

Climate risk-related disclosures

Climate risk has become one of the sources of the risks of the global banking and financial community. China Construction Bank (Asia) Corporation Limited (“CCB Asia” or the “Bank”) attaches great importance to the impact of climate change by actively establishing effective climate risk management strategies and adopting different measures to deal with climate-related risks. The Bank established a green and low carbon development and climate risk management committee (綠色低碳發展和氣候風險管理工作小組) in 2022 to push ahead with the implementation of relevant regulatory guides and to incorporate climate considerations into business policies, operation and development. Moreover, regulations and China Construction Bank’s policies of carbon neutrality, green operation and green finance are followed and implemented strictly in the Bank’s strategies and business policies.

In terms of corporate governance, the Board of Directors (the “Board”) of CCB Asia is supported by the Executive Committee and the Risk Committee in monitoring climate-related issues. The Board is responsible for reviewing the Bank’s sustainability strategies, objectives and priorities as well as key sustainability-related policies and the major environmental, social and governance issues to the Bank and the related measures, and overseeing the Bank’s sustainability performance. The Executive Committee is chaired by the Chief Executive Officer. Senior management members, including all Deputy Chief Executives serve as members of the Committee. Through the Executive Committee, senior management members take part in preparing and proposing the direction of climate-related development strategies, risks and opportunities, and report the working progress and performance to the Board.

The Risk Committee consists of a minimum of three directors, with a majority of whom must be Independent Non-executive Directors (“INEDs”). The Risk Committee is chaired by an INED with a background in accounting, banking or other relevant financial industry or expertise in risk management. The committee is responsible for reviewing and recommending to the Board to approve the formulation of the Bank’s policies related to climate risks, and overseeing its implementation and regularly reviewing the policies to ensure that the Bank’s climate policies have been effectively implemented and in line with the relevant climate policies and objectives at the time being.

The communications of the Board and the abovementioned committees in respect of climate-related issues are arranged via meetings, written resolutions and/or circulation reports. Meetings of the Board and Risk Committee are convened at least once every quarter; while meetings of Executive Committee are generally convened once or twice a month, and are subject to the Bank’s needs and convened on a non-regular basis. For written resolutions and circulation reports, they are circulated from time to time, as required.



In 2022, the following issues of climate-related risks and opportunities were discussed and reviewed by the Board and the designated committees:

- Adding qualitative principles in relation to climate risk to the Risk Appetite Statement
- Updating the climate risk management elements in the Remuneration Policy
- Updating the Board and the relevant special committees' duties and responsibilities in respect of climate risk management in the Corporate Governance Documents
- Climate risk stress test
- Integrating climate risk in Bank's regulatory process
- Expanding opportunities of green finance

To ensure the Board keeps up with the latest trend of climate-related issues, the Bank provides climate competence trainings to ensure that the Board has the necessary expertise and skills to oversee the management of climate-related issues. The topics of trainings related to climate-related issues provided to the Board during 2022 were as follows:

- Climate change report
- Implementation progress of low-carbon green development and climate risk management

In terms of climate risk management strategies, regulations and the Group's policies of carbon neutrality, green operation and green finance are followed and implemented strictly in the Bank's strategies and business policies. In addition to requiring all business units to incorporate climate considerations into their business policies, operation and development, including by the incorporation of the Climate Risk assessment strategy into the New Product Risk and Compliance Approval Policy and Policy for Reputation Risk Management, the Bank also closely monitors business environment where it operates, so as to understand its competitive position and market standing. It actively conducts research in the areas of carbon neutrality and green finance to support the Bank's business strategy and decision in addressing climate change as well as exploring business opportunities and supporting customer transformation.

Moreover, it is important to establish an effective climate risk stress test to analyze the impacts of increased climate change on financial institutions. In 2021, the Bank participated in the pilot Climate Risk Stress Test led by the Hong Kong Monetary Authority ("HKMA"), and conducted and completed its first internal climate risk stress testing and scenario analysis exercise in 2022. The climate risk stress test, covering both physical and transition risks, is a regular exercise that analyzes how these risks impact and transmit to the key risk indicators of credit risk, market risk and operational risk.



For physical risk, the Bank mainly assessed the impact on its property-related loan portfolio due to rising average temperature, rising average sea level and increasingly frequent and severe extreme weather events. For transition risk, the Bank assessed the impact of policy change (e.g. rising carbon price), carbon-reducing technological advancements and changes in market sentiment to the Bank's asset portfolios, including a refined assessment of the main portfolios in high carbon-emitting sectors, with reference to the climate scenarios developed by the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS").

