

Climate Related Disclosure 2025

Introduction

To thoroughly implement the conclusion of the national "14th Five-Year" Plan and the forward-looking layout of high-quality development for the "15th Five-Year" Plan, Nanyang Commercial Bank, Limited ("NCB" or "the Bank") has further strengthened its climate risk management and deeply embedded climate risk into its overall risk management framework. The framework comprises the Board of Directors (the "Board"), management, and relevant departments. The Board serves as the highest decision-making body, while the management exercises comprehensive oversight and is accountable for the implementation of risk management. The Risk Management Department acts as the lead department, and the Climate Risk Management Working Group functions as the executive team, working together to organize, unify, and collaborate on climate risk management tasks. The Bank aims to integrate sustainability concepts with climate strategies, support our country in building a resilient green financial system, develop a low-carbon economy and fulfill the vision of carbon neutrality vision.

This disclosure subsequently details the Bank's approaches across four pillars: Governance, Strategy, Risk Management, and Metrics and Targets. From a governance perspective, the Bank utilizes a comprehensive and structured framework to oversee climate-related risks and opportunities. From a strategy perspective, the Bank actively embeds green finance into our core services to support the real economy and promote transition toward a low-carbon development. From a risk management perspective, the Bank systematically identifies climate risks and strengthens risk response capabilities such as stress testing, fully integrating these aspects into its overall risk management framework. Furthermore, by establishing a comprehensive climate risk management system, the Bank continuously monitors net-zero transition progress, and seeks to strengthening resilience and creates long-term, sustainable value for its clients, shareholders and society.

Governance

The Bank's risk governance framework adopts a structured and hierarchical management model designed to ensure comprehensive and rigorous oversight of climate-related risks and opportunities. Adhering to the principle of transparency, and clearly defined responsibilities together with systemized processes, this risk governance framework guarantees the effectiveness and consistency of climate risk management.

Management Decision-Making Level

Board Oversight (Board of Directors and Risk Management Committee)

The Bank's Board of Directors (the "Board") holds the ultimate responsibility for the Bank's climate risk management. The Board is responsible for reviewing, approving, and monitoring climate risk tolerance levels, climate risk management strategies, and the climate risk management framework. The Risk Management Committee assists the Board in approving climate risk management policies, monitoring the risk management related to sustainable development, and implementing effective strategies, controls and mitigation measures in response to climate change.

Management (Chief Executive, Chief Officers, and Assistant Chief Executive)

Management is responsible for the overall business objectives, strategies, plans, implementing climate risk management strategy and overseeing the climate risk management framework. The Chief Risk Officer, as the chair of the Climate Risk Working Group, facilitates cross-departmental collaboration and ensures the effective implementation of climate risk management measures.

Execution Level

Various Operations and Support Units

The Bank comprises various business units and risk management units, with the relevant units across each line of defence being responsible for climate risk management. Each unit is responsible for its respective functions, adhering to the Bank's risk management principles, policies, and systems to formulate relevant operational guidelines. The Bank has implemented the "Three Lines of Defence" for its climate risk management. The main responsibilities of each defence including:

First Line of Defence – Front Office and Business Units

Responsible for adhering to risk management policies, systems, procedures, and established limits in the course of business activities. These units collect data, assess, forecast, and monitor the risk status of their respective business. They also manage climate and other risks within their units.

Second Line of Defence – Risk Management Units

Independent of the business units, these units are responsible for the daily management of various types of risk. They conduct independent due diligence regarding the identification, measurement, assessment, forecast, monitor, control, and report of climate and other risks. They formulate short-, medium-, and long-term climate risk management strategies to ensure effective and independent risk monitoring and reporting. This includes formulating risk management policies and procedures, reporting to the Board and/or Risk Management Committee and management on the implementation of policies and the status of various risks, and providing necessary decision support and recommendations.

Third Line of Defence – Audit Department

Responsible for conducting independent audit work, verifying, and evaluating the adequacy and effectiveness of risk management policies and control measures. It reports to the Board on the quality of the Bank's risk management oversight, along with the completeness and implementation of risk management policies, procedures, and internal controls.

