

CORPORATE FINANCE (D.T.C.) LIMITED

CLIMATE RISK DISCLOSURE

30 JUNE 2024

This disclosure report is developed in response to the Hong Kong Monetary Authority's Supervisory Policy Manual GS-1 Climate Risk Management, first introduced in December 2021.

This is the second disclosure report of Corporate Finance (D.T.C.) Limited (the "Company") on the Company's assessment of climate-related risks faced.

In preparation of this disclosure report, certain sections have referred to the TCFD's recommendation where and we are working for full compliance by year 2025.

1. Governance:

In the Company, the Board of Directors oversees and manages all climate risks and related matters. On yearly basis, the Board of Directors have updated the Company's status on climate-related risks and opportunities.

The senior management of the Company is responsible for the proper functioning of the Company's risk management and for driving necessary changes in addressing climate-related issues.

In 2024, the Directors have discussed the practical difficulties in handling Green Financings but remained committed towards providing preferential treatment to Green Projects when possible.

2. Strategies:

Since our Company only operate in one physical location, and that our products offered are relatively simple (fixed deposits from customers and property-based lending), the impacts of climate-related risks in short/medium/long terms are not high.

As such, our strategy to manage the climate-risks are mainly in the area of:

2.1. Green Operations:

To achieve lower scope 1 and scope 2 GHG emissions, we will consider the carbon reduction initiatives recommended in the Guide Book (Office) – issued by the Environmental Protection Department.

2.2. Green Financing:

To promote sustainable and environmentally friendly practices in the housing sector. We will try to provide preferential loan terms to facilitates the transition to a greener economy while enabling homeowners or business owners to reduce their carbon footprint and save on energy costs.

3. Climate Risk Assessment and Management:

3.1. Risk Identification:

As of 30th June 2023 and 2024, 100% of the Company's loan portfolio are property loans.

Therefore, we consider the most related and impactful climate-related risks are physical risks (e.g., property damage due to extreme weather events) and transition risks (e.g., policy changes impacting property values). This

3.2. Risk Assessment:

The total market value of collaterals for our loans granted was HK\$490 million as of 30/6/2024, which backed HK\$140 million loan amounts.

As the overall portfolio LTV ratio is low, our LTV ratio will still be well above 70% if the physical and transition risks negatively impacted the market value of these properties.

Going forward, the Company will consider the “Green Elements” of the property in our credit evaluation. Within the limits and guidelines issued by the HKMA, the Company will try to provide more favorable terms for those properties with “Green Elements”, on both the LTV and interest rate consideration.

4. Metrics and Targets:

4.1. Staff Training:

Provide training programs to enhance staff awareness and understanding of climate-related risks, including the integration of climate considerations into loan origination, underwriting, and risk assessment processes.

4.2. Green-Operations:

To bring the “green office” concept into full play, we introduced a number of measures aimed at reducing waste at source, which is made with reference to the carbon reduction initiatives recommended in the Guide Book (Office) – issued by the Environmental Protection Department:

4.2.1. Paperless Environment

We have issued guidelines on reducing paper consumption and green tips, as well as encouraging colleagues to print on both sides of paper (e.g. updated T&Cs and paper statements issued to clients) and reuse one-sided paper and envelopes whenever possible.

4.2.2. Energy Conservation

To reduce energy consumption to save power and reduce cost, we have set our central A/C temperature control to no less than 24 °C other than necessary facilities such as server room.

We have also setup our computers to enter energy saving mode after 10 minutes of dormant activities.

Moreover, we have planned to switch our lightings to LEDs in the upcoming refurbishment of office.

4.2.3. Waste Reduction & Recycling

We have set up collection points to recycle items including toner cartridges, rechargeable batteries, waste paper, plastic and metal containers, as well as conducting regular office inspections to heighten environmental awareness among our colleagues.

4.2.4. Promotion of paperless meetings

Keeping pace with the development of digital technology, we have been actively promoting “paperless meetings” by encouraging our colleagues to use electronic devices such as tablets and laptop computers for presentations and discussions in day-to-day meetings so as to reduce paper consumption.

5. Disclosure and Reporting:

5.1. Public Disclosure:

With reference to SPM GS-1, the Company will disclose relevant climate risk information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by end of 2025.

5.2. Gap analysis:

With reference to the TCFD recommended disclosure on climate risk information, we have performed a gap analysis, to better identify our work towards full compliance by end of 2025:

- Disclosure on Governance

We have fully disclosed the management's role in assessing and managing climate related risks and opportunities and the key aspects and issues discussed and reviewed by the Board and senior management in section 1.

We believe we are in full compliance with TCFD's recommendation on disclosure on Governance.

- Disclosure on Strategy

As stated in section 2, we have the potential impact of climate-related risks over short, medium, and long term, which is not high as our business and products offered is relatively straight forward.

We have also implemented Green Operations concept in our office for transitioning into a low-carbon operation to lower our carbon footprint.

We believe we are in full compliance with TCFD's recommendation on disclosure on Strategy.

- Disclosure on Risk Management

As stated in section 3, we have analysed our business and loan portfolio to identify and assess the potential impact of climate related risks, which is physical and transition risks.

We have also disclosed our methodology and process to give preferential treatment to projects with more Green elements

We believe we are in full compliance with TCFD's recommendation on disclosure on Risk Management.

- Disclosure on Metrics and Targets

In section 4, we have disclosed our targets and action plans to respond to the climate related risks in our Company.

We have also documented the protocols we have implemented in our operations in section 4.2 to describe the targets and our response to manage our performance in tackling climate related risks.

However, we are still working to evaluate and disclose the scope 1 and scope 2 emissions of our operation to comply with the TCFD recommendation.

Overall, in this reporting period, we believe we are in full compliance with TCFD disclosure recommendations in multiple aspects, including Governance, Strategy and Risk Management.

For Metrics and Targets, we have partly adopted the TCFD recommendations and is working towards full compliance by the end of 2025.