

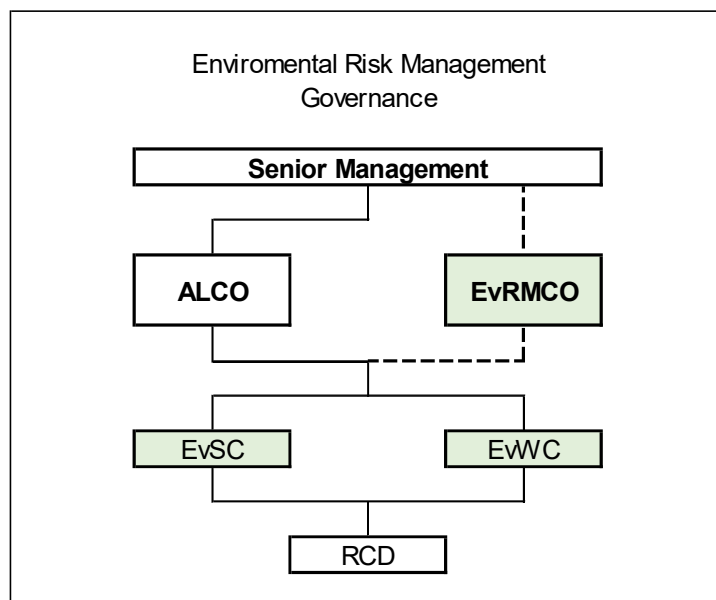
MAS Environmental Risk Disclosure for China Merchants Bank's Singapore Branch (CMBSG)

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1 Governance

1.1 Describe the oversight of climate-related risks and opportunities by Senior Management

1.1.1 Process, frequency and training

1. CMBSG's Assets & Liabilities Management Committee (ALCO, which may be replaced by the Environmental Risk Management Committee (EvRMCO) in future), ensures continuous environmental risk training, promotes a strong environmental awareness programme, and nurtures environmentally responsible behavior among all staff.

2. CMBSG's Senior Management receives environment-focused updates and environmental risk training.

Environmental risk training was conducted to Risk Control Department (RCD) and Management in February 2022, and then to the broader RCD and staff members of the first line of defense in June 2022.

Additional training will be carried out to further support the integration of the newly adopted Environmental Risk Management Policy and Procedures (EvRM P&P) document as needed.

1.1.2 Sub-committee accountability, processes and frequency

3. ALCO may be replaced by the EvRMCO in future to provide more support to the environmental risk identification and management as needed.

The EvRMCO, if activated, has two sub-committees, which are the Environmental Steering Committee (EvSC) and the Environmental Working Committee (EvWC). The details of their roles and responsibilities are outlined in the EvRM P&P.

4. Senior Management & the ALCO (together with the EvSC, if activated) exercise oversight of environmental risks together.

5. CMBSG's RCD is responsible for the execution of the climate risk scenario analysis, stress testing, and relevant environmental risk mitigation analysis and planning.

6. The Internal Auditor conducts internal review, and challenges CMBSG's environmental reporting and disclosure where necessary.

1.1.3	Examples of the Senior Management and relevant committees taking climate into account	7. The EvSC, if activated, would be responsible for advising RCD on high environmental risk engagements, and drafting of the High Emitter Exclusion List (HEEL).
1.2	Describe the Committee's role in assessing and managing climate-related risks and opportunities	
1.2.1	Who manages climate-related risks and opportunities	<p>CMBSG's ALCO is currently responsible for:</p> <ol style="list-style-type: none"> 1. Assisting CMBSG's Senior Management in fulfilling their oversight responsibility on environmental risk related matters. 2. Integrating CMBSG's environmental risk management approach, as articulated in the EvRM P&P, into the relevant business and functional areas. 3. Overseeing and directing the management of climate-related opportunities. 4. Going forward, the EvRMCO, if activated, would take over the responsibilities above and report to the Senior Management.
1.2.2	How Committee reports to the Senior Management	5. CMBSG's ALCO (EvRMCO, if activated) submits a quarterly progress report (including key climate risk considerations) to the Senior Management, and provides additional updates as and when required.
1.2.3	Processes used to inform Committee	6. CMBSG's RCD submits a progress report (including key climate risk considerations) to the ALCO (EvRMCO, if activated) at every quarterly meeting.

