O-BANK 王道銀行

Climate Risk Screening Procedures for O-Bank Investment and Financing Recipients

I. Purpose

In order to implement sustainable finance and encourage investment and financing recipients to pay serious attention to environmental protection and corporate social responsibility, O-Bank conducts climate risk screening for investment and financing recipients in industries that pose high climate risks, and continues to engage with investment and financing recipients to encourage them to gradually reduce behaviors that generate climate change risks.

II. Scope of application

O-Bank conducts climate risk screening for "carbon-intensive industries" or "enterprises in industries that have a harmful environmental impact" as follows:

(1) Carbon-intensive industries: Semiconductors (excluding IC design), electricity supplier (limited to steam power generation and combined-cycle power generation), ocean transportation, shipping, petroleum and coal products, mining & quarrying, fertilizers and nitrogen compounds, cement and cement products, basic iron and steel, and aluminum products.

(2) Industries that have a harmful environmental impact: Animal husbandry, tanning and dressing of leather; dressing and dyeing of fur, textile enterprises, enterprises engaged in the manufacture of raw chemicals, manufacture of paper & paper product, and manufacture of pesticides and environmental agents.

(3) Enterprises listed in the Mandatory Greenhouse Gas Reporting System of the Ministry of Environment's Climate Change Administration as generating annual GHG emissions of greater than 25 thousand tonnes.

III. Screening content

(1) Climate risk governance: Screen to see whether the party has climate risk management policies or documents, and whether it reports periodically to its board of directors or management regarding climate risks.

(2) Climate risk strategies: Screen to see whether the party's principal places of business have experienced flooding, whether the party has assessed and responded to physical risks (direct or indirect losses resulting from climate-change-triggered specific natural disasters or long-term change in climate models), whether the party has assessed and responded to transition risks (risks that arise as society transitions to a low-carbon economy due to the impact of legislation, low-carbon technologies, and societal preferences), whether the party has adopted response measures or training programs in preparation for climate-related disasters (e.g. floods, windstorm disaster), and whether the party's places of business have purchased typhoon or flood insurance.

(3) Greenhouse gas (GHG) emissions: Screen to see whether the party has conducted an inventory of GHG emissions, whether it has publicly disclosed its GHG emissions or obtained an external verification certificate for its GHG emissions, whether it has set a GHG reduction target, whether its GHG reduction target conforms with SBTi specifications and whether the party achieved its target for the previous year, energy consumption per NT$1 million in operating revenues compared with the previous year, and whether the party has adopted measures at its business locations to reduce operating GHG emissions.

IV. Screening method

Any investment or financing recipients that falls within "II. Scope of application" above must be assessed by a "TCFD Climate Risk Checklist" (see Attachment 1 below) to provide the data for attachment data in credit analysis reports and investment analysis reports. On the basis of the risk assessment composite score set out in the "TCFD Climate Risk Checklist," the following measures are implemented:

(1) Credit recipients: When a screening yields a score indicating that a credit recipient poses high risk, it needs to be controlled closely (e.g. lowering of the credit rating; depending on the facts of the individual case may require the customer to post collateral; require it to implement corrective action within a prescribed period of time; raise the customer's loan interest rate; etc.) and the Bank will conduct a follow-up assessment of any ongoing influence.

(2) Investees: When a screening yields a score indicating that an investee poses high risk, if the Bank conducts an assessment and still wishes to invest or to retain its investment, the decision must be raised to the approval of the bank President, and the Bank must re-assess its climate risks each year to confirm whether there have been any improvements in its climate change management. The result of this re-assessment will serve as the basis for deciding whether to continue retaining the investment.

V. All other matters on which these Screening Procedures are silent shall be handled in accordance with the "Guidelines for Promoting Sustainability of Corporate Loans and Credits," the "Financial Transactions Handbook," and the "Equity Transactions Handbook."

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Attachment 1

TCFD Climate Risk Checklist	
Screening topic	**Screening indicator**
Climate risk governance	Does the party have climate risk management policies or documents?
	Does the party report periodically to its board of directors or management regarding climate risks?
Climate risk policies	Is the party's main place of business located on the first floor or below and has experienced flooding in the past three years, or is it located in a relatively high-risk coastal low-lying & windy residential areas as designated by the Hong Kong Drainage Services Department? Please visit the following website for detailed information on physical risks in Hong Kong: https://www.dsd.gov.hk/EN/Flood_Prevention/Our_Flooding_Situation/Coastal_Low_lying_or_Windy_Residential_Areas/index.html (Applicable only to credit recipients)
	Has the party assessed and responded to physical risks (direct or indirect losses resulting from climate-change-triggered specific natural disasters or long-term change in climate models)? Examples might include extreme high or low temperatures, floods, and droughts caused by extreme climate conditions.
	Has the party assessed and responded to transition risks (e.g. risks that arise as society transitions to a low-carbon economy due to the impact of legislation, low-carbon technologies, and societal preferences)? Examples might include energy transformation.
	Has the party adopted response measures or training programs (e.g. remote work rules, flood prevention facilities, office building power generators, emergency & disaster drills) in preparation for climate-related disasters (e.g. flooding, windstorm disaster) to maintain business continuity?
	Has the party purchased typhoon or flood insurance for places of business (or leased office buildings)? (Applicable only to credit recipients)
Greenhouse gas (GHG) emissions	Has the company already conducted an inventory of GHG emissions?
	Has the company publicly disclosed its GHG emissions or obtained an external verification certificate for its GHG emissions?
	Has the company set a GHG reduction target and it conform with SBTi specifications?
	(A company that has not set a GHG reduction target need not fill out this field.) If the company has set a GHG reduction target, has the party achieved its target for the previous year?
	In comparison with the previous year, has the company's energy consumption (e.g. energy consumption or water consumption) per NT$1 million in operating revenues been reduced in the most recent year?

	Does the company use green electricity at its business locations, switch to energy-efficient equipment, install water recycling equipment, conduct in-house promotional activities focusing on conserving energy and reducing carbon emissions, etc. in order to reduce operating CO_2 emissions?