Support Units

Provide backend support for various business operational processes, ensuring that appropriate systems and human resources are in place to support climate and other

risk management, and assuming corresponding supervisory responsibilities for executing the short-, medium-, and long-term climate risk management strategies. For units responsible for outsourcing, they must assume the responsibilities of outsourcing operations in accordance with the Bank's internal management policies, ensuring that suppliers have adequate measures and controls in place for climate and other risks.

The Bank's Climate Risk Working Group¹ drives and follows up on tasks outlined in the *Climate Risk Strategy Recommendation* and reports on the status of climate risk management quarterly.

¹ The Climate Risk Working Group is established in alignment with the five pillars of the *Climate Risk Strategy Recommendation*, which include: governance structure, products and services, risk management, information disclosure, and infrastructure.

STRATEGY

To actively respond to the sustainable development blueprint guided by the conclusions of the national "14th Five-Year" Plan and the "Dual Carbon Goals," NCB positions climate risk management and sustainable financial development as the core pillars for achieving its vision. This initiative aims to support the national strategic goals of achieving peaked carbon emissions by 2030 and carbon neutrality by 2060, while promoting the low-carbon transition and high-quality development of the economy and society. Consequently, the Bank has established a comprehensive climate risk management strategy and set up five supporting systems (governance structure, products and services, risk management, disclosure, and infrastructure), to support effective implementation of the strategy through regular meetings on objectives and timelines.

The primary principle of the Bank's climate risk strategy is to fulfill regulatory requirements and maintain alignment with comparable peers. By reviewing our climate risk management progress, the Bank has formulated the following key climate strategies:

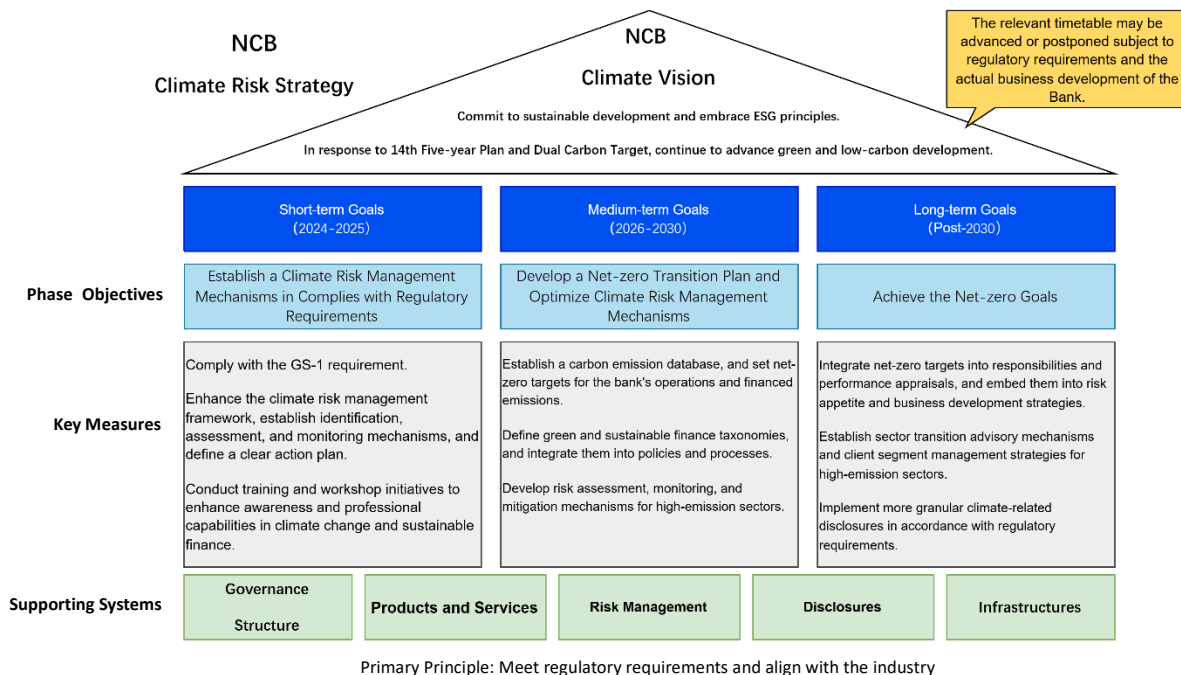


Table 1: Climate Risk Strategy Map

Five Supporting Systems of Climate Risk Management

(1) Governance Structure

Clearly define decision-making responsibilities for the Board and management within climate risk governance, incorporating net-zero transition-related functions into their scope and continuously providing climate-related knowledge and industry trends. Regular review, update, and enhance the climate risk reporting processes and contents, supplement the qualitative statements on climate risk in the risk appetite framework. Explore the inclusion of quantitative indicators and net-zero targets to ensure the governance framework aligns with regulatory requirements and market developments.

