Climate-related Strategy and Disclosures

Strategy

As an integral member of the Hong Kong and global community, livi bank takes climate risk seriously and recognizes the impact that climate risk poses to generations to come. We recognize that we have the civic duty and responsibility to play a role in minimizing and reducing our impact on climate risk.

Our bank addresses Environmental, Social and Governance ("ESG") considerations in all that we do. In that process, we take reference from the UN Sustainability Development Goals, especially in Climate Action, Inclusion & Diversity, Reduced Inequalities and Financial Inclusion.

In terms of climate related risks, the related risk for retail banking business is considered minimal, with products such as deposits, payment, transfer, personal loans and insurance. As the Bank grows SME business, the level of risk can be expected to increase, albeit modestly. While our Bank has limited risk exposures to climate change, we are setting up risk management controls to closely monitor the climate risk exposures, opportunities and developments to assess any impact on its business strategy, products and services, and to enhance our responses to climate change as we recognize that it is a global trend.

As a digital bank, we adopt technology that helps to accelerate sustainable growth with a reduced carbon footprint – less use of paper, no physical branches. Sustainability measures are adopted where applicable, such as at the Bank's offices to minimize the building's environmental impact. In addition, our bank is committed to ensuring that its operations comply fully with all applicable environmental laws and regulations.

Management and Disclosures of Climate Related Risks

The recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD') have introduced an important framework for understanding and analysing climate-related risks, and livi bank is committed to regular and transparent reporting to help communicate and track its progress for climate-related matters.

Governance

The Board of Directors of the Bank (the "Board") has overall responsibility for climate-related risks. With the assistance of the Board Risk Committee (BRC) and other committees, the Board is responsible for:

- overseeing the Bank's approach to managing climate risk and development and implementation of the Bank's climate related strategy;
- reviewing and approving the Bank's climate related strategy, policies and plans;
- monitoring the progress of the Bank's climate related strategy and targets, and evaluating the work of the other relevant committees or business units and approving recommendations, if any, on actions and proposed adjustments to the strategy;
- ensuring appropriate governance structure, resources, processes, systems and controls to support implementation, execution and monitoring of the climate-related strategy and an effective climate risk management framework;

- assigning roles and responsibilities and priorities of climate risk management plans to the Bank's other governance committees, departments, line functions and staff; and
- reviewing effectiveness of the relevant committees annually, as well as the quality of the management information it receives.

The Management Committee (MC) is to receive and consider reports from the designated sub-committee(s) and, as appropriate, advise the BRC on (i) the integration of climate risk into the Bank's risk management framework; (ii) proposed changes or updates to management strategy and related framework; (iii) risk analysis reports provided and actions proposed by the Risk Management & Internal Control Committee (RMC); and (iv) updates on relevant and material developments, and to approve any proposed actions from other committees and business units or functions.

RMC is to report to BRC the following, if any:

- progress of integration of climate risk into the Bank's risk management framework
- significant matters in connection with climate risk exposure and proposals on actions to be taken; and
- updates of regulatory developments and issues in connection with climate change that may have an impact on the Bank's businesses and operations

Risk Management

From a risk management perspective relating to climate risk, the Bank has incorporated climate-related risk considerations into its risk management framework, and established effective risk management processes to identify, measure, monitor, report, control and mitigate such risks.

In respect of risk identification and assessment, the Bank:

- has performed assessment and considers the impact of climate change to the Bank is very limited, given the business currently has a greater proportion of retail banking, while the SME business customers can be expected to experience a limited impact from climate change;
- has performed assessments on Scope 1 and 2 emissions, and the emissions are not expected to have significant impact on the Bank's operations; and
- has assessed the climate change currently poses mainly physical risks to the buildings that it occupies as an organisation, including offices and data centers. However, the risks are considered to be very low and are manageable as the locations are mainly based in Hong Kong and Shenzhen, and any disturbances to such buildings are considered in the Bank's Business Continuity Plan.

As the Bank is of the view that its risk exposures due to climate change are low, in the short-term and medium-term it is considered that the Bank does not have any climate-related risk scenarios.

In respect of monitoring, reporting, control and mitigation, the Bank:

- will report to the BRC or/and MC and make recommendations, if any, on specific climate risk management strategy, policies, plans, climate risk exposures and related disclosure; and
- will review, at least annually, risk appetite limits, associated with climate strategy, where appropriate.