China CITIC Bank International Limited

中信銀行（國際）有限公司

Task Force on Climate-Related

Financial Disclosure (TCFD) Statement

31 December 2022

CONTENTS

The information contained in this disclosure statement is for China CITIC Bank International Limited ("the Bank") and its subsidiaries (together "the Group"), and is prepared in accordance with the Supervisory Policy Manual GS-1 on Climate Risk Management issued by the Hong Kong Monetary Authority ("HKMA") with reporting period from 1 January 2022 to 31 December 2022.

PART I: OVERVIEW OF CLIMATE RISK

A. Overview of Climate Risk

Climate risks generally refer to the risks posed by climate change, such as damage caused by extreme weather events or a decline in asset value in carbon-intensive sectors. They are broadly classified into:

Transition risk refers to financial risk created during the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate regulations, technological innovation, or a change in market sentiment, with the purpose of mitigating and adapting to long-term climate change.

Physical risk refers to the risk that may have a direct impact on the Bank's assets and operation management, including acute climate disasters and chronic climate change. Acute risk refers to the risk caused by sudden catastrophic events, including extreme typhoons, hurricanes, or floods. The risk comes from the weather events themselves and increased severity of these events. Chronic risks refer to risks from longer-term changes in global climate patterns, such as global warming, sea level rise, and ocean acidification.

The Bank manages its climate risks by identifying the transmission path to the inherent risks, including credit, market, operational, legal, liquidity, interest rate, reputation, and strategic risks. The respective risk management functions, including the Risk Management Group ("RMG"), the Controls and Compliance Group ("CCG"), the Financial Management Group ("FMG"), and the CEO Office identify and assess the impact of climate risk for each inherent risk regularly.

The objective of climate risk management is to manage the respective inherent risk profile within the Bank's risk appetite by implementing adequate and effective controls and risk mitigation measures, where appropriate and practicable.

PART II: GOVERNANCE

The Bank has established a clear climate-related governance structure, including oversight at the board level, and roles and responsibilities at the management level. In order to better carry out climate-related governance, the Bank has developed an internal guideline and updated the corresponding policies, and the senior management has discussed climate-related issues in the reporting period.

A. Governance Structure

The governance structure of climate risk management is divided into three levels:

The Board, who delegates the Credit Risk Management Committee ("CRMC") to assist the Board in fulfilling its responsibilities regarding climate risk governance, including:

- Oversee the development and implementation of the Bank's climate strategy;
- Review and consider whether and how climate risks should be integrated into the risk appetite framework, and recommend the risk appetite statement to the Board for final approval;

PART II: GOVERNANCE (continued)

A. Governance Structure (continued)

- Review and approve relevant risk policies related to climate risk, and ensure that those are properly implemented with clear guidance and operating standards;
- Ensure that appropriate personnel with the needed competence are assigned to measure and monitor the implementation of managing the climate risk; and
- Ensure that appropriate remedial actions will be promptly taken to address issues of concern when necessary.

The respective Management Level Committees ("MLCs") authorized by the CRMC or the Chief Executive Officer ("CEO") to manage daily business and affairs, including the Credit Committee ("CC"), the Market Risk Committee ("MRC"), the Asset and Liability Committee ("ALCO"), the Operational Risk Management Committee ("ORMC"), the New Product Committee ("NPC"), the Compliance and AML Committee ("CAC") and the Management Committee ("MC"). The responsibilities of the MLCs on climate risk governance will be determined by the transmission path of climate risk and include:

- Oversee the assessment of the Bank's climate-related risks, resolve climate risk-related matters, and report to the CRMC for approval for any significant issues;
- Review and concur the climate risk identification and assessment results;
- Identify and evaluate climate-related risks and opportunities in the context of the Bank's strategic objectives;
- Review climate-related risk strategies and consider integrating them into the Bank's risk appetite for each of the relevant risk areas;
- Approve, or review and concur relevant policies and documents related to climate risk;

The respective Risk Management Functions, including RMG, CCG, FMG, and the CEO Office, are responsible for the execution of climate-related risk management under their respective inherent risk area depending on the transmission path.

B. Internal Guideline and Policy

The Bank has set up its internal guideline, aiming at establishing the Bank with an effective framework of climate risk management which clarifies the definition of climate risk, the transmission path of climate risk, the division of roles and responsibility, climate risk strategy formulation process and considerations and the risk appetite of climate risk management.

