

AEON CREDIT SERVICE (ASIA) CO., LTD.
STATEMENT ON CLIMATE RISK MANAGEMENT

1. Objective

The objective of this statement is to provide a consistent approach across the Company to assess and address climate-related risks. It aims to ensure the identification of climate risks and the establishment of counter measures to properly address the risks. It also ensures on-going monitoring of climate-related risks, including both existing ones and new ones that will emerge in the future.

2. Key Drivers of Climate-related Risks

There are two types of climate-related risk drivers.

- a) Physical risk - Impacts of a changing climate include more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation.

The Company's operation may be disrupted due to physical damage to its head office, branches, data centres, and facilities suppliers or service providers as a result of extreme weather events.

Also, there may be a risk of reduction in borrowers' repayment ability (income effect) or recovery of loan outstanding in the event of default (wealth effect).

- b) Transition risk - Financial loss result, directly or indirectly, from the process of the Company's improvements towards a lower-carbon and more environmentally sustainable economy. This could be triggered by, for example, abrupt adoption of climate and environmental policies by relevant authorities, technological enhancements to combat climate changes, and changes in market sentiment and preferences.

3. Governance of Climate Risks

The governance of climate risks follows the framework to manage all other risks of the Company as defined in the Enterprise Risk Management Policy.

Overall responsibilities

The Board, Sustainability Committee, and Management should:

- Have appropriate skills and competencies to develop strategies in response to climate-related risks and opportunities and to oversee the implementation of such strategies, also,

have sufficient knowledge and understanding of global, regional and local developments to assess their impact on the Company.

- Exercise effective and adequate oversight of climate strategy, climate risk management, and the cultivation of a strong risk culture.

Roles & Responsibilities of the Board, Sustainability Committee, and Management

- The Board holds ultimate responsibility for the oversight of climate-related risks and opportunities. The Board ensures that the Company's approach to climate-related risks is aligned with its overall strategy and Enterprise Risk Management framework, thereby fostering long-term value creation and resilience against climate change impacts.
- The Sustainability Committee is specifically tasked with the detailed oversight of climate-related risks and opportunities. The committee acts as the Board's advisory body on sustainability matters, providing specialized focus and expertise to drive the Company's climate strategy.
- The Management is responsible for the implementation and day-to-day oversight of the Company's climate-related risk management processes. This includes the identification, assessment, and monitoring of climate-related risks and opportunities across the Company.

4. Climate-Related Risk Management

Risk Identification, Assessment, Monitoring and Reporting

The Company identifies and measures climate-related risks through a structured process that is part of its Enterprise Risk Management framework. The climate risk identification involves gathering data from internal operations, external climate models, and keeping track of changes in regulations and market trends.

Each climate risk, same as other risks faced by the Company, has to be identified, assessed, responded to, monitored and reported. The implication of each climate-related risk should be analysed and grouped into the existing risk categories – mainly Operational Risk for physical risk, and Legal and Compliance Risk for transition risk.

Once identified, the corresponding risk owner division/department should take the lead to manage the risk in accordance with relevant risk management regulations and guidelines.

The Company continually monitors exposure of operation to physical risks and the evolution of climate-related risks. The risk is to be reported to the Risk Management Committee and enter into the scope of the Company's risk governance framework.

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