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

Stock Codes: 2388 (HKD counter) and 82388 (RMB counter)

Climate-related Financial Disclosures Report 2023

CONTENTS

ABOUT THIS REPORT

Reporting boundary

The Report provides an overview of the climate risk and opportunity management and performance of BOC Hong Kong (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), including its principal operating subsidiary Bank of China (Hong Kong) Limited ("BOCHK") in 2023. It covers the Group's climate-related financial disclosures, including the Group's climate-related governance, strategy, risk management, and metrics and targets.

We recommend reading this Report in conjunction with the Group's 2023 Annual Report, 2023 Sustainability Report, and the Sustainability section and sustainability-related policies on our website, in order to fully understand our sustainability and climate-related philosophy, measures and performance.

Unless otherwise stated, the information and data contained in this Report cover the period from 1 January to 31 December 2023.

Preparation of the report

The Report has been prepared with reference to the following disclosure frameworks and requirements:

- The Task Force on Climate-related Financial Disclosures ("TCFD") recommendations
- Disclosure requirements of the Hong Kong Monetary Authority ("HKMA")'s Supervisory Policy Manual ("SPM") module GS-1 "Climate Risk Management"

Assurance and approval of the Report

This Report has been independently verified by SGS Hong Kong Limited. The scope and basis of the verification are set out in the Verification statement in Appendix 2 of this Report.

This Report has been published on the websites of BOCHK after being reviewed by the Sustainability Executive Committee of the Management Committee of the Group, and after being approved by the Sustainability Committee under the Board.

Your feedback

We welcome your comments and recommendations regarding our Report and other sustainability-related matters. Please contact us through the following email addresses:

- Sustainability Strategy Team (Email: bochk_esg@bochk.com)
- Investor Relations Division (Email: investor_relations@bochk.com)

PREFACE

China has committed to reaching carbon emissions peak by 2030 and carbon neutrality by 2060, and proactively participating in multilateral international cooperation on green development, promoting a fair and cooperative global environmental governance system, contributing and supporting the global sustainable development.

As one of the world's leading international financial and business hubs, Hong Kong has its unique advantages with the connection to both China and the world, building the bridge for domestic and international green and sustainable capitals, to support the green transition nationally, regionally in APAC and even globally.

BOCHK actively adheres to the national "dual carbon" goal, support Hong Kong to become an international green financial centre and follow the strategic deployment of our Parent Bank, Bank of China, putting sustainable and high-quality development at the core of our future growth. In responding to climate change and its impact, we have earnestly fulfilled our commitments to green and sustainability in our daily operations and business development. We have committed to achieving carbon neutrality in our own operations by 2030 and have set four major green operational goals for 2025, including electricity consumption, greenhouse gas emissions, water consumption, and paper purchase. We adopt a strategy of "first reduce, then replace, and offset at last" to proactively address climate change. We are dedicated to joining hands with our customers for low-carbon transition, minimising the environmental footprint of our operations, and working with all sectors of society to achieve carbon neutrality. At the same time, we aim to strengthen our global partnerships for sustainable development. We are a cornerstone member of the Alliance for Green Commercial Banks as well as the "Banking-Financing the Transition" Working Group co-chair of the Hong Kong Green Finance Association.

Promoting high-quality sustainable development aligned with strategy. 2023 marks the critical stage of the first Five-Year Sustainability Plan. We continue to deepen our sustainability practices and efforts, and in 2023 we completed the interim review of the 2021-2025 Sustainability Plan, setting out several quantitative and qualitative development goals and implementation targets, covering areas such as serving corporates, personal customers, and the financial market, strengthening environmental (including climate risk) and social risk management, developing low-carbon banking, improving the quality and transparency of information disclosure, and cultivating corporate culture and nurturing talent.

Enhancing resilience to climate change and formulating sector strategies. To enhance the resilience of our portfolio to climate change, since the fourth quarter of 2021, we have committed to ceasing financing for new coal mining and coal-fired power projects outside of the Chinese mainland. In 2023, the Group has expanded the restrictive scope to projects in the Chinese mainland and formulated the ESG Sensitive Sector Strategy Statement, which clearly outlines the Group's mid-term strategies towards ESG sensitive sectors. While considering the needs for securing stable energy supply, the Group will promote the low-carbon transition of customers in high-emitting industries in an orderly manner (e.g. coal-fired power generation, coal mining, oil and gas industries).

Innovating green finance products and services, providing a diverse range of green finance solutions. Following the launch of the "S&P BOCHK China Hong Kong Greater Bay Area Net Zero 2050 Climate Transition Index" ("the index") by us in 2022, the BOCHK Greater Bay Area Climate Transition ETF was listed on 31 March 2023, which tracks the index. This ETF is the first exchange-traded fund in the Hong Kong market that tracks an ESG index with investments in the Greater Bay Area ("GBA"), assisting investors to capture economic growth opportunities driven by climate transition in the GBA. We will actively implement ESG development approaches, promote the financial innovations, investments and leading practices needed to address climate and environmental risks in the marketplace, offer a full range of diversified green financial products and services, and work with our clients in the low-carbon transition.

We continuously enhance our green and sustainability strategy, promote green and sustainable finance products and services, provide a diverse range of options for all sectors to drive the low-carbon transition, and create long-term value for our stakeholders. With the sustainability goal "Solidify & Grow: Advancing toward a New Era of High-quality and Sustainable Development", we will put the sustainability strategy into execution, drive the low-carbon transition of our portfolios, take steps towards low-carbon operations, enhance the efficiency and standardisation of corporate governance, and improve ESG disclosures. We will contribute our knowledge and efforts to fully support the achievement of carbon neutrality goals.

1 GOVERNANCE

The Board and the Management of the Group proactively engage in governance and oversight of climate-related opportunities and risks, laying a solid foundation for the Group's sustainable development. The robust governance responds to increasing concerns on climate risk management and ensures effective communication with stakeholders and implementation of sustainability goals and actions. With the oversight of the Board and management level, identification, assessment and management of climate-related risks can be cascaded throughout the Group, enabling the implementation of the Group's sustainability strategy. The Risk Committee and Sustainability Committee at the Board level, the Sustainability Executive Committee at management level and the Sustainability Strategy Working Group at the working level work together to execute and achieve significant accomplishments in climate change and sustainable development, providing the basis for future development.

1.1 GOVERNANCE STRUCTURE

The Group has continuously strengthened our climate-related governance structure by establishing a three-tier sustainability governance structure composed of the Board, the Management level, and the working level. In managing climate-related risks, we have incorporated climate risk management into our enterprise risk management to ensure it is adequately controlled within an acceptable level. In managing climate-related opportunities, we focus on bank-wide coordination and implement sustainable development under the guidance of sustainability strategy.

The Board places high importance on sustainability and climate-related opportunity and risk management. The Board, with the support of the Risk Committee and Sustainability Committee, establishes strategies and guidelines for managing issues related to climate change, reviews and approves the Group's sustainability objectives and related risks, with a particular focus on the climate risk management objectives, and oversees the Group's sustainability performance and progress.

<table>
<tr><th colspan="2">Climate Risk Management</th><th colspan="2">Climate-related Opportunity Management</th></tr>
<tr><th>Main Responsibilities</th><th>Risk Management Structure</th><th>Three-Tier Sustainability Governance Structure</th><th>Main Responsibilities</th></tr>
<tr><th colspan="4">Board Level</th></tr>
<tr><td>• Representing the interests of shareholders, monitoring all types of risks, approving high-level risk policies and material exposures or transactions
• Monitoring the Group's sustainability-related risk management, particularly the resilience against climate risk</td><td>Risk Committee</td><td>Sustainability Committee</td><td>• Responsible for approving the Group's sustainability strategy, objectives, and priorities
• Overseeing the sustainability progress of the Group
• Deciding on key climate-related issues, regulations, and applicable scope
• Determining the scope of disclosure related to appropriate climate-related opportunities
• Promoting a bank culture that embraces sustainability</td></tr>
<tr><th colspan="4">Management Level</th></tr>
<tr><td>• Overseeing the Group's sustainability-related risk management
• Managing all types of the Group's risks, approving risk management policies, and approving significant exposures or transactions within the scope of the delegated authority</td><td>Chief Executive and Responsible Senior Management</td><td>Sustainability Executive Committee</td><td>• Formulating and implementing the Group's sustainability strategy
• Reporting regularly to the Sustainability Committee on climate-related issues and progress</td></tr>
<tr><th colspan="4">Working Level</th></tr>
<tr><td>• Coordinating cross-departmental sustainable finance and risk-related developments
• Assisting the Chief Executive in the day-to-day management of various risks and internal control</td><td>Units involve in "Three Lines of Defence" Risk Management</td><td>Sustainability Strategy Working Group</td><td>• Advancing the Group's sustainability strategy
• Implementing climate-related policies and operations
• Coordinating sustainable finance, risk management, carbon neutrality, and other cross-departmental initiatives
• Promoting the culture of sustainability at the staff level</td></tr>
</table>

1.2 THE BOARD AND BOARD COMMITTEES

The Board is the highest decision-making body for managing climate risk and opportunities within the Group. The Board incorporates climate-related considerations into corporate strategies, banking operations, corporate governance, finance, risk management as well as compliance and provides robust and constructive opinions. The Risk Committee and the Sustainability Committee at the Board level respectively monitor climate risk management and climate-related opportunities management of the Group. Meanwhile, we also collaborate with professional bodies and actively monitor the governance and disclosures of climate risk in the banking industry, as well as the latest developments and industry trends of relevant rules and regulations. This supports the Board in effectively fulfilling its oversight and management responsibilities on sustainability-related issues (including climate risk and opportunities). To continuously enhance the capability for climate risk and opportunity management of the Group, the Board also actively monitors the Management's performance on sustainability-related performance indicators so as to assess the effectiveness of management regarding matters relevant to climate-related opportunities and risks.

Risk Committee

The Risk Committee, at the Board level, consists of 4 members as of 31 December 2023, and all of them are Independent Non-executive Directors. The primary responsibility of the Risk Committee is to provide comprehensive oversight and monitoring of the Group's risk exposures. By establishing the Group's risk appetite and risk management strategy, the Risk Committee determines the Group's risk portfolio. In addition, it also identifies, assesses and manages the significant risks posed to the Group, as well as reviews and evaluates the adequacy and compliance of risk management procedures, policies, and internal control. In the current risk management framework of the Group, the management of climate-related risks is fully integrated and incorporated throughout all systems and all lines of defence. As a committee of the Board, the Risk Committee fully monitors the Group's sustainability-related risk management, particularly in its resilience to climate risk.

The Risk Committee held four meetings in 2023. In the meetings, the Committee discussed and reviewed the Group's risk management reporting, in particular on sustainability-related risks. They also made decisions to further advance the implementation of sustainability and climate risk-related work, including climate risk stress testing methodology.

Meeting Dates	Risk Committee
23rd March 2023	• Reviewed and approved revamp of the Group's risk appetite, annual self-assessment of the Risk Committee, etc. • Reviewed the 2022 Group risk management reporting and the key issues for risk management in 2023
23rd August 2023	• Reviewed the Group's 2023 interim risk management reporting
24th October 2023	• Reviewed and approved climate risk stress testing methodology • Reviewed the Group's risk management reporting for the third quarter of 2023
13th December 2023	• Reviewed and approved key risk monitoring indicators for 2024

Sustainability Committee

The Sustainability Committee, at the Board level, is comprised of 8 members, including 7 Independent Non-executive Directors, as well as the Executive Director and Chief Executive as of 31 December 2023. The Sustainability Committee is responsible for overseeing the management of the Group's climate-related opportunities, governing the strategies, objectives, policies, and implementation related to sustainability and corporate culture, monitoring climate change issues, optimising the standard and quality of climate-related disclosures, and continuously enhancing the Group's sustainability performance.

The Sustainability Committee held two formal meetings and several preparatory meetings in 2023. During the meetings, the Sustainability Committee monitored and discussed the key climate-related issues and made relevant decisions to promote sustainable development strategies and climate risk-related work. The main issues included approval of the 2022 Sustainability Report and material issues, 2023 Sustainability Plan, review of the Five-Year Sustainability Plan, reviewing the report on carbon emission calculation in investment and financing activities, the progress of bank culture building, innovative green financial products, the mechanism and rules for the management of greenwashing risk and carbon neutrality in our own operations.