(2) Products and Services

Drive the growth of sustainable financial business. The Bank is committed to achieving its strategic targets for scaling sustainable finance and continuously refining the green finance product suite. Actively promoting the transition to a green economy, supporting clients' low-carbon development through diversified financial instruments, thereby elevating the Bank's influence and competitiveness in the green finance market.

(3) Risk Management

Establish climate risk identification mechanism and classification standard for high-emitting industries. Develop NCB's capabilities for climate risk-related stress testing. Furthermore, research and optimize the monitoring and reporting mechanisms for climate risk in credit portfolios, updating relevant risk factors and data. Formulate guidelines and management policies for business activities with high climate risk to impose risk controls which remain consistent with the Bank's risk appetite.

(4) Disclosures

Strengthen the regular collection, review, and reporting of climate risk-related data. Disclose climate-related risks and opportunities in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Enhance the granularity of disclosures in alignment with regulatory requirements and industry trends to improve the accuracy and timeliness of data reporting.

(5) Infrastructure

Provide climate risk management training for employees to strengthen relevant

capabilities and continue to improve data systems, including operational and financed carbon emissions databases and monitoring. In addition, seek to incorporate climate risk management, sustainable finance, and net-zero targets into performance evaluation mechanism to effectively drive the implementation of NCB's climate strategy.

Sustainable Financial Services and Investment

To fully integrate sustainability concepts into its corporate development strategy and financial services, NCB is committed to launching a series of green finance products, facilitating clients' transition to low-carbon solutions and sustainable practices. Against this backdrop, the Bank has achieved the following milestones:

- **Honored with Two Major Awards at Ta Kung Wen Wei Media Group's "2025 Hong Kong International ESG Annual Awards":** The Bank received the "Best ESG Practice Award" and the "Best ESG Dual Carbon Practice Award." These accolades recognize the Bank's innovations in green finance products, as well as its continuous dedication to philanthropy, rural revitalization, and addressing climate change.
- **Awarded the "Capital Excellence ESG Award" by *Capital Magazine*:** The Bank has been honored at the 'CAPITAL Merits of Achievement in Banking & Finance Awards' evaluation in recognition of its outstanding performance in green operations, social welfare, and corporate governance.
- **Consecutively Won the "Hong Kong Green and Sustainable Finance Awards" presented by the Hong Kong Quality Assurance Agency (HKQAA):** This affirms the Bank's leading position in implementing sustainable financing frameworks, advancing ESG disclosures and deepening green loan stewardship.

NCB consistently engages in green bond investments, with the scale increasing annually. By covering a diverse range of issuers and currency markets, the Bank actively expand the coverage of its green financial products and striving to support the continuous development of green industries.

RISK MANAGEMENT

The Bank's risk management framework has been strategically designed to comprehensively identify, assess, and mitigate climate-related risks, ensuring business resilience and flexibility in responding to emerging challenges. Through systematic processes and stress testing, climate risk is fully integrated into the overall risk management framework to support the achievement of sustainability goals.

Identification of Climate-Related Risk

According to the TCFD definition, climate risk refers to the uncertainties posed to economic and financial activities by climate factors such as extreme weather, natural disasters, and global warming, as well as society's transition toward sustainable development. These risks are classified into Physical Risks and Transition Risks. The Bank's climate risk identification primarily encompasses the financial impacts and time horizons associated with Physical and Transition risks. To support a more comprehensive assessment, the Bank analyzes and discloses the specific ways in which climate risks transmit into traditional financial risk categories.

