibilities in Environmental, Social, and Governance space (hereinafter collectively</li> </ul> </li> </ul>

	<p>referred to as ESG). Approve credits and provide assistance to customers who follow sustainable practices</p> <ul style="list-style-type: none"> <li>▪ Support credit customers in their efforts to reduce environmental pollution, increase energy efficiency, reduce greenhouse gas emissions or promote waste recycling, by providing favorable credit terms</li> </ul> <ul style="list-style-type: none"> <li>○ Credit Review: <ul style="list-style-type: none"> <li>▪ In addition to the "5P Principle" credit assessment, the customer will be examined on the fulfillment of their ESG responsibility in a comprehensive credit risk review</li> <li>▪ When credit customers are involved in environmental pollution or operations that have a significant adverse impact on labor safety, food safety, and damage to cultural heritage, they are required to minimize their environmental impact, and if necessary, measures, such as banning or curbing their credit limit and additional collateral, are applied to these customers</li> </ul> </li> </ul> <p>9. The Branch aims to enhance their scope 3 emissions disclosure by encouraging their customers to publicly disclose their carbon emissions.</p>
<p>a. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	
<p>Embedding climate into scenario analysis</p>	<p>1. The Branch intends to explore the potential impacts of physical and transition risks of climate change through scenario analysis</p>
<p>Key drivers of performance and how these have been taken into account</p>	<p>2. The Branch does not currently fully disclose the impacts of transition and physical risk quantitatively, due to transitional challenges such as data limitations and evolving science and methodologies</p>
<p>Scenarios used and how they factored in government policies</p>	<p>3. The Branch's scenario analysis is intended to run on a suite of scenarios which incorporate a complex set of social, political and economic decisions, including taking into account government policies</p>
<p>How strategies may change and adapt</p>	<p>4. As the Branch's approach matures, the Senior Manager will look to begin incorporating their analysis into their core banking processes including strategic planning.</p> <p>5. The Environmental Risk Management Policy is reviewed annually by the Branch's Risk Management Committee, and will be augmented according to MAS requirements, the changing environmental risk landscape, emerging management practices, the Branch's capabilities, and the environmental risk appetite and ambition.</p>

c. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	
Impact on strategy, business, and financial planning	1. The Branch attaches great importance to climate-related risks, and identifies key climate risks and opportunities for the Branch based on their actual and potential impact on the Branch's business, strategy and financial planning in the context of Branch's development situation
Impact on products and services	2. The Head Office helps their customers transition to a sustainable future through sustainable finance (e.g. green loans and green bonds) and sustainable investment (e.g. Invest in green science and technology industry)  3. The Branch will follow the Head Office's lead in implementing sustainable finance products and services
Impact on supply chain and/or value chain	4. The Branch encourages suppliers to make their own carbon commitments, and to disclose their emissions  5. The Head Office introduced "HUA NAN Financial Group Suppliers Behavioral Regulations" in 2017. The Code of Conduct requires all suppliers to commit themselves to related regulations in ethical management, promotion of environmental sustainability, and protection of basic human rights.
Approach to meet stakeholder expectation	6. The Branch intends to enact the Environmental Risk Management Policy and set short- and medium-term targets to align their provision of credit and loan facilities with the goals and timelines of the MAS requirements
<b>Risk Management</b>	
a. Describe the organization's processes for identifying and assessing climate-related risks.	
Banking risk types relevant to the environment	1. Key climate risk types include: credit risk, market risk, liquidity risk, operational risk, and reputational risk  2. The Branch applies environmental risk monitoring and control framework which enables the Branch to respond to emerging environmental risks in the business and functional units
Process	3. The process of identification and assessment of climate risk will differ according to risk type, and may include regular assessments going forward.
Integration into policies and procedures	4. Current integration into policies and procedures is ongoing. More details on the process of integration can be found in the environmental risk management policy document

	5. Going forward, the Branch is exploring the possibility of incorporating climate risk assessments into its loan and portfolio monitoring
b. Describe the organization's processes for managing climate-related risks	
Process and how we make decisions	<p>1. The business units will receive and operationalise credit risk limits, oversee processes to identify and manage risks</p> <p>2. The Risk Management Department, overseen by the Risk Management Committee, monitors environmental risk for business lines and verifies compliance of a transaction with the environmental risk framework</p> <p>3. The Branch will continue to adhere to its risk management framework when determining the materiality of its exposure to climate-related risks</p>
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	
How we have aligned and integrated our approach	<p>1. The Branch is in the process of integrating climate risk into the risk management approach of its main businesses</p> <p>2. The Branch has enacted an environmental risk management policy document that explains how they intend to integrate climate risk into HNCB's main businesses</p> <p>3. The Branch's approach to climate risk management is aligned to their group-wide risk management framework and three lines of defense model</p>
How we take into account interconnections between entities, functions	4. The Branch will continue to work closely with Head Office to refine climate-related policies to be in line with authorities and emerging international good practices
<b>Metrics and Targets</b>	
a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	
Metrics used to assess the impact of climate-related risks on our loan portfolio	<p>1. The Branch aims to limit</p> <ul style="list-style-type: none"> <li>○ Total exposure to carbon-intensive sectors under 20% of the Branch's total portfolio</li> <li>○ Total exposure to climate-sensitive sectors under 25% of the Branch's total portfolio</li> </ul>

Metrics used to assess progress against opportunities	<p>2. At the Group level, the Head Office has granted a total of NT\$ 314.7 billion in credit to the green energy technology, new agriculture and circular economy industries, and invested NT\$ 290 million in industries related to energy conservation and environmental protection, accounting for 18% of the overall investment portfolio</p> <p>3. The Branch will take guidance from Head Office on further metrics to adopt</p>
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	
Our own operations	<p>1. At Group level, Scope 1 emissions were 1,061 tCO<sub>2</sub>e and Scope 2 emissions were 17,280 tCO<sub>2</sub>e as at 2021</p> <p>2. The Branch aims to enhance their scope 3 emissions disclosure by encouraging their customers to publicly disclose their carbon emissions based on the ABS client assessment tool</p>
c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	
Details of targets set and whether they are absolute or intensity based	<p>1. At the Group level, the Head Office has established medium- to long-term goals for GHG emissions: reducing carbon emissions by 5% by 2025 compared to the base year of 2020; and reaching net zero emissions by 2050</p>
Other key performance indicators used	<p>2. At the Group level, the Head Office tracks other indicators, such as electricity consumption, energy consumption and intensity, water consumption and waste management</p> <p>3. The Branch will look into tracking similar indicators</p>