The two committees above report regularly to the Board on the Group's progress on material climate and sustainability-related issues to ensure that the Board is aware of relevant issues that may have a material impact on the Group, as well as assisting the Board in making decisions on sustainability and climate-related opportunities and risks.

The Risk Management Department and the Economics & Strategic Planning Department serve as secretariats to the Risk Committee and the Sustainability Committee respectively and attend committee meetings. Other departments may attend as required to provide relevant supplementary information in a timely manner. Other members of management and representatives of external advisors may attend some or all committee meetings as needed to assist the committees in the effective discussion and management of relevant issues. All attending members of management will also provide full support to the committees as requested.

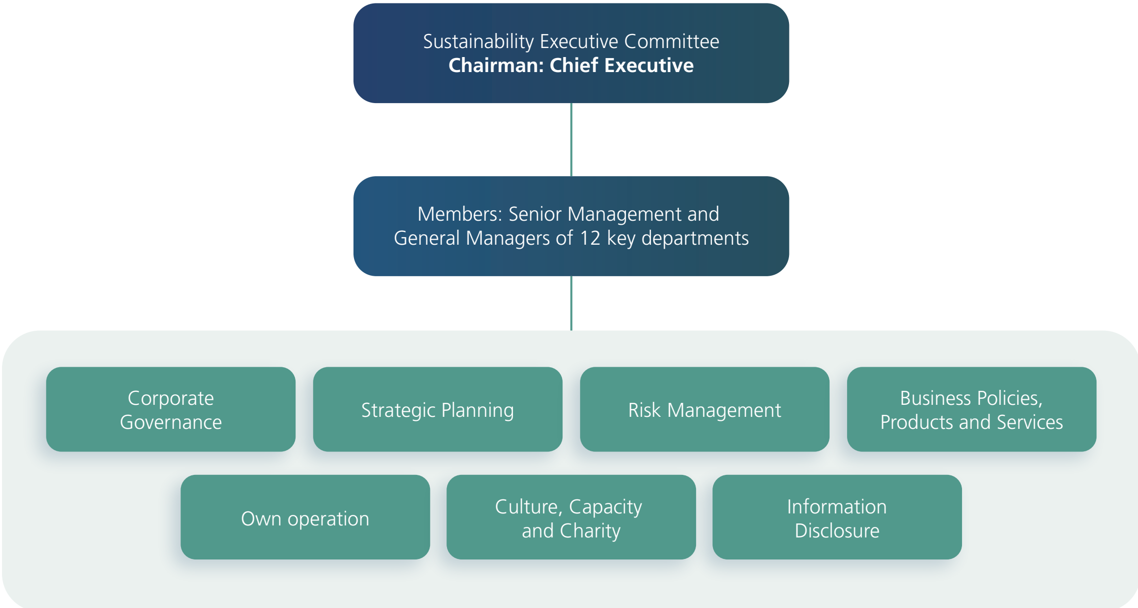
(For details on the Group's Risk Committee and Sustainability Committee including their membership, please refer to the 2023 Annual Report)

1.3 THE MANAGEMENT AND MANAGEMENT COMMITTEES

Sustainability Executive Committee

At the management level, we established the Sustainability Executive Committee (the "Executive Committee"), which is authorised by the Management Committee to implement the Group's sustainability strategy in a holistic manner, to approve the implementation of sustainability policies (including but not limited to the Group strategic goals, sustainable finance businesses, operations, risk management and appraisal mechanism) and to escalate key issues to the Board on a regular basis.

The Sustainability Executive Committee is chaired by the Company's Chief Executive, and its members comprise senior management and general managers of key relevant departments. The Executive Committee aims to fully integrate sustainability and climate-related opportunities and risk management into all aspects of the Group's operations. The Economics & Strategic Planning Department and the Risk Management Department act as joint secretaries of the Executive Committee and share the responsibilities of the Secretariats, in a bid to strengthen the coordination of cross-departmental sustainability-related work.



The Sustainability Executive Committee held two meetings in 2023. In the meetings, the Executive Committee discussed and reviewed progress on the following key topics and made decisions to further advance the implementation of sustainability and climate risk-related work:

- The 2022 Sustainability Report and material issues
- The 2023 Sustainability Plan
- The review of the Five-Year Sustainability Plan
- The quantification of carbon emissions in investment and financing activities
- The progress of bank culture building
- Innovative green financial products
- The mechanism and rules for the management of greenwashing risk
- Carbon neutrality in our own operations

After thorough consideration and decision-making on the above issues, the Sustainability Executive Committee performed its duties by closely monitoring the progress of implementation, escalating key issues to the Board and Board committees, and assisting the Board in formulating their decisions.

1.4 THE SUSTAINABILITY STRATEGY WORKING GROUP

The Sustainability Strategy Working Group (the "Working Group"), composed of multiple departments, plays a vital role in driving sustainable development within the Group. The Working Group is responsible for organising and coordinating sustainability-related business activities, ensuring effective implementation of sustainability strategy. Based on the 2021-2025 Sustainability Plan, the Working Group sets out annual key tasks and objectives every year and coordinates the strategic planning and implementation of the Group's sustainable development among different aspects including promoting green and high-quality development, building a mutually beneficial society, and strengthening efficient and transparent governance. It drives the low-carbon transition of the business portfolio and strives to achieve green and low-carbon operations. The Working Group holds meetings on a regular basis to report the progress to the Co-Heads to ensure close cross-departmental cooperation and the orderly implementation of all related tasks. The Working Group continuously promotes the development and innovation of green and sustainable financial products and services, as well as joining hands with customers for low-carbon transition. It enhances policies and procedures to incorporate sustainability principles into business development, daily operations, and risk management. The Working Group also facilitates sustainable culture building, talent cultivation, green operations, building capabilities of data collection and processing, enhancing disclosure quality benchmarking to international standards and regulatory requirements, and reinforcing the Group's leading role and reputation.

In terms of working mechanism, the Working Group has also optimised its management structure, with the Deputy Chief Executive and the Chief Risk Officer, Deputy Chief Executive and Chief Financial Officer, and the Deputy Chief Executive who is in charge of Corporate Banking and Financial Market as the co-heads of the Working Group, ensuring the proper oversight from the Group's senior management on sustainability-related issues. In addition, the Economics & Strategic Planning Department and the Risk Management Department share the responsibilities as Working Group Secretariat, ensuring smooth daily operations and communication within the Working Group.

The Group has also set up several professional sustainable development teams to better promote the Group's sustainable development, including:

Sustainable Strategy Team

Responsible for taking the lead in formulating the Group's medium- and long-term sustainability strategy and annual key tasks, setting and monitoring the progress of the Bank's sustainability goal, promoting the implementation of bank-wide sustainability projects, conducting research on forward-looking sustainability topics, and enhancing the professional image of the Group's sustainable development

Corporate Social Responsibility ("CSR")Office

Responsible for promoting corporate social responsibility and sustainability-related matters, including participating in the ESG ratings of international and local rating agencies, responding to the enquiries and questionnaires from investors and stakeholders on the Group's ESG and sustainable development, as well as carrying out philanthropic and social responsibility-related initiatives

Sustainable Finance Team

Responsible for providing customers with professional green and sustainable financing services, assisting customers in low-carbon transformation, and providing training for business personnel; Track and study low-carbon transformation development and market frontier of key industries

1.5 PERFORMANCE EVALUATION

To facilitate the implementation of the Group's sustainability and climate risk-related strategies, the Group has introduced climate and sustainability-related key performance indicators in the performance appraisal, including quantitative targets for green and sustainable finance activities, and carbon neutrality. These indicators are reviewed regularly. In addition, based on our functions and strategic positioning, we further differentiated and refined the performance indicators at the departmental and subsidiary levels to ensure that the objectives were communicated and effectively implemented.

1.6 CAPACITY BUILDING

The Group places great importance on the Board and the Management's awareness of sustainability and climate related issues. We are committed to providing relevant training and materials to build capacity of the members of the Board and the Executive Committee. The training covers the fundamentals of sustainability, the impact and challenges of climate change, the latest relevant regulations and international standards, and the latest market trends in sustainability. In addition, we provide abundant resources and references that offer in-depth information and practical guidelines, which helps the Board and Management to have a comprehensive understanding of sustainability and climate-related issues and apply it to the Group's business operations. All members of the Board participate in continuous professional development training annually (including, but not limited to sustainability) to enhance their knowledge and skills. During 2023, the average number of training hours attended by the Board members was approximately 20 hours.

To cultivate ESG awareness among all employees, we have implemented targeted training programmes at different levels, including launching the Green Finance Academy and ESG in Action – Green Finance Seminar Series. By inviting external and internal experts to share cutting-edge ESG insights, we help employees understand the latest regulatory trends, green finance business cases, ESG risk management knowledge and more. Over 3,300 individuals have participated in these training initiatives. We have launched two online courses on the topics of carbon-intensive companies' transitions and the management of "greenwashing" risk. Through case studies, we enhanced employees' understanding and practical skills in relevant areas. We also partnered with the Hong Kong Management Association to offer its Executive Certificate in ESG for our key ESG personnel with over 200 employees completed the training and obtained the certification, which further enhanced the capabilities building of the Group's ESG and green finance talents.

Case study

Internal Forum on "Financial Support for Biodiversity"

To deepen employee engagement and understanding on emerging topics in sustainability, an internal forum on "Financial Support for Biodiversity" was held on 20 November. Dr Mike Rands, Master of Darwin College, Deputy Vice-Chancellor of the University of Cambridge and the founding Director of the Cambridge Conservation Initiative was invited as the keynote speaker to delve into topics such as feasible solutions and international experience in financing biodiversity, Hong Kong's role as a regional leader in sustainable finance for biodiversity conservation and the potential financial, social and climate impact of global restoration projects in Asia.

1.7 RELEVANT POLICIES

In order to strengthen governance on climate-related issues within the Group and to set targets and standards for processes, we developed sustainability-related policies and mechanisms in various areas, drawing on local and international sustainability guidelines and standards. All entities within the Group must strictly comply with and implement these policies.

The Group Operating Principles ("GOP") serves as the highest-level guiding principles for the Group, integrating sustainability considerations in daily operations. GOP sets clear requirements on the importance and implementation of sustainability, embodying the Group's commitment to incorporating sustainable principles into brand building, strategic planning, business development, and daily operations. GOP incorporates sustainable principles into various aspects of the Group, covering policy formulation, performance evaluation, employee training, communication, and information disclosure.

We developed a Sustainability Policy that sets out key principles for pushing forward sustainable development within the Group, covering various issues related to environmental, social, and governance, including responding to climate change, undertaking "Responsible Investment" principles, and implementing responsible supplier management, to encourage and promote sustainability within the Group. In particular, the policy adopts a proactive approach to capture climate-related opportunities and assist customers' transition to a low-carbon economy. In compliance with regulatory requirements, the Group establishes an emission reduction target, to reduce waste and greenhouse gas emissions, energy and water consumption, waste, etc in business operations. In addition, the policy states that climate-related risk considerations will be progressively incorporated into the risk management framework and the Group should adopt effective risk management procedures to identify, measure, monitor, report, control, and mitigate climate-related risks. The policy also states that the Group should continue to enhance disclosure in accordance with the recommended disclosure framework of the Task Force on Climate-related Financial Disclosures.

In undertaking "Responsible Investment", the policy requires embracing the ESG aspect, the long-term economic performance, as well as the impact on sustainability, in order to minimise associated risks on ESG for investment activities. In terms of implementing responsible supplier management, this policy requires that the principle of sustainable development should be implemented into supplier management during procurement.

The Group shall comply with the Group's Sustainable Procurement Policy and Supply Chain Code of Conduct in the supplier selection process. We integrate sustainability considerations into the Group's procurement process. In the Sustainable Procurement Policy, we ensure that principles of sustainability are integrated into the Group's supplier management mechanism. In the Supply Chain Code of Conduct, we set minimum requirements and assessment mechanisms in social, environmental, ethical, corporate governance, labour and working standards. In addition to the Code of Conduct, we have also developed a Supplier Production Behaviour Self-Assessment Questionnaire. We consider sustainability and environmental protection as an important scoring criterion. In addition to that, we also engage in effective communication with our suppliers to encourage suppliers to improve their sustainability performance and to promote a more sustainable supply chain system.

