

BOC Hong Kong (Holdings) Limited

Sustainability Policy

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1. Purpose

All member institutions of BOC Hong Kong (Holdings) Limited (the “Group”) are committed to promoting sustainable development of the environment and society in their business operations, in adherence with the Group’s strategic plan and risk appetite. The Group upholds and reinforces long-term environmental (E), social (S), and governance (G) management to foster a good and sustainable corporate culture that promotes good ethics and responsible business behaviours.

The Group made reference to the “UNEP Statement of Commitment by Financial Institutions on Sustainable Development”, “UN Principles for Responsible Investment”, “ISO 26000:2010: Guidance on social responsibility” and other relevant sustainable development principles, to formulate the “Sustainability Policy” (the “Policy”). The Policy outlines the Group’s main sustainability principles, encompassing environment, society, governance aspects, for promotion and implementation of the Group’s sustainability.

2. Scope of Application

All member institutions of the Group must comply with and implement key principles stipulated in the Policy. Member institutions of the Group including Bank of China (Hong Kong) Limited, the Southeast Asian institutions, BOC Credit Card (International) Limited, BOC Group Life Assurance Company Limited, BOCHK Asset Management Limited, BOCI-Prudential Trustee Limited and Po Sang Securities Limited, etc. should formulate their respective policies with reference to this Policy, as well as the best practices for sustainable development in the business sector and the laws and regulations applicable to the local jurisdiction. Such policy should be submitted to the Sustainability Executive Committee’s Secretariat for notification after approval by its senior management. In case that the policy adopted by any member institution is materially or substantially different from this Policy, consulting secretariat of BOCHK Sustainability Executive Committee with no disagreement should be needed prior to policy implementation.

3. Definition

From the Group’s perspective, implementation of sustainability is to operate its business in a sustainable and responsible manner while balancing its stakeholders’ interests and impact on environment, society and economy, in order to achieve the long-term and sustainable success of both the Group and its stakeholders. The Policy covers areas including, but not limited to, corporate governance, environmental protection, climate change, community investment, information disclosure and stakeholder’s communication.

4. Policy and Principle

4.1 Fulfil corporate governance responsibilities

4.1.1 Enhance governance structure

- The Group attaches great importance to sustainability, and has formed a three-tier sustainability governance structure: 1) the Board; and the Sustainability Committee and the Risk Committee , 2) the senior management and the Sustainability Executive Committee, and 3) the Sustainability Strategy Working Group.
- The Group recognises the importance of high standards of corporate governance. The Group safeguards the interests of stakeholders as a whole in a sustainable manner by embracing and enhancing sound corporate governance principles and structure.
- The Group strictly complies with the laws and regulations stipulated in the jurisdictions of business operations, and the requirements of regulatory authorities. The Group regularly reviews corporate governance standards and procedures and strives to measure up to the international and local best practices.
- Adopt a “Three Lines of Defence” mechanism for risk management, define the respective authorities and accountabilities of each level for risk management. Business units are the “First Line of Defence” which are responsible for assessing and monitoring the risk of their business; Risk management units and supporting units are the “Second Line of Defence” which are responsible for conducting independent risk management; Group audit is the “Third Line of Defence” which is responsible for conducting independent audit exercise.

4.1.2 Formulate sound policies and procedures

- This policy stipulates that all members and institutions of the Group shall abide by the relevant sustainability policies and principles in their operations. The Policy serves as the policy document of the Group in relation to sustainability. This Policy together with other relevant policies forms the sustainability policy framework of the Group.
- In order to drive the implementation of sustainability strategies and targets of the Group, “ESG Sensitive Sector Strategy Statement”, which serves as a supporting policy of the Group’s sustainability strategy, serves is formulated to specify our mid-term strategies towards ESG sensitive sectors during the provision of financial services. The relevant strategies and control measures stipulated in that policy must be strictly complied with when conducting business to ESG sensitive sectors.

- Align with the Group’s risk appetite, adhere to the Group’s significant risk management principles and adopt a sound risk management structure with comprehensive risk management policies and procedures in order to identify, measure, monitor and manage various categories of risks.
- The Group’s Credit Risk Management Policy categorised activities which involve direct engagement in gambling, pornography and manufacturing and trading of lethal arms/weapons as “prohibited transaction”; categorised ecologically sensitive loans as “special credit transaction/counterparty”, and requires stricter and tighter credit approval requirements.

4.1.3 Formulate sustainability related plan

- The Group takes into consideration macroeconomic trends and internal analysis, stakeholders’ interests and benchmark analysis, to formulate sustainability plan. The said sustainability plan shall be submitted to the management for review and deliberation, the Board-level Sustainability Committee and the Board for approval. Such sustainability plan shall be reviewed on a regular basis.
- The sustainability plan shall be integrated with the Group’s mid and long-term strategic plan.