2 Strategy

2.1 Describe the climate-related risks and opportunities CMBSG has identified over the short, medium, and long term

<p>2.1.1 Processes used to determine material risks and opportunities</p>	<ol style="list-style-type: none"> 1. CMBSG intends to use scenario analysis and stress testing to identify environmental risks and is in the process of developing internal capabilities as such. 2. Real-estate and Commodity Trading / Wholesale Trade (Energy) customers undergo sector-specific assessment for better understanding of their risks and climate strategy. <p>This helps CMBSG to identify potential business opportunities to support the transition.</p>
<p>2.1.2 Relevant short, medium, and long term time horizons</p>	<ol style="list-style-type: none"> 3. In the short term, CMBSG aims to <ol style="list-style-type: none"> a. Avoid any exposure to carbon-intensive sectors in CMBSG's total portfolio (currently at 0%). b. Progressively reduce total exposure to climate-sensitive sectors from current 24% of CMBSG's total portfolio.
<p>2.1.3 Transition or physical climate-related issues identified</p>	<ol style="list-style-type: none"> 4. Transition or physical climate-related risk impacts may manifest across the risk taxonomy and into long-term time horizons, including but not limited to credit, market, liquidity, operational, and reputational risks. 5. In the Real Estate sector, CMBSG has identified transition risks, such as, reputational damage for firms emitting high levels of GHGs or engaged in polluting activities or developing land of high natural value due to high demand for urban land. 6. In the Commodity Trading / Wholesale Trade sector, CMBSG has identified physical risks, such as, increased frequency of tropical cyclones leading to infrastructure damage and disruption in operation and resulting in higher insurance premium, lower extraction productivity, and higher risk workplace.

<p>2.1.4 Risks and opportunities by sector and/ or geography</p>	<p>7. CMBSG has conducted both scenario analysis and qualitative assessment on climate-related risks and opportunities in the Real Estate and Commodity Trading / Wholesale Trade sectors in Singapore.</p> <p>8. CMBSG has translated climate-related risks in the Real Estate and Commodity Trading / Wholesale Trade sectors into climate impacts on CMBSG's clients through transmission channels.</p> <p>For example, in the Real Estate sector, the changes in the price of construction materials, the changes in energy prices and composition and the implementation of carbon tax may incur additional expenditure, leading to reduction in COGS and operating expenses.</p> <p>9. Opportunities are also identified, such as, improved operational and resource efficiency and inclusion of low carbon and renewable energy sources in the overall business strategy for Commodity Trading / Wholesale Trade clients.</p> <p>10. CMBSG is considering other opportunities, including sustainable finance, sustainable investment, and sustainable infrastructure.</p>
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<p>2.1.5 Concentrations of credit exposure to carbon-related assets</p>	<p>11. CMBSG identifies 3 carbon-intensive sectors and 5 climate-sensitive sectors where customers have higher climate risk exposure¹:</p> <ul style="list-style-type: none"> a. Carbon-intensive sectors <ul style="list-style-type: none"> i. Mining and quarrying ii. Manufacture of basic metals iii. Manufacture of fabricated metal products except machinery and equipment b. Climate-sensitive sectors <ul style="list-style-type: none"> i. Manufacture of chemicals and chemical products ii. Manufacture of machinery and equipment iii. Transportation and storage iv. Wholesale and retail trade v. Real estate activities <p>12. In particular, HO's credit granting policy for the coal and mining industries in China are summarized as follows:</p> <ul style="list-style-type: none"> a. Coal industry: <ul style="list-style-type: none"> i. Eliminated exposure to coal enterprises that fail to meet legal compliance and other relevant industry standards in terms of safety, technology, scale, environmental protection and operation ii. Stopped providing new lending to coal mining enterprises which violated safety operation rules and failed to remedy major environmental hazards b. Mining industry: <ul style="list-style-type: none"> i. Only accept customers that are legally compliant (e.g. with pollutant discharge permits) ii. Limited exposure to mining enterprises with insufficient investment in environmental protection and safety iii. Required that the main extraction work of mining projects be designed, constructed and put into use at the same time as their supporting facilities for environmental protection and safe production <p>13. CMBSG will take guidance from HO on policies to adopt in the coal and mining industries.</p> <p>14. In line with the recommendations of ABS, CMBSG aims to enhance their scope 3 emissions disclosure by encouraging their customers to publicly disclose their carbon emissions based on the ABS Environmental Risk Questionnaire (ABS-ERQ).</p>
<p>2.2 Describe the resilience of CMBSG's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	