We formulated the ESG Sensitive Sector Strategy Statement, acting as a subsidiary policy to foster the implementation of the Group's sustainability strategy. This policy aims to clarify our mid-term strategies towards high-carbon industries and other industries that are sensitive to environmental and social risks during the provision of financial services, which includes high-emitting industries that pose significant impact to climate change (currently mainly include coal-fired power generation, coal mining, oil and gas industries) and customers or projects that are sensitive to environmental and social issues (such as mining, forestry or projects that are located in ecological/cultural protected areas). When conducting credit and financial market-related businesses with ESG sensitive sectors, the Group must strictly follow the relevant strategies and control measures outlined in this policy.

The strategy statement will be timely reviewed and continuously improved according to the implementation progress of the Group's sustainability targets and changes in sustainability-related international standards, local regulatory requirements and market developments. Please visit the Sustainability site of BOCHK's website for more details on the ESG Sensitive Sector Strategy Statement.

Major ESG sensitive sectors	Detailed strategies and control requirements
Coal-fired power generation and coal mining	As 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 businesses in the scope of the policy which involves 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 exiting, the Group has adopted a series of control measures effective from Oct 2023, which includes not providing project financing to new coal-fired power generation and coal mining projects, and controlling the entry of new customers.
Oil and Gas	As oil and gas still play a critical role in achieving energy transition, the Group will continue to provide financing for the oil and gas sector. We will evaluate and adjust our credit strategies (if applicable) based on the assessment of the decarbonization/transition plan provided by the customer, and financing will be prioritised to green or decarbonization/transition purposes. Given that some of the unconventional oil and gas projects will produce more greenhouse gas emissions or have significant adverse impact to the environment, the Group has ceased the provision of financing to some of the unconventional oil and gas projects effective from Oct 2023 (such as the exploration or extraction of oil and gas in the Arctic region and Amazon Basin).
Mining	In order to promote customers in the mining industry (including coal, minerals, metals, etc.) to operate in accordance with good international practices and avoid causing significant environmental pollution that threatens the health of surrounding communities and wildlife, the Group has ceased the provision of financial services that fall within the scope of application to these customers or projects effective from October 2023. Existing businesses involving the above prohibited scope would also be exited as soon as feasible.

Major ESG sensitive sectors	Detailed strategies and control requirements
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, the Group has ceased the provision of financial services that fall within the scope of application to customers or projects that pose significant adverse impact on biodiversity or natural habitats effective from October 2023. Existing businesses involving the above prohibited scope would also be exited as soon as feasible.
Palm Oil	In order to ensure that customers comply with the sustainability principles in the palm oil industry, and to avoid them operating through inappropriate practices (such as burning forest or deforestation) or developing palm oil plantations on peatlands which act as high carbon sinks, the Group has ceased the provision of financial services that fall within the scope of application to customers that have a significant negative impact on the environment and society effective from October 2023. Existing businesses involving the above prohibited scope would also be exited as soon as feasible.
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.

2 STRATEGY

As 2023 marks the critical stage of the first Five-Year Sustainability Plan, we are further deepening our sustainability practices and efforts. In 2023, we reviewed the Group's Five-Year Plan, defined a number of quantitative and qualitative development goals and implementation paths, and laid a solid foundation to become a green and sustainable bank.

As we enter the middle stage of our first Five-Year Plan, we are pleased to see a continuously developed infrastructure as outlined in the Group's original 2021-2025 Sustainability Plan:

Strategy and Governance

Establishing a three-tier governance structure comprising the Board level, the Management level, and the working level, as well as two dedicated teams, the Sustainable Strategy Team and the Sustainable Finance Team.

Product Compliance Management

Continuously building a systematic framework for managing greenwashing risks and achieving a relatively mature level of management for green and sustainable products.

Climate Risk Management

Formulating the "ESG Sensitive Sector Strategy Statement" covering six industries, including coal-fired power generation and coal mining, oil and gas, etc. Integrating ESG and climate risk into the existing risk management framework and participating in the Hong Kong Monetary Authority's ("HKMA") Climate Risk Stress Test in 2021 and 2023.

Carbon Neutrality

Aiming to achieve carbon neutrality in our own operations by 2030 and developing a clear decarbonization roadmap and action plans. Conducting a pilot project of measuring the Bank's carbon emissions in financed activities based on the PCAF standard. Assessing net-zero targets and decarbonization pathways for pilot industries.

Disclosure and Communication

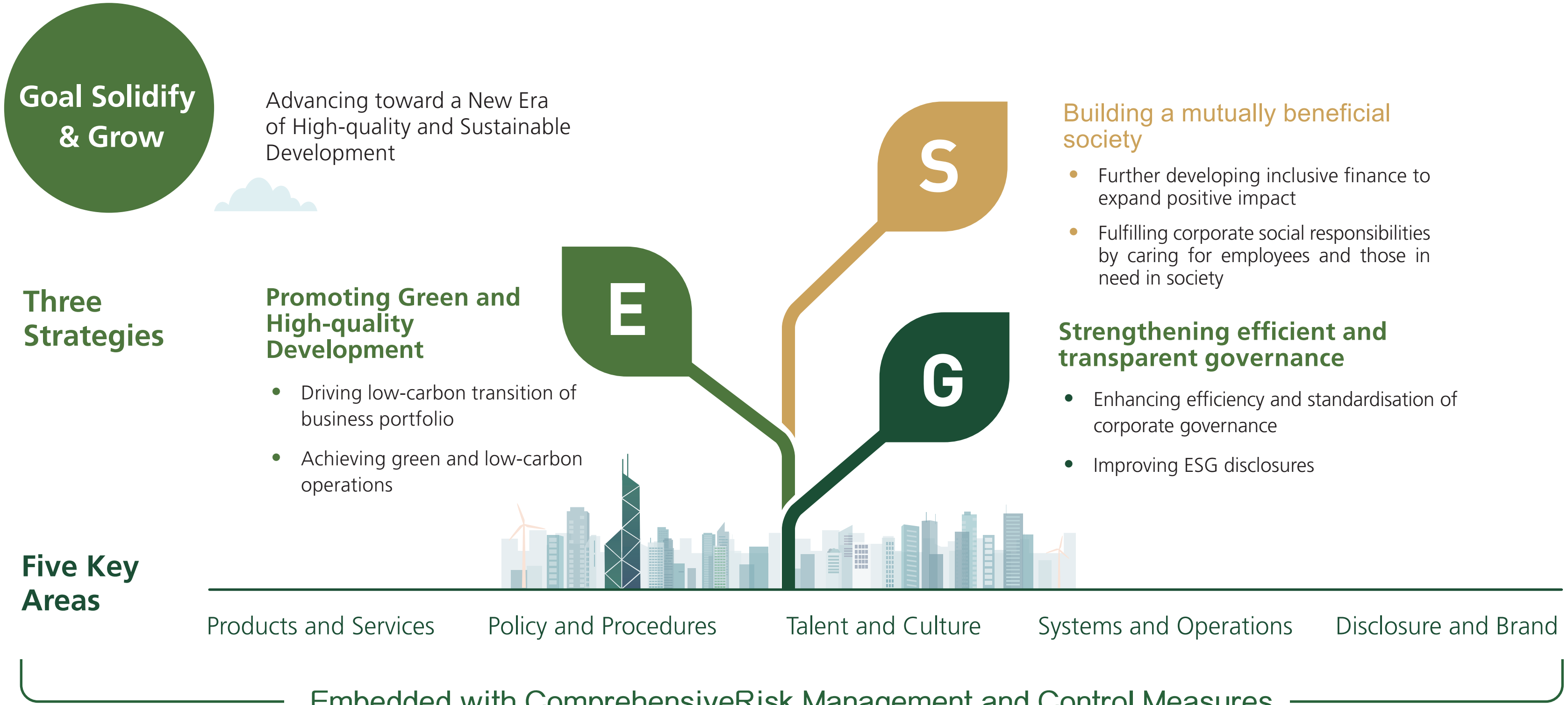
As a signatory of the Task Force on Climate-related Financial Disclosures ("TCFD") in 2021, officially publishing the TCFD report in June 2023, becoming the first locally incorporated bank in Hong Kong to independently release a TCFD report. As the first and only Chinese financial institution invited by the International Finance Corporation (IFC) and the HKMA, we joined the Alliance for Green Commercial Banks as a cornerstone member and became one of the first participants in Core Climate, the international carbon market launched by HKEX, to explore the development opportunities of the regional carbon market.

In 2023, we reviewed the 2021-2025 Sustainability Plan to further deepen our commitment to sustainable development. The new Sustainability Plan sets out several quantitative and qualitative development goals and action plans, covering areas such as serving corporates, personal customers, and the financial market, strengthening environmental (including climate risk) and social risk management, developing low-carbon banking, improving the quality and transparency of disclosure, and cultivating corporate culture and nurturing talent. We strive to achieve a virtuous cycle of environmental, social, and economic development.

2.1 SOLIDIFICATION & GROWTH

Building upon the original 2021-2025 Sustainability Plan the new plan sets the medium-to-long-term goal of "Solidify & Grow: Advancing toward a New Era of High-quality and Sustainable Development". It formulates three major strategies – "Promoting green and high-quality development", "Building a mutually beneficial society" and "Strengthening efficient and transparent governance" – along with five "key measures" and is embedded with comprehensive risk management and control measures.

2021-2025 Sustainability Plan



Please refer to *the 2023 Sustainability Report* for more details on the 2021-2025 Sustainability Plan.

2.2 PROMOTING GREEN AND HIGH-QUALITY DEVELOPMENT – DRIVING LOW-CARBON TRANSITION OF BUSINESS PORTFOLIO

To drive the low-carbon transition of our business portfolio, we will continue to expand the scale of our green finance business and pursue product and service innovation in Hong Kong, the GBA, and Southeast Asia. Moreover, we are joining hands with customers for low-carbon transition to reduce the Group's carbon emissions in financed activities at portfolio and customer levels.

2.2.1 Innovation in Green and Sustainable Finance Products and Services

We have innovated a range of green and sustainable finance products and services, providing a wealth of options for all sections of society to participate in the transition to a low-carbon economy. We collaborate with various sectors of the community to address the challenges of climate change and environmental issues, driving the low-carbon transition of the economy. In the future, we will continue to introduce a wider range of products and services to fully support Hong Kong's development as a regional green finance centre.

In 2023, we have strengthened support for the development of green and sustainable finance businesses, such as providing incentives in internal funds transfer pricing (FTP) for related deposit and loan businesses. We have also expanded the incentives to green loan businesses in Southeast Asian entities from mid-year. These measures aim to encourage front-line expansion of green and sustainable finance business, consolidating our leading position in the industry.

Business Divisions	Corporate Banking	Personal Banking	Financial Markets
Strategic Directions	Assisting corporate customers in the low-carbon transition, in line with national strategies	Continuously meeting customers' diversified and sustainable financial needs, supporting the low-carbon transition of both ends of customers and the Bank	Directing capital flows towards sustainable asset investment markets
Key Initiatives	Enriching green and sustainability product offerings, launching products including green deposits, green loans and bonds, sustainability-linked loans and bonds, and services such as green advisory, expanding the scale of green and sustainable finance assets, and encouraging low-carbon transition of leading customers in ESG sensitive sectors.	Continuously enriching green product categories, and establishing a brand image of green personal finance. Anchoring to the Bank's carbon neutrality goal, gradually optimizing branches and facilities to drive the low-carbon transition of both the branch operations and customers.	Prioritizing ESG bond investments that adhere to the Bank's risk appetite. Introducing or participating in asset management products and risk hedging tools focused on climate transition and sustainability. Actively participating in the development of the carbon market.

In Southeast Asia, we implement climate and green finance strategies based on local conditions, actively developing sustainable finance in Southeast Asian branches and subsidiaries in line with local regulatory requirements and banks' risk appetites, and utilising sustainability as a cross-culture breakthrough in building BOCHK's sustainable brand image.

