



## Climate Risk Disclosure

Pursuant to the issuance of Supervisory Policy Manual GS-1 “Climate Risk Management” by the HKMA in December 2021, banks are required to make climate-related disclosures aligned with the Task Force on Climate-related Financial Disclosure (“TCFD”) recommendations on governance, strategy, risk management and metrics and targets to enhance transparency to all stakeholders at a minimum.

The classification of climate risk is broadly divided into physical risk and transition risk.

- Physical risks are resulted from the impact of climate, weather-related events and long-term shifts in climate patterns which can be detrimental to every person to a large extent where direct impact on the Bank through events may also lead to damage to property and reduced productivity.
- Transition risks to the Bank is identified as financial risk other than opportunity that results from the process of adjustment towards a lower-carbon economy, governmental climate policy, technologies advancements or responses in the market sentiment.

With regard to climate risk, the Bank has put in place a Climate Risk Management Policy which was approved by the Board in December 2022. The Board has the ultimate responsibility for the Bank's climate risk management and resilience. For the oversight of the Bank's approach to managing climate risks and opportunities, it has delegated authority to its Risk Committee with the prime responsibility for overseeing the development and implementation of climate risk policy and strategy. The Senior Management is responsible for the proper functioning of the Bank's risk management framework and for driving necessary changes in addressing climate-related issues. Other parties for the day-to-day management of climate risk include the Compliance Department, the Internal Audit Department and heads of various departments.

To manage the impact of climate-related risks which may occur over the medium and long terms, the management is well prepared for the followings:

- To have sufficient knowledge and understanding of global, regional and local developments to consider the impact on the Bank;
- To ensure that there are appropriate resources, processes, systems and controls to support the implementation of the strategy;
- To cultivate a risk culture from the top that embeds climate-related considerations into the business activities and decision-making process; and
- To promote staff awareness on carbon neutrality and the carbon footprint of the Bank's operations and adopted practices, products and equipment that are sustainable.



## **TAI YAU BANK, LIMITED**

The Bank does not provide green financing to customers at the moment. Our customer base does not fall into the TCFD which has identified sectors and industries with the highest likelihood of climate-related impacts based on greenhouse gas emissions, energy usage and water usage.

The Bank has started preparing strategies to assess and identify potential impacts on current business operations involving money market placement with counterparties. Apart from the embedded counterparty credit risk, the Bank has also envisaged the risk of business disruption, costs associated with property repairs and compliance with new rules. Furthermore, it is aware that inadequate management of climate risk will adversely affect the reputation of the Bank eventually.

Simple metrics will be adopted by the Bank to periodically measure and report climate risks. Annual stress-tests on financial impacts are to be performed on severe but plausible scenarios of physical risk cases where climate changes may result in business disruption to the Bank's operations.

**Tai Yau Bank Limited**



## 氣候風險披露

根據金管局於 2021 年 12 月發布的監管政策手冊 GS-1"氣候風險管理"，銀行必須按照氣候相關財務披露工作組("TCFD")的建議進行氣候相關披露、管治、策略、風險管理以及指標和目標，至少可提高對所有持份者的透明度。

氣候風險的分類大致分為實體風險和轉型風險。

- 實體風險是由氣候、天氣相關事件和氣候模式長期變化的影響造成的，這些風險在很大程度上對每個人都有損害，事件對銀行的直接影響也可能導致財產損失和生產力下降。
- 本行面臨的轉型風險被認為是低碳經濟調整過程、政府氣候政策、技術進步或市場情緒反應帶來的機遇以外的金融風險。

在氣候風險方面，本行製定了氣候風險管理政策，並於 2022 年 12 月獲得董事會批准。董事會對本行的氣候風險管理和抵禦能力負有最終責任。為了監督本行管理氣候風險和機遇的方法，本行已將權力授予其風險委員會，主要負責監督氣候風險政策和策略的製定和實施。高級管理層負責本行風險管理框架的正常運作，並推動解決氣候相關問題的必要變革。氣候風險日常管理的其他參與者包括合規部、內部審計部以及各部負責人。

為管理中長期可能發生的氣候相關風險的影響，管理層已做好以下準備：

- 對全球、區域和地方發展有足夠的了解和理解，以考慮對本行的影響；
- 確保有適當的資源、流程、系統和控制來支持策略的實施；
- 培養由上而下的風險文化，將氣候相關因素納入業務活動和決策過程；和
- 提高員工對碳中和和銀行業務碳足跡的認識，並採用可持續的做法、產品和設備。

本行目前不向客戶提供綠色融資服務。TCFD 根據溫室氣體排放、能源使用和用水確定了最有可能受到氣候相關影響的部門和行業，而我們的客戶群並不屬於 TCFD 的範圍。

本行已開始製定策略，以評估和識別對涉及與交易對手進行貨幣市場存放的當前業務運營的潛在影響。除了嵌入的交易對手信用風險外，銀行還預見到了業務中斷、物業維修相關的成本及遵守新規則的風險。此外，意識到氣候風險管理不善最終將對銀行的聲譽產生不利影響。

本行將採用簡單的指標定期衡量和報告氣候風險。每年對財務影響的壓力測試將針對氣候變化可能導致本行業務中斷的嚴重但合理的實體風險情況進行。

大有銀行有限公司