Based on the principles and framework established by the guideline, the Bank has also reviewed and updated its internal policies to ensure appropriate integration of climate change considerations.

C. Key Climate-Related Issues Discussed in the Reporting Period

The ESG Steering Committee ("Committee") has been founded to pursue sustainable development and fulfil corporate social responsibilities from the perspectives of the environment, society and corporate governance.

PART II: GOVERNANCE (continued)

C. Key Climate-Related Issues Discussed in the Reporting Period (continued)

The Committee is a standing committee under the Chief Executive Officer of the Bank. It is responsible for implementing the Board's requirements on ESG-related work and steering the Bank's ESG-related work.

During the reporting period, meetings were held by the Committee to discuss the key ESG issues, including formulating ESG strategy, promoting and supervising the ESG-related work, and assessing the effectiveness of the ESG-related work.

PART III: STRATEGY

To better facilitate the formulation of climate-related strategy, the bank identified climate-related risks and opportunities to assess its strategic resilience in the face of climate change. On this basis, the bank developed its medium-term ESG strategy and launched a series of climate-related initiatives and businesses.

A. Climate-Related Risks

Both transition and physical risk will bring significant impact to business entities, the accumulation of such risks will also bring impact to the financial system. Transition risks will lead to an increase in operating costs and lower profitability for business entities. Physical risks will lead to the direct loss of corporate properties, leading to interruption in business operations. These changes ultimately lead to lower loan repayment ability of business entities and higher pricing of insurance products.

The Bank has identified how physical risk and transition risk are transmitted to traditional financial risks. Please see below the transmission channels, impacted time horizon, as well as significant of impact of each risk type:

Risk type	**Transmission channels**	**Time horizon[1]**	**Significant of impact**
Credit risk	Through drivers of both physical risk and transition risk, climate change may reduce the value of collateral, the borrower's repayment ability, as well as the Bank's capability to clear a defaulted loan.	MT - LT	Medium
Market risk	If market prices or valuations have not yet incorporated climate risk factors, either transition risk or physical risk, could trigger a lower or higher market valuation.	MT - LT	Low
Operational risk	The occurrence of extreme weather events could lead to disruptions to the Bank's operations and its key outsourcing arrangements, resulting in financial losses. Failure of internal adaptation to climate-related policy changes could also pose operational risk.	ST - LT	Low

Footnotes:

1 Short-term (ST): in next 1-2 years; Medium-Term (MT): in next 3-5 years; Long-term (LT): after 5 years

PART III STRATEGY (continued)

A. Climate-Related Risks (continued)

Liquidity risk	Climate risk may cause the Bank's customers to reduce deposits or increase drawdowns on their credit lines to meet additional expenses in the transition to a low-carbon economy or to meet sudden increases in funding needs following natural disasters.	MT - LT	Low
Interest rate risk	The carbon pricing mechanism will drive up the price of traditional fossil fuel energy, and the economy may potentially face higher inflation. Therefore, the central bank will need to increase the benchmark interest rate to deal with inflation.	MT	Low
Legal risk	Business interruptions due to extreme weather events may result in legal liabilities for the Bank. The introduction of climate-related regulatory measures may cause more legal and regulatory compliance costs over climate-risk sensitive investments and business activities.	MT - LT	Low
Reputational risk	The lack of climate awareness may lead to negative public opinion from the market, the public or stakeholders, and ultimately affect the Bank's reputation.	MT - LT	Low
Strategic risk	The Bank may lose its competitiveness and market position due to the lack of climate awareness, for example, failing to respond in a timely manner to changing market conditions, etc.	ST - LT	Low

B. Climate-Related Opportunities

The Bank attaches great importance on sustainable development in its strategy planning. As its medium-term Environmental, Social and Governance ("ESG") strategic objectives, the Bank will promote sustainable development and fulfill its corporate social responsibilities via encouraging customers to spearhead low-carbon transformation, cultivating green financing, building a beautiful and mutually beneficial society, and implementing highly efficient and transparent management systems.

To better achieve its climate strategy and adapt to the significant trend brought by climate change, the Bank is promoting sustainable development through both operational improvements and development of sustainable financial services.

Green Operation

The Bank has planned to digitalize physical application forms in banking services and also actively motivates existing customers to utilize the digital platforms and brings a "greener" customer experience to our clients.