2023 Highlights

- Promoting Green Finance Development in the Southeast Asia

Project Highlights:

Bank of China (Hong Kong) ("The Group") supports the green transition of the corporates in Southeast Asia. Bank of China (Thailand) Co., Ltd. ("Bank of China Thailand") successfully provided a green loan, certified by an independent third-party institution, to Energy Absolute Public Company Limited ("Energy Absolute"), a leading renewable energy company listed in Thailand. This is also the first green RMB trade finance in Thailand.

Project Characteristics:

Tapping into the BCG (Bioeconomy, Circular Economy, and Green Economy) economic model of Thailand and China's dual-carbon strategy, BOCHK Thailand has identified new energy as a key area for green finance development and RMB business expansion. This financing contributes to the reduction of carbon emissions in Thailand's public transportation system and has been successfully audited by SGS Hong Kong, an independent international certification body, as compliant with "Green Loan Principles 2023" and certified as a green project. The Group has been actively developing a green and sustainable finance market in Southeast Asia, leading or participating in regional syndicated loan projects to support the business development of corporate clients in Southeast Asian industrial parks. In the first half of 2023, the Manila, Jakarta and Phnom Penh Branches launched the Bank's first bilateral green loan and social loan certified by independent third-party institution, which has helped in the green transition of local communities and corporations.

2.2.2 Joining Hands with Customers for Low-carbon Transition

To implement the Group's sustainability strategy and objectives, and enhance the resilience of our portfolio to climate change, the Group has committed to ceasing financing for new coal mining and coal-fired power projects outside of the Chinese mainland from the fourth quarter of 2021. Furthermore, effective from October 2023, the Group has expanded the restrictive scope to projects in the Chinese mainland and formulated the ESG Sensitive Sector Strategy Statement.

While considering the needs for securing stable energy supply, the Group will promote the low-carbon transition of customers in high-emitting industries in an orderly manner to avoid blind suspensions or withdrawals of loans. For clients who fail to provide a low-carbon transition plan as required, control measures will be taken to facilitate the reduction of carbon emissions in financed activities, and to support the low-carbon restructuring of the Group's energy industry investment and financing portfolio.

2023 Highlights

- Successful listing of the "BOCHK Greater Bay Area Climate Transition ETF"

Project Highlights:

On 31 March 2023, the "BOCHK Greater Bay Area Climate Transition ETF" was listed on the main board of The Stock Exchange of Hong Kong Limited. This ETF is the first exchange-traded fund in the Hong Kong market that tracks an ESG themed index with investments in the GBA, assisting investors to capture economic growth opportunities driven by climate transition in the GBA.

Project Characteristics:

Following the introduction of the Greater Bay Area Climate Transition Index in July 2022, which is compatible with a 1.5 °C global warming climate scenario at the index level, the first ETF product tracking this index was officially launched in 2023. The constituents of this index must meet a series of climate objectives, for instance a reduction in total greenhouse gas emissions intensity of at least 30% relative to the underlying index, and a greenhouse gas intensity reduction by at least 7% per year on average.

2.3 PROMOTING GREEN AND HIGH-QUALITY DEVELOPMENT – ACHIEVING GREEN AND LOW-CARBON OPERATIONS

"Achieving Green and Low-Carbon Operations" focuses on refining and optimizing various energy-saving and emission-reduction measures, as well as formulating renewable energy certificate purchasing program. We are committed to reducing the environmental footprint of our operations and taking steps towards energy-efficient and low-carbon operations, aiming to achieve carbon neutrality in our operations by 2030. The "BOC Hong Kong (Holdings) Limited Sustainability Policy" outlines the key principles and measures to put green banking into practice, including:

Conserving energy by promoting and adopting energy-saving technologies to reduce energy consumption.

Adopting the principles of reduction, reuse, and recycling, promoting paperless operations through innovative technologies to minimize waste generation.

Monitoring greenhouse gas and exhaust emissions, energy, water, and waste consumption, etc. in daily operations to protect the natural environment and conserve resources.

We adopt the strategy of "first reduce, then replace and offset at last", by first reducing carbon emissions through our own green initiatives, then exploring the use of renewable energy in our properties, and lastly offsetting our remaining carbon emissions through multiple ways. The Group implements environmental management measures within our own operations and joins hands with customers to reduce environmental footprints.

Green Banking – Environmental Management Measures

- In 2022 and 2023, BOCHK was named the "Asia-Pacific Climate Leaders" by the Financial Times and Statista for two consecutive years, recognising BOCHK as one of the companies with the greatest reduction in core GHG emissions in the Asia-Pacific region.

Reduce

- Multiple measures are in place with a focus on energy conservation to reduce overall energy consumption by upgrading electronic equipment and facilities. For example:

✓ Our five main office buildings (BOC Tower, BOC Building, BOC Centre, BOC Wan Chai Commercial Centre and BOC Credit Card Centre) have been awarded the Platinum rating under BEAM Plus EB V2.0. Bank of China Tower has also received the "GBA Low Carbon Buildings Top 100 Award" from the Greater Bay Area Carbon Neutrality Association.

✓ BOCHK launched the "Green Branch Pilot Scheme" in 2022. Since then, we have been using ESG-certified environmentally friendly materials and energy-efficient equipment for new branches or renovation. Furthermore, we follow the principle of "reuse whenever possible" to efficiently utilize various facilities, thereby avoiding unnecessary purchases and waste. Based on these and other initiatives, we actively practice energy conservation and emissions reduction, reduce energy consumption in branches and promote environmental protection. In 2023, the completed optimization projects include:

➤ Adjusted switch-on/off time of the LED signboard at all branches;

➤ Installed water-saving valves for water taps at all branches;

➤ Installed energy-efficient and environmentally friendly lighting at branches.

Replace

- Generating renewable energy by installing solar panels or wind turbines on properties where requirements can be met. For example:

✓ Solar photovoltaic panels have been installed at our BOC Cheung Sha Wan Building, and we are exploring the feasibility of installing solar panels and wind turbines at other office buildings.

Offset

- After taking proactive measures to reduce emissions, we plan to offset the remaining unavoidable carbon emissions through a carbon offsetting mechanism. We will explore the purchase of local renewable energy certificates, as well as the purchase of international renewable energy certificates from the Chinese mainland, and the purchase of carbon credits.

Green Partner – Joining hands with Customers to Protect the Environment

- We actively involve our customers as "Green Partners" to reduce Environmental Footprints. In line with our digital transformation, in addition to providing high-quality and diversified online banking services, we are also committed to promoting paperless banking and low-carbon banking:
- Launched the first "Merchant No Slip Program" in Hong Kong, which reduces printing of payment receipts
- Encouraging customers to use e-statements
- Introduced e-Advice for automated banking devices
- Launched the first mobile banking platform for the subscription of IPO retail bonds and trading of secondary bonds in Hong Kong
- Launched "Beleaf" in BOCHK mobile banking, which covers three major scenarios, including "Wealth Management", "Smart Spending" and "Low-carbon Living" to put low-carbon lifestyles into practice together with our customers

2.4 STRENGTHENING EFFICIENT AND TRANSPARENT GOVERNANCE

2.4.1 Enhancing Efficiency and Standardization of Corporate Governance

We have established an efficient and transparent governance framework, continuously enriching and optimizing the Bank's governance policies and systems in various aspects. We consistently strengthen the internal governance mechanisms of the organization to ensure transparency, fairness, and effectiveness in decision-making. This ensures the Board and management's effective supervision and management. We enhance risk management and compliance oversight to ensure the stable operations and compliance of our business.

2.4.2 Improving ESG Disclosures

We actively benchmark against the latest international and regulatory standards and requirements, and continually monitor and learn from the latest trends and best practices in the international financial industry in accordance with the Bank's development, incorporating them into our disclosure framework and policies to enhance the quality of our disclosures. We regularly assess and review our climate-related disclosure and continuously streamline the processes of disclosure, aiming to provide stakeholders with information about our climate-related performance.

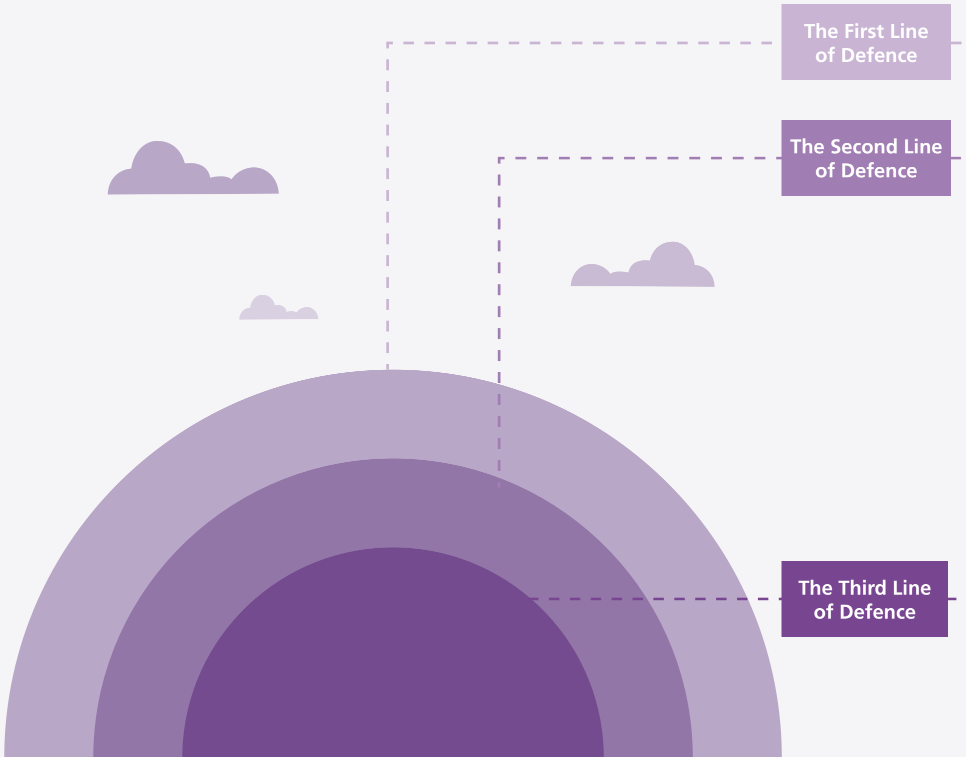
3 RISK MANAGEMENT

We recognize the critical role of climate risk management in the Bank's operations, financial performance, and stakeholders. We have integrated climate risk into our overall risk management system and established appropriate governance structures and processes to oversee climate risk management. We aim to foster a culture of strong awareness of climate-related risks and opportunities and make decisions aligned with sustainability strategy and targets. We proactively manage challenges posed by climate change and treat them as potential opportunities to promote sustainable development, ensuring long-term sustainability and resilience in our financial business.

3.1 CLIMATE RISK MANAGEMENT SYSTEM

We have fully integrated climate risk management into our overall risk management system and have set out clear policies on the Group's risk management principles and related management processes. This is to ensure that specific risks are systematically addressed in the risk management system and properly controlled within acceptable levels. The BOCHK Group Risk Management Policy Statement, as the highest level of the Group's risk management document, has incorporated sustainability as one of the Group's major risk management principles.

We have set out a governance structure for climate risk management in BOC Hong Kong (Holdings) Limited Sustainable Policy, which reinforces the "Three Lines of Defence", ensures appropriate supervision and guidance on climate risk, and clearly defines the roles and responsibilities of different units in managing all types of risks, including climate risk:



Individual Business Units

- Responsible for compliance with risk management policies and procedures, and assessing and monitoring the risk prole of the business (including climate risk)

Risk Management Units and Supporting Units

Risk management units are responsible for:

- Day-to-day management of various risk categories (including climate risk)
- Conducting independent due diligence by identifying, measuring, monitoring, and controlling risks; formulating risk management policies and procedures for various risk categories (including climate risk)
- Reporting on the implementation of risk management policies and risk profiles to the Board, Committees, and the Senior Management, and providing necessary support and recommendations to aid their decision-making

Supporting units are responsible for:

- Supporting business processes and ensuring that relevant systems and human resources are in place for risk management

Group Audit

- Responsible for conducting independent audit, assessing and reporting to the Board on the quality of the Group's risk management supervision and the completeness and implementation status of risk management policies, procedures, and internal controls

3.2 IDENTIFICATION OF CLIMATE RISK

We recognize that climate-related financial risks pose a threat to the Bank's business and the stability of the entire financial system. To address the risks associated with climate change, we actively assess and manage climate-related risks and take appropriate approaches to enhance our resilience and adaptability. We will continue to monitor and perform research on the impact of climate change on the financial system and strive to ensure the safety and soundness of our business amidst these changes. Climate-related risks can be categorized into transition risks and physical risks:

Transition Risks

Factors arising from mitigating and adapting to climate change, such as policy adjustments, technology changes, and changes in consumer preferences, lead to increase in greenhouse gas emissions pricing, as well as changes in market demand and structure, resulting in higher production costs, lower profits, and lower asset valuations for enterprises, thereby increasing default risk.