4.1.4 Implement responsible banking

- Strictly comply with regulatory requirements and relevant industry guidelines. Implement effective monitoring procedures and systems to prevent activities related to corruption, money laundering and terrorist financing.
- Protect security and privacy of customers’ personal data and maintain accuracy of such data.
- Effectively handle customers’ complaints and continuously improve customer service standards to enhance customers satisfaction.

4.1.5 Promote sustainable product and service

- Products/services development shall adhere to the “Product Development and Risk Monitoring Management Policy” and “Administrative Measures for Greenwashing Risk Management” and the latest regulatory requirements, and shall encompass elements of sustainability principles stated in the Policy, with regular review after the product launch.
- Provide financial products and services in a fair and responsible manner and

regulate lending, investments and assets management activities responsibly, including a conscientious assessment on customers' repayment capability and risk tolerance level, as to conduct responsible credit services to customers.

4.1.6 Promote sustainability information sharing

- Enhance cross-departmental and cross-regional information sharing on a regular basis, and promote the reasonable allocation of resources.

4.2 Fulfil environmental protection responsibilities

4.2.1 Promote environmental protection

- Adopt precautionary environmental protection management measures to prevent potential environmental degradation.
- Strictly comply with international, national and regional environmental protection/biodiversity preservation laws and regulations that are relevant to business operations and services.
- Integrate environmental protection considerations into business development processes, daily operations, product and service.
- Continuously enhance environmental performance by improving the Group's environmental performance monitoring mechanism, through the use of key performance indicators to assess the effectiveness of the Group's performance on a regular basis.
- Ensure places of business (in a possible extent), operate in accordance with the best practices of environmental protection.
- Maintain stakeholders' communication and promote the importance of environmental protection/biodiversity preservation.

4.2.2 Respond to climate change

- In compliance with regulatory requirements, establish emission reduction targets, to reduce greenhouse gas emission, energy, paper and water consumption, waste, etc in daily business operations.
- Establish carbon neutrality targets to promote low-carbon development.
- Adopt a proactive approach to capture climate-related opportunities, assist customers' transition to low-carbon economy, and formulate business strategies that reflect the Group's climate-related targets.

In accordance with regulatory requirements and guidelines, gradually incorporate climate-related risk considerations into existing risk management framework and adopt effective risk management procedures to identify, measure, monitor, report, control and

mitigate risks associated with climate change. Continue to enhance disclosure in accordance with latest regulatory requirements on climate-related disclosures.

4.2.3 Support ecological conservation business

- Adopt environmentally responsible business practices during provision of services and products to customers to support ecological conservation business. Incorporate environmental-related risks into the Group's policies formulation and decision-making process to the extent possible
- Integrate climate and other environmental factors into consideration of our lending products and other business activities and support business activities that have positive impacts on the environment.
- Neither support nor engage in financing activities which deliberately violate laws and regulations associated with environmental protection/biodiversity preservation.
- Assist in the acceleration of the transition to low-carbon economy to realise green and sustainable development.

4.2.4 Practise sustainable banking operations

- Reduce energy consumption by promoting and adopting energy-saving technologies.
- Reduce waste by upholding the reduce, reuse and recycle principles, as well as promoting paperless measures through innovative technology.
- Monitor greenhouse gas emission, energy, paper and water consumption, waste disposal during the course of business, striving to protect the environment and preserve natural resources.

4.3 Fulfil social responsibilities

4.3.1 Undertake “Responsible Investment”

- “Responsible Investment” is an important investment approach embracing with ESG aspect, the long-term investment return, as well as impacts on sustainability, in order to minimise associated risks on ESG.

4.3.2 Promote financial inclusion

- Provide inclusive products and convenient services to the society through digital transformation and innovative finance, in order to uplift economic development and the community's livelihood.

- Enhance customers experience through delivering a reliable and secure banking service experience that complements customers' everyday life.
- Better serve senior citizens and underprivileged communities.
- Support the growth of small and medium enterprises and provide comprehensive financial services to encourage and support entrepreneurship.

4.3.3 Implement responsible supplier management

- Shall implement principles of sustainability into the supplier management mechanism. Shall comply with the Group's Sustainable Procurement Policy and Supply Chain Code of Conduct in the supplier selection process.
- Encourage suppliers to improve their sustainability performance, promote long-term sustainability determination and commitment. Take into consideration of elements of environmental conservation in the procurement of products and services, wherever feasible, and encourage suppliers to provide suitable environmentally friendly products, with the aim of influencing the suppliers' activities.

4.3.4 Participate in community investment

- Recognise the importance of the community and strive to promote community development, with those organizations of similar shared values.
- Promote a diverse range of charitable and community activities and encourage and support employees to participate in voluntary and community works.

4.3.5 Caring for Employees

- Focus on establishing team diversity, by adopting a fair and open recruitment and promotion policy, nurturing employees and supporting their careers and professional developments.
- Provide a conducive working environment for the employees and care for their welfare, health and safety.
- Enhance open and transparent internal communication by establishing an effective mechanism to handle employees' complaints and feedback, and promote engagement and interaction with and among employees to raise employees' loyalty and sense of belonging to the Group.