The Bank has taken an active role in sustainable development with a plan to relocate 1,500 staff (i.e. two-thirds of all staff) to the new office, Two Taikoo Place, in 2023. The new office building has achieved the highest sustainability standards with certified Platinum ratings for Leadership in Energy ad Environmental Design ("LEED"), WELL Building Standard ("WELL") and BEAM Plus New Buildings ("BEAM Plus") . The office building has also adopted sustainable designs such as energy-saving LED lighting, waste management with centralized bin and food wastage recycling as well as efficient direct water feeding.

PART III: STRATEGY (continued)

B. Climate-Related Opportunities (continued)

By incorporating more elements of green operations into our business, the Bank could achieve greater efficiency and optimize the customer experience.

Sustainable Finance

The Bank has expanded the portfolio of sustainable financing solutions with a strong focus on green and sustainable financial services and products, including but not limited to Green Loans, Sustainability-Linked Loans, etc.

The Bank is supporting customers in different industries to address climate risks. So far, the Bank have provided customized sustainable financing solutions for companies from more than 10 sectors (e.g. automotive, food and beverage, manufacturing, etc.), identifying their climate risk exposure and planning for the transition period. As of December 2022, our green and sustainable related loan balance has reached nearly 4 times of that as of 2021.

The Bank has actively participated in Green and Sustainability Bonds issuance. As of December 2022, the Bank has participated in 19 Green and Sustainability Bonds issuance with a total amount of approximately US$ 6,130 mn, up by 265%y/y (real-estate sector excluded). With the Bank's cotiuous efforts in sustainable finance, in 2022, the Bank was ranked 5th in the Green and Sustainable Offshore China Bonds League Table, referring to Bloomberg database. The Bank was awarded the "Outstanding Award for Green and Sustainable Bond Lead Manager" in the Hong Kong Green and Sustainable Finance Awards 2022 by Hong Kong Quality Assurance Agency ("HKQAA").

PART IV: RISK MANAGEMENT

The Bank actively manages its exposure to climate risk and its potential impacts. The Bank's management of climate risk is embedded in its overall risk management framework. Based on the transmission path identified from climate risk to inherent risks, different risk departments enhance their management approach to identifying, managing, monitoring, and reporting climate risk respectively.

In general, the Bank's process for managing climate risk includes climate risk identification, internal Green Taxonomy development, policy review and update, climate risk stress testing, and regular monitoring and reporting of climate risk information.

A. Risk Identification Process

The Bank has established an effective mechanism to identify and assess climate risks in products, businesses, processes, and systems based on the definition and the transmission path to the inherent risks, including credit, market, interest rate, liquidity, operational, legal, reputational, and strategic risks.

During the risk identification and assessment process, transition risk and physical risk scenarios are constructed for each inherent risk. The risk drivers associated with the transition risk scenarios include climate policies, technology, and population sentiment, while the risk drivers associated with the physical risk scenarios include acute physical risk and chronic physical risk. Each type of inherent risk includes the risk scenarios arising from the risk drivers described above. The significance of impact on each inherent

PART IV: RISK MANAGEMENT (continued)

A. Risk Identification Process (continued)

risk is assessed based on the likelihood of occurrence, the magnitude of impact given occurrence, and the organizational resilience.

Except for credit risk where the impact was assessed at medium for both transition and physical risks, the impact on other inherent risk areas was assessed to be low (For detailed results of risk identification, please refer to PART III – A. Climate-Related Risks).

B. Green Taxonomy

To better understand and measure our exposures to climate risk, the Bank has formulated its green taxonomy to classify each transaction into four climate risk levels, with the degree of "greenness" decreasing based on the use of funds and the economic sectors of the facility, borrower, and guarantor. The classification is based largely on the Green Loan Principles, industry energy production efficiency data published by the National Bureau of Statistics of PRC, and the high carbon emission and high pollution industries defined by the Ministry of Ecology and Environment of PRC. The current industry classifications will be further enhanced and embedded in the credit processes to enable the Bank to measure its exposures to climate risks more accurately. With reference to industry best practices and evolving external environment, the Bank would regularly review and implement risk management measures, where appropriate, to manage the exposures from risk concentration to high emission and high pollution industries.

C. Stress Testing

Stress testing and scenario analysis are key initiatives in our efforts to assess and quantify climate risk. In 2021, the Bank conducted a supervisory-driven stress test pilot exercise for climate risk.

Stress Testing – Credit Risk

The design of the scenarios of both physical risk and transition risk is formulated based on those developed by the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS") and the Representative Concentration Pathway ("RCP") 8.5 adopted by the Intergovernmental Panel on Climate Change ("IPCC"). We are developing our own internal capabilities to define and set parameters for bespoke scenario modelling as part of our scenario analysis framework implementation plan.