Physical Risks

Direct negative impact of climate change on the real economy, such as lower production capacity, higher costs, early retirement of fixed assets, and damage to buildings. Physical risks can arise from short-term or acute weather events (such as tornadoes, hurricanes, or floods), or from long-term or chronic changes in climate patterns (such as persistent high temperatures that may cause sea level rise or prolonged heat waves).

Climate risk is global in nature and its impact on banks are manifested through the transmission to other traditional risk types. We refer to the TCFD recommendations to holistically identify the transmission channels of climate risk on our traditional risk types. We also assess the impact of climate risk on our traditional risks.

Risk Type	Transmission Pathways of Climate Risk	Time Horizon[1]	Factors Influencing Transition Risks	Factors Influencing Physical Risks
Credit Risk	• (1) Under the transition towards a low-carbon economy, customers' operation and financial conditions may be affected by factors such as policy changes, technological breakthroughs, changes in public consumption and investment preferences, and innovative business models or (2) customers' business operations and asset values are subject to impact from ongoing climate changes and extreme weather conditions, which may lead to a decrease in debt repayment ability and an increase in the risk of default. • Natural disasters such as typhoons and floods may induce loss or damage to real estate or fixed assets pledged to banks, resulting in a reduction in the value of our pledged assets.	[Short to long-term]	✓	✓
Market Risk	• Large, abrupt, and negative price adjustments could be triggered if market prices or valuations have not incorporated climate risk factors. At the same time, a breakdown in correlation between assets or a sharp decline in market liquidity for a particular asset could exacerbate the decline in market prices. • Fluctuations in financial market prices could affect the value of bank positions, such as in equities and commodities.	[Short to mid-term]	✓	✓
Operational Risk and Compliance Risk	• Extreme weather events may cause business disruption to the Group's operations. The Group is exposed to regulatory risks associated with climate change, which may result in increased operating cost and capital expenditure to comply with climate-related regulations and regulatory requirements.	[Mid to long-term]	✓	✓
Liquidity Risk	• Climate risk may cause our customers to reduce deposits or increase drawdowns on their credit lines to meet the additional costs of transitioning towards a low-carbon economy. • Acute climate risk may even trigger bank runs. • As market preferences change in response to climate-related factors (e.g., as the public and investors move towards climate or environment-friendly products, services, and business activities), banks may have fewer sources of funding and the cost of funding may also increase.	[Mid to long-term]	✓	✓
Legal Risk	• Climate, environmental, and sustainability factors may give rise to legal risks, for example, where the performance or disclosure of information on climate, environment and sustainable development in the course of the Group's operation has not met the expectation of stakeholders and the public, or where the Group becomes a party to litigations or disputes related to climate, environment, and sustainability.	[Short to long-term]	✓	
Reputation Risk	• The change in market condition and consumers' preference for climate- or environmental-friendly products will lead to public or interest groups' increased focus/expectation on the Group to undertake more social responsibility in relation to combating climate change and the transition process. If due consideration is not given during business development in relation to environmental issues, the building or maintenance of the Group's business relationships may be negatively affected.	[Short to long-term]	✓	
Strategic Risk	• Banks may lose their competitiveness and market position if failing to respond in a timely manner to changing market conditions, not taking full account of market preferences for climate or environment-friendly solutions or bank services, or not fully meeting increasing climate or environmental regulatory requirements.	[Mid to long-term]	✓	

[1] Short-term: less than 1 year; Mid-term: 1 to 5 years; Long-term: More than 5 years.

3.3 CLIMATE RISK MANAGEMENT MECHANISM

3.3.1 Climate Risk Appetite

Risk appetite refers to the types and levels of risk that the Group is willing to take to meet the requirements and expectations of various stakeholders, to operate in a sound and sustainable manner, and to achieve its business plans and strategic development objectives within its risk bearing capacity.

When formulating business plans and strategic development objectives, we take into account the Group's risk tolerance and manage risks based on stakeholders' expectations. We assess and monitor risks regularly to develop appropriate control measures and management strategies to ensure that risks are within acceptable limits and aligned with the Group's long-term and sustainable development objectives.

3.3.2 Climate Risk Management Process

Combining the Group's sustainability strategy and changes in regulatory requirements, we actively identify transition risks, physical risks, and their impact. In all aspects of risk management, we fully integrate climate risk factors, formulate relevant risk countermeasures, and strengthen and enhance our comprehensive risk management system.

3.3.2.1 Climate Risk-related Credit Management Process

We vigilantly respond to the risk factors arising from climate change, uphold the principle of prudent risk management, formulate and continuously enhance credit risk management policies and industry guidelines related to climate risk, specify the credit risk identification, assessment, monitoring, stress testing, reporting, and other risk management requirements for climate risk, and integrate climate risk into the end-to-end process of credit risk management as an important basis for business entry, credit approval, and post-lending management.

In order to support the national dual carbon targets while satisfying the need for secure and stable energy supplies, we will facilitate the low-carbon transition of customers in industries with high carbon emissions in an orderly manner to avoid blind suspensions or withdrawals of loans. Meanwhile, we place high importance on the prevention and control of transition risks in industries with high carbon emissions. The Group has developed the ESG Sensitive Sector Strategy Statement, which clearly outlines the Group's mid-term strategies towards high-carbon industries and other industries that are sensitive to environmental and social risks during the provision of financial services. It applies to industries such as the coal-fired power generation, coal mining, oil and gas sectors. When conducting credit and financial market-related businesses with ESG sensitive sectors, strict adherence to the relevant strategies and control requirements is required. In addition, by gradually refining and supplementing the assessment requirements for climate risks in the guidelines for high-carbon industries, we would standardise the onboarding standards, principles, and management requirements, while highlighting the risks involved in conducting business with certain high-carbon industries, to facilitate the orderly development of business activities.

Risk Identification and Assessment

As the first line of defence in risk management, relevant credit officers are required to understand the specific environmental, climate and social risks faced by customers and assess their risk resilience. We have incorporated climate risk factors into our credit due diligence process (including corporate finance, project finance, etc.) through two aspects. Firstly, we assess the climate impact of the customer's business, understand whether the customer has properly managed and handled the various types of emissions and energy consumption levels in its business process. We also require the customer to understand and comply with relevant local laws and regulations, including environmental protection laws, to ensure its consistency with international best practices. In addition, we assess the specific level of climate risk faced by our customers and the potential financial impact associated with their transition risk. We will consider whether the customer has a strategy in place to address such risks and whether a low-carbon transition target has been established and implemented in a progressive and orderly manner. In terms of physical risk, we will consider the impact of climate change on the business continuity of customers, the stability of the customer's supply chain, and the value of the customer's assets or collateral. Based on the above considerations, we will categorise and manage customers according to their climate risk levels and adopt corresponding credit strategies as appropriate.

We have developed customer questionnaires to systematically assess major customers and those in the brown industries. This involves a top-down analysis of customer's awareness of climate risk management from the group level, the inherent risks in the organisation's business, relevant countermeasures, as well as borrower-level analysis. The residual risk approach is used to assess these customers' climate risk.

In addition, in order to quantify customers' ESG risk information (including climate risk) in a more systematic manner and integrate them into the internal rating considerations, in 2023 we explored and developed a framework for adjusting internal ratings based on ESG factors. By combining the customer questionnaires with other internal and external ESG related information, an EIA grade (ESG Impact Assessment Grade) can be generated and applied to the debtor's internal rating. The ESG-related considerations (including climate risk) are reflected in the internal rating results, and the relevant framework has been officially implemented in 2024.

Risk Management and Mitigation

Differentiated credit strategies will be implemented depending on the level of climate risk of our customers or projects. For customers with higher risk profiles, we will take appropriate risk control and mitigation measures, such as requiring customers to conduct their business with a commitment to formulate mitigating measures or transition plans within a reasonable timeframe, and continuously monitor and review the implementation progress of such mitigating measures or transition plans. If the customers fail to meet such requirements within a reasonable timeframe, we will consider adopting control measures such as loan reduction or exit strategies and setting more stringent lending terms, where appropriate. Loans that are ecologically sensitive must be classified as specialized credit transactions or counterparties. These credit applications must be carefully evaluated and strictly controlled when processing, in order to prevent any violation of the Group's sustainability strategy. These loans are also subject to more stringent credit approval requirements (approved at a minimum by the senior management level of the relevant member institutions) to ensure compliance with the Group's credit risk appetite and business development strategy.

Credit Monitoring and Portfolio Management

We integrate climate risk information from our credit customers into our daily post-lending monitoring process and continuously monitor the operation of our customers and projects.

We include the latest climate risk status of our customers and the implementation progress of mitigation measures or transition plans from high-risk customers into the scope of credit review reports, in order to regularly review the ability of our customers to address climate risk, and issue risk alerts or conduct thematic reviews if assessed to be appropriate. In the occurrence of unexpected climate risk events, we will promptly initiate the review and report process, in accordance with the standard post-lending negative information tracking procedures and processes. We continuously track risk indicators (e.g., probability of default (PD), exposure at default (EAD)) of climate risk-sensitive credit portfolios to monitor the changes in their credit quality and report to the senior management on a regular basis. In addition, we adopt a brown industry definition that is highly consistent with our parent bank (Bank of China), which helps specify the scope of high-carbon industries that the Group is concerned about. The credit portfolio of customers in the brown industries are reported to the Board on a regular basis.

3.3.2.2 Climate-related Risk Management Processes of Other Risks

Key Risk Type	Management and Mitigation Mechanisms
Market Risk	• Established relevant policies and practices for market risk management and made continuous improvements on relevant risk management policies and practices to ensure that relevant risks arising from climate risk are fully considered in the management of market risk. • In terms of stress testing, a basic methodology for climate risk scenario analysis and stress testing is established, covering different timescales and physical and transition risk scenarios. Market risk factors such as bond credit spreads and equity prices of the affected industries are stressed to assess the impact of climate risk on trading book positions. • In terms of risk identification and assessment, we identify climate risk through new product due diligence. We also conduct a climate risk assessment based on industry classification when accessing trading book stock lists.
Operational Risk and Compliance Risk	• Relevant policies and administrative measures for operational and compliance risk management have been established with consideration of relevant risk arising from climate risk and the mechanism for collecting information on operational loss due to climate risk is under enhancement. • Climate risk considerations have been added to the management principles of the Operational Risk Management Policy for risk management of external events. • Active use of different methods and tools to identify the transmission pathways of climate risk, and assess the impact of physical and transition risks arising from climate change on business activities. • In accordance with the HKMA's SPM TM-G-2 "Business Continuity Planning", we have formulated the corresponding Business Continuity Plan for different business nature, setting out the management requirements and processes as well as the management structure and roles and responsibilities. Response plans have been formulated to consider the impact of extreme weather events so that we can respond appropriately in case of such events. • In response to the consultation paper on " Securities and Derivatives Trading under Severe Weather Conditions " by the Hong Kong Exchanges and Clearing Limited (HKEX), we followed up the relevant preparations for the affected scenarios and plans through cross-sectoral collaboration to ensure that the policies can be implemented in place.
Reputation Risk	• Fully considered the impact of climate risk in the development of products, services, and business and gradually established a sound climate risk management mechanism to prevent reputation risk arising therefrom. For business operations and risk management activities that may trigger or have triggered reputation risk, risk identification, assessment, monitoring, early warning, reporting, and disposal processes are implemented in accordance with the Administrate Measures for Reputation Risk Management. • The Group will continue to improve the relevant risk management policies and practices to ensure that the risks arising from climate risk are fully considered in the monitoring and management of reputational risk.
Legal Risk	• Relevant policies and administrative measures for legal risk management have been established. Through continuous improvement of relevant risk management administrative measures, we ensure that relevant risks arising from climate risk are sufficiently considered in legal risk control and management. In daily management and business operations, each department identifies, prevents, monitors, evaluates, reports, and handles legal risks that may be caused by climate factors, in accordance with the processes stipulated in the Administrative Measures for Legal and Compliance Risk Management.