In terms of cultural promotion, the Bank has incorporated the climate risk-related factors and work plans into departmental budgets and performance evaluation. At the same time, the Bank continues to maintain close communications with regulatory agencies, industry organizations and professional groups to absorb the latest market information and requirements.

In terms of risk management, the Bank has incorporated climate risk into its existing risk management framework and policies including Policy for Risk Governance, Risk Appetite Statement, etc. It has also developed green financing related guidelines covering green credit identification, assessment and management. To address physical and transition risks, the Bank has established an early warning mechanism to monitor market price fluctuations, identify financial assets with potential risks in advance, and regularly conduct stress tests on the impact of climate risks on financial asset valuation changes. The Bank monitors the latest climate policies and relevant technological developments, assessing the impact of transition risks on financial asset prices. Climate risk factors are also taken into consideration in the assessment and approval process for new products and services assessment and documented in the Product Memorandum.

In terms of indicators and targets, CCB (Asia) has set emission reduction targets to reduce emissions and energy use in daily operations, improve energy efficiency, and advocate environmental protection concepts:

- Carbon emission reduction target: Completed the first Carbon Audit in 2021 with 2020 as the base year, the total carbon emission was 15.14Ktone. Long-term target of operational carbon emission will be reduced by 40% in 2023 compared to the base year of 2020 i.e. 9.3Ktone or less.
- Water conservation: Water savers were installed at the faucets of the washrooms in the office building which effectively reduced the water consumption and enhanced the efficiency of water saving. In comparing with the water consumption in 2021, the water consumption in 2022 was reduced by 27%.
- Zero carbon emissions in transportation: CCB Centre in Kowloon Bay targeted to increase the number of parking spaces with electric vehicle charging facilities by 50% from 2020 to 2023. In 2022, the number of parking spaces with electric vehicle charging facilities at CCB Centre has already been increased by 150%.



- Development of renewable energy: In 2021, the office building in Kowloon Bay – CCB Centre installed additional renewable energy (solar) power generation facilities and joined CLP Feed-in-Tariff scheme. There was a total of approximately 35,383 kWh of electricity generated in 2022.
- Enhance the efficiency of building energy: From 2019 to 2020, LED lightings with sensors are installed in all staircases and carparks in the office building. In 2020, the operation schedule for electricity consumption at the common area of the building was adjusted, and the air-conditioning system was also renovated to enhance energy saving. Pilot installation of centralized control system for air-conditioning and fan coil system was applied to the new office area. In 2021, lighting timers were applied to the building office area to reduce the power consumption. In 2022, energy consumption was reduced at CCB Centre and CCB Tower by 3.89% and 5.98% respectively.
- Intelligent air-conditioning management system was installed at CCB Centre at the end of 2022 to optimize the performance of property facilities. Combined with the data of the building management system (BMS), retro-commissioning was carried out to enhance the effectiveness of the air-conditioning system, reduce carbon emissions, optimize the daily operations and reduce around 5-8% of the electricity consumption of air-conditioning system.
- Gradual phasing-out of fuel and hybrid vehicles: In 2021, a new Euro IV minibus was replaced the original one.
- Promotion of the concept of environmental protection and reduction of consumables: In terms of environment protection and recycling, waste classification and recycling facilities (e.g. waste paper, metal, plastic, rechargeable battery and fluorescent light and lamps) were established and implemented in 2019. The Bank promotes the concept of low-carbon environmental protection to all the staff members by various means, and encourages them to develop the habits of paperless office, energy saving, water saving and low-carbon travel. The Bank also promotes to its staff members to cultivate low-carbon environmental awareness, reduce the supply of disposable paper cups and cutlery in pantries, reduce the periodical subscriptions of newspaper copies and replace them with electronic reading materials. In terms of material consumption, by analyzing the data of the printer usage, the printer configuration was optimized and reasonably control the amount of printing. From 2021 to 2022, the HP printer toner cartridge consumption was reduced by approximately 32% and paper consumption was reduced by approximately 22.1%.

Through continuous efforts, CCB Tower located in Central and CCB Centre located in Kowloon Bay obtained the EDGE certification for environmental protection at the end of 2021. In 2022, the private bank office on the 21/F of CCB Tower also obtained the EDGE certification.

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