During the year of 2022, we set up an enhancement plan to refine our stress testing and scenario analysis models and related workflows and analyze the impact of physical risk and transition risk for credit risk. We also performed stress testing and scenario analysis on asset portfolios with high climate risk sensitivity to assess the impact of climate scenarios on the bank's earnings and capital levels, and incorporated conventional risk analysis tools where appropriate.

PART IV: RISK MANAGEMENT (continued)

C. Stress Testing (continued)

We have enhanced the stress testing model and scenario analysis as well as related procedure, in terms of business development scope, granular transition path from climate risk, and collection of climate risk-related information from customers, so that we can further understand credit risk derived by the climate risk from the customer portfolio. The methodology and assumptions we adopt are in line with the requirements of module GS-1 "Climate Risk Management" and IC-5 "Stress Testing" of the Hong Kong Monetary Authority's Supervisory Policy Manual. Moreover, with reference to the climate risk stress scenarios provided by international climate institutions such as IPCC and NGFS, we have also set up work plan to further perform bottom-up stress test and scenario analysis at customer level to cater for greater variety of industries. By considering company's business development direction, government policy and expert judgment, we will perform more granular analysis on the formation of specific industry transition risk.

This year we will further collect climate risk-related data and information at both customer and industry levels, so that we can understand transition risk and risk factors from industry-specific and company-specific perspectives at a finer level; further evaluate the impact on credit portfolio and industry arising from extreme climate, various level of carbon tax and change in energy demand.

Stress Testing - Market Risk

The objective of the stress test for market risk is to assess the vulnerability of the bond investment portfolio (fair value impact) and the trading book portfolio (profit and loss impact) arising from the movement of market risk factors under various climate risk stress scenarios, in relation to transition risk of global climate policies.

In terms of scenario assumptions, the scenario parameters are mainly referenced from the climate risk scenario complied by NGFS. The NGFS scenario is developed by an econometric model which forecasts the economic and financial outcome (e.g. FX rate and interest rate) associated with transition and physical risk, using sets of selected climate variables and scenario assumptions about the future state of the world (e.g. climate policy, technology, and social factors, carbon and energy prices) as calculation inputs. Among 6 available NGFS scenarios, the "delayed transition" scenario which matches with the HKMA scenario description is selected for the Bank's climate risk stress testing.

Leveraged on experience from pilot run stress test exercise, the Bank had integrated climate risk factors into the stress testing framework for market risk which enhanced the climate risk management capability.

Stress Testing - Operational Risk

The objective of operational risk stress testing is to assess the impacts arising from climate and weather-related events in Hong Kong, including increasing temperatures, rising sea levels, and more intense tropical cyclones.

The Bank had performed the physical risk stress testing and scenario analysis to consider the operational losses resulted by extreme weather events and keeps enhancing the methodology overtime.

PART V: METRICS

As a responsible financial institution, we take our commitment to managing climate-related risks seriously. We aim to mitigate the impact of climate change on our operations and support the transition to a low-carbon economy.

The Bank reported the annual greenhouse gas ("GHG") emissions for 2022 for the first time. The figure is highly impacted due to the reduced business activities during the pandemic. We expect the GHG emissions for the coming years to reveal more normal circumstances with business activities resuming normal.

A. GHG Emissions

As a bank, we recognize the increasing need from relevant stakeholders for transparency regarding climate risk metrics. By disclosing our annual GHG emissions, we are providing our stakeholders with a better understanding of our carbon footprint, and demonstrating our commitment to reducing our impact on the environment.

Table: GHG Emissions, 2022

	Category	Year 2022
Scope I (Direct Emissions)	Mobile Combustion	45.12 tCO2
	Total Scope I	45.12 tCO2
Scope II (Indirect Emissions)	Purchased Electricity	3,488.54 tCO2
	Total Scope II	3,488.54 tCO2

To ensure the accuracy of our GHG emissions reporting, we benchmarked global standard *GHG protocol* for GHG calculation and adopted standardized emission factors based on our geographical location and electricity suppliers.

We have also established robust data collection and processing methods to ensure the completeness and accuracy of our GHG emissions data. In 2022, the Bank's Scope 1 emission covers GHG emissions directly generated from mobile combustion. Scope 2 emission covers GHG emission generated through the purchase of electricity for our premises – main offices and branches.