3.4 CLIMATE RISK STRESS TESTING

3.4.1 Climate Risk Stress Testing Background and Scenarios

Stress testing and scenario analysis are key measures in our assessment and quantification of climate risk. We conduct stress testing and scenario analyses for climate risk in line with the Group's business development and regulatory requirements, incorporating conventional risk analysis tools as appropriate. Climate risk stress testing and scenario analysis have enabled us to assess the impact of physical and transition risks and the impact on the Banks' profitability and capital adequacy levels under climate scenarios.

Climate risk stress testing, which is still in its early development stages in Hong Kong, plays an important role in raising awareness and promoting climate risk management among banks. We were among the first batch of participating banks in climate risk stress testing. In April 2023, the HKMA issued the second round of guidelines for Climate Risk Stress Test, requiring banks to conduct stress tests under the designated short-term and long-term scenarios. Based on our experiences in the participation of the HKMA's climate risk stress testing pilot program in 2021, we have collaborated with external consultants to further enhance our stress testing methodology and related procedures in accordance with the latest guidelines from the HKMA in 2023[2]. We are also actively engaged in the HKMA's climate risk stress testing forums, and industry consultations on the HKMA's Physical Risk Assessment Platform, which helps us maintain close contact with the regulator and the industry.

[2] Please refer to the HKMA website for details

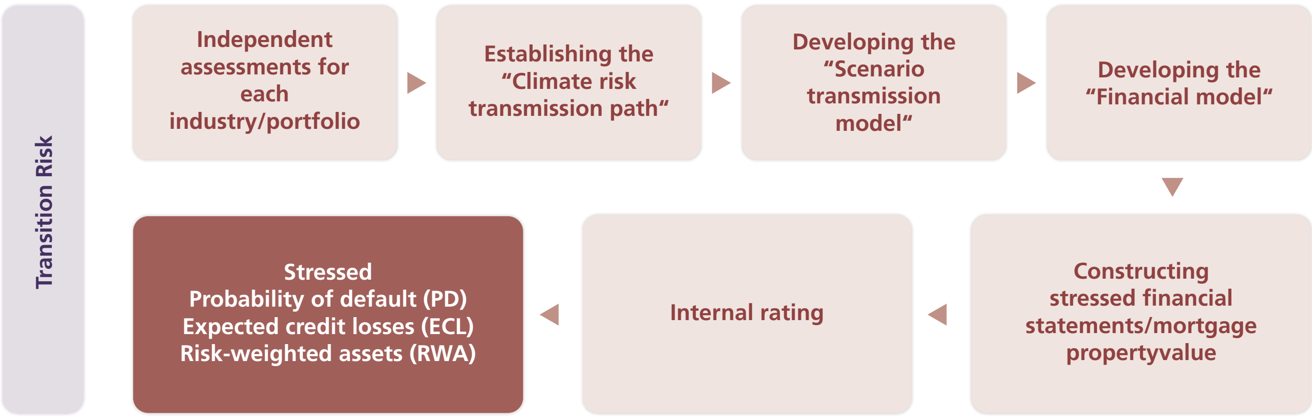
3.4.2 Transition Risk – Credit Risk and Market Risk

Credit risk

We adopted the internationally recognised bottom-up approach, utilising internal rating models and climate risk models to conduct a counterparty-level assessment. The methodology and assumptions adopted are in line with the HKMA SPM GS-1 "Climate Risk Management" and IC-5 "Stress Testing".

In accordance with the latest guidelines from the HKMA in 2023, we enhanced the stress testing methodology and related procedures, which included expanding the industry scope, refining the transmission pathways of climate risk, enhancing the collection of counterparty-level climate risk-related information, and procuring external climate risk data. These improvements have enabled a more effective understanding and measurement of the implication of climate risk on our credit portfolios.

According to the classification of the counterparty's industry, we focused on the performance of 11 high-emitting industries: oil and gas, coal, chemicals, cement, steel, non-ferrous metals, paper, construction, airlines and freight logistics, marine, and electric utilities (excluding renewable and nuclear electricity). These industries account for 18% of the corporate exposure at default. We conducted independent assessments for each industry/portfolio to establish their own specific "climate risk transmission path". On this foundation, we developed the "scenario transmission model" to quantify climate scenario parameters into financial drivers. By applying them to the financial data of the industry/portfolio's counterparty through the "financial model", we thereby constructed the stressed financial statements. By inputting the stressed financial statements into the Bank's standard credit model, we re-evaluated the counterparty's credit rating which derives the stressed Probability of default (PD), Expected credit losses (ECL), and Risk-weighted assets (RWA).



According to the stress test results under the short-term scenario, carbon taxes, carbon reduction policies and emission reduction technologies will lead to a decline in the profitability of these high-emitting industries, which will affect their repayment ability and lead to an increase in the probability of default. Among them, steel, marine, chemical and electric utilities (excluding renewable and nuclear electricity) will have a relatively large impact. The overall risk is controllable and we will continue to pay attention to and monitor relevant risks.

Market Risk

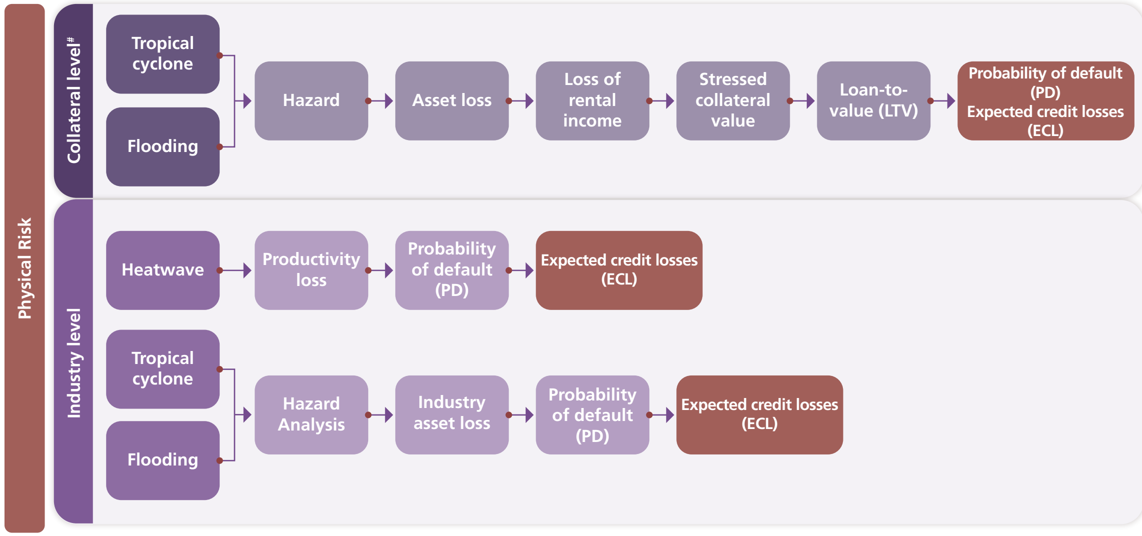
Extreme weather events may lead to business interruption or facility damage to the enterprise, which can be reflected in their financial report and ultimately in the valuation of the enterprise's equity and bonds. We assessed the impact of transition risk on the cash flow and credit spread of positions of corporate bonds and stock-related products in the trading book by considering the analysis results of the industry level of credit and estimated the market value change of stressed stocks and corporate bonds by integrating the impact of macroeconomic factors.

According to the stress test results, in the short-term scenario, the positions of corporate bonds and stock-related products with transition risk in the trading book are small, and the overall risk is controllable.

3.4.3 Physical Risk – Credit Risk, Operational Risk and Market Risk

In physical risk stress testing, we have conducted comprehensive assessment and adopted the historical and predictive data on physical risks from various international authoritative institutions. Our data sources include the Central Banks and Supervisors Network for Greening the Financial System (NGFS), the World Resources Institute (WRI), and authoritative tropical storm assessment tools such as Climada from the Swiss Federal Institute of Technology in Zurich. We combined the data with geographic and environmental information provided by local institutions, including the Hong Kong Observatory, the China National Climate Centre, and research from the Civil Engineering and Development Department (CEDD) in Hong Kong, to assess the impact of various climate disasters.

Credit Risk



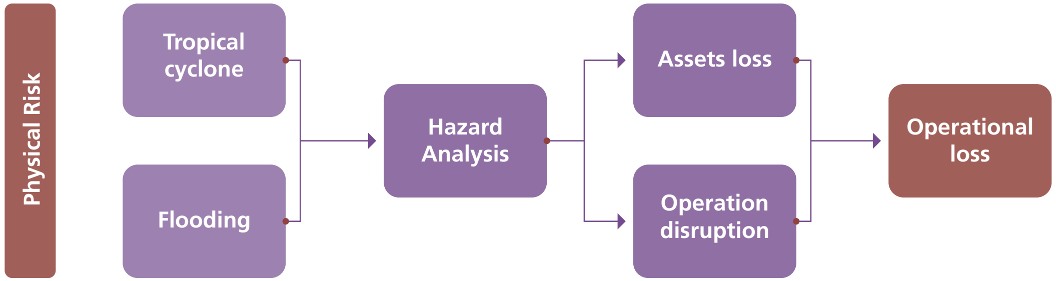
For collaterals in Hong Kong, their geographical granularity are determined by the Tertiary Planning Unit (TPU) provided by the Planning Department of Hong Kong. For collaterals in other regions, their geographical granularity are determined by provinces/cities.

The credit risk stress testing covers the following scope: 1) Property-related credit exposures in the Chinese mainland, Hong Kong, and Southeast Asia (including residential/commercial mortgage loans, real estate development and investment-related credit lending) 2) Industries vulnerable to extreme weather events (tropical cyclones/flooding, heatwaves), such as utilities, construction, and transportation.

According to the stress test results under the short-term scenario, the impact of physical risk on our collaterals and the industry-level is not significant. The overall risk is controllable and we will continue to pay attention to and monitor relevant risks.

Operational Risk

Apart from credit risk, operational risk is one of the traditional risks transmitted through physical risk. Since climate-related shock increases the probability of extreme weather events, we assessed the impact of business interruption and facility damage under operational risk. During the period, we completed data collection, developed testing methodology, conducted short-term scenario testing and related workflow, and the assessment scope includes BOCHK branches and self-service banking centres in Hong Kong and Southeast Asia.



According to the stress test results, climate risk has a relatively minor impact on operational risk for the Bank. The Bank will continue to monitor the impact of climate risk on the operations and regularly report climate risk-related events to assist management in decision-making.

Market Risk

In addition to credit risk and operational risk, market risk is also affected by physical risk. We assessed the impact of physical risk on the cash flow and credit spread of positions of corporate bonds and stock-related products in the trading book by considering the analysis results of the industry level of credit risk and estimated the market value change of stressed stocks and corporate bonds by integrating the impact of macroeconomic factors.

According to the stress test results, in the short-term scenario, the positions of corporate bonds and stock-related products with physical risk in the trading book are small, and the overall risk is controllable.

3.4.4 Climate Risk Stress Testing Limitations

As climate risk stress testing is still an evolving topic, it is important to understand the uncertainties and limitations involved to ensure appropriate interpretation and use of the results:

01 Methodology

As the number of stress testing use cases increases in accordance with industry practice and insights from regulator, it is expected that the methodologies will be continuously updated and improved. Users need to be aware of the impact of these changes and make appropriate adjustments to their models.

02 Time Horizon

The stress testing time horizon can exceed 30 years (e.g., the time horizon for transition risk stress testing may cover up to 2050 to align with net-zero targets, while physical risk stress testing may have an even longer time span). This time frame extends beyond typical business planning horizons due to the uncertainties related to technological developments, demographic changes, and climate tipping point events.

