中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED

BOC Hong Kong (Holdings) Limited

ESG Sensitive Sector Strategy Statement

Table of Contents

1 Purpose

In order to foster the implementation of sustainability strategies and targets of BOC Hong Kong (Holdings) Group (the Group), enhance the resilience of our portfolio to climate change, and fully demonstrate the Group's commitment to sustainability in the ordinary course of business, this “ESG Sensitive Sector Strategy Statement” is formulated to specify our mid-term strategies towards ESG sensitive sectors during the provision of financial services, with an aim to support the Group’s long term sustainability plan.

Taking into consideration of the implementation progress of the Group’s sustainability targets and changes in sustainability-related international standards, local regulatory requirements and market developments, this Strategy Statement will be subject to review when appropriate.

2 Scope of Application

This Strategy Statement is applicable to the Group's credit business (include all loans, overdrafts, trade finance, etc.), financial market business (e.g. bond and equity investments, underwriting of financial instruments), while this is not applicable to asset management business.

3 Policy and Principle

3.1 General Principle[1]

In order to implement the requirements of *"BOC Hong Kong (Holdings) Limited Sustainability Policy"* to operate its business in a sustainable and responsible manner while balancing its stakeholders' interests, the Group adopts a prudent appetite and strategy for industries that may pose significant adverse impacts towards climate, environment and society.

For industries with high carbon emissions that pose significant impacts to climate change (currently mainly include coal-fired power generation, coal mining, oil and gas industries), taking into account the needs for securing stable energy supply, the Group will promote customers' low-carbon transition in an orderly manner and avoid blind suspensions or withdrawals of loans, and apply the industry control measures[2] stipulated in Section 3.2 "Sector Requirements" for project financing or customers who fail to provide low-carbon transition plans as required or transition plans provided fail to meet the local requirements of the countries where customers operate[3] and not consistent with our Group's sustainability targets, so as to support the low-carbon structural adjustment of our Group's investment and financing portfolio in the energy sector.

The impact on environment and society is also one of the key considerations when the Group provides financial services. For customers or projects that are sensitive to environmental and social issues (such as mining, forestry or projects that located in ecological/cultural protected areas) where their operations will induce adverse environmental and social consequences that cannot be readily eliminated, the Group will not provide financial services that fall within the scope of application and existing businesses involved will exit as soon as feasible.

[1] The "customer" stated in this Strategy Statement refers to the customer that our Group directly provide financial services, but not refers to the group that the customer belongs.
[2] Relevant control measures do not apply to business which involve development of renewable energy or clean technology, supporting customers' low-carbon transition or non-coal related activities.
[3] Including the carbon neutrality target and other nationally determined contributions made by the countries as being one of the parties to the Paris Agreement.

3.2 Sector Requirements

3.2.1 Coal-fired power generation and Coal mining

In order to facilitate the implementation of the Paris Agreement, each party to the Paris Agreement have already formulated or will formulate their own carbon neutrality target and strive to achieve commitments of different level of greenhouse gas emission reduction (depending on the nationally determined contribution targets of each party) by 2030. Considering coal combustion is one of the major sources of the world's greenhouse gas emissions, coal-related sectors are the main focus of low-carbon transition, therefore the Group targets to exit the financial services that fall within the scope of application involving coal-fired power generation and coal mining where customers fail to meet the requirements stipulated in the General Principle by 2040 or before. Prior to fully exit, effective from Oct 2023, the Group will:

- Not provide project financing to new coal-fired power generation and coal mining projects (except for those already contracted).
- Stop onboarding any new customers who do not have existing credit relationship with our Group at the customer group level, fail to provide transition plan which is consistent with the sustainability targets of our Group and the country where customer operate and derive more than or equal to 25% of revenue from coal-fired power generation and coal mining.
- Require existing customers to provide their transition plans and complete transition plan assessments by the end of 2025. Based on the transition plan assessment result, the Group will cease providing new financing for coal-fired power generation and coal mining (Existing financing will be terminated according to contractual arrangements) to customers who do not have a transition plan consistent with the sustainability targets of our Group and the country where customer operate.

3.2.2 Oil and Gas

During the process of energy transition and achieving the carbon neutrality target, oil and gas still play a critical role as a transitional energy, therefore the Group will continue to provide financing for the oil and gas sector. However, working towards carbon neutrality in the long run, some of the unconventional oil and gas projects will produce more greenhouse gas emissions or have significant adverse impacts to the natural environment. Therefore, effective from Oct 2023, the Group will:

- Not provide project financing to projects which involve the exploration or extraction of oil and gas in the Arctic region and Amazon Basin.
- Not provide project financing to projects which involve the exploration or extraction of oil sands and extra heavy oil[4].
- Evaluate and adjust credit strategy (if applicable) based on the assessment of the decarbonization/transition plan provided by the customer, and financing to customers will be prioritized to green or decarbonization/transition purpose.

3.2.3 Mining

In order to promote customers in the mining industry (including coal, minerals, metals, etc.) to operate business with good international practices and to avoid causing significant environmental pollution and even threatening the health of surrounding communities and wildlife, effective from Oct 2023, the Group will not provide financial services that fall within the scope of application to customers or projects which involve:

- Customers which involve direct marine or riverine tailings disposal.
- Projects which involve asbestos mine.

[4] Extra heavy oil is defined as American Petroleum Institute (API) gravity scale below 10°.

Existing businesses involving the above prohibited scope should exit as soon as feasible.

3.2.4 Forestry

In order to ensure that customers in the forestry industry comply with good international practices and avoid damaging natural forest environments or affecting indigenous communities and biological species that depend on the associated forests, effective from Oct 2023, the Group will not provide financial services that fall within the scope of application to customers which involve below behavior:

- Illegal logging; or
- Logging in High Conservation Value (HCV) or High Carbon Stock (HCS) forests; or
- Deforestation that pose significant adverse impact on biodiversity or natural habitats.

Existing businesses involving the above prohibited scope should exit as soon as feasible.

3.2.5 Palm Oil

Since palm oil is widely used (such as food manufacturing, biofuel, cleaning supplies, etc.) and the economic value is relatively high, some practitioners may operate through inappropriate practices (such as burning forest or deforestation) or develop palm oil plantations on peatlands which act as high carbon sinks. In order to ensure that customers comply with the sustainability principles in the palm oil industry, effective from Oct 2023, the Group will not provide financial services that fall within the scope of application to customers which involve below behavior:

- Illegal operations; or
- Failure to commit[5] and implement the principles of "No

[5] Customers are required to obtain certification from internationally or locally recognized sustainable

Deforestation, No Peat and No Exploitation" (NDPE).

Existing businesses involving the above prohibited scope should exit as soon as feasible.

3.2.6 Project related to UNESCO World Heritage Sites and Ramsar wetlands

The Group will not provide financial services that fall within the scope of application to projects which directly damage the UNESCO World Heritage Sites or Ramsar wetlands.

---

palm oil certification programmes, such as: Roundtable on Sustainable Palm Oil (RSPO) or Malaysian Sustainable Palm Oil (MSPO) or Indonesian Sustainable Palm Oil (ISPO) certification, etc., so as to ensure that customers comply with relevant sustainability principles. For customers who may be unable to obtain relevant certification immediately due to new development or acquisition of plantations, the customers must also commit to comply with the NDPE principles during the provision of financial services by the Group and should establish an action plan to obtain relevant certification within a reasonable timeframe.