¹ Sector categorization follows the Singapore Standard Industrial Classification 2020 published by Singapore Statistics

2.2.1 Embedding climate into scenario analysis	1. CMBSG leverages the Network for Greening the Financial System's (NGFS) "data and transition pathway model" to explore the potential impacts of physical and transition risks of climate change through scenario analysis.
2.2.2 Key drivers of performance and how these have been taken into account	2. CMBSG's environmental risk assessment process uses an "Environmental Risk Control Qualitative Assessment" (EvRCQA) tool to reflect a holistic risk view by combining the impact levels and likelihood to determine the overall environmental risk assessment for the specific risk event to individual clients. The overall environmental risk assessment outcomes are quantified and then be classified as either low, medium, or high.
2.2.3 Scenarios used and how they factored in government policies	3. CMBSG's scenario analysis is conducted using the Hot house and Disorderly NGFS scenarios, which incorporate a complex set of social, political and economic projections based on predicted future changes to the natural, political and market environments.
2.2.4 How strategies may change and adapt	4. CMBSG takes an incremental approach to environmental risk management in recognition of the evolving nature and maturity of environmental risk management practices. 5. The EvRM P&P, adopted in Q2 of 2022, provides an enhanced risk management approach to environmental risk and opportunity. It is reviewed annually, and will be augmented according to the MAS requirements, the changing environmental risk landscape, emerging management practices, and both CMBSG's capabilities, and environmental risk appetite.
2.3 Describe the impact of climate-related risks and opportunities on the CMBSG's businesses, strategy and financial planning	
2.3.1 Impact on strategy, business, and financial planning	1. CMBSG intends to attach greater importance to climate related risks and identifies key climate risks and opportunities for CMBSG based on their actual and potential impact on CMBSG's business, strategy and financial planning in the context of CMBSG's development plans.
2.3.2 Impact on products and services	2. CMBSG intends to help their customers transition to a sustainable future by building a sound climate change risk management system covering green loans and sustainability-linked loans, as well as green investment. 3. CMBSG's environmental risk assessment on new and existing customers is conducted using the ABS-ERQ, client specific risk profile, and sector-specific risk assessment.

2.3.3 Impact on supply chain and/or value chain	<p>4. Currently our HO encourages suppliers to make their own carbon commitments, and to disclose their emissions.</p> <p>5. Our HO takes into account climate-related risks as part of their third-party supplier risk management process.</p> <p>6. CMBSG will take guidance from HO on steps to adopt.</p>
2.3.4 Impact on adaptation and mitigation activities	<p>7. CMBSG is developing operational plans for climate change mitigation and adaptation.</p>
2.3.5 Impact on operations	<p>8. CMBSG will take guidance from HO on adoption low carbon principles in our operations, and use energy saving and emission reduction technologies to lower emissions and operating cost.</p>
2.3.6 Impact on investment in research and development	<p>9. CMBSG intends to participate in the in-depth research in environmental protection and energy conservation industries closely related to climate risks that are initiated by our HO.</p>
2.3.7 Approach to meet stakeholder expectation	<p>10. CMBSG intends to disclose our EvRM P&P and set short- and medium-term targets to align our provision of credit and loan facilities with the goals and timelines of the requirements of MAS and our HO.</p>