4.4 Foster Corporate Culture

- Proactively establish a corporate culture that promotes the prudent operation, safeguard customers' interests, and support the Group sustainable development.
- Strengthen innovative culture building, encourage employees to actively innovate, and promote transformational changes and digital development.
- Be people-orientated, care for employees, stimulate workforce vitality, to realise continuous growth of both employees and the Group.
- Firmly establish compliance awareness, stick to the bottom line of risk, proactively implement regulatory requirements, regularly review and optimise related management mechanisms, and promote appropriate employee behaviour.
- Regulate the Group's ethical business conducts, and establish a prudent risk-taking and fair dealing corporate culture and code of conducts.
- Integrate cultural connotations into daily business operations and internal management in order to motivate business development and to achieve cultural development.
- To deepen employees' understanding of corporate culture, the Group proactively promotes good corporate culture through various forms of advocacy. To enhance employees' self-awareness of unity of knowledge and action, through role models of their respective superiors.
- Provide employees with appropriate sustainability-related trainings on a continuous basis, improve their awareness of sustainability-related initiatives, and establish and maintain a good corporate culture.

5. Disclosure and Stakeholder Communication

- Through interactive stakeholder communication with customers, employees, investors/shareholders, suppliers and community to uphold an effective feedback approach to stakeholders' opinion and expectation.
- With reference to regulators disclosure requirements and international and local best practices and standards, timely disclose the performance of sustainability-related work through various communication channels so that stakeholders can gain understanding on the relevant situation of the Group.
- Complete sustainability related disclosures in accordance with applicable regulatory requirements. The report shall first be reviewed and deliberated by the Sustainability Executive Committee, for further submission to the Sustainability Committee and the Board for review and approval, and finally for publication on the Bank's official website.

6. Management Structure and Roles and Responsibilities

6.1 The Board with Sustainability Committee (‘SC’) and Risk Committee (‘RC’)

The Board’s sub-committee, the Sustainability Committee, is responsible to assist the Board in oversight of sustainability-related matters:

- The SC is responsible for the attainment of our sustainability-related goals by overseeing the group-level strategies, policies and practices on (1) Sustainability and (2) Corporate culture matters.
- Roles and responsibilities of the Sustainability Committee are detailed in the Sustainability Committee Mandate.

The Board’s sub-committee, the Risk Committee, is responsible to assist the Board in oversight of sustainability-related risk management matters:

- The RC is responsible for monitoring the Group’s sustainability-related risk management, particularly the resilience against climate risk

6.2 Management and Sustainability Executive Committee (‘SEC’)

The Management’s sub-committee, the Sustainability Executive Committee, is responsible to assist the Management in the implementation of sustainability-related matters:

- The SEC is responsible for the promotion and implementation of the Group’s (1) Sustainability matters ; (2) Charity-related matters ; (3) Corporate culture matters ; and (4) Protection of consumer rights responsibility.
- Roles and responsibilities of the Sustainability Executive Committee are detailed in the Sustainability Executive Committee Mandate.

6.3 Sustainability Strategy Working Group

At the working level, the Sustainability Strategy Working Group is responsible for formulating the Group’s overall sustainability strategy and overseeing the implementation of related initiatives, including: (1) governance framework; (2) strategic planning; (3) business policies; (4) products and services; (5) risk management; (6) culture and capacity building; (7) own operations; and (8) external disclosures.

6.4 Secretariat of Sustainability Committee

Main responsibilities include:

- Organise, administer and coordinate the daily operation of the SC

- Review the material to be presented to the SC
- Reporting on the work of the SC to the Board under the authorisation of the Chairman of the SC.

6.5 Secretariat of Sustainability Executive Committee

Main responsibilities include:

- Perform administrative duties, including meeting arrangements, preparation of meeting materials, coordination, minutes taking and other related matters
- Monitor and assess the formulation of sustainability-related policies and plans
- Monitor and assess the implementation as well as effectiveness of various measures, and provide timely progress reports to the Sustainability Executive Committee.

6.6 Secretariat of Sustainability Strategy Working Group

Main responsibilities include:

- Support the coordination and promotion of sustainability-related initiatives
- Handle the working group's day-to-day administrative duties
- Manage meeting arrangements, including agenda setting, meeting logistics, preparation of meeting materials, coordination, and minutes taking
- Report on a monthly basis to the chairperson of the working group on the progress of key sustainability initiatives across the Group and highlight matters requiring attention.

7. Formulation, Review and Amendment

This Policy will take effect upon the approval of the Board. The annual review and amendment of the Policy, if material, must be reviewed and deliberated by the Sustainability Executive Committee, then be submitted to the Sustainability Committee and the Board for review and approval. If there is no material amendment, it shall be reviewed and approved by the Chief Executive and then circulated to the Sustainability Executive Committee, the Sustainability Committee and the Board for notification.

— End —