Risk Type	Risk Description	Potential Impact
Physical Risk	Acute Risk: Immediate impact of extreme weather events (e.g., floods, tropical cyclones, heatwaves).	<ul style="list-style-type: none"> ▪ Asset damage ▪ Increased capital expenditure and/ or operational costs
	Chronic Risk: Long-term effects of climate change (e.g., rising temperatures, sea level rise, water scarcity).	<ul style="list-style-type: none"> ▪ Decline in productivity ▪ Additional investment in climate adaptation
Transition Risk	Policy and Regulatory Changes	<ul style="list-style-type: none"> ▪ Carbon taxes increasing operational costs Higher operating costs due to carbon taxes ▪ Emission disclosure requirements affecting investor relations and financing costs
	Technology Transition	<ul style="list-style-type: none"> ▪ Significant R&D and deployment capital required for low-carbon technologies

	<ul style="list-style-type: none"> ▪ Uncertainties over the effectiveness of new decarbonisation equipment or technologies
Market Preference Shifts	<ul style="list-style-type: none"> ▪ Shifts in consumer behavior leading to changes in supply-demand structures and demand volatility ▪ Rising raw material costs and increased uncertainty in market signals
Reputation	<ul style="list-style-type: none"> ▪ Changes in stakeholder perceptions of the institution's contribution to the low-carbon transition, affecting trust ▪ Increased exposure to climate-related litigation

Table 2: Impact Analysis of Climate Risk Types

Traditional Risk Type	Physical Risk	Transition Risk	Risk Level
Credit Risk	Climate events such as tropical cyclones and floods affect borrowers' asset values and production levels, increasing the risk of default.	Factors such as carbon pricing and technological advancements cause financial distress for borrowers, leading to an increase in credit default risks.	Low in the short term; Medium in the medium-to-long term
Market Risk	Climate events affect macroeconomic indicators, leading to volatility in the prices of sovereign bonds and non-derivative foreign currency assets.	Investor pressure and stakeholder concerns lead to price volatility in corporate bonds.	Low
Liquidity Risk	Borrowers' cash demands spike during climate events, leading to substantial increase in cash outflows.	Factors such as carbon pricing and technological advancements create financial pressure on borrowers, leading to increased cash outflows.	Low
Interest Rate Risk	Climate disasters cause collateral value impairment, triggering shifts in market expectations and	Interest rate subsidies or differential pricing driven by green finance policies affect the net interest margin	Low

subsequent volatility in short- and long-term interest rates.

Operational and Legal Risk	Extreme weather events cause business continuity disruptions.	Changes in legal and regulatory requirements increase legal exposure. Additionally, the need to collect vast amounts of non-financial data during the net-zero transition introduces potential human errors or logical flaws during data collection and verification.	Low
Reputational Risk	The management of climate events impacts banking services and operations, which may change consumer sentiment.	Market perceptions evolve based on the Bank's actions in addressing the climate transition.	Low in the short term; Medium in the medium-to-long term
Strategic Risk	Failure to respond to or address climate events may reduce competitiveness.	Failure to address the climate transition may reduce competitiveness.	Low

Table 3: Assessment of Climate Risk Transmission to Traditional Risks

The Bank's Risk Management Mitigation Measures

The Bank has implemented the following initiatives to further improve its management practices:

- Formulating the Climate Risk Management Policy and climate risk identification process, and conducting regular reviews to ensure timely incorporation of industry guidance and practices.
- Compiling a directory of high-emitting sectors and monitoring the percentage of corporate loans / advances to customers in these sectors
- Continuously providing up-to-date and relevant training on climate risk management.

Training and Capacity Building

To ensure that the Board, management, and all staff members keep up to date with developments in climate-related areas, strengthen the knowledge base of relevant practitioners, and further improve decision-making capabilities and talent development, the Bank continued to advance its climate risk management framework through training. In 2025, the Bank held a total of 30 internal and external training programs with more than 1,100 participations. The table below outlines the key topics covered during the period:

No.	Category	Topic
1	Sustainability / Climate Risk Management	Physical Risk Assessment Platform Workshop
2	Sustainability / Climate Risk Management	Climate Risk Stress Testing Forum
3	Sustainability / Climate Risk Management	Climate Change Risks and Opportunities in Sustainable Banking
4	Sustainability / Climate Risk Management	Financed Emissions Measurement Workshop
5	Green and Sustainable Financial Products & Services	Transition Planning and Sustainable Finance
6	Sustainability Strategy, Compliance & Control	Industry Seminar on Climate-Related Financial Risk Management
7	Sustainability Disclosure & Reporting	Sustainability Disclosure and ESG Reporting Compliance