3 Risk Management

3.1 Describe CMBSG's processes for identifying and assessing climate-related risks.

3.1.1 Banking risk types relevant to the environment	<ol style="list-style-type: none"> 1. Key climate risk types include: credit risk, market risk, liquidity risk, operational risk, reputational risk and legal risk. 2. CMBSG applies environmental risk monitoring and control, which enables CMBSG to respond to emerging environmental risks in the business and functional units.
3.1.2 Process	<ol style="list-style-type: none"> 3. Going forward, the process of identification and assessment of climate risk will include analysis of various climate scenarios on CMBSG, in addition to regular assessments and stress-testing.
3.1.3 Integration into policies and procedures	<ol style="list-style-type: none"> 4. The detailed process of environmental risk identification and management can be found in the CMBSG's EvRM P&P. 5. CMBSG intends to incorporate the ABS-ERQ into its customer onboarding process for both new and existing loan customers, and is currently piloting its use. 6. CMBSG is exploring the possibility of incorporating climate risk assessments into its loan and portfolio monitoring.

3.2 Describe the CMBSG's processes for managing climate-related risks

3.2.1 Process and how we make decisions	<ol style="list-style-type: none"> 1. At the "first line of defense", Relationship Managers fill in the ABS-ERQ based on client's information, review ongoing compliance reports from clients on environmental matters, and verify compliance with the EvRM P&P. They also work with the client to identify and correct areas of noncompliance, if any. 2. The RCD conducts scenario analysis and stress testing to identify the environmental risks and opportunities. 3. Relationship Managers, and RCD submit assessment results to the ALCO (EvSC, if activated) for review. 4. CMBSG will continue to adhere to our EvRM P&P when determining the materiality of our exposure to climate-related risks and ensuring environmental risk related information is escalated to the appropriate decision making authority.
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3.3 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the CMBSG's overall risk management.	
3.3.1 How we have aligned and integrate our approach	<ol style="list-style-type: none"> 1. CMBSG is in the process of integrating climate risk into the risk management approach of its main businesses. 2. In its EvRM P&P, CMBSG explains how the Senior Management intends to integrate climate risk management across its main businesses. 3. CMBSG's approach to climate risk management is aligned to and augments the existing risk management framework and "three lines of defense" model.
3.3.2 How we take into account interconnections between entities, functions	<ol style="list-style-type: none"> 4. CMBSG will continue to work closely with HO to refine our climate-related policies to be in line with authorities and emerging international best practices.

4 Metrics and Targets

4.1 Disclose the metrics used by CMBSG to assess climate-related risks and opportunities in line with our strategy and risk management process

4.1.1 Metrics used to assess the impact of climate-related risks on our loan portfolio	<ol style="list-style-type: none"> In the short term, CMBSG aims to <ol style="list-style-type: none"> Avoid any exposure to carbon-intensive sectors in CMBSG's total portfolio (currently: 0%) Progressively reduce total exposure to climate-sensitive sectors from current level of 24% of CMBSG's total portfolio.
4.1.2 Metrics used to assess progress against opportunities	<ol style="list-style-type: none"> At a group level, CMB's green loan balance reached RMB 207 billion in 2020, and CMB issued \$1.1b worth of green and sustainable bonds. Since its inception, more than S\$11 billion of green, social and sustainability bonds have been issued in Singapore; and from 2017 to 2020, over S\$22.5 billion of green and sustainability-linked loans have been issued in Singapore. CMBSG will take guidance from HO in view of the Singapore markets on further metrics to adopt.

4.2 Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

4.2.1 Our own operations	<ol style="list-style-type: none"> At the HO Level, Scope 1 and 2 emissions were 9,593 tCO₂e in 2020. CMBSG aims to enhance our Scope 3 emissions measurement and disclosure by encouraging our customers to publicly disclose our carbon emissions based on the ABS-ERQ.
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4.3 Describe the targets used by CMBSG to manage climate-related risks and opportunities and performance against targets

4.3.1 Details of targets set and whether they are absolute or intensity based	<ol style="list-style-type: none"> Our HO is in progress of quantitative targets setting. It has not yet set quantitative goals for energy conservation and emission reduction, due to uncontrollable factors such as lease change, equipment upgrade and pandemic impact. CMBSG will take guidance from HO on targets to adopt.
4.3.2 Other key performance indicators used	<ol style="list-style-type: none"> CMBSG intend to track other indicators, such as electricity consumption, water use and waste management.