03 Data

Bottom-up counterparty-level analysis requires granular data, which is facing challenges on availability, granularity and accuracy. Due to emphasis placed on climate risk scenario analysis by the industry and regulators, it is expected data effectiveness will be enhanced in the coming years.

3.5 CLIMATE RISK DATA MANAGEMENT

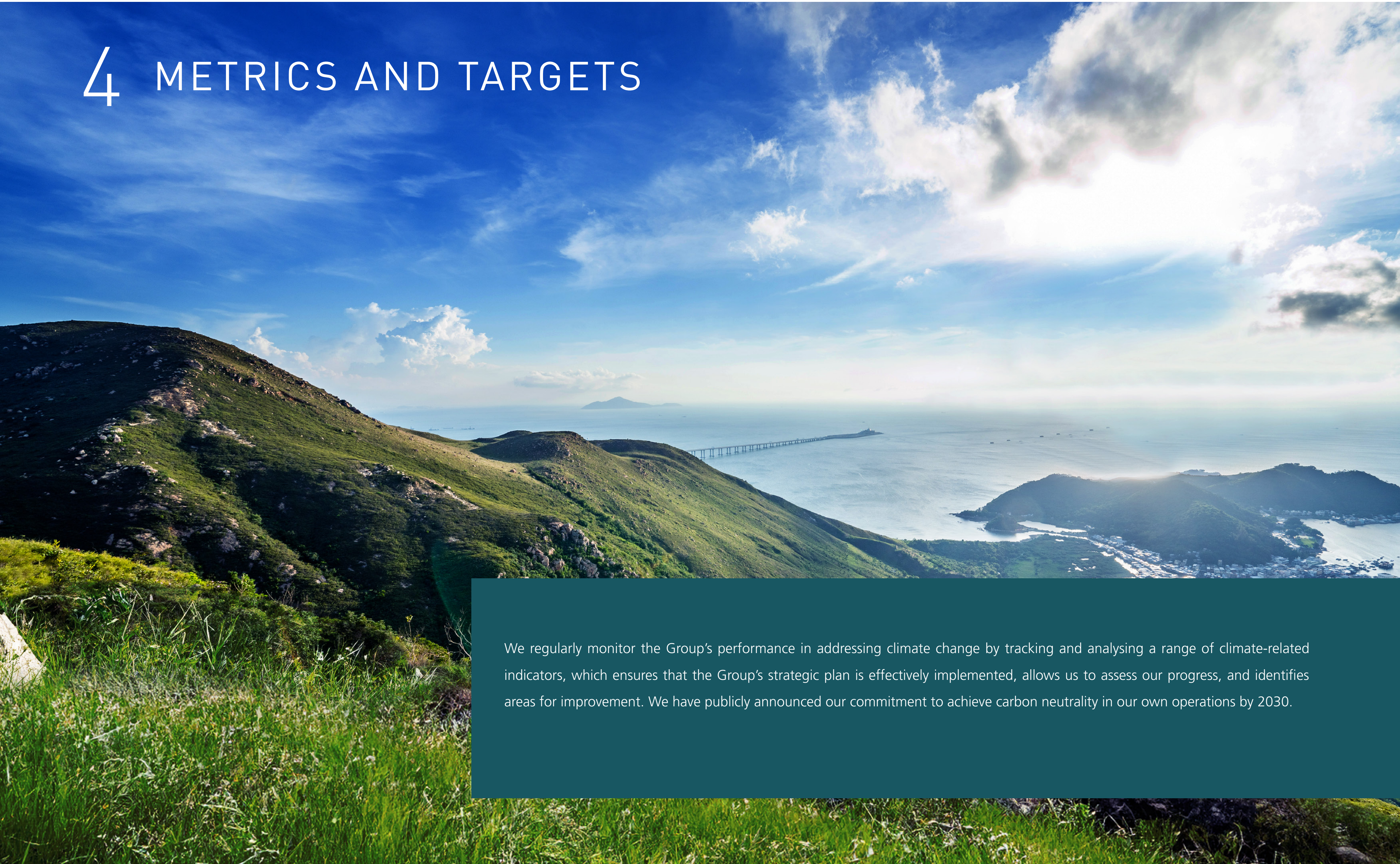
In order to improve climate risk data, we focus on the internal accumulation of climate-related data, which is currently accumulated at the customer level through customer questionnaires, and applied in the assessment of the customer's climate risk rating. For example, in the risk identification and assessment of the credit management process, we use due diligence to collect data on the various types of emissions and energy consumption levels in the customers' operations, in order to assess the climate impact of customers' business. We regularly review and cross-check the collected data with external databases to identify high-risk areas and conduct back-testing based on significant past climate events (e.g. flooding due to black rain, etc.).

In addition, we actively purchase climate and environmental data from external suppliers, which has already been applied in our climate risk management scenarios such as financed emissions calculation and climate risk stress test. For data sourced from external suppliers, we have put in place processes to assess the quality and reliability of the data. The Bank will continue to focus on the development of global, national and regional climate risk data management and formulate an action plan to continuously improve the climate data collection, storage, management and application mechanism to obtain the data required for the effective implementation of the sustainability strategy and to support the improvement of climate risk management capacity.

3.6 CHALLENGES AND OUTLOOK

We have integrated climate change considerations into the core decision-making processes, including strategic planning, risk management, capital assessment, and business decisions. This would help us grasp the opportunities while minimizing risks and navigating the climate transition period. As the climate change and its impact evolves, local regulatory authorities may issue new requirements. We will actively follow these guidelines and ensure that our risk management policies and processes remain aligned with applicable regulatory requirements.

Our upcoming focus includes monitoring regulatory requirements and market developments, continuously improving risk management policies and processes, and strengthening climate risk management capabilities, such as strengthening the construction of the climate risk data system, and establishing the Taxonomy for Sustainable Finance in line with the latest HKMA guidelines to more effectively respond to greenwashing risks. Through these actions, we aim to control climate risk at an appropriate level and continually enhance our capability to identify, assess, monitor, and mitigate climate-related risks.



4 METRICS AND TARGETS

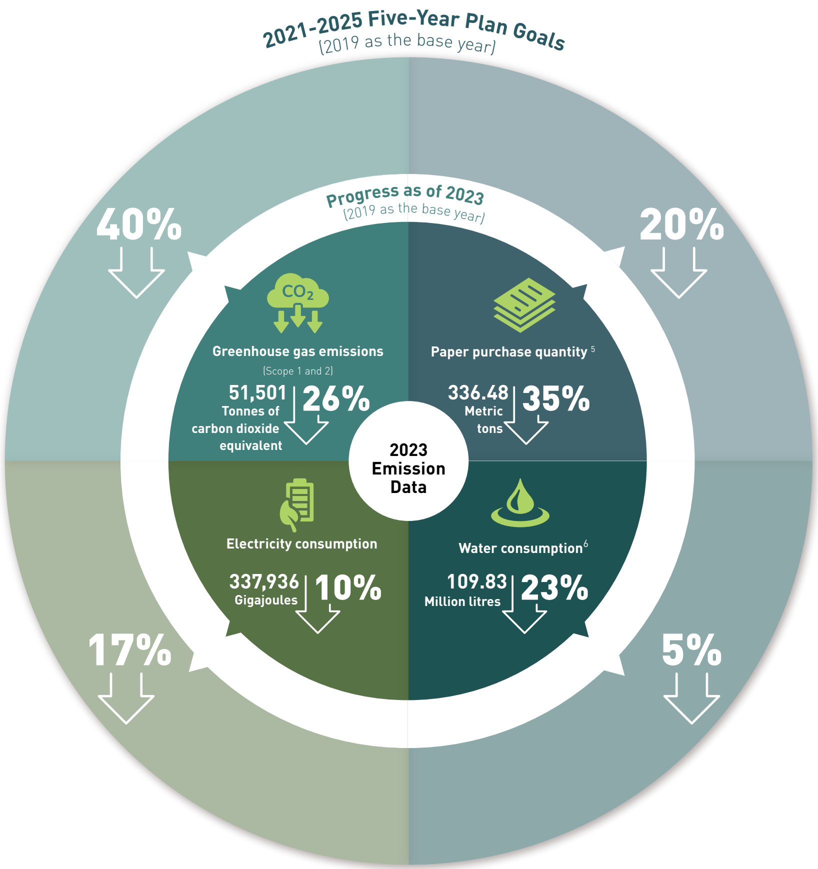
We regularly monitor the Group's performance in addressing climate change by tracking and analysing a range of climate-related indicators, which ensures that the Group's strategic plan is effectively implemented, allows us to assess our progress, and identifies areas for improvement. We have publicly announced our commitment to achieve carbon neutrality in our own operations by 2030.

4.1 GREEN OPERATION[3]

The Group is committed to reducing the environmental footprint of business operations and actively putting green banking into practice. We are gradually adopting energy-efficient and low-carbon practices and working with our customers to protect the environment by providing online and paperless banking services. We have established the 2021-2025 Sustainability Plan, which sets clear targets for the four major green operational metrics. We have also implemented a systematic approach to measure and manage our environmental performance, including monitoring and analysing energy and water efficiency, paper consumption, and greenhouse gas emissions. In 2023, we also included the carbon footprint of our Chinese Mainland and Southeast Asian entities in our data reporting scope. Promoting environmental sustainability is an evolving process. Therefore, we are dedicated to continuously improving our practices and aligning our sustainable development objectives with emerging best practices and industry standards.

This year, we strengthened the construction of the information system, built a carbon emission data collection platform, and improved the process and system requirements for the collection and statistics of energy consumption, carbon emissions and other information. The use of the collection platform has improved the efficiency of data collection, enhanced the accuracy, integrity and timeliness of data, and enabled data analysis to provide a basis for decision-making in corporate business management.

Green Operations Targets (2019 as the base year[4])



[3] Greenhouse gas emissions in operations refer to Scope 1 emissions from direct operations, covering greenhouse gas (GHG) emissions emitted directly from operations owned or controlled by the Company, and Scope 2 emissions, covering indirect GHG emissions produced from the Company's internal consumption (purchased or acquired) of electricity, heat, cooling, and steam.

[4] In order to enhance the level of data disclosure, the scope of data reporting on GHG emissions and energy consumption has been expanded to cover the Group's business network, branch network, office buildings (self-occupied portion) and leased-in offices in Hong Kong, as well as the Chinese mainland and Southeast Asia regions from 2022 onwards. To maintain consistency and comparability, the data for 2019-2022 has been adjusted accordingly to ensure that the reporting scope and calculation methodologies are consistent with those for 2023, effectively reflecting the tracking of progress towards the achievement of targets.

[5] The reporting of paper consumption data covers only the Group's business outlet, branches, office buildings (owned portion) and leased offices in Hong Kong during the reporting period. Paper consumption refers to paper purchase.

[6] The reporting of water consumption and paper consumption data covers only the Group's business outlet, branches, office buildings (owned portion) and leased offices in Hong Kong during the reporting period.

In terms of greenhouse gas emissions in our own operations, we promote green banking by implementing emission reduction measures in our own properties, branches and daily operations, and we encourage our customers to become green partners and work together to reduce environmental footprint.

Greenhouse gas emission metrics[7]	Unit	2021	2022	2023
Direct greenhouse gas emissions (Scope 1)[8]	Tonnes of carbon dioxide equivalent	577	575	548
Indirect greenhouse gas emissions (Scope 2)[9]	Tonnes of carbon dioxide equivalent	50,074	48,522	50,953
Other indirect greenhouse gas emissions (Scope 3)[10]	Tonnes of carbon dioxide equivalent	64	86	89
Total greenhouse gas emissions (Scope 1 & 2)	Tonnes of carbon dioxide equivalent	50,650	49,097	51,501
Total greenhouse gas emissions (Scope 1, 2 & 3)	Tonnes of carbon dioxide equivalent	50,715	49,182	51,590

Total greenhouse gas emissions (Scope 1 & 2)

2025 Target (2019 as the base year) ⬇ **40.0%**

7 The calculation standards and methodologies for GHG emissions referenced the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition) published by the Environmental Protection Department (EPD) and the Electrical and Mechanical Services Department (EMSD) of the Hong Kong SAR Government. The sources of emissions factors for the reporting of GHG emissions include Sustainability Reports of the local utility companies, Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition) and the "How to Prepare an ESG Report: Appendix 2: Reporting guidance on Environmental KPIs" published by HKEX. The GHG calculations cover carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), while hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3) are not applicable. Greenhouse gas emissions in Scope 3 include methane gas generation at landfill due to disposal of paper waste, greenhouse gas emissions due to electricity used for freshwater processing by the Water Services Department and sewage processing by the Drainage Services Department.