8	Sustainability / Climate Risk Management	Carbon Accounting, Management, and Emission Reduction Practices
9	Sustainability Disclosure & Reporting	International Sustainability and Climate-Related Disclosures
10	Sustainability Strategy, Compliance & Control	The Role of AI in the ESG

Table 4: Courses and Seminars Topics

METRICS AND TARGETS

To support climate risk monitoring, the Bank has established a multi-dimensional climate risk monitoring system to closely track risk exposures in high-emitting sectors and monitor the growth of green loans to support the transition to green finance. Concurrently, the Bank quantifies its carbon emission across Greenhouse Gas Scope 1, Scope 2, and Scope 3. These initiatives not only reflect the disclosure recommendations of the TCFD but also enhance the transparency of risk management, and strengthening the Bank's resilience on its path toward net-zero objectives.

- **Climate Risk-Related Monitoring:**

The Bank has been tracking exposures in high-emitting sectors serves as the foundation for formulating transition risk management plans, progressively implementing sector-level climate risk mitigation measures, alongside outlining subsequent action plans.

- **Green and Sustainable Finance Development:**

By the end of 2025, NCB's outstanding green loan balance exceeded HKD 11.5 billion, an increase of more than 15% compared to the same period of the previous year. The green bond portfolio reached HKD 5.87 billion, an increase of 20% compared to the same period of the previous year.

- **Scope 1, Scope 2, and Scope 3 Greenhouse Gas (GHG) Emissions:**

Emission Category (tCo2e)	2025
Scope 1: Direct GHG Emissions	26.02
Scope 2: Indirect GHG Emissions	3,191.98
Scope 3: Other Indirect GHG Emissions – Business Travel ²	64.65
Scope 3: Other Indirect GHG Emissions – Employee Commuting ³	386.11

Table 5: Hong Kong Greenhouse Gas Emission Indicators

² Travel emissions cover only the emissions generated from business-related air travel within the reporting year. The emissions are calculated using the International Civil Aviation Organization ("ICAO") Carbon Emissions Calculator, which is based on flight distance, passenger count, and cabin class.

³ Emissions from employee commuting are statistically collected via an internal questionnaire, voluntarily completed by staff members. The calculations are based on the commuting emission factors published by the UK Department for Environment, Food and Rural Affairs ("Defra"), accounted for on a round-trip basis, and modeled on 249 working days in Hong Kong for the year 2025.

OUTLOOK

- **Governance Structure:** Maintain ongoing oversight of net-zero progress and refine risk appetite metrics to align with evolving conditions.
- **Products and Services:** Formulate NCB's green and sustainable finance taxonomies, broaden the offering of transition finance products, and deploy a coaching framework to support the low-carbon transition of high-emitting sector clients.
- **Risk Management:** Assess risk monitoring and control mechanisms tailored for high-emitting sectors.
- **Disclosure:** Provide regular updates on climate risk governance by adhering to regulatory codes and industry benchmarks.
- **Infrastructure:** Evaluate digital monitoring technologies for Scope 1, 2, and 3 financed emissions, aiming to operationalize green practices and empower clients with sustainable financial services.

The Bank proactively implements targeted actions to fulfill its short-term objectives. In response to the evolving demands of climate risk management, the Bank regularly recalibrates its existing medium- and long-term goals to incorporate key macro factors, including regulatory mandates, technological transitions, and shifting market dynamics, thereby ensuring a pragmatic and iterative enhancement of its climate resilience.

The Bank has formulated the "2030 Operational Net-Zero Action Plan" to establish a clear execution roadmap from 2026 to 2030 with concrete carbon reduction targets. The Bank will progressively account for its Greenhouse Gas Scope 1 and Scope 2 emissions starting in 2026, with plans to mitigate transportation-related carbon emissions at the source and implement energy-saving retrofits by 2030, thereby further elevating the Bank's green operational capabilities. For Scope 3 emissions, the Bank will introduce a spend-based estimation model to leverage internal data more effectively, enabling the precise quantification of its supply chain carbon footprint. These actions will deepen the implementation of TCFD recommendations, ultimately



achieving the Bank's strategic goals for the net-zero transition and climate risk management.