8 Including the diesel and petrol consumption by corporate fleet.

9 Including GHG emissions due to electricity and gas consumption.

10 Including methane gas generation at landfill due to disposal of paper waste, GHG emissions due to electricity used for freshwater processing by the Water Services Department and sewage processing by the Drainage Services Department.

4.2 PROMOTING GREEN TRANSITION

Measuring the carbon emissions in financed activities[11] is complex and rapidly evolving. Such emissions are a key indicator for financial institutions, serving as important criteria for making green investment decisions and managing climate risk while seizing transition opportunities. In 2022, we conducted for the first time, the measurement of carbon emissions in financed activities and the assessment of decarbonization and net zero targets for pilot industries.

To ensure consistency and standardisation in the measurement of carbon emissions in financed activities, we make reference to the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry ("PCAF Standard") published by PCAF for the measurement. PCAF is an international initiative formed by financial institutions, aiming to develop a globally consistent methodology for measuring carbon emissions in financed activities. The PCAF Standard is widely recognised globally, and its methodology is in line with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard issued by the Greenhouse Gas Protocol. The general principle is to account for greenhouse gas emissions corresponding to the value of assets by tracking the flow of funds. The current PCAF Standard covers asset classes such as equity, bonds, business loans, mortgages, etc.

At the same time, the Group's sustainable development strategy indicator system covers about 20 quantitative indicators, aiming to comprehensively assess and monitor the sustainable development performance of BOCHK. These indicators cover six sectors, including green and sustainable development financial scale, ESG risk management and control, carbon neutral operation in 2030, low-carbon transformation of customer service, and ESG capacity cultivation and support for SMEs. Through the sustainable development strategic indicator system, the Bank integrates ESG issues into business assessment objectives and its own strategy, continuously improves and optimizes business practices, and is committed to improving the sustainable development performance of enterprises and realizing the overall sustainable development value both internally and externally.

Going forward, we will keep track of regulatory requirements and industry practices in a timely manner and continue to optimise the models for carbon emissions in financed activities, enhance the data collection and data quality of the companies' greenhouse gas emissions, and improve the scientific basis and accuracy of measurements for carbon emissions and financed activities. We will also formulate decarbonization and net zero pathways for key industries based on the results enabled by an optimised model and enhanced data, directing the Bank's capital flows in line with climate adaption pathways and facilitating the Group to reduce the impact of investment and financing activities gradually and feasibly on climate change. We will also disclose the Bank's carbon emissions in financed activities and net zero targets for key industries in due course.

[11] Carbon emissions in financed activities are GHG emissions generated through financial services such as loans and investments.

4.3 GREEN AND SUSTAINABLE FINANCIAL SERVICES

We actively engage in innovation and research of a range of climate-related financial products and services to meet the evolving needs of our customers and encourage businesses to pursue and achieve more ambitious sustainable development objectives. We exercise all-reasonable effort in mitigating greenwashing risk, continue to build systematic mechanisms, and our management of green and sustainable products has reached a relatively mature level. The Group is persistently driving the development of sustainable finance products and services and has achieved significant business growth within the year.

The monthly average number of green mortgage loans granted increased
Compared with last year
4.4 times

The balance of ESG bond investment increased by
Compared with last year
80.7%

Green and sustainability-related loans increased by
From the end of the previous year
86.9%

Green deposits increased by
Compared with last year
19.9%

The summary of the relevant products is as follows:

Corporate Green Time Deposit Scheme	The Group provides green time deposit for corporates. This supports the largest range of green industries in the local market, and is the first green deposit to be certified by an independent third party in Hong Kong. Deposit funds will be used to support projects in the green building, pollution prevention and environmentally sustainable agriculture industries, in order to promote the transition to a low-carbon, climate-resilient and sustainable economy. This scheme is certified by an independent third party (Deloitte Touche Tohmatsu) and an attestation report on post-issuance of 2023 is obtained.
Green Loan, Sustainability Linked Loan	The Group provides green loan and sustainability linked loan financing service for eligible environmentally sustainable green project, or for corporate funding to improve its sustainability performance targets. Green loans are any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects. Green loans must align with the four core components of the Green Loan Principles 1. Based on Sustainability Linked Loan Principles 2, sustainability linked loans are any types of loan instruments and/or contingent facilities (such as bonding lines, guarantee lines or letters of credit) which incentivise the corporate's achievement of ambitious, predetermined sustainability performance objectives. The corporate's sustainability performance is measured using predefined sustainability performance targets (SPTs), as measured by predefined key performance indicators (KPIs), which may comprise or include external ratings and/or equivalent metrics, and which measure improvements in the corporate's sustainability profile. The Group, as a corporate green advisor, provides support to corporate in developing and promoting sustainable business model and assists corporate in designing green finance framework. We assist corporate in selecting green project, setup the guideline on the use of funding, and design the green loan framework under and comply with the international standards such as "Green Loan Principles", "Green Bond Principles", as well as coordinate with the application of certification from the third party certifiers. The certification is useful for corporate financing on green projects.
ESG related bond	Includes Green Bond, Social Bond, Sustainability Bond, Sustainability-Linked Bond, Transition Bond, and Other ESG-Related or Themed Bond.
Green Mortgage Plan	The Group has launched the first Green Mortgage Plan in Hong Kong. The residential projects of green mortgage include first-hand/second-hand private and government subsidised residential projects that have received the BEAM Plus platinum or gold rating issued by Hong Kong Green Building Council. As part of this program, additional rewards ("Green Mortgage Reward") will be offered to encourage citizens to support sustainable buildings and build a green future together.

APPENDIX 1: REPORT CONTENT INDEX

Disclosures in this report are prepared in line with the disclosure requirements of the HKMA's SPM module GS-1 "Climate Risk Management", and with reference to the TCFD's 11 disclosure recommendations.

TCFD Recommendations	Report Section
Governance	
a) Describe the board's oversight of climate-related risks and opportunities	
The board's oversight of climate-related issues, including processes and frequency by which the board and/or board committees are informed about climate-related issues; how the board considers climate-related issues when reviewing and guiding areas including strategy and plans; and how the board monitors and oversees progress against climate-related targets.	1.1 Governance Structure 1.2 The Board and its Committees 1.5 Performance Evaluation 1.6 Capacity Building
b) Describe management's role in assessing and managing climate-related risks and opportunities	
The management's role related to the assessment and management of climate-related issues, including whether they report to the board; description of organisational structures; processes to be informed of climate-related issues; and how climate-related issues are monitored.	1.1 Governance Structure 1.3 The Management and its Committees 1.4 The Sustainability Strategy Working Group 1.5 Performance Evaluation 1.6 Capacity Building
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	
Short-, medium-, and long-term time horizons; climate-related issues potentially arising in each time horizon that could have a material financial impact on the organisation; and the processes used to determine climate risk and related opportunities.	2.1 Solidification & Growth 2.2 Promoting Green and High-quality Development – Promoting Low-carbon Development for Business Portfolio 2.3 Promoting Green and High-quality Development – Achieving Internal Green and Low-carbon Operations 2.4 Strengthening Efficient and Transparent Governance 3.2 Identification of Climate Risk 3.3 Climate Risk Management Mechanism

TCFD Recommendations	Report Section	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		
How identified climate-related issues affect businesses, strategy, and financial planning; the impact of climate-related issues on financial performance and financial position; initiatives taken to reduce greenhouse gas emissions; and climate scenarios used to inform strategy and financial planning.	1.7	Relevant Policies
	2.1	Solidification & Growth
	2.2	Promoting Green and High-quality Development – Driving Low-carbon Transition for Business Portfolio
	2.3	Promoting Green and High-quality Development – Achieving Green and Low-carbon Operations
	3.2	Identification of Climate Risk
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios (including a 2°C or lower scenario)		
Resilience of strategies to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organisation, scenarios consistent with increased physical climate-related risks.	3.4	Climate Risk Stress Testing
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Risk management processes for identifying and assessing climate-related risks, including how the relative significance of climate-related risks are determined in relation to other risks; and how existing and emerging regulatory requirements related to climate change is considered.	3.2	Identification of Climate Risk
	3.3	Climate Risk Management Mechanism
	3.4	Climate Risk Stress Testing
	3.6	Challenges and Outlook
b) Describe the organisation's processes for managing climate-related risks		
Processes for managing climate-related risks, including how decisions are made to mitigate, transfer, accept, or control those risks; and processes for prioritising climate-related risks.	3.3	Climate Risk Management Mechanism
	3.5	Climate Risk Data Management
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		
How processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.	3.1	Climate Risk Management System
	3.2	Identification of Climate Risk
	3.3	Climate Risk Management Mechanism

TCFD Recommendations	Report Section	
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process		
Key metrics used to measure and manage climate risk and opportunities; and internal carbon prices as well as climate-related opportunity metrics (if applicable).	3.4	Climate Risk Stress Testing
	4.2	Promoting Green Transition
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks		
Scope 1, scope 2, and scope 3 emissions (if applicable) and its related risks.	4.1	Green Operation
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Key climate objectives in response to anticipated regulatory requirements, market changes, or other objectives.	4.1	Green Operation

APPENDIX 2: VERIFICATION STATEMENT

NATURE OF THE ASSURANCE/VERIFICATION

SGS Hong Kong Limited (hereinafter referred to as "SGS") was commissioned by BOC Hong Kong (Holdings) Limited (hereinafter referred to as "the Company") to conduct an independent assurance of the "Climate-related Financial Information Disclosure Report 2023 (hereinafter referred to as "the Report"). The Report gives an overview of the climate risk management performance of the Company and its subsidiaries (hereinafter referred to as "the Group"), including its principal operating subsidiary Bank of China (Hong Kong) Limited ("BOCHK"), during 2023. The information and data contained in the Report cover the period from 1 January 2023 to 31 December 2023.

INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all stakeholders of the Company.

RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors, governing body and the management of the Company. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all stakeholders of the Company.

ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board. The verification process was designed to obtain a reasonable level of assurance for the purpose of devising the verification opinion and conclusion.

The assurance of this report has been conducted according to the following Assurance Standard:

Assurance Standard	Level of Assurance
ISAE 3000	Reasonable

SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included the evaluation of adherence of the report content to the following reporting criteria, the accuracy and reliability of the data and information disclosed in the Report, including Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions (Scope 3 emissions include disposal of paper waste to landfill, electricity used for freshwater processing by the Water Services Department and sewage processing by the Drainage Services Department):

Reporting Criteria
1) Task Force on Climate-related Financial Disclosures ("TCFD") recommendations (Referring to)
2) The climate risk management disclosure requirements of the Module Code GS-1 (hereinafter referred to as "GS-1") of the Supervisory Policy Manual by Hong Kong Monetary Authority ("HKMA") (Referring to)

ASSURANCE METHODOLOGY

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, data management mechanism verification, climate risk assessment process review, documentation and record review of the selected data and information as well as material raw data review.

INHERENT LIMITATIONS

The GHG emissions are quantified based on the relevant estimated values provided by the relevant organizations. There is a certain level of inherent uncertainty because the estimated values come from estimation.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirms our independence from the Company, being free from bias and conflicts of interest with the Company, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised sustainability professionals and auditors specializing in the Environmental, Social and Governance (ESG), environmental, climate change and carbon fields.

FINDINGS AND CONCLUSIONS

ASSURANCE/VERIFICATION OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the specified performance information included in the scope of assurance is accurate and reliable, has been fairly stated and has been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the Company has chosen an appropriate level of assurance for this stage in their reporting.

Signed:

For and on behalf of SGS Hong Kong Limited

Miranda Kwan
Director
Business Assurance
14th June 2024

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